Lecico

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

After Greetings,

With reference to the consolidated financial results of Lecico Egypt S.A.E. for the financial period ending June 30, 2023, it shows that net profit of LE 256,900,157, compared to net loss in the same period last year of LE 31,273,043. The reasons for the shift to 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 652 million.

2- The increase in other operating income compared to the same period last year of LE 34.5 million.

Best Regards,

Lecico Egypt
Mohamed Aly Mohamed Hassan
Finance Director
Investor Relations Officer

شركة ليسيكو مصر
ش.م.م.

Originally issued in Arabic

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

Consolidated Interim Financial Statements
for the Financial period Ended June 30, 2023
and Limited Review Report

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Lecico Egypt
(S.A.E.)
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Consolidated interim Financial Statements
for the Financial period Ended June 30, 2023
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KPMG

Hazem Hassan
Public Accountants & Consultants

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Independent Auditors' Report on Review of Consolidated Interim Financial Statements

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

Introduction

We have reviewed the accompanying consolidated statement of financial position of Lecico Egypt (S.A.E.) and its subsidiaries as at June 30, 2023 and the related consolidated 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 consolidated interim financial statements. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

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 consolidated interim financial statements.

Basis for Qualified conclusion

1- As disclosed in note (3) of the notes to the consolidated interim financial statements, the Company's management have consolidated the financial information of the Lebanese Ceramic Industries company (subsidiary) for the financial period ended June 30, 2023, in the Group's consolidated interim financial statements, based on unreviewed financial information by the company's auditor, and the subsidiary applied International Accounting Standard No. (29) "Financial Reporting in a Hyperinflationary Economy" without taking into account the impact on the comparative numbers from the date the Lebanese economy had been considered hyperinflationary.

The total assets of the Lebanese Ceramic Industries company amounted to approximately EGP 550 million as of June 30, 2023 which represents 10% of the Group's total assets, whereas the total liabilities of the Lebanese Ceramic Industries company as of June 30, 2023 amounted to approximately EGP 6.8 million after eliminating the intercompany balances, which represents 0.2% of the Group's total liabilities and total revenue of the Lebanese Ceramic Industries company for the financial period ended June 30, 2023 amounted to approximately EGP 50 million which represents 2% of the Group's total revenue.

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2- The Lebanese Ceramic Industries company (subsidiary) did not prepare a study for the expected credit loss in accordance with the requirements of IFRS 9 "Financial Instruments" to calculate the required impairment loss based on the expected credit loss model for its financial assets which should reflect a probability-weighted outcome, the time value of money, the best available forward-looking information including events that have a detrimental impact on the estimated future cash flows of these financial assets. Accordingly, we were not able to obtain assurance on the accuracy and valuation of financial assets.

3- The Lebanese Ceramic Industries company (subsidiary) finished goods inventories included in the consolidated statement of financial position at EGP 161.5 million as of June 30, 2023, were not stated at the lower of cost and net realizable value but were stated solely at cost, which constitutes a departure from IAS 2 "Inventories". In the absence of information to assess the recoverability of these assets, we were unable to satisfy ourselves as to the appropriateness of the carrying amount of inventory

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 consolidated interim financial statements do not present fairly – in all material respects - the consolidated financial position of the Company as of June 30, 2023 and its consolidated financial performance and its consolidated cash flows for the six-month period then ended in accordance with the International Financial Reporting Standards.

Other Matters

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

H. Hassan

KPMG Hazem Hassan

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Mohamed Hassan Mohamed Youssef
Capital Market Register No. 400

KPMG Hazem Hassan
Public Accountants and consult...

Alexandria on August 14, 2023

Lecico Egypt (S.A.E.)
Consolidated statement of Financial Position as of June 30, 2023
According to International Financial Reporting Standards (IFRS)

	Note No.	June 30, 2023 EGP	December 31, 2022 EGP
Assets			
Non-Current Assets			
Property, plant & equipment	(13)	1 980 703 934	1 985 521 668
Projects under construction	(14)	68 066 126	12 066 529
Intangible assets	(15)	13 113 267	10 918 162
Equity-accounted investees	(16)	20 812	21 977
Notes receivable	(17)	215 019	541 578
Non-Current Assets		**2 062 119 158**	**2 009 069 914**
Current Assets			
Inventories	(18)	1 796 877 024	1 238 161 960
Trade and other receivables	(19)	1 200 477 567	950 302 178
Cash and cash equivalents	(20)	311 063 251	497 963 520
Current Assets		**3 308 417 842**	**2 686 427 658**
Total Assets		**5 370 537 000**	**4 695 497 572**
Equity and liabilities			
Equity			
Share capital	(22-2)	400 000 000	400 000 000
Treasury shares	(22-3)	(25 388 998)	-
Reserves	(23)	1 745 246 738	1 813 887 128
Accumulated (losses)		(370 813 826)	(367 624 208)
Net profit/(loss) for the period/year		256 900 157	(3 189 618)
Equity attributable to holding company		**2 005 944 071**	**1 843 073 302**
Non-controlling interests	(22-4)	62 122 761	57 280 922
Total Equity		**2 068 066 832**	**1 900 354 224**
Non-Current Liabilities			
Loans	(25)	630 578	8 240 932
Non-current portion of lease Liabilities	(26)	86 866 743	71 523 861
Long-term notes payable	(29)	337 069 529	265 622 137
Provisions	(27)	12 234 456	21 349 926
Deferred tax liabilities	(12-2)	111 657 081	111 201 547
Non-Current Liabilities		**548 458 387**	**477 938 403**
Current Liabilities			
Banks credit facilities and mudarbah	(21)	1 531 329 751	1 247 271 122
Accrued income tax	(12-5)	137 785 028	41 393 653
Loans	(25)	28 638 548	30 338 673
Current portion of lease Liabilities	(26)	20 921 839	16 424 592
Trade and other payables	(30)	976 095 526	932 855 672
Provisions	(27)	59 241 089	48 921 233
Current Liabilities		**2 754 011 781**	**2 317 204 945**
Total Liabilities		**3 302 470 168**	**2 795 143 348**
Total Equity and Liabilities		**5 370 537 000**	**4 695 497 572**

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

Finance Director
Mohamed Hassan

Managing Director
Taher Gilbert Gargour

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Lecico Egypt (S.A.E.)
Consolidated statement of Profit or loss for the financial period ended June 30, 2023
According to International Financial Reporting Standards (IFRS)

		2023		2022	
	Note No.	**From January 1, To June 30, EGP**	**From April 1, To June 30, EGP**	**From January 1, To June 30, EGP**	**From April 1, To June 30, EGP**
Net sales	(5)	2 401 230 342	1 184 485 193	1 468 809 762	723 286 955
Cost of sales	(6)	(1 461 148 872)	(744 880 803)	(1 182 822 266)	(587 544 683)
Gross Profit		**940 081 470**	**439 604 390**	**285 987 496**	**135 742 272**
Other Income	(7)	58 503 188	28 532 528	31 032 698	11 173 484
Distribution Expenses		(150 987 511)	(72 930 711)	(104 828 218)	(55 650 661)
Administrative Expenses		(149 679 273)	(77 979 092)	(108 954 130)	(60 888 236)
Impairment in trade and other receivables	(8)	(11 561 499)	(8 741 334)	(29 255 407)	(7 536 257)
Other Expenses	(9)	(105 426 290)	(33 928 779)	(80 515 998)	(59 958 515)
Profit from operating activities		**580 930 085**	**274 557 002**	**(6 533 559)**	**(37 117 913)**
Net finance (expenses)/ income	(10)	(169 140 424)	(39 861 027)	19 330 349	(2 627 612)
Profit / (Loss) before tax		**411 789 661**	**234 695 975**	**12 796 790**	**(39 745 525)**
Income tax expense	(12-1)	(146 622 129)	(60 085 929)	(37 266 732)	(18 056 660)
Net profit/(loss) for the period		**265 167 532**	**174 610 046**	**(24 469 942)**	**(57 802 185)**
Attributable to:					
Shareholders of the holding company		256 900 157	167 860 552	(31 273 043)	(60 557 878)
Non-controlling interests		8 267 375	6 749 494	6 803 101	2 755 693
Net profit/(loss) for the period		**265 167 532**	**174 610 046**	**(24 469 942)**	**(57 802 185)**
Basic and diluted earning per share profit/(loss) for period (EGP/Share)	**(11)**	**3.28**		**(0.39)**	

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

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Lecico Egypt (S.A.E.)

Consolidated Statement of Comprehensive Income for the financial period ended June 30, 2023

According to International Financial Reporting Standards (IFRS)

	2023		2022	
	From January 1, To June 30, EGP	**From April 1, To June 30, EGP**	**From January 1, To June 30, EGP**	**From April 1, To June 30, EGP**
Other Comprehensive Income				
Net profit/(loss) for the period	265 167 532	174 610 046	(24 469 942)	(57 802 185)
Items that may be reclassified subsequently to profit or loss statement				
Foreign currency translation differences in subsidiaries	(72 065 926)	(4 272 716)	19 915 438	(3 379 219)
Land revaluation surplus of the group	--	--	316 680 164	316 680 164
Total other comprehensive income for the period	**193 101 606**	**170 337 330**	**312 125 660**	**255 498 760**
Total comprehensive income attributable to:				
Shareholders of the holding company	188 259 767	162 868 578	305 697 135	246 614 741
Non-controlling interests	4 841 839	7 468 752	6 428 525	8 884 019
Total other comprehensive income for the period	**193 101 606**	**170 337 330**	**312 125 660**	**255 498 760**

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

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Lecico Egypt (S.A.E.)

Consolidated Statement of Changes in Equity for the financial period Ended June 30, 2023

According to International Financial Reporting Standards (IFRS)

	Issued & Paid up Capital EGP	Treasury shares EGP	Reserves EGP	Accumulated (losses) EGP	Equity of the holding company EGP	Non-controlling Interests EGP	Total Equity EGP
Balance as of January 1, 2022	**400 000 000**	**–**	**1 442 060 456**	**(334 194 868)**	**1 507 865 588**	**35 214 304**	**1 543 079 892**
Other Comprehensive Income							
Land revaluation surplus	--	--	315 785 125	–	315 785 125	895 039	316 680 164
Translation adjustment of subsidiaries in foreign currencies	--	--	21 185 053	–	21 185 053	(1 269 615)	19 915 438
Net loss for the financial period ended June 30, 2022	--	--	--	(31 273 043)	(31 273 043)	6 803 101	(24 469 942)
Total other comprehensive income	**–**	**–**	**336 970 178**	**(31 273 043)**	**305 697 135**	**6 428 525**	**312 125 660**
Transactions with company's shareholders							
Transferred to accumulated losses	--	--	(9 800 991)	9 800 991	--	--	--
Total Transactions with Company's shareholders	**–**	**–**	**(9 800 991)**	**9 800 991**	**--**	**–**	**--**
Balance as of June 30, 2022	**400 000 000**	**–**	**1 769 229 643**	**(355 666 920)**	**1 813 562 723**	**41 642 829**	**1 855 205 552**
Balance as of January 1, 2023	**400 000 000**	**--**	**1 813 887 128**	**(370 813 826)**	**1 843 073 302**	**57 280 922**	**1 900 354 224**
Total Comprehensive income							
Other comprehensive income	--	--	(68 640 390)	--	(68 640 390)	(3 425 536)	(72 065 926)
Net profit for the financial period ended June 30, 2023	--	--	--	256 900 157	256 900 157	8 267 375	265 167 532
Total comprehensive income	**–**	**–**	**(68 640 390)**	**256 900 157**	**188 259 767**	**4 841 839**	**193 101 606**
Purchasing treasury shares	--	(25 388 998)	--	--	(25 388 998)	--	**(25 388 998)**
Balance as of June 30, 2023	**400 000 000**	**(25 388 998)**	**1 745 246 738**	**(113 913 669)**	**2 005 944 071**	**62 122 761**	**2 068 066 832**

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

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Lecico Egypt (S.A.E.)
Consolidated Statement of Cash Flows for the financial period ended June 30, 2023
According to International Financial Reporting Standards (IFRS)

	Note No.	June 30, 2023 EGP	June 30, 2022 EGP
Cash Flow from Operating Activities			
Net profit for the period before tax		411 789 661	12 796 790
Adjusted by the following:			
Fixed asset depreciation	(13)	56 039 290	54 652 342
Intangible assets amortization	(15)	1 068 455	158 493
Finance cost on lease contract	(10)،(26)	2 012 042	524 775
Finance expenses	(10)	105 433 898	46 900 146
Capital (gain)/loss	(7)	(2 370 416)	26 369 308
Change in translation reserve and foreign currency differences		(259 232 669)	32 240 411
Profit generated from operations		**314 740 261**	**173 642 265**
Change in inventories	(18)	(499 199 093)	(116 998 936)
Change in trade,notes and other receivables	(19)	(133 501 754)	(148 441 077)
Change in trade, notes and other payables	(30)	98 779 745	93 613 796
Change in provisions	(27)	14 956 872	1 407 959
		(204 223 969)	**3 224 007**
Finance expenses paid		(107 445 940)	(47 424 921)
Income Tax paid	(12)	(33 867 719)	(46 975 021)
Net cash (used in) operating activities		**(345 537 628)**	**(91 175 935)**
Cash Flow from Investing Activities			
Payments for acquisition of property, plant & equipment and project under construction	(13),(14)	(74 880 664)	(45 735 644)
Proceeds from sale of property, plant and equipment		2 429 736	18 268 907
Net cash (used in) investing activities		**(72 450 928)**	**(27 466 737)**
Cash Flow from Financing Activities			
Payments of loans	(25)	(18 810 289)	(5 726 685)
Payments of lease liabilities	(26)	(8 771 055)	(2 482 047)
Payments for purchasing treasury shares	(22-3)	(25 388 998)	--
Net proceeds from banks credit facilities and mudarbah	(21)	284 058 629	234 735 649
Net cash provided from financing activities		**231 088 287**	**226 526 917**
Net change in cash and cash equivalents during the period		**(186 900 269)**	**107 884 245**
Cash and cash equivalents at the beginning of the period	**(20)**	**467 963 520**	**132 116 247**
Change in restricted time deposits	**(20)**	**30 000 000**	**(30 000 000)**
Cash and cash equivalent at the end of the period	**(20)**	**311 063 251**	**210 000 492**
Non- cash transactions			
The effect of lease contract during the period		**5 704 344**	**4 353 185**

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

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Lecico Egypt (S.A.E.)
Notes to the Consolidated interim Financial Statements for the financial period ended June 30, 2023
According to International Financial Reporting Standards (IFRS)

1- Background for holding company and subsidiaries

These consolidated financial statements of Lecico Egypt company for the financial period ended June 30, 2023 comprise of the holding company and its subsidiaries (together referred to as the "Group" and individually as "Group entities")

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

1-2 Lecico Egypt (The holding Company)
Lecico Egypt (S.A.E.) was established on November 1, 1975 according to the resolution of Ministry of Economics and Economic Co-operation number 142 of 1975. The company is subject to the Investment Law no. 72 of 2017 that superseded law no. 8 of 1997. The holding company's purpose is the production of all ceramic products including the production of sanitary ware and all kinds of tiles in addition to capital lease transactions.
The duration of the company is 75 years starting from November 10, 1975 till November 9, 2050.

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

1-4 Subsidiaries
The following is a list of the subsidiaries comprising the consolidated financial statements together with the respective percentage owned by the holding Company:

		Country of Incorporation	Ownership Interest (direct and indirect) June 30, 2023 %	December 31, 2022 %
1-	Lecico for Ceramics Industries (S.A.E.)	Egypt	99.99	99.99
2-	TGF for Consulting and Trading (S.A.E.)	Egypt	99.83	99.83
3-	Lecico for Financial Investments (S.A.E.)	Egypt	99.33	99.33
4-	The Lebanese Ceramics Industries (S.A.L.)	Lebanon	94.77	94.77
5-	International Ceramics (S.A.E.)	Egypt	99.97	99.97
6-	Lecico for Trading and Distribution of Ceramics (S.A.E.)	Egypt	70	70
7-	European Ceramics (S.A.E)	Egypt	99.97	99.97
8-	Sarrguemines (S.A.E)	Egypt	99.85	99.85
9-	Burg Armaturen Fabrik - Sarrdesign (S.A.E.)	Egypt	69.85	69.85
10-	**Lecico UK (Ltd)**	United Kingdom	100	100
10-1	Lecico PLC	United Kingdom	100	100
10-2	Lecico S. A	South Africa	51	51
10-3	Lecico Poland	Poland	80	80

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

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

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2- Basis of Preparation of accounting for consolidated interim financial statements

2-1 Accounting framework for preparing consolidated interim financial statements

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

- The holding company perared another consolidated interim financial statement in accordance with the Egyptian accounting standard
- Consolidated financial statements are prepared according to the historical cost basis, except for financial assets and liabilities that are stated at fair value and amortized cost.
- Significant accounting policies applied policies are disclosed in note no (36)
- The accompanying financial statements were authorized for issuance by the board of director on August 14, 2023.

2-1 Functional and presentation currency

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

2-2 Use of Estimates and Judgments

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

1- Productive ages of fixed assets and intangible assets
2- Proof of deferred tax assets.
3- Impairment in the value of financial investments in associates.
4- Impairment in the values of customers, debtors and related party receivables.
5- provisions
6- Classification of leases.
7- Revenue Recognition: Revenue is recognized in accordance with what is detailed in the accounting policies applied.
8- Investments by equity method.
9- Measuring the fair value of long-term non-financial assets (Land)

A- Judgments

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

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

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B- 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. (36-3) Revenue recognition and estimation of sales returns (if any)
- Note No. (36-17) Recognition and measurement of provisions and contingent liabilities:Basic assumptions about the probability and magnitude of resource flows.
- Note No (36-14) Measurement of expected credit losses for financial assets.
- Note No (36-10) Useful life of Fixed Assets
- Note No. (36-8) Deferred Tax Assets
- Note No. (36-16) Impairment in the amount of financial investments in subsidiaries and associates.
- Note No. (36-12) Study of impairment in goodwill and intangible assets.
- Note No.(36-10) Measuring the fair value of long-term non-financial assets (Land)

Impairment of non-financial assets

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

Provisions

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

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The useful life of fixed assets and intangible assets

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

Leases - Incremental borrowing rate report

The company cannot easily determine the interest rate implicit in the lease contract, and therefore it uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the company must pay in order to borrow the necessary financing over a similar term and with a similar guarantee to obtain an asset of the same value as the "right of 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.

2-3 Fair *value measurement*

A Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities

Accreditation is measured in the fair value of assets and liabilities mainly on available market data, and the data that is relied upon in the evaluation is classified according to the following hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs of the quoted prices included in level (1) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

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

3- The seperate financial statements of Lecico for ceramic Lebanon (Subsidiary Company) for the financial period ended June 30, 2023

Since 2019, Lebanon faced unstable Political conditions, which had the greatest impact on its economy and the banking sector that resulted in general decline in the economic activity during the period. These may have significant influence on the valuation of the Lebanese subsidiary's assets and liabilities resulting from carrying out its activity in the future. In the light of the previously mentioned conditions and their consequences on commercial activity in Lebanon generally, the Lebanese subsidiary's auditor was not able to quantify the effect of such conditions on the values of assets and liabilities included in its individual financial statements as at June 30, 2023.

On preparing the accompanying consolidated interim financial statements on June 30, 2023, the Group management relied on unaudited financial statements for Lecico for ceramic Lebanon consolidated financial statements prepared by the management of the company.

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The following is a summary of the financial information of the subsidiariy, which was included in the interim consolidated financial statements on June 30, 2023 after translation to the Egyptian pound.

Financial position statement as of June 30, 2023	**Lebanese ceramics industries EGP (unaudited) June 30, 2023**	**Lebanese ceramics industries EGP (unaudited) Dec 31, 2022**
Assets		
Non-current assets	449 138 232	377 670 427
Current assets	100 768 176	295 743 878
Total assets	**549 906 408**	**673 414 305**
Equity		
Issued & paid up capital	10 974 654	10 974 654
Reserves	591 623 087	469 657 766
Accumulated (losses)	(161 303 543)	(38 364 142)
Foreign entities translation differences	(81 897 388)	61 968 451
Total Equity	**359 396 810**	**504 236 729**
Liabilities		
Non-current liabilities	2 732 070	13 647 540
Current liabilities	4 123 956	8 450 230
Current liabilities-Lecico Egypt (parent company)	183 653 572	147 079 806
Total liabilities	**190 509 598**	**169 177 576**
Equity and liabilities	**549 906 408**	**673 414 305**
Profit or loss statement for the financial period ended on June 30, 2023	**June 30, 2023**	**June 30, 2022**
Sales	50 248 980	28 534 382
Cost of sales	(21 674 627)	(54 031 594)
Gross profit /(loss)	**28 574 353**	**(25 497 212)**
Operating income	(59 968 200)	(23 132 174)
Net finance (Expense)/ income	(91 545 554)	48 858 321
Net (loss) / profit for the period	**(122 939 401)**	**228 935**

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4- Segment Information

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

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

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

The Group's assets, liabilities and results of operations as of and for the period ended June 30, 2023 and December 31, 2022 by Sanitary Ware, Tile, Brassware segments are detailed below:

June 30, 2023	Sanitary Ware Segment EGP	Tile Segment EGP	Brass ware Segment EGP	Total EGP
Assets	3 195 529 366	2 135 448 914	39 558 720	5 370 537 000
Liabilities	1 892 935 400	1 268 838 619	140 696 149	3 302 470 168
Revenues	1 594 801 312	656 734 121	149 694 909	2 401 230 342
Net profit attributable to shareholders of the holding Company	161 518 985	66 513 005	28 868 167	256 900 157
December 31,2022				
Assets	2 335 328 728	2 334 351 148	25 817 696	4 695 497 572
Liabilities	1 353 756 097	1 346 688 411	94 698 840	2 795 143 348
Revenues	2 004 487 697	1 083 560 841	185 736 368	3 273 784 906
Net (loss)/Profit attributable to shareholders of the holding Company	(22 617 536)	(12 226 304)	31 654 222	(3 189 618)

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

The Group's assets, liabilities and results of operations as of and for the period ended June 30, 2023 and December 31, 2022 by geographical areas are detailed below:

June 30, 2023	**Egypt**	**Lebanon**	**Others**	**Total**
	EGP	**EGP**	**EGP**	**EGP**
Assets	4 270 711 853	549 906 408	549 918 739	5 370 537 000
Liabilities	2 673 603 572	216 272 266	412 594 330	3 302 470 168
Revenues	2 086 473 124	33 249 550	281 507 668	2 401 230 342
Net profit/ (loss) attributable to shareholders of the holding Company	354 575 227	(116 509 670)	18 834 600	256 900 157
December 31, 2022				
Assets	3 760 537 432	499 700 579	435 259 561	4 695 497 572
Liabilities	2 225 411 449	179 582 278	390 149 621	2 795 143 348
Revenues	2 864 191 310	41 646 305	367 947 291	3 273 784 906
Net (loss)/profit attributable to shareholders of the holding Company	(19 127 348)	(13 781 204)	29 718 934	(3 189 618)

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5- Net sales

	Note No.	2023 From January 1 To June 30 EGP	2023 From April 1 To June 30 EGP	2022 From January 1 To June 30 EGP	2022 From April 1 To June 30 EGP
Sanitary Ware sales		1 594 801 312	806 781 199	921 511 977	490 928 910
Tile sales		656 734 121	298 469 067	457 619 311	195 563 484
Brass ware sales		149 694 909	79 234 927	89 678 474	36 794 561
		2 401 230 342	**1 184 485 193**	**1 468 809 762**	**723 286 955**

6- Cost of sales

Cost of sales		1 416 323 721	721 702 325	1 152 481 856	572 989 405
Add:					
Employees' share in profit		44 825 151	23 178 478	30 340 410	14 555 278
		1 461 148 872	**744 880 803**	**1 182 822 266**	**587 544 683**

7- Other Income

Reversal of inventory impairment		--	--	7 974 000	--
Scrap Sales		10 291 194	5 039 010	6 192 994	3 077 296
Other income		1 250 627	112 747	2 174 416	1 175 306
Discounting long term notes receivables and payables to its present value		34 066 289	22 295 827	14 408 916	6 638 510
Compensations		--	--	282 372	282 372
Capital gain		2 370 416	1 084 944	--	--
Export revenue subsidies		10 524 662	--	--	--
		58 503 188	**28 532 528**	**31 032 698**	**11 173 484**

8- Expected credit loss

Expected credit loss in Trades and other receivables	(19)	11 561 499	8 741 334	29 255 407	7 536 257
		11 561 499	**8 741 334**	**29 255 407**	**7 536 257**

9- Other Expenses

Formed claims provision	(27)	22 242 018	11 152 730	14 700 000	7 350 000
Miscellaneous expenses		79 175 017	20 756 782	37 145 117	25 023 982
Remuneration of the holding company's board of directors	(31-2)	4 009 255	2 019 267	2 301 573	1 215 225
Inventory write off		--	--	26 369 308	26 369 308
		105 426 290	**33 928 779**	**80 515 998**	**59 958 515**

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10- Net Finance Expenses/ (income)

Finance Expense

	2023		2022	
	From January 1 To June 30 EGP	From April 1 To June 30 EGP	From January 1 To June 30 EGP	From April 1 To June 30 EGP
Interest Exp	105 433 898	57 433 358	46 900 146	30 517 229
Finance expenses on lease contract	2 012 042	1 164 257	524 775	262 388
Foreign exchange rate differences	61 694 484	(18 736 588)	--	--
Total finance expense	**169 140 424**	**39 861 027**	**47 424 921**	**30 779 616**
Less:				
Finance Income				
Interest Income	--	--	(3 089 809)	(1 400 752)
Foreign currency exchange differences	--	--	(63 665 461)	(26 751 252)
Total finance income	**--**	**--**	**(66 755 270)**	**(28 152 004)**
Net finance (income)/expenses	**169 140 424**	**39 861 027**	**(19 330 349)**	**2 627 612**

11- Basic and diluted earning per share in profit (loss)

The earning per share (basic and diluted) was calculated for the financial period ended June 30, 2023 as follows:

	June 30,2023	June 30,2022
Net profit/(loss) for the period attributable to the holding company's shareholders (EGP)	256 900 157	(31 273 043)
The number of outstanding shares during the period (share)*	78 400 000	80 000 000
Basic and diluted earning per share in profit (loss) for the period (EGP/share)	**3.28**	**(0.39)**

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

12- Income tax

12-1 Income tax charged to profit or loss consolidated statement

	2023		2022	
	From January 1 To June 30 EGP	From April 1 To June 30 EGP	From January 1 To June 30 EGP	From April 1 To June 30 EGP
Income tax for the period	145 817 345	59 525 498	39 634 608	19 909 612
Deferred income tax expense /(Revenue)	455 534	211 181	(2 367 876)	(1 852 952)
Dividends tax	349 250	349 250	--	--
	146 622 129	**60 085 929**	**37 266 732**	**18 56 660**

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12-2 Recognized deferred tax assets and liabilities

	2021 (Assets)/ Liability EGP	Recognized in Profit or Loss Statement EGP	Recognized in the Comprehensive Income Statement EGP	2022 Assets EGP	2022 Liability EGP	Net Liability (Asset) EGP
Property, plant and Equipment	17 680 014	355 433	96 940 198	411 614	115 387 259	114 975 645
Inventory	(4 001 952)	227 854	--	3 774 098	--	(3 774 098)
Deferred Tax for the Year	**13 678 062**	**583 287**	**96 940 198**	**4 185 712**	**115 387 259**	**111 201 547**

	2022 (Assets)/ Liability EGP	Recognized in Profit or Loss Statement EGP	Recognized in the Comprehensive Income Statement EGP	2023 Assets EGP	2023 Liability EGP	Net Liability (Asset) EGP
Property, Plant and Equipment	114 975 645	(242 568)	--	251 368	114 984 445	114 733 077
Inventory	(3 774 098)	698 102	--	3 075 996	--	(3 075 996)
Deferred Tax for the Year/ period	**111 201 547**	**455 534**	**--**	**3 327 364**	**114 984 445**	**111 657 081**

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

12-3 Reconciliation of effective tax rate

		30/6/2023 EGP		31/12/2022 EGP
Net Profit before tax		**411 789 661**		**76 411 487**
Tax rate		22.5%		22.5%
Income tax calculated based on the accounting Profit		**92 652 674**		**17 192 584**
Foreign currencies exchange differences		(25 239 160)		(39 599 253)
Effect of provisions and ECL		98 029 253		121 608 164
Investment financing cost		(314 325)		(6 347 450)
Non deductible tax exepnses		168 539 505		159 875 862
Tax base		**652 804 934**		**311 948 810**
Exemption (investments income)		**(3 143 250)**		**(57 127 050)**
Tax base	22.5%	649 661 684	22.5%	254 821 760
Income tax exepnse		**146 272 879**		**57 334 896**
Effective Tax Rate		**35.521%**		**75.034%**

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12-4 Unrecognized deferred tax assets

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

	30/6/2023 EGP	31/12/2022 EGP
Impairment of trade and notes receivables	29 435 209	53 011 964
Provisions	16 081 998	15 811 010
Impairment of equity-accounted investees	1 580 539	1 580 539
Total	**47 097 746**	**70 403 513**

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

12-5 Accrued income tax

	30/6/2023 EGP	31/12/2022 EGP
Current income tax	232 914 777	56 751 618
Tax authority-withholding tax	(95 129 749)	(15 357 965)
	137 785 028	**41 393 653**

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13 Property, plant and equipment

Cost	Land EGP	Buildings EGP	Leasehold Improvements EGP	Machinery & Equipment EGP	Vehicles EGP	Tools EGP	Furniture, Office Equipment & Computers EGP	Rights - of use assets EGP	Total EGP
As of 01/01/2023	**1 539 407 928**	**388 326 251**	**27 976 987**	**1 369 015 587**	**83 991 751**	**199 086 643**	**49 380 950**	**112 989 192**	**3 770 175 289**
Translation differences	(17 624)	15 105 015	5 059 398	79 522 599	8 241 425	6 987 015	2 638 120	39 817 431	157 353 379
Additions during the period	--	457 175	746 625	7 852 899	1 210 771	1 586 155	1 323 099	5 704 343	18 881 067
Disposals during the period	--	(694 997)	--	(3 728 974)	(337 838)	--	--	(3 529 819)	(8 291 628)
As of 30/6/2023	**1 539 390 304**	**403 193 444**	**33 783 010**	**1 452 662 111**	**93 106 109**	**207 659 813**	**53 342 169**	**154 981 147**	**3 938 118 107**
Accumulated Depreciation									
As of 01/01/2023	**--**	**258 025 125**	**20 053 871**	**1 177 915 595**	**76 979 604**	**172 540 173**	**42 508 886**	**36 630 367**	**1 784 653 621**
Translation differences	--	10 401 518	2 588 112	76 360 124	7 864 718	3 085 753	2 548 644	22 104 701	124 953 570
Depreciation of the period	--	6 950 711	855 106	32 967 942	982 401	3 678 843	857 354	9 746 933	56 039 290
Disposals accumulated depreciation during the period	--	(635 677)	--	(3 728 974)	(337 838)	--	--	(3 529 819)	(8 232 308)
As of 30/6/2023	**--**	**274 741 677**	**23 497 089**	**1 283 514 687**	**85 488 885**	**179 304 769**	**45 914 884**	**64 952 182**	**1 957 414 173**
Net book value									
As of 30/6/2023	**1 539 390 304**	**128 451 767**	**10 285 921**	**169 147 424**	**7 617 224**	**28 355 044**	**7 427 285**	**90 028 965**	**1 980 703 934**
As of 31/12/2022	**1 539 407 928**	**130 301 126**	**7 923 116**	**191 099 992**	**7 012 147**	**26 546 470**	**6 872 064**	**76 358 825**	**1 985 521 668**

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

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

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Property, plant and equipment (Continued)

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

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Property, plant and equipment (continued)

The Group company's management decided to adopt the revaluation model as per International Accounting Standard No. 16 "Property, Plant & Equipment" in respect to the land owned by the holding company and its subsidiaries, Note No. (36-10):

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

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

14 Projects under construction

	June 30, 2023 EGP	December 31, 2022 EGP
Machinery and buildings under installation*	59 694 652	7 693 953
Advance payments for acquisition of property, plant and equipment**	8 371 474	4 372 576
	68 066 126	**12 066 529**

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

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

15 Intangible Assets

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

	June 30 2023 EGP	December 31 2022 EGP
Cost		
As at the first of January	**59 551 694**	**44 577 963**
Translation differences	14 114 738	12 442 114
Additions	--	2 531 617
At the end of the period/year	**73 666 432**	**59 551 694**
Amortization & Impairment Losses		
Balance at the first of January	**48 633 532**	**37 890 698**
Translation differences	10 851 178	9 564 294
Amortization of period/year	1 068 455	1 178 540
Balance as at the end of the period/year	**60 553 165**	**48 633 532**
Carrying Amount at the end of the period/year	**13 113 267**	**10 918 162**

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16 Equity-Accounted investees

	Ownership %	June 30, 2023 EGP	December 31, 2022 EGP
Murex Industries and Trading (S.A.L.)	20%	6 924 716	6 924 716
Other Investments		120 712	121 877
		7 045 428	**7 046 593**
(Less):-			
Impairment of investment in subsidiarien companies		(7 024 616)	(7 024 616)
		20 812	**21 977**

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

17 Long term notes receivables

	June 30, 2023 EGP	December 31, 2022 EGP
Nominal value of long-term notes receivables	250 000	600 000
Discounting notes receivables to its present value*	(34 981)	(58 422)
Present value of long term notes receivables	**215 019**	**541 578**

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

18 Inventories

	June 30, 2023 EGP	December 31, 2022 EGP
Raw materials, consumables and spare parts	750 135 297	541 701 226
Work in progress	101 112 264	96 334 100
Finished goods	997 718 432	673 955 392
	1 848 965 993	**1 311 990 718**
Less:		
Inventory impairment	(137 262 325)	(150 922 058)
	1 711 703 668	**1 161 068 660**
Goods In transit	85 173 356	77 093 300
	1 796 877 024	**1 238 161 960**

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

	Balance as at 1/1/2023 EGP	Translation Differences EGP	Formed during the period EGP	Balance as 30/6/2023 EGP
Inventory impairment	150 922 058	(68 365 161)	54 705 434	137 262 325
	150 922 058	**(68 365 161)**	**54 705 434**	**137 262 325**

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19 Trade and other receivables

	Note No.	June 30, 2023 EGP	December 31, 2022 EGP
Trade Receivables		789 584 967	718 013 070
Notes Receivables		218 825 146	213 205 242
Other Debtors		48 986 387	34 156 405
Social insurance		938 499	938 499
Suppliers – debit balances		6 563 422	5 242 704
Due from related parties – net	(31-1)	1 478 633	336 085
Tax authority – withholding tax		22 842	19 382
Tax authority – VAT		138 724 568	101 541 577
Other debit balances		109 701 889	97 723 455
Prepaid expenses		16 474 366	13 797 502
Accrued Revenues		--	936 986
		1 331 300 719	**1 185 910 907**
Less:			
Expected credit loss in trade and other Receivables		(130 823 152)	(235 608 729)
		1 200 477 567	**950 302 178**

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

	Balance as at 1/1/2023 EGP	Translation Differences EGP	Formed Provisions During the period EGP	Balance as at 30/6/2023 EGP
Expected credit loss in trade and other receivables	235 608 729	(116 347 076)	11 561 499	130 823 152
	235 608 729	**(116 347 076)**	**11 561 499**	**130 823 152**

20 Cash and cash equivalent

	June 30, 2023 EGP	December 31, 2022 EGP
Banks - Current Accounts	287 326 501	450 771 493
Cash on hand	23 736 750	17 192 027
Banks-Time-deposit	--	30 000 000
	311 063 251	**497 963 520**
Less:		
Restricted time deposits	--	(30 000 000)
Cash and cash equivalent for the purpose of preparing the consolidated cash flows statement	**311 063 251**	**467 963 520**

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21 Bank credit facilities and mudarbah

		June 30, 2023	
	Total facilities EGP	**Utilized EGP**	**Unutilized EGP**
Lecico Egypt S.A.E	899 831 000	708 312 807	191 518 193
Lecico for Ceramics S.A.E	275 275 000	258 233 136	17 041 864
European Ceramics S.A.E	312 277 000	222 692 213	89 584 787
International Ceramics S.A.E	229 698 000	202 425 813	27 272 187
Burg Armaturen Fabrik S.A.E	97 500 000	79 489 195	18 010 805
Lecico for trading and distribution of ceramics	15 000 000	15 596 426	(596 426)
UK group	127 692 500	44 580 161	83 112 339
Net book value on June 30, 2023	**1 957 273 500**	**1 531 329 751**	**425 943 749**

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

22 Share capital

22-1 Authorized capital

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

22-2 Issued and paid up capital

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

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

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22-3 treasury shares

on April 2 2023, the holding company purchased 3,200,000 shares of the company's shares at a price of 7.9 pounds per share through the capital market in the period from March 22, 2023, to March 28, 2023, which represents 4% of the company's capital based on the Board of Directors' decision on March 18, 2023 regarding the purchase of treasury shares in support of the share price in the market.

22-4 Non controlling interests

Non-controlling interests balance at June 30, 2023,represents the interest shares in subsidiaries' equity as follows:

Company	Percentage %	Non-controlling interest Profit/loss for the period EGP	Balance as of 30/6/2023 EGP	Balance as of 31/12/2022 EGP
Lecico for ceramics	0.0045	4 242	9 656	5 414
International ceramics	0.03	5 141	51 666	47 768
European ceramics	0.03	12 930	45 319	37 550
Burg armaturen Fabric	30.15	11 734 856	44 430 444	34 203 088
Sarreguemines	0.15	(1 747)	39 472	44 135
Lecico for financial investments	0.667	(29)	20 756	20 784
Lebanese ceramics industries co.	5.23	(6 429 731)	262 952	14 833 329
Lecico (UK) Ltd	1.2	2 941 713	17 262 496	8 088 854
		8 267 375	**62 122 761**	**57 280 922**

As follow Summary of financial statements of burg armaturen fabric,lecico (UK) Ltd and Lebanese ceramics industries co. as at June 30,2023

	Burg armaturen Fabric	Lecico (UK) Ltd	Lebanese ceramics industries co.
Non current assets	15 162 037	126 632 477	449 138 232
Current assets	272 898 766	423 286 262	549 906 408
Total assets	**288 060 803**	**549 918 739**	**549 906 408**
Equity	147 364 657	137 324 406	359 396 810
Current liabilities	140 541 585	329 960 243	187 777 528
Non current liabilities	154 561	82 634 090	2 732 070
Total equity and liabilities	**288 060 803**	**549 918 739**	**549 906 408**
Total sales	160 761 446	560 299 967	50 248 980
Net profit /(loss) of the period	41 328 799	18 834 600	(122 939 401)

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23 Reserves

	Legal Reserve EGP	Other* Reserves EGP	Share premium Reserve EGP	Reserve for Land Revaluation Surplus ** EGP	Translation Reserve EGP	Total EGP
Balance at January 1, 2022	**50 915 481**	**15 571 032**	**181 164 374**	**1 073 184 079**	**154 358 640**	**1 475 193 606**
Translation differences of financial statments for foreign subsidiaries	--	--	--	--	36 008 366	36 008 366
Land revaluation surplus	--	--	--	408 078 958	--	408 078 958
Income tax related to other comprehensive income	--	--	--	(95 592 811)	--	(95 592 811)
Revise revaluation of sold land	--	--	--	(9 800 991)	--	(9 800 991)
Balance at December 31, 2022	**50 915 481**	**15 571 032**	**181 164 374**	**1 375 869 235**	**190 367 006**	**1 813 887 128**
Balance at January 1, 2023	**50 915 481**	**15 571 032**	**181 164 374**	**1 375 869 235**	**190 367 006**	**1 813 887 128**
Translation differences of financial statments for foreign subsidiaries	--	--	--	--	(68 640 390)	**(68 640 390)**
Balance at June 30, 2023	**50 915 481**	**15 571 032**	**181 164 374**	**1 375 869 235**	**121 726 616**	**1 745 246 738**

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

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

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

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24 Legal Reserve

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

25 Loans and borrowings

	30 June 2023					
	Balance on January 1, 2023 EGP	Repayments of loan during the period EGP	Foreign currency Translation differences EGP	Balance on June 30, 2023 EGP	Instalments due within one year EGP	Balance of long term on loans June 30, 2023 EGP
The outstanding balance of loan granted from the CIB to the holding company amounted to USD 2.7 million with variable interest rate 4%. Above libor rate The loan will be repaid over 18 quarterly consecutive installments each amounting USD 300 000 starting from June 2019 till March 2024.	37 110 000	(18 363 000)	9 063 000	27 810 000	(27 810 000)	--
The Outstanding balance of loan granted from HSBC Bank for Lecico - UK (Lecico plc) with an amount of GBP 100 thousand and will be paid over 60 monthaly installments each installment with an amount of GBP 1 786.92 the variable interest rate is equal 2.62%.	1 469 605	(447 289)	436 810	1 459 126	(828 548)	630 578
Balance on June 30, 2023	**38 579 605**	**(18 810 289)**	**9 499 810**	**29 269 126**	**(28 638 548)**	**630 578**

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

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26 Lease liability

26-1 Lease liability movement

	June 30, 2023 EGP	December 31, 2022 EGP
Present value of liabilities arisen from lease contracts	107 788 582	87 948 453
Less :		
Installments due within one year	(20 921 839)	(16 424 592)
Non current portion of lease liability	**86 866 743**	**71 523 861**

Lease liabilities

Opening balance	87 948 453	66 373 613
Additions during the period	5 704 343	8 455 448
Add/(deduct)		
Finance interest	2 012 042	3 167 892
Payments during the period (principle)	(8 771 055)	(11 974 851)
Payments during the period (interest)	(2 012 042)	(3 167 892)
Foreign currency exchange differences	22 906 841	25 094 243
Lease liability ending balances	**107 788 582**	**87 948 453**
Deduct		
Current portion of lease liabilities represented in due installments during the next financial year	(20 921 839)	(16 424 592)
Non-current portion of lease liabilities	**86 866 743**	**71 523 861**

26-2 Lease liability due within one year

Lease contracts Installments due within one year for lecico for trading and distribution company -subsidiary	1 918 200	1 761 733
Lease contracts Installments due within one year for lecico UK company -subsidiary	19 003 639	14 662 859
	20 921 839	**16 424 592**

26-3 Summary of due dates

lease payments due during the following years:

	Due within one year EGP	From 2-3 years EGP	From 4-5 years EGP	More than 5 years EGP	Total EGP
June 30,2023	21 836 822	39 863 422	24 863 855	22 407 747	**108 971 846**
December 31,2022	17 111 367	33 646 673	19 152 049	22 393 699	**92 303 788**

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

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27 Provisions

	Balance as of 1/1/2023 EGP	Translation Differences EGP	Formed Provisions EGP	Provisions Utilized EGP	Balance as of 30/6/2023 EGP
Provisions Disclosed in the Non-Current Liabilities					
Provision claims	21 349 926	(13 752 486)	4 637 016	--	12 234 456
	21 349 926	**(13 752 486)**	**4 637 016**	**--**	**12 234 456**
Provision Disclosed in the Current Liabilities					
Contingent Losses and Claims Provision	48 921 233	--	17 605 002	(7 285 146)	59 241 089
	48 921 233	**--**	**17 605 002**	**(7 285 146)**	**59 241 089**
Total	**70 271 159**	**(13 752 486)**	**22 242 018**	**(7 285 146)**	**71 475 545**

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

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

28 Non-cash transactions

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

	Note No.	30/6/2023 EGP	31/12/2022 EGP
Property, plant and equipment	(13)	--	414 067 348
Land revaluation surplus		--	(408 078 958)
Non controlling interest		--	(5 988 390)
Right of use assets	(13)	5 704 343	8 433 416
Lease liabilities		(5 704 343)	(8 433 416)

29 Notes payables

29-1 Notes payable related to gas used

	June 30, 2023 EGP	December 31, 2022 EGP
Nominal value of long-term notes payable	367 866 035	249 606 835
Discount on notes payable to its present value*	(85 274 185)	(51 231 337)
Present value of long term notes payables	**282 591 850**	**198 375 498**

29-2 Notes payable for gas debt settlement

	June 30, 2023 EGP	December 31, 2022 EGP
Nominal value of long-term notes payables	90 250 633	104 764 221
Discount on notes payable to its present value	(35 772 954)	(37 517 582)
Present value of long term notes payables	**54 477 679**	**67 246 639**
Total long-term notes payables	**337 069 529**	**265 622 137**

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

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30 Trade and other payables

	Note No.	June 30, 2023 EGP	December 31, 2022 EGP
Trade payable		508 139 167	464 656 162
Notes payable		40 060 566	41 079 246
Due to related parties	(31-2)	707 961	27 610
Social insurance authority and tax authority		21 024 295	7 210 358
Accrued expenses		169 278 501	150 617 578
Deposits with tothers		24 701	24 701
Sundry creditors		157 530 621	164 472 184
Value added tax authority – current account		26 034 939	30 626 710
Accrued value added tax installments		--	9 181
Dividends payable		389 929	389 929
Creditors for purchasing fixed assets		96 412	--
Employees' Profit share from certain group companies		52 808 434	73 742 013
		976 095 526	**932 855 672**

31 Related Parties

Related parties consist of shareholders, key management personnel, directors and companies that are directly or indirectly controlled or affected by shareholders, directors or key management personnel.
In the ordinary course of business the group deals with different related parties.
Transactions are entered with related parties in accordance to the terms and conditions approved by group's management or its board of directors.

31-1 Due from related parties

	Nature of transaction	June 30, 2023 EGP	December 31, 2022 EGP
Due from Related Parties			
Murex Industries and Trading (S.A.L)	sales	1 478 633	336 085
		1 478 633	**336 085**
El-Khaleeg for Trading and Investment	Current	300 100	300 100
Total due from related parties		**1 778 733**	**636 185**
Less:			
Impairment for balance of "El-Khaleeg for Trading and Investment"		(300 100)	(300 100)
Net due from related parties		**1 478 633**	**336 085**

There are no transactions between lecico Egypt and the above mentioned subsidiaries.

31-2 Due to Related Parties

Ceramics Management services Ltd (CMS)	Technical consulting	707 961	27 610
		707 961	**27 610**

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31-3 Transactions with members of the Board of Directors of the Holding Company:

The statement of consolidated profit or loss for the financial period ending June 30, 2023, was charged with the allowances of the members of the board of directors of the holding company and executive managers included in "other expenses", in the amount of EGP 4 009 255 (for the financial priod ending on June 30, 2022, the amount of EGP 2 301 573) Note no. (9).

32 Contingent Liabilities

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

Letters of guarantee	**June 30, 2023**	**December 31, 2022**
EGP	41 990 719	26 759 818
EURO	4 000 000	4 000 000

Letters of Credit

	June 30, 2023	**December 31, 2022**
EGP	71 849 350	73 948 590

33 Capital Commitment

The capital commitments outstatnding as at June 30, 2023 amounted to EGP 24 925 900 (compared to capital commitments as at December 31, 2022 amounted to EGP 28 901 000), related to the new office in 5th district in cairo note no.(14).

34 Financial Instruments

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

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

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

Financial Assets

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

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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.

		June 30, 2023 EGP	December 31, 2022 EGP
Financial Assets			
With amortization cost			
Banks current accounts and time deposits	(20)	287 326 501	480 771 493
Trade and Notes receivables and other debit balances	(19)	1 118 112 002	1 028 941 767
Due from related parties	(19)،(31)	1 478 633	336 085
		1 406 917 136	**1 510 049 345**
Financial liabilities			
Trade and Notes payables and other credit balances	(30)	928 303 630	894 957 112
Lease liabilities	(26)	107 788 582	87 948 453
Credit facilities and mudarbah	(21)	1 531 329 751	1 247 271 122
Loans	(25)	29 269 126	38 579 605
Due to related parties	(31)	707 961	27 610
		2 597 399 050	**2 268 783 902**

All assets and financial liabilities are classified and measured at amortized cost, and the fair value of all financial instruments does not differ materially from their book value.
For the purpose of disclosure of financial instruments, non-financial assets amounting to EGP 162 723 697 (December 31 2022: EGP 156 633 055) have been excluded from other debit balances it was also excluded non financial liabilities amount 47 083 935 December 31 2022: 37 870 950) have been excluded from other debit balances.

34-1 Financial Risk Management

The Company's activities are exposed to a variety of financial risks, including changes in market risk (including foreign exchange rate risk, fair value, cash flow interest rate risk, and price risk), as well as credit risk and liquidity risk, the Company's risk management program aims to minimize the potential negative effects of these risks on the Company's financial performance. Risk management is carried out in accordance with policies approved by the Board of Directors.
This disclosure presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's capital management. Further quantitative disclosures have been included in these financial statements.
The senior management has full responsibility for developing and monitoring the general framework for the company's risk management and identifies and analyzes the risks facing the company to determine the appropriate risk levels and controls.
The Company's risk management policies are developed to identify and analyze the risks faced by the Company, establish appropriate risk limits and controls, monitor risks and adhere to limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and company activities. The company, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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A- Market Risk

1- Foreign currency Risk

The company is exposed to the risk of foreign currency when purchasing from suppliers abroad in foreign currency. The main currencies that lead to this risk are the US dollar, the euro and the GBP sterling. The Company's foreign currency assets and liabilities as of June 30, 2023 amounted to the equivalent of 926 978 383 EGP and 794 035 377 EGP respectively. The amounts in foreign currencies that put the company at risk as of June 30, 2023 are as follows:

	June 30,2023 Surplus/ (Deficit)	December 31,2022 Surplus/ (Deficit)
USD	(411 266)	(1 179 271)
Euro	1 422 707	1 121 141
GBP	2 292 339	1 637 830
South African Rand	4 630 226	13 209 328

As follow exchange rates used during the period/year

	Averaging rates using during the period		Closing rates at date of financial statements	
	30/6/2023	31/12/2022	30/3/2023	31/12/2022
USD	29.71	18,97	30.9	24,74
Euro	32.02	19,94	33.7	26,32
GBP	36.53	23,3	39.29	29,76
South African Rand	1.64	1,16	1.65	1,45

2- Fair value risk and interest rate on cash flows

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

3- Price risk

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

B- Credit Risk

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

- Customer
- Debtors and other debit balances
- Due from related parties
- Employees' 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.

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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

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. The company uses an impairment matrix to measure customers' and notes receivables expected credit losses.

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

	June 30, 2023			December 31, 2022		
Trade and notes receivables	**Expected credit loss rate**	**Net book value EGP**	**Loss amount EGP**	**Expected credit loss rate**	**Net book value EGP**	**Loss amount EGP**
Current (not past due)	--	771 315 437	--	--	592 532 313	--
0–90 days past due	2.08%	84 168 764	20 960 165	20.74%	102 422 973	25 544 083
91-180 days past due	0.15%	17 589 213	5 181 764	0.27%	7 564 339	2 478 872
181-270 days past due	2.24%	30 543 083	22 599 637	0.87%	15 329 348	8 102 395
271-360 days past due	0.27%	4 334 056	2 750 571	0.28%	4 685 122	2 649 668
More than 360 days past due	7.87%	100 459 560	79 331 015	21.15%	208 684 217	196 833 711
Total		**1 008 410 113**	**130 823 152**		**931 218 312**	**235 608 729**

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

C- Liquidity risk

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

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

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

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

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

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

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Contractual maturities of financial liabilities as of June 30, 2023	**Less than 1 year EGP**	**2- 3 Years EGP**	**3-4 years or more EGP**	**Total EGP**	**Carrying amount EGP**
Trade and other credit balances	936 034 960	--	--	936 034 960	936 034 960
Banks credit facilities and loans	1 559 968 299	630 578	--	1 560 598 877	1 560 598 877
Notes payables	40 060 566	337 069 529	--	377 130 095	377 130 095
Lease liabilities	20 921 839	39 491 193	47 375 550	107 788 582	107 788 582
Total	**2 556 985 664**	**377 191 300**	**47 375 550**	**2 981 552 514**	**2 981 552 514**

Contractual maturities of financial liabilities as of December 31, 2022	**Less than 1 year EGP**	**2- 3 Years EGP**	**EGP 3-4 years or more EGP**	**Total EGP**	**Carrying amount EGP**
Trade and other credit balances	821 693 050	--	--	821 693 050	821 693 050
Banks credit facilities and loans	1 277 609 795	8 240 932	--	1 285 850 727	1 285 850 727
Notes payables	41 079 246	265 622 137	--	306 701 383	306 701 383
Lease liabilities	16 424 592	31 846 658	39 677 203	87 948 453	87 948 453
Total	**2 156 806 683**	**305 709 727**	**39 677 203**	**2 502 193 613**	**2 502 193 613**

34-2 Fair Value of Financial Instruments

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

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

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

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

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

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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.

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

35 Tax Status

Lecico Egypt

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

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

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

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Fourth:Sales tax \ Value added tax
- The company's records were inspected and all the tax obligations till 2018 were paid
- The company's records were not inspected from 2019 till now.

Fifth: Real state tax
- All tax obligations were paid till 2021.
- Atemporary exemption for 3 years from real estate tax for industrial corporates was realesed in January 2022

Lecico for Ceramics

First:Corporate tax
- The company tax exemption ended at December 31, 2009 and the company is under the corporate tax from 2010 and the company submits its annual tax returns within the legal due dates.
- The company has obtained a final settement, and all tax obligations were paid from 2010 to 2013.
- The company's records were inspected from 2014 till 2019 and the form has not been notified.
- The company's records were not inspected from 2020 till now.

Second:Payroll tax
- The company has obtained a final settlement and paid all the tax obligations till 2018.
- The company's records were not inspected from 2019 till now.

Third:Stamp tax
- The company's records were inspected, and all tax obligations were paid till 2018.
- The company's records were not inspected from 2019 till now.

Fourth:Salse tax value added tax
- The company's records were inspected, and all tax obligations were paid till 2018.
- The company's records were not inspected from 2019 till now.

Fifth:Real state tax
- All obligations were paid till 2021.
- Atemporary exemption for 3 years from real estate tax for industrial corporates was realesed in January 2022

Internationals Ceramics

First:Corporate income tax
- Actual re- inspection was done till 2017 and the form has not been notified.
- The company was discretionary inspected from 2018 till 2019 and preparing for re examination.
- The company's records were not inspected from 2020 till now.

Second:Value added tax
- The company's records were inspected from inception till 2020 and all tax obligation was paid.
- The company's records were not inspected from 2021 till now.

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Third:Payroll tax

- The company's records were inspected and all obligations were paid till 2019
- The company's records were not inspected from 2020 till now.

Fourth:Stamp tax

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

Fifth:Real state tax

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

European Ceramics

First:Corporate tax

- Actual inspection was done till 2017 and the form has not been notified.
- The company was discretionary inspected from 2018 till 2019 and appealed it is being re-inspected.
- The company's records were not inspected from 2020till now.

Second:Value added tax

- The company's records were inspected till 2020 and a final settlement with tax authority is obtained.
- The company record were not inspected from 2021 till now.

Third:Payroll tax

- The company's records were inspected from inception till 2015.
- The company's records were inspected from 2016 till 2019 and the form has not been notified.
- The company's records were not inspected from 2021 till now.

Fourth:Real state tax

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

Fifth: Stamp tax

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

Burg Armaturen Fabrik-sarrdesign

First: Value added tax

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

Second:Payroll tax

- The company records were inspected and paid all the tax obligations till 2019.
- The company's records were not inspected from 2020 till now.

Third:Corporate income tax

- Tax returns were submitted in its legal due dates and the company's records were inspected and appealed for 2012
- The company's records were discretionary examined from 2013 till 2018 and appealed and it will be re-inspected.
- The company was not inspected from 2019 till now.

Fourth Stamp tax

- The company's records were inspected and paid till 2015
- The company's records were inspected from 2016 till 2019 and the form has not been notified.
- The company's records were not inspected from 2020 till now.

Sarregumines

First: Corporate income tax

- The company's records were inspected from inception till 2016 and it paid.
- The company's records were not inspected from 2017 till now.

Second:Value added tax

- The company's records were inspected from inception till 2018 and there were no obligations.
- The company's records were not inspected from 2019 till now.

TGF for Consulting and Trading

First: Corporate income tax

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

Second:Value added tax

- The company's records were inspected and inspection finalized till 2019.
- The company's records were not inspected from 2020 till now.

Third: Real state tax

- All tax obligation was paid till 2021

Lecico for Financial Investments

- The company is subject to corporate tax.
- The company has obtained a final settlement and paid all the tax obligations till 2012.
- The company's records were inspected from 2013 till 2015 and its was objected in the committee.
- The company was discretionary inspected from 2016 till 2019 and it has been appealed and will be re- inspected
- The company's records were not inspected from 2020 till now.

Lecico for Trading and Distribution

First: Corporate income tax

- The company's records were inspected from inception till 2016 and all differences were settled and paid.
- The company's records were not inspected from 2017 till now.

Second:Value added tax

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- The company's records were inspected from inception till 2014 and tax differences were paid.
- The company's records were not inspected from 2015 till now where the file was tranfferred to the Mediterranean maritime center, the reasons for the not being inspected are being known .

Third:<u>**Payroll tax**</u>

- The company deducted the tax on salaries and paid it within the legal year and tax examination occurred from inception till 2013 and tax differences were paid.
- The company's records were not inspected from 2014 till 2017 and are being resoived in internal committee.
- The company's records were not inspected from 2018 till now.

Fourth:<u>**Stamp tax**</u>

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

36 Significant accounting policies

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

36-1 Basis of preparing consolidated financial statements

a. Business combination

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

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

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

Presenting share of the non – controlling interest in the subsidiary company in a consolidated account within shareholders equity after shareholder equity and before liabilities in the consolidated financial position and minority interest is also presented in net income for the year after tax in a consolidated account before determining profit of the holding company in the consolidated profits or

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losses statement and it is calculated by what's equal to their share in the Book value of the net assets of the subsidiary company at the date of preparation of consolidated financial statements and the share of minority in profit and loss of subsidiary companies is recorded in a consolidated account in the consolidated profits or losses statement.

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

b. Subsidiaries

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

c. Non-controlling interests (NCI)

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

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

d. Loss of control

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

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

e. Investments accounted for using the equity method

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

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

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

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f. Elimination from consolidation financial statements

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

36-2 Foreign currency translation and financial statement for foreign subsidiaries

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the group at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.
Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.
Except, currency differences arising from translation are recognized in the other comprehensive income items:

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

Financial statement for foreign operations

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

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

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36-3 Revenue recognition

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

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

Step 2: Determine the performance obligations in contract: Performance obligations is a consideration when the goods and services are delivered.
Step 3: Determine the transaction price: Transaction price is the compensation amount that the Company expects to recognize to receive for the transfer of goods or services to customer, except for the collected amounts on behalf of other parties.

Step 4: Allocation of the transaction price of the performance obligations in the contract: If the service concession arrangement contains more than one performance obligation, the Company will allocate the transaction price on each performance obligation by an amount that specifies an amount against the contract in which the Company expects to receive in exchange for each performance obligation satisfaction.
Step 5: Revenue recognition when the entity satisfies its performance obligations.
The Company satisfy the performance obligation and recognize revenue over time, if one of the following criteria is met:

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

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

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

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

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

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

The application of IFRS No. (15) requires management to use the following judgements:
- Satisfaction of performance obligation
- Determine the transaction price
- Control transfer in contracts with customers

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

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

The Company elected to apply the input method to allocate the transaction price to performance obligations accordingly that revenue is recognized over a year of time, the Company considers the use of the input method, which requires recognition of revenue based on the Company's efforts to satisfy performance obligations,

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provides the best reference to the realized revenue. When applying the input method, the Company estimates efforts or inputs to satisfy a performance obligation. In addition to the cost of satisfying a contractual obligation with customers, these estimates include the time spent on service contracts.

Other matters to be considered

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

The significant funding component

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

Revenue recognition

Revenue from the sale of goods

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

36-4 Employee benefits

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

36-5 Expenses

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

36-6 Finance income and finance costs

The group's finance income and finance costs include:

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

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

36-7 Earnings per share

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

36-8 Income tax

The group decided that interests and fines related to income tax including uncertain tax liabilities , does not meet the definition of income taxes, and are there for calculated under IFRS standard : contingent liabilities and provisions and contingent assets

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

36-8-1 Current income tax

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

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

36-8-2 Deferred tax

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

- The initial recognition of goodwill.
- And the initial recognition of an asset or liabilitiy in a transaction:
  (1) That is not a business combination.
  (2) and that affects neither accounting profit nor taxable profit (taxable loss)
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future

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

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

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

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

36-9 Inventories

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

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

36-10 Property, plant & equipment

36-10.1 Recognition and measurement

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

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

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

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

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

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

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

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

36-10.2 Subsequent expenditure

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

36-10.3 Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values (using the straight-line method) over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.The estimated useful lives of property, plant and equipment for current period.

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

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

- Depreciation methods, useful lives and residual values are reviewed at the end of each financial period and adjusted if appropriate.

36-11 Projects under construction

This item represents the amounts spent for constructing or acquiring of Property , Plant and equipment. Whenever it is completed and ready for its intended use in operations, then, it is transferred to Property , plant and equipment. Projects in progress are recorded at cost, and not depreciated until transferred to Property , plant and equipment.

36-12 Intangible assets

36-12.1 Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries.Goodwill is stated at cost less accumulated impairment losses if any. Goodwill is allocated to cash-generating units and is tested annually for impairment

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

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36-12.2 Other Intangible Assets

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

36-12.3 Amortization

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

36-13 Leased contracts

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

At the inception of the contract, it is assessed whether the contract is a lease or involves a lease if the contract conveys the right of use specified asset for a year in exchange for consideration.
Lease contract year is determined as the non-cancellable year in the lease agreement along with each of:

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

Initial measurement of the right of use asset:

The cost of the right of use asset is:

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

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

C- Any initial direct costs incurred by the lessee.

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

Subsequent measurement of the right of use assets:

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

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

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

- **Subsequent measurement of the lease obligation:**
  After the start date of the lease, the following are:

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

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

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

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

36-14 Financial instruments

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

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

Classification and subsequent measurement

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

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

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

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

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

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

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

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

Financial assets- Business Model Assessment

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

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

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

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

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

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

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

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

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

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

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

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

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

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Financial assets – Subsequent measurement and gains and losses

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

Financial liabilities – Classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

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Financial liabilities

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

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

Offsetting

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

Financial derivatives and hedge accounting

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

36-15 Share capital

36-15.1 Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with IAS 12 “Income tax”.

36-15.2 Repurchase reissue of ordinary shares (treasury stock)

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

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36-16 Impairment

36-16.1 Non-derivative financial assets

Financial instruments and contract assets

The Company recognizes loss allowances for ECLs on:

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

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

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

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

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

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

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

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

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

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

Measurement of ECLs

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

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

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36-16.2 Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

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

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

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36-16.3 Non-financial assets

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

For impairment testing, assets are grouped together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.
The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.
An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

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

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

36-17 Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

36-18 End of Services Benefit Fund (Defined contribution plan)

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

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

36-19 Cash and Cash Equivalents

Cash and cash equivalent comprises cash balances and call deposits. For the purpose of preparing the cash flow statement, cash and cash equivalents are defined as balances of cash on hand, bank current accounts, notes receivable and time deposits with maturity of less than three months. The Bank overdrafts which are repayable on demand form an integral part of the company's cash management. Accordingly, bank overdrafts are included as a component of cash and cash equivalents for the purpose of preparing the cash flow statement.

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36-20 Borrowing Cost

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

36-21 Segment Reporting results

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment)

Consolidated Cashflows Statement

The cashflows statement is prepared according to the indirect method.

37 Hyperinflation

Lebanon was identified as a hyperinflationary for periods ending on or after September 30, 2020. The International Monetary Fund has not published projections for Lebanon after 2020. The Lebanese Central Administration of Statistics (CAS) has published monthly CPI data through October 1, 2022. Based on the latest data of the Lebanese Central Administration of Statistics (CAS), the consumer price index increased by approximately 86.19% during the first ten months of 2022, taking the 3-year cumulative inflation rate to 1,574.3% at the end of October 2022.

Lebanon should be considered hyperinflationary for the annual reporting period ending 31 December 2022.

38 Accounting standards that have been issued but not yet applied

There are a number of new accounting standards and amendments to the standards that apply to the annual periods starting after January 1, 2023 and January 2024, and early application is permitted, but the early application of the new standards or amendments to the following standards was not done by the group management when preparing these consolidated financial statements.

New accounting standards and amendments to standards.	**Effective date of implementation**
IFRS (17) Insurance Contracts	January 1, 2023
Classification of liabilities, current and non-current - Amendment to International Accounting Standard no. (1).	January 1, 2024
Disclosure of Accounting Policies - Amendment to International Accounting Standard no. (1) and Practice List no. (2).	January 1, 2023
Definition of Accounting Estimates - Amendment to IAS (8).	January 1, 2023
Deferred tax related to the assets and liabilities resulting from a single transaction - Amendment to International Accounting Standard no. (12)	January 1, 2023
Lease contract liabilities (sales and lease back) Amendment to IFRS (16)	January 1, 2024
Non current liabilities with commitments - Amendment to International Accounting Standard no (1)	January 1, 2023

The Group is currently assessing the potential impact on the consolidated financial statements resulting from the application of new standards and amendments to the standards.

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