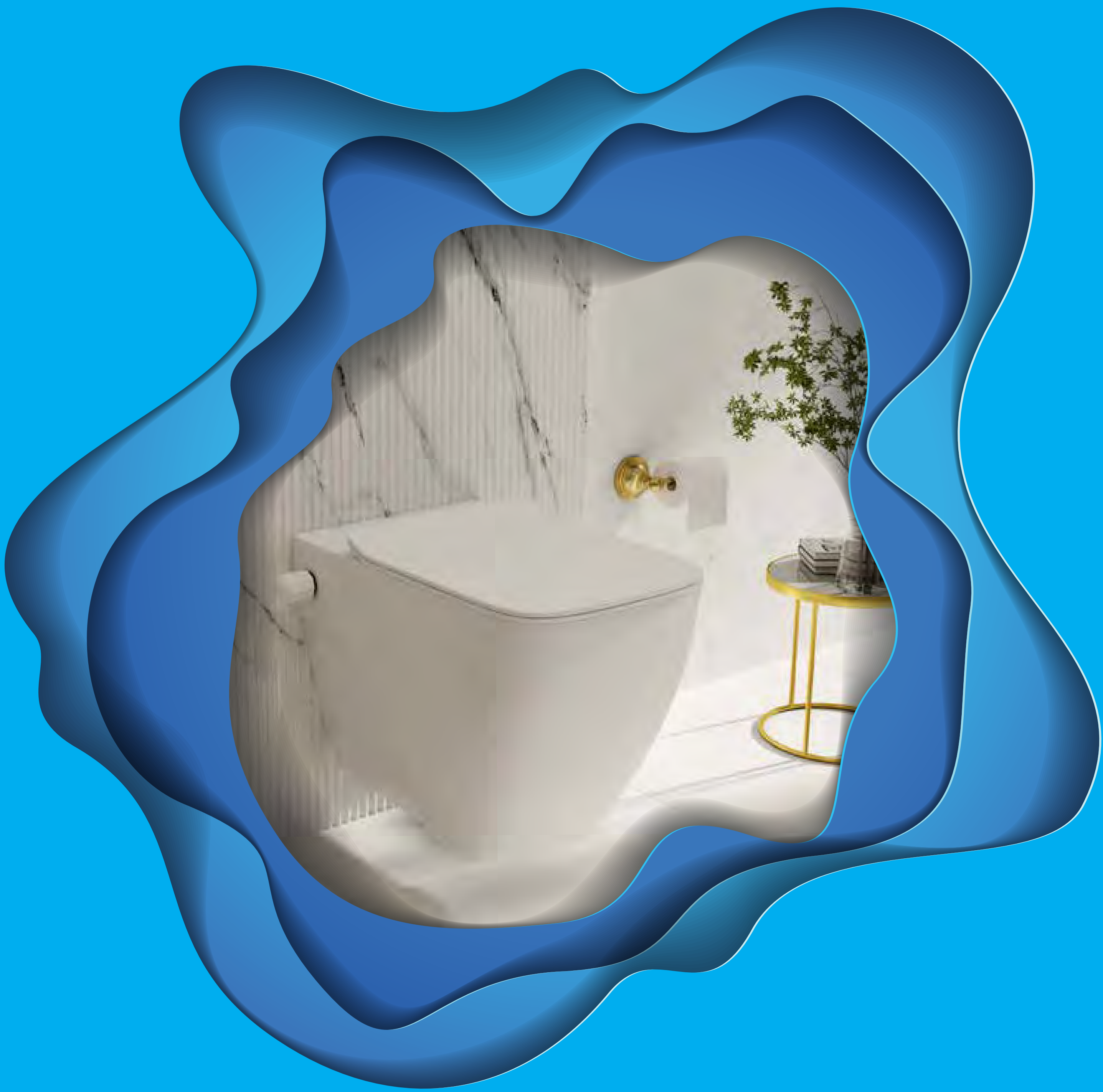
Lecico

ANNUAL REPORT
2022



Lecico is one of the world's largest sanitary ware producers and a significant tile producer in Egypt and Lebanon. With over 50 years in operation, Lecico has developed into a major exporter by producing competitively priced sanitary ware to exacting European quality standards. Today, Lecico is one of the largest suppliers of sanitary ware to Europe and the Middle East.

COMPANY OVERVIEW

OPERATIONAL REVIEW

FINANCIAL STATEMENTS

2022 HIGHLIGHTS

- Sales grew 24% to LE 3,273.8 million (2021: LE 2,642.2 million) due to the increase in all segments driven by strong price increases. Average prices were up by 15%.
- Gross profit grew 24% to reach LE 598.6 million (2021: LE 483.3 million) and the gross margin was flat. If we exclude the one-off charge from Lebanon, gross profit would be up 33% at LE 644.9 million and the gross margin would be up 1.4 percentage points at 19.7%.
- Lecico reported net loss of LE 3.2 million compared to net loss of LE 36.4 million in 2021. If this net loss was adjusted for all exceptional items, the Company would have reported a net profit of 40.5 million with a net margin of 1.2%.

+24%
SALES
YEAR-ON-YEAR

+24%
GROSS PROFIT
YEAR-ON-YEAR

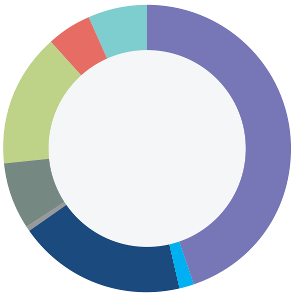
53%
EXPORTS

-3.2M
NET LOSS (LE)

MARKET HIGHLIGHTS

BUSINESS SPLIT

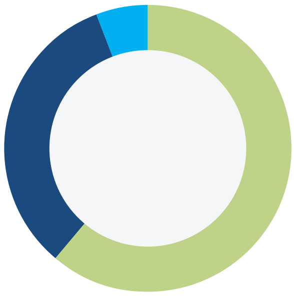
Geographical sales split



- Egypt **44.8%**
- Lebanon **1.8%**
- UK **18.7%**
- Germany **0.8%**
- Rest of Europe **7.4%**
- OEM **14.9%**
- Middle East **5.2%**
- Other **6.4%**

REVENUE SPLIT

Sanitary ware, Tiles and Brassware



- Sanitary ware **61.2%**
- Tiles **33.1%**
- Brassware **5.7%**

GROSS PROFIT SPLIT

Sanitary ware, Tiles and Brassware

- Sanitary ware **42.4%**
- Tiles **43.8%**
- Brassware **13.8%**

UNITED KINGDOM

Sales value grew 31% with volumes increasing 14% and average selling price increasing 15%. Lecico continued to gain market share in the UK with a renewed sales effort in contracts and strong offer to the trade. Lecico's UK sales accounted for 19% of revenues (2021: 18%).

OEM MANUFACTURING

Sales value grew 19% on the back of volumes increasing 2% to 1,184,000 pieces (2021: 1,162,000 pieces). Average prices were up 17% as Lecico was forced to raise prices to offset inflation. OEM manufacturing accounted for 15% of revenues (2021: 16%).

FRANCE

Sales in France grew 61% with volumes up 33% to 340,000 pieces (2021: 255,000) and prices up 20% as Lecico was forced to raise prices to offset cost inflation. Sales to France accounted for 4% of revenue (2021: 3%).

SOUTH AFRICA

Sales in South Africa were flat with volumes down 35% to 230,000 pieces (2021: 354,000) but prices up 54% as Lecico exited some of its lowest margin businesses and was forced to raise prices to offset inflation. South Africa accounted for 5% of revenues (2021: 6%).

EGYPT

Sales rose 53% with growth in volumes and average prices. Sanitary ware volumes rose 11% at 1.35 million pieces and tiles volumes rose 19% to 19.3 million square meters. Egypt accounted for 45% of revenues (2021: 40%).

FINANCIAL HIGHLIGHTS

SANITARY WARE SALES VOLUME

Million pieces

TILES SALES VOLUME

Million pieces

SANITARY WARE EXPORT VOLUME

Million pieces

EBIT MARGIN

%

FIVE YEAR SUMMARY LE millions	2018	2019	2020	2021	**2022**	CAGR
Net sales	2,705.5	2,349.8	2,055.2	2,642.2	**3,273.8**	5%
Gross profit	470.4	251.7	229.2	483.3	**598.6**	0.6%
EBIT	150.7	(88.2)	(132.5)	49.9	**(31.3)**	–
Net loss	(114.3)	(298.3)	(220.6)	(36.4)	**(3.2)**	0.6%
Reported EPS	(1.43)	(3.73)	(2.76)	(0.45)	**(0.04)**	0.6%
Adjusted EPS*	(1.49)	(3.73)	(2.76)	(0.45)	**(0.04)**	0.6%
Cash and equivalents	186.9	129.0	119.4	177.1	**498.0**	28%
Total assets	2,806.5	4,134.0	3,252.9	3,424.9	**4,695.5**	14%
Total debt	1,352.1	1,258.4	769.6	863.1	**1,285.9**	(1%)
Net debt	1,165.2	1,129.4	650.2	686.0	**787.9**	(9%)
Total liabilities	1,903.4	1,848.7	1,686.8	1,881.9	**2,795.1**	10%
Minority interest	22.8	46.9	30.0	35.2	**57.3**	26%
Shareholders' equity	880.4	2,238.4	1,536.1	1,507.9	**1,843.1**	20%

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

CHAIRMAN'S STATEMENT

LECICO HAS DELIVERED SUBSTANTIAL GROWTH IN 2022 IN VOLUME AND VALUE

Lecico has delivered substantial growth in 2022 both in strong volume growth in Egypt and significant value growth in all markets.

Although the Company only showed a small improvement in the bottom line, this was due to exceptional charges in the year for selling our real estate in France, putting in a substantial provision on stock in Lebanon and losses incurred from our forward-selling contracts of dollars in light of the devaluation in the Egyptian Pound at the end of the year.

Our operational numbers are also distorted significantly by our operations in Lebanon which – due to a massively over-valued currency – is overstating our production and operating costs and offsetting this with exchange variance gains as the economy is effectively dollarised around a black market exchange gain.

All of this makes reading our numbers this year a bit challenging for investors and hides much of the real achievement and improvement done in our core operations.

The significant devaluation of the Egyptian Pound at the end of 2022 is also a significant positive for Lecico as we look forward. Over the past five years, Lecico as an exporter struggled with a strengthening currency and inflation rates in Egypt that were a multiple of our export markets. This headwind meant we were losing revenue and margin in those exports. The devaluation in 2022 has turned this headwind around, lifting our prices and improving margins in our export markets.

The year ahead will bring its challenges with concerns about the economy, growth and demand both in Egypt, Lebanon and export. However, we are facing these challenges in a much stronger position than we were a year ago.

I am confident Lecico can build on the strong results and improvements done in 2022 in the coming year and deliver a significant improvement year-on-year in 2023.

GILBERT GARGOUR
CHAIRMAN

MANAGING DIRECTOR'S STATEMENT

TAHER GARGOUR
MANAGING DIRECTOR
AND CEO

We showed a strong and significant improvement in our operations in the 2022 and this was accelerated at the year-end as the devaluation of the Egyptian Pound coupled with corresponding large price increases in the local market drove up our revenues and improved our margins.

Revenue for the year was up 24% and gross profit was up a similar percentage despite of an exceptional charge for stock write-offs in Lebanon reducing our gross profit by 10%. If we exclude the one-off charge from Lebanon, Gross profit would be up 33% at LE 644.9 million and our gross margin would be up 1.4 percentage points over 2021 at 19.7%.

Similarly, although we reported an operating loss of LE 31.3 million for 2022 compared to an EBIT profit of LE 49.9 million in the same period last year – if we strip out the write-offs in Lebanon and the LE 78 million in net exceptional other operating expenses primarily associated with provisions in Lebanon – we would have reported an operating profit of LE 93 million, up 86% year-on-year, and our operating margin would have been up 1 percentage point year-on-year at 2.8%.

Bear in mind that these adjustments I mentioned do not consider how our business in Lebanon is distorting our operational results by overstating our costs due to the official exchange rate, while the difference from cash spent and collected in the parallel market is reflected in an inflated exchange variance for the group. Our operations are actually significantly stronger than these adjusted numbers but on the other hand this is offset by much lower foreign exchange gains.

Our bottom line is therefore net of Lebanon's distortion but our reported net loss of LE 3.2 million would be a profit of LE 40.5 million if we excluded the exceptional charges over the year. This is comparable to net loss in 2021 of LE 36.4 million.

This is the real improvement I believe the Company has delivered in 2022 and the basis from which I look forward optimistically to 2023 considering the sharp devaluation seen at the end of the year. Our risk is on the demand side and although we have had a significant boost from the – in my opinion – overdue devaluation of the Egyptian Pound, Lecico is in the middle of a very volatile trading period, and we will be working hard to deliver continued growth and improvement in our financial results in the face of these uncertainties.

WE SHOWED A SIGNIFICANT IMPROVEMENT IN OUR OPERATIONS IN 2022 IF WE EXCLUDE ONE-OFF CHARGES

SANITARY WARE

SALES VOLUME INCREASED BY 2% TO 5.1 MILLION PIECES (UP 93,760 PIECES)

REVENUE

+2% in volume and +22% in ASP

+25%

Revenue LE million

GROSS PROFIT +12%

+33% excluding Lebanon write off

Gross profit LE million

2021	**254**
2020	226
2019	80
2018	178
2017	380

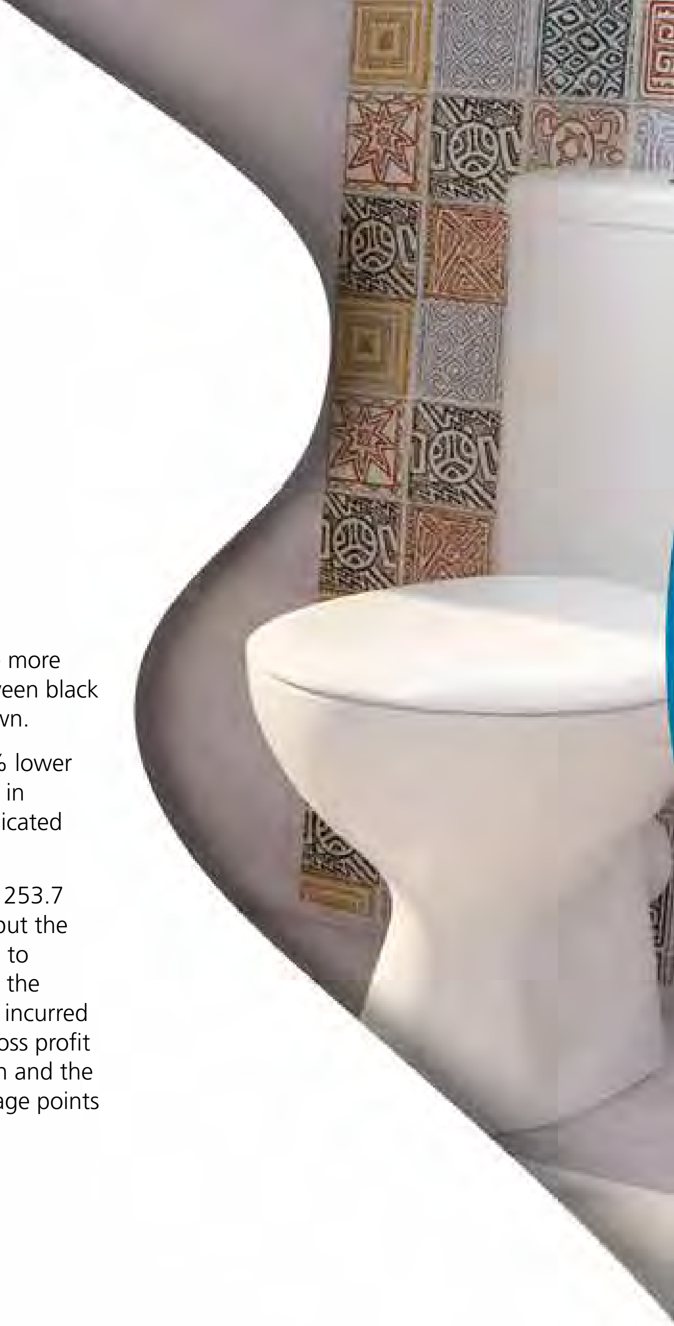
GROSS MARGIN (percentage points) -1.4

+0.9 excluding Lebanon write off

Gross margin %

2021	**13%**
2020	14%
2019	7%
2018	13%
2017	24%

SANITARY WARE
CONTINUED



Sanitary ware sales volume increased by 2% to 5.1 million pieces (up 93,760 pieces). Egyptian volumes increased 11% (up 131,979 pieces), export volumes decreased 1% (down 34,838 pieces) and sales in Lebanon decreased by 10% (down 3,380 pieces).

Exports to the Middle East and South Africa were lower year-on-year in 2022 but this was largely offset by growth in Europe and in Lecico's OEM manufacturing.

Average sanitary ware prices were up 22% year-on-year to LE 392.8 per piece (2021: LE 320.9) on the back of significant price hikes in both export and local markets and the effect of the weakening of the Egyptian Pound on average export prices towards the end of the year.

Revenues were up 25% year-on-year at LE 2,004.5 million (2021: LE 1,607.8 million).

Average cost of sales increased 24% at LE 343 per piece. However, COGS and average cost of sale per piece were inflated by the one-off charge of LE 46.3 million incurred to write-off stock in Lebanon.

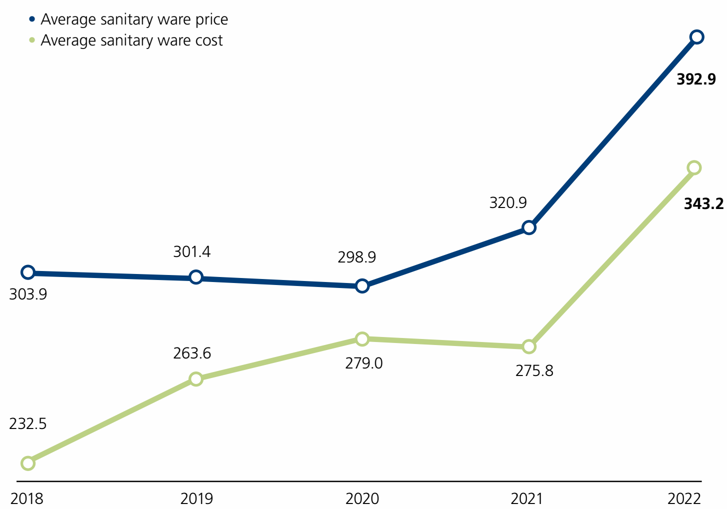
Excluding this charge, average cost of sales increased 21% to LE 334 per piece.

Even excluding this exceptional write-off, the consolidation of the results of Lecico Lebanon at official exchange rates is obscuring the real margins of the sanitary ware segment. Since costs are booked at an exchange rate of LBP 1,500/USD, this overstates all LBP costs with the difference to black market rates appearing as an exchange variance gain below the operating line. This was also the case in 2021 but the impact has become more noticeable as the difference between black market and official rates has grown.

Sanitary ware production was 1% lower than in 2021 as a result of a shift in product mix towards more complicated products.

Gross profit increased 12% to LE 253.7 million (2021: LE 226.3 million), but the margin fell 1.4 percentage points to 12.7% (2021: 14.1%). Excluding the one-off charge of LE 46.3 million incurred to write-off stock in Lebanon, Gross profit would have been LE 300.0 million and the margin would be up 0.9 percentage points at 15.0%.

Sanitary ware price and cost LE/pc



Sanitary ware capacity and sales by volume

000s pieces	2018	2019	2020	2021	**2022**	CAGR
Sanitary ware capacity	6,750	6,750	6,750	6,750	**6,750**	0.0%
Sanitary ware sales volume	5,321	4,699	4,010	5,010	**5,102**	(1.0%)
Capacity utilisation (%)	79%	70%	59%	74%	**76%**	
Egypt sales volume	1,728	1,389	1,113	1,224	**1,356**	(5.9%)
Lebanon sales volume	106	108	83	34	**30**	(26.9%)
Export sales volume	3,486	3,202	2,815	3,752	**3,716**	1.6%
Exports as a % of total sales (%)	65.5%	68.1%	70.2%	74.9%	**72.8%**	

Sanitary ware exports by volume

000s pieces	2018	2019	2020	2021	**2022**	CAGR
UK	1,225.2	1,094.6	981.7	1,150.7	1,310.6	1.7%
Germany	66.7	70.1	58.3	73.8	65.3	(0.5%)
Other Europe	260.4	238.2	406.8	658.6	642.0	25.3%
Middle East and North Africa	227.9	335.4	141.6	241.0	211.0	(1.9%)
Sub-Saharan Africa	378.1	384.8	275.4	466.0	303.0	(5.4%)
OEM	1,327.7	1,079.0	951.3	1,162.2	1,184.0	(2.8%)
Total exports	**3,486.1**	**3,202.1**	**2,815.0**	**3,752.3**	**3,715.8**	1.6%

Sanitary ware analysis

	FY		%
volumes (000 pcs) LE m	2022	2021	22/21
Egypt	1,356	1,224	111%
Lebanon	30	34	90%
Export	3,716	3,752	99%
Total volumes	**5,102**	**5,010**	**102%**
Exports/total sales volume (%)	72.8%	74.9%	(2.1%)
Revenue	**2004.5**	**1607.8**	**125%**
Average selling price (LE/pc)	392.9	320.9	122%
Average cost per piece (LE/pc)	343.2	275.8	124%
Cost of sales	(1750.8)	(1381.5)	127%
Gross profit	**253.7**	**226.3**	**112%**
Gross profit margin (%)	12.7%	14.1%	(1.4%)

REVENUES WERE UP 25% YEAR-ON-YEAR AT LE 2,004.5 MILLION (2021: LE 1,607.8 MILLION)

TILES

TILE SALES VOLUMES INCREASED BY 5% YEAR-ON-YEAR (UP 1,021,654 SQUARE METERS) TO REACH 22.5 MILLION SQUARE METERS

REVENUE

+5% in volumes and +15% in ASP

+21%

Revenue LE million

GROSS PROFIT

LE 262.0m vs. LE 202.7m in 2021

+29%

Gross profit LE million

GROSS MARGIN (percentage points)

24.2% vs 22.6% in 2021

+1.6

Gross margin %

TILES
CONTINUED

Tile sales volumes increased by 5% year-on-year (up 1,021,654 square meters) to reach 22.5 million square meters. Sales in Egypt increased 19% (up 3.1 million square meters) and Lebanon increased by 55% (up 102,545 square meters), but export sales decreased by 43% (down 2.2 million square meters). Exports fell to 13.1% of sales in 2022 from 24.0% of sales in the previous year.

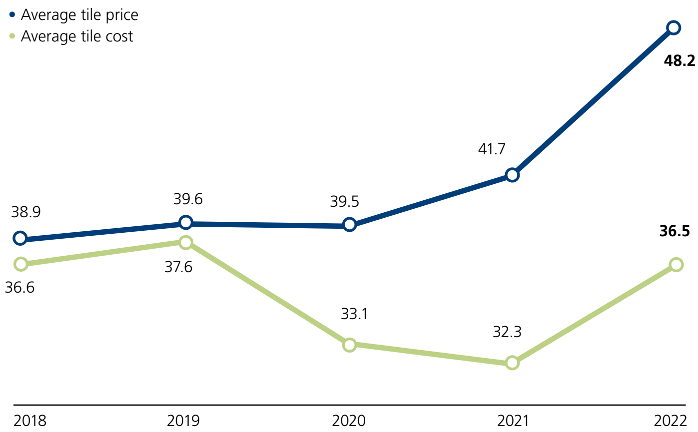
Tiles revenues increased 21% year-on-year at LE 1,083.6 million in 2022 (2021: LE 896.3 million).

Average net prices rose 15% to LE 48.2 per square meter compared to LE 41.7 in the same period last year on the back of significant local price increases to cover rising costs, which were partially offset by the substitution of Egyptian sales for better-priced export sales due to weak demand and increased competition in Lecico's traditional export markets.

Average costs increased 13% year-on-year to reach LE 36.5 per square meter due to cost cutting measures in Egypt offsetting significant cost inflation throughout the year. Production volume was 3% lower than 2021.

Gross profit increased 29% to reach LE 262 million (2021: LE 202.7 million) and the margin increased by 1.6 percentage points to 24.2% (2021: 22.6%).

Tile price and cost LE/pc



21%

TILES REVENUES
increased 21% year-on-year at LE 1,083.6 million in 2022 (2021: LE 896.3 million)

Tile capacity and sales by volume

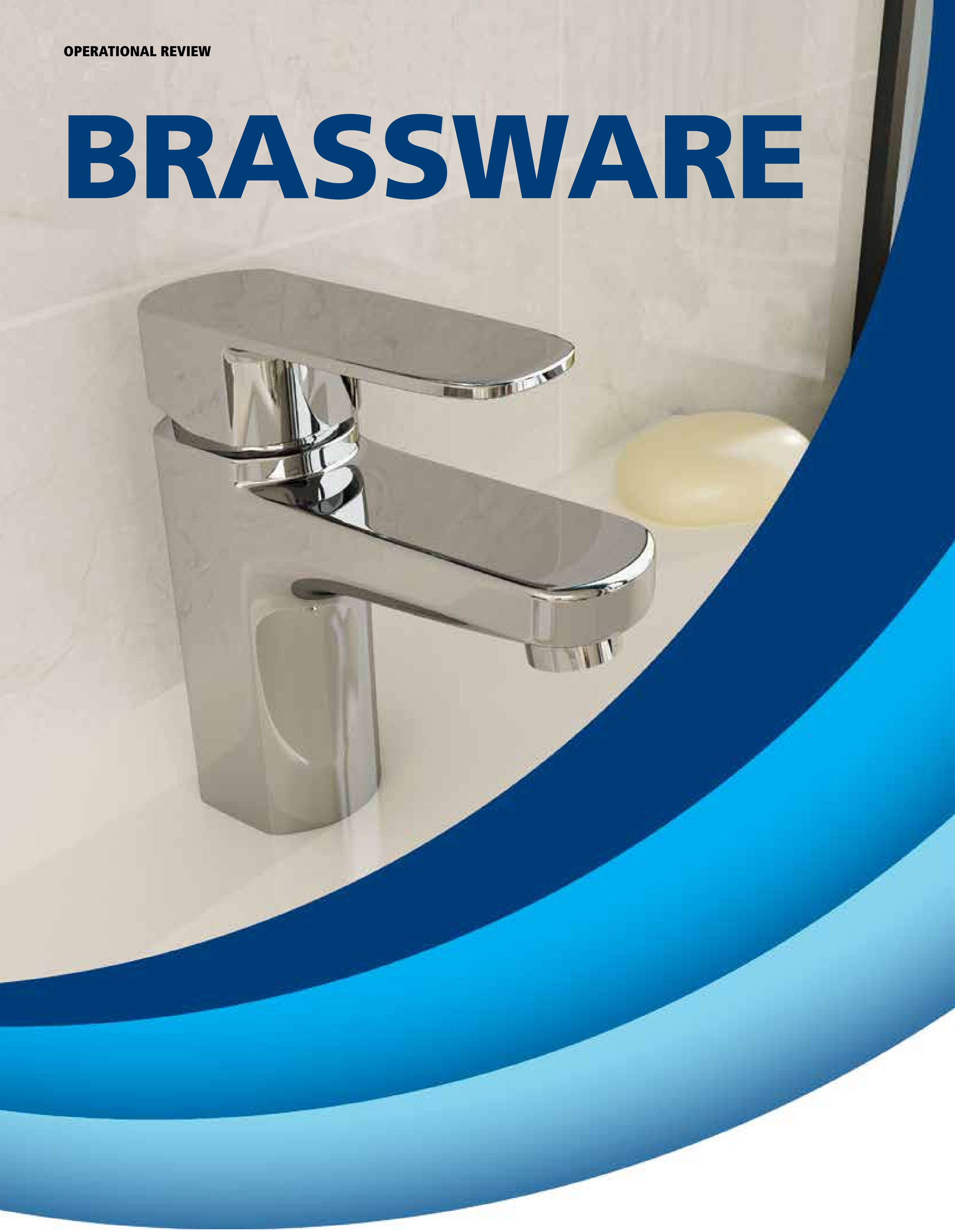
000s sqm	2018	2019	2020	2021	**2022**	CAGR
Tile capacity	36,000	36,000	24,000	24,000	**24,000**	(9.6%)
Tile sales volume	25,755	21,611	19,781	21,472	**22,494**	(3.3%)
Capacity utilisation (%)	72%	60%	82%	89%	**94%**	
Egypt sales volume	20,666	15,309	14,993	16,136	**19,253**	(1.8%)
Lebanon sales volume	478	660	366	186	**288**	(11.9%)
Export sales volume	4,611	5,642	4,422	5,151	**2,952**	(10.5%)
Exports as a % of total sales (%)	17.9%	26.1%	22.4%	24.0%	**13.1%**	

Tile analysis

	FY		%
volume (000 sqm) LE m	2022	2021	22/21
Egypt	19,253	16,136	119%
Lebanon	288	186	155%
Export	2,952	5,151	57%
Total volumes	**22,494**	**21,472**	**105%**
Exports/total sales volume (%)	13.1%	24.0%	(10.9%)
Revenue	**1083.6**	**896.3**	**121%**
Average selling price (LE/sqm)	48.2	41.7	115%
Average cost per piece (LE/sqm)	36.5	32.3	113%
Cost of sales	(821.5)	(693.6)	118%
Gross profit	**262.0**	**202.7**	**129%**
Gross profit margin (%)	24.2%	22.6%	1.6%

GROSS PROFIT INCREASED 29% TO REACH LE 262 MILLION (2021: LE 202.7 MILLION)

BRASSWARE



REVENUE

+16% in volumes and +16% in ASP

+34%

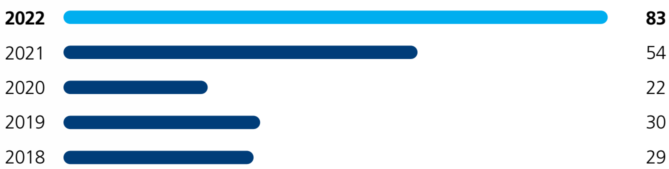
Revenue LE million

GROSS PROFIT

LE 82.9 million vs. LE 54.3 million in 2021

+53%

Gross profit LE million



SALES VOLUMES FOR 2022 INCREASED BY 16% YEAR-ON-YEAR (UP 24,024 PIECES)

GROSS MARGIN (percentage points)

44.6% vs 39.3% in 2021

+5.3

Gross margin %

BRASSWARE
CONTINUED

Sales volumes for 2022 increased by 16% year-on-year (up 24,024 pieces), the Company added two new distributors to increase their footprint across Egypt and saw good growth in its project sales in three main sectors: private, new urban communities authority, and projects for the army.

Average net prices increased 16% to reach LE 1,067.7 per piece and revenues increased 34% year-on-year to reach LE 185.7 million (2021: LE 138.1 million). The Company raised prices in line with the high inflation seen in costs globally and was also able to improve its sales mix with new colours and ranges of products, which contributed to increased premium on pricing.

Brassware's percentage of consolidated revenues in 2022 increased by 0.5% to 5.7% of total sales (FY 2021: 5.2%).

Average cost per piece increased 6% to LE 591.3 per piece (FY 2021: LE 559.1 per piece) reflecting changing mix. In light of import issues and logistics concerns, the Company is doing all it can to Egyptianise its sourcing despite limited feeder industries in Egypt for brass, bodies, hoses, and cartridges.

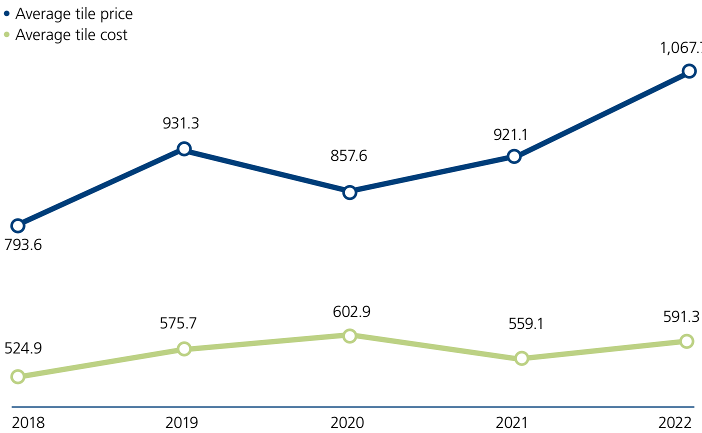
Gross profit increased 53% to LE 82.9 million (FY 2021: LE 54.3 million) and the margin increased 5.3 percentage points to 44.6% (FY 2021: 39.3%). Margins improved on the back of improved sales mix and through vertical integration as the Company installed new equipment to make black and gold taps in-house rather than importing them. Increased sales of imported showering solutions also bolstered sales and margins although import regulations and restrictions meant the Company could not reach its maximum potential in these products.

Brassware's percentage of consolidated gross profits increased to 13.8% of Lecico gross profits (FY 2021: 11.2%).

44.6%

GROSS PROFIT
FY 2021: 39.3%

Brassware price and cost LE/pc



Brassware analysis

Volume (000's pieces) LE m	FY 2022	FY 2021	% 22/21
Egypt	173,962	149,593	116%
Lebanon	-	-	0%
Export	-	345	0%
Total volumes	**173,962**	**149,938**	**116%**
Exports/total sales volume (%)	0.0%	0.2%	(0.2%)
Revenue (LE m)	**185.7**	**138.1**	**134%**
Average selling price (LE/pc)	1067.7	921.1	116%
Average cost per piece (LE/pc)	591.3	559.1	106%
Cost of sales	(102.9)	(83.8)	123%
Gross profit	**82.9**	**54.3**	**153%**
Gross profit margin (%)	44.6%	39.3%	5.3%

BRASSWARE'S PERCENTAGE OF CONSOLIDATED REVENUES IN 2022 INCREASED BY 0.5% TO 5.7% OF TOTAL SALES (FY 2021: 5.2%)

FINANCIAL OVERVIEW

FY 2022: Improved pricing offsets cost inflation and exceptional charges reducing losses

Lecico revenues for 2022 increased by 24% year-on-year to LE 3,273.8 million (2021: LE 2,642.2 million) due to the increase in sales in all segments driven by strong price increases in all products and the uplift in export prices and margins following the devaluation of the Egyptian Pound at the end of the year. Across all segments, average selling prices were up by 15%.

Lecico's cost of goods sold was up 24% year-on-year to LE 2,675.2 million (2021: LE 2,158.9 million) including a LE 46.3 million one-off charge to COGS in Lebanon due to writing off stock over the year. If we exclude the one-off charge from Lebanon in 3Q 2022, Lecico's cost of goods sold would be up only 22% year-on-year.

Lecico decided in 2022 to take significant charges in Lebanon in 2022 at both the level of COGS and Other Operating Expenses to write-down stock and implement a stricter provisioning policy.

Gross profit increased by 24% to reach LE 598.6 million (2021: LE 483.3 million) and the Company's gross profit margin was flat at 18.3% compared to the same period last year. If we exclude the one-off charge from Lebanon in 3Q 2022, Lecico's gross profit would be up 33% at LE 644.9 million and the Company's gross profit margin would be up 1.4 percentage points at 19.7%.

In absolute terms, distribution and administration (D&A) expenses increased by 23% to LE 465.3 million (2021: LE 377.1 million), but proportional D&A expenses were down 0.1 percentage points to 14.2% compared to 14.3% in the same period last year.

Lecico reported LE 164.6 million in net other operating expenses compared to net other operating expenses of LE 56.3 million in the same period last year. The higher other operating expense in 2022 is primarily due to LE 78 million in net exceptional other operating expenses incurred in the year primarily due to provisions on stock in Lebanon that were done in the third quarter.

Lecico reported an EBIT loss of LE 31.3 million for 2022 compared to an EBIT profit of LE 49.9 million in the same period last year. If we strip out the LE 46.3 million one-off charge in COGS and the LE 78 million in net exceptional other operating expenses primarily associated with stock write-offs and provisions in Lebanon, the Company would have reported an EBIT profit of LE 93 million, up 86% year-on-year, with a margin of 2.8% up 1 percentages point (2021: 1.9%).

Lecico reported LE 107.7 million in net financing income compared to net financing expense of LE 18.9 million in last year. However, this net gain was distorted by two major effects. In Lebanon, where foreign exchange gains are already high due to the great variance between official and parallel market rates, the Company had an unusual gain of LE 153.7 million in the third quarter when a large amount of USD was converted into Lebanese Pounds in the black market. Conversely, Lecico incurred an exceptional finance expense of LE 69.6 million to close off its loss making forward-selling dollar contracts in Egypt following the devaluation in the Fourth Quarter. Net of these exceptional items, Lecico would have reported a net financing income of LE 23.6 million instead of the LE 107.7 million reported.

Lecico reported net tax charge of LE 63.7 million versus a tax charge of LE 56.2 million in last year.

Lecico reported net loss of LE 3.2 million compared to net loss of LE 36.4 million in last year. If this net loss was adjusted for the exceptional charges to COGS and other operating expenses and the net exceptional financial income during the year, the Company would have reported a net profit of 40.5 million for the year with a net margin of 1.2%.

GROSS PROFIT INCREASED BY 24% TO REACH LE 598.6 MILLION (2021: LE 483.3 MILLION)

FINANCIAL OVERVIEW
CONTINUED

SANITARY WARE SALES VOLUME INCREASED BY 2% TO 5 MILLION PIECES (UP 93,760 PIECES). EXPORT VOLUMES DECREASED 1% (DOWN 34,838 PIECES)

Sanitary ware

Sanitary ware sales volume increased by 2% to 5.1 million pieces (up 93,760 pieces). Egyptian volumes increased 11% (up 131,979 pieces), export volumes decreased 1% (down 34,838 pieces) and sales in Lebanon decreased by 10% (down 3,380 pieces).

Average sanitary ware prices were up 22% year-on-year to LE 392.8 per piece (2021: LE 320.9) on the back of significant price hikes in both export and local markets and the effect of the weakening of the Egyptian Pound on average export prices towards the end of the year.

Revenues were up 25% year-on-year at LE 2,004.5 million (2021: LE 1,607.8 million).

Average cost of sales increased 24% at LE 343 per piece. However, COGS and average cost of sale per piece were inflated by the one-off charge of LE 46.3 million incurred to write-off stock in Lebanon.

Excluding this charge, average cost of sales increased 21% to LE 334 per piece.

Sanitary ware production was 1% lower than in 2021.

Gross profit increased 12% to LE 253.7 million (2021: LE 226.3 million), but the margin fell 1.4 percentage points to 12.7% (2021: 14.1%). Excluding the one-off charge of LE 46.3 million incurred to write-off stock in Lebanon, Gross profit would have been LE 300.0 million and the margin would be up 0.9 percentage points at 15.0%.

Tiles

Tile sales volumes increased by 5% year-on-year (up 1,021,654 square meters) to reach 22.5 million square meters. Sales in Egypt increased 19% (up 3.1 million square meters) and Lebanon sales increased by 55% (up 102,545 square meters), but export sales decreased by 43% (down 2.2 million square meters).

Tiles revenues increased 21% year-on-year at LE 1,083.6 million in 2022 (2021: LE 896.3 million).

Average net prices rose 15% to LE 48.2 per square meter compared to LE 41.7 in the same period last year on the back of significant local price increases to cover rising costs, which were partially offset by the substitution of Egyptian sales for better-priced export sales due to weak demand and increased competition in Lecico's traditional export markets.

Average costs increased 13% year-on-year to reach LE 36.5 per square meter due to cost cutting measures in Egypt offsetting significant cost inflation throughout the year. Production volume was 3% lower than 2021.

Gross profit increased 29% to reach LE 262 million (2021: LE 202.7 million) and the margin increased by 1.6 percentage points to 24.2% (2021: 22.6%).

Profit and loss statement highlights	FY		%	FY			2018-22
LE m	**2022**	2021	22/21	2020	2019	2018	CAGR%
Sanitary ware	2,004.5	1,607.8	125%	1,198.7	1,416.1	1,617.2	6%
Tiles	1,083.6	896.3	121%	782.3	856.4	1,002.4	2%
Brassware	185.7	138.1	134%	74.2	77.2	86.0	21%
Net sales	**3,273.8**	**2,642.2**	**124%**	**2,055.2**	**2,349.8**	**2,705.5**	**5%**
Sanitary ware/net sales (%)	61.2%	60.9%	0.4%	58.3%	60.3%	59.8%	
Cost of sales	(2,675.2)	(2,158.9)	124%	(1,826.0)	(2,098.1)	(2,235.1)	5%
Cost of sales/net sales (%)	(81.7%)	(81.7%)	(0.0%)	(88.8%)	(89.3%)	(82.6%)	
Gross profit	**598.6**	**483.3**	**124%**	**229.2**	**251.7**	**470.4**	**6%**
Gross profit margin (%)	18.3%	18.3%	(0.0%)	11.2%	10.7%	17.4%	
Distribution and administration (D&A)	(465.3)	(377.1)	123%	(276.6)	(325.9)	(349.9)	7%
D&A/net sales (%)	(14.2%)	(14.3%)	0.1%	(13.5%)	(13.9%)	(12.9%)	–
Net other operating income (expense)	(164.6)	(56.3)	293%	(85.0)	(14.0)	30.2	
Net other operating income/net sales (%)	(5.0%)	(2.1%)	(3%)	(4.1%)	(0.6%)	1.1%	–
EBIT	**(31.3)**	**49.9**	–	**(132.5)**	**(88.2)**	**150.7**	
EBIT margin (%)	(1.0%)	1.9%	–	(6.4%)	(3.8%)	5.6%	
Net profit	**(3.2)**	**(36.4)**	**9%**	**(220.6)**	**(298.3)**	**(114.3)**	**(59%)**
Net profit margin (%)	–	–	–	–	–	–	

Brassware

Sales volumes for 2022 increased by 16% year-on-year (up 24,024 pieces).

Average net prices increased 16% to reach LE 1,067.7 per piece and revenues increased 34% year-on-year to reach LE 185.7 million (2021: LE 138.1 million).

Brassware's percentage of consolidated revenues 5.7%, while the percentage for last year was 5.2% of sales.

Average cost per piece increased 6% to LE 591.3 per piece (FY 2021: LE 559.1 per piece) reflecting changing mix.

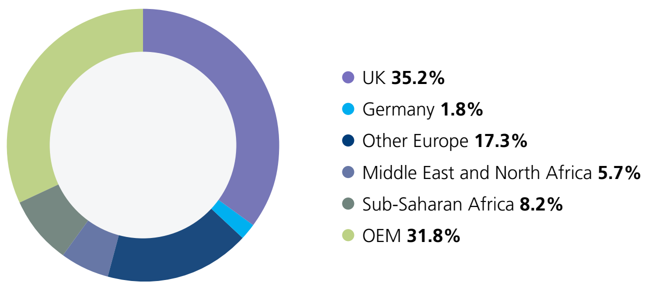
Gross profit increased 53% to LE 82.9 million (FY 2021: LE 54.3 million) and the margin increased 5.3 percentage points to 44.6% (FY 2021: 39.3%).

Brassware's percentage of consolidated gross profits increased to 13.8% of Lecico gross profits (FY 2021: 11.2%).

FINANCIAL OVERVIEW
CONTINUED

Sanitary ware exports by destination 000 pieces	2022	% of total	2021	% of total	% 22/21
UK	1,310.6	35%	1,150.7	31%	114%
Germany	65.3	2%	73.8	2%	89%
Other Europe	642.0	17%	658.6	18%	97%
Middle East and North Africa	211.0	6%	241.0	6%	88%
Sub-Saharan Africa	303.0	8%	466.0	12%	65%
OEM	1,184.0	32%	1,162.2	31%	102%
Total exports	**3,715.8**	**100%**	**3,752.3**	**100%**	**99%**

EXPORTS BY DESTINATION
Sanitary ware



Financial position

The value of Lecico's non-current assets increased by 25% at the end of December 31, 2022, to reach LE 2,009.1 million (2021: LE 1,603 million), which followed a re-evaluation of the fixed assets following the devaluation of the Egyptian Pound and despite of the sale of land in France.

Total Equity increased 22% at the end of December 31, 2022, to reach LE 1,843.1 million (2021: LE 1,507.9 million) as reserves increased to reflect the increase in non-current assets.

The value of Lecico's current assets increased by 47% at the end of December 31, 2022, to reach LE 2,686.4 million (2021: LE 1,822 million) due to the increase in cash, inventory, and receivables during 2022. However, the increase in cash is distorted by the large Lebanese Pound balances the Company is holding which are required to be translated at the official exchange rate.

Total liabilities increased by 49% to reach LE 2,795.1 million (2021: LE 1,881.9 million) because of the increase in bank overdrafts and other payables.

Gross debt increased 49% or LE 422.7 million to reach LE 1,285.9 million compared to LE 863.1 million at the end of 2021.

Net debt increased 15% or LE 101.9 million to reach LE 787.9 million compared to LE 686 million at the end of 2021. However, this net debt number is distorted by the large Lebanese Pound balances we are holding which we are required to translate at the official exchange rate.

Net debt to equity at the end of December 2022 reached 0.43x compared to 0.45x at the end of 2021. Net debt to equity is closer to 0.49x if we exclude the extra cash held in Lebanon.

Working capital increased 31% or LE 296.7 million to reach LE 1,255 million compared to LE 958.3 million at the end of 2021 due to the increase in inventory and receivables both of which are driven by inflation in both original currencies and because of the devaluation of the Egyptian Pound.

Recent developments and outlook

The unprecedented inflation and economic volatility across the world makes any attempt to judge Lecico's outlook challenging, however the further devaluation of the Egyptian Pound in January is a strong support to the Company's operations which already saw material improvement in 4Q 2022 as a result of the first devaluation in late October.

Overall, the Egyptian Pound has weakened 55% against the dollar since October 2022 and the market is expecting further devaluations. Lecico has largely passed on all currency related costs in Egypt and is benefitting from the devaluation in Exports.

This puts the Company in a strong position to deliver improved results on 4Q 2022 in early 2023 before local inflation will begin to erode the gains made in Export markets.

The Company has already pushed through another round of local price increases in 1Q 2023 to offset the January inflation.

Lecico's main risks now lie in either the demand side or disruption of our supply chain due to currency constraints in Egypt. With economic growth forecasts, energy supply and many other drivers uncertain in most markets the Company is active in, we cannot rule out the risk of further unexpected developments.

There is a concern over the strength of demand in Europe in the coming year and Lecico is seeing a reduction in orders from some central European markets. Management hopes to offset this with market share gains in the UK and new customers and product launches in Europe.

Regional exports look likely to remain depressed with political issues in Libya and Lebanon and weak sales reported in our other Middle Eastern markets. This part of the business is not expected to show any improvement in the coming quarters.

THE VALUE OF LECICO'S NON-CURRENT ASSETS INCREASED BY 25% AT THE END OF DECEMBER 31, 2022, TO REACH LE 2,009.1 MILLION (2021: LE 1,603 MILLION)

The Egyptian market continues to be driven by government-led projects as small contractors and refurbishments remain squeezed between tighter government restrictions on private building work and the impact on the consumer of high inflation for most of the past five years. Management believes that it is well positioned in the projects sector and is hopeful that demand remain stable in 2023 despite a squeeze on sources of funding for Egypt.

If demand across Europe is stable and there are no major disruptions to supply chain into Egypt, Lecico should be well positioned to show an improvement in recurring core operations compared to the previous year as was seen in 4Q 2022.

Lecico Lebanon restructuring update

The crisis in Lebanon continues to make the market extremely unpredictable and limits activity. Trading in Lebanon remains limited and strictly on a cash basis with fluctuations based on political sentiment and uncertainty over exchange rates. Since this crisis is now over a year old, year-on-year figures do not show the extent of the drop.

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

Lebanon's macroeconomic and political outlook remains extremely uncertain. In absence of better visibility, Lecico is expected to trade at current levels in the year ahead, with similar losses but positive cash flow.

As Lecico Lebanon's functional currency is that of a hyperinflationary economy and in view of the ongoing financial crisis in Lebanon and the significant variance between official and unofficial exchange rates there is a need to restate the financial statements of the subsidiary so that the financial information provided is more meaningful.

Considering this constrained trading environment and the significant difference between official and unofficial exchange rates, Lecico Lebanon took the decision to significantly provide against stock, reassessing our stock provisions considering the current trading levels and writing off stock as well.

This led to significant other operating costs and cost of goods sold charges affecting the group numbers as mentioned in the earlier parts of this newsletter.

Management has also taken the decision to sell USD 320,000 of the cash it held for various investments and charges in Lebanese Pounds including investing in solar panels for the factory in Lebanon and settling an outstanding court case with the Electricity Authority in Lebanon.

In order to properly reflect the Lebanese business going forward and remove most of the qualifications in Lecico Egypt's consolidated financials, management is reviewing the possibility of reporting Lebanon results with adjustments for hyperinflation (IAS 21 and 29). Management hopes to switch to this reporting treatment in the coming year and there may be further adjustment entries on the consolidated financials to reflect the restatement of Lebanon's accounts.

Sanitary ware segmental analysis	FY		%	FY			18-22
LE m	2022	2021	22/21	2020	2019	2018	CAGR%
Sanitary ware volumes (000 pcs)							
Egypt	1,356	1,224	111%	1,113	1,389	1,728	(6%)
Lebanon	30	34	90%	83	108	106	(27%)
Export	3,716	3,752	99%	2,815	3,202	3,486	2%
Total sanitary ware volumes	**5,102**	**5,010**	**102%**	**4,010**	**4,699**	**5,321**	**(1%)**
Exports/total sales volume (%)	72.8%	74.9%	(2.1%)	70.2%	68.1%	65.5%	
Sanitary ware revenue	**2,004.5**	**1,607.8**	**125%**	**1,198.7**	**1,416.1**	**1,617.2**	**6%**
Average selling price (LE/pc)	392.9	320.9	122%	299	301	304	7%
Average cost per piece (LE/pc)	343.2	275.8	124%	279	264	232	10%
Sanitary ware cost of sales	(1,750.8)	(1,381.5)	127%	(1,118.7)	(1,238.6)	(1,236.9)	9%
Sanitary ware gross profit	**253.7**	**226.3**	**112%**	**80.0**	**177.6**	**380.3**	**(10%)**
Sanitary ware gross profit margin (%)	12.7%	14.1%	(1.4%)	6.7%	12.5%	23.5%	

Tile segmental analysis	FY		%	FY			18 -22
LE m	2022	2021	22/21	2020	2019	2018	CAGR%
Tile volumes (000 sqm)							
Egypt	19,253	16,136	119%	14,993	15,309	20,666	(2%)
Lebanon	288	186	155%	366	660	478	(12%)
Export	2,952	5,151	57%	4,422	5,642	4,611	(11%)
Total tile volumes	**22,494**	**21,472**	**105%**	**19,781**	**21,611**	**25,755**	**(3%)**
Exports/total sales volume (%)	13.1%	24.0%	(10.9%)	22.4%	26.1%	17.9%	
Tile revenue	**1,083.6**	**896.3**	**121%**	**782.3**	**856.4**	**1,002.4**	**2%**
Average selling price (LE/sqm)	48.2	41.7	115%	39.5	39.6	38.9	5%
Average cost per piece (LE/sqm)	36.5	32.3	113%	33.1	37.6	36.6	(0%)
Tile cost of sales	(821.5)	(693.6)	118%	(655.2)	(811.8)	(941.4)	(3%)
Tile gross profit	**262.0**	**202.7**	**129%**	**127.1**	**44.7**	**61.0**	**44%**
Tile gross profit margin (%)	24.2%	22.6%	1.6%	16.2%	5.2%	6.1%	

CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENTAL POLICY

All Lecico companies seek to:

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

AS ONE OF EGYPT'S LEADING MANUFACTURERS, LECICO CONSIDERS CORPORATE SOCIAL RESPONSIBILITY (CSR) TO BE AN INTEGRAL PART OF THE WAY IT OPERATES AND AN IMPORTANT CONTRIBUTOR TO ITS REPUTATION.

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

Training and development

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

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

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

Employee communications

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

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

Employment policy

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

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

The Company operates a number of employee pension schemes across its business including a retirement fund and has recently offered a tailored partial contribution private health insurance plan to its administrative staff and accident

CORPORATE SOCIAL RESPONSIBILITY
CONTINUED

policy for all the group employees . Lecico contributed over LE 8,9 million in pension contributions, accident and medical insurance and aids support for its staff in 2022.

Holidays and Pilgrimages

Lecico recognises the importance of a good work/life balance for its staff and offers several programs to help them make the most of their time outside of work. These programs include organising and subsidising day trips and week-long holidays for them and their families in the summer; partially funding its staff's Haj and Omra pilgrimages and giving salary bonuses to the staff in Ramadan and around other key holidays. In 2022, these programs included a total of 4,770 subsidised holiday days at a total expense of LE 100,000.

Community

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

The total value of the Company's donations in 2022 is LE 1,405,557 with much of the sum used in funding social and humanitarian causes including joining the reconstruction effort in Beirut port and donations to schools in Egypt. It is the Company's policy not to make political donations and as such no political donations were made in the year 2019. An anti-bribery and anti-corruption policy was also initiated and implemented during the year.

Environment and Health & Safety

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

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

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

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

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

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

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

- The Ministerial Executive Regulations Number 338 (1995) amended by Ministerial decision Number 1095 (2011), Ministerial decision Number 964 (2015), Ministerial Decision Number 544 (2016), Ministerial Decision number 618 (2017) and lately Ministerial Decision Number 1963 (2017).

In 2022, the Company was audited and passed successfully all its recurring external audits, including:

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

In 2022, our customers started to apply Code of Conduct (COC) Audit to complete the chain of complying with labour rights and ethical and environmental guidelines. Accordingly, Lecico will apply the same measures with its internal and external suppliers, as follows:

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

All audits done this year via Zoom or Microsoft Teams due to COVID-19 circumstances.

PACKAGING AND WASTE REDUCTION POLICY

All Lecico companies seek to:

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

BOARD OF DIRECTORS

MR. GILBERT GARGOUR
Chairman

Board Member: 1981 – present **Age:** 80

Nationality: Lebanese and British

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

MR. ALAIN GARGOUR
Non-Executive Director

Board Member: 1997 – present **Age:** 70

Nationality: Lebanese and British

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

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

Board Member: 2003 – present **Age:** 77

Nationality: Lebanese and American

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

MR. TAHER GARGOUR
CEO and Managing Director

Board Member: 2008 – present **Age:** 53

Nationality: Lebanese and American

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

MR. TOUFICK GARGOUR
Non-Executive Director

Board Member: 1974 – present **Age:** 81

Nationality: Lebanese

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

MR. MOHAMED HASSAN
Executive Director

Board Member: 2013 – present **Age:** 59

Nationality: Egyptian

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

DR. RAINER SIMON
Non-Executive Director and
Audit Committee Member

Board Member: 2011 – present **Age:** 72

Nationality: German

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

MS. MENATALLAH SADEK
Independent Director and
Audit Committee Member

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

Nationality: Egyptian

Menatalla's career encompasses more than two decades in leading roles in Egypt and Europe. Her last role was CEO and co-founder of H.A Utilities (HAU), as well as MD of Lightsource BP JV co in Egypt. She is also currently acting as Independent Senior Advisor to African Infrastructure Investment Managers (AIIM), a co-founder of Egycop, Egypt's first Carbon offset company and a board member in Al Futtaim Group Supervisory Board amongst others.

She is a CFA Charterholder and was a founding member of the CFA Societies of Sweden and Egypt, where she was also a Board member.

MR. KARIM ZAHRAN
Independent Director and
Audit Committee Member

Board Member: 2019 – present **Age:** 38

Nationality: Egyptian

Karim is currently the CEO of Zahran Market. Before leading the supermarket chain turnaround, he was a Deputy Manager at Groupe Seb's Iberica office in Barcelona. Karim started his career in finance at HSBC. He joined Compass Capital as a founding partner in 2012 where he led the Asset Management team, and consequently headed the Beltone brokerage in the United States. Karim currently serves on the board of directors in Compass Capital, Zahran Group, Rameda pharmaceuticals, Bonyan for Real Estate, Alex Scan and Schutz American School. Karim earned his Bachelors degrees in Economics and Finance at Boston University.

MR. COLIN J SYKES
Independent Director and
Audit Committee Member

Board Member: 2019 – present **Age:** 63

Nationality: British

Colin is currently Chairman of Abbey Glass Cardiff, a leading supplier of toughened glass in the UK. Colin has over 30 years of finance and management experience, having previously served as Acting CEO and CFO of yacht maker Fairline, Interim CFO of Ideal Standard, and previously as CFO of B3 Cable Solutions, GB Auto and Lecico Egypt. He holds an MBA from Fuqua School of Business, Duke University and a BA in Accounting Sciences from the University of South Africa.

FINANCIAL STATEMENTS

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

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

Report on the consolidated financial statements

We have audited the consolidated financial statements of Lecico Egypt Company (S.A.E.) ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at December 31, 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.

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.

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 realisable 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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

According to International Financial Reporting Standards (IFRS)

	Note	31/12/2022 LE	31/12/2021 LE
Assets			
Non-current assets			
Property, plant and 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 interest	(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.

Independent Auditor's Report attached.

Finance Director
Mohamed Hassan

Managing Director
Taher Gilbert Gargour

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2022

According to International Financial Reporting Standards (IFRS)

	Note	31/12/2022 LE	31/12/2021 LE
Revenue	(5)	3,273,784,906	2,642,209,737
Cost of sales	(6)	(2,675,219,223)	(2,158,926,905)
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)	(214,480,177)	(89,151,286)
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)	(63,682,355)	(56,243,587)
Net profit/(loss) for the year		**12,729,132**	**(23,336,537)**
Profit/(loss) attributable to:			
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 earning/loss per share (EGP/share)	(12)	**(0.04)**	**(0.45)**

Notes (1) to (38) are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

According to International Financial Reporting Standards (IFRS)

	31/12/2022 LE	31/12/2021 LE
Other comprehensive income		
Net profit/(loss) for the year	12,729,132	(23,336,537)
Items of other comprehensive income:		
Items that may be reclassified to profit or loss statement		
Foreign operations-foreign currency translation differences of subsidiaries financial statements	38,072,456	356,163
Items that will not be reclassified to profit or loss statement		
Land revaluation surplus	414,067,348	–
Income tax related to other comprehensive income items	(96,940,198)	–
Total other comprehensive income for the year after tax	**355,199,606**	**356,163**
Total comprehensive income for the year	**367,928,738**	**(22,980,374)**
Total comprehensive income attributable to:		
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	**367,928,738**	**(22,980,374)**

Notes (1) to (38) are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

According to International Financial Reporting Standards (IFRS)

	Note	Issued and paid up capital LE	Reserves LE
Balance as of January 1, 2021		**400,000,000**	**1,467,064,592**
Total comprehensive income			
Other comprehensive income		–	8,129,014
Net (loss) for the financial year ended December 31, 2021		–	--
Total comprehensive income		**–**	**8,129,014**
Transferred to accumulated losses		–	–
Balance as of December 31, 2021		**400,000,000**	**1,475,193,606**
Balance as of January 1, 2022		**400,000,000**	**1,475,193,606**
Impact of correction of prior years errors	(33)	–	–
		400,000,000	**1,475,193,606**
Total comprehensive income			
Other comprehensive income		–	348,494,513
Net (loss)/profit for the financial year ended December 31, 2022		–	–
Total comprehensive income		**–**	**348,494,513**
Transferred to accumulated losses		–	–
Transferred from reserves to accumulated losses	(23)	–	(9,800,991)
Balance as of December 31, 2022		**400,000,000**	**1,813,887,128**

Notes (1) to (38) are an integral part of these consolidated financial statements.

Accumulated losses LE	Net (loss) for the year LE	Equity of the Holding Company LE	Non-controlling interest LE	**Total equity LE**
(110,367,237)	**(220,605,147)**	**1,536,092,208**	**29,968,058**	**1,566,060,266**
–	–	8,129,014	(7,772,851)	356,163
–	(36,355,634)	(36,355,634)	13,019,097	(23,336,537)
–	**(36,355,634)**	**(28,226,620)**	**5,246,246**	**(22,980,374)**
(220,605,147)	220,605,147	–	–	–
(330,972,384)	**(36,355,634)**	**1,507,865,588**	**35,214,304**	**1,543,079,892**
(330,972,384)	**(36,355,634)**	**1,507,865,588**	**35,214,304**	**1,543,079,892**
(10,097,181)	–	(10,097,181)	(557,225)	(10,654,406)
(341,069,565)	**(36,355,634)**	**1,497,768,407**	**34,657,079**	**1,532,425,486**
–	–	348,494,513	6,705,093	355,199,606
–	(3,189,618)	(3,189,618)	15,918,750	12,729,132
–	**(3,189,618)**	**345,304,895**	**22,623,843**	**367,928,738**
(36,355,634)	36,355,634	–	–	–
9,800,991	–	–	–	–
(367,624,208)	**(3,189,618)**	**1,843,073,302**	**57,280,922**	**1,900,354,224**

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2022

According to International Financial Reporting Standards (IFRS)

	Note	31/12/2022 LE	31/12/2021 LE
Cash flow from operating activities			
Net profit for the year before tax		76,411,487	32,907,050
Adjusted by the following:			
Property, plant and equipment depreciation	(13)	109,473,692	115,207,899
Intangible assets amortisation	(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 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 provided from operating activities		**125,361,361**	**4,953,031**
Cash flow from investing activities			
Payments for acquisition of property, plant and equipment and project under construction	(13),(14)	(103,770,910)	(65,328,747)
Payments for intangible assets		(2,531,617)	(2,457,965)
Proceeds from selling property, plant and equipment		19,199,374	111,972
Net cash (used in) investing activities		**(87,103,153)**	**(67,674,740)**
Cash flow from financing activities			
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 equivalent 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 equivalent at the end of year	(20)	**467,963,520**	**132,116,247**

Notes (1) to (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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:

		Country of Incorporation	**Ownership Interest 31/12/2022 %**	Ownership Interest 31/12/2021 %
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 named "Lecico Plus for Trading")	Egypt	**99.85**	99.85
9	Burg Armaturen Fabrik - Sarrdesign (S.A.E.)	Egypt	**69.85**	69.85
10	Lecico UK (Ltd)	United Kingdom	**100**	100
10.1	Lecico PLC	United Kingdom	**100**	100
10.2	Lecico SA	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.

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 amortised cost.
- Significant accounting policies applied policies are disclosed in note no (37).
- The accompanying financial statements were authorised for issuance by the Board of Directors 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2021

2.3 Use of estimates and judgments

The preparation of consolidated financial statements in 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 recognised 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 recognised 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).

A Judgments

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

- Revenue recognition: revenue is recognised as detailed in the accounting policies applied.
- Equity-accounted investees (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 liabilitie: 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.

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 recognised 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 recognised immediately in the consolidated statement of profit or loss.

2.3 Use of estimates and judgments continued

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2022

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.

Lecico Lebanon	(Unaudited) 31/12/2022 LE	31/12/2021 LE
Financial position statement as of December 31, 2022		
Assets		
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**
Equity		
Issued and 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**
Liabilities		
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**
Profit or loss statement for the financial year ended December 31, 2022		
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)**

4. Segmental 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:

	Sanitary ware segment LE	Tile segment LE	Brassware segment LE	Total
December 31, 2022				
Assets	2,335,328,728	2,334,351,148	25,817,696	**4,695,497,572**
Liabilities	1,353,756,097	1,346,688,411	94,698,840	**2,795,143,348**
Revenues	2,004,487,698	1,083,560,841	185,736,367	**3,273,784,906**
Net (loss)/profit attributable to shareholders of the Holding Company	(22,617,536)	(12,226,304)	31,654,222	**(3,189,618)**
December 31,2021				
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 shareholders of the Holding Company	(36,916,158)	(20,578,367)	21,138,891	**(36,355,634)**

The Group operates in the principal geographical areas of 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:

	Egypt	Lebanon	Others	Total
December 31, 2022				
Assets	3,760,537,432	499,700,579	435,259,561	**4,695,497,572**
Liabilities	2,225,411,449	179,582,278	390,149,621	**2,795,143,348**
Revenues	2,864,191,310	41,646,305	367,947,291	**3,273,784,906**
Net (loss)/profit attributable to shareholders of the Holding Company	(19,127,348)	(13,781,204)	29,718,934	**(3,189,618)**
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	(18,133,546)	(24,626,877)	6,404,789	**(36,355,634)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2022

5. Revenue

	31/12/2022 LE	31/12/2021 LE
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

	31/12/2022 LE	31/12/2021 LE
Cost of sales	2,632,974,601	2,087,995,560
Add:		
Employees' share in net profit	42,244,622	70,931,345
	2,675,219,223	**2,158,926,905**

7. Other income

	31/12/2022 LE	31/12/2021 LE
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

	Note	31/12/2022 LE	31/12/2021 LE
Expected credit loss in trade and other receivables	(19)	42,416,673	24,945,000
		42,416,673	**24,945,000**

9. Other expenses

	Note	31/12/2022 LE	31/12/2021 LE
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	–
Inventory write off		27,087,618	–
		214,480,177	**89,151,286**

10. Net finance (income)/expenses

	Note	31/12/2022 LE	31/12/2021 LE
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**
Less:			
Finance income			
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 recognised 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 LE	31/12/2021 LE
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2022

11.2 Recognised deferred tax assets and liabilities

	2020 LE	Recognised in profit or loss statement LE	2021 Assets LE	2021 Liability LE	Net LE
Property, plant and equipment	20,722,744	(2,706,889)	–	18,015,855	18,015,855
Accumulated losses	(1,648,161)	992,164	655,997	–	(655,997)
Inventory	(4,213,096)	211,144	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**

	2021 LE	Recognised in profit or loss statement LE	Recognised in the comprehensive income statement LE	2022 Assets LE	2022 Liability LE	Net LE
Property, plant and equipment	18,015,855	111,050	96,940,198	–	115,067,103	115,067,103
Accumulated losses	(655,997)	244,383	–	411,614	–	(411,614)
Inventory	(4,001,952)	227,854	–	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**

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

11.3 Reconciliation of effective tax rate

		31/12/2022 LE		31/12/2021 LE
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 expenses		159,875,862		87,451,777
Tax base	22.5%	311,948,810	22.5%	278,569,454
Exemption (investments income)		(57,127,050)		(56,498,400)
Tax base		254,821,760		222,071,054
Tax from profit or loss statement		**57,334,896**		**49,965,987**
Effective tax rate		**75.034%**		**152%**

11.4 Unrecognised deferred tax assets

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

	31/12/2022 LE	31/12/2021 LE
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	**70,403,513**	**42,326,575**

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

11.5 Accrued income tax

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

12. (Loss) per share (LE/share)

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

	31/12/2022 LE	31/12/2021 LE
Net (loss) for the year for Holding Company's shareholders (LE)	(3,189,618)	(36,355,634)
The number of outstanding shares during the year (share)	80,000,000	80,000,000
Loss per share (LE/share)	**(0.04)**	**(0.45)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

13. Property, plant and equipment

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

- The 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.

	Land LE	Buildings LE	Leasehold improvements LE
Cost			
At 01/01/2021	**1,150,091,771**	**404,748,907**	**19,840,973**
Translation differences	(686,460)	(3,990,839)	(120,675)
Additions during the year	–	1,023,339	1,939,711
Disposals during the year	–	(126,738)	(464,075)
At 31/12/2021	**1,149,405,311**	**401,654,669**	**21,195,934**
Accumulated depreciation			
At 01/01/2021	**–**	**236,508,568**	**15,045,599**
Translation differences	–	(2,226,491)	(73,731)
Depreciation of the year	–	16,144,766	2,294,718
Disposals accumulated depreciation-during the year	–	(124,463)	(464,075)
At 31/12/2021	**–**	**250,302,380**	**16,802,511**
Net book value at 31/12/2021	**1,149,405,311**	**151,352,289**	**4,393,423**
Net book value at 31/12/2020	**1,150,091,771**	**168,240,339**	**4,795,374**

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

Machinery and equipment LE	Vehicles LE	Tools LE	Furniture, office equipment and computers LE	Rights of use assets LE	**Total LE**
1,207,481,884	**72,247,455**	**186,042,595**	**40,244,411**	**79,812,800**	**3,160,510,796**
(150,325)	(86,045)	(10,014)	(3,572)	(1,068,783)	**(6,116,713)**
56,381,930	739,575	1,500,435	2,209,723	2,931,824	**66,726,537**
(36,748,398)	(2,609,364)	–	–	(5,004,203)	**(44,952,778)**
1,226,965,091	**70,291,621**	**187,533,016**	**42,450,562**	**76,671,638**	**3,176,167,842**
1,024,347,047	**69,250,190**	**140,431,658**	**35,903,081**	**10,177,886**	**1,531,664,029**
(133,069)	(370,392)	2,773	(3,359)	2,164,583	**(639,686)**
63,353,132	1,339,500	15,032,577	1,298,783	10,267,414	**109,730,890**
(36,748,398)	(2,609,364)	–	–	(5,004,203)	**(44,950,503)**
1,050,818,712	**67,609,934**	**155,467,008**	**37,198,505**	**17,605,680**	**1,595,804,730**
176,146,379	**2,681,687**	**32,066,008**	**5,252,057**	**59,065,958**	**1,580,363,112**
183,134,837	**2,997,265**	**45,610,937**	**4,341,330**	**69,634,914**	**1,628,846,767**

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FOR THE YEAR ENDED DECEMBER 31, 2022

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

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

14. Projects under construction

	31/12/2022 LE	31/12/2021 LE
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:

	31/12/2022 LE	31/12/2021 LE
Cost		
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**
Amortisation and impairment losses		
Balance at the first of January	**37,890,698**	**22,299,578**
Translation differences	9,564,294	(297,800)
Amortisation 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**

16. Equity-accounted investees

	Ownership %	**31/12/2022 LE**	31/12/2021 LE
Murex Industries and Trading (S.A.L.)	20%	6,924,716	5,850,379
Other investments		121,877	120,712
		7,046,593	**5,971,091**
Less:			
Impairment of investment		(7,024,616)	(99,900)
		21,977	**5,871,191**

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

17. Long-term notes receivables

	31/12/2022 LE	31/12/2021 LE
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	**541,578**	**6,085,311**

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

18. Inventory

	31/12/2022 LE	31/12/2021 LE
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
	1,311,990,718	**960,993,197**
Less:		
Inventory write-off	(150,922,058)	(36,986,953)
	1,161,068,660	**924,006,244**
Goods In transit	77,093,300	52,525,907
	1,238,161,960	**976,532,151**

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

	Balance on 1/1/2022 LE	Translation differences LE	Formed during the year LE	Balance on 31/12/2022 LE
Write-off in inventories	36,986,953	36,214,700	77,720,405	150,922,058
	36,986,953	**36,214,700**	**77,720,405**	**150,922,058**

19. Trade and other receivables

	Note no.	31/12/2022 LE	31/12/2021 LE
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**
Less:			
Expected credit loss in trade and other receivables		(235,608,729)	(151,589,156)
		950,302,178	**656,813,456**

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FOR THE YEAR ENDED DECEMBER 31, 2022

19. Trade and other receivables continued

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

	Balance on 1/1/2022 LE	Translation differences LE	Formed provision LE	Used provisions LE	**Balance on 31/12/2022 LE**
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 equivalents

	31/12/2022 LE	31/12/2021 LE
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**
Less:		
Restricted time deposits	(30,000,000)	(45,000,000)
Cash and cash equivalent for the purpose of cash flows statement	**467,963,520**	**132,116,247**

21. Bank credit facilities

	December 31, 2022		
	Total facilities LE	**Utilised LE**	**Unutilised LE**
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	**1,730,278,000**	**1,247,271,122**	**483,006,878**

	December 31, 2021		
	Total facilities LE	Utilised LE	Unutilised LE
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	**1,453,624,000**	**823,948,627**	**629,675,373**

22. Share capital

22.1 Authorised capital

The authorised 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.

22.3 Non-controlling interests

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

	Non-controlling interest			
Company	%	Profit/loss for the year LE	**Balance as of 31/12/2022 LE**	Balance as of 31/12/2021 LE
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 Fabrik	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 follows, summary of financial statements of Burg Armaturen Fabrik, lecico (UK) Ltd and Lebanese Ceramics Industries Co. as at December 31,2022

	Burg armaturen Fabrik LE	**Lecico (UK) Ltd LE**	**Lebanese Ceramics Industries Co. LE**
Non current assets	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 liabilities	**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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2022

23. Reserves

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

* 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.

24. Legal reserve

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

25. Loans and borrowings

31 December 2022	Balance on January 1, 2022 LE	Repayments of loan during the year LE	Foreign currency Translation differences LE	Balance on December 31, 2022 LE	Instalments due within one year LE	Balance of long-term on loans December 31, 2022 LE
The outstanding balance of loan granted from the CIB to the Holding Company amounted to USD 2.7 million with variable interest rate 4%. Above libor rate the loan will be repaid over 18 consecutive instalments 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 instalments each instalment with an amount of GBP 1,786.92 the variable interest rate is equal 2.62%.	1,454,918	(2,758,973)	2,773,660	1,469,605	(650,673)	818,932
Balance on December 31, 2022	**39,182,918**	**(21,376,973)**	**20,773,660**	**38,579,605**	**(30,338,673)**	**8,240,932**

25. Loans and borrowings continued

	Balance on January 1, 2021 LE	Repayments of loan during the year LE	Foreign currency Translation differences LE	Balance on December 31, 2021 LE	Instalments due within one year LE	Balance of long-term on loans December 31, 2021 LE
The outstanding balance of loan granted from the CIB to the Holding Company amounted to USD 2.7 million with variable interest rate 4%. Above libor rate the loan will be repaid over 18 consecutive instalments 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 instalments each instalment 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**

26. Lease liability

26.1 Lease liability movement

	31/12/2022 LE	31/12/2021 LE
Present value of unpaid lease payments at the commencement date	87,948,453	66,373,613
Less:		
Instalments due within one year.	(16,424,592)	(10,306,745)
Non-current portion of financial lease liability	**71,523,861**	**56,066,868**
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	**87,948,453**	**66,373,613**
Deduct		
Current portion of lease liabilities represented in due instalments during the next financial year	(16,424,592)	(10,306,745)
Non-current portion of lease liabilities	**71,523,861**	**56,066,868**

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FOR THE YEAR ENDED DECEMBER 31, 2022

26.2 Lease liability due within one year

	31/12/2022 LE	31/12/2021 LE
Lease contracts Instalments due within one year for lecico for trading and distribution company	1,761,733	1,323,711
Lease contracts Instalments due within one year for lecico UK company	14,662,859	8,983,034
	16,424,592	**10,306,745**

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:

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

27. Provisions

	Balance as at 1/1/2022 LE	Translation differences LE	Formed provisions LE	Provisions Utilised LE	Balance as at 31/12/2022 LE
Provision disclosed in the non-current liabilities					
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**
Provision disclosed in the current liabilities					
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 below:

	Note	31/12/2022 LE
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

	31/12/2022 LE	31/12/2021 LE
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**

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

29.2 Notes payable for gas debt settlement

	31/12/2022 LE	31/12/2021 LE
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**

30. Trade and other payables

	Note	31/12/2022 LE	31/12/2021 LE
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 instalments 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
		933,175,828	**673,725,980**

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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.

	31/12/2022 LE	31/12/2021 LE
31.1 Due from related parties		
Murex Industries and Trading (S.A.L.)	336,085	1,321,145
	336,085	**1,321,145**
El-Khaleeg for Trading and Investment	300,100	300,100
Total due from related parties	**636,185**	**1,621,245**
Less:		
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	–
	27,610	**–**

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

Letters of Guarantee issued from banks in favour of others are as follows:

The contingent liabilities represent the value of the letters of guarantee and letters of credit issued by the Holding Company and subsidiaries' banks in favour of others existing at the end of the year and their statement as follows:

Currency	31/12/2022	31/12/2021
Letter of guarantee		
EGP	26,759,818	30,492,171
EURO	4,000,000	4,000,000
Letter of guarantee		
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.

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.

	Note	31/12/2022 LE	31/12/2021 LE
Financial assets			
With amortisation cost			
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
		1,510,049,345	**904,403,350**
Financial liabilities			
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	–
		877,179,357	**651,073,194**

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

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

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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 analyses the risks facing the Company to determine the appropriate risk levels and controls.

The Company's risk management policies are developed to identify and analyse 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.

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:

	December 31, 2022 surplus\(deficit)	December 31, 2021 surplus
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

	Averaging rates using during the year		Closing rates using during the year	
	31/12/2022 LE	31/12/2021 LE	**31/12/2022 LE**	31/12/2021 LE
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 fulfil 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 fulfil its contractual obligations, arising mainly from customers. The book value of financial assets represents the maximum credit risk.

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

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

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

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

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

These rates are multiplied by gradient factors to reflect the differences between economic conditions during the year in which historical data was collected, current conditions, and the Company's view of economic conditions over the expected life-span 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		
	Expected credit loss rate	**Net book value LE**	**Loss amount LE**	Expected credit loss rate	Net book value LE	Loss amount LE
Trade receivables						
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**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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35.1 Financial risk management continued

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:

	Less than 1 year LE	2- 3 Years LE	3-4 years or more LE	Total LE	Carrying amount LE
Contractual maturities of financial liabilities as of December 31, 2022					
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	**1,950,387,373**	**309,339,990**	**43,817,568**	**752,072,067**	**2,303,544,931**

	Less than 1 year LE	2- 3 Years LE	3-4 years or more LE	Total LE	Carrying amount LE
Contractual maturities of financial liabilities as of December 31, 2021					
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 Lecico Egypt

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

"Fair value" is the price that will be received for the sale of an asset or paid for the transfer of an obligation in a structured transaction between market participants on the date of measurement of 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 liabilitie.s

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

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

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

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

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

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

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

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

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.

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FOR THE YEAR ENDED DECEMBER 31, 2022

36. Tax status

Lecico Egypt

Corporate income tax

- Tax dispute was finalised, 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 finalised, 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.

Real estate tax

- All tax obligation was paid till 2021.

Lecico for Ceramics

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 finalised, 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.

Sales tax\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 estate tax

- All obligations were paid till 2021.

International 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.

Real estate 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 estate 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2022

36. Tax status continued

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.

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 estate 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.

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 and operational policies of subsidiary companies to obtain benefits from its operations, future voting rights in the ability of control are also taken into consideration, the subsidiary companies financial statements are included in the consolidated financial statements from the date of controlling the Company to the date of losing this control. A subsidiary company is not included in the consolidated financial statements if the Holding Company loses its control over the financial and operational policies in the subsidiary and basis of preparation of the consolidated financial statements is represented in the following:

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

b Subsidiaries

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

c Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets.

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

d Loss of control

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

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

e Investments accounted for using the equity method

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

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

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

f Elimination from consolidation financial statements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2022

37.2 Foreign currency translation and financial statement for foreign subsidiaries

37.2.1 Foreign currency transactions

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

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

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

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

37.2.2 Financial statement for foreign operations

The assets and liabilities as well as goodwill and fair value adjustments arising on acquisition, are translated into functional currency (EGP) at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into functional currency (EGP) at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income "OCI" and accumulated in the translation reserve, except to the extent that the translation difference is allocated to 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.

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

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

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

The Company satisfy the performance obligation and recognise 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 arises or improves a customer-controlled asset when the asset is arisen or improved.
c) The customer receives and consumes the benefits of Company performance at the same time as soon as the Company has performed. For performance obligations, if one of the above conditions is met, revenue is recognised in the year in which the Company satisfies performance obligation.

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

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

37.3 Revenues recognition continued

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:

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

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

Other matters to be considered

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

The significant funding component

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

Revenue recognition

Revenue from the sale of goods

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

37.4 Employee benefits

Profitability of the employee's share of profit is recognised 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
- Dividends
- Impairment losses for financial assets except trade receivables

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2022

37.8.1 Current tax

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

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

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

37.10 Property, plant and 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 recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss statement.

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

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

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.

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2022

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

37.12.3 Amortisation

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

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 presents fairly the transactions. This information provides a basis for users of financial statements to assess the impact of lease contracts on the financial position, financial performance and cash flows of the entity.

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

Initial measurement of the right of use asset:
The cost of the right of use asset is:

A. The initial measurement amount of the lease obligation, at the present value of the unpaid lease payments at that date. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be easily determined. If this rate cannot be determined, the lessee must use the interest rate on the additional lessee's borrowing.
B. Any lease payments made on or before the lease commencement date less any lease incentives received.
C. Any initial direct costs incurred by the lessee.
D. An estimate of the costs to be incurred by the lessee in disassembling and removing the asset subject to the contract, returning the location where the asset is to the original state or returning the same asset to the required condition in accordance with the terms and conditions of the lease, unless those costs are incurred to produce the inventory. On the date of commencement of the lease or because of the use of the underlying asset within a certain year.

Subsequent measurement of the right of use assets:
After the start date of the lease contract, "the right of use" asset is measured using the cost model, under the cost model right of use asset is measured at cost 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.

37.13 Leased contracts continued

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

37.14 Financial instruments

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

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

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

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

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

Financial assets – business model assessment

- The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:
- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management; 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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37.14 Financial instruments continued

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

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

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

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

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

Financial assets – subsequent measurement and gains and losses

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

Financial liabilities –classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, 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 realise the asset and settle the liability simultaneously.

Financial derivatives and hedge accounting

The Group holds derivative financial instruments to hedge foreign currency and interest rate risks. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Following initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss. The Group 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 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 recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as deduction from total equity when selling or reissuing treasury shares, proceeds are recognised as increase in equity, excess and deficit that results from this transaction are presented as premium shares.

37.16 Impairment

37.16.1 Non-derivative financial assets

Financial instruments and contract assets

The Company recognises loss allowances for ECLs on:

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

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

- Debt securities that are determined to have low credit risk at the reporting date; 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2022

37.16.2 Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 180 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; 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 amortised cost are deducted from the gross carrying amount of the assets.

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

Financial assets at amortised cost (If any)	The Company assessed evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by companying together assets with similar risk characteristics. 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. 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.
Equity – accounted investees (If any)	Impairment losses in equity-accounted investees are measured by comparing their carrying amount with the recoverable amount, and the impairment losses are recognised in profit or loss and the impairment loss is reversed when preferential changes occur in the estimates used to determine the recoverable amount.
Financial assets FVOCI (If any)	Impairment losses on Financial assets FVOCI are recognised 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 amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. 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 recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale in profit or loss are not reversed.

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.

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

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

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

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 recognised 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 recognised in the income statement under the "Financing expenses" account in the year in which it occurs.

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

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 cash flow statement

The cash flow 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

IN-DEPTH PROFIT AND LOSS SUMMARY

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Sanitary ware segment											
Sales volume (000s of pieces)	5,145	5,676	5,335	4,835	4,990	5,061	5,321	4,699	4,010	5,010	**5,102**
Exports as a percentage of total	54.9%	52.7%	58.4%	56.5%	53.2%	61.1%	65.5%	68.1%	70.2%	74.9%	**72.8%**
Average price (LE/piece)	121.8	129.8	140.0	148.5	167.1	295.8	303.9	301.4	298.9	320.9	**392.9**
Sanitary ware revenue	626.5	737.0	746.6	718.2	834.0	1,497.3	1,617.2	1,416.1	1,198.7	1,607.8	**2,004.5**
Sanitary ware gross profit	114.1	140.8	129.3	112.0	158.4	471.6	380.3	177.6	80.0	226.3	**253.7**
Sanitary ware gross margin (%)	18.2%	19.1%	17.3%	15.6%	19.0%	31.5%	23.5%	12.5%	6.7%	14.1%	**12.7%**
Tile segment											
Sales volume (000s of sqm)	31,746	33,492	33,045	25,787	25,237	23,171	25,755	21,611	19,781	21,472	**22,494**
Exports as a percentage of total	28.9%	22.9%	18.1%	16.0%	11.9%	15.6%	17.9%	26.1%	22.4%	24.0%	**13.1%**
Average price (LE/sqm)	19.9	21.6	23.6	23.5	23.8	35.9	38.9	39.6	39.5	41.7	**48.2**
Tile revenue	631.8	722.4	780.5	605.4	599.5	830.7	1002.4	856.4	782.3	896.3	**1083.6**
Tile gross profit	222.4	256.8	242.6	89.1	(28.1)	27.7	61.0	44.7	127.1	202.7	**262.0**
Tile gross margin (%)	35.2%	35.5%	31.1%	14.7%	–	3.3%	6.1%	5.2%	16.2%	22.6%	**24.2%**
Consolidated profit and loss											
Net sales	1,278.8	1,501.0	1,573.2	1,370.5	1,496.4	2,406.5	2,705.5	2,349.8	2,055.2	2,642.2	**3,273.8**
Sanitary ware (% of net sales)	49.0%	49.1%	47.5%	52.4%	55.7%	62.2%	59.8%	60.3%	58.3%	60.9%	**61.2%**
Gross profit	341.9	408.7	388.8	216.2	153.3	531.9	470.4	251.7	229.2	483.3	**598.6**
Gross margin (%)	26.7%	27.2%	24.7%	15.8%	10.2%	22.1%	17.4%	10.7%	11.2%	18.3%	**18.3%**
Sanitary ware (% of gross profit)	33.4%	34.5%	33.3%	51.8%	103.3%	88.7%	80.8%	70.5%	34.9%	46.8%	**42.4%**
Distribution and administrative expense	163.3	205.4	194.6	199.9	204.4	323.7	349.9	325.9	276.6	377.1	**465.3**
D&A expense/sales (%)	12.8%	13.7%	12.4%	14.6%	13.7%	13.4%	12.9%	13.9%	13.5%	14.3%	**14.2%**
EBIT	149.4	197.9	194.8	(1.0)	(48.3)	181.9	150.7	(88.2)	(132.5)	49.9	**(31.3)**
EBIT margin (%)	11.7%	13.2%	12.4%	-0.1%	-3.2%	7.6%	5.6%	-3.8%	-6.4%	1.9%	**-1.0%**
Net financing expense/ income	(82.2)	(90.8)	(82.1)	(67.7)	20.1	(136.2)	(228.1)	(195.0)	(65.5)	(18.9)	**107.7**
EBIT\Net financing expense/ Income	(1.8)	(2.2)	(2.4)	0.0	(2.4)	(1.3)	(0.7)	0.5	2.0	(2.6)	**(0.3)**
Net profit	62.8	(18.0)	91.6	(65.1)	(50.1)	37.2	(114.3)	(298.3)	(220.6)	(36.4)	**(3.2)**
Net margin (%)	4.9%	-1.2%	5.8%	-4.8%	-3.3%	1.5%	-4.2%	-12.7%	-10.7%	-1.4%	**-0.1%**
Reported EPS (LE/share)	**0.79**	**(0.27)**	**1.14**	**(0.81)**	**(0.63)**	**0.47**	**(1.43)**	**(3.73)**	**(2.76)**	**(0.45)**	**(0.04)**
Adjusted EPS* (LE/share)	**0.79**	**(0.23)**	**1.14**	**(0.81)**	**(0.63)**	**0.49**	**(1.49)**	**(3.73)**	**(2.76)**	**(0.45)**	**(0.04)**

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

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