

**EDITA Food Industries (S.A.E.)  
and its Subsidiaries**

Consolidated Financial Statements  
Prepared in accordance with IFRS  
For the year ended December 31, 2022

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**For the year ended December 31, 2022**

**Table of contents**

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	<b>Page(s)</b>
Independent Auditor's Report	1 - 5
Consolidated statement of financial position	6
Consolidated statement of profit or loss	7
Consolidated statement of comprehensive income	8
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11 - 66

## Independent Auditor's Report To the Shareholders of Edita Food Industries (S.A.E.)

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of Edita Food Industries (S.A.E.) (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the Consolidated Statement of Financial Position as at December 31, 2022, and the Consolidated Statement of Profit or Loss, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Changes in Equity, and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independent Auditor's Report**  
**To the Shareholders of Edita Food Industries (S.A.E.) (continued)**  
**Report on the Audit of the Consolidated Financial Statements (continued)**

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*i. Valuation of trademark and know-how having infinite useful lives*

Note 9 to the consolidated financial statements includes intangible assets with infinite useful lives amounting to EGP 162.9 million as at December 31, 2022, representing purchased trademarks and know-how on certain branded products.

Under the Group's accounting policies, trademarks and know-how are assessed to have infinite useful lives as the related licenses are perpetual, irrevocable and exclusive in nature. These intangible assets are, therefore, subject to impairment test on annual basis. The impairment test is based on management's estimate of the future cash flows to be generated from the concerned brands.

Determination of value-in-use of the above-mentioned intangible assets involve use of complex valuation techniques (i.e. discounted cash flows method) and significant judgements and assumptions. Due to inherent uncertainties involved in estimating future product cash flows and use of significant assumptions and judgements, we have considered this as a key audit matter.

Our procedures in relation to management's impairment review of these intangible assets included:

- We have evaluated the design and implementation of relevant controls over the impairment assessment process related to identification of impairment indicators and estimation of recoverable amounts.
- We have obtained the valuation analysis applied by the management for computation of recoverable amounts and assessed whether the forecasted figures used therein seem reasonable based on the historical data and future expectations.
- We have critically assessed and tested the assumptions and methodologies used by the management, especially those relating to the discount rate and growth rates with the assistance of our internal valuation experts. To do this:
  - We evaluated these assumptions with reference to those applied to valuations of similar entities.
  - We compared the key assumptions to externally derived data wherever possible, including market expectations of investment return, projected economic growth and interest rates.
  - We applied sensitivities in evaluating management's assessment of the planned growth rate in cash flows and combined operating ratios.
  - We tested the calculations within the valuation model for mathematical accuracy and considered the sensitivity of the calculations by varying the assumptions and applying other values within a reasonably possible range of outcomes.
- We assessed the adequacy of the Group's disclosure regarding the valuation methodologies and key assumptions in accordance with the International Financial Reporting Standards.





## **Independent Auditor's Report**

### **To the Shareholders of Edita Food Industries (S.A.E.) (continued)**

#### **Report on the Audit of the Consolidated Financial Statements (continued)**

##### *Key Audit Matters (continued)*

##### *ii. Change in control of investment in Edita Food Industries Morocco*

During the year ended December 31, 2022, ownership interest of the Group in Edita Food Industries Morocco was increased to 77%, and substantive veto rights available to the minority shareholder were eliminated through revision of the Shareholders' Agreement. By virtue of revision to the Shareholders' Agreement, and acquisition of additional ownership interest, the management assessed that the Group has obtained controlling interest in Edita Food Industries Morocco from the date of revision of the Shareholders' Agreement, and accounted for its investment as a subsidiary using the acquisition method.

As reassessment of the control and application of acquisition method involve applying significant judgements and assumptions, we have considered this as a key audit matter.

Our procedures included the followings:

- We have obtained copy of the revised Shareholders' Agreement, and evaluated the changes in circumstances indicating abolishment of earlier substantial veto rights available to the minority shareholder.
- We have obtained and read the minutes of meetings of Board of Directors regarding any decision on the afore-said investment and discussed with management to understand their assessment of control and conclusion thereof.
- We have obtained the valuation analysis applied by the management for determination of fair value as at the date of change in control and discussed the critical assumptions used with the management. We also tested the assumptions and methodologies used, especially those relating to the discount rate and growth rates with the assistance of our internal valuation experts. To do this:
  - We evaluated these assumptions with reference to those applied to valuations of similar entities.
  - We compared the key assumptions to externally derived data wherever possible, including market expectations of investment return, projected economic growth and interest rates.
  - We tested the calculations within the valuation model for mathematical accuracy.
  - We assessed whether the forecasted figures used therein seem reasonable based on the historical data and future expectations.
- We have tested the calculations of goodwill on acquisition and mathematical accuracy of gain on derecognition of investment in the joint venture.
- We have assessed the adequacy of the Group's disclosure regarding the afore-said change in control in accordance with the International Financial Reporting Standards.

## **Independent Auditor's Report**

### **To the Shareholders of Edita Food Industries (S.A.E.) (continued)**

#### **Report on the Audit of the Consolidated Financial Statements (continued)**

##### *Other Matter*

The consolidated financial statements, on which our opinion is issued, have been prepared for the purpose of the Group meeting its continuing obligations under the Listing Rules of the London Stock Exchange. These consolidated financial statements are therefore not the statutory financial statements of the Group as required by law in the jurisdiction where the Group is registered and regulated. The Group has prepared and published a separate set of consolidated financial statements for the year ended December 31, 2022 in accordance with Egyptian Accounting Standards, and relevant laws and regulations ("EAS consolidated financial statements"). These EAS consolidated financial statements have been audited by another auditor, who expressed an unmodified opinion on those statements on February 28, 2023. Our audit opinion doesn't extend to those statutory consolidated financial statements.

##### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

##### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.



**Independent Auditor's Report**  
**To the Shareholders of Edita Food Industries (S.A.E.) (continued)**

**Report on the Audit of the Consolidated Financial Statements (continued)**

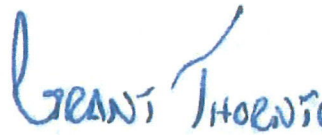
*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**GRANT THORNTON**

**Dr. Osama El Bakry**  
**Registration No. 935**  
**Dubai, United Arab Emirates**



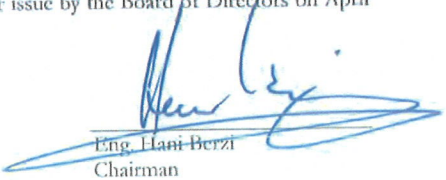
**April 30, 2023**

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Consolidated statement of financial position**  
**As at December 31, 2022**

	Notes	2022 EGP	2021 EGP
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	2,542,701,504	2,165,626,284
Right-of-use assets	8	96,235,414	47,149,933
Intangible assets and goodwill	9	229,226,565	180,713,178
Investment in a joint venture	10	-	69,445,134
<b>Total non-current assets</b>		<b>2,868,163,483</b>	<b>2,462,934,529</b>
<b>Current assets</b>			
Inventories	11	981,499,151	526,494,168
Trade and other receivables	13	545,215,216	218,916,999
Financial assets at amortised cost	14	894,641,441	769,965,310
Financial assets at fair value through profit or loss	15	-	76,403,685
Cash and cash equivalents	16	494,387,411	163,455,483
<b>Total current assets</b>		<b>2,915,743,219</b>	<b>1,755,235,645</b>
<b>TOTAL ASSETS</b>		<b>5,783,906,702</b>	<b>4,218,170,174</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	17	144,611,688	144,611,688
Legal reserve	18	78,953,630	78,953,630
Cumulative translation reserve		(42,273,721)	1,190,318
Transactions with non-controlling interest	19	(32,132,098)	(32,132,098)
Treasury shares	17	(160,827,557)	-
Retained earnings		2,633,270,813	1,866,823,044
<b>Equity attributable to the Owners of the Parent</b>		<b>2,621,602,755</b>	<b>2,059,446,582</b>
Non-controlling interest	19	40,579,768	590,046
<b>Total equity</b>		<b>2,662,182,523</b>	<b>2,060,036,628</b>
<b>Non-current liabilities</b>			
Borrowings	20	739,496,389	587,634,700
Deferred government grants	20	16,912,608	9,897,288
Employee benefit obligations	21	33,396,656	24,103,494
Deferred tax liabilities – net	22	194,682,549	204,828,607
Lease liabilities	23	102,209,569	51,734,242
<b>Total non-current liabilities</b>		<b>1,086,697,771</b>	<b>878,198,331</b>
<b>Current liabilities</b>			
Provisions	24	72,714,382	33,978,251
Bank overdraft	25	501,662,588	404,566,831
Trade and other payables	26	1,006,229,685	605,949,105
Current portion of borrowings	20	244,539,007	197,005,385
Current income tax liabilities	27	197,610,283	30,584,092
Current portion of lease liabilities	23	12,270,463	7,851,551
<b>Total current liabilities</b>		<b>2,035,026,408</b>	<b>1,279,935,215</b>
<b>Total liabilities</b>		<b>3,121,724,179</b>	<b>2,158,133,546</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,783,906,702</b>	<b>4,218,170,174</b>

These consolidated financial statements were approved and authorised for issue by the Board of Directors on April 30, 2023 and were signed on their behalf by:

  
Mr. Samih Naguib  
Vice-President – Finance

  
Eng. Hani Berzi  
Chairman

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.



**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Consolidated statement of profit or loss**  
**For the year ended December 31, 2022**

	Notes	2022 EGP	2021 EGP
Revenue	37	7,671,100,869	5,251,219,991
Cost of sales	34	(5,063,343,087)	(3,577,857,519)
<b>Gross profit</b>		<b>2,607,757,782</b>	<b>1,673,362,472</b>
Distribution cost	34	(866,522,191)	(720,231,019)
Administrative expenses	34	(472,877,272)	(340,281,645)
Provision for employee benefit obligations	21	(11,850,024)	(3,413,527)
Provision for slow-moving inventory	11	(3,900,000)	(2,000,000)
Other income	28	50,833,336	58,120,272
Other expenses	29	(73,306,024)	(33,626,359)
Finance income	30	111,754,605	77,084,184
Finance cost	31	(111,551,139)	(84,506,495)
Foreign exchange gain - net		34,991,475	7,097,401
Gain on derecognition of joint venture accounted for using equity method	10	32,615,049	-
Share of net losses of joint venture accounted for using the equity method	10	(4,989,639)	(5,823,361)
Loss on disposal of financial assets at fair value through profit or loss	15	(22,172,000)	-
Gain on remeasurement of financial assets at fair value through profit or loss		-	8,508,793
<b>PROFIT BEFORE INCOME TAX</b>		<b>1,270,783,958</b>	<b>634,290,716</b>
Income tax expense	32	(311,351,887)	(162,387,113)
<b>NET PROFIT FOR THE YEAR</b>		<b>959,432,071</b>	<b>471,903,603</b>
<i>Profit attributable to:</i>			
Owners of the Parent		964,866,603	471,737,825
Non-controlling interest		(5,434,532)	165,778
		<b>959,432,071</b>	<b>471,903,603</b>
<b>Earnings per share (expressed in EGP per share):</b>			
Basic and diluted earnings per share	33	<b>1.36</b>	<b>0.65</b>

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Consolidated statement of comprehensive income**  
**For the year ended December 31, 2022**

	Note	2022 EGP	2021 EGP
Net profit for the year		959,432,071	471,903,603
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(32,952,398)	415,225
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of employee benefit obligations	21	1,581,166	(2,476,661)
Other comprehensive loss for the year		<u>(31,371,232)</u>	<u>(2,061,436)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>928,060,839</u>	<u>469,842,167</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent		922,983,730	469,676,389
Non-controlling interest		5,077,109	165,778
		<u>928,060,839</u>	<u>469,842,167</u>

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Consolidated statement of changes in equity**  
**For the year ended December 31, 2022**

	Equity attributable to the owners of the Parent							Total equity EGP	
	Share capital EGP	Legal reserve EGP	Cumulative translation reserve EGP	Transactions with non-controlling interest EGP	Treasury shares EGP	Retained earnings EGP	Total EGP		Non-controlling interest EGP
Balance as at January 1, 2021	145,072,580	78,629,880	775,093	(32,132,098)	(22,556,296)	1,569,981,034	1,739,770,193	424,268	1,740,194,461
<i>Total comprehensive income for the year:</i>									
Net profit for the year	-	-	-	-	-	471,737,825	471,737,825	165,778	471,903,603
Other comprehensive loss for the year	-	-	415,225	-	-	(2,476,661)	(2,061,436)	-	(2,061,436)
Total comprehensive income for the year	-	-	415,225	-	-	469,261,164	469,676,389	165,778	469,842,167
<i>Transactions with shareholders:</i>									
Write-off of treasury shares	(460,892)	-	-	-	22,556,296	(22,095,404)	-	-	-
Dividend distributed during the year (Note 17)	-	-	-	-	-	(150,000,000)	(150,000,000)	-	(150,000,000)
Transfer to legal reserve (Note 18)	-	323,750	-	-	-	(323,750)	-	-	-
Total transactions with shareholders	(460,892)	323,750	-	-	22,556,296	(172,419,154)	(150,000,000)	-	(150,000,000)
<b>Balance as at December 31, 2021</b>	<b>144,611,688</b>	<b>78,953,630</b>	<b>1,190,318</b>	<b>(32,132,098)</b>	<b>-</b>	<b>1,866,823,044</b>	<b>2,059,446,582</b>	<b>590,046</b>	<b>2,060,036,628</b>
<i>Total comprehensive income for the year:</i>									
Net profit for the year	-	-	-	-	-	964,866,603	964,866,603	(5,434,532)	959,432,071
Other comprehensive loss for the year	-	-	(43,464,039)	-	-	1,581,166	(41,882,873)	10,511,641	(31,371,232)
Total comprehensive income for the year	-	-	(43,464,039)	-	-	966,447,769	922,983,730	5,077,109	928,060,839
<i>Transactions with shareholders:</i>									
Acquisition of new subsidiary with non-controlling interest (Note 10)	-	-	-	-	-	-	-	20,005,036	20,005,036
Dividend distributed during the year (Note 17)	-	-	-	-	-	(200,000,000)	(200,000,000)	-	(200,000,000)
Acquisition of treasury shares (Note 17)	-	-	-	-	-	(160,827,557)	(160,827,557)	-	(160,827,557)
Shares issued to non-controlling interest (Note 19)	-	-	-	-	-	-	-	14,986,994	14,986,994
Other adjustments	-	-	-	-	-	-	-	(79,417)	(79,417)
Total transactions with shareholders	-	-	-	-	-	(160,827,557)	(360,827,557)	34,912,613	(325,914,944)
<b>Balance as at December 31, 2022</b>	<b>144,611,688</b>	<b>78,953,630</b>	<b>(42,273,721)</b>	<b>(32,132,098)</b>	<b>(160,827,557)</b>	<b>2,633,270,813</b>	<b>2,621,602,755</b>	<b>40,579,768</b>	<b>2,662,182,523</b>

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.



**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Consolidated statement of cash flows**  
**For the year ended December 31, 2022**

	Notes	2022 EGP	2021 EGP
<b>Cash flows from operating activities</b>			
Cash generated from operations	35	1,096,662,487	527,040,867
Interest paid		(103,618,941)	(87,044,359)
Income tax paid		(131,506,686)	(128,142,042)
<b>Net cash inflow from operating activities</b>		<b>861,536,860</b>	<b>311,854,466</b>
<b>Cash flows from investing activities</b>			
Payment for purchase of property, plant and equipment		(430,189,213)	(146,131,739)
Payment for purchase of intangible assets	9	-	(15,495,981)
Proceeds from sale of property, plant and equipment	35	53,922,383	20,083,916
Payment for capital increase in joint venture		-	(18,917,434)
Payment for purchase of shares in joint venture		-	(21,011,606)
Interest received		112,948,301	60,911,310
Payment for purchase of treasury bills		(2,212,699,964)	(1,137,766,286)
Proceeds from sale of treasury bills		2,085,318,530	885,252,165
Cash acquired from gaining control of Edita Food Industries Morocco	10	11,296,931	-
Proceeds from sale of financial assets at fair value through profit or loss		54,231,685	-
Payment for purchase of financial assets at fair value through profit or loss		-	(72,787,866)
<b>Net cash used in investing activities</b>		<b>(325,171,347)</b>	<b>(445,863,521)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to the shareholders		(200,000,000)	(156,145,803)
Acquisition of treasury shares	17	(160,827,557)	-
Additional contribution by non-controlling interest	19	14,986,994	-
Lease payments		(19,963,092)	(6,225,149)
Payments to joint venture		-	(12,611,623)
Proceeds from borrowings		275,293,623	159,408,661
Repayments of borrowings		(214,859,916)	(226,159,644)
<b>Net cash used in financing activities</b>		<b>(305,369,948)</b>	<b>(241,733,558)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>230,995,565</b>	<b>(375,742,613)</b>
Cash and cash equivalents at beginning of the year		(241,111,348)	134,631,265
Effect of movements in exchange rates on cash held		2,840,606	-
<b>Cash and cash equivalents at end of the year</b>	16	<b>(7,275,177)</b>	<b>(241,111,348)</b>

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements**  
**For the year ended December 31, 2022**

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**1 General information**

Edita Food Industries S.A.E. (the “Company”) 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, Egypt.

The registered address of the Company is Edita Group Building, Plot no. 13 - Central Pivot, P.O Box No. 64, ZIP Code No. 12588, El Sheikh Zayed, Cairo, Egypt.

The Company provides manufacturing, producing and packing of all food products and producing and packing of readymade food, cakes, pastry, milk, chocolate and other food products with all necessary ingredients and sell the products to Digma for Trading, a subsidiary.

The Company’s shares are listed on the Egyptian Exchange and its global depository receipts (each representing five ordinary shares) are also listed on the London Stock Exchange.

The main shareholders of the Company are Quantum Investment BV holding 42.67% of the Company’s share capital, the Bank of New York Mellon (acting as depository bank for shares traded in London Stock Exchange) managing 11.7% of the Company’s share capital, Kingsway Fund Frontier Consumer Franchises holding 9.11% of Company’s share capital, RIMCO E G T Investment LLC holding 5.35% of Company’s share capital, in addition to several shareholders holding 31.17% of the Company’s share capital.

These consolidated financial statements as at December 31, 2022 comprise the Company and its subsidiaries (hereinafter referred to as the “Group”). The Group’s financial year starts on January 1, and ends on December 31, each year.

The Group has prepared a separate set of consolidated financial statements in accordance with Egyptian Accounting Standards, and applicable laws and regulations for the year ended December 31, 2022, which does not constitute part of these consolidated financial statements.

The details of Company’s principal subsidiaries, as at December 31, are set out below:

Subsidiaries	Place of business/ country of incorporation	Principal activities	Ownership interest held by the group		Ownership interest held by non-controlling interest	
			2022	2021	2022	2021
			Digma for Trading	Egypt	a	99.8%
Edita Confectionery Industries	Egypt	b	99.98%	99.98%	0.02%	0.02%
Edita Participation Limited	Cyprus	c	100%	100%	-	-
Edita Food Industries Morocco	Morocco	d	77%	-	23%	-
Edita Holding for Investment	Egypt	e	100%	-	-	-

**a. Digma for Trading:**

The principal activity of Digma for Trading is wholesale and retail trading in consumable goods. Digma for Trading also acts as a distributor for local and foreign entities and also indulges in imports and exports in accordance with relevant laws and regulations. Digma for Trading buys from Edita Confectionery Industries and Edita Food Industries S.A.E. and distributes to others.

**b. Edita Confectionery Industries:**

The principal activity of Edita Confectionery Industries is to build and operate a factory for production, sales and distribution of Sweets, Toofy, Jelly, Caramel and other nutrition materials. Edita Confectionery Industries sells the products to Digma for Trading.

**c. Edita Participation Limited:**

The principal activities of Edita Participation Limited are the provision of services and the holding of investments. The Subsidiary has not commenced its operations and all transactions are considered minimal.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**1 General information (continued)**

**d. Edita Food Industries Morocco:**

The principal activities of Edita Food Industries Morocco are to build and operate a factory for production, sales and distribution of cakes, pastry, wafer and other confectionary products.

Edita Food Industries Morocco was previously accounted for as investment in a joint venture and became subsidiary of the Group by virtue of revision to the Shareholders' Agreement, and acquisition of additional ownership interest during the year (refer Note 10).

**e. Edita Holding for Investment:**

The principal activity of Edita Holding for Investment is to participate in the establishment of the companies that issue financial instruments or increase its share capital.

Edita Holding for Investment was established as a Stock Authorised Enterprise on December 8, 2022 with authorized and issued share capital of EGP 5,000,000.

Financial information of the subsidiaries of the Group as at and for the years ended December 31, 2022 and December 31, 2021, before consolidation adjustments, is as follows:

	Assets	Liabilities	Equity/ (deficit of assets)	Revenue	Net profit/ (loss)
	EGP	EGP	EGP	EGP	EGP
<b>2022</b>					
Digma for Trading	704,625,400	344,783,173	359,842,227	6,999,207,509	184,745,921
Edita Confectionery Industries	203,682,445	60,731,663	142,950,782	163,785,825	7,702,253
Edita Participation Limited	174,579,358	292,713,835	(118,134,477)	-	(30,023,493)
Edita Food Industries Morocco	639,080,208	426,314,148	212,766,060	176,171,728	(32,320,519)
Edita Holding for Investment	5,101,347	5,000	5,096,347	-	96,347
<b>2021</b>					
Digma for Trading	472,888,506	295,652,167	177,236,339	4,949,151,342	43,711,031
Edita Confectionery Industries	196,437,971	61,189,442	135,248,529	138,774,453	6,475,044
Edita Participation Limited	169,256,637	176,301,398	(7,044,761)	-	(583,990)

**2 Basis for preparation**

**2.1 Statement of compliance with IFRS**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

**2.2 Historical cost convention**

These consolidated financial statements have been prepared under the historical cost basis, except for the following:

- Defined benefit obligations are recognised at the present value of future obligations using the projected credit unit method; and
- Financial instruments at fair value through profit or loss are measured at fair value.



**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**3 New or revised standards and interpretations**

**3.1 Standards, Interpretations and amendments adopted as at January 1, 2022**

Accounting pronouncements which have become effective from January 1, 2022 and have therefore been adopted are as follows:

- Reference to conceptual framework (amendments to IFRS 3);
- Proceeds before intended use (amendments to IAS 16);
- Onerous contracts – Cost of fulfilling a contract (amendments to IAS 37); and
- Annual improvements to International Financial Reporting Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16).

These amendments do not have a significant impact on these consolidated financial statements and therefore the disclosures have not been made.

**3.2 Standards, amendments and interpretations to existing Standards that are not yet effective and have not been adopted early by the Group**

Other standards and amendments that are not yet effective and have not been adopted early by the Group are as follows:

*Effective for annual reporting periods beginning on or after January 1, 2023:*

- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2); and
- Definition of Accounting Estimate (Amendments to IAS 8).

*Effective for annual reporting periods beginning on or after January 1, 2024:*

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16); and
- Non-current Liabilities with Covenants (Amendments to IAS 1).

These amendments are not expected to have a significant impact on the consolidated financial statements in the period of initial application and therefore the disclosures have not been made.

**4 Summary of significant accounting policies**

These consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of consolidation**

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 to direct the activities of the entity.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**4 Summary of significant accounting policies (continued)**

**Basis of consolidation (continued)**

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position, respectively. 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.

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. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**Business combinations**

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

The acquisition method of accounting is used to account for all business combinations by the Group, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business, equity interests issued by the Group, fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**4 Summary of significant accounting policies (continued)**

**Business combinations (continued)**

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date and is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured with changes in fair value being recognised in consolidated statement of comprehensive income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and portion of the cash-generating unit retained.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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 remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

**Joint arrangements**

Joint arrangements are the arrangements, of which, two or more parties have joint control.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. All the parties, or a group of the parties, control the arrangement collectively when they must act together to direct its relevant activities.

Investments in joint arrangements are classified either as joint operations or joint ventures, depending upon the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.



**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**4 Summary of significant accounting policies (continued)**

**Joint arrangements (continued)**

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of post-acquisition profits or losses and movements in other comprehensive income. Goodwill relating to joint venture is included in the carrying amount of the investment and is not specifically tested for impairment.

Where the Group's share of losses exceeds its interest in a joint venture, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Unrealised gains on transactions between Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss within 'Share of profit / (loss) of a joint venture' in the consolidated statement of profit or loss.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

**Foreign currency translation**

*Functional and presentation currency*

These consolidated financial statements are presented in Egyptian Pounds ("EGP"), which is the Group's functional and presentation currency except for Edita Participation Limited and Edita Food Industries Morocco, the functional currencies of which are Euro and Moroccan Dirhams, respectively.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of profit or loss, they are deferred in equity if they are attributable to part of the net investment in foreign operations.

Foreign exchange gains and losses that relate to loans and cash and cash equivalents are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within 'other income/(other expenses)'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary 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 and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income.

*Net investment in foreign operations*

The results and financial position of foreign operations (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 are disclosed on the next page.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**4 Summary of significant accounting policies (continued)**

**Foreign currency translation (continued)**

*Net investment in foreign operations (continued)*

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate as at the reporting date;
- Income and expenses for each consolidated statement of profit or loss and consolidated statement of comprehensive income 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.
- 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.
- On consolidation, exchange differences arising from translation of the net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

**Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only 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. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual value over their estimated useful lives, as follows:

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

Residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income/(expenses)" in the consolidated statement of profit or loss.

***Projects under construction***

Projects under construction are stated at cost less realised impairment losses, if any. Cost includes all expenditures associated with the acquisition of the asset and make it usable. When the assets are ready for its intended use, it is transferred from projects under construction to the appropriate category under property, plant and equipment and depreciated in accordance with Group's policies.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**4 Summary of significant accounting policies (continued)**

**Intangible assets**

*Trademarks and know-how*

Trademarks and know-how have infinite useful lives as there is no foreseeable limit on the period over which these assets are expected to exist and generate cash flows. The related licenses to these intangible assets are perpetual, irrevocable and exclusive to the territories to which these pertain.

These intangible assets are measured at historical cost less impairment losses, if any. Historical cost includes all expenditures associated with the acquisition of an intangible asset. These assets are tested for impairment annually, or more frequently when there is indication of impairment.

*Computer software*

Computer software are measured at historical cost less the accumulated amortisation and the accumulated impairment losses, if any. Historical cost includes all expenditures associated with the acquisition of an intangible asset. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the consolidated statement of profit or loss as it is incurred.

Amortisation is calculated to write-off the costs of the computer software less their residual values, using straight-line method over their estimated useful lives, and is generally recognised in the consolidated statement of profit or loss. The useful life used in the calculation of amortisation is 4 years.

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

**Leases**

The Group has entered into various lease contracts having tenure ranging from 3 to 19 years. Lease terms, are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

**I. Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

Land	18 years
Branch premises and warehouses	3 - 19 years
Motor vehicles	4 years

Right-of-use assets are also subject to impairment.

**II. Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.



**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**4 Summary of significant accounting policies (continued)**

**Leases (continued)**

*II. Lease liabilities (continued)*

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset and is recognised under other liabilities in the consolidated statement of financial position.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rates range from 12.25% to 14.25% as applicable.

*III. Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term in the consolidated statement of profit or loss.

**Impairment of non-financial assets**

Goodwill and intangible assets that have an infinite useful life are not subject to amortisation and are tested annually for impairment. All other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell 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).

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

**Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost comprises direct materials, direct labour, other direct costs and an appropriate proportion of variable and fixed overhead expenditures, the latter being allocated on the basis of normal operating capacity but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and estimated costs necessary to make the sale, and the provision for obsolete inventory is created in accordance with the management's assessment.

**Financial instruments**

*Financial assets*

*Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss, as applicable); and
- those to be measured at amortised cost.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**4 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

***Financial assets (continued)***

***Classification (continued)***

The Group's financial assets at amortised cost include treasury bills, cash and cash equivalents, due from related parties and trade and other receivables.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI), as applicable. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

***Recognition and measurement***

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated profit or loss.

Trade receivables are initially recognised at transaction price (unless there is significant financing component) and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. According to the Group business model, the Group subsequently measures debt instruments at amortised cost for assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses.

***Impairment***

The Group assesses on a forward-looking basis, the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

***Financial liabilities***

***Classification***

Financial liabilities are classified, at initial recognition, as borrowings or payables.

The Group's financial liabilities include lease liabilities, borrowings, bank overdrafts and trade and most other payables.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**4 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

***Financial liabilities (continued)***

***Classification (continued)***

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 end of the reporting period.

Payables represent liabilities for goods or services provided to the Group prior to the end of financial year and unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

***Recognition, measurement and derecognition***

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

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated profit or loss as other income or finance costs.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in consolidated profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

***Fair value of financial instruments***

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

***Borrowing 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are recognised in consolidated profit or loss in the period in which they are incurred.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**4 Summary of significant accounting policies (continued)**

**Cash and cash equivalents**

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include 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. In the consolidated statement of financial position, bank overdrafts are shown in current liabilities.

**Government Grants**

*Loans at reduced interest rates*

The Group has obtained loan facilities from commercial banks under the Central Bank of Egypt's initiative to support Egyptian manufacturing Companies. Under this scheme, the loans are provided to the qualifying companies at reduced interest rates and the payment of reduced interest rates is subject to the conditions, as laid out in the relevant loan agreements. The difference between the prevailing market interest rates and applicable rates is treated as government grant. These government grants are initially recognised at fair value when there is reasonable assurance that it will be received, and the Group will comply with the conditions associated with these grants.

These government grants are deferred and recognised in the consolidated profit or loss on a systematic basis over the period necessary to match them with the interest costs that they are intended to compensate.

*Government export subsidy*

The Government of Egypt operates an export subsidy program managed by Export Development Fund. The scheme was established under Law No. 155 of 2002 to create incentives for Egyptian companies to grow exports.

The Group operates in qualifying sectors and the subsidy represents a percentage of the export value depending on a set of variables including the percentage of local components, location of the factory, export destination and amongst others. The subsidy on export sales is recognised when there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. The subsidy is recognised under other income in the consolidated statement of profit or loss on a gross basis.

Export subsidy is recognised immediately as income, as this is provided by the Government to compensate the Group for export sales already made.

*Investment subsidy*

The Government of Morocco operates investment incentive schemes under which, subsidies and concessions are provided to companies establishing and operating industrial units in certain regions of Morocco.

The Group is entitled to subsidies and concessions which are subject to conditions (such as acquisition and installation of industrial unit and operating the same for a specific period of time), as laid out under the relevant schemes. The subsidies are recognised when there is a reasonable assurance that these will be received, and the Group will comply with all attached conditions.

These government grants are deferred and recognised in the consolidated profit or loss on a systematic basis over the period necessary to match them with the related costs that they are intended to compensate.

**Employee benefits**

*Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

---

**4 Summary of significant accounting policies (continued)**

**Employee benefits (continued)**

*Post-employment obligation*

*Defined benefit plan*

The liability recognised in the consolidated statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

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

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

The defined benefit plan defines an amount of benefits to be provided in the form of 15 working days 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; and
- The maximum contribution is 12 months' salary.

For defined contribution plans, the Group pays fixed 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.

*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 an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

*Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when 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 Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations 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 and in accordance with labour law. Falling due more than 12 months after the end of the reporting period are discounted to present value.



**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

---

**4 Summary of significant accounting policies (continued)**

**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.

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. 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. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate to the expenditures required to settle the obligation at the end of the period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

**Taxation**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset 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 is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in consolidated 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.

**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.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

---

**4 Summary of significant accounting policies (continued)**

**Treasury shares**

When any entity within the Group purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued. Repurchased shares are classified as treasury shares and are presented in equity. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included within equity.

**Dividends**

Obligation is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

**Revenue recognition**

The Group recognises revenue from contracts with customers when control of the goods or services is transferred to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group recognises revenue from contracts with customers based on the five steps model set out as follows:

*Step 1: identify the contract(s) with a customer:*

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

*Step 2: identify the performance obligations in the contract:*

A performance obligation is a promise in a contract with a customer to transfer a good or services to the customer.

*Step 3: Determine the transaction price:*

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

*Step 4: Allocate the transaction price to the performance obligations in the contract:*

For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

*Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation:*

An entity shall consider the terms of the contract, as well as any laws that apply to the contract, when evaluating whether it has an enforceable right to payment for performance completed to date.

For assessing the existence and enforceability of a right to payment and whether an entity's right to payment would entitle the entity to be paid for its performance completed to date.

To determine the point in time at which a customer obtains control of a promised asset and the Group satisfies a performance obligation, the Group considers the requirements for control. In addition, the Group considers indicators of the transfer of control, which include, but are not limited to, the following:

- The Group has a present right to payment for the asset. The customer has legal title to the asset.
- The Group has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

---

**4 Summary of significant accounting policies (continued)**

**Revenue recognition (continued)**

*Sales of goods*

Sales are recognised as revenue at point in time when control of the products has transferred, being when the products are delivered to the customers, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Delivery occurs when the products have been shipped to the specific location, risks of damage and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with retrospective volume discounts for export sales based on aggregate sales over a 3 months' period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts.

Accumulated experience is used to estimate and provide for the discounts, based on actual volume, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A contract liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 90 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

**Interest income**

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

**Dividend income**

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

**Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer and Board of Directors. The Board of the Company has appointed a Chief Operating Decision-Maker who assesses the financial performance and position of the Group and makes strategic decisions. This Chief Operating Decision-Maker has been identified as the Chief Executive Officer.

**Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to owners of the Parent, excluding any costs of servicing equity other than ordinary shares, by the weight average number of ordinary shares in issue during the year (excluding ordinary shares purchased by the Group and held as treasury shares).

*Diluted earnings per share*

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.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**5 Financial risk management**

The Group's activities expose it to a variety of financial risks i.e. 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.

The Group's risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors (the Board). 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.

<b>Risk</b>	<b>Exposure arising from</b>	<b>Measurement</b>	<b>Management</b>
Market risk - foreign exchange	Future commercial transactions, recognised financial assets and liabilities not denominated in Egyptian Pounds	Cash flow forecasting, sensitivity analysis	by dealing with local banks which offer official exchange 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 treasury bills
Market risk - security prices	No investment in 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	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

**5.1 Market risk**

***Foreign exchange risk***

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, United States Dollar (USD), Moroccan Dirhams (MAD) and Pound Sterling (Pound). Foreign exchange risk arises from future commercial transactions, recognised 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 Company deals with in official rates and the rest from its exports in USD.

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

	2022	2021
	EGP	EGP
<b>Amounts recognised in profit or loss</b>		
Foreign exchange gain - net	34,991,475	7,097,401
	<u>34,991,475</u>	<u>7,097,401</u>
<b>Net losses recognised in comprehensive income</b>		
Foreign currency translation reserve - net of tax	(32,952,398)	415,225
	<u>(32,952,398)</u>	<u>415,225</u>

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**5 Financial risk management (continued)**

**5.1 Market risk (continued)**

*Foreign exchange risk (continued)*

As at year end, major financial assets/(liabilities) in foreign currencies were as follows:

	2022			2021
	Assets	Liabilities	Net	Net
	EGP	EGP	EGP	EGP
Euros	35,495,462	(94,186,905)	(58,691,443)	28,215,850
United States Dollars (USD)	334,065,217	(349,040,786)	(14,975,569)	(128,088,981)
Moroccan Dirhams (MAD)	55,253,496	(247,789,926)	(192,536,430)	-
Pound Sterling (Pound)	182,198	(159,387)	22,811	-

*Sensitivity analysis*

As shown in the table above, the Group is primarily exposed to changes in Euro/EGP, USD/EGP and MAD/EGP exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from Euro, USD and MAD denominated financial instruments. The sensitivity analysis, as disclosed below, is in line with the average devaluation of EGP against foreign currencies during the year as well as subsequent to the reporting date.

*Euro/EGP*

As at December 31, 2022, if the Egyptian Pounds had weakened / strengthened by 30% (2021: 10%) against the Euro with all other variables held constant, post-tax profit for the year would have been EGP 17,607,433 (2021: EGP 2,821,585) lower / higher, mainly as a result of foreign exchange losses / gains on translation of Euro denominated financial assets and liabilities.

*USD/EGP*

As at December 31, 2022, if the Egyptian Pounds had weakened / strengthened by 30% (2021: 10%) against the USD with all other variables held constant, post tax profit for the year would have been EGP 4,492,671 (2021: EGP 12,808,898) lower / higher, mainly as a result of foreign exchange losses / gains on translation of USD denominated financial assets and liabilities.

*MAD/EGP*

As at December 31, 2022, if the Egyptian Pounds had weakened / strengthened by 30% (2021: Nil) against the MAD with all other variables held constant, post tax profit for the year would have been EGP 57,760,929 (2021: EGP Nil) lower / higher, mainly as a result of foreign exchange losses / gains on translation of MAD denominated financial assets and liabilities.

*Pound/EGP*

As at December 31, 2022, if the Egyptian Pounds had weakened / strengthened by 30% (2021: Nil) against the Pound with all other variables held constant, post tax profit for the year would have been EGP 6,843 (2021: EGP Nil) higher / lower, mainly as a result of foreign exchange gains / losses on translation of Pound denominated financial assets and liabilities.

*Price risk*

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

*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 amortised cost with variable rates do not expose the group to fair value interest rate risk.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**5 Financial risk management (continued)**

**5.1 Market risk (continued)**

*Cash flow and fair value interest rate risk (continued)*

*Sensitivity analysis*

As at December 31, 2022, if interest rates on EGP 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 EGP 9,531,426 (2021: EGP 9,065,038) lower / higher, mainly as a result of increase / decrease in interest expense on floating rate borrowings.

Borrowings at the reporting date with variable interest rate amounted to EGP 451,480,048 (2021: EGP 505,826,911).

Overdraft balance as at December 31, 2022 amounted to EGP 501,662,588 (2021: EGP 404,566,831).

There is no cash flow interest rate risk on fixed rate borrowings since they carry a fixed rate of interest. Interest rates on these borrowings is close to the market rate of interest and therefore their carrying values approximate the fair value.

The exposure of the Group's borrowings to interest rates changes of the borrowings as at the end of reporting period are as follows:

	2022		2021	
	Amount EGP	% of total borrowings	Amount EGP	% of total borrowings
Variable rate borrowings	451,480,048	46%	505,826,911	64%
Fixed rate borrowings	532,555,348	54%	278,813,174	36%
Total	<u>984,035,396</u>	<u>100%</u>	<u>784,640,085</u>	<u>100%</u>

**5.2 Credit risk**

*Risk management*

Credit risk is managed on group basis, except for credit risk relating to trade 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.

*Security*

For banks and financial institutions, the Group is mainly 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.

*Credit quality*

Treasury Bills are issued by the government and are considered with a high credit rating (Egypt B+).

No credit limits were exceeded during the reporting year, and management does not expect any losses from non-performance by these counterparties except for the impairment of accounts receivables presented in (Note 13).

The maximum exposure to credit risk is the amount of receivables, bank 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.



**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**5 Financial risk management (continued)**

**5.2 Credit risk (continued)**

*Credit quality (continued)*

The maximum outstanding balance from a single customer as at December 31, 2022 was 31.3% (2021: 1.6%).

The Group exposure to expected credit losses was quantified and found to be immaterial. Outstanding trade and notes receivables are current and not impaired.

*Trade receivables (Counter parties without external credit rating)*

	2022	2021
	EGP	EGP
Trade and notes receivables	<u>79,797,130</u>	<u>26,340,558</u>

*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 except for the Group's banks in Edita Participation Limited and Edita Food Industries Morocco. The credit ratings for the banks, with which the Group, are as follows:

<b>Bank</b>	<b>Credit rating</b>
Qatar National Bank (QNB)	A
Credit Agricole Egypt (CAE)	A+
Commercial International Bank (CIB)	B+
Citibank Egypt	A+
National Bank of Kuwait (NBK)	A+
Arab Bank of Egypt (ABE)	A
Al Ahli Bank of Kuwait (ABK)	A
Ahli United Bank (AUB)	BB+
Attijariwafa Bank	BB
Bank of Cyprus	B+
Banque Misr (BM)	B+
National Bank of Egypt (NBE)	B+

***Impairment of trade receivables and contract assets***

The Group applies simplified approach available in IFRS 9 for measuring the expected credit losses which uses a lifetime expected loss allowance for all the trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared link characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2022 or January 1, 2022, respectively, and the corresponding historical credit losses experiences within this period. The historical loss rates are adjusted to reflect the current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

EDITA Food Industries (S.A.E.) and its Subsidiaries  
Consolidated Financial Statements  
Notes to the consolidated financial statements (continued)  
For the year ended December 31, 2022

**5 Financial risk management (continued)**

**5.2 Credit risk (continued)**

*Impairment of trade receivables and contracts (continued)*

The loss allowance as at December 31, 2022 and December 31, 2021 was determined as follows:

	Current EGP	30 days past due EGP	31 to 90 days past due EGP	91 to 180 days past due EGP	181 to 270 days past due EGP	Total EGP
<i>December 31, 2022</i>						
Expected loss rate	-	-	-	-	-	-
Gross carrying amount	75,749,841	4,046,707	582	-	-	79,797,130
Loss allowance	-	-	-	-	-	-

	Current EGP	30 days past due EGP	31 to 90 days past due EGP	91 to 180 days past due EGP	181 to 270 days past due EGP	Total EGP
<i>December 31, 2021</i>						
Expected loss rate	-	-	-	5.79%	17.60%	0.08%
Gross carrying amount	12,694,659	13,306,501	192,485	44,918	101,995	26,340,558
Loss allowance	-	-	-	2,602	17,954	20,556

**5.3 Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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's debt financing plans, covenant compliance, compliance with internal consolidated statement of financial position ratio targets.

*Maturities of financial liabilities*

The table below summarizes the maturities of the Group's undiscounted financial liabilities as at December 31, 2022 and December 31, 2021, based on contractual payment dates and current interest rates.

	Less than 6 month EGP	Between 6 month and 1 year EGP	Between 1 and 2 years EGP	More than 2 years EGP
<i>December 31, 2022</i>				
Borrowings	131,331,600	143,369,548	256,000,674	459,924,339
Trade and other payables	875,689,227	-	-	-
Bank overdraft	501,662,588	-	-	-
Lease liabilities	20,981,684	14,004,579	11,111,954	141,914,623
<b>Total</b>	<b>1,529,665,099</b>	<b>157,374,127</b>	<b>267,112,628</b>	<b>601,838,962</b>

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**5 Financial risk management (continued)**

**5.3 Liquidity risk (continued)**

	Less than 6 month EGP	Between 6 month and 1 year EGP	Between 1 and 2 years EGP	More than 2 years EGP
<i>December 31, 2021</i>				
Borrowings	102,687,477	94,317,908	180,382,885	407,251,815
Trade and other payables	525,931,219	-	-	-
Bank overdraft	404,566,831	-	-	-
Lease liabilities	9,740,087	6,501,185	6,390,572	81,616,220
<b>Total</b>	<b>1,042,925,614</b>	<b>100,819,093</b>	<b>186,773,457</b>	<b>488,868,035</b>

*Financing arrangements:*

The Group had access to the following undrawn borrowing facilities as at the reporting date:

	2022 EGP	2021 EGP
Expiring within 1 year (bank overdrafts)	1,134,132,481	424,323,096
Expiring beyond 1 year (bank loans)	58,421,681	154,152,989
<b>Total</b>	<b>1,192,554,162</b>	<b>578,476,085</b>

**5.4 Capital 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 borrowings and bank overdraft less cash and cash equivalents. Total capital is calculated as equity, plus net debts.

	2022 EGP	2021 EGP
Total borrowings	984,035,396	784,640,085
Bank overdraft	501,662,588	404,566,831
<b>Total borrowings and loans</b>	<b>1,485,697,984</b>	<b>1,189,206,916</b>
Less: cash and bank balances	(494,387,411)	(163,455,483)
<b>Net debt</b>	<b>991,310,573</b>	<b>1,025,751,433</b>
Total equity attributable to the Owners of the Parent	2,621,602,755	2,059,446,582
<b>Total capital</b>	<b>3,612,913,328</b>	<b>3,085,198,015</b>
<b>Gearing ratio</b>	<b>27%</b>	<b>33%</b>

*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;
- Leverage ratio shall not exceed 1.5:1;

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**5 Financial risk management (continued)**

**5.4 Capital management (continued)**

*Loan covenants (continued)*

- 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.
- Minimum EBITDA level of at least 90% at all times.
- Gross assets level of at least 75% at all times.

As at December 31, 2022, the Group was in compliance with the debt covenants.

**5.5 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 estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

**6 Accounting estimates, assumptions and judgments**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

**6.1 Critical accounting estimates and assumptions**

Estimates and adjustments are continually being 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 (trademark and know-how)*

The Group tests whether infinite life intangible assets have suffered any impairment at each reporting date. The recoverable amount of a cash generating unit (CGU) is determined based on value in use calculations which require the use of assumptions (Note 9). The changes in those assumptions may cause actual results to vary significantly and cause significant adjustments to these intangible assets within the next financial year.

**6.2 Other accounting estimates**

*Useful lives of depreciable assets*

Management reviews the useful lives of depreciable assets at each reporting date. At each reporting date, management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in Note 7. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year.

*Write-off / provision for obsolete and expired inventories*

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology, expiration dates or other market-driven changes that may reduce future selling prices.

**EDTA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**6 Accounting estimates, assumptions and judgments (continued)**

**6.2 Other accounting estimates (continued)**

*Write-off / provision for obsolete and expired inventories (continued)*

Inventories are stated at the lower of cost and net realisable value. When inventories expire, become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, are assessed collectively and a provision percentage is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. Inventories that have approached their expiration dates are written off in the consolidated statement of profit or loss for the relevant year (refer Note 11).

*Employee benefit retirement obligations*

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 year. 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 year on market returns on the government bonds denominated in the currency and the year estimated for the defined benefits obligations (refer Note 21).

**6.3 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 recognised and a significant reversal in the amount of revenue will not occur.

*Determining the lease term*

Extension and termination options are included in a number of leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise a termination option. Years after termination options are only included in the lease term if the lease is reasonably certain not to be terminated.

*Determination of appropriate discount rate in measuring lease liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

*Assessment/reassessment of control*

The Group reassesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control listed in IFRS 10. Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification of any of the Group's subsidiaries held as at January 1, 2022.

Management also made reassessment of control in relation to its investment held in Edita Food Industries Morocco (accounted for as investment in a joint venture as at January 1, 2022) and concluded that it has obtained its control with effect from April 30, 2022 (refer Note 10 for details).

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

<b>7 Property, plant and equipment</b>	Land EGP	Buildings EGP	Machinery and equipment EGP	Vehicles EGP	Tools and equipment EGP	Furniture and office equipment EGP	Projects under construction EGP	Total EGP
<i>As at January 1, 2022</i>								
Cost	120,908,260	977,086,803	1,427,515,906	328,235,873	215,503,703	141,982,672	88,588,582	3,299,821,799
Accumulated depreciation	-	(245,016,347)	(486,348,876)	(173,512,140)	(128,094,146)	(101,224,006)	-	(1,134,195,515)
<b>Net book value</b>	<b>120,908,260</b>	<b>732,070,456</b>	<b>941,167,030</b>	<b>154,723,733</b>	<b>87,409,557</b>	<b>40,758,666</b>	<b>88,588,582</b>	<b>2,165,626,284</b>
<i>Year ended December 31, 2022</i>								
Opening net book value	120,908,260	732,070,456	941,167,030	154,723,733	87,409,557	40,758,666	88,588,582	2,165,626,284
Additions	-	-	2,124,681	58,354,200	17,530,350	9,212,836	263,058,172	350,280,239
Acquired through business combination (Note 10)	-	131,966,747	66,939,592	335,997	6,959,566	1,243,270	1,110,444	208,555,616
Depreciation charge	-	(43,227,888)	(73,326,791)	(41,072,694)	(32,564,356)	(17,905,197)	-	(208,096,926)
Disposals	(14,194,132)	(827,195)	(18,262,325)	(18,596,784)	(2,854,194)	(128,416)	(11,424,715)	(66,287,761)
Accumulated depreciation of disposals	-	143,380	11,568,483	16,761,912	423,164	114,126	-	29,011,065
Transfers from Projects under construction	-	21,153,462	225,366,788	-	35,400,690	6,750,205	(288,671,145)	-
Transfers to intangible assets (Note 9)	-	-	-	-	-	-	(11,913,188)	(11,913,188)
Foreign currency translation differences	-	(9,426,104)	85,962,308	-	251,803	80,555	(1,342,387)	75,526,175
<b>Closing net book value</b>	<b>106,714,128</b>	<b>831,852,858</b>	<b>1,241,539,766</b>	<b>170,506,364</b>	<b>112,556,580</b>	<b>40,126,045</b>	<b>39,405,763</b>	<b>2,542,701,504</b>
<i>As at December 31, 2022</i>								
Cost	106,714,128	1,119,953,713	1,789,646,950	368,329,286	272,791,918	159,141,122	39,405,763	3,855,982,880
Accumulated depreciation	-	(288,100,855)	(548,107,184)	(197,822,922)	(160,235,338)	(119,015,077)	-	(1,313,281,376)
<b>Net book value</b>	<b>106,714,128</b>	<b>831,852,858</b>	<b>1,241,539,766</b>	<b>170,506,364</b>	<b>112,556,580</b>	<b>40,126,045</b>	<b>39,405,763</b>	<b>2,542,701,504</b>



**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

<b>7 Property, plant and equipment (continued)</b>	Land EGP	Buildings EGP	Machinery and equipment EGP	Vehicles EGP	Tools and equipment EGP	Furniture and office equipment EGP	Projects under construction EGP	Total EGP
<i>As at January 1, 2021</i>								
Cost	120,908,260	972,406,587	1,258,816,257	337,789,755	179,717,274	128,126,497	170,246,386	3,168,011,016
Accumulated depreciation	-	(205,676,310)	(419,993,066)	(158,080,691)	(103,089,733)	(85,241,057)	-	(972,080,857)
Net book value	120,908,260	766,730,277	838,823,191	179,709,064	76,627,541	42,885,440	170,246,386	2,195,930,159
<i>Year ended December 31, 2021</i>								
Opening net book value	120,908,260	766,730,277	838,823,191	179,709,064	76,627,541	42,885,440	170,246,386	2,195,930,159
Additions	-	-	782,745	9,141,677	8,442,517	4,176,229	130,590,250	153,133,418
Depreciation charge	-	(39,340,037)	(66,377,923)	(32,117,738)	(25,670,347)	(16,538,201)	-	(180,044,246)
Disposals	-	-	(66,264)	(18,695,559)	(679,265)	(725,963)	-	(20,167,051)
Accumulated depreciation of disposals	-	-	22,113	16,686,289	665,934	555,252	-	17,929,588
Transfers from Projects under construction	-	4,680,216	167,983,168	-	28,023,177	10,405,909	(211,092,470)	-
Transfers to intangible assets (Note 9)	-	-	-	-	-	-	(1,155,584)	(1,155,584)
Closing net book value	120,908,260	732,070,456	941,167,030	154,723,733	87,409,557	40,758,666	88,588,582	2,165,626,284
<i>As at December 31, 2021</i>								
Cost	120,908,260	977,086,803	1,427,515,906	328,235,873	215,503,703	141,982,672	88,588,582	3,299,821,799
Accumulated depreciation	-	(245,016,347)	(486,348,876)	(173,512,140)	(128,094,146)	(101,224,006)	-	(1,134,195,515)
Net book value	120,908,260	732,070,456	941,167,030	154,723,733	87,409,557	40,758,666	88,588,582	2,165,626,284

In 2022, the Group has capitalised certain completed projects during the year amounting to EGP 288.67 million (2021: EGP 211.09 million) which were transferred from projects under construction to the appropriate classes of assets. The capitalised assets are mainly buildings, machinery and equipment, tools and equipment, and furniture and office equipment (2021: buildings, machinery and equipment, tools and equipment, and furniture and office equipment).

As at December 31, 2022, a balance of EGP 39.41 million represents a new production line which include machineries and equipment, tools and equipment and furniture and office equipment.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**7 Property, plant and equipment (continued)**

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

	2022	2021
	EGP	EGP
Charged to cost of sales	141,555,056	124,881,929
Charged to distribution costs	46,293,573	37,121,915
Charged to administrative expenses	20,248,297	18,040,402
	<u>208,096,926</u>	<u>180,044,246</u>

The nature of projects under construction as at December 31, 2022 and December 31, 2021, is as follows.

	2022	2021
	EGP	EGP
Buildings	8,515,406	9,201,456
Machinery and equipment	18,544,194	53,757,848
Tools and equipment	8,483,831	15,632,136
Technical and other installations	3,862,332	9,997,142
	<u>39,405,763</u>	<u>88,588,582</u>

**8 Right-of-use assets**

Right-of-use assets represent lease contracts entered into by the Group. The carrying amounts of the right-of-use assets and the movements during the year are shown below:

	2022				2021 Total EGP
	Branch premises and warehouses		Motor vehicles	Total	
	Land	EGP			
<b>Gross carrying amount</b>					
As at January 1,	-	74,153,925	-	74,153,925	72,834,709
Additions during the year	24,032,913	10,518,209	6,062,460	40,613,582	1,319,216
Acquired through business combination (Note 10)	17,515,731	-	-	17,515,731	-
Derecognition of expired leases	-	(5,283,740)	-	(5,283,740)	-
Foreign currency translation Differences	4,829,609	-	(1,138,730)	3,690,879	-
As at December 31,	<u>46,378,253</u>	<u>79,388,394</u>	<u>4,923,730</u>	<u>130,690,377</u>	<u>74,153,925</u>
<b>Accumulated depreciation</b>					
As at January 1,	-	27,003,992	-	27,003,992	16,010,607
Charge for the year	1,081,369	11,494,297	159,045	12,734,711	10,993,385
Derecognition of expired leases	-	(5,283,740)	-	(5,283,740)	-
As at December 31,	<u>1,081,369</u>	<u>33,214,549</u>	<u>159,045</u>	<u>34,454,963</u>	<u>27,003,992</u>
<b>Net carrying amount as at December 31,</b>	<u>45,296,884</u>	<u>46,173,845</u>	<u>4,764,685</u>	<u>96,235,414</u>	<u>47,149,933</u>

The corresponding lease liabilities pertaining to these right-of-use assets are presented in Note 23.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**9 Intangible assets and goodwill**

	2022	2021
	EGP	EGP
Intangible assets with infinite useful lives (9.1)	162,911,642	162,911,642
Goodwill on acquisition of Edita Food Industries Morocco (Note 10.2)	42,634,435	-
Intangible assets having finite useful lives - software (9.2)	23,680,488	17,801,536
	<u>229,226,565</u>	<u>180,713,178</u>

**9.1 Intangible assets with infinite useful lives**

2022	Trademarks (A)	Know-how (B)	Total
	EGP	EGP	EGP
Balance as at January 1,	131,480,647	31,430,995	162,911,642
<b>Balance as at December 31,</b>	<u>131,480,647</u>	<u>31,430,995</u>	<u>162,911,642</u>
2021	Trademarks (A)	Know-how (B)	Total
	EGP	EGP	EGP
Balance as at January 1,	131,480,647	31,430,995	162,911,642
Balance as at December 31,	<u>131,480,647</u>	<u>31,430,995</u>	<u>162,911,642</u>

**A. Trademarks**

These represent amounts paid for buying rights to the trademarks (Hohos, Twinkies and Tiger Tail) for Egypt, Jordan, Libya, Palestine Algeria, Bahrain, Iraq, Kuwait, Lebanon, Morocco, Oman, Qatar, Kingdom of Saudi Arabia, Syria, Tunisia and United Arab Emirates of USD 18 million, equivalent to EGP 131.48 million (at the date of the agreement). These trademarks do not have a finite useful life.

**B. Know-how**

On April 16, 2015, the Group signed a "License and Technical Assistance Agreement" with purpose to acquire the license, know-how and technical assistance for some Hostess Brands products in Egypt, Libya, Palestine, Jordan, Algeria, Bahrain, Iraq, Jordan, Lebanon, Kuwait, Morocco, Oman, Qatar, Kingdom of Saudi Arabia, Syria, Tunisia, and the United Arab Emirates. The amount spent in relation to afore-said agreement of USD 4 million, equivalent to EGP 31.43 million (at the date of the agreement), has been recognised as intangible asset. This intangible asset does not have a finite useful life.

**C. Impairment test for infinite life intangible assets**

*Trademarks and know-how*

Irrespective of any indicators of impairment, these intangible assets are tested for impairment at each reporting date in accordance with the requirements of applicable reporting framework and accounting policy adopted by the Group.

These intangible assets are monitored by the management at the level of cake segment, cash generating unit (CGU) of the Group. The recoverable amount of these intangible assets is determined based on value-in-use calculation which require the use of assumptions. The calculations apply 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 terminal growth rate as stated below. This growth rate is consistent with forecasts included in industry reports specific to the industry where the CGU is operating.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**9 Intangible assets (continued)**

**9.1 Intangible assets with infinite useful lives (continued)**

*C. Impairment test for infinite life intangible assets (continued)*

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

	2022	2021
Average gross margin	31.27%	34.00%
Average sales growth rate	11.38%	11.00%
Discount rate	15.50%	15.26%
Terminal growth rate	5.00%	5.00%

Management has determined the value assigned to each of the above key assumption as follows:

<b>Assumption</b>	<b>Approach used</b>
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 operates.

The Group tests the impairment of these 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. As at the reporting 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 5%. If all other assumptions kept the same, a reduction of this growth rate by 1% (i.e. to 4%) would give a value in use exceeding the current carrying amount.

The discount rate in the forecast period has been estimated to be 15.5%. If all other assumptions kept the same, an increase in this discount rate by 1% (i.e. to 16.5%) would give a value in use exceeding the current carrying amount.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**9 Intangible assets (continued)**

**9.2 Intangible assets with finite useful lives - software**

	2022 EGP	2021 EGP
<b>Gross carrying amount</b>		
As at January 1,	22,923,203	6,271,638
Transfers from projects under construction (Note 7)	11,913,188	1,155,584
Additions during the year	-	15,495,981
As at December 31,	<u>34,836,391</u>	<u>22,923,203</u>
<b>Accumulated amortization</b>		
As at January 1,	5,121,667	2,630,701
Charge for the year	6,034,236	2,490,966
As at December 31,	<u>11,155,903</u>	<u>5,121,667</u>
<b>Net carrying amount as at December 31,</b>	<u>23,680,488</u>	<u>17,801,536</u>

**10 Investment in a joint venture**

During the year, the Group obtained control of Edita Food Industries Morocco (formerly accounted for as a joint venture) by virtue of revision to the Shareholders' Agreement and acquisition of additional ownership interest. The details of change in control of Edita Food Industries Morocco are as follows:

**10.1 Investment in Edita Food Industries Morocco**

In prior years, the Group held 51% ownership of Edita Food Industries Morocco and as of that date, one of the minority shareholders held 45% interest and was afforded certain veto rights.

In April 2021, the Group acquired an additional interest of 25% from this minority shareholder, of which, 7.4% was subject to a call option exercisable at any point until April 2022 by the minority shareholder. As a result of assessing the accounting implications of the acquisition and the call option, it was noted that the minority interest had substantive veto rights on certain reserved matters and even subsequent to the acquisition of the additional interest, the reserved matters would continue to prevent the Group from having the sole ability to direct the relevant activities of Edita Food Industries Morocco. Accordingly, the management assessed that based on the substantive nature of the veto rights, the Group had joint control according to the requirements of IFRS 10 - Consolidated Financial Statements and IFRS 11 - Joint Arrangements. As a consequence, the Group accounted for the investment in Edita Food Industries Morocco as investment in a joint venture using the equity method. Carrying amount of the afore-said investment as at April 30, 2022 and December 31, 2021 was as follows:

	April 30, 2022 EGP	December 31, 2021 EGP
Net assets as at the beginning of the period/year	69,445,134	35,339,446
Effect of capital increase and change in ownership interest	-	32,112,998
Goodwill and other adjustments	-	6,591,941
Other adjustments	(74,351)	1,224,110
Share of losses for the period/year	(4,989,639)	(5,823,361)
<b>Net assets as at the end of the period/year</b>	<u>64,381,144</u>	<u>69,445,134</u>

**10.2 Change in control of Edita Food Industries Morocco**

In April 2022, the call option lapsed (refer Note 10.1 above) and ownership interest of the Group was increased to 77%. At the date of lapse of the call option, Group (through its subsidiary Edita Participation Limited) alongwith the minority shareholder signed a revised Shareholders' Agreement, under which, substantive veto rights on certain earlier reserved matters to the minority shareholder were abolished.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**10 Investment in a joint venture (continued)**

**10.2 Change in control of Edita Food Industries Morocco (continued)**

Based on this, the management assessed that the Group has acquired controlling interest in Edita Food Industries Morocco from the date of revision of the Shareholders' Agreement (i.e. April 30, 2022). The details of the additional acquisition are as follows:

	April 30, 2022 EGP
Fair value of pre-existing interest in the Subsidiary	96,996,193
Consideration paid to acquire additional 7.4% ownership interest	12,611,623
Fair value of non-controlling interest as at the date of acquisition	<u>20,005,036</u>
	129,612,852
Fair value of net assets acquired (Note 10.3)	<u>(86,978,417)</u>
Provisional goodwill arising on acquisition (Note 9)	<u>42,634,435</u>

As a result of the above transaction, the Group derecognised its investment in Edita Food Industries Morocco as a joint venture, and has recognised a gain on derecognition of investment in joint venture as follows:

	2022 EGP
Fair value of pre-existing interest	96,996,193
Carrying value of investment in joint venture as at April 30, 2022 (Note 10.1)	<u>(64,381,144)</u>
Gain in derecognition of investment in joint venture	<u>32,615,049</u>

**10.3 Determination of fair value**

Fair value of net assets has been determined on a provisional basis until the Group finalises the purchase price allocation process within the measurement period, and is as follows:

	Fair value (April 30, 2022) EGP
Property, plant and equipment (Note 7)	208,555,616
Right-of-use assets (Note 8)	17,515,731
Deferred tax assets (Note 22)	9,278,278
Inventories	13,300,095
Trade and other receivables	41,982,373
Cash and bank balances	11,296,931
Bank borrowings	(147,344,377)
Trade and notes payable, due to related parties and other payables	(47,743,451)
Other provisions (Note 24)	(99,733)
Lease liabilities (Note 23)	<u>(19,763,046)</u>
<b>Fair value of net assets acquired</b>	<u>86,978,417</u>

Valuation technique and significant unobservable inputs used by the management in determination of the afore-said fair value are as follows:

The Group has used a combination of discounted cash flows valuation method and market-based valuation method (70%-30%) for determination of the afore-said fair value. The Group has weighted the estimates made under each method, based on its assessment and judgement that market participants would apply.



**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**10 Investment in a joint venture (continued)**

**10.3 Determination of fair value (continued)**

Significant unobservable inputs used by the management in determination of the afore-said fair value are as follows:

	2022
<i>Discounted cash-flows method</i>	
Average sales margin	24%
Average sales growth	46%
Average discount rate	8.62%
Terminal growth rate	3%
<i>Earnings multiple method</i>	
Price to book value	<u>1.96</u>

**11 Inventories**

	2022	2021
	EGP	EGP
Raw and packaging materials	792,411,133	410,652,760
Finished goods	70,092,406	50,032,903
Spare parts	53,032,467	44,616,150
Consumable	48,222,562	6,593,279
Work in process	25,050,325	18,827,641
<b>Total</b>	<u>988,808,893</u>	<u>530,722,733</u>
Less: provision for slow moving and obsolete inventory	<u>(7,309,742)</u>	<u>(4,228,565)</u>
<b>Net</b>	<u>981,499,151</u>	<u>526,494,168</u>

The cost of individual items of inventories are determined using moving average cost method. The movement in provision for obsolete and slow-moving inventory during the year is as follows:

	2022	2021
	EGP	EGP
As at January 1,	4,228,565	2,834,224
Provision for the year	3,900,000	2,000,000
Write offs during the year	<u>(818,823)</u>	<u>(605,659)</u>
<b>As at December 31,</b>	<u>7,309,742</u>	<u>4,228,565</u>

The cost of inventories recognised as an expense and included in cost of sales amounted to EGP 4,197,141,068 during the year ended December 31, 2022 (2021: EGP 2,869,615,358) (Note 34).

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**12 Financial instruments by category**

The Group holds the following financial instruments:

	2022	2021
	EGP	EGP
<b><i>Financial assets at amortised cost</i></b>		
Trade and other receivables (excluding non-financial assets) * (Note 13)	238,928,691	78,014,576
Financial assets at amortised cost (Note 14)	894,641,441	769,965,310
Cash and bank balances (Note 16)	494,387,411	163,455,483
<b>Total</b>	<b>1,627,957,543</b>	<b>1,011,435,369</b>
	2022	2021
	EGP	EGP
<b><i>Financial assets at fair value through profit or loss</i></b>		
Leverage Egyptian Treasury Bills (Note 15)	-	76,403,685
	2022	2021
	EGP	EGP
<b><i>Financial liabilities at amortised cost</i></b>		
Borrowings (Note 20)	984,035,396	784,640,085
Trade and other payables (excluding non-financial liabilities) * (Note 26)	875,689,227	525,931,219
Bank overdraft (Note 25)	501,662,588	404,566,831
Lease liabilities (Note 23)	114,480,032	59,585,793
<b>Total</b>	<b>2,475,867,243</b>	<b>1,774,723,928</b>

\* Trade and other receivables presented above excludes prepaid expenses, advances to supplies and taxes receivables. Trade and other payables presented above excludes taxes payables, advances from customers, social insurances, deferred government grants, and accrued rebates. A description of the Group's financial statements risk, including risk management objectives and policies is disclosed in Note 5 and details about fair values of these financial assets and liabilities are described in Note 39.

**13 Trade and other receivables**

	2022	2021
	EGP	EGP
Trade receivables	75,281,567	26,178,949
Notes receivable	4,515,563	161,609
<b>Trade and notes receivables – gross</b>	<b>79,797,130</b>	<b>26,340,558</b>
Less: Expected credit losses of trade receivables (Note 5.2)	-	(20,556)
<b>Trade and notes receivables – net</b>	<b>79,797,130</b>	<b>26,320,002</b>
Advances to suppliers	290,881,091	123,370,117
Other current assets	68,184,260	18,889,308
Due from related parties (Note 36)	62,072,443	16,472,067
Deposits with others	20,472,047	15,896,487
Prepaid expenses	15,405,434	17,053,116
Letters of credit	4,494,765	231,829
Employee loans	3,908,046	204,883
Value added tax - receivables	-	479,190
<b>Total</b>	<b>545,215,216</b>	<b>218,916,999</b>

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Details about the Group's impairment policies and calculation of the expected loss allowance are provided in Notes 4 and 5.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**14 Financial assets at amortised cost**

	2022	2021
	EGP	EGP
<i>Treasury bills</i>		
91 days maturity	771,000,000	233,250,000
266-364 days maturity	150,000,000	572,400,000
	<u>921,000,000</u>	<u>805,650,000</u>
Unearned interest	(48,876,540)	(60,907,975)
Amount of Treasury Bills paid	872,123,460	744,742,025
Interest income recognised in profit or loss	22,517,981	25,223,285
	<u>894,641,441</u>	<u>769,965,310</u>

The average effective interest rate related to Treasury Bills is 14.07% (2021: 12.88%).

The Group has adopted 12-month ECL model, based on management assessment, there is an immaterial impact on the outstanding balance of Treasury Bills due to the following factors:

- They are issued and guaranteed by the Government of Egypt;
- There is no history of default; and
- Incorporating forward-looking information would not result in any significant increase in expected default rate.

**15 Financial assets at fair value through profit or loss**

	2022	2021
	EGP	EGP
Investment solution with leverage feature – EFG Hermes	-	76,403,685

The investment was disposed during the year for a total consideration of EGP 54,231,685 and accordingly a loss of EGP 22,172,000 was recognised in the consolidated statement of profit or loss.

**16 Cash and cash equivalents**

	2022	2021
	EGP	EGP
Cash at banks and in hand	277,975,166	86,335,423
Time deposit - Foreign currency	216,412,245	77,120,060
<b>Cash and cash equivalents (excluding bank overdrafts)</b>	<u>494,387,411</u>	<u>163,455,483</u>

The average rate on time deposit in USD is 4.38% (2021: 1%) with a maturity of less than a month.

For the purpose of preparation of the consolidated statement of cash flows, cash and cash equivalents consist of:

	2022	2021
	EGP	EGP
Cash and bank balances	494,387,411	163,455,483
Bank overdraft (Note 25)	(501,662,588)	(404,566,831)
<b>Total</b>	<u>(7,275,177)</u>	<u>(241,111,348)</u>

**17 Share capital**

The Company's authorised capital determined at EGP 360,000,000 (1,800,000,000 share, with a par value of EGP 0.2 per share).

Initially, the issued and paid-up capital amounted to EGP 72,536,290 after trading distributed on 362,681,450 shares (par value EGP 0.2 per share) are distributed on the next page.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**17 Share capital (continued)**

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

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

As at December 31, 2022, the issued capital amounted to EGP 144,611,688 with par value EGP 0.2 per share (2021: EGP 144,611,688 with par value EGP 0.2 per share) and is distributed as follows:

Shareholders	2022		
	No. of Shares	Shares Value (EGP)	Percentage of ownership
Quantum Investment BV	308,527,188	61,705,438	42.67%
The Bank of New York Mellon "depository bank for shares traded in London Stock Exchange"	84,594,650	16,918,930	11.70%
Kingsway Fund Frontier Consumer Franchises	65,896,445	13,179,289	9.11%
RIMCO E G T Investment LLC	38,685,105	7,737,021	5.35%
Treasury shares (A)	15,814,199	3,162,840	2.19%
Others (public stocks)	209,540,852	41,908,170	28.98%
	<b>723,058,439</b>	<b>144,611,688</b>	<b>100.00%</b>
Shareholders	2021		
	No. of Shares	Shares Value (EGP)	Percentage of ownership
Quantum Investment BV	303,308,300	60,661,660	41.95%
The Bank of New York Mellon "depository bank for shares traded in London Stock Exchange"	85,792,350	17,158,470	11.87%
Kingsway Fund Frontier Consumer Franchises	45,623,461	9,124,692	6.31%
Others (public stocks)	288,334,328	57,666,866	39.87%
	<b>723,058,439</b>	<b>144,611,688</b>	<b>100.00%</b>

**A. Treasury shares**

According to Board of Director resolutions on August 2, 2022 and October 18, 2022, the Group purchased 15,814,199 shares from the stock market and held in treasury for a total consideration of EGP 160,827,557. The consideration paid has been accounted for as a separate reserve in the consolidated statement of changes in equity.

**B. Dividends**

The Group declared dividends of EGP 200,000,000 in the General Assembly meeting held on April 13, 2022 in relation to the year ended December 31, 2021 (2021: EGP 150,000,000 in relation to the year ended December 31, 2020).

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**18 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 share capital. The reserve is not eligible for distribution to the shareholders.

During the year ended December 31, 2022, the Group did not make any transfer to statutory reserve (2021: EGP 323,750).

**19 Non-controlling interest**

**A. Transactions with non-controlling interest**

On March 6, 2019, the Company signed an official agreement with Confindel LTD for the acquisition of 2,279,287 shares (22.27%) of Edita Confectionary Industries for a total consideration of EGP 55,297,782. The acquisition was completed in June 2019 and as a result, the Company's share in Edita Confectionary Industries was increased from 77.71% to 99.98%. Accordingly, the amount paid, in excess of the carrying amount of the non-controlling interest acquired, has been recognised as a separate reserve in the consolidated statement of changes in equity as follows.

	<b>EGP</b>
Carrying amounts of non-controlling interest acquired	23,165,685
Consideration paid to non-controlling interest	(55,297,783)
	<b>(32,132,098)</b>

**B. Non-controlling interest**

The table below summarises the components of non-controlling interest present in the statement of changes in equity.

	2022					
			Cumulative	(Accumulated		
	Share capital	Legal reserves	translation reserve	losses)	Total	
	EGP	EGP	EGP	EGP	EGP	2021 EGP
<b>Balance as at January 1, Non-controlling share in total comprehensive income</b>	30,460	593,684	38,162	(72,260)	590,046	424,268
(Loss)/profit for the year	-	-	-	(5,434,532)	(5,434,532)	165,778
Other comprehensive income	-	-	10,511,641	-	10,511,641	-
<b>Total comprehensive income/(loss) for the year</b>	-	-	10,511,641	(5,434,532)	5,077,109	165,778
<b>Shareholders' transactions</b>						
Changes in equity on account of acquisition of subsidiary (Note 10)	20,005,036	-	-	-	20,005,036	-
Shares issued to non-controlling interest*	14,986,994	-	-	-	14,986,994	-
Other adjustments	-	-	-	(79,417)	(79,417)	-
<b>Shareholders' transactions</b>	34,992,030	-	-	(79,417)	34,912,613	-
<b>Balance as at December 31,</b>	35,022,490	593,684	10,549,803	(5,586,209)	40,579,768	590,046

\* This represents 82,473 shares issued during the year to non-controlling interest (La Marocaine De Distribution De Logistiques) of Edita Food Industries Morocco, pursuant to further issuance of share capital amounting to MAD 40 million (equivalent to EGP 70.64 million) to the existing shareholders.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**19 Non-controlling interest (continued)**

**B. Non-controlling interest (continued)**

As at December 31, 2022, the Group has only one subsidiary "Edita Food Industries Morocco" that has material non-controlling interest. Summarised financial information in relation to financial position and performance of that subsidiary is disclosed in Note 1. Information in relation to its cash flows is as follows:

	<b>2022</b>
	<b>EGP</b>
Net cash used in operating activities	(15,102,747)
Net cash used in investing activities	(31,585,530)
Net cash generated from financing activities	64,350,630
<b>Net increase in cash and cash equivalents</b>	<b>17,662,353</b>

Edita Food Industries Morocco earned revenue of MAD 73,792,271 (equivalent to EGP 147,947,464) and incurred net loss of MAD 11,636,165 (equivalent to EGP 25,729,017) for the period from April 30, 2022 till December 31, 2022. If the acquisition had occurred on January 1, 2022, management estimates that the consolidated revenue would have been EGP 7,699,325,133 and consolidated profit for the year would have been 952,855,465. In determining these amounts, the management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2022.

**20 Borrowings**

	2022			2021		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
	EGP	EGP	EGP	EGP	EGP	EGP
Borrowings	244,539,007	739,496,389	984,035,396	197,005,385	587,634,700	784,640,085

The break-up of the short-term borrowings is as follows:

	2022	2021
	EGP	EGP
Balance due within 1 year	237,632,559	191,696,203
Accrued interest	6,906,448	5,309,182
	<b>244,539,007</b>	<b>197,005,385</b>

**20.1 Loan obtained from International Finance Corporation ("IFC") by Edita Food Industries S.A.E. and Edita Participation Limited**

	2022			2021		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
	EGP	EGP	EGP	EGP	EGP	EGP
IFC loan	43,305,344	257,608,000	300,913,344	64,589,305	189,120,000	253,709,305

The break-up of the short-term borrowings is as follows:

	2022	2021
	EGP	EGP
Balance due within 1 year	39,632,000	63,040,000
Accrued interest	3,673,344	1,549,305
	<b>43,305,344</b>	<b>64,589,305</b>

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**20 Borrowings (continued)**

**20.1 Loan obtained from International Finance Corporation ("IFC") by Edita Food Industries S.A.E. and Edita Participation Limited (continued)**

In June 2019, the Group signed an agreement with a financial institution to obtain a loan amounting to USD 20,000,000.

The Group is obligated to pay USD 20,000,000 in 10 equal semi-annual instalments, with each instalment amounting to USD 2,000,000 from May 2021 to November 2025.

The interest rate on the loan is 4% above the 6 months' USD Libor rate (refer Note 20.7).

Fair value is approximately equal the carrying amount since the loan is bearing variable interest rate that approximate the market prevailing rates.

**20.2 Loans obtained by Edita Food Industries S.A.E.**

	2022			2021		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
	EGP	EGP	EGP	EGP	EGP	EGP
Second loan	-	-	-	9,221,688	-	9,221,688
Third loan	-	-	-	16,044,582	-	16,044,582
Fourth loan	40,000,000	20,000,000	60,000,000	40,050,000	60,000,000	100,050,000
Seventh loan	34,762,943	40,702,977	75,465,920	9,567,069	78,616,366	88,183,435
Eighth loan	15,258,754	83,857,170	99,115,924	12,935,925	57,904,510	70,840,435
Ninth loan	14,122,163	75,209,377	89,331,540	75,198	61,763,341	61,838,539
Tenth loan	17,667,379	40,730,195	58,397,574	26,754	52,824,954	52,851,708
<b>Total</b>	<b>121,811,239</b>	<b>260,499,719</b>	<b>382,310,958</b>	<b>87,921,216</b>	<b>311,109,171</b>	<b>399,030,387</b>

The sixth loan is the IFC loan which is separately disclosed in Note 20.1.

The break-up of the short-term borrowings is as follows:

	2022 EGP	2021 EGP
Balance due within 1 year	121,811,239	87,293,990
Accrued interest	-	627,226
	<b>121,811,239</b>	<b>87,921,216</b>

Type	Guarantees	Currency	Tenure	Interest rate
Second loan	Cross corporate guarantee Digma Trading Company amounted to EGP 90,000,000	EGP	7 years with first installment in April 2017	1 % above lending rate of Central Bank of Egypt.
Third loan	Cross corporate guarantee Digma Trading Company amounted to EGP 202,234,888	EGP/USD	7 years with first installment in April 2017	1% above mid corridor rate of Central Bank of Egypt and 4.5% above the Libor rate (1 month) (refer Note 20.7).
Fourth loan	Cross corporate guarantee Digma Trading Company amounted to EGP 220,000,000 and 6,000,000 Euro	EGP/USD	7 years with first installment in May 2017	0.5% above mid corridor rate of Central Bank of Egypt and average 4% above USD Libor rate (6 months) (refer Note 20.7).



**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**20 Borrowings (continued)**

**20.2 Loans obtained by Edita Food Industries S.A.E. (continued)**

Type	Guarantees	Currency	Tenure	Interest rate
Seventh loan	Cross corporate guarantee Digma Trading Company	EGP	7 years with first installment in November 2022	8%
Eighth loan	Cross corporate guarantee Digma Trading Company	EGP	7 years with first installment in June 2022	8 %
Ninth loan	Cross corporate guarantee Digma Trading Company	EGP	7 years with first installment in September 2023	8 %
Tenth loan	None	EGP	7 years with first installment in July 2023	8 %

The fair values of the afore-said loans, as at December 31, 2022, are determined as follows:

	Fair values at reporting date		Carrying amounts	
	2022 EGP	2021 EGP	2022 EGP	2021 EGP
Seventh loan	80,431,297	89,672,295	75,465,920	88,183,435
Eighth loan	95,257,062	72,713,690	99,115,924	70,840,435
Ninth loan	58,779,116	60,817,806	89,331,540	61,838,539
Tenth loan	86,579,417	52,348,719	58,397,574	52,851,708

The fair values of the remaining loans approximately equal their carrying amounts since the loans bear variable interest rates that approximate the prevailing market rates.

**20.3 Loans obtained by Digma for Trading**

	2022			2021		
	Short-term portion EGP	Long-term portion EGP	Total EGP	Short-term portion EGP	Long-term portion EGP	Total EGP
First loan	36,466,982	50,043,317	86,510,299	36,330,058	83,405,529	119,735,587

The break-up of the short-term borrowings is as follows:

	2022 EGP	2021 EGP
Balance due within 1 year	33,362,211	33,362,211
Accrued interest	3,104,771	2,967,847
	<u>36,466,982</u>	<u>36,330,058</u>

The Group obtained a loan from a financial institution based on a cross corporate guarantee issued from Edita Food Industries S.A.E. amounting to EGP 155 million.

The Group is obligated to pay the loan in 9 semi-annual instalments amounting to EGP 16,681,106 and the first instalment is due on August 27, 2021 and the last instalment is due on February 27, 2025.

The interest rate is 1% above the Central Bank of Egypt's mid corridor rate.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**20 Borrowings (continued)**

**20.3 Loans obtained by Digma for Trading (continued)**

The fair value of the loan approximately equals its carrying amount since the loan bears variable interest rate that approximates the prevailing market rates.

**20.4 Loan obtained by Edita Confectionery Industries Company**

	2022			2021		
	Short-term portion EGP	Long-term portion EGP	Total EGP	Short-term portion EGP	Long-term portion EGP	Total EGP
First loan	4,128,333	-	4,128,333	8,164,806	4,000,000	12,164,806

The break-up of the short-term borrowings is as follows:

	2022 EGP	2021 EGP
Balance due within 1 year	4,000,000	8,000,000
Accrued interest	128,333	164,806
	<b>4,128,333</b>	<b>8,164,806</b>

The Group obtained a loan facility of EGP 40 million from one of the commercial banks. The Group utilised the whole loan.

The Group is obligated to pay the loan in 3 semi-annual instalments with the first instalment is due in June 2022 and last instalment due in June 2023. The interest rate is 0.5% plus the lending rate.

The fair value of the loan approximately equals its carrying amount since the loan bears variable interest rate that approximates the prevailing market rates.

**20.5 Loan obtained by Edita Food Industries Morocco**

	2022			2021		
	Short-term portion EGP	Long-term portion EGP	Total EGP	Short-term portion EGP	Long-term portion EGP	Total EGP
First loan	38,827,109	171,345,353	210,172,462	-	-	-

The break-up of the short-term borrowings is as follows:

	2022 EGP	2021 EGP
Balance due within 1 year	38,827,109	-
Accrued interest	-	-
	<b>38,827,109</b>	<b>-</b>

Type	Guarantees	Currency	Tenure	Interest rate
First loan	Assets Pledge	MAD	7 years over 20 quarterly Instalments starting Aug 22	6.00%
Second loan	Sales Proceeds	MAD	21 months over 6 Instalments starting after 16 Month from 1 <sup>st</sup> withdrawal	5.75%
Third loan	Sales Proceeds	MAD	270 Days, Revolving	5.75%
Fourth loan	Backed by capital increase amount	MAD	3 months paid in full following capital increase	5.75%

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**20 Borrowings (continued)**

**20.5 Loans obtained by Edita Food Industries Morocco (continued)**

The fair value of the loan approximately equals its carrying amount since the loan bears 5.75% interest rate that approximates the prevailing market rates.

**20.6 Deferred government grants**

The Group obtained a loan facility of EGP 441 million from commercial banks under the Central Bank of Egypt initiative to support the Egyptian manufacturing companies. According to the initiative, the loan was obtained at interest rate of 8% that is lower than the prevailing market rate of similar loans by average 2% and recognised in profit or loss over the years necessary to match them with the costs that they are intended to compensate. The deferred government grants are recognised according to the following schedule:

	2022 EGP	2021 EGP
Long term portion	16,912,608	9,897,288
Short-term portion (Note 26)	4,111,485	4,465,554
	<u>21,024,093</u>	<u>14,362,842</u>
	2022 EGP	2021 EGP
Edita Food Industries S.A.E. (A)	11,237,250	14,362,842
Edita Food Industries Morocco (B)	9,786,843	-
	<u>21,024,093</u>	<u>14,362,842</u>

**A. Edita Food Industries S.A.E.**

	2022			2021		
	Short-term portion EGP	Long-term portion EGP	Total EGP	Short-term portion EGP	Long-term portion EGP	Total EGP
Seventh loan	2,281,071	4,057,431	6,338,502	2,517,522	4,931,993	7,449,515
Eighth loan	861,078	1,415,991	2,277,069	1,055,420	2,277,069	3,332,489
Ninth loan	588,420	1,200,392	1,788,812	497,622	1,476,828	1,974,450
Tenth loan	380,916	451,951	832,867	394,990	1,211,398	1,606,388
<b>Total</b>	<u>4,111,485</u>	<u>7,125,765</u>	<u>11,237,250</u>	<u>4,465,554</u>	<u>9,897,288</u>	<u>14,362,842</u>

**B. Edita Food Industries Morocco**

	2022 EGP	2021 EGP
Investment subsidy, long-term portion	<u>9,786,843</u>	-

**20.7 Interest rate benchmark reform**

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offer rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform').

As at December 31, 2022, the Group's IBOR exposure, indexed to USD LIBOR, is limited to two existing loans. The management is under discussion with the respective borrowers for necessary amendments to these loan agreements having contractual terms indexed to USD LIBOR. The management believes that the impact of revision of the loan agreements will not have a material impact on the consolidated financial statements of the Group in future periods (refer Note 20.1 and Note 20.2 for details).

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**21 Employee benefit obligations**

Employees of the Group are entitled to benefits upon their retirement based on a defined benefit plan. The entitlement is based on the length of service i.e. minimum 10 years and final remuneration package of the employee upon retirement (refer Note 4). The plan is fully funded by the Group and no separately administered fund has been established in this regard. The defined benefit obligation is calculated using the projected credit unit method, and takes into consideration the principal actuarial assumptions as disclosed below.

	2022	2021
Discount rate	15.5%	14.5%
Average salary increase rate	15.0%	10.0%
Turnover rate	16.0%	20.0%
Life table (years)	49-52	49-52

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

	2022	2021
	EGP	EGP
Present value of obligations	<u>33,396,656</u>	24,103,494

Movement in the liability recognised in the consolidated statement of financial position is as follows:

	2022	2021
	EGP	EGP
Balance as at January 1,	24,103,494	20,164,016
Interest expenses	3,736,042	2,923,782
Current service cost	8,113,982	489,745
<b>Total amount recognised in profit or loss</b>	<u>11,850,024</u>	3,413,527
Remeasurement (gain)/loss from changes in assumptions	(1,581,166)	2,476,661
<b>Total amount recognised in other comprehensive income</b>	<u>(1,581,166)</u>	2,476,661
Paid during the year	(975,696)	(1,950,710)
<b>Balance as at December 31,</b>	<u>33,396,656</u>	24,103,494

**Sensitivity in Defined Benefit Obligations:**

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is:

	<u>Change in assumption</u>		<u>Increase in assumption</u>		<u>Decrease in assumption</u>
Discount rate	1.0%	Decrease by	5.0%	Increase by	5.0%
Salary increase	0.5%	Increase by	5.0%	Decrease by	5.0%
Mortality age	1.0%	Increase by	10.0%	Decrease by	9.0%

The above sensitivity analyses are based on a change in discount rate while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liabilities recognised in the consolidated statement of financial position.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**22 Deferred tax liabilities - net**

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

	2022						2021 Total EGP
	Fixed assets		Acquiring Digma Trading Company for		Other provisions		
	EGP	EGP	EGP	EGP	EGP	EGP	
<b>Deferred tax assets</b>							
As at January 1,	-	-	9,688,815	-	4,377,787	14,066,602	19,696,105
Acquired through business combination (Note 10)	-	-	-	9,278,278	-	9,278,278	-
Adjustments during the year	-	-	(1,054,163)	-	-	(1,054,163)	-
Foreign currency translation differences	-	-	3,964,899	-	-	3,964,899	-
Charged to consolidated statement of profit or loss	-	-	11,780,740	11,452,643	3,638,527	26,871,910	(5,629,503)
<b>As at December 31,</b>	-	-	<b>20,415,392</b>	<b>24,695,820</b>	<b>8,016,314</b>	<b>53,127,526</b>	<b>14,066,602</b>
<b>Deferred tax liabilities</b>							
As at January 1,	(216,521,540)	(2,373,669)	-	-	-	(218,895,209)	(193,810,025)
Adjustments during the year	1,095,334	-	-	-	-	1,095,334	-
Charged to consolidated statement of profit or loss	(30,250,624)	240,424	-	-	-	(30,010,200)	(25,085,184)
<b>As at December 31,</b>	<b>(245,676,830)</b>	<b>(2,133,245)</b>	-	-	-	<b>(247,810,075)</b>	<b>(218,895,209)</b>
<b>Deferred tax liabilities - net</b>	<b>(245,676,830)</b>	<b>(2,133,245)</b>	<b>20,415,392</b>	<b>24,695,820</b>	<b>8,016,314</b>	<b>(194,682,549)</b>	<b>(204,828,607)</b>
As at January 1,	(216,521,540)	(2,373,669)	9,688,815	-	4,377,787	(204,828,607)	(174,113,920)
Acquired through business combination (Note 10)	-	-	-	9,278,278	-	9,278,278	-
Adjustments during the year	1,095,334	-	(1,054,163)	-	-	41,171	-
Foreign currency translation differences	-	-	3,964,899	-	-	3,964,899	-
Charged to consolidated statement of profit or loss	(30,250,624)	240,424	11,780,740	11,452,643	3,638,527	(3,138,290)	(30,714,687)
<b>As at December 31,</b>	<b>(245,676,830)</b>	<b>(2,133,245)</b>	<b>20,415,392</b>	<b>24,695,820</b>	<b>8,016,314</b>	<b>(194,682,549)</b>	<b>(204,828,607)</b>

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**23 Lease liabilities**

Lease liabilities are presented in the consolidated statement of financial position as follows:

	2022				2021 Total EGP
	Branch premises and warehouses		Motor vehicles	Total	
	Land EGP	EGP	EGP	EGP	
As at January 1,	-	59,585,793	-	59,585,793	64,491,724
Additions during the year	24,032,913	10,518,209	6,062,460	40,613,582	1,319,215
Assumed through business combination (Note 10)	19,763,046	-	-	19,763,046	-
Interest on lease liabilities (Note 31)	1,012,415	8,804,351	523,864	10,340,630	9,561,756
Payments during the year	(1,571,309)	(17,957,002)	(434,781)	(19,963,092)	(15,786,902)
Foreign currency translation Differences	4,803,347	-	(663,274)	4,140,073	-
<b>As at December 31,</b>	<b>48,040,412</b>	<b>60,951,351</b>	<b>5,488,269</b>	<b>114,480,032</b>	<b>59,585,793</b>
Non-current liabilities	47,058,436	49,970,129	5,181,004	102,209,569	51,734,242
Current liabilities	981,976	10,981,222	307,265	12,270,463	7,851,551
<b>Lease liabilities</b>	<b>48,040,412</b>	<b>60,951,351</b>	<b>5,488,269</b>	<b>114,480,032</b>	<b>59,585,793</b>

The corresponding right-of-use assets pertaining to these lease liabilities are presented in Note 8.

Commitments in relation to leases payable and present value of lease liabilities are as follows:

	2022				2021 Total EGP
	Branch premises and warehouses		Motor vehicles	Total	
	Land EGP	EGP	EGP	EGP	
<b>Commitments in relation to leases</b>					
Within one year	4,100,696	19,026,394	1,989,443	25,116,533	16,241,272
Later than one year and less than five years	17,325,440	48,702,921	5,069,648	71,098,009	58,158,360
Later than five years	57,750,803	33,495,232	552,263	91,798,298	29,848,432
<b>Minimum lease payments</b>	<b>79,176,939</b>	<b>101,224,547</b>	<b>7,611,354</b>	<b>188,012,840</b>	<b>104,248,064</b>
<b>Present value of lease liabilities</b>					
Within one year	981,976	10,981,222	307,265	12,270,463	7,851,551
Later than one year and less than five years	6,582,141	28,723,472	3,983,289	39,288,902	33,442,598
Later than five years	40,476,295	21,246,657	1,197,715	62,920,667	18,291,644
<b>Present value of minimum lease payments</b>	<b>48,040,412</b>	<b>60,951,351</b>	<b>5,488,269</b>	<b>114,480,032</b>	<b>59,585,793</b>

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**24 Provisions**

	2022	2021
	EGP	EGP
As at January 1,	33,978,251	34,413,053
Additions during the year (Note 29)	39,747,482	10,178,161
Assumed through business combination (Note 10)	99,733	-
Utilised during the year	(739,577)	(10,554,328)
Provision no longer required	(398,669)	(58,635)
Foreign currency translation differences	27,162	-
<b>As at December 31,</b>	<b>72,714,382</b>	<b>33,978,251</b>

Provisions relate to claims expected to be made by authorities and third parties in connection with the Group's operations and obligations. The provisions are re-assessed and reviewed by management at each reporting date and the amount provided is adjusted based on latest development, discussions and agreements with third parties.

**25 Bank overdraft**

Bank overdraft amounted to EGP 501.66 million (2021: EGP 404.57 million) and is an integral part of the Group's cash management to finance its working capital. The average interest rate for bank overdraft was 8.23% as at December 31, 2022 (2021: 8.05%).

**26 Trade and other payables**

	2022	2021
	EGP	EGP
Trade payables	524,988,996	337,565,526
Accrued expenses	236,369,335	115,904,315
Taxes payable	74,269,177	41,864,918
Notes payable	64,275,968	42,259,316
Other credit balances	48,723,556	29,104,997
Contract liabilities – Advances from customers (Note 38)	27,928,543	13,690,843
Contract liabilities – accrued rebates (Note 38)	15,066,090	12,634,941
Social insurance	9,165,163	7,361,630
Deferred government grants (Note 20)	4,111,485	4,465,554
Dividends payable	1,331,372	1,097,065
<b>Total</b>	<b>1,006,229,685</b>	<b>605,949,105</b>

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

**27 Current income tax liabilities**

	2022	2021
	EGP	EGP
As at January 1,	30,584,092	29,897,178
Income tax paid during the year	(42,184,437)	(48,319,265)
Withholding tax receivable	(18,708,449)	(7,127,238)
Income tax for the year	308,213,597	131,672,426
Corporate income tax - advance payments	(69,102,195)	(63,709,382)
Adjustment in relation to investment in Treasury Bills	(9,680,720)	(8,982,821)
Accrued interest - advance payments (Note 30)	(1,511,605)	(2,846,806)
<b>As at December 31,</b>	<b>197,610,283</b>	<b>30,584,092</b>



**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**28 Other income**

	2022	2021
	EGP	EGP
Government grants - export subsidies	20,805,217	29,904,977
Gain from disposal of property, plant and equipment (Note 35)	16,645,687	17,846,453
Government grants - reduced interest loans	5,635,545	3,281,728
Other income	7,746,887	7,087,114
<b>Net</b>	<b>50,833,336</b>	<b>58,120,272</b>

**29 Other expenses**

	2022	2021
	EGP	EGP
Other provisions (Note 24)	39,747,482	10,178,161
Solidarity contribution	33,558,542	23,448,198
<b>Total</b>	<b>73,306,024</b>	<b>33,626,359</b>

**30 Finance income**

	2022	2021
	EGP	EGP
Interest income	110,243,000	74,237,378
Interest income – corporate tax advance payment (Note 27)	1,511,605	2,846,806
	<b>111,754,605</b>	<b>77,084,184</b>

**31 Finance cost**

	2022	2021
	EGP	EGP
Interest expense	101,210,509	74,944,739
Interest on lease liabilities (Note 23)	10,340,630	9,561,756
<b>Total</b>	<b>111,551,139</b>	<b>84,506,495</b>

**32 Income tax expense**

	2022	2021
	EGP	EGP
Profit for the year	959,432,071	471,903,603
Income tax expense	311,351,887	162,387,113
<b>Profit before tax</b>	<b>1,270,783,958</b>	<b>634,290,716</b>
Tax calculated based on applicable tax rates (i.e. 22.5%)	285,926,391	142,715,411
Tax effect of non-deductible expenses	25,425,496	19,671,702
<b>Total tax expense</b>	<b>311,351,887</b>	<b>162,387,113</b>
<b>Effective tax rate</b>	<b>25%</b>	<b>26%</b>

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**33 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 year.

	2022	2021
Profit attributable to owners of the Parent (EGP)	<u>964,866,603</u>	<u>471,737,825</u>
<b>Weighted average number of ordinary shares in issue</b>		
Ordinary shares (Note 17)	723,058,439	723,058,439
Treasury shares (Note 17)	<u>(15,814,199)</u>	-
<b>Weighted average number of ordinary shares in issue</b>	<u>707,244,240</u>	<u>723,058,439</u>
<b>Basic earnings per share (EGP)</b>	<u>1.36</u>	<u>0.65</u>

**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 equivalent to the basic earnings per share.

**34 Expenses by nature**

	2022	2021
	EGP	EGP
Cost of sales	5,063,343,087	3,577,857,519
Distribution cost	866,522,191	720,231,019
Administrative expenses	<u>472,877,272</u>	<u>340,281,645</u>
	<u>6,402,742,550</u>	<u>4,638,370,183</u>
Materials consumed (Note 11)	4,197,141,068	2,869,615,358
Salaries and wages	821,890,314	620,125,052
Advertising and marketing	363,584,520	287,847,688
Depreciation and amortization	226,865,873	193,528,597
Employee benefits	194,584,594	168,360,410
Gas, water and electricity	119,008,148	103,327,440
Logistics services	78,943,801	73,317,440
Vehicle expense	70,316,384	60,471,423
Transportation expenses	66,267,558	59,883,707
Maintenance	60,718,496	49,500,785
Group's share in social insurance	58,337,455	55,143,826
Licensing fees and charges	39,382,374	32,933,343
Legal and professional expenses	27,000,789	13,348,372
Cleaning expenses	15,530,819	11,655,670
Travelling expenses	11,500,117	1,488,090
Miscellaneous and other expense	<u>51,670,240</u>	<u>37,822,982</u>
<b>Total</b>	<u>6,402,742,550</u>	<u>4,638,370,183</u>

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**35 Cash flow information**

**A. Cash generated from operations**

	Notes	2022 EGP	2021 EGP
<b>Cash flows from operating activities</b>			
Profit for the year before income tax		1,270,783,958	634,290,716
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	7	208,096,926	180,044,246
Depreciation of right-of-use assets	8	12,734,711	10,993,385
Amortisation of intangible assets	9	6,034,236	2,490,966
Gain on disposal of joint venture accounted for using equity method	10	(32,615,049)	-
Share of net loss of joint venture accounted for using equity method	10	4,989,639	5,823,361
Loss on disposal of financial assets at fair value through profit or loss	15	22,172,000	-
Gain on remeasurement of financial assets at fair value through profit or loss		-	(8,508,793)
Gain on disposal of property, plant and equipment	28	(16,645,687)	(17,846,453)
Government grants	28	(5,635,545)	(3,281,728)
Provision no longer required	24	(398,669)	(58,635)
Provision for employee benefit obligations	21	11,850,024	3,413,527
Provision for slow moving inventory	11	3,900,000	2,000,000
Other provisions	29	39,747,482	10,178,161
Interest income	30	(111,754,605)	(77,084,184)
Interest expense	31	101,210,509	74,944,739
Interest on lease liabilities	31	10,340,630	9,561,756
Foreign exchange gain		(34,991,475)	(4,924,532)
		<u>1,489,819,085</u>	<u>822,036,532</u>
<i>Change in working capital</i>			
Inventories		(444,786,066)	(213,219,020)
Trade and other receivables		(296,853,057)	(99,462,264)
Trade and other payables		347,899,820	30,190,657
Provisions		1,558,401	(10,554,328)
Payments of employee benefit obligations	21	(975,696)	(1,950,710)
<b>Cash generated from operations</b>		<u>1,096,662,487</u>	<u>527,040,867</u>

**B. Non-cash investing and finance activities**

- Transfer to property, plant and equipment from projects under construction. (Note 7).
- Acquisition of right-of-use assets (Note 8).

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2022 EGP	2021 EGP
Proceeds from disposal of property, plant and equipment	53,922,383	20,083,916
Net book value	(37,276,696)	(2,237,463)
<b>Gain on disposal of property, plant and equipment (Note 28)</b>	<u>16,645,687</u>	<u>17,846,453</u>

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**35 Cash flow information (continued)**

**C. Changes in liabilities arising from financing activities**

	2022 EGP	2021 EGP
Cash and cash equivalents	(7,275,177)	(241,111,348)
Borrowings - repayable within 1 year	(244,539,007)	(197,005,385)
Borrowings - repayable after 1 year	(739,496,389)	(587,634,700)
Lease liabilities	(114,480,032)	(59,585,793)
<b>Total</b>	<b>(1,105,790,605)</b>	<b>(1,085,337,226)</b>

	Cash and cash equivalent EGP	Borrowing due within 1 year EGP	Borrowing due after 1 year EGP	Lease Liabilities EGP	Total EGP
Net debt as at					
January 1, 2022	(241,111,348)	(197,005,385)	(587,634,700)	(59,585,793)	(1,085,337,226)
Cash flows	233,836,171	(36,005,295)	(22,818,692)	19,963,096	194,975,280
New leases	-	-	-	(60,304,700)	(60,304,700)
Interest expense	-	(19,586,850)	(59,248,897)	(10,340,630)	(89,176,377)
Interest repayment	-	17,823,313	53,914,317	10,340,630	82,078,260
Government grant	-	4,465,550	-	-	4,465,550
Foreign exchange Adjustment	-	(14,230,340)	(123,708,417)	(14,552,635)	(152,491,392)
<b>Net debt as at December 31, 2022</b>	<b>(7,275,177)</b>	<b>(244,539,007)</b>	<b>(739,496,389)</b>	<b>(114,480,032)</b>	<b>(1,105,790,605)</b>

**36 Related parties**

The Group entered into several transactions with companies and entities that are included within the definition of related parties, as stated in IAS 24 - Related Party Disclosures. The related parties comprise the Group' 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.

Below is the statement that shows the nature and values of transaction with related parties during the year, and the balances due at reporting date.

<i>Due from related parties</i>	2022 EGP	2021 EGP
La Marocaine De Distribution De Logistiquis (other related party) (Note 13)	62,072,443	12,611,623
Edita Food Industries Morocco (subsidiary)	-	3,860,444
<b>Total (Note 13)</b>	<b>62,072,443</b>	<b>16,472,067</b>

The nature of transactions with La Marocaine De Distribution De Logistiquis during the years ended December 31, 2022 and December 31, 2021 are represented as follows:

	2022 EGP	2021 EGP
Sale of finished goods	176,171,728	10,601,197
Secured financing against shares subject to call option	-	12,611,623

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**36 Related parties (continued)**

The Group did not recognise any allowance for the expected credit losses (2021: EGP Nil) for the balance of related parties as a result of the low credit risk and no history of default.

**Key management compensation**

During the year ended December 31, 2022, the Group paid an amount of EGP 153,492,086 as benefits to the Board members and key management personnel (2021: EGP 106,372,585).

	2022		2021	
	Non-executive / independent board members	Key management personnel	Non-executive / independent board members	Key management personnel
	EGP	EGP	EGP	EGP
<i>Short term benefits</i>				
Salaries and compensation	4,900,000	146,904,158	151,804,158	102,319,939
Allowances	-	1,442,400	1,442,400	1,382,460
Other benefits	-	245,528	245,528	220,186
<b>Total</b>	<b>4,900,000</b>	<b>148,592,086</b>	<b>153,492,086</b>	<b>106,372,585</b>

**37 Segment reporting**

The Group operates across six segments in the Egyptian snack food market offering ten distinct brands:

Segment	Brand	Product
Cake	Tiger tail, Twinkies, Todo and Hobos	Traditional rolled filled and layered cake as well as brownies and packaged donut
Croissants	Molto	Sweet and savoury croissants and strudls
Rusks	Bake Rolz, Bake Stix	Baked wheat salty snack
Wafer	Freska	Filled wafers
Candy	Mimix	Hard, soft and jelly candy and lollipops
Biscuits	Oniro	Lava chocolate and Lava vanilla

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**37 Segment reporting (continued)**

Segment	Revenue		Gross profit/(loss)		Operating profit/(loss)	
	2022 EGP '000	2021 EGP '000	2022 EGP '000	2021 EGP '000	2022 EGP '000	2021 EGP '000
Cake	3,788,971	2,242,165	1,291,241	781,101	690,821	357,820
Croissants	2,524,780	1,928,844	906,354	611,351	430,150	234,666
Rusks	399,467	302,340	117,672	87,070	51,978	31,394
Wafer	742,867	610,567	249,513	170,457	95,985	28,376
Candy	176,035	151,637	36,621	21,825	10,123	(5,863)
Biscuits	38,959	14,368	6,436	773	(40,114)	(49,706)
Others	22	1,299	(79)	785	29,415	16,163
<b>Total</b>	<b>7,671,101</b>	<b>5,251,220</b>	<b>2,607,758</b>	<b>1,673,362</b>	<b>1,268,358</b>	<b>612,850</b>

Operating profit is reconciled to net profit as follows:

	2022 EGP '000	2021 EGP '000
Operating profit	1,268,358	612,850
Provision for employee benefit obligations	(11,850)	(3,414)
Provision for slow-moving inventory	(3,900)	(2,000)
Other income	50,833	58,120
Other expenses	(73,306)	(33,626)
Finance income	111,755	77,084
Finance cost	(111,551)	(84,506)
Foreign exchange gain – net	34,991	7,097
Gain on disposal of joint venture accounted for using equity method	32,615	-
Share of net losses of joint venture accounted for using the equity method	(4,990)	(5,823)
Loss on disposal of financial assets at fair value through profit or loss	(22,172)	-
Gain on remeasurement of financial assets at fair value through profit or loss	-	8,509
Income tax expense	(311,351)	(162,387)
<b>Net profit</b>	<b>959,432</b>	<b>471,904</b>

The figures disclosed in the segment note are rounded off to the nearest thousand EGP.

The segment information disclosed in the table above represents the segment information provided to the Chief Operating Decision Maker 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, Candy and Biscuits do not meet the quantitative threshold required by IFRS 8 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.

All of the segments' sales are made to external customers.

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

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 at the Group level.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

**37 Segment reporting (continued)**

**Geographical segments:**

As at December 31, The Group assets and liabilities are geographically located as follows:

	Non-current assets		Current assets		Total assets	
	2022	2021	2022	2021	2022	2021
	EGP '000	EGP '000	EGP '000	EGP '000	EGP '000	EGP '000
Egypt	2,367,045	2,371,145	2,626,556	1,677,768	4,993,601	4,048,913
Morocco	352,009	-	263,717	-	615,726	-
Cyprus	149,109	91,790	25,470	77,467	174,579	169,257
<b>Total</b>	<b>2,868,163</b>	<b>2,462,935</b>	<b>2,915,743</b>	<b>1,755,235</b>	<b>5,783,906</b>	<b>4,218,170</b>

	Non-current liabilities		Current liabilities		Total liabilities	
	2022	2021	2022	2021	2022	2021
	EGP '000	EGP '000	EGP '000	EGP '000	EGP '000	EGP '000
Egypt	620,414	758,178	1,770,488	1,221,550	2,390,902	1,979,728
Cyprus	257,608	-	35,106	-	292,714	-
Morocco	208,676	120,020	229,432	58,385	438,108	178,405
<b>Total</b>	<b>1,086,698</b>	<b>878,198</b>	<b>2,035,026</b>	<b>1,279,935</b>	<b>3,121,724</b>	<b>2,158,133</b>

Geographical location-wise disaggregation of revenue of the Group are as follows:

	2022	2021
	EGP '000	EGP '000
Egypt	6,958,388	4,937,689
Iraq	199,860	93,818
Morocco	176,172	4,438
Palestine	133,696	98,174
Libya	92,006	46,014
Jordan	74,655	52,999
Other Middle Eastern Countries	36,324	18,088
<b>Total</b>	<b>7,671,101</b>	<b>5,251,220</b>

**38 Revenue from contracts with customers**

	2022	2021
	EGP	EGP
Sales, gross	7,812,725,448	5,349,233,501
Trade discounts	(101,083,917)	(61,100,000)
Sales returns	(40,540,662)	(36,913,510)
<b>Sales, net</b>	<b>7,671,100,869</b>	<b>5,251,219,991</b>

**A. Disaggregation of revenue from contracts with costumers**

The Group derives revenue from the transfer of goods at a point in time. The Group disaggregate revenue by products line and by geographical location as disclosed in Note 37 (segment reporting).

**B. Contract liabilities**

	2022	2021
	EGP	EGP
Advances from customers (Note 26)	27,928,543	13,690,843
Accrued rebates (Note 26)	15,066,090	12,634,941
<b>Total contract liabilities</b>	<b>42,994,633</b>	<b>26,325,784</b>

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**38 Revenue from contracts with customers (continued)**

**B. Contract liabilities (continued)**

The increase in contract liabilities was mainly due to the increase in advance payments made by the export customers during the year.

The movement in advances from customers during the year is as follows:

	2022	2021
	EGP	EGP
As at January 1,	13,690,843	9,666,224
Contract liabilities recognised for sale of goods	(13,690,843)	(9,666,224)
Contract liabilities arisen during the year	27,928,543	13,690,843
<b>As a December 31,</b>	<b>27,928,543</b>	<b>13,690,843</b>

**39 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or pay the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, the most advantageous market for the asset or the liability.

The Group should be able to have access to the principal market or the most advantageous market. In the absence of principal market, the Group does not need to conduct a thorough search of possible markets to determine the principal or the most advantageous market. However, the Group takes into consideration all information reasonably available.

The below shows the financial assets and liabilities at fair value in the consolidated financial statements as at December 31, 2022 within the hierarchy of the fair value, based on the input levels that are considered to be significant to the fair value measurement as a whole:

- Level 1 - Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities which the Group can have access to at the date of measurement.
- Level 2 - Inputs other than quoted prices included within level I that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs of the asset or the liability.

The fair values of financial instruments are not materially different from their carrying values. The fair value of financial assets and liabilities are considered at the amount at which the instrument could be exchanged in a current transaction between willing parties.

The following methods and assumptions were used to estimate the fair values:

- Cash and bank balances, trade receivables, other financial assets, due from related parties, trade and other payables and due to related parties approximate their carrying amounts, largely due to the short-term maturities of these instruments.
- For variable interest-bearing loans, fair value is approximately equal to the carrying amount since the loans bear variable interest rate that approximate the market prevailing rates.
- The fair value of the fixed interest-bearing loans at the reporting date has been calculated by discounting the future cash outflows (level 3 fair value measurement) using the prevailing market rate of interest ranging from 9.25% to 10.75% at the reporting date. The fair value of loans is disclosed in Note 20.
- Fair value of net assets of Edita Food Industries Morocco, as at the date of acquisition, has been determined using valuation method as disclosed in Note 10 (level 3 fair value measurement).



**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**40 Commitments and contingent liabilities**

**Capital commitments**

The Group has capital commitments of EGP 96,587,976 million as at December 31, 2022 (2021: EGP 580,000,000) in respect of capital expenditure (Note 7).

**Contingent liabilities**

The banks have issued letters of credit, internal document collections and letters of guarantee in favor of the Company amounting to EGP 320,653,365 which guarantee the Company for the goods imported (2021: EGP 29,085,087).

The banks have issued letter of credit in favor of Digma for Trading amounting to EGP 1,500,000 which guarantee the Company for the goods imported (2021: EGP 250,000).

The banks have issued letter of credit in favor of Edita Confectionery Industries amounting to EGP 5,837,326 which guarantee the Company for the goods imported (2021: EGP Nil).

These contingent liabilities are not expected to result in material losses for the Group in the foreseen future and not consider it probable that there will be an outflow of economic resources with regard to these contingent liabilities.

**41 Tax position**

Due to the nature of tax assessment process in jurisdictions where the Group is operating, the final outcome of any assessment by the tax authorities might not be realistically estimated. Therefore, additional liabilities are contingent upon the tax inspection and assessment by the tax authorities. Below is a summary of the tax status of the Group as at reporting date.

**A. Edita Food Industries S.A.E.**

***Corporate tax***

The Company was tax exempted for a period of 10 years ended December 31, 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 January 1, 1998. The Company submits its tax on its legal period.

The tax inspection was performed for the period from the Company's inception till December 3, 2016, and all taxes due were paid.

For the years from 2017 to 2019, the Company has filed the tax returns in its legal periods and has paid the tax liability. However, the tax inspection is in process by relevant tax authorities.

For the years from 2020 to 2022, the Company has filed tax returns according to Law No. 91 of 2005 in its legal periods and has paid the tax liability. Further the Company has not been inspected by the relevant tax authorities yet for this period. However, based on the additional claim received from the relevant tax authorities as a result of past inspections, the Group has created additional provision to meet any additional claims that might arise from tax inspection for the years from 2017 onwards.

***Payroll tax***

The payroll tax inspection was performed and settled till the end of December 31, 2019.

For the years from 2020 to 2022, the Company has submitted annual tax forms and payroll reconciliations on time to the relevant tax authorities. However, the Company has not been inspected by the relevant tax authorities yet for this period.

***VAT and Sales tax***

The sales tax inspection was performed and settled till the end of December 31, 2019.

For the years from 2020 to 2022, the Company has submitted monthly tax returns on time to the relevant tax authorities. However, the Company has not been inspected by the relevant tax authorities yet for this period.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**41 Tax position (continued)**

**A. Edita Food Industries S.A.E. (continued)**

*Stamp duty tax*

The stamp duty tax inspection was performed and settled till the end of December 31, 2019.

The Company has not been inspected by the relevant tax authorities for the years from 2020 to 2022.

**B. Digma for Trading Company**

*Corporate tax*

Digma for Trading Company is subject to the corporate income tax according to Tax Law No. 91 of 2005, as amended.

The tax inspection was performed for the period from the Company's inception till December 3, 2017, and all taxes due were paid.

For the years from 2018 to 2022, Digma for Trading Company has filed tax returns according to Law No. 91 of 2005 in its legal periods and has paid the tax liability. Further, the subsidiary has not been inspected by the relevant tax authorities yet for this period.

*Payroll tax*

The tax inspection was performed until December 31, 2019, and the tax resulting from the tax inspection and assessment were settled and paid to the relevant tax authorities.

For the years from 2020 to 2022, Digma for Trading Company has submitted annual tax forms and payroll reconciliations on time to the relevant tax authorities. However, the subsidiary has not been inspected by the tax authorities yet for this period.

*VAT and Sales tax*

The tax inspection was performed until December 31, 2020, and the tax resulting from the tax inspection and assessment were settled and paid to the relevant tax authorities.

For the years 2021 and 2022, Digma for Trading Company submitted its monthly sales VAT return on due date.

*Stamp tax*

The tax inspection was performed for the periods from inception till the end of December 31, 2020, and the tax resulting from the tax inspection and assessment were settled and paid to the relevant tax authorities.

For the years 2021 and 2022, Digma for Trading Company paid all tax dues.

**C. Edita Confectionary Industries Company**

*Corporate tax*

Edita Confectionary Industries Company is subject to the corporate income tax according to Tax Law No. 91 of 2005, as amended.

The corporate tax inspection was performed for the years from 2009 to 2016, and the difference was transferred to an internal committee.

Edita Confectionary Industries Company has not been inspected for the years from 2017 to 2020 and has submitted its tax returns to relevant tax authorities on due dates.

*Payroll tax*

The tax inspection was performed until December 31, 2019, and the tax resulting from the tax inspection and assessment were settled and paid to the relevant tax authorities.

**EDITA Food Industries (S.A.E.) and its Subsidiaries**  
**Consolidated Financial Statements**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended December 31, 2022**

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**41 Tax position (continued)**

**C. Edita Confectionary Industries Company (continued)**

*Payroll tax (continued)*

For the years from 2020 to 2022, Edita Confectionery Industries has submitted annual tax forms and payroll reconciliations on time to the relevant tax authorities. However, the subsidiary has not been inspected by the tax authorities yet for this period.

*VAT and Sales Tax*

The tax inspection was performed until December 31, 2020, and the tax resulting from the tax inspection and assessment were settled and paid to the relevant tax authorities.

For the years 2021 and 2022, Edita Confectionery Industries submitted its monthly sales VAT return on due date.

*Stamp Tax*

The stamp duty tax inspection was performed and settled till the end of December 31, 2020.

Edita Confectionery Industries has not been inspected by the relevant tax authorities for the years 2021 and 2022.

**42 Reclassification of comparative figures**

The following prior year amounts have been reclassified for consistency with the current year presentation and improve the quality of information presented.

*Reclassifications within consolidated statement of profit or loss:*

- Provision for employee benefit obligations and provision for slow-moving inventory, earlier included in other provisions, have been reclassified as a separate line item in the consolidated statement of profit or loss.
- Foreign exchange gain - net, earlier included in finance cost, have been reclassified as a separate line item in the consolidated statement of profit or loss.

*Reclassifications within expenses by nature note (refer Note 34):*

- Licensing fees and charges, legal and professional expenses, cleaning expenses and travelling expenses, earlier included in miscellaneous and other expense, have been reclassified as a separate line item in the expenses by nature note (refer Note 34).

These reclassifications had no effect on the consolidated financial position and consolidated financial performance of the Group for the year ended December 31, 2021. As the result of these reclassifications, the comparative figures for operating segment note (Refer Note 37) have also been changed accordingly.

**43 Subsequent events**

On February 13, 2023, the ordinary general assembly of the shareholders of Digma for Trading, a subsidiary, was held. The shareholders resolved to change the legal name of the subsidiary to Edita for Trading and Distribution (S.A.E.).

On February 26, 2023, the Board of Directors' meeting of the Company was held, wherein, it was agreed and approved to submit an offer to acquire 100% stake in an unlisted company operating in foods and beverages sector, after completing the requisite legal process and obtaining the necessary government approvals.

Subsequent to the year end, the ordinary general assembly of the Company's shareholders was held, wherein, dividends distribution of EGP 0.277 per share was approved.