

**EDITA FOOD INDUSTRIES (S.A.E.)
AND ITS SUBSIDIARIES**

**AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Consolidated financial statements - For the year ended 31 December 2019

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Auditor's report

To : The shareholders of Edita Food Industries Company (S.A.E.)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Edita Food Industries Company (S.A.E) which comprise the consolidated statement of financial position as of 31 December 2019 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the fiscal year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and in light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

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

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



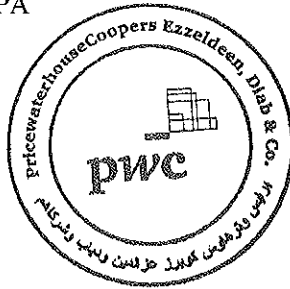
The shareholders of Edita Food Industries Company (S.A.E.)
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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Edita Food Industries Company (S.A.E.) as of 31 December 2019, and of its financial performance and its cash flows for the fiscal year then ended in accordance with Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.

Mohamed Ahmed Fouad, CPA
R.A.A. 11595
F.R.A. 235

26 February 2020
Cairo



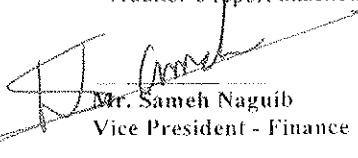
EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES

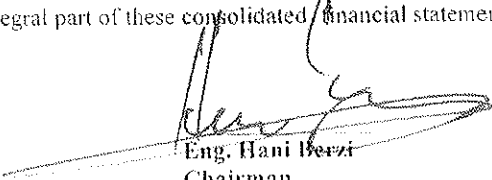
Consolidated statement of financial position - As of 31 December 2019

(All amounts in Egyptian Pounds)

	Note	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	5	1,993,845,097	1,884,237,454
Intangible assets	6	168,276,650	169,921,078
Prepayments on future investment in subsidiary	7	-	10,850,159
Total non-current assets		2,162,121,747	2,065,008,691
Current assets			
Inventories	8	295,420,425	288,828,341
Trade and other receivables	10	204,193,093	128,179,325
Treasury bills	11	548,192,500	290,180,875
Cash and bank balances	12	153,615,452	63,579,745
Total current assets		1,201,421,470	770,768,286
Total assets		3,363,543,217	2,835,776,977
Equity and liabilities			
Equity attributable to owners of the parent			
Paid up capital	13	145,072,580	145,072,580
Legal reserve	14	78,233,972	73,265,674
Cumulative translation reserve		(202,760)	16,103
Transactions with non-controlling interest	15	(32,132,098)	-
Retained earnings		1,458,283,248	1,239,654,874
		1,649,254,942	1,458,009,231
Non-controlling interest	15	36,424,222	23,829,451
Total equity		1,685,679,164	1,481,838,682
Liabilities			
Non-current liabilities			
Term loans	16	605,756,771	495,564,577
Employee benefit obligations	17	11,600,900	6,621,193
Deferred income tax liabilities	18	167,800,747	158,168,693
Total non-current liabilities		785,157,518	660,354,463
Current liabilities			
Provisions	19	21,221,845	29,270,866
Bank overdraft	20	120,096,127	19,126,567
Trade and other payables	21	502,314,867	427,503,335
Current portion of term loans	16	185,887,584	211,049,595
Current income tax liabilities	22	63,186,112	6,633,469
Total current liabilities		892,706,535	693,583,832
Total equity and liabilities		3,363,543,217	2,835,776,977

- The accompanying notes on pages 8 to 54 form an integral part of these consolidated financial statements.
 - Auditor's report attached


 Mr. Sameh Naguib
 Vice President - Finance


 Eng. Hani Berzi
 Chairman

26 February 2020
 Giza

EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES

Consolidated statement of profit or loss - For the year ended 31 December 2019

(All amounts in Egyptian Pounds)

	Note	2019	2018
Revenue		4,025,272,151	3,776,424,133
Cost of sales	28	(2,583,776,651)	(2,553,624,999)
Gross profit		1,441,495,500	1,222,799,134
Other income	23	11,658,738	7,729,678
Distribution cost	28	(584,363,825)	(433,405,846)
Administrative expenses	28	(277,553,383)	(244,842,792)
Other losses - Net	24	(42,146,567)	(23,687,522)
Finance cost - Net	25	(8,992,322)	(84,015,747)
Profit before income tax		540,098,141	444,576,905
Income tax expense	26	(130,629,735)	(107,681,080)
Net profit for the year		409,468,406	336,895,825
Profit is attributable to			
Owners of the parent		410,231,672	334,716,937
Non-controlling interest		(763,266)	2,178,888
Net profit for the year		409,468,406	336,895,825
Basic and Diluted earnings per share	27	0.50	0.42

- The accompanying notes on pages 8 to 54 form an integral part of these consolidated financial statements.

EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES

Consolidated statement of comprehensive income - For the year ended 31 December 2019

(All amounts in Egyptian Pounds)

	<u>2019</u>	<u>2018</u>
Net profit for the year	409,468,406	336,895,825
Other comprehensive income		
Exchange items that may be reclassified to profit or loss		
differences in translation of foreign operations	<u>(1,215,386)</u>	<u>221,605</u>
Total comprehensive income for the year	<u>408,253,020</u>	<u>337,117,430</u>
Attributable to		
Owners of the parent	409,016,286	334,938,542
Non-controlling interest	<u>(763,266)</u>	<u>2,178,888</u>
Total comprehensive income for the year	<u>408,253,020</u>	<u>337,117,430</u>

- The accompanying notes on pages 8 to 54 form an integral part of these consolidated financial statements.

EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES

Consolidated statement of changes in equity - For the year ended 31 December 2019

(All amounts in Egyptian Pounds)	Paid up capital	Legal reserve	Cumulative translation reserve	Transactions with non-controlling interest	Retained earnings	Total Owners of the parent	Non-controlling interest	Total owners' equity
Balance at 31 December 2017	145,072,580	56,474,533	(205,502)	-	1,037,011,613	1,238,353,224	21,812,378	1,260,165,602
Change of equity in 2018								
Net Profit for the year	-	-	-	-	334,716,937	334,716,937	2,178,888	336,895,825
Other comprehensive income for the year	-	-	221,605	-	-	221,605	-	221,605
Total comprehensive income for the year	-	-	221,605	-	334,716,937	334,938,542	2,178,888	337,117,430
Shareholders transactions								
Dividends distribution for 2017	-	-	-	-	(115,282,535)	(115,282,535)	(161,815)	(115,444,350)
Transfer to legal reserve	-	16,791,141	-	-	(16,791,141)	-	-	-
Total shareholders transactions	-	16,791,141	-	-	(132,073,676)	(115,282,535)	(161,815)	(115,444,350)
Balance at 31 December 2018	145,072,580	73,265,674	16,103	-	1,239,654,874	1,458,009,231	23,829,451	1,481,838,682
Change of equity in 2019								
Net Profit for the year	-	-	-	-	410,231,672	410,231,672	(763,266)	409,468,406
Other comprehensive income for the year	-	-	(218,863)	-	-	(218,863)	(996,523)	(1,215,386)
Total comprehensive income for the year	-	-	(218,863)	-	410,231,672	410,012,809	(1,759,789)	408,253,020
Shareholders transactions								
Transactions with non-controlling interest	-	-	-	(32,132,098)	-	(32,132,098)	(23,165,685)	(55,297,783)
Non-controlling interest share in establishment of subsidiary	-	-	-	-	-	-	37,693,675	37,693,675
Dividends distribution for 2018	-	-	-	-	(186,635,000)	(186,635,000)	(173,430)	(186,808,430)
Transfer to legal reserve	-	4,968,298	-	-	(4,968,298)	-	-	-
Total shareholders transactions	-	4,968,298	-	(32,132,098)	(191,603,298)	(218,767,098)	14,354,560	(204,412,538)
Balance at 31 December 2019	145,072,580	78,233,972	(202,760)	(32,132,098)	1,458,283,248	1,649,254,942	36,424,222	1,685,679,164

- The accompanying notes on pages 8 to 54 form an integral part of these consolidated financial statements.

EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES
Consolidated statement of cash flows - For the year ended 31 December 2019

(All amounts in Egyptian Pounds)

	Notes	2019	2018
<u>Cash flows from operating activities</u>			
Profit for the year before income tax		540,098,141	444,576,905
Adjustments for:			
Provisions	24	7,482,340	12,828,759
Employee benefit obligation	24	6,673,286	3,304,046
Interest expense	25	106,998,118	122,329,790
Interest income	25	(61,897,019)	(35,950,048)
Interest income - corporate tax advances	25	(1,990,581)	(2,129,954)
Depreciation and amortization	5	151,813,367	141,837,267
Impairment loss	24	16,593,500	-
Provision of slow moving inventory	24	2,136,834	4,694,415
Gain from sale of property, plant and equipment	24	(7,306,759)	(8,794,725)
Provision no longer required	24	(5,536,057)	(219,291)
Foreign exchange gains		(22,329,144)	(714,366)
		732,736,026	681,762,798
Inventories		(5,292,399)	3,917,992
Trade and other receivables		(76,013,768)	(59,250,775)
Trade and other payables		76,131,064	56,768,317
Provisions used		(13,431,823)	(5,678,362)
Payments of employee benefit obligations		(1,694,479)	(1,444,818)
Dividends paid to Company's employees		(36,954,532)	(30,007,291)
Cash generated from operating activities		675,480,089	646,067,861
Interest paid		(102,851,603)	(126,882,706)
Income tax paid		(62,454,457)	(42,772,496)
Net cash flows generated from operating activities		510,174,029	476,412,659
<u>Cash flows from investing activities</u>			
Prepayments on future investments in subsidiary		-	(10,850,159)
Payment for purchase of property, plant and equipment	5	(277,166,085)	(97,176,199)
Payment for purchase of intangible assets		(729,058)	-
Proceeds from sale of property, plant and equipment	5	8,831,820	9,842,207
Cash acquired on establishment of subsidiary		10,850,159	-
Interest received		47,969,019	26,892,398
Payment for purchase of treasury bills		(1,502,816,566)	(191,969,753)
Proceeds from sale of treasury bills		1,183,615,500	226,571,670
Net cash flows used in investing activities		(529,445,211)	(36,689,836)
<u>Cash flows from financing activities</u>			
Dividends paid to shareholders		(151,173,430)	(85,161,815)
Payments to acquire non-controlling interest		(55,297,783)	-
Proceeds from non-controlling interest on the establishment of subsidiary		37,693,675	-
Repayments of borrowings		(275,973,660)	(182,205,616)
Proceeds from borrowings		379,732,129	67,142,841
Net cash flows used in financing activities		(65,019,069)	(200,224,590)
Net (decrease) / increase in cash and cash equivalents		(84,290,251)	239,498,233
Cash and cash equivalents at beginning of the year		179,589,499	(60,130,339)
Effect of exchange rate on cash and cash equivalents		(1,761,042)	221,605
Cash and cash equivalents at end of the year	12	93,538,206	179,589,499

- The accompanying notes on pages 8 to 54 form an integral part of these consolidated financial statements.

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2019

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

1. General information

Edita Food Industries S.A.E. was established in July 9, 1996, under the investment Law No. 230 of 1989 which had been replaced by law No. 8 of 1997 and the money market Law No. 95 of 1992, and is registered in the commercial register under number 692 Cairo.

The Group provides manufacturing, producing and packing of all food products and producing and packing of juices, jams, readymade food, cakes, pastry, milk products, meat, vegetables, fruits, chocolate, vegetarian products and other food products with all necessary ingredients.

The Group's financial year start on 1 January and ends on 31 December each year.

The main shareholders are Quantum Investment BV which owns 41.815% of the Company's share capital and the Bank of New York Mellon "depository bank for shares traded in London Stock Exchange" which manages 12.861% of the Company share capital and Kingsway Fund Frontier Consumer Franchises which owns 11.131% of Company's share capital and other shareholders owning 34.193% of company's share capital.

These consolidated financial statements have been approved by Chairman and Managing Director on 26 February 2020.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below, these policies have been consistently applied for all the years presented, unless otherwise stated.

A. Basis of preparation

These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) and applicable related laws and regulations. The consolidated financial statements have been prepared under the historical cost convention except for employees' post-employment defined benefit obligations that are measured at the present value of the obligation using the projected credit unit method.

The preparation of consolidated financial statements in conformity with Egyptian Accounting Standards (EAS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note (4).

Egyptian Accounting Standards (EAS) requires referring to the International Financial Reporting Standards (IFRS) in treating certain balances and transactions, which have not been covered in any Egyptian Accounting Standards or legal requirements.

Percentage of ownership in subsidiaries

The group consists of the below companies as of 31 December 2019 and 31 December 2018 unless otherwise was noted and the percentage of the Group's share of the companies in is the direct ownership of the ordinary shares of the paid-up capital only.

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2019

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Basis of preparation (continued)

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
		2019	2018	2019	2018
Digma for trading	Egypt	99.8%	99.8 %	0.2%	0.2 %
Edita Confectionery Industries	Egypt	99.98%	77.71 %	0.02%	22.29 %
Edita participation limited	Cyprus	100%	100 %	-	-
Edita Food Industries Morocco	Morocco	51%	-	49%	-

Financial information about the subsidiaries of the group as at 31 December 2019 and 31 December 2018

Name of subsidiary	Total Assets 2019	Total Equity 2019	Total Sales 2019	Net Profit / (loss) 2019
Digma for trading	310,026,321	202,222,377	3,689,583,280	47,105,628
Edita Confectionery Industries	211,335,096	120,855,378	144,061,511	14,806,945
Edita participation limited	41,262,575	(4,473,075)	-	(2,271,158)
Edita Food Industries Morocco	78,875,765	75,170,123	-	(1,756,000)

Name of subsidiary	Total Assets 2018	Total Equity 2018	Total Sales 2018	Net Profit / (loss) 2018
Digma for trading	315,629,952	251,466,749	3,466,987,824	84,698,494
Edita Confectionery Industries	187,280,299	106,048,434	147,424,084	9,015,183
Edita participation limited	17,711,524	(2,201,917)	-	(1,931,436)

B. New standards, interpretations and amendments adopted by the Company

On 28 March 2019, the minister of Investment issued a decree no. 69 for 2019 which includes new standards and amendments to the existing standards. The amendments in the EASs have been published in the official gazette on 7 April 2019. These changes are mainly represented in three new standards which should be adopted for the financial periods commencing on or after 1 January 2020 as follows:

Title of standard	EAS No. (47) "financial instruments"
Nature of change	This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standards No. (1), (25), (26) and (40) should be adopted at the same time.

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2019

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

New standards, interpretations and amendments adopted by the Company (continued)

Title of standard	EAS No. (47) “financial instruments”
Impact	<p>The group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2020:</p> <p>The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under EAS No. (26). It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under EAS No. (48) Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the initial assessments undertaken to date, the Company’s management expects an insignificant increase in the loss allowance for trade and other receivables.</p> <p>The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.</p>
Date of adoption by group	Must be applied for financial years commencing on or after 1 January 2020. The group will apply the new rules retrospectively from 1 January 2020, with the practical expedients permitted under the standard. Comparatives for 2019 will not be restated,
Title of standard	EAS No. (48) – “Revenue from contracts with customers”
Nature of change	<p>The IASB has issued a new standard for the recognition of revenue. This will replace EAS No. (11) ‘revenues’ and EAS No. (8) ‘construction contracts’</p> <p>The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.</p>
Impact	<p>Management has assessed the effects of applying the new standard on the group’s financial statements and has identified the following areas that will be affected:</p> <p>Presentation of contract assets and contract liabilities in the balance sheet – EAS 48 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 January 2020 for the contract liabilities in relation to expected volume discounts, rights to return and rebates.</p>
Date of adoption by group	This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standards No. (1), (25), (26) and (40) should be adopted at the same time.

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2019

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

New standards, interpretations and amendments adopted by the Company (continued)

EAS No.(49) – “Leases”

Nature of change

EAS 49 was issued on April 2019. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

Impact

The accounting for lessors will not significantly change. The group has reviewed all of the leasing arrangements over the last year in light of the new lease accounting rules in EAS 49. The standard will affect primarily the accounting for the group's operating leases.

As at the reporting date, the group has non-cancellable operating lease commitments of 118,273,427 EGP, For lease commitments the group expects to recognise right-of-use assets of approximately 67,920,773 EGP on 1 January 2020, and lease liabilities of the same amount (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2019). Overall net assets remain unchanged, and net current assets will be 7,247,041 EGP lower due to the presentation of a portion of the liability as a current liability.

The group expects that net profit before tax will decrease by approximately 4,167,632 EGP for FY 2020 as a result of adopting the new rules. Operating cash flows will increase, and financing cash flows decrease by approximately 7,017,298 EGP as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by group

The group will apply the standard from its mandatory adoption date of 1 January 2020. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses)

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2019

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

C. Basis of consolidation

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group 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 existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

1.1 Acquisition method

The group applies the acquisition method to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets at the date of acquisition.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the statement of profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1.2 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

1.3 Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss for the parent company.

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2019

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

1.4 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

1.5 Measurement period:

The measurement period is the period after the acquisition date which provides the acquirer with a reasonable time to obtain the information necessary to identify and measure all items arisen from an acquisition of a subsidiary. The measurement period shall not exceed one year from the acquisition date. If the group has identified a new facts or circumstances regarding the acquisition during the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date.

ii. Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying (Directly or indirectly) a shareholding of between 20% and 50% of the voting rights in the associate.

2.1 Equity accounting method

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition from the change of the group's share from the associate's net assets. The group's share of post-acquisition profit or loss is recognized in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. with the group's share of the changes in equity after acquisition date.

2.2 Changes in owner's equity

If the ownership interest of the group in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate, From the disposal of the related assets and liabilities

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Consolidation (continued)

2.3 The losses of an associate:

When the group's share of losses in an associate equals or exceeds its interest in the associate, the group does not recognise further losses, and after the group's share reduced to zero, any additional losses and liabilities are recognized only to the limit it has incurred legal or constructive obligations or made payments on behalf of the associate, When the associate start to generate profits in the upcoming periods, the group continues to recognize their share in these profits, only after their share of profits equals their share of unrecognized losses .

2.4 Transactions with associates

Profits and losses resulting from upstream and downstream transactions between the group (including the subsidiaries) and the associate are recognised in the group's financial statements only to the extent of other investor's interests in the associates.

2.5 Goodwill arisen from investments in associates

Goodwill represents the excess of the consideration transferred, of the group's share in the fair value of the net identifiable assets and liabilities acquired at the acquisition date

Goodwill arises from the investment in associates within the cost of the investment in associate after deduction of impairment losses in associates and it does not presented separately, and the goodwill impairment is not tested separately, In addition to the impairment test is performed on the carrying amount of total investments – as an individual asset, by comparing the carrying value with the recoverable amount of the asset, and the impairment losses recognized at this case are not allocated to any asset, therefore, any reversed settlement for the impairment losses are recognized to the extent that the recoverable amount will increase to the extent it will not exceed the amount of the impairment losses previously recognized.

D. Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). All entities in Egyptian Pound except for Edita Participation Limited which is in Euro.

(2) Transactions and balances

Transactions in foreign currency during the period are recognised at the initial recognition with the functional currency of the group on the basis of translation of foreign currency which is the transaction is recorded with using the exchange intraday prevailing rate between the functional currency and the foreign currency at the date of the transaction, as well as monetary items translated or translation of items in foreign currency using the closing rate at the end of each fiscal period. And the group recognizes foreign currency revaluation differences resulting from the settlement of monetary items or for the translation of monetary items - by using the exchange rates different from those used in the translation at initial recognition in the same period or in previous financial statements - and within profit or loss in the period in terms of where these differences arise except when the postponement of the currency translation differences on the nature of the non-monetary items in the other comprehensive income, which is an effective part of the process to cover the net investment in a foreign currency or the effective portion of cash flow to cover the risk.

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Foreign currency translation (continued)

The Group recognize Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve within other comprehensive income.

(3) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

All resulting exchange differences are recognised in other comprehensive income.

In the consolidated financial statements, it is recognized in the statement of comprehensive income the value of the currency revaluation differences resulting from the translation of the net investment in foreign entities, as well as loans or financial instruments assigned to cover this investment in foreign currency differences and when the investment in the foreign entity excluding the currency differences stage to property rights are recognized As part of the profits and losses on disposal of this investment

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

E. Property, plant and equipment

The group applies the historical cost model at measuring Property, plant and equipment. All property, plant, and equipment are stated at historical cost less accumulated depreciation Historical cost includes all costs associated with acquiring the asset and bringing it to a ready-for-use condition by the group's management

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Depreciation is calculated by using the straight-line method to allocate the cost of each asset to its residual value over the estimated useful lives of assets except land, which is not depreciated.

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Property, plant and equipment (continued)

Estimated useful lives of assets are as follows:

Buildings	25 - 50 years
Machinery	20 years
Vehicles	5 - 8 years
Tools and equipment	3 - 5 years
Furniture & office equipment	4 - 5 years

Salvage value and useful lives are reviewed and changed if necessary by the groups at the end of each fiscal year.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount, and this will be considered as an impairment loss.

Gains and losses on disposals for an item of fixed assets items are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the statement of profit or loss from the disposition of fixed assets.

Projects under construction are stated at cost less realised impairment losses. Cost includes all expenses associated with the acquisition of the asset and make it usable. When the assets is ready for its intended use, it is transferred from project under construction to the appropriate category under property, plant and equipment and depreciated in accordance with group policy.

F. Intangible assets

Intangible assets (Trademarks & know how) have indefinite useful lives as there is no foreseeable limit of time over which the brands are expected to exist and generate cash flows to the group, and are carried at cost less impairment losses. Historical cost includes all expenses associated with the acquisition of an intangible asset,

The trademark and know how is recognized as an indefinite intangible asset as the license is perpetual, irrevocable and exclusive including the trademark in the territory related to cake products. The brand has an established presence in the territory since 1990s. In addition, the group has a strong historic financial track-record and forecasts continued growth also, the know-how of perpetual license not exposed to typical obsolescence as it relates to food products. The brand remains popular in the Middle East and the group does not foresee any decline in the foreseeable future.

Computer software

Separately acquired software licences are shown at cost less the accumulated amortization and the accumulated impairment losses. The Group charges the amortization amount of the software licences consistently over their estimated useful lives of four years using the straight-line method.

The costs of the acquisition of computer software licenses that are not considered an integral part of computers are recognized as intangible assets on the basis of costs related to preparing the asset for use in the purpose for which it was acquired.

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G. Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. at the date of the financial statements

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For impairment assessment for an asset, comparison is performed between the amount by which the asset's carrying amount and its recoverable amount The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use for the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Impairment loss is recognised in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount.

Non-financial assets other than goodwill that suffered impairment are reviewed by the group for possible reversal of the impairment at each reporting date.

The impairment loss is reversed by the amount recognized in prior year when there is an indication that these losses may no longer exist or decreased as is reversed impairment losses, which should not exceed the carrying amount that would have been determined (net of depreciation) recognizing this reverse in statement of profit or loss.

H. Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. And the provision for obsolete inventory is created in accordance to the management's assessment.

I. Financial assets

(1) Classification

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents' in the statement of financial position.

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Financial assets (continued)

(b) Held to maturity financial assets

The group classifies financial assets as held-to-maturity if they are non-derivative financial assets and have fixed or determinable payments and fixed maturities and the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

(2) Initial recognition and measurement

Financial asset is recognised on trade-date, the date on which the group commits to the contractual provision of the financial assets.

At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

(3) Subsequent Measurement

Loans, receivables, and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method. Interest calculated is recognised in the statement of profit or loss as part of Finance cost- net.

(4) Derecognition

A financial asset is derecognised the end period of validity of the contractual right to receive cash flows from the financial asset ends, or the Group has transferred the risks and rewards of ownership of the asset financial materially.

A financial asset is derecognized with the book value at the date of the derecognition, and are recognized profit / (loss) arisen from the derecognition is recognized in the statement of profit or loss in the gains / (loss) on investment

The gains / (loss) from derecognition of the financial asset is the difference between the book value at the date of disposal and the proceeds received from the financial asset de recognition in addition to the accumulated gain or loss previously included in other comprehensive income items.

J. Impairment of financial assets

Assets recognized and measured at amortized cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults to the group's assets.

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Impairment of financial assets (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statements of profit or loss.

K. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. And the asset is impaired by the amount of the provision and the losses are recognised at the statement profit and loss and write off the doubtful debts from their associated provisions and recognize any subsequent recoveries as profit in the statement of profit or loss.

L. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts that are repayable on demand which is characterized by fluctuating bank balance from a positive balance to an overdraft balance, bank overdrafts are shown in current liabilities in the consolidated statement of financial position.

M. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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N. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

O. Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the year less any investment income on the temporary investment of those Loans.

The Group recognizes all other borrowing costs in profit or loss in the period in which they are incurred.

P. Current and deferred income tax

The group recognizes the tax expense for the period, comprises current and deferred tax. in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management annually evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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Current and deferred income tax (continued)

The deferred income tax is not accounted for if it arises from initial recognition of goodwill or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Q. Employee benefits

The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

a. Pension obligations

Defined contribution plan

For defined contribution plans, the group pays contributions to social insurance authority on a mandatory basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Defined benefit plan

The Group has a defined benefit plan which is a plan that defines an amount of benefits to be provided in the form of half month payment for each year they had worked for the Group for employees who reach the age of sixty, according to the following criteria:

- The contribution is to be paid to employees for their working period at the Group only.
- The working period must be not less than ten years.
- The maximum contribution is 12 months' salary.

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Employee benefits (continued)

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government bonds, which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to retirement plans are recognized in other comprehensive income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of profit or loss.

b. Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of Egyptian accounting standard no (28) and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

c. Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

R. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Group recognizes the necessary commitments for restructuring and non-related activities of the Group in the provision for restructuring costs.

Contingent liability is a present obligation that arises from past events but is not recognized because it is not probable that an out flow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are only disclosed in the consolidated financial statement and not recognized.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. And it is expected for the outflow of resources is necessary to settle all the elements of commitment

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Employee benefits (continued)

When the time value of money assumption is significant, provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in the statement of profit or loss.

When it is expected to re-charge some or all required expenses to settle a provision to a third party outside the group, the Group recognize the recovered amount when it is certain that the recovery will take place if the group has to settle the obligation, and treats recovery as a separate asset in the statement of financial position, and shall not exceed the value that is recognized to recover the amount of the provision.

S. Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

T. Trade payables & other credit balances

Trade payables are recognized initially at the value of goods or services received from others whether their invoices were received or not and subsequently measured at amortized cost using the effective interest rate. Trade Payables are presented later with amortized cost using the effective interest rate.

U. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of sales tax, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(1) Sales of goods

Sales of goods are recognised when delivered products to the wholesalers, the wholesaler has full discretion over the price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been delivered either in the Group warehouse or in the wholesalers' locations depend on the agreements, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. And no element of financing is deemed present as the sales are made with a short credit term.

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Revenue recognition (continued)

(2) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount.

(3) Dividend income

Dividend income is recognised when the right to receive payment is established.

(4) Export subsidy

The Company obtains a subsidy against exporting some of its production. The subsidy is calculated based on a percentage from the total exports invoices determined by the Export Development Fund related to the Commercial and Industry Ministry. Export subsidy is recognized in the statement of profit or loss as other income after meeting all required criteria.

V. Dividend Distribution

Dividend distribution is recorded in the consolidated financial statements in the period in which they are approved by the Group's shareholders.

W. Operating lease

Leases where the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

X. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker for the group. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer for the holding company.

Y. Comparative figures

Where necessary, comparative figures is reclassified to conform to changes in presentation in the current period.

3. Financial risk management

(1) Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The group's management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance.

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Financial risk management (continued)

The group's risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies and evaluates financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognized financial assets and liabilities not denominated in Egyptian pounds	Cash flow forecasting Sensitivity analysis	by local banks that the Company deals with in official rates and the rest from its exports in US Dollars
Market risk – interest rate	Long-term borrowing at variable rates	Sensitivity analysis	Investment in short term treasury bills
Market risk – security prices	No investment in a quoted equity securities	Not applicable	Not applicable
Credit risk	Cash and cash equivalents, trade receivables and held-to-maturity investments	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and governmental treasury bills
Liquidity risk	Loans and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

(A) Market risk

(i) Foreign currency exchange risk

The group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and US dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Group covers part of its imports of raw materials in foreign currency by local banks that the group deals with in official rates and the rest from its exports in US Dollars.

During the period, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	<u>2019</u>	<u>2018</u>
Amounts recognised in profit or loss		
Net foreign exchange gain/(loss) included in finance cost	29,880,928	234,041
	<u>29,880,928</u>	<u>234,041</u>
Net gain / (loss) recognised in comprehensive income		
Foreign currency translation reserve net of tax	(1,215,386)	221,605
	<u>(1,215,386)</u>	<u>221,605</u>

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Financial risk management (continued)

At period-end, major financial assets / liabilities in foreign currencies were as follows:

	2019			2018
	Assets	Liabilities	Net	Net
Euros	35,057,637	(29,695,049)	5,362,588	(63,155,160)
US Dollars	107,995,452	(487,439,213)	(379,443,760)	(249,598,178)

Amounts recognised in profit or loss

During the year, the following foreign-exchange related amounts were recognized in profit or loss and other comprehensive income:

Sensitivity analysis

As shown in the table above, the group is primarily exposed to changes in US/EGP and Euro/EGP exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from Euro and US-dollars denominated financial instruments and the impact on profit for the year components arises from contracts designated financial liabilities.

Euro/EGP

At 31 December 2019, if the Egyptian Pounds had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been LE 536,258 (2018: LE 6,315,516) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

USD/EGP

At 31 December 2019, if the Egyptian Pounds had weakened / strengthened by 10% against the US Dollars with all other variables held constant, post tax profit for the year would have been LE 37,944,376 (2018: LE 24,959,818) higher / lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets and liabilities.

(ii) Price risk

The Group has no investments in quoted equity securities so it's not exposed to the fair value risk due to changes in the prices.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by short term treasury bills which are renewed with the applicable interest rate at the time of renewal. Borrowings measured at amortized cost with fixed rates do not expose the company to fair value interest rate risk.

At 31 December 2019, if interest rates on Egyptian pound -denominated net interest bearing liabilities had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been LE 9,117,404 (2018: LE 7,257,407) lower/higher interest expense on floating rate borrowings.

Borrowings at the balance sheet date with variable interest rate amounted to LE 791,644,355 (2018: LE 706,614,172)

Overdraft at the balance sheet on 31 December 2019 amounted to LE 120,096,127 (2018: LE 19,126,567)

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2019

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Financial risk management (continued)

(B) Credit risk

(i) Risk management

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, treasury bills, as well as credit exposures to customers, including outstanding receivables

(ii) Security

For banks and financial institutions, the Group is dealing with the banks with good reputation and subject to rules of the Central Bank of Egypt.

For the customers, the Group assesses the credit quality of the customers, taking into account its financial position, and their market reputation, past experience and other factors.

(iii) Credit quality

For Treasury bills, the Group deals with government which are considered with a high credit rating (Egypt B+).

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties except for the impairment of accounts receivables presented in (Note 10).

The maximum exposure to credit risk is the amount of receivables, cash balances and Treasury Bills.

The group sells to retail customers which are required to be settled in cash, therefore there is no significant concentration of credit risk.

The Group does not sell more than 10% of the total sales to a single customer.

Trade receivables

Counter parties without external credit rating:

	<u>2019</u>	<u>2018</u>
Trade and notes receivables	52,997,688	48,311,880
Total	<u>52,997,688</u>	<u>48,311,880</u>

Outstanding trade receivables are current and not impaired.

Cash at bank and short-term bank deposits:

All current accounts and deposits are held at Egyptian banks subject to the supervision of the Central Bank of Egypt.

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Financial risk management (continued)

(C) Liquidity risk

Management monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants) on any of its borrowing facilities. Such forecasting takes into consideration the group debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets.

The table below summarizes the maturities of the Group's undiscounted financial liabilities at 31 December 2019 based on contractual payment dates and current interest rates as we had excluded the taxes payable, advances from customers and social insurance:

At 31 December 2019	Between			
	Less than 6 month	6 month & 1 year	Between 1 & 2 years	More than 2 years
Loans	89,454,468	89,454,468	355,992,164	249,764,534
Future interest payments	34,870,958	30,438,190	74,038,278	25,535,291
Trade and other payables	329,103,742	-	-	-
Bank overdraft	120,096,127	-	-	-
Notes payable	128,454,135	-	-	-
Total	701,979,430	119,892,658	430,030,442	275,299,825
At 31 December 2018				
Loans	94,507,002	108,250,441	187,050,382	308,514,195
Future interest payments	49,055,203	40,061,651	61,135,771	61,288,204
Trade and other payables	261,982,993	-	-	-
Bank overdraft	19,126,567	-	-	-
Notes payable	99,686,739	267,721	-	-
Total	524,358,504	148,579,813	248,186,153	369,802,399

The amount of unused credit facility is Nil as of 31 December 2019 (2018: EGP 8,000,000) also the Company will have future interest payments related to Loans amounted to EGP 164,882,717 (2018: EGP 211,540,829).

i. Capital risk management

The group's objectives when managing capital is to safeguard their ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt represents all loans and overdraft less cash and cash equivalents. Total capital is calculated as equity, plus net debts.

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Financial risk management (continued)

The gearing ratio at 31 December 2019 and 31 December 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Total Borrowings	791,644,355	706,614,172
Bank Overdraft	120,096,127	19,126,567
Total Loans and overdraft	911,740,482	725,740,739
Less: Cash and bank balances	(153,615,452)	(63,579,745)
Net debt	758,125,030	662,160,994
Total equity	1,685,679,164	1,481,838,682
Total capital	2,443,804,194	2,143,999,676
Gearing ratio	31%	31%

The company has a stable gearing ratio during both periods as the increase in the overdraft facilities is compensated by an increase in cash and cash equivalents and an increase in equity.

Loan covenants

Under the terms of the major borrowing facilities, the group is required to comply with the following financial covenants:

- The debt to equity ratio must be not more than 1:1.
- Debt service ratio shall not fall below 1.2.
- Leverage ratio shall not exceed 1.5:1.
- Current ratio shall not be less than 1
- Liabilities to Tangible Net Worth Ratio of not more than 1.5;
- Net Financial Debt to EBITDA Ratio of not more than 1.8;
- Adjusted PPE to Financial Debt Ratio of not less than 2.2; and
- Days Payable Ratio of not more than 75 days

As of 31 December 2019, the Group was in compliance with the debt covenants.

ii. **Fair value estimation**

The fair value of financial assets or liabilities with maturities date less than one year is assumed to approximate their carrying value. The fair value of financial liabilities – for disclosure purposes – is estimates by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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4. Critical accounting estimates and judgments

(A) Critical accounting estimates and assumptions

Estimates and adjustments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Impairment of infinite life intangible assets (trade mark and know how)

The group tests whether infinite life intangible assets has suffered any impairment on an annual basis.

The recoverable amount of a cash generating unit (CGU) is determined based on a value of in use calculations which require the use of assumptions (Note 6).

Employee benefit retirement obligation

The present value of employees' defined benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost of employees' benefits include the discount rate of future cash outflows and any changes in these assumptions will impact the carrying amount of employees' benefits.

The Group determines the appropriate discount rate of cash flows at the end of each financial period. The discount rate is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefits obligations. The Group considers the discount rate at the end of the financial period on market returns on the government bonds denominated in the currency and the period estimated for the defined benefits obligations.

Note (17) shows the main assumptions used to estimate the employees' benefit obligation.

(B) Critical judgments in applying the group's accounting policies

Revenue recognition

The Group, based on past performance, are confident that the quality of products is such that the expiry and dissatisfaction rate will be below 1%. Management has determined that it is highly probable that there will be no reversal of revenue recognized and a significant reversal in the amount of revenue will not occur.

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5. Property, plant and equipment

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
At 1 January 2018								
Cost	120,908,260	881,187,062	1,057,570,462	161,934,695	100,478,878	86,871,590	43,152,742	2,452,103,689
Accumulated depreciation	-	(94,854,984)	(239,238,823)	(82,720,305)	(52,317,066)	(55,362,985)	-	(524,494,163)
Net book amount	120,908,260	786,332,078	818,331,639	79,214,390	48,161,812	31,508,605	43,152,742	1,927,609,526
Year ended 31 December 2018								
Opening net book amount	120,908,260	786,332,078	818,331,639	79,214,390	48,161,812	31,508,605	43,152,742	1,927,609,526
Additions	-	-	5,432,630	30,550,100	9,214,424	6,833,293	45,145,752	97,176,199
Depreciation charge	-	(35,429,474)	(52,450,786)	(22,646,852)	(15,645,831)	(13,327,846)	-	(139,500,789)
Accumulated depreciation of disposals	-	-	466,675	10,573,628	758,075	1,288,135	-	13,086,513
Disposals	-	-	(466,675)	(11,586,168)	(758,075)	(1,323,077)	-	(14,133,995)
Transfers from projects under construction	-	42,701,115	15,996,627	-	5,557,650	850,968	(65,106,360)	-
Closing net book amount	120,908,260	793,603,719	787,310,110	86,105,098	47,288,055	25,830,078	23,192,134	1,884,237,454
At 31 December 2018								
Cost	120,908,260	923,888,177	1,078,533,044	180,898,627	114,492,877	93,232,774	23,192,134	2,535,145,893
Accumulated depreciation	-	(130,284,458)	(291,222,934)	(94,793,529)	(67,204,822)	(67,402,696)	-	(650,908,439)
Net book amount	120,908,260	793,603,719	787,310,110	86,105,098	47,288,055	25,830,078	23,192,134	1,884,237,454
Period ended 31 December 2019								
Opening net book amount	120,908,260	793,603,719	787,310,110	86,105,098	47,288,055	25,830,078	23,192,134	1,884,237,454
Additions	-	-	1,500,526	101,691,246	13,494,593	7,037,855	153,441,865	277,166,085
Depreciation charge	-	(36,878,264)	(54,658,223)	(27,651,032)	(17,854,912)	(12,397,450)	-	(149,439,881)
Impairment loss	-	-	(16,593,500)	-	-	-	-	(16,593,500)
Accumulated depreciation of disposals	-	35,486	57,000	7,951,478	497,845	13,623	-	8,555,432
Disposals	-	(44,175)	(570,000)	(8,954,850)	(497,845)	(13,623)	-	(10,080,493)
Transfers from Projects under construction	-	14,947,749	50,853,284	-	5,852,636	5,709,229	(77,362,898)	-
Closing net book amount	120,908,260	771,664,515	767,899,197	159,141,940	48,780,372	26,179,712	99,271,101	1,993,845,097
At 31 December 2019								
Cost	120,908,260	938,791,751	1,130,316,854	273,635,023	133,342,261	105,966,235	99,271,101	2,802,231,485
Accumulated depreciation	-	(167,127,236)	(362,417,657)	(114,493,083)	(84,561,889)	(79,786,523)	-	(808,386,388)
Net book amount at 31 December 2019	120,908,260	771,664,515	767,899,197	159,141,940	48,780,372	26,179,712	99,271,101	1,993,845,097

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Property, plant and equipment (continued)

Depreciation included in the statement of profit or loss is as follows:

	<u>2019</u>	<u>2018</u>
Charged to cost of sales	104,505,198	98,571,143
Charged to distribution costs	25,797,074	23,996,918
Charged to administrative expenses	19,137,609	16,932,728
	<u>149,439,881</u>	<u>139,500,789</u>

The project under construction represents the following Categories:

	<u>2019</u>	<u>2018</u>
Buildings	31,254,205	15,037,717
Machinery and equipment	54,531,374	7,916,795
Tools and equipment	12,321,313	192,345
Technical and other installations	1,164,209	45,277
	<u>99,271,101</u>	<u>23,192,134</u>

Impairment Loss:

The company considered the impairment indicators for certain equipment which has become idle on 2019 therefore, the company determined the recoverable amount at fair value minus cost to sell which is higher than value in use.

The equipment was written down to its recoverable amount of EGP 4 M, which was determined by an independent valuer, using current replacement cost method due to the specialised nature of the equipment.

The impairment loss amounted to EGP 16,593,500 is included in Other expenses in the statement of profit or loss. (Note 24)

Cash flow statement

The proceeds from disposal of fixed assets amount in the cash flow comprise as follows:

	<u>2019</u>	<u>2018</u>
Net book value of the assets disposed	1,525,061	1,047,482
Gain on sale of property, plant and equipment (Note 24)	7,306,759	8,794,725
	<u>8,831,820</u>	<u>9,842,207</u>

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6. Intangible assets

	2019			
	Trademark (A)	Know how (B)	Software (C)	Total
Cost	131,480,647	31,430,995	7,009,436	169,921,078
Additions	-	-	729,058	729,058
Amortisation for the year	-	-	(2,373,486)	(2,373,486)
Balance as of	131,480,647	31,430,995	5,365,008	168,276,650

	2018			
	Trademark (A)	Know how (B)	Software (C)	Total
Cost	131,480,647	31,430,995	9,345,914	172,257,556
Accumulated amortisation	-	-	(2,336,478)	(2,336,478)
Balance as of	131,480,647	31,430,995	7,009,436	169,921,078

A. Trademark

	Trade Mark (HOHOS, Twinkies & Tiger Tail)	
	2019	2018
Cost		
Opening Balance	131,480,647	131,480,647
Balance as of	131,480,647	131,480,647

The intangible assets in the amount of ten million US Dollars equivalent to LE 68,618,658 paid against buying all the rights to the trademarks (HOHOS, Twinkies & Tiger Tail) and the consequences of this acquisition of the trademark in the countries of Egypt, Jordan, Libya and Palestine these rights do not have a definite time, and on the 16th of April 2015 the Group had signed a new contract for the expanding the scope of the rights to the trademarks (Hohos, Twinkies, and Tiger Tail) to include Algeria, Bahrain, Iraq, Kuwait, Lebanon, Morocco, Oman, Qatar, Kingdom of Saudi Arabia, Syria, Tunisia, United Arab Emirates and this trademarks have infinite useful lives, and the this is against USD 8 Million equivalent to EGP 62,861,989.

B. Know how

	Know How	
	2019	2018
Cost		
Opening balance	31,430,995	31,430,995
Balance as of	31,430,995	31,430,995

On the 16 April 2015 the Group had signed a "License and Technical Assistance Agreement" with the owner of the know-how with purpose to acquire the license, know how and technical assistance for some Hostess Brands products in the countries Egypt, Libya, Palestine, Jordan, Algeria, Bahrain, Iraq, Jordan, Lebanon, Kuwait, Morocco, Oman, Qatar, Kingdom of Saudi Arabia, Syria, Tunisia, and the United Arab Emirates, and this is against an amount of USD 4 Million equivalent to EGP 31,430,995.

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Intangible assets (continued)

C. Software

	Software	
	2019	2018
Cost		
Opening balance	7,009,436	9,345,914
Additions	729,058	-
Amortization expense for the year	(2,373,486)	(2,336,478)
Balance as of	5,365,008	7,009,436

D. Impairment test for infinite life intangible assets

Infinite life intangible assets are monitored by management at the level of cake segment – cash generating unit.

E. Recoverable amount of cake segment

The recoverable amount of the cake segment is determined based on value-in-use calculation which require the use of assumptions. The calculations use cash flows projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. This growth rate is consistent with forecasts included in industry reports specific to the industry where each CGU operates.

The impairment of intangible assets is reviewed annually to ensure that the carrying value of the intangible assets does not exceed the recoverable value.

Assumptions used by the Group when testing the impairment of intangible assets as of 31 December 2019 as follows:

Average gross margin	41%
Sales growth rate	17%
Pre-tax discount rate	21%
Growth rate	3%

Management has determined the value assigned to each of the above key assumptions.

Assumption	Approach used
Sales volume	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development
Sales price	Average annual growth rate over the five-year forecast period; based on current industry trends and including long term inflation forecasts.
Budgeted gross margin	Based on past performance and management's expectations for the future.
Other operating costs	Fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business
Annual capital expenditure	Expected cash costs in the CGUs. This is based on the historical experience of management, and the planned refurbishment expenditure
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports
Pre-tax discount rates	Reflect specific risks relating to the industry in which it operate.

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Intangible assets (continued)

The Group test the impairment of intangible assets depending on financial, operational, marketing position in the prior years, and its expectation for the market in the future by preparing a business plan using the growth rate and the discount rate prevailing. At the statement of financial position date, the carrying value of the intangible assets is less than its recoverable amount.

Sensitivity of recoverable amounts

The growth rate in the forecast period has been estimated to be 3%. If all other assumptions kept the same, a reduction of this growth rate by 100% would give a value in use exceed the current carrying amount.

The discount rate in the forecast period has been estimated to be 21%. If all other assumptions kept the same, and the discount rate is 40% would give a value in use exceed the current carrying amount.

At 31 December 2019, if the gross profit rate had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make an impairment.

7. Prepayments on future investment in subsidiary

On 14 March 2018, the company has signed a shareholder's agreement with Morocco's Dislog Group & Technicia middle east trading company for the purpose of establishing a new company in the Kingdom of Morocco, Edita Food Industries Morocco. The terms of the agreement stipulate that Edita will be the controlling owner of the new company with 51% stake. The company has paid an amount of EGP 10,850,159 which represent 25% of its share capital of the new company. The registration and establishment were finalized during the first quarter of the year 2019.

8. Inventories

	<u>2019</u>	<u>2018</u>
Raw and packaging materials	195,916,056	187,074,081
Finished goods	40,892,377	43,280,500
Spare parts	43,060,821	45,942,680
Work in process	11,419,617	11,684,556
Consumables	7,279,085	5,293,740
Total	298,567,956	293,275,557
Less: allowance for decline in value	<u>(3,147,531)</u>	<u>(4,447,216)</u>
Net	<u>295,420,425</u>	<u>288,828,341</u>

The cost of individual items of inventory are determined using moving average cost method.

During the year ended 31 December 2019, there has been a slow moving and obsolete inventory amounted to LE 2,136,834 (2018: LE 4,694,415) (Note 24) and the cost of write down amounted to LE 3,436,519 (2018: LE 1,400,545).

The cost of inventory recognized as an expense and included in cost of sales amounted to LE 2,000,791,962 during the year ended 31 December 2019 (2018: LE 2,030,438,835).

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9. Financial instrument by category

The group holds the following financial instruments:

	<u>2019</u>	<u>2018</u>
Financial assets at amortised cost		
Trade and other receivables (non-financial assets)*	78,376,198	63,605,689
Cash and bank balances	153,615,452	63,579,745
Treasury bills	548,192,500	290,180,875
Total	<u>780,184,150</u>	<u>417,366,309</u>
	<u>2019</u>	<u>2018</u>
Financial liabilities at amortised cost		
Borrowings	791,644,355	706,614,172
Trade and other payables (excluding non-financial liabilities)*	457,557,877	361,937,453
Bank overdraft	120,096,127	19,126,567
Total	<u>1,369,298,359</u>	<u>1,087,678,192</u>

At the Balance sheet date, the carrying value of all short-term financial assets and liabilities approximates the fair value. Long-term borrowings also approximate the fair value as the loans bears a variable interest rate, so the fair value equals the principal amount.

Trade and other receivables presented above excludes prepaid expenses, advances to supplies and taxes.

Trade and other payables presented above excludes taxes payables, advances from customers and social insurances.

10. Trade and other receivables

	<u>2019</u>	<u>2018</u>
Trade receivables	52,253,383	45,439,750
Notes receivable	744,305	2,872,130
Total	<u>52,997,688</u>	<u>48,311,880</u>
Less: Provision for impairment of trade receivables	(20,556)	(20,556)
	<u>52,977,132</u>	<u>48,291,324</u>
Advances to suppliers	93,969,686	39,866,322
Prepaid expenses	15,403,515	8,813,890
Deposits with others	15,542,106	12,326,569
Other current assets	9,378,854	2,537,032
Value added tax – receivables	16,443,694	15,893,424
Letters of credit	239,152	228,366
Employee loans	238,954	222,398
Total	<u>204,193,093</u>	<u>128,179,325</u>

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11. Treasury bills

	<u>2019</u>	<u>2018</u>
Treasury bills par value		
91 Days maturity	60,225,000	141,700,000
265 - 273 Days maturity	529,600,000	155,750,000
	<u>589,825,000</u>	<u>297,450,000</u>
Unearned interest	(101,344,999)	(41,755,105)
Amount of treasury bills paid	488,480,001	255,694,895
Interest income recognized to profit or loss	59,712,499	34,485,980
Treasury bills balance	<u>548,192,500</u>	<u>290,180,875</u>

12. Cash and bank balances

	<u>2019</u>	<u>2018</u>
Bank deposits	-	642,669
Cash at banks and on hand	153,615,452	62,937,076
Cash and bank balances (excluding bank overdrafts)	<u>153,615,452</u>	<u>63,579,745</u>

The average interest rate on local currency time deposits was 31 December 2019: 13.25%

Time deposits are having maturity of less than 3 months from date of the deposit.

For the purpose of preparation of the cash flow statements, cash and cash equivalents consists of:

	<u>2019</u>	<u>2018</u>
Cash and bank balances	153,615,452	63,579,745
Treasury bills with maturities of 3 months or less	60,018,881	135,136,321
Bank overdraft (Note 20)	(120,096,127)	(19,126,567)
Total	<u>93,538,206</u>	<u>179,589,499</u>

13. Share capital

Authorized capital LE 360,000,000 (1,800,000,000 share, par value LE 0.2 per share).

The issued and paid up capital amounted to LE 72,536,290 after trading distributed on 362,681,450 shares (par value LE 0.2 per share) are distributed as follow:

<u>Shareholders</u>	<u>No. of shares</u>	<u>Shares value</u>	<u>Percentage of ownership</u>
Berco Ltd.	151,654,150	30,330,830	41.815%
Exoder Ltd.	47,056,732	9,411,346	12.975%
Africa Samba B.V.	54,402,233	10,880,447	15.000%
Others (Public stocks)	109,568,335	21,913,667	30.210%
	<u>362,681,450</u>	<u>72,536,290</u>	<u>100%</u>

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

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(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Share capital (continued)

On 30 March 2016, an Extraordinary General Assembly Meeting were held in which the shareholders approved the increase of issued and paid up capital from 72,536,290 EGP to be 145,072,580 EGP. An increase amounted to 72,536,290 EGP distributed on 362,681,450 shares with a par value of LE 0.2 per share financed from the dividends of the year ended 31 December 2015 distributed as a free share for each original share which has been registered in commercial register on 9 May 2016.

The issued capital amounted to LE 145,072,580 (par value LE 0.2 per share) is distributed as follows as of 31 December 2018:

<u>Shareholders</u>	<u>No. of shares</u>	<u>Shares value</u>	<u>Percentage of ownership</u>
Quantum Investment BV	303,308,300	60,661,660	41.815%
The Bank of New York Mellon "depository bank for shares traded in London Stock Exchange"	157,526,845	31,505,369	21.717%
Exoder Ltd.	94,769,464	18,953,893	13.065%
Kingsway Fund Frontier Consumer Franchises	31,639,252	6,327,850	4.362%
The Genesis group trust	11,452,175	2,290,435	1.579%
Others (Public stocks)	126,666,864	25,333,373	17.462%
	<u>725,362,900</u>	<u>145,072,580</u>	<u>100%</u>

The issued capital amounted to LE 145,072,580 (par value LE 0.2 per share) is distributed as follows as of 31 December 2019:

<u>Shareholders</u>	<u>No. of shares</u>	<u>Shares value</u>	<u>Percentage of ownership</u>
Quantum Investment BV	303,308,300	60,661,660	41.815%
The Bank of New York Mellon "depository bank for shares traded in London Stock Exchange"	93,285,610	18,657,122	12.861%
Kingsway Fund Frontier Consumer Franchises	80,741,242	16,148,248	11.131%
Others (Public stocks)	248,027,748	49,605,550	34.193%
	<u>725,362,900</u>	<u>145,072,580</u>	<u>100%</u>

14. Legal reserve

In accordance with Company Law No. 159 of 1981 and the Company's Articles of Association, 5% of annual net profit is transferred to the legal reserve. The Group may stop such transfers when the legal reserve reaches 50% of the issued capital. The reserve is not eligible for distribution to shareholders.

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15. Non-controlling interest

On 6 March 2019, the company signed an official agreement with Confidel LTD for the acquisition of 2,279,287 shares (22.27%) which is their total ownership in Edita Confectionary Industries for the total consideration of EGP 55,297,782. The acquisition was completed in June of 2019 and accordingly Edita Food Industries' share in Edita Confectionary Industries increased from 77.71% to 99.98%. The effect on the equity attributable to the owners of Parent during the period is summarised as follows:

	<u>2019</u>
Carrying amount of non-controlling interest acquired	23,165,685
Consideration paid to non-controlling interest	<u>(55,297,783)</u>
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	<u>(32,132,098)</u>

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Non-controlling interest (continued)

	Paid up capital	Legal reserves	Revaluation assets reserve	Currency translation differences	Accumulated losses	2019	2018
Balance at 1 January	22,823,330	593,605	38,162	-	374,354	23,829,451	21,812,378
Non-controlling share in profit of subsidiaries	-	-	-	-	(763,266)	(763,266)	2,178,888
Currency translation differences	-	-	-	(996,523)	-	(996,523)	-
Total comprehensive income for the year	-	-	-	(996,523)	(763,266)	(1,759,789)	2,178,888
Shareholders transactions							
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	-	(173,430)	(173,430)	(161,815)
Purchase of non-controlling interest share in subsidiary	(22,792,870)	-	-	-	(372,815)	(23,165,685)	-
Non-controlling interest share in establishment of subsidiary	37,693,675	-	-	-	-	37,693,675	-
Shareholders transactions	14,900,805	-	-	-	(546,245)	14,354,560	(161,815)
Balance at period end	37,724,135	593,605	38,162	(996,523)	(935,157)	36,424,222	23,829,451

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

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(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

16. Loans

	2019			2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Loans	185,887,584	605,756,771	791,644,355	211,049,595	495,564,577	706,614,172
	<u>185,887,584</u>	<u>605,756,771</u>	<u>791,644,355</u>	<u>211,049,595</u>	<u>495,564,577</u>	<u>706,614,172</u>

The due dates for short term portion loans according to the following schedule:

	2019	2018
Balance due within 1 year	178,908,863	202,757,443
Accrued interest	6,978,721	8,292,152
	<u>185,887,584</u>	<u>211,049,595</u>

(1) Edita Food Industries Company

	2019			2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	-	-	-	9,447,260	-	9,447,260
Second loan	41,342,460	-	41,342,460	45,226,910	30,451,671	75,678,581
Third loan	19,489,438	18,000,000	37,489,438	20,587,500	36,000,000	56,587,500
Fourth loan	38,467,668	55,939,553	94,407,221	41,154,405	99,448,641	140,603,046
Fifth loan	56,797,975	170,053,819	226,851,794	60,986,236	245,006,121	305,992,357
Sixth loan	11,169,415	11,027,159	22,196,574	14,787,355	29,574,710	44,362,065
Seventh loan	8,765,387	12,936,240	21,701,627	10,833,374	27,083,434	37,916,808
Eighth loan	1,461,794	283,184,000	284,645,794	-	-	-
Total	<u>177,494,137</u>	<u>551,140,771</u>	<u>728,634,908</u>	<u>203,023,040</u>	<u>467,564,577</u>	<u>670,587,617</u>

The due short term portion loans according to the following schedule:

	2019	2018
Balance due within 1 year	170,908,863	194,757,443
Accrued interest	6,585,274	8,265,597
Total	<u>177,494,137</u>	<u>203,023,040</u>

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(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Loans (continued)

Borrower	Type of debt	Guaranties	Currency	Interest rate
First loan	Loan	Cross corporate guarantee Digma Trading Company with an amount of LE 70,000,000	EGP	1 % above lending rate of Central Bank of Egypt.
Second loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 185,000,000	EGP/USD	1% above mid corridor rate of Central Bank of Egypt and 2.5% above the Libor rate 3 months.
Third loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 90,000,000	EGP	1 % above lending rate of Central Bank of Egypt.
Fourth loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 202,234,888	EGP/USD	1% above mid corridor rate of Central Bank of Egypt and 4.5% above the Libor rate 1 month.
Fifth loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 220,000,000 and 6,000,000 Euro	EGP/USD	0.5% above mid corridor rate of Central Bank of Egypt and average 4% above USD Libor rate 6 months.
Sixth loan	Loan		EGP/USD	1.5% above mid corridor rate of Central Bank of Egypt and 3.85% above the USD Libor rate 3 months.
Seventh loan	Loan		EGP/USD	.5% above mid corridor rate of Central Bank of Egypt and 3.85% above the USD Libor rate.
Eighth loan	Loan		USD	4% above the USD Libor rate – 6 months.

(2) Edita Confectionery Industries Company

	2019			2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	8,054,556	16,000,000	24,054,556	8,026,555	28,000,000	36,026,555
	8,054,556	16,000,000	24,054,556	8,026,555	28,000,000	36,026,555

The due short term portion is according to the following schedule:

	2019	2018
Balance due within 1 year	8,000,000	8,000,000
Accrued interest	54,556	26,555
	8,054,556	8,026,555

• First loan:

The company obtained a loan from a financial institution on December 2017 based on a cross guarantee issued from Edita Food Industries Company amounted to LE 40,000,000. The loan outstanding balance at 31 December 2019 after payment of due instalments amounted to LE 24,000,000 in addition to accrued interests.

Terms of payments:

Edita Confectionery Industries S.A.E. is obligated to Pay LE 24,000,000 on 6 equal semi-annual instalments; the next instalment is due on 30 June 2020 and the last on December 2022.

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Loans (continued)

Interest:

The rate is 0.5% above Central Bank of Egypt Lending.

Fair value:

Fair value is approximately equal to book value.

(3) Edita Participation Limited

	2019			2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	338,891	38,616,000	38,954,892	-	-	-
	<u>338,891</u>	<u>38,616,000</u>	<u>38,954,892</u>	<u>-</u>	<u>-</u>	<u>-</u>

The due short term portion is according to the following schedule:

	2019	2018
Balance due within 1 year	-	-
Accrued interest	338,891	-
	<u>338,891</u>	<u>-</u>

First Loan:

On June 2019, the group signed an agreement with a financial institution to obtain a loan amounting to USD 20,000,000. The loan outstanding amounts for Edita Participation Limited was USD 2,400,000 as of 31 December 2019.

Terms of payments:

The company is obligated to pay USD 2,400,000 on 10 equal semi-annual instalments; each instalment amounts to USD 240,000. The first instalment is due on May 2021 and the last on November 2025.

Interest:

The interest rate is 4% above the USD Libor rate – 6 months.

Fair value:

Fair value is approximately equal to book value.

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17. Employee retirement benefit obligations

Employees of the group are entitled upon their retirement based on a defined benefit plan. The entitlement is based on the length of service and final remuneration package of the employee upon retirement. The defined benefit obligation is calculated using the projected credit unit method takes into consideration the principal actuarial assumptions as follows:

	<u>2019</u>	<u>2018</u>
Discount rate	15%	15%
Average salary increase rate	10%	10%
Turnover rate	35%	35%
Life table	49-52	49-52

The amounts recognized at the statement of financial position date are determined as follows:

	<u>2019</u>	<u>2018</u>
Present value of obligations	11,600,000	6,621,193
Liability at the statement of financial position	<u>11,600,000</u>	<u>6,621,193</u>

Movement in the liability recognized in the statement of financial position:

	<u>2019</u>	<u>2018</u>
Balance at beginning of the year	6,621,193	4,761,965
Charged during the year (Note 24)	6,673,286	3,304,046
Paid during the year	(1,694,479)	(1,444,818)
Balance at 31 December	<u>11,600,000</u>	<u>6,621,193</u>

The amounts recognized in the statement of profit or loss are determined as follows:

	<u>2019</u>	<u>2018</u>
Interest expenses	993,179	714,295
Current service cost	5,680,207	2,589,751
Total	<u>6,673,386</u>	<u>3,304,046</u>

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18. Deferred income tax liability

Deferred income tax represents tax expenses on the temporary differences arising between the tax based of assets and their carrying amounts in the financial statements:

	Acquiring Digma Company for			Unrealized		Net deferred tax liabilities	
	Fixed assets	Trading	Other provisions	Carry forward tax losses	foreign exchange loss	2019	2018
Deferred tax assets							
Balance at 1 January	-	-	2,145,612	-	5,676,827	7,822,439	24,189,086
Charged to statement of profit or loss	-	-	2,033,528	614,380	(2,724,956)	(77,048)	(16,366,647)
Ending balance	-	-	4,179,140	614,380	2,951,871	7,745,391	7,822,439
Deferred tax liabilities							
Balance at 1 January	(162,896,180)	(3,094,952)	-	-	-	(165,991,132)	(154,141,487)
Charged to statement of profit or loss	(9,795,442)	240,436	-	-	-	(9,555,006)	(11,849,645)
Ending balance	(172,691,622)	(2,854,516)	-	-	-	(175,546,138)	(165,991,132)
Net deferred tax liabilities	(172,691,622)	(2,854,516)	4,179,140	614,380	2,951,871	(167,800,747)	(158,168,693)
Balance at 1 January	(162,896,180)	(3,094,952)	2,145,612	-	5,676,827	(158,168,693)	(129,952,401)
Charged to statement of profit or loss (Note 26)	(9,795,442)	240,436	2,033,528	614,380	(2,724,956)	(9,632,054)	(28,216,292)
Ending balance	(172,691,622)	(2,854,516)	4,179,140	614,380	2,951,871	(167,800,747)	(158,168,693)

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19. Provision

	Other provisions	
	2019	2018
Balance at 1 January	29,270,866	20,910,445
Additions during the year (Note 24)	7,482,340	12,828,759
Utilized during the period / year	(9,995,304)	(4,277,817)
Provision no longer required	(5,536,057)	(190,521)
Ending Balance as of	21,221,845	29,270,866

Provisions related to claims expected to be made by a third party in connection with the Group's operations. The information usually required by Egyptian Accounting Standards is not disclosed because the management believes that to do so would seriously prejudice the outcome of the negotiation with that party. These provisions are reviewed by management every year and the amount provided is adjusted based on latest development, discussions and agreements with the third party.

20. Bank overdraft

	2019	2018
Bank overdraft	120,096,127	19,126,567
Total	120,096,127	19,126,567

Bank overdraft is an integral part of the Company's cash management to finance its working capital. The average interest rate for bank overdraft was 13.25 % as of 31 December 2019 (2018: 17.17%).

21. Trade and other payables

	2019	2018
Trade payables	203,651,206	161,860,602
Accrued expenses	87,629,100	65,713,285
Notes payable	128,454,135	99,954,460
Other credit balances	21,443,494	14,235,281
Taxes payable	39,573,804	42,234,785
Social insurance	6,757,022	5,071,344
Dividends payable	1,633,863	3,228,642
Contract liabilities – accrued rebates	7,989,057	16,945,186
Advances from customers	5,183,186	18,259,750
Total	502,314,867	427,503,335

Trade payables are unsecured and are usually paid within an average of 45 days of recognition.

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22. Current income tax liabilities

	<u>2019</u>	<u>2018</u>
Balance at 1 January	6,633,469	-
Income tax paid during the period / year	(10,087,816)	(5,405,273)
Withholding tax receivable	(5,068,754)	(9,433,362)
Income tax for the period / year (Note 26)	120,997,681	79,464,788
Corporate income tax – advance payments	(34,618,800)	(55,862,730)
Tax on Treasury bills	(12,679,087)	
Accrued interest – advance payments (Note 25)	(1,990,581)	(2,129,954)
Balance at	<u>63,186,112</u>	<u>6,633,469</u>

23. Other income

	<u>2019</u>	<u>2018</u>
Other income	4,585,548	2,917,666
Export subsidies	7,073,190	4,812,012
Net	<u>11,658,738</u>	<u>7,729,678</u>

24. Other losses – Net

	<u>2019</u>	<u>2018</u>
Provision for slow moving inventory	(2,136,834)	(4,694,415)
Other Provisions (Note 19)	(7,482,340)	(12,828,759)
Provision for employee benefit obligation (Note 17)	(6,673,286)	(3,304,046)
Provision no longer required	5,536,057	219,292
Gain from sales of property, plant and equipment (Note 5)	7,306,759	8,794,725
Solidarity Contribution	(17,776,344)	(7,837,229)
Impairment loss (Note 5)	(16,593,500)	-
Dividends tax	(4,327,079)	(4,037,090)
Other losses – Net	<u>(42,146,567)</u>	<u>(23,687,522)</u>

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25. Finance cost – net

	<u>2019</u>	<u>2018</u>
Finance income		
Interest income	61,897,019	35,950,048
Interest income – corporate tax advance payment (Note 22)	1,990,581	2,129,954
Foreign exchange gains from financing activities	29,880,928	234,041
	<u>93,768,528</u>	<u>38,314,043</u>
Finance cost		
Interest expense	(102,760,850)	(122,329,790)
	<u>(102,760,850)</u>	<u>(122,329,790)</u>
Finance cost - net	<u>(8,992,322)</u>	<u>(84,015,747)</u>

26. Income tax expense

The group is subject to the corporate income tax according to tax law No. 91 of 2005 and as per tax law No. 96 of 2015 amendments.

	<u>2019</u>	<u>2018</u>
Income tax for the year	120,997,681	79,464,788
Reversal of income tax from prior year		-
Deferred tax expense / (income)for the year	9,632,054	28,216,292
Total	<u>130,629,735</u>	<u>107,681,080</u>
Profit before tax	<u>540,098,141</u>	444,576,905
Tax calculated based on applicable tax rates	121,522,082	100,029,804
	<u>121,522,082</u>	<u>100,029,804</u>
Tax effect of non-deductible expenses	11,008,017	9,365,722
Tax losses for which no deferred income tax asset was recognized	(1,900,364)	(1,714,446)
Income tax expense	<u>130,629,735</u>	<u>107,681,080</u>
Effective tax rate	<u>24%</u>	<u>26%</u>

The increase in the effective tax rate in 31 December 2019 is due to the increase in non-deductible expenses during the period.

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27. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the period.

	<u>2019</u>	<u>2018</u>
Profit attributed to owners of the parent*	363,220,873	301,471,545
Weighted average number of ordinary shares in issue	<u>725,362,900</u>	<u>725,362,900</u>
Basic earnings per share	<u>0.50</u>	<u>0.42</u>

Net profit attributable to the equity holders is determined after deducting employees' proposed dividends to be approved by the General Assembly Meeting.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The group does not have any categories of dilutive potential ordinary shares, hence the diluted earnings per share is the same as the basic earnings per share.

28. Expenses by nature

	<u>2019</u>	<u>2018</u>
Cost of sales	2,583,776,651	2,553,624,999
Distribution cost	584,363,825	433,405,846
Administrative expenses	<u>277,553,383</u>	<u>244,842,792</u>
	<u>3,445,693,859</u>	<u>3,231,873,637</u>
Raw and packaging materials used	2,000,791,962	2,030,438,835
Salaries and wages	451,523,839	395,328,603
Advertising expense	245,519,331	162,972,463
Depreciation and amortization	151,813,367	141,837,267
Purchases -- goods for resale	-	8,211,646
Employees benefits	87,861,744	82,091,450
Other expenses	115,100,748	92,933,379
Gas, water and electricity	95,887,850	84,374,284
Company share in social insurance	52,522,970	42,900,838
Rent expense	77,287,532	57,899,840
Transportation expense	50,202,704	39,249,215
Vehicle expense	45,955,848	37,942,228
Maintenance	42,767,338	32,475,541
Consumable materials	<u>28,458,626</u>	<u>23,218,048</u>
Total cost of sales, distribution costs, and administrative expenses	<u>3,445,693,859</u>	<u>3,231,873,637</u>

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29. Related parties

The Group entered into several transactions with companies and entities that are included within the definition of related parties, as stated in EAS 15, "Disclosure of related parties". The related parties comprise the Group's board of directors, their entities, companies under common control, and/ or joint management and control, and their partners and employees of senior management. The partners of joint arrangement and non-controlling interest are considered by the Group as related parties. The management decides the terms and conditions of transactions and services provided from/ to related parties, as well as other expenses.

Key management compensation

During the year ended 31 December 2019, the group paid an amount of LE 85,259,207 as benefits to the key management members (2018: LE 77,501,463).

	2019		2018	
	<u>Non-executive / independent board members</u>	<u>Key management personnel</u>	<u>Non-executive / independent board members</u>	<u>Key management personnel</u>
Salaries and compensation	2,700,000	78,725,649	2,250,000	72,114,608
Allowances	2,380,000	1,282,200	2,160,000	882,233
Other benefit	-	171,358	-	94,622

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30. Segment reporting

Edita operates across five segments in Egyptian snack food market offering nine distinct brands:

Segment	Brand		Product						Total					
	Cake	Croissant	Rusks	Wafer	Candy	Other	Total	2019		2018				
								2019	2018	2019	2018	2019	2018	
Cake	Tiger tail, Twinkies, Todo and HOHOS	Traditional rolled filled and layered cake as well as brownies and packaged donut												
Croissants	Molto	Sweet and savoury croissants and strudels												
Rusks	Bake Rolz, Bake Stix	Baked wheat salty snack												
Wafer	Freska	Filled wafers												
Candy	Mimix	Hard, soft and jelly candy and lollipops												
(Amounts presented to the nearest thousands EGP)														
Revenue	1,772,252	1,776,670	1,361,161	1,236,064	394,244	313,045	337,021	276,627	155,097	160,399	5,497	13,619	4,025,272	3,776,424
Gross profit	727,750	644,366	454,654	369,179	118,656	89,406	98,410	77,176	39,936	37,316	2,089	5,357	1,441,496	1,222,799
Operating profit	399,332	330,529	132,679	135,697	29,890	29,670	(13,759)	20,946	(448)	8,349	1,396	3,401	549,090	528,593

Operating profit reconciles to net profit as follows:

	2019	2018
Operating profit	549,090	528,593
Finance cost	(102,761)	(122,330)
Finance income	93,769	38,314
Income tax	(130,630)	(107,681)
Net profit	409,468	336,896

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Notes to the consolidated financial statements - For the year ended 31 December 2019

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Segment reporting (continued)

The segment information disclosed in the table above represents the segment information provided to the chief operating decision makers of the Group.

Management has determined the operating segments based on the information reviewed by the chief operating decision makers of the group for the purpose of allocating and assessing resources.

The chief operating decision makers consider the business from products perspective. Although Rusks, Wafer, and Candy do not meet the quantitative threshold required by EAS 41 for reportable segments, management has concluded that these segments should be reported as it is closely monitored by the chief operating decision makers as it is expected to materially contribute to the Group revenue in the future.

The chief operating decision makers assesses the performance of the operating segments based on their operating profit.

There were no inter-segment sales made during the year.

Finance income and finance cost are not allocated to segments, as this type of activity is driven by the central treasury function which manage the cash position of the group.

31. Contingent liability

(1) Edita Food Industries Company

The Company guarantees Digma for trading company and Edita confectionary Industries against third parties in borrowing from Egyptian Banks.

The Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities amounted to LE 40,632,491 as at 31 December 2019 (2018: LE 75,016,958).

(2) Digma for Trading Company

The Company guarantees Edita Food Industries against third parties in borrowing from Egyptian Banks.

At 31 December 2019, the Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities is nil as at 31 December 2019 (2018: LE 1,537,277).

(3) Edita Confectionary Industries Company

At 31 December 2019, the Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities at 31 December 2019 amounted to LE 806,302 (2018: LE 1,617,068).

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32. Commitments

A) Capital commitments

The Group has capital commitments as of 31 December 2019 of EGP 108.7 M (2018: EGP 44.6 M) in respect of the capital expenditure.

B) Operating lease commitments

The group leases warehouses under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalation clauses

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	<u>2019</u>	<u>2018</u>
Within one year	9,416,552	8,324,060
Later than one year but not later than five years	56,100,455	38,734,679
Later than five years	<u>52,756,420</u>	<u>5,814,761</u>
	<u>118,273,427</u>	<u>52,873,500</u>

33. Tax position

Due to the nature of the tax assessment process in Egypt, the final outcome of the assessment by the Tax Authority might not be realistically estimated. Therefore, additional liabilities are contingent upon the tax inspection and assessment of the Tax Authority. Below is a summary of the tax status of the group as of the date of the financial statements date.

Edita Food Industries Company

a) Corporate tax

- The company is tax exempted for a period of 10 years ending 31 December 2007 in accordance with Law No. 230 of 1989 and Law No. 59 of 1979 related to New Urban Communities. The exemption period was determined to start from the fiscal year beginning on 1 January 1998. The company submits its tax returns on its legal period.
- The tax inspection was performed for the period from the company's inception till 31 December 2012 and all due tax amounts paid.
- For the years 2013-2016; the company finalized the tax inspection and the difference was transferred to an internal committee.
- For the years 2017 – 2018 the Company submitted the tax return according to law No. 91 of 2005 in its legal period and has not been inspected yet.

b) Payroll tax

- The payroll tax inspection was performed till 31 December 2014 and company paid tax due.
- As for the years 2015 till 2019 the tax inspection has not been performed and the company is submitting the quarterly tax return on due time to the Tax Authority.

c) VAT & Sales tax

- The sales tax inspection was performed till 31 December 2018 and tax due was paid.

d) Stamp duty tax

- The stamp duty tax inspection was performed till 2013 and company paid tax due.
- Years from 2014 till 2019 tax inspection has not been performed.

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Tax position (continued)

Digma for Trading Company

a) Corporate tax

- The Company is subject to the corporate income tax according to tax law Law No, 91 of 2005 and amendments.
- The tax inspection was performed by the Tax Authority for the year from the Company's inception until year 2014 and the tax resulting from the tax inspection were settled and paid to the Tax Authority.
- For the years from 2015 to 2018 Company submits its tax returns on due dates according to law No, 91 for the year 2005.

b) Payroll tax

- The tax inspection was performed until 31 December 2014 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.

c) VAT & Sales tax

- The tax inspection was performed until 31 December 2015 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The years 2016-2019 the Company submits its monthly sales tax return on due date.

d) Stamp tax

- The tax inspection was performed for the year from the Company's inception until 31 December 2016 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority
- For the years 2017 and 2019 the Company paid the tax due.

Edita Confectionary Industries Company

a) Corporate tax

- The Company is subject to the corporate income tax according to tax Law No. 91 of 2005 and adjustments.
- The corporate tax inspection was performed for the years from 2009 to 2014 and the company objected the estimated tax amount. And the company is in the process of reinspection.
- The company hasn't been inspected for the years from 2015 to 2018 and the Company submitted its tax returns to Tax Authority on due dates.

b) Payroll Tax

- The payroll tax inspection was performed for the years from 2009 to 2012 and the tax due was paid to the Tax Authority.
- The company hasn't been inspected for the year from 2013 to 2019.

c) VAT & Sales Tax

- The tax inspection was performed for the year from the Company's inception until 2018 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The company hasn't been inspected for 2019 and the Company submits its monthly sales tax return on due date.

d) Stamp Tax

- The stamp tax inspection was performed from 2009 to 2014 and the tax due was paid to the Tax Authority.
- The Company has not been inspected for the year from 2015 to 2019