

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

Consolidated Financial Statements
for the Financial Year Ended December 31, 2022
and Independent Auditor's Report

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(S.A.E.)
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<u>Contents</u>	<u>Page no.</u>
- Independent Auditor's Report	1-3
- Consolidated Statement of Financial Position	4
- Consolidated Statement of Profit or Loss	5
- Consolidated Statement of Comprehensive Income	6
- Consolidated Statement of Changes in Equity	7
- Consolidated statement of Cash Flows	8
- Notes to the Consolidated Financial Statements	9-60



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Independent Auditors' Report on Consolidated Financial Statements

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

Report on the consolidated financial statements

We have audited the consolidated financial statements of Lecico Egypt Company (S.A.E.) ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except for the effects of the matters referred to below in paragraphs (1) to (4) in the Basis for Qualified Opinion section of our report, we conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

FA

Basis for Qualified Opinion

- 1- As disclosed in note (3) of the notes to the consolidated financial statements, the Company's management have consolidated the financial information of the Lebanese Ceramic Industries company (subsidiary) for the financial year ended December 31, 2022, in the Group's consolidated financial statements, based on unaudited financial information. We did not receive the auditors' reports on the financial information, and accordingly, we were not provided with sufficient and appropriate evidence regarding whether this financial information present fairly, in all material respects, the net assets, financial performance and cash flows associated with this financial information for the financial year ended December 31, 2022.

The total assets of the Lebanese Ceramic Industries company amounted to approximately EGP 379 million as of December 31, 2022 which represents 8% of the Group's total assets, whereas the total liabilities of the Lebanese Ceramic Industries company as of December 31, 2022 amounted to approximately EGP 22 million after eliminating the intercompany balances, which represents 1% of the Group's total liabilities and total revenue of the Lebanese Ceramic Industries company for the financial year ended December 31, 2022 amounted to approximately EGP 58.6 million which represents 2% of the Group's total revenue.

- 2- The Lebanese economy has the characteristics of a hyperinflationary economy as described in IAS 29 "Financial Reporting in Hyperinflationary Economies" and the Lebanese Ceramic Industries Company's functional and presentation currency is the Lebanese Lira. An entity whose functional currency is the currency of a hyperinflationary economy is required by IAS 29 to state amounts in the financial information (including comparative information if the presentation currency is hyperinflationary) in terms of current purchasing power at the end of the reporting period and to include the gain or loss on the net monetary position in profit or loss. The Lebanese Ceramic Industries company (subsidiary) has not applied the requirements of IAS 29 in the accompanying financial information. Had IAS 29 been applied and amounts in the financial information were stated in terms of current purchasing power, many elements in the financial information related to the Lebanese Ceramic Industries company (subsidiary) would have been materially affected and a gain or loss on the net monetary position would have been included in consolidated statement of profit or loss. The effects on the financial information of the failure to apply IAS 29 on the consolidated financial statements have not been determined.
- 3- The Lebanese Ceramic Industries company (subsidiary) did not prepare a study for the expected credit loss in accordance with the requirements of IFRS 9 "Financial Instruments" to calculate the required impairment loss based on the expected credit loss model for its financial assets which should reflect a probability-weighted outcome, the time value of money, the best available forward-looking information including events that have a detrimental impact on the estimated future cash flows of these financial assets. Accordingly we were not able to obtain assurance on the accuracy and valuation of financial assets.



Hazem Hassan

- 4- The finished goods inventories of the Lebanese Ceramic Industries company (subsidiary) are carried in the consolidated statement of financial position at EGP 143.7 million as of December 31, 2022, were not stated at the lower of cost or net realizable value but were stated solely at cost, which constitutes a departure from IAS 2 "Inventories". In the absence of information to assess the recoverability of these assets, we were unable to satisfy ourselves as to the appropriateness of the carrying amount of inventory.
- 5- The Lebanese Ceramic Industries company (subsidiary) charged the accumulated losses with an amount of EGP 10.6 million representing the paid fees that were payable to the electricity Company for the period from March 1996 to August 2003, and the company did not comply with the accounting treatment and disclosure requirements of IAS (8) whereas the company should have restated the opening balances of liabilities and equity for the earliest prior period presented.

Qualified Opinion

In our opinion, expect for the effect of the probable adjustments that might be needed if we received information and studies referred to in paragraphs (1) to (4) and the effects of the matter referred to in paragraph (5) in the Basis for Qualified Opinion section above, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lecico Egypt, as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards and in the light of the prevailing Egyptian laws to the preparation of these consolidated financial statements.

Other matters

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


KPMG Hazem Hassan
Public Accountants & Consultants
Fares Amer Imam Amer
Capital Market Register No. 230

Alexandria on February 28, 2023

KPMG Hazem Hassan
Public Accountants and consultants

Lecico Egypt (S.A.E.)
Consolidated statement of Financial Position as of December 31, 2022
According to International Financial Reporting Standards (IFRS)

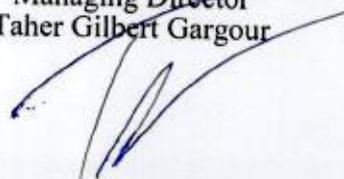
	Note No.	December 31, 2022 EGP	December 31, 2021 EGP
Assets			
Non-Current Assets			
Property, plant & equipment	(13)	1 985 521 668	1 580 363 112
Projects under construction	(14)	12 066 529	3 956 789
Intangible assets	(15)	10 918 162	6 687 265
Equity-accounted investees	(16)	21 977	5 871 191
Notes receivable	(17)	541 578	6 085 311
Non-Current Assets		2 009 069 914	1 602 963 668
Current Assets			
Inventories	(18)	1 238 161 960	976 532 151
Trade and other receivables	(19)	950 302 178	656 813 456
Cash and cash equivalents	(20)	497 963 520	177 116 247
Current Assets		2 686 427 658	1 810 461 854
Total Assets		4 695 497 572	3 413 425 522
Equity and liabilities			
Equity			
Share capital	(22)	400 000 000	400 000 000
Reserves	(23)	1 813 887 128	1 475 193 606
Accumulated (losses)	(22)	(367 624 208)	(330 972 384)
Net (loss) of the year		(3 189 618)	(36 355 634)
Equity attributable to holding company		1 843 073 302	1 507 865 588
Non-controlling interests	(22-3)	57 280 922	35 214 304
Total Equity		1 900 354 224	1 543 079 892
Non-Current Liabilities			
Loans	(25)	8 240 932	24 597 468
Non-current portion of lease	(26)	71 523 861	56 066 868
Long-term notes payable	(29)	265 622 137	177 376 553
Provisions	(27)	21 349 926	8 371 135
Deferred tax liabilities	(11-2)	110 881 391	13 357 906
Non-Current Liabilities		477 618 247	279 769 930
Current Liabilities			
Banks credit facilities	(21)	1 247 271 122	823 948 627
Accrued income tax	(11-5)	41 393 653	39 950 980
Loans	(25)	30 338 673	14 585 450
Current portion of lease	(26)	16 424 592	10 306 746
Trade and other payables	(30)	933 175 828	673 725 980
Provisions	(27)	48 921 233	28 057 917
Current Liabilities		2 317 525 101	1 590 575 700
Total Liabilities		2 795 143 348	1 870 345 630
Total Equity and Liabilities		4 695 497 572	3 413 425 522

- Notes from no (1) to no (38) are an integral part of these consolidated financial statements.
- Auditors Report attached,

Finance Director
 Mohamed Hassan



Managing Director
 Taher Gilbert Gargour



Lecico Egypt (S.A.E.)**Consolidated statement of Profit or loss for the financial year ended December 31, 2022****According to International Financial Reporting Standards (IFRS)**

		For the year ended December 31,	
		2022	2021
	Note	<u>EGP</u>	<u>EGP</u>
	<u>No.</u>		
Revenue	(5)	3 273 784 906	2 642 209 737
Cost of sales	(6)	<u>(2 675 219 223)</u>	<u>(2 158 926 905)</u>
Gross Profit		598 565 683	483 282 832
Other Income	(7)	92 283 850	57 842 701
Selling and distribution Expenses		(221 221 846)	(186 072 089)
Administrative Expenses		(244 039 621)	(191 020 391)
Expected credit loss in trade and other receivables	(8)	(42 416 673)	(24 945 000)
Other Expenses	(9)	<u>(214 480 177)</u>	<u>(89 151 286)</u>
operating (Loss)/Profit		(31 308 784)	49 936 767
Net finance income /(expenses)	(10)	107 720 271	(18 904 839)
Share of profit of equity- accounted investees net of tax		--	1 875 122
Profit before tax		76 411 487	32 907 050
Income tax expense	(11)	<u>(63 682 355)</u>	<u>(56 243 587)</u>
Net Profit/ (loss) for the year		12 729 132	(23 336 537)
<u>Profit/ (loss) Attributable to:</u>			
Shareholders of the holding company		(3 189 618)	(36 355 634)
Non-controlling interests		15 918 750	13 019 097
Net Profit /(loss) for the year		12 729 132	(23 336 537)
Basic and diluted Earing / loss per share (EGP/Share)	(12)	(0.04)	(0.45)

- Notes from no (1) to no (38) are an integral part of these consolidated financial statements.

Lecico Egypt (S.A.E.)

**Consolidated Statement of Comprehensive Income for the financial year Ended December 31, 2022
According to International Financial Reporting Standards (IFRS)**

	For the year ended December 31,	
	2022	2021
	<u>EGP</u>	<u>EGP</u>
<u>Other Comprehensive Income</u>		
Net Profit/ (loss) for the year	12 729 132	(23 336 537)
<u>Items of other comprehensive income:</u>		
<u>Items that may be reclassified to profit or loss statement</u>		
foreign operations- foreign currency translation differences of subsidiaries financial statements	38 072 456	356 163
<u>Items that will not be reclassified to profit or loss statement</u>		
Land revaluation surplus	414 067 348	--
Income tax related to other comprehensive income items	(96 940 198)	--
Total other comprehensive income for the year after tax	<u>355 199 606</u>	<u>356 163</u>
Total comprehensive income for the year	<u>367 928 738</u>	<u>(22 980 374)</u>
 <u>Total comprehensive income attributable to:</u>		
Shareholders of the holding company	345 304 895	(28 226 620)
Non-controlling interests	22 623 843	5 246 246
Total comprehensive income for the year	<u>367 928 738</u>	<u>(22 980 374)</u>

- Notes from no (1) to no (38) are an integral part of these consolidated financial statements.

Lecico Egypt (S.A.E.)

Consolidated Statement of Changes in Equity for the financial year Ended December 31, 2022

According to International Financial Reporting Standards (IFRS)

	Note No.	Issued & Paid up Capital EGP	Reserves EGP	Accumulated (losses) EGP	Net (Loss) for the year EGP	Equity of the holding company EGP	Non-controlling Interests EGP	Total Equity EGP
Balance as of January 1, 2021		400 000 000	1 467 064 592	(110 367 237)	(220 605 147)	1 536 092 208	29 968 058	1 566 060 266
<u>Total Comprehensive Income</u>								
Other comprehensive income		--	8 129 014	--	--	8 129 014	(7 772 851)	356 163
Net (loss) for the financial year ended December 31, 2021		--	--	--	(36 355 634)	(36 355 634)	13 019 097	(23 336 537)
Total comprehensive income		--	8 129 014	--	(36 355 634)	(28 226 620)	5 246 246	(22 980 374)
Transferred to accumulated losses		--	--	(220 605 147)	220 605 147	--	--	--
Balance as of December 31, 2021		400 000 000	1 475 193 606	(330 972 384)	(36 355 634)	1 507 865 588	35 214 304	1 543 079 892
Balance as of January 1, 2022		400 000 000	1 475 193 606	(330 972 384)	(36 355 634)	1 507 865 588	35 214 304	1 543 079 892
Impact of correction of prior years errors	(33)	--	--	(10 097 181)	--	(10 097 181)	(557 225)	(10 654 406)
Total Comprehensive income		400 000 000	1 475 193 606	(341 069 565)	(36 355 634)	1 497 768 407	34 657 079	1 532 425 486
Other comprehensive income		--	348 494 513	--	--	348 494 513	6 705 093	355 199 606
Net (loss) / profit for the financial year ended December 31, 2022		--	--	--	(3 189 618)	(3 189 618)	15 918 750	12 729 132
Total comprehensive income		--	348 494 513	--	(3 189 618)	345 304 895	22 623 843	367 928 738
Transferred to accumulated losses		--	--	(36 355 634)	36 355 634	--	--	--
Transferred from reserves to accumulated losses	(23)	--	(9 800 991)	9 800 991	--	--	--	--
Balance as of December 31, 2022		400 000 000	1 813 887 128	(367 624 208)	(3 189 618)	1 843 073 302	57 280 922	1 900 354 224

▪ Notes from no (1) to no (38) are an integral part of these consolidated financial statements.

Lecico Egypt (S.A.E.)
Consolidated Statement of Cash Flows for the financial year Ended December 31, 2022
According to International Financial Reporting Standards (IFRS)

	Note No.	December 31, 2022 EGP	December 31, 2021 EGP
<u>Cash Flow from Operating Activities</u>			
Net profit for the year before tax		76 411 487	32 907 050
<u>Adjusted by the following:</u>			
Property, Plant & equipment depreciation	(13)	109 473 692	115 207 899
Intangible assets amortization	(15)	1 178 540	979 111
Interest income	(10)	(4 980 868)	(3 840 095)
Finance expense	(10)	101 946 625	76 773 124
Losses/ (gains) on hedge contracts	(10)	104 213 713	(30 431 181)
Capital loss/ (gain)	(9)	27 087 618	(109 679)
Impairment of intangible assets	(9)	--	15 000 000
Finance interest expenses on lease contracts	(26)	3 167 892	1 669 361
Impairment in equity-accounted investees	(9)	6 924 716	--
Change in translation reserve and foreign currency differences		123 372 171	(2 304 304)
Profit generated from operations		548 795 586	205 851 286
Change in inventories	(18)	(297 844 509)	(142 879 579)
Change in trade,notes and other receivables and notes receivables	(19)	(286 906 587)	(34 244 384)
Change in trade, notes and other payables and notes payables	(30)	333 861 468	158 422 920
Change in provisions	(27)	29 675 532	(7 320 852)
Payments of employees dividend		(46 777 535)	(42 500 000)
		280 803 955	137 329 391
Interest income received		4 980 868	3 840 095
Interest expense paid		(105 114 517)	(78 442 485)
Paid income tax		(55 308 945)	(57 773 970)
Net cash from operating activities		125 361 361	4 953 031
<u>Cash Flow from Investing Activities</u>			
Payments for acquisition of property, plant & equipment and project under construction	(13),(14)	(103 770 910)	(65 328 747)
Payments for acquisition of intangible assets		(2 531 617)	(2 457 965)
Proceeds from sale of property, plant and equipment		19 199 374	111 972
Net cash (used in) investing activities		(87 103 153)	(67 674 740)
<u>Cash Flow from Financing Activities</u>			
Payments of loans	(25)	(21 376 973)	(6 708 359)
Payments of lease liabilities	(26)	(15 142 743)	(10 100 728)
Net proceeds from banks credit facilities		423 322 494	106 769 251
(payment)proceeds from hedge contract		(104 213 713)	30 431 181
Net cash provided from financing activities		282 589 065	120 391 345
Net change in cash and cash equivalents during the year		320 847 273	57 669 636
Cash and cash equivalents at the beginning of the year	(20)	132 116 247	119 446 611
Change in restricted time deposits	(20)	15 000 000	(45 000 000)
Cash and cash equivalents at the end of the year	(20)	467 963 520	132 116 247

- The notes from no. (1) to no. (38) are an integral part of these consolidated financial statements.
- The value of transactions that represent non-cash transaction have been excluded as shown in note no.(28) of the notes to the consolidated financial statements.

Lecico Egypt (S.A.E.)**Notes to the Consolidated Financial Statements for the financial year ended December 31, 2022
According to International Financial Reporting Standards (IFRS)****1- Background for holding company and subsidiaries**

These consolidated financial statements of Lecico Egypt company for the financial year ended December 31, 2022 comprise of the holding company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”)

- 1-1 The headquarters of the holding company is located in Alexandria, and Mr Taher Gargour is a managing director.

1-2 Lecico Egypt (The holding Company)

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

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

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

1-4 Subsidiaries

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

	<u>Country of Incorporation</u>	<u>Ownership Interest (direct and indirect) December 31, 2022 %</u>	<u>December 31, 2021 %</u>	
1-	Lecico for Ceramics Industries (S.A.E.)	Egypt	99.99	99.99
2-	TGF for Consulting and Trading (S.A.E.)	Egypt	99.83	99.83
3-	Lecico for Financial Investments (S.A.E.)	Egypt	99.33	99.33
4-	The Lebanese Ceramics Industries (S.A.L.)	Lebanon	94.77	94.77
5-	International Ceramics (S.A.E.)	Egypt	99.97	99.97
6-	Lecico for Trading and Distribution of Ceramics (S.A.E.)	Egypt	70	70
7-	European Ceramics (S.A.E)	Egypt	99.97	99.97
8-	Sarrguemines (S.A.E) (previously “Lecico Plus for Trading”)	Egypt	99.85	99.85
9-	Burg Armaturen Fabrik - Sarrdesign (S.A.E.)	Egypt	69.85	69.85
10-	<u>Lecico UK (Ltd)</u>	United Kingdom	100	100
10-1	Lecico PLC	United Kingdom	100	100
10-2	Lecico S. A	South Africa	51	51
10-3	Lecico Poland	Poland	80	80
10-4	Lecico France	France	100	100

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

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

Lecico Egypt (S.A.E.)

**Notes to the Consolidated Financial Statements for the financial year ended December 31, 2022
According to International Financial Reporting Standards (IFRS)**

2- Basis of Preparation of consolidated financial statements

2-1 Basis of accounting

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

- Consolidated financial statements are prepared according to the historical cost basis, except for financial assets and liabilities that are stated at fair value and amortized cost.
- Significant accounting policies applied policies are disclosed in note no (37)
- The accompanying financial statements were authorized for issuance by the board of director on February 28, 2023.

2-2 Functional and presentation currency

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

2-3 Use of Estimates and Judgments

The preparation of consolidated financial statements accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

- The estimates and underlying assumptions are reviewed on an ongoing basis.
- Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future years affected.
 - 1- Productive ages of fixed assets and intangible assets
 - 2- Proof of deferred tax assets.
 - 3- Impairment in the value of financial investments in associates.
 - 4- Impairment in the values of customers, debtors and related party receivables.
 - 5- provisions
 - 6- Classification of leases.
 - 7- Revenue Recognition: Revenue is recognized in accordance with what is detailed in the accounting policies applied.
 - 8- Investments by equity method.
 - 9- Measuring the fair value of long-term non-financial assets (Land)

Lecico Egypt (S.A.E.)

Notes to the Consolidated Financial Statements for the financial year ended December 31, 2022

According to International Financial Reporting Standards (IFRS)

A- Judgments

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

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

B- Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at December 31, 2022 that might have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note No. (37-2) Revenue recognition and estimation of sales returns (if any)
- Note No. (37-16) Recognition and measurement of provisions and contingent liabilities: Basic assumptions about the probability and magnitude of resource flows.
- Note No (37-13) Measurement of expected credit losses for financial assets.
- Note No (37-9) Useful life of Fixed Assets Note
- Note No. (37-7) Deferred Tax Assets
- Note No. (37-15) Impairment in the amount of financial investments in subsidiaries and associates.
- Note No. (37-11) Study of impairment in goodwill and intangible assets.
- Measuring the fair value of long-term non-financial assets (Land)

Impairment of non-financial assets

On the date of preparing the consolidated financial statements, the company evaluates the asset if there is an indication that the asset has decreased in value. If there is an indication of that, the company evaluates the recoverable amount of the asset. The recoverable amount of the asset is the fair value of the asset less selling costs or its value in use. Whichever is higher, when assessing the value in use, the estimated future cash flows of the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When determining the fair value less costs to sell, recent market transactions are taken into account. If the recoverable amount of an asset is estimated to be less than its carrying amount, the separate carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized directly in the profit or loss statement. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss existed for the asset in prior years, A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss.

Lecico Egypt (S.A.E.)

Notes to the Consolidated Financial Statements for the financial year ended December 31, 2022

According to International Financial Reporting Standards (IFRS)

Provisions

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.

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 depreciation. 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.

Leases - Incremental borrowing rate report

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

2-4 Fair value measurement

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

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

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

Lecico Egypt (S.A.E.)

**Notes to the Consolidated Financial Statements for the financial year ended December 31, 2022
According to International Financial Reporting Standards (IFRS)**

3- The separate financial statements of Lecico Lebanon (Subsidiary Company) for the financial year ended December 31, 2022

Since 2019, Lebanon faced unstable Political conditions, which had the greatest impact on its economy and the banking sector that resulted in general decline in the economic activity during the year. These may have significant influence on the valuation of the Lebanese subsidiary's assets and liabilities resulting from carrying out its activity in the future. In the light of the previously mentioned conditions and their consequences on commercial activity in Lebanon generally, the Lebanese subsidiary's auditor was not able to quantify the effect of such conditions on the values of assets and liabilities included in its individual financial statements as at December 31, 2022.

On preparing the accompanying consolidated financial statements on December 31, 2022, the Group management relied on unaudited financial statements for Lecico Lebanon consolidated financial statements prepared by the management of the company.

The following is a summary of the financial information of the subsidiaries, which were included in the consolidated financial statements on December 31, 2022 after translation to the Egyptian pound.

<u>Financial position statement as of December 31, 2022</u>	Lecico Lebanon EGP (unaudited) <u>December 31, 2022</u>	Lecico Lebanon EGP <u>December 31, 2021</u>
<u>Assets</u>		
Non-current assets	377 670 427	277 256 665
Current assets	295 743 878	190 787 336
Total assets	673 414 305	468 044 001
<u>Equity</u>		
Issued & paid up capital	10 974 654	10 974 654
Reserves	469 657 766	374 836 845
Accumulated losses	(38 364 142)	(36 094 628)
Foreign currency translation differences	61 968 451	(112 175)
Total Equity	504 236 729	349 604 696
<u>Liabilities</u>		
Non-current liabilities	13 647 540	4 268 749
Current liabilities	8 450 230	19 173 039
Current liabilities-lecico Egypt	147 079 806	94 997 517
Total liabilities	169 177 576	118 439 305
Equity and liabilities	673 414 305	468 044 001
<u>Profit or loss statement for the financial year ended on December 31, 2022</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Sales	58 615 781	39 901 379
Cost of sales	(168 521 994)	(77 209 839)
Gross (loss)	(109 906 213)	(37 308 460)
Operating income	1 609 871	1 370 197
Operating expenses	(168 306 514)	(26 665 816)
Net of finance income	274 333 342	36 618 137
Net (loss) for the year	(2 269 514)	(25 985 942)

Lecico Egypt (S.A.E.)

Notes to the Consolidated Financial Statements for the financial year ended December 31, 2022

According to International Financial Reporting Standards (IFRS)

4- Segment Information

- Segment information of the Company and its subsidiaries are presented as the basis for the preparation of their own financial information.
- Segments are determined according to the method used internally to submit financial reports to senior management.

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

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

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

<u>December 31, 2022</u>	<u>Sanitary Ware Segment</u>	<u>Tile Segment</u>	<u>Brass ware Segment</u>	<u>Total</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Assets	2 335 328 728	2 334 351 148	25 817 696	4 695 497 572
Liabilities	1 353 756 097	1 346 688 411	94 698 840	2 795 143 348
Revenues	2 004 487 698	1 083 560 841	185 736 367	3 273 784 906
Net (loss)/profit attributable to shareholders of the holding Company	<u>(22 617 536)</u>	<u>(12 226 304)</u>	<u>31 654 222</u>	<u>(3 189 618)</u>
<u>December 31,2021</u>				
Assets	1 727 354 173	1 671 981 063	14 090 286	3 413 425 522
Liabilities	935 595 697	868 116 990	66 632 943	1 870 345 630
Revenues	1 607 841 248	896 267 324	138 101 165	2 642 209 737
Net (loss)/Profit attributable to share holders of the holding Company	<u>(36 916 158)</u>	<u>(20 578 367)</u>	<u>21 138 891</u>	<u>(36 355 634)</u>

Lecico Egypt (S.A.E.)

Notes to the Consolidated Financial Statements for the financial year ended December 31, 2022

According to International Financial Reporting Standards (IFRS)

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

The Group's assets, liabilities and results of operations as of and for the year ended December 31, 2022 and December 31, 2021 by geographical areas are detailed below:

December 31, 2022

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

December 31, 2021

Assets	2 765 013 239	331 426 275	316 986 008	3 413 425 522
Liabilities	1 526 174 192	106 920 718	237 250 720	1 870 345 630
Revenues	2 295 911 693	31 278 836	315 019 208	2 642 209 737
Net (loss)/profit attributable to shareholders of the holding Company	<u>(18 133 546)</u>	<u>(24 626 877)</u>	<u>6 404 789</u>	<u>(36 355 634)</u>

Lecico Egypt (S.A.E.)

Notes to the Consolidated Financial Statements for the financial year ended December 31, 2022
According to International Financial Reporting Standards (IFRS)5- **Revenue**

	Note No.	31/12/2022 EGP	31/12/2021 EGP
Sanitary Ware		2 004 487 698	1 607 841 248
Tile		1 083 560 841	896 267 324
Brass ware		185 736 367	138 101 165
		3 273 784 906	2 642 209 737

6- **Cost of sales**

Cost of sales		2 632 974 601	2 087 995 560
<u>Add:</u>			
Employees' share in profit		42 244 622	70 931 345
		2 675 219 223	2 158 926 905

7- **Other Income**

Provisions no longer required		--	5 870 197
Net Capital Gains		--	109 679
Scrap Sales and other income		62 140 026	13 938 296
Discounting long term notes receivables and payables to its present value		30 143 824	22 418 575
Earned exemptions		--	15 505 954
		92 283 850	57 842 701

8- **Expected credit loss in trade and other receivables**

Expected credit loss in Trade and other receivables	(19)	42 416 673	24 945 000
		42 416 673	24 945 000

9- **Other Expenses**

Formed claims provision	(27)	40 153 116	8 700 000
Miscellaneous expenses		57 530 622	56 076 239
Remuneration of the holding company's board of directors	(31)	5 063 700	4 180 216
Impairment in intangible assets		--	15 000 000
Inventory write off	(18)	77 720 405	5 194 831
Impairment in investments	(16)	6 924 716	--
Capital loss		27 087 618	--
		214 480 177	89 151 286

Lecico Egypt (S.A.E.)

**Notes to the Consolidated Financial Statements for the financial year ended December 31, 2022
According to International Financial Reporting Standards (IFRS)**

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

	Note	31/12/2022	31/12/2021
	<u>No.</u>	<u>EGP</u>	<u>EGP</u>
Finance expenses		101 946 625	76 773 124
Finance interest on lease contracts	(26)	3 167 892	1 669 361
Loss on hedge contracts*		104 213 713	--
Total finance expenses		209 328 230	78 442 485
<u>Less:</u>			
<u>Finance Income</u>			
Interest Income		4 980 868	3 840 095
Gain on hedge contracts		--	30 431 181
Foreign currency exchange differences		312 067 633	25 266 370
Total finance income		317 048 501	59 537 646
Net finance (income)/expenses		(107 720 271)	18 904 839

*The management of the holding company entered into hedging contracts in US dollars with one of the company's banks, and these transactions resulted in losses of EGP 104 million during the year (2021: gain of EGP 30.4 million) that were recognized in the profit or loss statement and there are no outstanding balances for those contracts as of December 31, 2022, and December 31, 2021.

11- Income tax**11.1. Income tax recorded at profit or loss statement**

	31/12/2022	31/12/2021
	<u>EGP</u>	<u>EGP</u>
Income tax for the year	56 751 618	51 469 568
Deferred income tax/expense/(benefit)	583 287	(1 503 581)
Dividends' Tax	6 347 450	6 277 600
	63 682 355	56 243 587

Lecico Egypt (S.A.E.)

Notes to the Consolidated Financial Statements for the financial year ended December 31, 2022
According to International Financial Reporting Standards (IFRS)**11.2. Recognized deferred tax assets and liabilities**

	2020	Recognized in Profit or Loss Statement		2021		Net
		Assets	Liability	Assets	Liability	
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Property, Plant and Equipment	20 722 744	(2 706 889)	--	18 015 855	18 015 855	18 015 855
Accumulated losses	(1 648 161)	992 164	655 997	--	(655 997)	(655 997)
Inventory	(4 213 096)	211 144	4 001 952	--	(4 001 952)	(4 001 952)
Deferred Tax During the Year	14 861 487	(1 503 581)	4 657 949	18 015 855	13 357 906	13 357 906

	2021	Recognized in Profit or Loss Statement		Recognized in the Comprehensive Income Statement		2022	Net
		Assets	Liability	Assets	Liability		
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Property, Plant and Equipment	18 015 855	111 050	96 940 198	--	115 067 103	115 067 103	115 067 103
Accumulated losses	(655 997)	244 383	--	411 614	--	(411 614)	(411 614)
Inventory	(4 001 952)	227 854	--	3 774 098	--	(3 774 098)	(3 774 098)
Deferred Tax During the Year	13 357 906	583 287	96 940 198	4 185 712	115 067 103	110 881 391	110 881 391

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.

11.3. Reconciliation of effective tax rate

	31/12/2022	31/12/2021
	<u>EGP</u>	<u>EGP</u>
Net Profit before tax	76 411 487	32 907 050
Tax rate	22.5%	22.5%
Income tax calculated based on the accounting Profit	17 192 584	7 404 086
Foreign currencies exchange differences	(39 599 253)	9 057 409
Effect of provisions and ECL	121 608 164	142 875 618
Investment financing cost	(6 347 450)	6 277 600
Non tax deductible exepnses	159 875 862	87 451 777
Tax base	311 948 810	278 569 454
Exemption (investments income)	(57 127 050)	(56 498 400)
Tax base	22.5% 254 821 760	22.5% 222 071 054
Tax from profit or loss statement	57 334 896	49 965 987
Effective Tax Rate	75.034%	152%

Lecico Egypt (S.A.E.)

**Notes to the Consolidated Financial Statements for the financial year ended December 31, 2022
According to International Financial Reporting Standards (IFRS)**

11.4. Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items no:

	31/12/2022	31/12/2021
	<u>EGP</u>	<u>EGP</u>
Impairment of trade and notes receivables	53 011 964	34 107 560
Provisions	15 811 010	8 196 537
Impairment of equity-accounted investees	1 580 539	22 478
Total	<u>70 403 513</u>	<u>42 326 575</u>

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

11.5. Accrued income tax

	31/12/2022	31/12/2021
	<u>EGP</u>	<u>EGP</u>
Current income tax	56 751 618	51 469 567
Tax authority-withholding tax	(15 357 965)	(11 518 587)
	<u>41 393 653</u>	<u>39 950 980</u>

12- (Loss) per share(EGP/share)

(Loss) per share for the financial year ended December 31, 2022 was calculated as follows:

	<u>December 31,2022</u>	<u>December 31,2021</u>
Net (loss) for the year for holding company's shareholders (EGP)	(3 189 618)	(36 355 634)
The number of outstanding shares during the year (share)	80 000 000	80 000 000
(Loss) per share (EGP / share)	<u>(0.04)</u>	<u>(0.45)</u>

Lecico Egypt (S.A.E.)
Note to the Consolidated Financial Statements for the financial year ended December 31, 2022
According to International Financial Reporting Standard (IFRS)

13-Property, plant and equipment

<u>Cost</u>	<u>Land</u> <u>EGP</u>	<u>Buildings</u> <u>EGP</u>	<u>Leasehold</u> <u>Improvements</u> <u>EGP</u>	<u>Machinery</u> <u>&</u> <u>Equipment</u> <u>EGP</u>	<u>Vehicles</u> <u>EGP</u>	<u>Tools</u> <u>EGP</u>	<u>Furniture, Office</u> <u>Equipment</u> <u>& Computers</u> <u>EGP</u>	<u>Rights - of use</u> <u>assets</u> <u>EGP</u>	<u>Total</u> <u>EGP</u>
As of 01/01/2022	1 149 405 311	401 654 669	21 195 934	1 226 965 091	70 291 621	187 533 016	42 450 562	76 671 638	3 176 167 842
Translation differences	981 258	23 540 901	4 229 930	106 708 552	10 918 374	9 480 687	3 579 667	27 884 138	187 323 507
Land revaluation surplus	414 067 348	--	--	--	--	--	--	--	414 067 348
Additions during the year	--	6 532 390	2 840 973	75 529 115	5 335 031	2 072 940	3 350 721	8 433 416	104 094 586
Disposals during the year	(25 045 989)	(43 401 709)	(289 850)	(40 187 171)	(2 553 275)	--	--	--	(111 477 994)
As of 31/12/2022	1 539 407 928	388 326 251	27 976 987	1 369 015 587	83 991 751	199 086 643	49 380 950	112 989 192	3 770 175 289
Accumulated Depreciation									
As of 01/01/2022	--	250 302 380	16 802 511	1 050 818 712	67 609 934	155 467 008	37 198 505	17 605 680	1 595 804 730
Translation differences	--	14 931 321	2 172 955	102 760 598	10 462 250	3 592 150	3 416 890	7 230 037	144 566 201
Depreciation of the year	--	14 952 132	1 368 254	64 523 455	1 460 695	13 481 015	1 893 491	11 794 650	109 473 692
Disposals accumulated depreciation	--	(22 160 708)	(289 849)	(40 187 170)	(2 553 275)	--	--	--	(65 191 002)
As of 31/12/2022	--	258 025 125	20 053 871	1 177 915 595	76 979 604	172 540 173	42 508 886	36 630 367	1 784 653 621
Net book value									
As of 31/12/2022	1 539 407 928	130 301 126	7 923 116	191 099 992	7 012 147	26 546 470	6 872 064	76 358 825	1 985 521 668
As of 31/12/2021	1 149 405 311	151 352 289	4 393 423	176 146 379	2 681 687	32 066 008	5 252 057	59 065 958	1 580 363 112
Fully depreciated assets and still working	--	50 256 653	11 162 114	668 657 533	48 236 153	122 979 260	29 414 139	--	930 705 852

- 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.

Lecico Egypt (S.A.E.)
Note to the Consolidated Financial Statements for the financial year ended December 31, 2022
According to International Financial Reporting Standard (IFRS)

Property, plant and equipment (Continued)

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

Lecico Egypt (S.A.E.)**Notes to the Consolidated Financial Statements for the financial year ended December 31, 2022
According to International Financial Reporting Standard (IFRS)****Property, plant and equipment (continued)**

The Group company's management decided to adopt the revaluation model as per International Accounting Standard No. 16 "Property, Plant & Equipment" in respect to the land owned by the holding company and its subsidiaries, Note No. (37-10):

During year 2022 the lands of the group have been revaluated because of the decrease of their fair value and this resulted in increase in land values in the amount of EGP 414 067 348 which is recognized in comprehensive income statement and consolidated equity reserves and non-controlling interest.

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

14- Projects under construction

	December 31, 2022 EGP	December 31, 2021 EGP
Machinery and buildings under installation*	7 693 953	3 886 056
Advance payments for acquisition of property, plant and equipment	4 372 576	70 733
	12 066 529	3 956 789

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

15- Intangible Assets

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

<u>Cost</u>	December 31 2022 EGP	December 31 2021 EGP
Balance at the first of January	44 577 963	42 507 989
Translation differences	12 442 114	(387 991)
Additions	2 531 617	2 457 965
Balance as of December,31	59 551 694	44 577 963
<u>Amortization & Impairment Losses</u>		
Balance at the first of January	37 890 698	22 299 578
Translation differences	9 564 294	(297 800)
Amortization of the year	1 178 540	888 920
Impairment loss in goodwill	--	15 000 000
Balance as of December,31	48 633 532	37 890 698
Carrying Amount as of December, 31	10 918 162	6 687 265

Lecico Egypt (S.A.E.)**Notes to the Consolidated Financial Statements for the financial year ended December 31, 2022
According to International Financial Reporting Standard (IFRS)****16- Equity-Accounted investees**

	Ownership %	December 31, 2022 EGP	December 31, 2021 EGP
Murex Industries and Trading (S.A.L.)	20%	6 924 716	5 850 379
Other Investments		121 877	120 712
		<u>7 046 593</u>	<u>5 971 091</u>
<u>(Less):-</u>			
Impairment of investment		(7 024 616)	(99 900)
		<u>21 977</u>	<u>5 871 191</u>

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

17- Long term notes receivables

	December 31, 2022 EGP	December 31, 2021 EGP
Nominal value of long-term notes receivables	600 000	6 875 000
Discounting notes receivables to its present value*	(58 422)	(789 689)
Present value of long term notes receivables	<u>541 578</u>	<u>6 085 311</u>

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

18- Inventories

	December 31, 2022 EGP	December 31, 2021 EGP
Raw materials, consumables and spare parts	541 701 226	333 725 172
Work in progress	96 334 100	77 467 684
Finished goods	673 955 392	549 800 341
	<u>1 311 990 718</u>	<u>960 993 197</u>
<u>Less:</u>		
Inventory write off	(150 922 058)	(36 986 953)
	<u>1 161 068 660</u>	<u>924 006 244</u>
Goods In transit	77 093 300	52 525 907
	<u>1 238 161 960</u>	<u>976 532 151</u>

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

	Balance as at 1/1/2022 EGP	Translation Differences EGP	Formed during the year EGP	Balance as 31/12/2022 EGP
Inventory write -off	36 986 953	36 214 700	77 720 405	150 922 058
	<u>36 986 953</u>	<u>36 214 700</u>	<u>77 720 405</u>	<u>150 922 058</u>

Lecico Egypt (S.A.E.)**Notes to the Consolidated Financial Statements for the financial year ended December 31, 2022****According to International Financial Reporting Standard (IFRS)****19- Trade and other receivables**

	Note No.	December 31, 2022 <u>EGP</u>	December 31, 2021 <u>EGP</u>
Trade Receivables		718 013 070	526 925 316
Notes Receivables		213 205 242	82 160 985
Sundry Debtors		34 156 405	30 213 592
Social insurance		938 499	176 708
Suppliers – debit balances		5 242 704	617 119
Due from related parties – net	(31-1)	336 085	1 321 145
Tax authority – withholding tax		19 382	19 383
Tax authority – VAT		101 541 577	61 861 466
Other debit balances		97 723 455	96 788 170
Prepaid expenses		13 797 502	7 110 003
Accrued Revenues		936 986	1 208 725
		1 185 910 907	808 402 612
<u>Less:</u>			
Expected credit loss in trade and other Receivables		(235 608 729)	(151 589 156)
		950 302 178	656 813 456

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

	Balance as at 1/1/2022 <u>EGP</u>	Translation Differences <u>EGP</u>	Formed Provisions <u>EGP</u>	Used provisions <u>EGP</u>	Balance as at 31/12/2022 <u>EGP</u>
Expected credit loss in trade and other receivables	151 589 156	45 739 133	42 416 673	(4 136 233)	235 608 729
	151 589 156	45 739 133	42 416 673	(4 136 233)	235 608 729

20- Cash and cash equivalent

	December 31, 2022 <u>EGP</u>	December 31, 2021 <u>EGP</u>
Banks - Current Accounts	450 771 493	121 994 142
Cash on hand	17 192 027	10 122 105
Time-deposit	30 000 000	45 000 000
	497 963 520	177 116 247
<u>Less:</u>		
Restricted time deposits	(30 000 000)	(45 000 000)
Cash and cash equivalent for the purpose of preparing the consolidated cash flows statement	467 963 520	132 116 247

Lecico Egypt (S.A.E.)**Notes to the Consolidated Financial Statements for the financial year ended December 31, 2022
According to International Financial Reporting Standard (IFRS)****21- Bank credit facilities**

	<u>December 31, 2022</u>		
	Total facilities <u>EGP</u>	Utilized <u>EGP</u>	Unutilized <u>EGP</u>
Lecico Egypt S.A.E	791 742 000	551 303 920	240 438 080
Lecico for Ceramics S.A.E	257 266 000	206 171 241	51 094 759
European Ceramics S.A.E	233 426 000	192 887 783	40 538 217
International Ceramics S.A.E	236 566 000	167 808 279	68 757 721
Burg Armaturen Fabrik S.A.E	57 500 000	52 528 161	4 971 839
Lecico for trading and distribution of ceramics	15 000 000	13 482 000	1 518 000
UK group	96 720 000	62 599 205	34 120 795
The Lebanese ceramics industries (S.A.L)	42 058 000	490 533	41 567 467
Net book value on December 31, 2022	<u>1 730 278 000</u>	<u>1 247 271 122</u>	<u>483 006 878</u>

	<u>December 31, 2021</u>		
	Total facilities <u>EGP</u>	Utilized <u>EGP</u>	Unutilized <u>EGP</u>
Lecico Egypt S.A.E	652 000 000	335 253 055	316 746 945
Lecico for Ceramics S.A.E	190 000 000	132 675 855	57 324 145
European Ceramics S.A.E	145 000 000	141 285 131	3 714 869
International Ceramics S.A.E	288 500 000	87 633 007	200 866 993
Burg Armaturen Fabrik S.A.E	57 500 000	45 577 596	11 922 404
Lecico for trading and distribution of ceramics	25 000 000	21 649 275	3 350 725
UK group	68 900 000	54 765 574	14 134 426
The Lebanese ceramics industries (S.A.L)	26 724 000	5 109 134	21 614 866
Net book value on December 31,2021	<u>1 453 624 000</u>	<u>823 948 627</u>	<u>629 675 373</u>

22- Share capital**22-1 Authorized capital**

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

22-2 Issued and paid up capital

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

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

Lecico Egypt (S.A.E.)**Notes to the Consolidated Financial Statements for the financial year ended December 31, 2022
According to International Financial Reporting Standard (IFRS)****22-3 Non controlling interests**

Non-controlling interests balance at December 31, 2022, represents the interest shares in subsidiaries' equity as follows:

Company	Percentage %	<u>Non-controlling interest</u>		
		<u>Profit/loss for the year EGP</u>	<u>Balance as of 31/12/2022 EGP</u>	<u>Balance as of 31/12/2021 EGP</u>
Lecico for ceramics	0.0045	1 404	5 414	4 010
International ceramics	0.03	14 393	47 768	52 065
European ceramics	0.03	5 271	37 550	43 166
Burg armaturen Fabric	30.15	13 663 203	34 203 088	22 639 016
Sarreguemines	0.15	12 345	44 135	31 790
Lecico for financial investments	0.667	(756)	20 784	21 540
Lebanese ceramics industries co.	5.23	(118 695)	14 833 329	7 847 795
Lecico (UK) Ltd (Lecico SA and Lecico Poland)	1.2	2 341 585	8 088 854	4 574 922
		15 918 750	57 280 922	35 214 304

*The non-controlling interests balance includes an amount of EGP 4 641 003 (net of tax) representing their share in land revaluation surplus.

**As follow Summary of financial statements of burg armaturen fabric,lecico
(UK) Ltd and Lebanese ceramics industries co. as at December 31,2022**

	<u>Burg armaturen Fabric EGP</u>	<u>Lecico (UK) Ltd EGP</u>	<u>Lebanese ceramics industries co. EGP</u>
Non current assets	10 954 718	91 813 709	377 670 427
Current assets	197 187 202	343 445 852	295 743 878
Total assets	208 141 920	435 259 561	673 414 305
Equity	113 443 079	45 109 937	504 326 729
Current liabilities	94 636 944	324 058 405	155 440 036
Non current liabilities	61 897	66 091 219	13 647 540
Total equity and libilities	208 141 920	435 259 561	673 414 305
Total sales	197 296 622	678 269 795	58 615 781
Net profit /(loss) of the year	45 317 424	31 516 958	(2 269 514)

Lecico Egypt (S.A.E.)
Consolidated Financial Statements Notes for the financial year ended December 31, 2022
According to International Financial Reporting Standard (IFRS)

23- 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, 2021	50 915 481	15 571 032	181 164 374	1 073 184 079	146 229 626	1 467 064 592
Translation differences of financial statements for foreign subsidiaries	--	--	--	--	8 129 014	8 129 014
Balance at December 31, 2021	<u>50 915 481</u>	<u>15 571 032</u>	<u>181 164 374</u>	<u>1 073 184 079</u>	<u>154 358 640</u>	<u>1 475 193 606</u>
Balance at January 1, 2022	50 915 481	15 571 032	181 164 374	1 073 184 079	154 358 640	1 475 193 606
Translation differences of financial statements for foreign subsidiaries	--	--	--	--	36 008 366	36 008 366
Land revaluation surplus	--	--	--	408 078 958	--	408 078 958
Income tax related to other comprehensive income	--	--	--	(95 592 811)	--	(95 592 811)
Revise revaluation of sold land	--	--	--	(9 800 991)	--	(9 800 991)
Balance at December 31, 2022	<u>50 915 481</u>	<u>15 571 032</u>	<u>181 164 374</u>	<u>1 375 869 235</u>	<u>190 367 006</u>	<u>1 813 887 128</u>

* Other reserves include the holding Company's share of the premium (LE 9.9 Million) received by Lecico for Ceramics Industries (subsidiary) for admitting a new shareholder through an increase in capital, such amount is not distributable according to local laws and regulations.

** Land revaluation surplus is represented in the adjusted value of the holding Company's land in Khorshid and Abou-Quir that was revalued to reflect its fair value at the date of revaluation in the year 1997. The revaluation result was included in the revaluation surplus in the shareholders' equity and is not distributable or transferable to capital.

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

Lecico Egypt (S.A.E.)
Note to the Consolidated Financial Statements for the financial year ended December 31, 2022
According to International Financial Reporting Standard (IFRS)

24- Legal Reserve

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

25- Loans and borrowings

	31 December 2022					Balance of long term on loans December 31, 2022
	Balance on January 1, 2022 EGP	Repayments of loan during the year EGP	Foreign currency Translation differences EGP	Balance on December 31, 2022 EGP	Instalments due within one year EGP	EGP
The outstanding balance of loan granted from the CIB to the holding company amounted to USD 2.7 million with variable interest rate 4%. Above libor rate The loan will be repaid over 18 consecutive installments each amounting USD 300 000 starting from June 2019 till March 2024.	37 728 000	(18 618 000)	18 000 000	37 110 000	(29 688 000)	7 422 000
The Outstanding balance of loan granted from HSBC Bank for Lecico -UK (Lecico plc) with an amount of GBP 100 thousand and will be paid over 60 installments each installment with an amount of GBP 1 786.92 the variable interest rate is equal 2.62%.	1 454 918	(2 758 973)	2 773 660	1 469 605	(650 673)	818 932
Balance on December 31, 2022	39 182 918	(21 376 973)	20 773 660	38 579 605	(30 338 673)	8 240 932
	31 December 2021					Balance of long term on loans December 31, 2021
	Balance on January 1, 2021 EGP	Repayments of loan during the year EGP	Foreign currency Translation differences EGP	Balance on December 31, 2021 EGP	Instalments due within one year EGP	EGP
The outstanding balance of loan granted from the CIB to the holding company amounted to USD 2.7 million with variable interest rate 4%. Above libor rate The loan will be repaid over 18 consecutive installments each amounting USD 300 000 starting from June 2019 till March 2024.	44 044 000	(6 283 000)	(33 000)	37 728 000	(14 148 000)	23 580 000
The Outstanding balance of loan granted from HSBC Bank for Lecico -UK (Lecico plc) with an amount of GBP 100 thousand and will be paid over 60 installments each installment with an amount of GBP 1 786.92 the variable interest rate is equal 2.62%.	1 877 579	(425 359)	2 698	1 454 918	(437 450)	1 017 469
Balance on December 31, 2021	45 921 579	(6 708 359)	(30 302)	39 182 918	(14 585 450)	24 597 468

Lecico Egypt (S.A.E.)
Consolidated Financial Statements Notes for the financial year ended December 31, 2022
According to International Financial Reporting Standard (IFRS)

26- Lease liability**26-1 Lease liability movement**

	December 31, 2022 EGP	December 31, 2021 EGP
Present value of liabilities arisen from lease contracts	87 948 453	66 373 613
Less :		
Installments due within one year	<u>(16 424 592)</u>	<u>(10 306 745)</u>
Non current portion of lease liability	<u>71 523 861</u>	<u>56 066 868</u>
Opening balance	66 373 613	77 382 470
Additions during the year	8 455 448	2 931 824
Disposals during the year	--	(5 004 203)
Add/(deduct)		
Finance interest	3 167 892	1 669 361
Payments during the year (principle)	(11 974 851)	(8 431 367)
Payments during the year (interest)	(3 167 892)	(1 669 361)
Foreign currency exchange differences	25 094 243	(505 111)
Lease liability ending balances	<u>87 948 453</u>	<u>66 373 613</u>
Deduct		
Current portion of lease liabilities represented in due installments during the next financial year	(16 424 592)	(10 306 745)
Non-current portion of lease liabilities	<u>71 523 861</u>	<u>56 066 868</u>

26-2 Lease liability due within one year

	December 31, 2022 EGP	December 31, 2021 EGP
Lease contracts Installments due within one year for lecico for trading and distribution company	1 761 733	1 323 711
Lease contracts Installments due within one year for lecico UK company	14 662 859	8 983 034
	<u>16 424 592</u>	<u>10 306 745</u>

26-3 Summary of due dates

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

	<u>Due one year</u> EGP	<u>From 2-3</u> years EGP	<u>From 4-5</u> years EGP	<u>More than 5</u> years EGP	<u>Total</u> EGP
December 31,2022	16 424 592	35 476 921	24 955 570	18 861 998	95 719 081

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

Lecico Egypt (S.A.E.)
Consolidated Financial Statements Notes for the financial year ended December 31, 2022
According to International Financial Reporting Standard (IFRS)

27- Provisions

	Balance as of 1/1/2022 EGP	Translation Differences EGP	Formed Provisions EGP	Provisions Utilized EGP	Balance as of 31/12/2022 EGP
<u>Provisions Disclosed in the Non-Current Liabilities</u>					
Claims provision	8 371 135	4 166 575	8 812 216	--	21 349 926
	8 371 135	4 166 575	8 812 216	--	21 349 926
<u>Provision Disclosed in the Current Liabilities</u>					
Contingent Losses and Claims Provision	28 057 917	--	31 340 900	(10 477 584)	48 921 233
	28 057 917	--	31 340 900	(10 477 584)	48 921 233
Total	36 429 052	4 166 575	40 153 116	(10 477 584)	70 271 159

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

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

28- Non-cash transactions

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

	Note No.	31/12/2022 EGP
Property, plant and equipment	(13)	414 067 348
Land revaluation surplus		(408 078 958)
Non controlling interest		(5 988 390)
Right of use assets	(13)	8 433 416
Lease liabilities		(8 433 416)

29- Notes payables**29-1 Notes payable related to gas used**

	December 31, 2022 EGP	December 31, 2021 EGP
Nominal value of long-term notes payable	249 606 835	94 845 490
Discount on notes payable to its present value*	(51 231 337)	(21 818 781)
Present value of long term notes payables	198 375 498	73 026 709

29-2 Notes payable for gas debt settlement

	December 31, 2022 EGP	December 31, 2021 EGP
Nominal value of long-term notes payables	104 764 221	145 022 211
Discount on notes payable to its present value	(37 517 582)	(40 672 367)
Present value of long term notes payables	67 246 639	104 349 844
Total long-term notes payables	265 622 137	177 376 553

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

Lecico Egypt (S.A.E.)
Consolidated Financial Statements Notes for the financial year ended December 31, 2022
According to International Financial Reporting Standard (IFRS)

30- Trade and other payables

	Note <u>No.</u>	December 31, 2022 <u>EGP</u>	December 31, 2021 <u>EGP</u>
Trade payable		464 656 162	267 173 278
Notes payable		41 079 246	54 562 932
Due to related parties	(31-2)	27 610	--
Social insurance authority and tax authority		7 530 514	11 418 643
Accrued expenses		150 617 578	110 702 605
Deposits due to others		24 701	24 701
Sundry creditors		164 472 184	120 103 661
Value added tax authority – current account		30 626 710	17 107 602
Sales tax installments due within one year		9 181	9 181
Dividends payable		389 929	389 929
Creditors for acquisition of fixed assets		--	461 100
Employees' share of Profit from of certain group companies		73 742 013	91 772 348
		<u>933 175 828</u>	<u>673 725 980</u>

31- Related Parties

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

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

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

31-1 Due from related parties

	December 31, 2022 <u>EGP</u>	December 31, 2021 <u>EGP</u>
<u>Due from Related Parties</u>		
Murex Industries and Trading (S.A.L)	336 085	1 321 145
	<u>336 085</u>	<u>1 321 145</u>
El-Khaleeg for Trading and Investment	300 100	300 100
Total due from related parties	636 185	1 621 245
<u>Less:</u>		
Impairment for balance of "El-Khaleeg for Trading and Investment"	(300 100)	(300 100)
Net due from related parties	336 085	1 321 145

There are no transactions between Lecico Egypt and the subsidiaries.

31-2 Due to Related Parties

Ceramics Management services Ltd (CMS)	27 610	--
	<u>27 610</u>	<u>--</u>

Lecico Egypt (S.A.E.)**Consolidated Financial Statements Notes for the financial year ended December 31, 2022****According to International Financial Reporting Standard (IFRS)****31-3 Transactions with members of the Board of Directors of the Holding Company:**

The statement of consolidated profit or loss for the financial year ending December 31, 2022, 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 5,063,700 (for the financial year ending on December 31, 2021, the amount of EGP 4,180,216) Note no. (9).

32- Contingent Liabilities

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

<u>Letters of guarantee</u>	December 31, <u>2022</u>	December 31, <u>2021</u>
EGP	26 759 818	30 492 171
EURO	4 000 000	4 000 000
<u>Letters of Credit</u>	December 31, <u>2022</u>	December 31, <u>2021</u>
EGP	73 948 590	31 050 109

33- Legal Status

The public authority of electricity in Lebanon has charged the Lebanese Ceramic Industries S.A.L. (a subsidiary) an amount of LBP 862 million (equivalent to LE 10 654 406 million) as unpaid electricity charges for the year from March 1996 until August 2003. The Subsidiary company paid the due amount regarding this dispute, and it was charged to accumulated losses.

34- Capital Commitment

The capital commitments outstanding as at December 31, 2022 amounted to EGP 28 901 000 (compared to capital commitments as at December 31, 2021 amounted to EGP 1 839 065).

35- 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.

Lecico Egypt (S.A.E.)**Consolidated Financial Statements Notes for the financial year ended December 31, 2022****According to International Financial Reporting Standard (IFRS)****Financial Assets**

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

		<u>December 31,</u> <u>2022</u> <u>EGP</u>	<u>December 31,</u> <u>2021</u> <u>EGP</u>
<u>Financial Assets</u>			
<u>With amortization cost</u>			
Banks current accounts and time deposits	(20)	480 771 493	166 994 142
Tared and Notes receivables and other debit balances	(19)	1 028 941 767	736 088 063
Due from related parties	(31)	336 085	1 321 145
		<u>1 510 049 345</u>	<u>904 403 350</u>
<u>Financial liabilities</u>			
Tared and Notes payables and other credit balances	(30)	750 623 689	545 516 663
Lease liabilities	(26)	87 948 453	66 373 613
Loans	(25)	38 579 605	39 182 918
Due to related parties	(31)	27 610	--
		<u>877 179 357</u>	<u>651 073 194</u>

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

For the purpose of disclosure of financial instruments, non-financial assets amounting to EGP 142 835 553 (31 December 2021: EGP 70 993 404) have been excluded from other debit balances.

35-1 Financial Risk Management

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

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

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

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

Lecico Egypt (S.A.E.)**Consolidated Financial Statements Notes for the financial year ended December 31, 2022****According to International Financial Reporting Standard (IFRS)****A- Market Risk****1- Foreign currency Risk**

The company is exposed to the risk of foreign currency when purchasing from suppliers abroad in foreign currency. The main currencies that lead to this risk are the US dollar, the euro and the British pound. The Company's foreign currency assets and liabilities as of 31 December 2022 amounted to the equivalent of 743 909 301 EGP and 675 680 691 EGP respectively. The amounts in foreign currencies that put the company at risk as of 31 December 2022 are as follows:

	<u>December 31,2022</u>	<u>December 31,2021</u>
	<u>Surplus\deficit</u>	<u>Surplus</u>
USD	(1 179 271)	3 019 504
Euro	1 121 141	1 820 236
GBP	1 637 830	2 904 283
South African Rand	13 209 328	12 203 889

As follow exchange rates used during the year

	<u>Averaging rates using during the year</u>		<u>Closing rates using during the year</u>	
	<u>31/12/2022</u>	<u>31/12/2021</u>	<u>31/12/2022</u>	<u>31/12/2021</u>
USD	18,97	15,7	24,74	15,72
Euro	19,94	18,6	26,32	17,8
GBP	23,3	21,6	29,76	21,2
South African Rand	1,16	1,06	1,45	0,99

2- Fair value risk and interest rate on cash flows

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

3- Price risk

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

B- Credit Risk

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

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

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

Lecico Egypt (S.A.E.)**Consolidated Financial Statements Notes for the financial year ended December 31, 2022****According to International Financial Reporting Standard (IFRS)**

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

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

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

Assessment of expected credit losses as of January 1, 2022 and December 31, 2022

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

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

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

	December 31, 2022			December 31, 2021		
	<u>Expected credit loss rate</u>	<u>Net book value EGP</u>	<u>Loss amount EGP</u>	<u>Expected credit loss rate</u>	<u>Net book value EGP</u>	<u>Loss amount EGP</u>
<u>Trade receivables</u>						
Current (not past due)	--	592 532 313	--	--	447 741 384	--
0-90 days past due	2,74%	102 422 973	25 544 083	2,7%	6 703 882	16 434 900
91-180 days past due	0,27%	7 564 339	2 478 872	0,26%	4 951 081	1 594 891
181-270 days past due	0,87%	15 329 348	8 102 395	0,86%	10 033 505	5 213 030
271-360 days past due	0,28%	4 685 122	2 649 668	0,28%	3 066 549	1 704 779
More than 360 days past due	21,15%	208 684 217	196 833 711	20,7%	136 589 900	126 641 556
Total		931 218 312	235 608 729		609 086 301	151 589 156

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

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

C- Liquidity risk

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

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

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

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

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

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

Contractual maturities of financial liabilities as of December 31, 2022	<u>Less than 1 year</u> <u>EGP</u>	<u>2-3 Years</u> <u>EGP</u>	<u>3-4 years or more</u> <u>EGP</u>	<u>Total</u> <u>EGP</u>	<u>Carrying amount</u> <u>EGP</u>
Trade and other credit balances	656 352 986	--	--	656 352 986	656 352 986
Banks credit facilities and loans	1 277 609 795	8 240 932	--	--	1 285 850 727
Notes payables	--	265 622 137	--	--	265 622 137
Lease liabilities	16 424 592	35 476 921	43 817 568	95 719 081	95 719 081
Total	<u>1 950 387 373</u>	<u>309 339 990</u>	<u>43 817 568</u>	<u>752 072 067</u>	<u>2 303 544 931</u>

Lecico Egypt (S.A.E.)
Consolidated Financial Statements Notes for the financial year ended December 31, 2022
According to International Financial Reporting Standard (IFRS)

Contractual maturities of financial liabilities as of December 31, 2021	Less than 1 year EGP	2-3 Years EGP	3-4 years or more EGP	Total EGP	Carrying amount EGP
Trade and other credit balances	441 839 871	--	--	441 839 871	441 839 871
Banks credit facilities and loans	838 534 077	24 597 468	--	--	853 119 527
Notes payables	--	177 376 553	--	--	177 376 553
Lease liabilities	10 306 745	20 567 479	39 181 124	70 055 348	70 055 348
Total	1 290 680 693	222 541 500	39 181 124	511 895 219	1 542 391 299

35-2 Fair Value of Financial Instruments

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

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

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

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

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:

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

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 31 December 2022, nominal values minus any estimated credit adjustments to assets and liabilities with a maturity of less than one year are expected to approximate their fair value. The fair values of non-current financial obligations are considered to be close to their book values because they carry interest rates, which are based on market interest rates.

Capital Management

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

36- Tax Status

Lecico Egypt

Corporate income tax

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

Payroll tax

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

Stamp tax

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

Sales tax \ Value added tax

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

Lecico Egypt (S.A.E.)
Consolidated Financial Statements Notes for the financial year ended December 31, 2022
According to International Financial Reporting Standard (IFRS)

Real state tax

- All tax obligation was paid till 2021.

Lecico for Cermics

Corporate income tax

- The company tax exemption ended at December 31, 2009 and the company under the corporate tax from 2010.
- The company annual tax returns were paid within the legal year.
- Tax dispute was finalized, and all tax obligation was paid for 2010 and 2013.
- The company was examined from 2014 till 2019 and the form has not been notified.
- The company was not examined from 2020 till now.

Payroll tax

- The company has obtained a final settlement and paid all the tax obligations till 2012.
- payroll tax was not examined from 2013 till now.

Stamp tax

- Stamp tax was examined, and all tax obligations were settled till 2015.
- The company was not examined from 2016 till now.

Value added tax

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

Real state tax

- All obligations were paid till 2021.

Internationals Ceramics

Corporate income tax

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

Value added tax

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

Payroll tax

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

Stamp tax

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

Real state tax

- All tax obligation was paid till 2021.

European Ceramics

Corporate income tax

- The company was not examined from 2013 till now.

Value added tax

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

Payroll tax

- The company's records were examined from inception till 2012.
- The company was examined from 2013 till 2015 and still disputed through internal committee.
- The company was not examined from 2016 till now.

Real state tax

- All tax obligation was paid till 2021

Stamp tax

- The company was examined and paid till 2019

Burg Armaturen Fabrik-sarrdesign

Value added tax

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

Payroll tax

- The company has obtained a final settlement and paid all the tax obligations till 2012.
- The company's records were not examined from 2013 till now.

Corporate income tax

- The company has obtained a final settlement and paid all the tax obligations till 2012.
- The company's records were discretionary examined from 2013 till 2017 and it will be re-examined.
- The company was not examined from 2018 till now.

Stamp tax

- The company's records were examined and paid till 2015
- The company's records were not examined from 2016 till now.

Sarregumines

Corporate income tax

- The company has obtained a final settlement and paid all the tax obligations from inception till 2014.
- The company's records were not examined from 2015 till now.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

Value added tax

- The company's records were examined from inception till 2015 and there were no obligations.
- The company's records were not examined from 2016 till now.

TGF for Consulting and Trading

Corporate income tax

- The company has obtained a final settlement and paid all the tax obligations from inception till 2012.
- The company's records were examined from 2013 till 2015 and the company was informed by tax claims and which were objected in the internal committee.
- The company's records were not examined from 2016 till now.

Value added tax

- The company's records were examined from inception till 2014.
- The company's records were not examined from 2015 till now.

Real state tax

- All tax obligation was paid till 2021

Lecico for Financial Investments

- The company is subject to corporate tax.
- The company has obtained a final settlement and paid all the tax obligations from inception till 2012.
- The company's records were examined from 2013 till 2015 and the company was informed by tax claims and which were objected in the internal committee.
- The company's records were not examined from 2016 till now.

Lecico for Trading and Distribution

Corporate income tax

- The tax examination occurred from inception till 2014 and all differences were settled and paid.
- The company's records were not examined from 2015 till now.

Value added tax

- The tax examination occurred from inception till 2014 and tax differences were paid for.
- The company's records were not examined from 2015 till now.

Payroll tax

- The company deducted the tax on salaries and paid it within the legal year and tax examination occurred from inception till 2013 and tax differences were paid for.
- The company's records were not examined from 2014 till now.

Stamp tax

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

37- Significant accounting policies

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

37-1 Basis of preparing consolidated financial statements

a. Business combination

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

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

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

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

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

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. Changes in the Group's interest in its subsidiaries that do not result in a loss of control are accounted for as equity transactions.

d. Loss of control

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

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

e. Investments accounted for using the equity method

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

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

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

f. Elimination from consolidation financial statements

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

37-2 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.

37-3 Revenues 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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

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

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

Step 5: Revenue recognition when the entity satisfies its performance obligations. The Company satisfy the performance obligation and recognize revenue over time, if one of the following criteria is met:

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

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

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

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

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

- Satisfaction of performance obligation
- Determine the transaction price
- Control transfer in contracts with customers

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

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

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

Other matters to be considered

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

The significant funding component

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

Revenue recognition

Revenue from the sale of goods

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

37-4 Employee benefits

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

37-5 Expenses

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

37-6 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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

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.

37-7 Earnings per share

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

37-8 Income tax

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

37-8-1 Current tax

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

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

37-8-2 Deferred tax

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

- Taxable temporary differences arising on the initial recognition of goodwill.
- Deferred tax assets and liabilities are offset only if certain criteria are met.
 - (1) It is not business combination
 - (2) it does not affect the net accounting profit nor the tax profit (tax loss)
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future

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

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

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

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

37-9 Inventories

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

37-10 Property, plant & equipment

37-10.1 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 (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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

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

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

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

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.

37-10.2 Subsequent expenditure

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

37-10.3 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 and comparative year.

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

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

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

37-11 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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

37-12 Intangible assets

37-12.1 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 any- any accumulated impairment losses if any. Goodwill is allocated to cash-generating units and is tested annually for impairment

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

37-12.2 Other Intangible Assets

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

37-12.3 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.

37-13 Leased contracts

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

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

Initial measurement of the right of use asset:

The cost of the right of use asset is:

- A- The initial measurement amount of the lease obligation, at the present value of the unpaid lease payments at that date. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be easily determined. If this rate

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

cannot be determined, the lessee must use the interest rate on the additional lessee's borrowing.

- B- Any lease payments made on or before the lease commencement date less any lease incentives received.
- C- Any initial direct costs incurred by the lessee.
- D- An estimate of the costs to be incurred by the lessee in disassembling and removing the asset subject to the contract, returning the location where the asset is to the original state or returning the same asset to the required condition in accordance with the terms and conditions of the lease, unless those costs are incurred to produce the inventory. On the date of commencement of the lease or because of the use of the underlying asset within a certain year.

Subsequent measurement of the right of use assets:

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

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

• **Initial measurement of lease obligation:**

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

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

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

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

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

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

For a contract with a rental component with one or more rental components, (if any), the compensation in the contract is allocated to each rental component on the basis of the independent proportional price of the rental component and the total independent price of non-rental components. As a practical means, and within the scope of what the standard allows, the company as a lessee may choose by the category of the asset in

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

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.

37-14 Financial instruments

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

- It is held within a business model whose objective is to hold assets to collect future cash flows.
- 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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

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 years, the reasons for such sales and expectations about future sales activity.
- Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

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

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

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

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

- Contingent events that would change the amount or timing of cash flows.
- Terms that may adjust the contractual coupon rate, including variable-rate features.
- Prepayment and extension features; and

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

- 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.
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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.
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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.
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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.
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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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

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, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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 designates 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

Lecico Egypt (S.A.E.)
Consolidated Financial Statements Notes for the financial year ended December 31, 2022
According to International Financial Reporting Standard (IFRS)

financial liabilities as a hedge against foreign exchange risk on a net investment in a foreign operation.

37-15 Share capital

37-15.1 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”.

37-15.2 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.

37-16 Impairment

37-16.1 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; and
- Contract assets.

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

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

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

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

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

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

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

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

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

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

Measurement of ECLs

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

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

37-16.2 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; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

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

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

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

37-16.3 Non-financial assets

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

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.

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

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

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

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

37-17 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.

37-18 End of Services Benefit Fund (Defined contribution plan)

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

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

37-19 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.

37-20 Borrowing Cost

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

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

Lecico Egypt (S.A.E.)

Consolidated Financial Statements Notes for the financial year ended December 31, 2022

According to International Financial Reporting Standard (IFRS)

37-21 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

37-22 Consolidated Cashflows Statement

The cashflows statement is prepared according to the indirect method.

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

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

New accounting standards and amendments to standards.

Effective date of implementation

IFRS (17) Insurance Contracts	January 1, 2023
Classification of liabilities, current and non-current - Amendment to International Accounting Standard no. (1).	January 1, 2023
Disclosure of Accounting Policies - Amendment to International Accounting Standard no. (1) and Practice List no. (2).	January 1, 2023
Definition of Accounting Estimates - Amendment to IAS (8).	January 1, 2023
Deferred tax related to the assets and liabilities resulting from a single transaction - Amendment to International Accounting Standard no. (12)	January 1, 2023