Lecico Egypt (S.A.E)
P.O. Box 358
Alexandria, Egypt
Tel.: +203 518 0011
Fax: +203 518 0029
www.lecico.com

Mr. / Head of Disclosure Sector in the Egyptian Stock Exchange

After Greetings,

With reference to the separate financial results of Lecico Egypt S.A.E. for the financial period ending June 30, 2023, it shows that net profit of LE 191,797,441, compared to net profit in the same period last year of LE 5,084,652. The reasons for the increase in profits in the first half of 2023 are due to the following:-

1- The increase in gross profit compared to the same period last year of LE 239 million.

2- The increase in financing revenues compared to the same period last year of LE 53.5 million, and most of the increase is due to profits resulting from exchange variance as a result of the devaluation of the Egyptian Pound.

Best Regards,

Lecico Egypt
Mohamed Aly Mohamed Hassan
Finance Director
Investor Relations Officer

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LECICO EGYPT (S.A.E.)

Separate Interim Financial Statements

for the Financial Period Ended

30 June 2023 and Limited Review Report

شركة ليسيكو مصر
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LECICO EGYPT (S.A.E.)
Separate Financial Statements
for the Financial Period Ended
30 June 2023 and Limited Review Report

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KPMG

Hazem Hassan
Public Accountants & Consultants

12, Nouh Effendi St., from Sultan Hussein St.,
El Pharaana
Alexandria

Telephone: (203) 485 32 51 / 485 32 52
Telefax : (203) 485 32 50

Independent Auditors' Report on Review of Separate Interim Financial Statements

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

Introduction

We have reviewed the accompanying separate interim statement of financial position of Lecico Egypt (S.A.E.) as at June 30, 2023 and the related separate interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes to the separate interim financial statements. Management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these separate interim financial statements based on our review.

Scope of Review

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

Basis for Qualified Conclusion

1- As disclosed in notes (11) , (1-28) of the notes to the separate interim financial statements, the Company did not prepare impairment study for investment in the Lebanese Ceramic Industries company (subsidiary company) and its balance due from related party (included at debtors and other debit balances) amounting to approximately EGP 71.3 Million as of June 30, 2023, which represents 2.7% of the company's total assets, and amounting to approximately EGP 183 Million as of June 30, 2023, which represents 7 % of the company's total assets consequently, we were not able to obtain assurance on the valuation of investments in these balances as of June 30, 2023.

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Qualified Conclusion

Expect for the effect of information and studies stated in the basis of qualified conclusion above, based on our review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements do not present fairly – in all material respects - the separate financial position of the Company as of June 30, 2023 and its separate financial performance and its separate cash flows for the six-month period then ended in accordance with the Egyptian Accounting Standards.

KPMG Hazem Hassan

Mohamed Hassan Mohamed Youssef
Capital Market Register No. 400

Alexandria on August 14, 2023

KPMG Hazem Hassan
Public Accountants and consultants

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LECICO EGYPT (S.A.E)

Separate Statement of Financial Position as at 30 June 2023

	Note No.	30 June 2023 EGP	31 December 2022 EGP
Assets			
Non-current assets			
Property, plant & equipment	(9)	179,753,389	198,528,634
Projects under construction	(10)	19,326,741	1,835,595
Investment in subsidiaries & Other investment	(11)	637,583,264	582,108,264
Notes receivable	(13)	215,019	541,578
Total non-current assets		**836,878,413**	**783,014,071**
Current assets			
Inventories	(14)	549,111,070	352,816,114
Trades,debtors and other receivables	(15)	984,221,681	872,858,114
Current tax asset	(12-3)	-	15,357,965
Cash and cash equivalents	(16)	217,535,498	159,976,028
Total current assets		**1,750,868,249**	**1,401,008,221**
Total assets		**2,587,746,662**	**2,184,022,292**
Equity and liabilities			
Equity			
Issued & paid up capital	(24-2)	400,000,000	400,000,000
Treasury shares	(25)	(25,388,998)	-
Reserves	(24-3)	281,331,724	281,331,724
Accumulated Losses		(201,212,750)	(122,595,646)
Profit for the period /(loss) for year		191,797,441	(78,617,104)
Total equity		**646,527,417**	**480,118,974**
Non-current liabilities			
Loans	(18)	-	7,422,000
Deferred tax liabilities	(12-2)	6,124,413	7,139,264
Provisions	(20)	9,502,386	7,702,386
Notes Payables	(22)	154,509,121	123,308,857
Total non-current liabilities		**170,135,920**	**145,572,507**
Current liabilities			
Banks credit facilities	(17)	708,312,807	551,303,949
Loans due within a year	(18)	27,810,000	29,688,000
Trades and other payables	(19)	949,798,464	933,438,527
Accrued income tax	(12-3)	33,081,863	-
Provisions	(20)	52,080,191	43,900,335
Total current liabilities		**1,771,083,325**	**1,558,330,811**
Total liabilities		**1,941,219,245**	**1,703,903,318**
Total equity and liabilities		**2,587,746,662**	**2,184,022,292**

- The notes from no. (1) to no (31) are an integral part of these separate financial statements.
- Limited Review Report attached,

Finance Director

Mohamed Hassan

Managing Director

Taher Gilbert Gargour

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LECICO EGYPT (S.A.E.)

Separate Statement of Profit or Loss for the financial Period Ended 30 June 2023

	Note No.	2023 From 1 April to 30 June EGP	2023 From 1 January to 30 June EGP	2022 From 1 April to 30 June EGP	2022 From 1 January to 30 June EGP
Sales	(3)	367,253,548	804,120,763	230,137,990	474,829,457
Cost of sales		(223,702,635)	(494,649,646)	(196,439,733)	(403,907,344)
Gross profit		**143,550,913**	**309,471,117**	**33,698,257**	**70,922,113**
Other income	(4)	11,496,516	29,008,388	3,813,898	15,555,543
Selling and distribution expenses		(18,005,628)	(42,319,792)	(38,932,033)	(54,012,586)
Administrative and General expenses		(22,891,083)	(42,977,671)	(15,354,128)	(29,705,528)
Reversal of /(Expected credit loss) in trades and other receivables	(15)	1,000,000	3,298,532	(1,100,000)	(17,900,000)
Other expenses	(5)	(22,013,796)	(44,994,351)	(24,515,761)	(42,313,008)
Profit / (loss) resultsing from operating activities		**93,136,922**	**211,486,223**	**(42,389,767)**	**(57,453,466)**
Net finance (costs) / income	(6)	**(23,233,373)**	**30,902,869**	**(24,947,866)**	**6,289,424**
Income from investments in subsidiaries	(7)	3,143,250	3,143,250	-	57,127,050
Profit / (loss) before income tax		**73,046,799**	**245,532,342**	**(67,337,633)**	**5,963,008**
(Expense) / revenue of Income tax	(12-1)	(20,326,591)	(53,734,901)	3,288,727	(878,356)
Net profit / (loss) for the period		**52,720,208**	**191,797,441**	**(64,048,906)**	**5,084,652**
Basic earninig per share (LE / share)	(8)		2.45		0.06

The notes from no. (1) to no (31) are an integral part of these separate financial statements.

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LECICO EGYPT (S.A.E.)

Separate statement of Comprehensive Income for the financial Period Ended 30 June 2023

		2023		2022	
	Note	**From 1 April to 30 June**	**From 1 January to 30 June**	**From 1 April to 30 June**	**From 1 January to 30 June**
		EGP	**EGP**	**EGP**	**EGP**
Net profit / (loss) for the period		52,720,208	191,797,441	(64,048,906)	5,084,652
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		**52,720,208**	**191,797,441**	**(64,048,906)**	**5,084,652**

The notes from no. (1) to no (31) are an integral part of these separate financial statements.

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LECICO EGYPT (S.A.E.)
Separate Statement of Changes in Equity for the financial Period Ended 30 June 2023

Description	Issued and Paid up in Capital EGP	Treasury Shares EGP	Reserves EGP	Accumulated losses EGP	Total EGP
Balance as at January 1, 2022	**400,000,000**	**-**	**281,331,724**	**(122,595,646)**	**558,736,078**
Transactions with Company's shareholders					
Other Comprehensive Income					
Net profit for the period	-	-	-	5,084,652	5,084,652
Total other Comprehensive Income	**-**	**-**	**-**	**5,084,652**	**5,084,652**
Balance as at June 30, 2022	**400,000,000**	**-**	**281,331,724**	**(117,510,994)**	**563,820,730**
Balance as at January 1, 2023	**400,000,000**	**-**	**281,331,724**	**(201,212,750)**	**480,118,974**
Transactions with Company's shareholders					
Cost of acquiring treasury stocks	-	(25,388,998)	-	-	(25,388,998)
Total Transactions with Company's shareholders	**-**	**(25,388,998)**	**-**	**-**	**(25,388,998)**
Other Comprehensive Income					
Net profit for the period	-	-	-	191,797,441	191,797,441
Total other Comprehensive Income	**-**	**-**	**-**	**191,797,441**	**191,797,441**
Balance as at June 30, 2023	**400,000,000**	**(25,388,998)**	**281,331,724**	**(9,415,309)**	**646,527,417**

The notes from no. (1) to no. (31) are an integral part of these separate financial statements.

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LECICO EGYPT (S.A.E.)

Separate Statements of Cash Flows for the financial Period Ended 30 June 2023

	Note No.	Period from January 1 ,2023 to June 30, 2023 EGP	Period from January 1 ,2022 to June 30, 2022 EGP
Cash flows from operating activities			
Net profit for the period before tax		245,532,342	5,963,008
Adjustments			
Depreciation	(9)	21,346,237	24,409,583
Foreign currencies exchange differences		(84,366,462)	(27,450,514)
Investments revenues	(7)	(3,143,250)	(57,127,050)
Capital (gain) / loss		(1,839,736)	4,124,271
Impairment of Investments in subsidiaries	(5)	3,400,000	-
Interest (income)		-	(1,854,454)
Interest expense		52,576,303	18,240,594
		233,505,434	**(33,694,562)**
Change in inventories	(14)	(196,294,956)	(21,071,895)
Change in trades, notes and other receivables	(15)	(25,374,451)	(26,997,896)
Change in trades,notes and other payables	(19)	35,212,257	95,339,587
Paid dividends		(14,410,215)	(12,783,255)
Change in provisions	(20)	9,979,856	(2,648,084)
		42,617,925	**(1,856,105)**
Paid Interest		(50,979,272)	(18,240,594)
Paid income tax		(6,309,924)	(3,494,470)
Net cash flows (used in) operating activities		**(14,671,271)**	**(23,591,169)**
Cash flows from investing activities			
Payments for acquisition of fixed asset and projects under construction additions	(9),(10)	(20,062,138)	(17,421,820)
Proceeds from selling fixed assets	(9)	1,839,736	2,049,279
Proceeds from Interest		-	1,854,453
Net cash flows (used in) investing activities		**(18,222,402)**	**(13,518,088)**
Cash flows from financing activities			
Payments for loans and installments	(18)	(18,363,000)	(5,517,000)
Payments for acquisition of treasury stocks	(25)	(25,388,998)	-
Net proceeds from Banks credit facilities		101,262,176	109,467,279
Net cash flows provided from financing activities		**57,510,178**	**103,950,279**
Net changes in cash & cash equivalents		24,616,505	66,841,022
The effect of foreign currencies exchange rate on cash & cash equivalents		32,942,965	12,106,125
Net change in restricted time deposite	(16)	30,000,000	(30,000,000)
Cash and cash equivalent at the beginning of the period	(16)	129,976,028	80,575,564
Cash and cash equivalent at the end of the period	(16)	**217,535,498**	**129,522,711**

The notes from no. (1) to no. (31) are an integral part of these separate financial statements.

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1. Company's background

Legal entity

- Lecico Egypt (S.A.E.) was established on November 1st, 1975 according to the resolution of the Ministry of Economics and Economic Co-operation number 142 of 1975. The company is subject to law number 72 of 2017 which superseded law number 8 of 1997.
- The Company's duration is 75 years starting from the date of registration in the Commercial registry on 10 November 1975 till 9 November 2050 .
- The registered office of the Company is in the Khorshid district in Alexandria, Egypt.
- The company is listed on the Egyptian stock exchange.
- Mr. Gilbert Gargour is the Company's Chairman, and Mr. Taher Gilbert Gargour is its Managing Director.
- The company's fiscal year begins on the first of January and ends on the 31st of December of each year

Purpose

- Manufacture and production of all ceramic industries, including the manufacture and production of sanitary ware, all types of tiles and financial leasing.

- The company may have an interest or participate in any way with the bodies that carry out business similar to its business or that may cooperate with it to achieve its purpose in Egypt or abroad, and it may also merge with the previous bodies, buy them or join them, in accordance with the provisions of the law and its executive regulations.

- The Company's standalone financial statements for the financial period ended 30 June 2023 were approved by the Board of Directors on August 14, 2023.

2. The basis for preparing the independent financial statements

The separate financial statements have been prepared in accordance with the going concern objective and the historical cost principle, with the exception of financial assets and financial liabilities, which are recorded at fair value and amortized cost.

I. Compliance with accounting standards and laws

- The separate financial statements have been prepared in accordance with the Egyptian accounting standards and the relevant Egyptian laws and regulations.
- The most important policies applied by the company were disclosed in Note No. (29).

II. Functional and presentation currency

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

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III. Use of Estimates and Judgments

- The preparation of separate financial statements accordance with EAS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.
  - The estimates and underlying assumptions are reviewed on an ongoing basis.
  - Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revisions affects this year only ,or the revised years and future years if the revision affect both.
- The following are the most important items and explanations related to them in which these estimates and judgments are used:-

1- Productive ages of fixed assets and intangible assets
2- Proof of deferred tax assets.
3- Impairment in the value of financial investments in subsidiaries.
4- Impairment in the values of trades, debtors and due from related party.
5- provisions
6- Classification of leases.
7- Revenue Recognition: Revenue is recognized in accordance with what is detailed in the accounting policies applied.

d. Judgments

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

- Note (30-3) Revenue recognition: revenue is recognized as detailed in the accounting policies applied.
- Note (30-21)Lease contracts classification.

e. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at June 30, 2023 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. (30-2) Revenue recognition and estimation of sales returns (if any)
- Note No. (30-12) Recognition and measurement of provisions and contingent liabilities: Basic assumptions about the probability and magnitude of resource flows.
- Note No (30-11-3) Measurement of expected credit losses for financial assets.
- Note No (30-8) Useful life of Fixed Assets.
- Note No. (30-5) Deferred Tax Assets
- Note No. (30-11-3) Impairment in the amount of financial investments in subsidiaries.

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<u>Impairment of non-financial assets</u>

On the date of preparing the financial statements, the company evaluates the asset if there is an indication that the asset impaired. If there is an indication of that, the company evaluates the recoverable amount of the asset. The recoverable amount of the asset is the fair value of the asset less selling costs or its value in use. Whichever is higher, when assessing the value in use, the estimated future cash flows of the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

When determining the fair value less costs to sell, recent market transactions are taken into account. If the recoverable amount of an asset is estimated to be less than its carrying amount, the separate carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized directly in the profit or loss statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss existed for the carrying amount of asset in prior years, A reversal of an impairment loss is recognized immediately in the standalone statement of profit or loss.

<u>Provisions</u>

Provisions are recognized when the company has obligations arising (legal or implied) from past events and the settlement of contingent liabilities is probable and their value can be measured in a reliable way.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the date of the financial statements, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

In the event that some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the amount due is recognized as an asset if it is certain that the amount will be recovered and the value of the amount due can be measured reliably.

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<u>The useful life of fixed assets and intangible assets</u>

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

Leases - Incremental borrowing rate report

The company cannot easily determine the implicit interest rate 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 use” asset 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.

f. Fair *value measurement*

Fair value is the price that will be obtained for the sale of an asset or that will be paid to transfer an obligation in a regulated transaction between market participants on the measurement date. The measurement of fair value is based on the assumption that the transaction for the sale of the asset or the transfer of the obligation will occur either

• in the underlying market of the asset or liability or
• in the absence of the underlying market, in the most beneficial market for the asset or liability

The fair value of an asset or liability is measured using the assumptions that market participants will use when pricing an asset or liability on the assumption that market participants will act in their economic interest. Measuring the fair value of a non-financial asset takes into account the ability of a market participant to generate economic benefits by using the asset in the best and the most efficient use of it or selling it to another participant who will use the asset in the best and the most efficient use of it.

The Company uses valuation methods that are appropriate according to the circumstances and for which sufficient information is available to measure fair value, while maximizing the use of relevant observed inputs and limiting the use of unnoticed inputs.

All assets and liabilities measured or disclosed in the standalone periodic financial statements are classified at fair value in fair value sequence categories. This is described, as follows, based on the input of the lower level that is important for the entire measurement on the fair value measurement as a whole:

- **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).

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- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

g. <u>The consolidated financial statements</u>

The company has subsidiaries, and the company prepares consolidated financial statements in accordance with (Egyptian Accounting Standard No. "42" Consolidated Financial Statements) and Article (188) in the Executive Regulations of Companies Law No. 159 of 1981.

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3. Sales

	Note No.	2023 From 1 April to 30 June	2023 From 1 January to 30 June	2022 From 1 April to 30 June	2022 From 1 January to 30 June
		EGP	EGP	EGP	EGP
Local sales		181,834,996	416,559,210	126,405,409	278,565,137
Export sales		185,418,552	387,561,553	103,732,581	196,264,320
		367,253,548	**804,120,763**	**230,137,990**	**474,829,457**

4. Other income

Reversal of impairment in Inventory	(14)	-	-	-	7,828,000
Capital gain		554,264	1,839,736	-	-
Discounting of notes receivable to its present value		23,441	23,441	253,177	543,861
Discounting of notes payables to its present value		9,858,222	14,243,670	3,083,030	5,996,498
Scrap and other revenues		1,060,589	2,376,879	477,691	1,187,184
Export subsidies revenues		-	10,524,662	-	-
		11,496,516	**29,008,388**	**3,813,898**	**15,555,543**

5. Other expenses

Increase in provision for claims	(20)	8,140,000	17,265,000	7,350,000	14,700,000
Impairment loss on investments	(11)	3,400,000	3,400,000	-	-
Board of directors salaries		15,000	30,000	15,000	30,000
Capital loss		-	-	4,124,271	4,124,271
Other expenses		10,458,796	24,299,351	13,026,490	23,458,737
		22,013,796	**44,994,351**	**24,515,761**	**42,313,008**

6.Net finance costs / (income)

Interest expense	28,714,315	52,576,303	10,274,254	18,240,594
Losses from hedging contracts	-	-	7,943,002	5,443,002
Less				
Interest income	-	-	(956,924)	(1,854,454)
Net foreign currency exchange differnces (gain) / loss	(5,480,942)	(83,479,172)	7,687,534	(28,118,566)
Net finance cost / (income)	**23,233,373**	**(30,902,869)**	**24,947,866**	**(6,289,424)**

7. Income from investments

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Dividends from European Ceramics	-	-	-	8,997,300
Dividends from International Ceramics	-	-	-	44,986,500
Dividends from Burg Armaturen Fabrik	3,143,250	3,143,250	-	3,143,250
	3,143,250	**3,143,250**	**-**	**57,127,050**

8. Basic earning per share

The calculation of basic earning per share as at 30 June 2023 is as follows:

In Egyptian Pound	30/06/2023	30/06/2022
Net profit for the period (EGP)	191,797,441	5,084,652
Number of shares (weighted average) *	78,400,000	80,000,000
Basic earning per share (EGP / share)	2.45	0.06

* The weighted average number of shares outstanding during the period was calculated after taking into account the company's purchase of treasury shares during the period (Note 25).

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9. Property, plant and equipment (Net).

Description *In Egyptian Pound*	Land	Buildings	Machinery & Equipment	Vehicles	Tools	Furniture & Office Equipment	Computers & Software	Total
Cost								
As of 01/01/2023	55,035,751	117,893,489	571,527,018	27,800,394	107,728,432	11,029,101	19,295,935	910,310,120
Additions for the period	-	-	406,992	-	912,439	546,293	705,268	2,570,992
Disposals for the period	-	-	(3,728,974)	(30,370)	-	-	-	(3,759,344)
As of 30/06/2023	**55,035,751**	**117,893,489**	**568,205,036**	**27,770,024**	**108,640,871**	**11,575,394**	**20,001,203**	**909,121,768**
Less :								
Accumulated depreciation								
As of 01/01/2023	-	79,188,242	480,935,187	24,146,750	101,991,185	9,464,790	16,055,332	711,781,486
Depreciation charge for the period	-	1,980,713	16,396,615	402,829	1,926,071	131,346	508,663	21,346,237
Accumulated depreciation for disposals	-	-	(3,728,974)	(30,370)	-	-	-	(3,759,344)
As of 30/06/2023	**-**	**81,168,955**	**493,602,828**	**24,519,209**	**103,917,256**	**9,596,136**	**16,563,995**	**729,368,379**
Carrying amounts								
As of 30/06/2023	55,035,751	36,724,534	74,602,208	3,250,815	4,723,615	1,979,258	3,437,208	179,753,389
As of 31/12/2022	55,035,751	38,705,247	90,591,831	3,653,644	5,737,247	1,564,311	3,240,603	198,528,634
Fully depreciated Plant, property and equipment	-	30,382,076	406,362,135	23,825,531	92,124,709	8,242,706	15,142,510	576,079,667

-The depreciation expenses were allocated as follow:

	30/06/2023	30/06/2022
Cost of sales	20,247,613	23,560,398
Administrative and general expenses	1,098,624	849,185
	21,346,237	**24,409,583**

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Property, plant and equipment (Net) – Continued

Description *In Egyptian Pound*	Land	Buildings	Machinery & Equipment	Vehicles	Tools	Furniture & Office Equipment	Computers & Software	Total
Cost								
As of 01/01/2022	61,209,301	112,128,270	576,906,871	26,309,177	107,189,946	10,379,591	17,455,830	911,578,986
Additions for the year	-	5,765,219	28,088,933	3,944,492	538,486	649,510	1,840,105	40,826,745
Disposals for the year	(6,173,550)	-	(33,468,786)	(2,453,275)	-	-	-	(42,095,611)
As of 31/12/2022	55,035,751	117,893,489	571,527,018	27,800,394	107,728,432	11,029,101	19,295,935	910,310,120
Less :								
Accumulated depreciation								
As of 01/01/2022	-	75,447,270	476,922,815	26,164,171	96,644,368	9,260,752	15,090,974	699,530,350
Depreciation charge for the year	-	3,740,972	37,481,158	435,854	5,346,817	204,038	964,358	48,173,197
Accumulated depreciation for disposals	-	-	(33,468,786)	(2,453,275)	-	-	-	(35,922,061)
As of 31/12/2022	-	79,188,242	480,935,187	24,146,750	101,991,185	9,464,790	16,055,332	711,781,486
Carrying amounts								
As of 31/12/2022	55,035,751	38,705,247	90,591,831	3,653,644	5,737,247	1,564,311	3,240,603	198,528,634
As of 31/12/2021	61,209,301	36,681,000	99,984,056	145,006	10,545,578	1,118,839	2,364,856	212,048,636
Fully depreciated Plant, property and equipment	-	30,313,104	410,268,184	23,461,936	85,385,974	8,664,254	15,587,845	573,681,297

-The depreciation expenses were allocated as follow:

	31/12/2022	31/12/2021
Cost of sales	46,403,140	46,299,704
Administrative and general expenses	1,770,057	1,332,200
	48,173,197	**47,631,904**

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Property, plant and equipment – Continued

The balance of the land is represented in the following:

In Egyptian Pound	Note No.	30/06/2023	31/12/2022
Khorshid Land in Alexandria		2,194,851	2,194,851
Maadi Land		1,311,000	1,311,000
Revaluation Differences of Land (during 1997)	(24-3)	42,901,149	42,901,149
El Awaid Land		8,628,751	8,628,751
		55,035,751	**55,035,751**

(1) Property, plant and equipment include land and buildings that are purchased with preliminary contracts and unregistered in the company's name as follows:

In Egyptian Pound	30/06/2023	31/12/2022
Land	1,811,000	1,811,000
Buildings	6,513,000	6,513,000
	8,324,000	**8,324,000**

10. Projects under construction

In Egyptian Pound	30/06/2023	31/12/2022
Machinery, equipment,building under installation and other*	19,326,741	1,835,595
	19,326,741	**1,835,595**

* Machinery, equipment and buildings under installation are improvements to Machinery, equipment and buildings in sanitary factories, tiles and frit.

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11. Investments in subsidiaries and Other investments

In Egyptian Pound	Country	Ownership %	30/06/2023	31/12/2022
Investments in subsidiaries not listed on the stock exchange				
Lecico for Ceramic Industries (3)	Egypt	99.99	141,771,731	141,771,731
Lebanese Ceramic Industries Co. (2)	Lebanon	94.77	71,269,000	71,269,000
Lecico (UK) Ltd. (1)	UK	100	303,103,607	244,228,607
International Ceramic	Egypt	99.97	59,995,000	59,995,000
T.G.F for Consulting & Trading (4)	Egypt	99.83	5,990,000	5,990,000
European Ceramics	Egypt	99.97	49,985,000	49,985,000
Burg Armaturen Fabrik - Sarrdesign	Egypt	69.85	6,985,000	6,985,000
Lecico for Trading & Distribution Ceramics (5)	Egypt	70.00	8,400,000	8,400,000
Sarreguemines	Egypt	99.85	9,985,000	9,985,000
Lecico for Financial Investments	Egypt	99.33	2,980,000	2,980,000
			660,464,338	**601,589,338**
Impairment in investments *			(22,900,000)	(19,500,000)
			637,564,338	**582,089,338**
Other Investments				
Aracemco	Egypt	0.03	18,926	18,926
			18,926	**18,926**
Total Investments			**637,583,264**	**582,108,264**

(1) The management of Lecico Egypt assessed the need to form an impairment in the value of investments on December 31, 2022, so it prepared a study for the impairment in the value of the investment in Lecico (UK) Ltd (a subsidiary) amounting to EGP 303 million based on the expected future plan for Lecico (UK) Ltd (a subsidiary) in which it adopts achieving profits and positive results for the activity during the years 2023/2027, which will reflect positively on the operational and financial indicators in the coming years for the subsidiaries.
According to the minutes of the Board of Directors meeting held on the 1st of June 2023,the initial public offerings for the shares of the capital increase of Lecico (UK)Ltd was approved by financing the offerings of GBP 1.5 million and the equivalent to EGP 58,875,000, transferred from the credit balances account of Lecico Egypt with Lecico (UK) Ltd have.

(2) The group's management decided to make a comprehensive restructuring plan for Lecico Lebanon (one of the group's subsidiaries) during 2019, in light of the negative results and flows achieved by the aforementioned company during the previous years. The restructuring plan for the subsidiary company includes restructuring its financial and operational aspects, making a fundamental change in production, as well as a comprehensive examination of the company's assets and its current value. At the present time, it is not possible to estimate the impact of the final outcome of the subsidiary company's restructuring plan after the recent

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events that the State of Lebanon is going through, and the management expects positive results after implementing the aforementioned plan.

(3) The company reduced the value of the investment in Lecico for Ceramic Industries by 15 million Egyptian pounds, which represents the value of the impairment of the investment in the company on December 31, 2021.

(4) The company reduced the value of the investment in TGF Consulting and Trade by an amount of 2 million Egyptian pounds, which represents the value of impairment in the investment in the company on December 31, 2022.

(5) The company reduced the value of the investment in Lecico Trading and Distribution of Ceramics by 3.4 million Egyptian pounds during the period, and the value of impairment in the investment in the company on June 30, 2023 amounted to 5.9 million pounds (impairment value 2022: 2.5 million Egyptian pounds)

12. Income Tax

12-1 Income tax expense charged to the statement of profit or loss

	2023		2022	
In Egyptian Pound	From 1 April to 30 June	From 1 January to 30 June	From 1 April to 30 June	From 1 January to 30 June
Current Income tax expense / (revenue)	20,905,173	54,749,752	(2,403,369)	2,714,008
(Income) deferred income tax	(578,582)	(1,014,851)	(885,358)	(1,835,652)
Net income tax expense / (revenue)	**20,326,591**	**53,734,901**	**(3,288,727)**	**878,356**

12-2 Deferred income tax

a- Recognized deferred tax (asset) / liabilities

	2021	Recognized in Profit or Loss	2022		Net
	(Asset) / Liabilities	Statement	Assets	Liabilities	(Asset) / Liabilities
Property, plant & equipment	7,727,518	(588,254)	-	7,139,264	7,139,264
Deferred Tax During the Year	**7,727,518**	**(588,254)**	**-**	**7,139,264**	**7,139,264**

	2022	Recognized in Profit or Loss	2023		Net
	(Asset) / Liabilities	Statement	Assets	Liabilities	(Asset) / Liabilities
Property, plant & equipment	7,139,264	(1,014,851)	-	6,124,413	6,124,413
Deferred Tax During the period / Year	**7,139,264**	**(1,014,851)**	**-**	**6,124,413**	**6,124,413**

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b- Unrecognized deferred tax asset

Deferred tax assets for the following items have not been recognized:

In Egyptian Pound	30/06/2023	31/12/2022
Provisions	13,856,080	11,610,612
Expected credit loss in trades and other receivables	20,260,098	21,002,267
Impairment losses in inventory	2,378,580	2,080,932
Accumulated tax losses	-	12,417,754
Total	**36,494,758**	**47,111,565**

Deferred tax assets related to these items have not been recognized, either because the requirements for approving tax deductions have not been met, or because there is no appropriate degree to ensure that there are sufficient future tax profits through which these assets can be utilized.

12-3 Accrued income tax / (current tax asset)

In Egyptian Pound	30/06/2023	31/12/2022
Current income tax	70,473,191	15,723,439
Tax authority-withholding tax	(37,391,328)	(31,081,404)
	33,081,863	**(15,357,965)**

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13. Long Term Notes Receivable

The long term notes receivable represent the net present value of the notes receivable collected from certain clients, with due dates more than one year from the reporting date, discounted at average effective interest rate of the company.

In Egyptian Pound	30/06/2023	31/12/2022
Face value of long term notes receivable	250,000	600,000
Discounting of long term notes receivable to its present value	(34,981)	(58,422)
Present value of long term notes receivable	**215,019**	**541,578**

14. Inventories

In Egyptian Pound	30/06/2023	31/12/2022
Raw material	97,482,105	65,680,950
Consumables	103,462,420	49,912,144
Spare parts	25,382,249	20,699,115
Work in progress	43,542,836	37,451,602
Finished products	273,094,371	160,161,219
	542,963,981	**333,905,030**
Impairment of inventory	(10,571,470)	(9,248,593)
	532,392,511	**324,656,437**
Goods in transit	16,718,559	28,159,677
	549,111,070	**352,816,114**

	Balance as at 01/01/2023 EGP	Formed Provisions EGP	Balance as at 30/06/2023 EGP
Impairment of inventory	9,248,593	1,322,877	10,571,470
	9,248,593	**1,322,877**	**10,571,470**

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15. Trade and other receivables

In Egyptian Pound	Note No.	30/06/2023	31/12/2022
Trade receivables *		320,207,028	293,873,858
Notes receivable		147,922,033	156,640,362
Other trade receivables		35,504,861	22,910,030
Prepayment		3,884,762	1,240,714
Deposits with others		49,593,019	42,373,969
Due from related parties	(28-1)	423,720,460	355,819,181
Value add tax authority		3,389,518	-
		984,221,681	**872,858,114**

* Trade receivables are shown net of impairment losses amounting to EGP 90,044,879. (December,31 2022: EGP 93,343,411)

	Balance as at 01/01/2023 EGP	Reversed Provision EGP	Balance as at 30/06/2023 EGP
Expected credit loss in trades and other receivables	93,343,411	(3,298,532)	90,044,879
	93,343,411	**(3,298,532)**	**90,044,879**

16. Cash and cash equivalents

In Egyptian Pound	30/06/2023	31/12/2022
Bank current accounts	196,007,196	115,677,095
Time deposits	-	30,000,000
Cash on hand	21,528,302	14,298,933
	217,535,498	**159,976,028**
Less :		
Time deposits restricted	-	(30,000,000)
Cash and cash equivalents according to separate statement of cash flows	**217,535,498**	**129,976,028**

17. Banks credit facilities &speculation

Bank credit facilities represents credit facilities secured by inventories and the total authorized facility limit of overdrafts is EGP 899,831,000 as of June 30, 2023 (December 31, 2022: EGP 791,742,000).

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In Egyptian Pound	Utilized Banks credit facilities 30 / 06 / 2023	31 /12 / 2022
- Commercial International Bank	105,857,018	121,912,124
-Qatar National Alahli Bank	81,375,307	57,372,495
- Arab African International Bank	180,877,585	120,860,972
- Attijariwafa Bank	25,152,119	15,694,876
- Abu Dhabi Islamic Bank - mudarbah	122,704,702	84,816,851
- National Bank of Egypt	192,345,558	150,646,631
- Misr Bank-Europe	518	-
Total	**708,312,807**	**551,303,949**

18. Loans

The loan balance is represented by the value of the long-term loan granted by Commercial International Bank Egypt, amounting to $ 900,000, equivalent to EGP 27.81 million, as of June 30, 2023, at a variable interest rate of 5.6 % in addition to a profit margin of 4.5% until March 2024.

The movement of loans during the period / year is as follows:

In Egyptian Pound	30/06/2023	31/12/2022
Balance at the beginning of the period / year	37,110,000	37,728,000
Finance cost during the period / year	1,805,687	2,433,418
Pay off the principle of the loan	(18,363,000)	(18,618,000)
Translation differences of foreign entities	9,063,000	18,000,000
Pay off Finance cost during the period / year	(984,777)	(2,201,563)
Accrual Finance cost	(820,910)	(231,855)
	27,810,000	**37,110,000**

Allocated as follows:-

Loan installment due within one year	27,810,000	29,688,000
Long term loan	--	7,422,000

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19. Trade and other payables

In Egyptian Pound	Note No.	30/06/2023	31/12/2022
Trade payables		174,855,145	180,261,871
Notes payables		9,543,527	14,040,722
Due to related parties	(28-2)	553,062,967	545,365,412
Other trade payables		150,939,988	168,069,163
Accrued expenses		57,849,642	17,463,840
Tax and insurance		3,157,266	2,426,228
Value added tax authority		-	5,421,362
Dividends payable		389,929	389,929
Total		**949,798,464**	**933,438,527**

20. Provisions

In Egyptian Pound	Claims provision	
	30/06/2023	31/12/2022
Balance at the beginning of the period /year	51,602,721	31,780,305
Formed provisions during the period / year	17,265,000	30,300,000
Used provisions during the period / year	(7,285,144)	(10,477,584)
Balance at the end of the period /year	**61,582,577**	**51,602,721**
Non-current	9,502,386	7,702,386
Current	52,080,191	43,900,335
	61,582,577	**51,602,721**

- Provisions represent the value of claims for obligations that are not specified in timing or amount in relation to the company's activities. The management reviews these provisions annually and adjusts the amount of the provision according to the latest update, discussions and agreements with those parties. The formed provisions are charged to the standalone statement of profit or loss

.- The Company did not disclose all of the information required in accordance with revised Egyptian Accounting Standard No. (28) "Provisions, assets and contingent liability" as the management assumes that the disclosure of such information would seriously affect the final settlement of those potential claims.

21. Non-cash transactions

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

- Investment in subsidiaries (Lecico Uk Ltd) EGP 58,875,0000

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22. Long Term Notes Payable

The long term notes payable represent the present value of the notes payable issued in favor of vendors of company , with due dates more than one year from the reporting date, discounted at average effective interest rate of the company.

In Egyptian Pound	**30/06/2023**	**31/12/2022**
22-1 Face value of long term notes payables	159,230,028	109,776,654
Discounting of long term notes payables to its present value	(36,748,080)	(22,504,410)
	122,481,948	**87,272,244**
22-2 Due to the Gas company	47,553,243	52,126,169
Deduct: Interest of the installment payment	(15,526,070)	(16,089,556)
	32,027,173	**36,036,613**
Present value of long term notes payables	**154,509,121**	**123,308,857**

23. Objectives and policies for risk management of financial instruments

This note presents 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 about determining the fair value of the instruments, including judgments and estimation uncertainties.

The Company's main financial instruments include term deposits and financial investments in financial assets at fair value through profit or loss. The main purpose of these financial instruments is to raise financing for the company's operations. The Company has many other financial instruments such as customers and suppliers which arise directly from operations.

The main risks arising from the Company's operations are foreign exchange risk and credit risk.

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Financial Assets

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

Financial liabilities

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

The company has the following financial instruments:

In Egyptian Pound		**30/06/2023**	**31/12/2022**
Financial asset at amortized cost			
Bank current accounts and Time deposits	(16)	196,007,196	145,677,095
Trade and other receivables	(15)	552,180,082	514,718,462
Income Tax	(12-3)	-	15,357,965
Due from related parties	(28-1)	423,720,460	355,819,181
		1,171,907,738	**1,031,572,703**
Financial labilities			
Banks credit facilities	(17)	708,312,807	551,303,949
Income Tax	(12-3)	33,081,863	-
Trade and other payables	(19)	392,789,120	379,443,700
Loans	(18)	27,810,000	37,110,000
Due to related parties	(28-2)	553,062,967	545,365,412
		1,715,056,757	**1,513,223,061**

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

For the purpose of disclosure of financial instruments, non-financial assets amounting to EGP 8,321,139 (December 31 2022: EGP 2,320,471) have been excluded from other debit balances it was also excluded non financial liabilities amount EGP 3,946,376 (December 31 2022:EGP 8,629,415) have been excluded from other credit balances.

23.1 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.

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The senior management has full responsibility for developing and monitoring the general framework for the company's risk management and identifies and analyzes the risks facing the company to determine the appropriate risk levels and controls.
The Company's risk management policies are developed to identify and analyze the risks faced by the Company, establish appropriate risk limits and controls, monitor risks and adhere to limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and company activities. The company, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations

A- Market Risk

i) Foreign currency risk

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

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

The value of assets and liabilities in foreign currency at the date of the statement of financial position amounted to the equivalent of EGP 900,516,059 and EGP 505,772,306 (2022: EGP 718,476,546 and EGP 452,356,330) respectively. The amounts in foreign currencies that expose the company to risk on June 30, 2023 are represented in the following, as shown in detail. Balances in foreign currencies, net at the date of the financial position:

Foreign currency	**30/06/2023**	**31/12/2022**
	Surplus	Surplus
US Dollar	2,519,473	991,793
Euro	4,783,181	4,450,802
Sterling Pound	3,768,362	3,537,790
Rand (South Africa)	4,630,226	13,209,328

ii) Fair value and interest rate risk 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.

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iii) Price risk

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

B- Credit Risk

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

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

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

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

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

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

Assessment of expected credit losses as at January 1,2023 and June 30,2023

The Company customizes each credit risk exposure based on a variety of data that is identified as loss risk statements based on forecasting and expertly applying credit judgment. Credit risk scores are defined using qualitative and quantitative factors that indicate the risk of loss.
Exposure risk for each credit risk category is classified by sector according to industry classification and customer classification and the expected credit loss rate for each sector is calculated based on the status of late payment and actual credit loss experience. These rates are multiplied by gradient factors to reflect the differences between economic conditions during the period in which historical data was collected, current conditions, and the company's view of economic conditions over the expected lifespan of customer balances.

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C- Liquidity risk

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

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

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

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

Fair Value of Financial Instruments

- As at June 30,2023 and December 31,2022 the fair values of the Company's financial instruments have been estimated to approximate their book value because the financial instruments are short-term in nature and do not carry any interest, except for short-term deposits at prevailing market rates and are expected to be realized at their present book value within twelve months from the date of the financial position.

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

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

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

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

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

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

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

As of 30 June 2023, 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.

24. Share capital and reserves

24.1 Authorized capital

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

24.2 Issued and paid up capital

- The issued capital was determined and to be EGP 400 millions (four hundred millions Egyptian pounds) divided to 80 million (eighty millions) nominal share with par value of EGP 5 (five pounds) per share fully paid.
- The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All shares rank equally with regards to the Company’s residual assets. All rights relating to shares temporarily held by the company (treasury shares) if any are suspended until those shares are reissued.

- Capital management

The policy of the company's board of directors is to maintain a strong capital in order to maintain the confidence of investors, creditors and the market, as well as to meet future developments of the activity.

The company's board of directors monitors the return on capital, which the company determines as net profit for the year divided by total equity. The company's board of directors also monitors the level of dividends for shareholders.

There are no changes in the company's capital management strategy during the period. The company is not subject to any external requirements imposed on its own capital.

24.3 Reserves

In Egyptian Pound	30/06/2023	31/12/2022
Legal Reserve *	50,915,481	50,915,481
Capital Increase Reserve	4,000,000	4,000,000
Other Reserves	1,571,486	1,571,486
Special Reserve	181,943,608	181,943,608
Land Revaluation Surplus **	42,901,149	42,901,149
	281,331,724	**281,331,724**

* ***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.

** **Land revaluation surplus**

Land revaluation surplus is represented in the adjusted value of Khorshid & Abou-Quir land that was modified to reevaluate the book value of company's assets with its market value at the date of revaluation in the year 1997. The revaluation result was included in the revaluation surplus in the shareholders' equity. That surplus is undistributable or transferable to capital.

25. Treasury shares

On 18 March 2023 the senior management approve to purchased 3,200,000 shares of the company's shares at a price of EGP 7.9 per share through the capital market, which represents 4% of the company's capital issues and traded in stocks exchange market

26. Capital commitments

There is no capital commitments for the company as of June 30,2023.

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27. Contingencies liabilities

In Egyptian Pound	30/06/2023	31/12/2022
Uncovered portion of letters of guarantee	1,904,585	1,677,051
Letters of credit	15,394,861	14,611,600
	17,299,446	16,288,651

28. Related parties

Transactions with related parties represent transactions with companies in which the company contributes and members of the Board of Directors and companies that are owned by some of the company's shareholders and have substantial influence and control over them. Approval of the value of these transactions is obtained from the General Assembly.

28-1 Due From Related Parties *In Egyptian Pound*	Nature Transaction	Transaction Amount	30/06/2023	31/12/2022
Lecico PLC	Current	61,793,345	130,204,815	68,411,470
Lecico UK	Current	(36,238,329)	-	36,238,329
Lebanese Ceramic Industries Co.	Current	35,868,137	182,947,943	147,079,806
Lecico for Trading & Distribution Ceramics	Notes Receivable	6,790,000	6,790,000	9,250,000
	Current	(2,980,049)	43,313,487	46,293,536
			50,103,487	55,543,536
Lecico South Africa	Sales	9,577,090	7,639,873	19,153,526
Lecico Poland	Sales	3,464,972	16,409,717	15,858,697
Burg Armaturen Fabrik	Current	3,881,091	17,414,908	13,533,817
Sarreguemines	Current	18,999,717	18,999,717	-
Total Due From Related Parties			**423,720,460**	**355,819,181**

28-2 Due to Related Parties *In Egyptian Pound*	Nature Transaction	Transaction Amount	30/06/2023	31/12/2022
Lecico For Financial Investments	Current	(66,505)	2,825,323	2,891,828
T.G.F for Consulting & Trading	Current	(61,249)	2,742,801	2,804,050
Sarreguemines	Current	(632,523)	-	632,523
European Ceramics Co.	Current	(35,003,917)	105,324,521	140,328,438
International Ceramics Co.	Current	(11,526,826)	280,614,709	292,141,535
Lecico for Ceramics Industries	Current	54,454,358	161,021,396	106,567,038
Lecico UK	Current	534,217	534,217	-
Total Due to Related Parties			**553,062,967**	**545,365,412**

Transactions with members of the Board of Directors:

The statement of profit or loss for the financial period ended June 30, 2023, was charged with the allowances of the members of the board of directors and executive managers included in “other expenses”, in the amount of EGP 30,000 (for the financial period ended on June 30, 2022, the amount of EGP 30,000) Note no. (5).

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29. Tax status

First: Corporate income tax

The company submits tax returns on the legal dates in accordance with the provisions of the law and pays all tax obligations, if any.

- The final settlement was made, 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 to date.

Second: Payroll tax

The company submits tax returns on the legal dates in accordance with the provisions of the law and pays all tax obligations, if any.

- The tax examination was completed and all tax obligations were paid until 2018.
- The company's records were not examined from 2019 to date.

Third: Stamp tax

The company submits tax returns on the legal dates in accordance with the provisions of the law and pays all tax obligations, if any.

- The final settlement was made, and all tax obligation arisen was paid from inception until 2015.
- The tax examination is underway from 2016 till 2018 and the company was not informed by tax claims.
- The company's records were not examined from 2019 to date, as tax examination postponed to next month.

Fourth: Sales tax \ Value added tax

The company submits tax returns on the legal dates in accordance with the provisions of the law and pays all tax obligations, if any.

- The tax examination was completed and all tax obligations were paid from inception till 2018.
- The company's records were not examined from 2019 to date.

Fifth: Real state tax

- All tax obligations were paid until 2021.
- A temporary exemption was issued from real estate tax for industrial companies for 3 years.

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30. Significant Accounting Policies

The accounting policies mentioned below have been applied to periods presented in the separate financial Statements

30-1 Foreign currency translation

30-1-1 *Foreign currency transactions*

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions.
Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.
However, foreign currency differences arising from the translation of the following items are recognized in the statement in “Other Comprehensive Income (OCI)”:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see (iii)); and
- Qualifying cash flow hedges to the extent that the hedges are effective.

30-2 Revenue

Revenue recognition

Information about the Company’s accounting policies relating to contracts with customers is provided in five steps module as identified in EAS No. (48):

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

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

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

Step 4: Allocation of the transaction price of the performance obligations in the contract: If the service concession arrangement contains more than one performance obligation, the Company will allocate the transaction price on each performance

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obligation by an amount that specifies an amount against the contract in which the Company expects to receive in exchange for each performance obligation satisfaction.

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

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

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

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

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

For performance obligations, if one of the above conditions is met, revenue is recognized in the period in which the Company satisfies performance obligation.
When the Company satisfies performance obligation by providing the services promised, it creates an asset based on payment for the contract performance obtained, when the amount of the contract received from customer exceeds the amount of the revenue recognized, resulting advance payments from the customer (contractual obligation)

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

The application of Egyptian Accounting Standard No. (48) 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 Egyptian Accounting Standard (EAS) No. 48 has resulted in:

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

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

Other matters to be considered

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

The significant funding component

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

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30-3 Employees benefits

30-3-1 End of Service Indemnity

The company contributes to the fund 3% of the annual wages of employees in addition, 0.5% to 1% of the net profit for the year to be recognized during the year until obtaining the approval of the shareholders' general assembly on the annual distributions.

30-3-2 Workers' pension system

The company contributes to the governmental social insurance system for the benefit of its employees in accordance with the Social Insurance Law. Employees and employers under this law contribute to the system with a fixed percentage of wages. The company's commitment is limited to the value of its contribution, and the company's contributions are charged to the income statement according to the accrual basis.

The entitlement to the workers' share of the profits is recognized in the year of its relevance until the approval of the shareholders' general assembly on the annual distributions.

30-4 Finance income and finance costs

The Company's finance income and finance costs include:

- interest income;
- interest expense;
- Dividends;
- Impairment loss for financial assets other than trade receivables;
- Losses of hedging contracts for foreign exchange rates;

Interest income or expense is recognized using the effective interest method.
Dividends are recognized in the profit or loss statement at the date of declaration of these dividends.

30-5 Income tax

The current tax and the deferred tax are recognized as revenue or as an expense in the profits or losses of the period, except in cases where the tax arises from a process or event that is recognized - in the same period or in a different period - outside the profits or losses, whether in other comprehensive income or within equity. direct or business combination.

30-5-1 Current income tax

Current taxes for the current period and previous periods that have not yet been paid are recognized as a liability, but if the taxes that have already been paid in the current period and previous periods exceed the value due for these periods, then this increase is recognized as an asset. The values of current tax liabilities (assets) for the current and prior periods are measured at the value expected to be paid to (recovered from) the tax administration, using tax rates (and tax laws) that are in force or about to be issued at the end date of the financial period. Dividends are taxed as part of the current tax. Offsetting tax assets and liabilities is only made when certain conditions are met.

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30-5-2 Deferred tax

Deferred tax is recognized for temporary differences between the accounting basis of assets and liabilities and the tax basis of those assets and liabilities. Deferred tax is recognized for all temporary differences expected to be taxable except for the following:

• First recognition of goodwill,
• Initial recognition of the asset or obligation of the process that:
(1) Not a compilation of works.
and (2) does not affect the net accounting profit or tax profit (tax loss).
•Temporary differences associated with investments in subsidiaries, sister companies and shares in joint ventures to the extent that the timing of reversing these temporary differences can be controlled and it is likely that such differences will not be reversed in the foreseeable future.

A deferred tax asset arising from the carrying forward of tax losses, the right to unused tax deduction and temporary deductible differences are recognized when there is a strong possibility of future taxable profits from which that asset can be used. The future tax profit is determined by the company's future business plan. The position of unrecognized deferred tax assets is reassessed at the end of each fiscal period and deferred tax assets that have not previously been recognized are recognized to the extent that it is likely in the future that there will be a tax profit that allows the value of the deferred tax asset to be absorbed. Deferred tax is measured using the tax rates expected to be applied when temporary differences are realized, using tax rates in force or in the process of being issued.
When measuring deferred tax at the end of the financial period, the tax effects of the procedures followed by the company for recovery or payment of the book value of its assets and liabilities are taken into account.
Tax assets and liabilities are not cleared unless certain conditions are met.

30-6 Trades, debtors and notes receivables

The balances of trades, debtors and notes receivables are recorded at their fair value less impairment losses as current assets, unless their maturity date according to the contractual commitment is more than 12 months after the date of the financial statements. In this case, they are included in the non-current assets in the financial statements, and the first measurement is made at the fair value added to it. The direct cost of the transaction, and the subsequent measurement at amortized cost using the effective interest rate less any impairment losses in its value.

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30-7 Inventories

Inventory is measured on the basis of cost or net recoverable value, whichever is lower. The cost of inventories are based on the moving average method and includes expenditure incurred in acquiring the inventories. In the case of finished goods and work in progress, the cost includes a part of indirect manufacturing costs based on normal operating capacity and the cost of inventory includes purchase costs and other costs borne by the company to reach the inventory to its current location and condition and does not include lending costs and the selling value is represented in the expected selling price through the normal activity less the estimated cost of completion and selling expenses and recognizes any reduction in the value of inventory resulting from the decrease in the selling value For inventory at its book value as well as all other losses of inventory as an expense in the period in which the decrease or loss occurs.

30-8 Fixed assets and depreciation

30-8-1 Recognition and measurement

Items of fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of fixed assets have different useful lives, then they are accounted for as separate items (major components) of fixed assets.

Any gain or loss on disposal of an item of fixed assets is recognised in profit or loss.

30-8-2 Subsequent expenditure

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

30-8-3 Depreciation

The depreciable value of a fixed asset – which is the cost of the asset – is depreciated according to the straight-line method over the estimated useful life of each type of fixed asset, and depreciation is charged to profits or losses. Land is not depreciated

The estimated useful lives of fixed assets for current and comparative periods are as follows:

Asset	Estimated useful lives (Years)
Building and construction	20 - 40
Machinery and equipment	3-10
Motor vehicles	5
Tools	5
Furniture & office equipment	10
Computers	5

The methods of useful lives and the estimated value of assets are reviewed on the date of the financial statements.

Improvements in leased assets are depreciated over the term of the contract or its useful life, whichever is less. The depreciation method and useful lives of fixed assets are reviewed at the end of each fiscal period, and modified if necessary.

30-9 Projects under construction

All expenditures directly attributable to bringing the asset to a working condition for its intended use are recorded in projects under construction. Whenever the assets are completed and are ready for their intended use, it will be transferred to fixed assets caption. Projects under construction are recorded at cost and it is not depreciated unless it was transferred to fixed assets.

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30-10 Financial instruments

Financial assets

Classification

The company classifies financial assets into the following categories:

- Those that will be measured later at fair value (either through comprehensive income or through profit or loss)
- Those to be measured by amortized cost

The classification is based on the company's business model for managing those financial assets and the contractual terms of cash flows.
For assets measured at fair value, profits and losses will be recorded either in the statement of profit and loss or in other comprehensive income. For investments in equity instruments not held for the purpose of trading, it will depend on whether the Company has made an irrevocable election at the time of the initial recognition of accounting for equity investment at fair value through other comprehensive income.

A company reclassifies its investments when its business model changes to manage those assets.

A- Recognition and derecognition

The usual method of buying and selling financial assets, on the date of trade, which is the date the company is obligated to buy or sell a financial asset. The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset

B- Measurement

Financial asset is initially measured at fair value plus or minus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition or issue. The transaction costs of financial assets listed at fair value through profit or loss are included as an expense in the statement of profit or loss. Financial assets included are considered as implied derivatives in their entirety when determining whether their cash flow is solely the payment of principal and interest.

Debt investments

The subsequent measurement of debt instruments is based on the company's business model for asset management and the cash flow characteristics of the asset. There are three measurement categories by which the company classifies debt instruments:

- Amortized cost: Assets held up to maturity for the collection of contractual cash flows are measured, where those cash flows represent only principal payments and interest, at amortized cost. Interest income from these financial assets is included in financing income using the effective interest rate method. Any gains or losses resulting from the exclusion of investments are recognized directly in the statement of profits or losses and are classified in the other income/expense item. Impairment losses are displayed as a separate item in the profit or loss statement.

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- Fair Value Through other comprehensive income, assets held for the purpose of collecting contractual cash flows and also for the purpose of selling financial assets are measured, where the cash flows of assets represent only principal payments and interest, at fair value through other comprehensive income. Changes in book value are taken into account by other comprehensive income, except for recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in the statement of profit or loss. When the financial asset is excluded, the accrued gains or losses previously recognized in other comprehensive income from equity are reclassified to the statement of profit or loss and recognized in other income/expenses. Any interest income from these financial assets is included in the financing income using the effective interest rate method, and impairment expense is displayed as a separate item in the profit or loss statement.

- Fair value through profit or loss: Assets that do not meet the criteria of amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. Investment gains or losses on debt instruments that are subsequently measured at fair value through profit or loss and it presented in net under other revenues / expenses item in the period in which it was formed.

Equity investments

The company subsequently measures all investments in equity instruments at fair value. When the company's management chooses to display fair value gains and losses on investments in equity instruments in the statement of other comprehensive income, it is not subsequently reclassified to the statement of profit and loss after the investment is disposed of. The recognition continues. Dividends from these investments are included in the statement of profits and losses as other revenues when the company’s right to receive such distributions is established.

Changes in the fair value of financial assets at fair value through profits or losses are recognized in the other income / expenses item in the profit or loss statement, as the case may be. Impairment losses (and reversal of impairment losses) are not recognized on investments in equity instruments that are measured at fair value through other comprehensive income, separately from other changes in fair value.

30-11 Share capital

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30-11-1 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 EAS 24 ”Income tax”.

30-11-2 Repurchase of share capital (Treasury shares)

When the shares of the issued capital are repurchased, the amount paid for the repurchase, which includes all direct costs related to the repurchase, is recognized as a reduction of equity. Shares repurchased are classified as treasury shares and are shown deducted from equity. When selling or re-issuing treasury shares, the amount collected is recognized as an increase in shareholders' equity, and the surplus or deficit resulting from the transaction is presented within the issuance premium.

30-11-3 Financial instruments and assets arising from the contract

The Company recognizes expected credit loss for the following items:

- Financial assets that are measured at amortized cost.
- For investments in debt instruments that are measured at fair value through other comprehensive income.
- Assets arising from the contract.

The Company measures the loss at an amount equal to the lifetime ECL of the financial asset, except for the following, which are measured at an amount equal to the 12-month ECL:

Debt instruments that are determined to have low credit risk at the reporting date.

Other debt instruments and bank balances in which credit risk (ie the risk of default over the expected life of the financial instrument) has not increased significantly since initial recognition.

Commercial customer losses and assets arising from contracts are always measured at an amount equal to their lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, 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 analyses, based on the company's historical experience and known credit rating including forward-looking information.

The Company assumes that the credit risk of a financial asset has increased significantly if it has been past due for collection for a period of more than 30 days.

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

- It is unlikely that the Borrower will pay its credit obligations to the Company in full, without recourse on the part of the Company to measures such as liquidation of the collateral (if any); or

- The financial asset according to the terms of payment and the nature of each customer sector separately and in light of the study of expected credit losses prepared by the company.

The Company considers debt instruments to have low credit risk when their credit risk rating is equal to the globally understood definition of "investment grade".

Lifetime expected credit losses are the expected credit losses that result from all possible failure events over the expected life of the financial instrument.

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

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the company is exposed to credit risk.

Measure expected credit losses

It is a probability-weighted estimate of credit losses. The present value of all cash shortfalls is measured (ie the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive).

Expected credit losses are discounted at the effective interest rate of the financial asset.

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Credit impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortized cost and debt instruments measured at fair value through other comprehensive income are credit impaired. A financial asset is considered “credit-impaired” when one or more events occur that have a detrimental effect on the estimated future cash flows of the financial asset.

Evidence indicating credit impairment of financial assets includes observable data:

Significant financial difficulty for the lender or issuer.

a breach of contract such as defaulting on or being more than 120 days past due and a restructuring of a loan or advance by the Company on terms that the Company will not otherwise observe, and the Borrower is likely to enter bankruptcy or other financial reorganization; or the disappearance of an active market for a security because of financial difficulties.

Display expected credit losses in the statement of financial position

The loss allowance for financial assets that are measured at amortized cost is deducted from the total amount of the carrying amount of the assets.

For debt securities that are measured at fair value through other comprehensive income, the loss allowance is charged to profit or loss and recognized in other comprehensive income.

Debt write-off

The total gross book value of a financial asset is written off when the company has no reasonable expectations of recovering all or part of the financial asset. For individual clients, the Company has a policy of writing off the gross book value when the financial asset is more than two years due based on previous experience in recovering similar assets. For corporate clients, the Company makes an assessment on its own as to the timing and amount of write-offs based on whether there is a reasonable expectation of recovery. The Company does not expect any significant recovery from the amount written off. However, financial assets that have been written off may still be subject to compliance activities in order to comply with the Company's procedures for recovery of amounts owed.

30-12 Provisions

Provisions are valued at the present value of expected future cash flows discounted at a before tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. An increase in the carrying amount of a provision resulting from the use of discounting to create a present value that reflects the passage of time is recognized as a borrowing cost

30-13 Cash and cash equivalents

Cash and cash equivalents include cash balances and time deposits. For the purposes of preparing the statement of cash flows, cash and cash equivalents are defined as cash balances in the fund, current accounts with banks, term deposits, and treasury bills, which do not exceed three months. Overdraft bank balance, which is paid upon request, is considered part From the company’s management of cash, and therefore bank overdraft balances are included within the components of the cash and cash equivalent item for the purposes of preparing the statement of cash flows.

30-14 <u>Trade and other credit balances</u>

Suppliers and other credit balances are recorded at fair value, and liabilities (receivables) are recognized at the values to be paid in the future, in exchange for goods and services that have been received.

30-15 <u>Dividends</u>

Dividends are recognized as a liability in the period in which the dividends are announced.

30-16 <u>Loans</u>

Borrowings are initially recognized at fair value, net of transaction costs incurred. They are subsequently measured at amortized cost, with any difference between the proceeds (net of transaction costs) and recoverable value recognized in profit or loss over the life of the loans using the effective interest method. Interest paid on the establishment of loan facilities is recognized as a transaction cost of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, this fee shall be deferred until such facility is withdrawn. To the extent that there is no evidence that some or all of the facility may be drawn down, interest is amortized over the life of the facility to which it relates.

30-17 <u>Borrowing cost</u>

The cost of borrowing - which is represented in the interest expense - is recorded in the statement of profits or losses under the item "financing expenses" in the year in which it is realized. until the date of its operation.

30-18 <u>Investments in associate companies</u>

Sister companies are companies in which the company has significant influence over its financial and operational activities. Significant leverage when the company has a share from 20% to 50% of the voting power.

Investments in sister companies are recognized according to the equity method, and the initial recognition is carried out at cost. The investment balance is increased or decreased by the group’s share in the profits or losses of the investee company that is realized after the date of acquisition, and the investment balance is reduced by its share in the distributed profits. implicit in incurring such losses and is also recognized in the event that payments are made on behalf of the associates. In the event that the investment acquisition cost exceeds the company’s share in the net fair value of the assets and liabilities, as well as potential liabilities in the sister companies on the date of acquisition, it is recognized as goodwill, and the goodwill is included as part of the book value of the investment, and thus subject to impairment in the value of the investment.

30-19 <u>Basic share in profit or loss</u>

The company offers basic share price for its common stock. Basic share per share is calculated by dividing the profit and loss related to the shareholders for their contribution to the company's ordinary shares by the weighted average number of ordinary shares outstanding during the period.

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30-20 Statement of cash flows

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

30-21 Lease contracts

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1- The assets of the right to use

The company recognized new assets and liabilities for operating lease contracts for various types of contracts, including land. Each lease payment is allocated between the liability and the finance cost. Each lease payment is distributed between the assets and the financing cost to the profit or loss statement over the lease period to achieve a fixed periodic rate of interest on the remaining balance of the liability for each year. The right-of-use asset is amortized over the shorter useful life of the asset and the lease term on a straight-line basis.
The assets and liabilities arising from the lease are initially measured at present value.

1- Right-of-use assets are measured at cost and consist of the following:

- The amount of the initial measurement of the lease obligation
- Any lease payments made on or before commencement, less any lease incentives received
- Any direct initial costs
- Restoration costs

Right-of-use assets are subsequently measured at cost less accumulated depreciation.

2- Lease obligations include the net present value of the following lease payments:

- Fixed payments (including fixed payments), less any lease incentives receivable
- Direct rental payments based on an index or rate
- Amounts that the lessee is expected to pay under the residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of fines for terminating the lease, if the lease term reflects the tenant making this option.

The lease payments are discounted using the incremental borrowing rate, which is the rate that the lessee would pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the statement of profit or loss. Short-term leases of 12 months or less. It includes low value assets related to office equipment.

The terms of leases are renegotiated on an individual basis and contain a wide range of different terms and conditions. Lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. When determining the lease term, management takes into account all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain. When determining the lease term, management generally considers certain factors, including historical lease periods and the costs of business interruption required to replace the leased asset.

2- Determine whether the arrangement contains a rental contract or not

At the inception of the arrangement, the company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement containing a lease, the Company separates the payments and other consideration required by the arrangement into those of the lease and those of other components on the basis of their relative fair values.

If the company concludes in a finance lease that it is not possible to reliably separate the payments, then the asset and liability are recognized at an amount equal to the fair value of the underlying asset; After that, the obligation is reduced when the payments are made, and the financing cost is recognized, calculated on the obligation, using the company's incremental borrowing rate.

3- Leased assets

Leases of property, plant and equipment that transfer substantially all the risks and rewards of ownership to the Company are classified as finance leases. Leased assets are initially measured at an amount equal to the lower of the fair value of the fair value and the present value of the minimum lease payments. After initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the company's statement of financial position.

4- Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of outstanding obligations. Finance expenses are charged for each lease period to reach a constant periodic rate of interest on the remaining balance of the liability.

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31. New Editions and Amendments to Egyptian Accounting Standards:

- On March 6, 2023, the Prime Minister's Decree No. (883) of 2023 was issued amending some provisions of the Egyptian Accounting Standards, the following is a summary of the most significant amendments:

New or reissued standards	Summary of the most significant amendments	Potential impact on the financial statements	Effective date
Egyptian Accounting Standard No. (10) amended 2023 "Fixed Assets " and Egyptian Accounting Standard No. (23) amended 2023 "Intangible Assets".	1- These standards were reissued in 2023, allowing the use of revaluation model when subsequent measurement of fixed assets and intangible assets. - This resulted in amendment of the paragraphs related to the use of the revaluation model option in some of the applicable Egyptian Accounting Standards, which are as follows: – Egyptian Accounting Standard No. (5) "Accounting Policies, Changes in Accounting Estimates and Errors". – Egyptian Accounting Standard No. (24) "Income Taxes" – Egyptian Accounting Standard No. (30) "Interim Financial Reporting" – Egyptian Accounting Standard No. (31) "Impairment of Assets" – Egyptian Accounting Standard No. (49) "Leasing Contracts"	Management is currently studying the possibility of changing the applied accounting policy and using the revaluation model option stated in those standards and assessing the potential impact on the financial statements in case of using this option.	The amendments of adding the option to use the revaluation model are effective for financial periods starting **on or after January 1, 2023, retrospectively**, cumulative impact of the preliminary applying of the revaluation model shall be **added to the revaluation surplus account in equity, at the beginning of the financial period in which the company applies this model for the first time**.

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New or reissued standards	Summary of the most significant amendments	Potential impact on the financial statements	Effective date
	2- In accordance with the amendments made to the Egyptian Accounting Standard No. (35) amended 2023 "Agriculture", paragraphs (3), (6) and (37) of Egyptian Accounting Standard No. (10) "Fixed assets " have been amended, and paragraphs 22(a), 80(c) and 80(d) have been added to the same standard, in relation to agricultural produce harvested. – The Company is not required to disclose the quantitative information required under paragraph 28(f) of Egyptian Accounting Standard No. (5) for the current period, which is the period of the financial statements in which the Egyptian Accounting Standard No. (35) amended 2023 and Egyptian Accounting Standard No. (10) amended 2023 are applied for the first time in relation to agricultural produce harvested. However, the quantitative information required under paragraph 28(f) of Egyptian Accounting Standard No. (5) should be disclosed for each comparative period presented. – The company may elect to measure an agricultural produce harvested item at its fair value at the beginning of the earliest period presented in the financial statements for the period in which the company have been applied the above-mentioned amendments for the first time and to use that fair value as its deemed cost on that date. Any difference between the previous carrying amount and the fair value in the opening balance should be recognized by adding it to the revaluation surplus account in equity at the beginning of the earliest period presented.	Management is currently assessing the potential impact on the financial statements from the application of amendments to the standard.	These amendments are effective for annual financial periods starting **on or after January 1, 2023, retrospectively**, cumulative impact of the preliminary applying of the accounting treatment for agricultural produce harvested shall be **added to the balance of retained earnings or losses at the beginning of the financial period in which the company applies this treatment for the first time**.

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New or reissued standards	Summary of the most significant amendments	Potential impact on the financial statements	Effective date
Egyptian Accounting Standard No. (34) amended 2023 "Investment property ".	1- This standard was reissued in 2023, allowing the use fair value model when subsequent measurement of investment property. 2- This resulted in amendment of some paragraphs related to the use of the fair value model option in some of the applicable Egyptian Accounting Standards, which are as follows: – Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" – Egyptian Accounting Standard No. (5) "Accounting Policies, Changes in Accounting Estimates and Errors". – Egyptian Accounting Standard No. (13) "The Effects of Changes in Foreign Exchange Rates" – Egyptian Accounting Standard No. (24) "Income Taxes" – Egyptian Accounting Standard No. (30) "Interim Financial Reporting " – Egyptian Accounting Standard No. (31) "Impairment of Assets" – Egyptian Accounting Standard No. (32) "Non-Current Assets Held for Sale and Discontinued Operations" – Egyptian Accounting Standard No. (49) "Leasing Contracts" شركة ليسيكو مصر ش.م.م.	Management is currently studying the possibility of changing the applied accounting policy and using the fair value model option stated in the standard and assessing the potential impact on the financial statements in case of using this option.	The amendments of adding the option to use the fair value model are effective for financial periods starting **on or after January 1, 2023 retrospectively,** cumulative impact of the preliminary applying of the fair value model shall be **added to the balance of retained earnings or losses at the beginning of the financial period in which the company applies this model for the first time.**

New or reissued standards	Summary of the most significant amendments	Potential impact on the financial statements	Effective date
Egyptian Accounting Standard No. (36) amended 2023 "Exploration for and Evaluation of Mineral Resources"	1- This standard was reissued in 2023, allowing the use of revaluation model when subsequent measurement of exploration and valuation assets. 2- The company applies either the cost model or the revaluation model for exploration and valuation assets, the evaluation should carried out by experts specialized in valuation and registered in a register maintained for this purpose at the Ministry of Petroleum, and in the case of applying the revaluation model (whether the model stated in the Egyptian Accounting Standard (10) "Fixed Assets " or the model stated in Egyptian Accounting Standard (23) "Intangible Assets") should consistent with the classification of assets in accordance with paragraph No. (15) of Egyptian Accounting Standard No. (36) amended 2023.	Management is currently studying the possibility of changing the applied accounting policy and using the revaluation model option stated in the standard and assessing the potential impact on the financial statements in case of using this option.	The amendments of adding the option to use the revaluation model are effective for financial periods starting **<u>on or after January 1, 2023,</u>** **<u>retrospectively</u>**, cumulative impact of the preliminary applying of the revaluation model shall be **added to the revaluation surplus account in equity, at the beginning of the financial period in which the company applies this model for the first time.**
Egyptian Accounting Standard No. (35) amended 2023 "Agriculture".	This standard was reissued in 2023, where paragraphs (1-5), (8), (24), and (44) were amended and paragraphs (5a) - (5c) and (63) were added, with respect to the accounting treatment of agricultural produce harvested, (Egyptian Accounting Standard (10) "Fixed assets " was amended accordingly). شركة ليسيكو مصر ش.م.م.	Management is currently assessing the potential impact on the financial statements from the application of amendments to the standard.	These amendments are effective for annual financial periods starting **<u>on or after January 1, 2023</u>** **<u>retrospectively</u>**, cumulative impact of the preliminary applying of the accounting treatment for agricultural produce harvested shall be **added to the balance of retained earnings or losses at the beginning of the financial period in which the company applies this treatment for the first time.**

New or reissued standards	Summary of the most significant amendments	Potential impact on the financial statements	Effective date
Egyptian Accounting Standard No. (50) “Insurance Contracts".	1- This standard determines the principles of recognition of insurance contracts falling within the scope of this standard, and determines their measurement, presentation, and disclosure. The objective of the standard is to ensure that the company provides appropriate information that truthfully reflects those contracts. This information provides users of the financial statements with the basis for assessing the impact of insurance contracts on the company’s financial position, financial performance, and cash flows. 2- Egyptian Accounting Standard No. (50) replaces and cancels Egyptian Accounting Standard No. 37 "Insurance Contracts". 3- Any reference to Egyptian Accounting Standard No. (37) in other Egyptian Accounting Standards to be replaced by Egyptian Accounting Standard No. (50). 4- The following Egyptian Accounting Standards have been amended to comply with the requirements of the application of Egyptian Accounting Standard No. (50) "Insurance Contracts", as follows: – Egyptian Accounting Standard No. (10) "Fixed Assets ". – Egyptian Accounting Standard No. (23) "Intangible Assets". – Egyptian Accounting Standard No. (34) " Investment property ".	Management is currently evaluating the potential impact on the financial statements from the application of the standard.	Egyptian Accounting Standard No. (50) is effective for annual financial periods starting **on or after July 1, 2024**, and if the Egyptian Accounting Standard No. (50) shall be applied for an earlier period, the company should disclose that fact.

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