

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

**Auditor's report AND  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2022**

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

## Consolidated financial statements - For the year 31 December 2022

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Translation of Auditor's Report

Originally issued in Arabic

### Auditor's Report

**To: The Shareholders of EDITA FOOD INDUSTRIES (S.A.E.)**

#### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of EDITA FOOD INDUSTRIES (S.A.E) and its subsidiaries (the Group), which comprise the consolidated financial position as of December 31, 2022, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Management's responsibility for the consolidated financial statements**

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

#### **Auditor's responsibility**

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

The company's prior year consolidated Financial Statements for the year ended December 31, 2021 were audited by another auditor who issued unqualified audit report dated March 14, 2022.



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

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

#### Opinion

In our opinion, the consolidated financial statements referred to above give a true and fair view, in all material respects, of the consolidated financial position of EDITA FOOD INDUSTRIES (S.A.E.) and its subsidiaries (the Group) as of December 31, 2022, the results of its operations and its cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and in the light of the related applicable Egyptian laws and regulations.

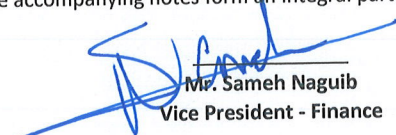
Cairo, February 28, 2023




**EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES**  
**Consolidated Statement of Financial Position as of 31 December 2022**

	Note	31 December 2022 EGP	31 December 2021 EGP
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment and projects under constructions	5	2 542 714 675	2 165 626 284
Right of use assets	6	102 879 883	55 651 129
Intangible assets	7	186 592 129	180 713 178
Investment in joint ventures	10	--	70 140 650
Goodwill	9	41 956 386	--
<b>Total non-current assets</b>		<b>2 874 143 073</b>	<b>2 472 131 241</b>
<b>Current assets</b>			
Inventories	8	981 499 151	526 494 164
Trade receivables	12	79 797 130	26 320 002
Debtors and Other Debit Balance	13	403 345 638	176 124 987
Due from related parties	34	62 072 443	16 472 067
Treasury Bills	14	894 641 441	769 965 310
Investments at Fair value through profit or loss	15	--	76 403 685
Cash and bank balances	16	494 387 224	159 565 557
<b>Total current assets</b>		<b>2 915 743 027</b>	<b>1 751 345 772</b>
<b>Total assets</b>		<b>5 789 886 100</b>	<b>4 223 477 013</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Paid up capital	17	144 611 688	144 611 688
Legal reserve	18	78 953 630	78 953 630
Cumulative translation reserve		( 42 435 638)	1 562 479
Transactions with non-controlling interest	19.a	( 32 132 098)	( 32 132 098)
Treasury Shares	17	( 160 827 557)	--
Retained earnings		2 687 811 227	1 917 983 230
<b>Total equity</b>		<b>2 675 981 252</b>	<b>2 110 978 929</b>
Non-controlling interest	19.b	40 997 184	689 847
<b>Total equity</b>		<b>2 716 978 436</b>	<b>2 111 668 776</b>
<b>Liabilities</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	22	194 670 330	205 882 770
Lease liabilities	23	105 015 892	55 125 122
<b>Total non-current liabilities</b>		<b>1 089 491 875</b>	<b>882 643 374</b>
<b>Current liabilities</b>			
Provisions	24	72 714 381	33 978 251
Bank overdraft	25	501 662 587	400 676 904
Trade and notes payables	26	632 225 898	379 874 874
Creditors and other credit balances	27	316 639 631	173 894 718
Current portion of borrowings	20	244 539 006	197 005 383
Deferred government grants	20	4 111 485	4 465 546
Current income tax liabilities	28	198 667 784	30 584 092
Lease liabilities	23	12 855 017	8 685 095
<b>Total current liabilities</b>		<b>1 983 415 789</b>	<b>1 229 164 863</b>
<b>Total liabilities</b>		<b>3 072 907 664</b>	<b>2 111 808 237</b>
<b>Total equity and liabilities</b>		<b>5 789 886 100</b>	<b>4 223 477 013</b>

- The accompanying notes form an integral part of these consolidated financial statements.

  
**Mr. Sameh Naguib**  
**Vice President - Finance**

  
**Eng. Hani Berzi**  
**Chairman**

- Auditor's report attached

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

**Consolidated statement of profit or loss**

**For the year ended 31 December 2022**

	Note	year ended	
		31 December 2022	31 December 2021
		<u>EGP</u>	<u>EGP</u>
Revenue		7 671 100 869	5 251 219 990
Cost of sales	33	<u>(5 033 938 556)</u>	<u>(3 559 706 634)</u>
<b>Gross profit</b>		<b>2 637 162 313</b>	<b>1 691 513 356</b>
Other income / expense	29	16 876 127	34 613 439
Distribution cost	33	(846 106 845)	(698 347 826)
Administrative expenses	33	(461 708 318)	(323 306 204)
Inventory write-down provision	8	(3 900 000)	(2 000 000)
Provisions	24	(39 348 811)	(10 119 525)
Employee Benefit Obligations provision	21	(11 850 024)	(3 413 527)
Finance Income	30.a	111 754 604	77 084 184
Foreign Exchange Gain		34 991 221	7 097 400
Finance cost	30.b	(110 717 594)	(83 483 300)
Fair value gain on investments at fair value through profit or loss	15	(22 172 000)	8 508 793
Profits from disposal of Joint venture		31 807 595	-
Share of net loss of joint ventures accounted for using the equity method		<u>(5 005 095)</u>	<u>(5 831 695)</u>
<b>Profit before income tax</b>		<b>1 331 783 173</b>	<b>692 315 095</b>
Income tax expense	31	<u>(311 436 923)</u>	<u>(163 444 612)</u>
<b>Net profit for the year</b>		<b>1 020 346 250</b>	<b>528 870 483</b>
<b>Profit is attributable to</b>			
Owners of the parent		1 025 696 831	528 739 989
Non-controlling interest		<u>( 5 350 581)</u>	<u>130 494</u>
<b>Net profit for the year</b>		<b>1 020 346 250</b>	<b>528 870 483</b>
<b>Basic and Diluted earnings per share</b>	32	<b>1.35</b>	<b>0.73</b>

- The accompanying notes form an integral part of these consolidated financial statements.

**EDITA FOOD INDUSTRIES S.A.E.**  
**Consolidated statement of comprehensive income**  
**For the year ended 31 December 2022**

	year ended	
	31 December 2022	31 December 2021
	<u>EGP</u>	<u>EGP</u>
<b>Net profit for the year</b>	1 020 346 250	528 870 483
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit or loss :-</b>		
Exchange differences on translation of foreign operations	( 43 998 117)	454 408
<b>Items that will not reclassified to profit or loss :-</b>		
Re-measurements of post-employment benefit obligations	1 581 166	( 2 476 661)
<b>Total comprehensive income for the year</b>	<u><u>977 929 299</u></u>	<u><u>526 848 230</u></u>
<b>Attributable to</b>		
Owners of the parent	983 279 880	526 717 736
Non-controlling interest	( 5 350 581)	130 494
<b>Total comprehensive income for the year</b>	<u><u>977 929 299</u></u>	<u><u>526 848 230</u></u>

- The accompanying notes form an integral part of these consolidated financial statements.

**EDITA FOOD INDUSTRIES S.A.E.**  
**Consolidated statement of changes in equity**  
**For the year ended 31 December 2022**

	Paid up capital		Legal reserve		Cumulative translation reserve		Transactions with non-controlling interest		Treasury Shares		Retained earnings		Total Owners of the parent		Non-controlling interest		Total owners' equity		
	EGP		EGP		EGP		EGP		EGP		EGP		EGP		EGP		EGP		EGP
<b>Balance at 1 January 2021</b>	145 072 580		78 629 880		1 108 071		(32 132 098)		(22 556 296)		1 608 789 056		1 778 911 193		559 353		1 779 470 546		
Net profit for the year	-		-		-		-	-	-		528 739 989		528 739 989		130 494		528 870 483		
other comprehensive income	-		-		454 408		-	-	-		(2 476 661)		(2 022 253)		-		(2 022 253)		
<b>Total comprehensive income for the year</b>	-		-		454 408		-	-	-		526 263 328		526 717 736		130 494		526 848 230		
<b>Shareholders transactions</b>																			
Treasury Shares write-off	(460 892)		-		-		-	22 556 296		(22 095 404)		-			-		-		
Dividends distribution for 2021	-		-		-		-	-		(194 650 000)		(194 650 000)			-		(194 650 000)		
Transfer to legal reserve	-		323 750		-		-	-		(323 750)		-			-		-		
<b>Total shareholders transactions</b>	(460 892)		323 750		-		-	22 556 296		(217 069 154)		-		(194 650 000)			(194 650 000)		
<b>Balance at 31 December 2021</b>	144 611 688		78 953 630		1 562 479		(32 132 098)	-		1 917 983 230		2 110 978 929		689 847		2 111 668 776			
<b>Balance at 1 January 2022</b>	144 611 688		78 953 630		1 562 479		(32 132 098)	-		1 917 983 230		2 110 978 929		689 847		2 111 668 776			
Net profit for the year	-		-		-		-	-		1 025 696 831		1 025 696 831		(5 350 581)		1 020 346 250			
Other comprehensive income for the year	-		-		(43 998 117)		-	-		1 581 166		(42 416 951)		10 463 354		(31 953 597)			
<b>Total comprehensive income for the year</b>	-		-		(43 998 117)		-	-		1 027 277 997		983 279 880		5 112 773		988 392 653			
<b>Shareholders transactions</b>																			
Joint venture adjustment	-		-		-		-	-		-		-		20 207 570		20 207 570			
Payment under capital increase - Edita Morocco	-		-		-		-	-		-		-		14 986 994		14 986 994			
Acquisition of Treasury Shares	-		-		-		-	(160 827 557)		-		(160 827 557)		-		(160 827 557)			
Dividends Distribution for 2022	-		-		-		-	-		(257 450 000)		(257 450 000)		-		(257 450 000)			
<b>Balance at 31 December 2022</b>	144 611 688		78 953 630		(42 435 638)		(32 132 098)	(160 827 557)		2 687 811 227		2 675 981 252		40 997 184		2 716 978 436			

- The accompanying notes form an integral part of these consolidated financial statements.



**EDITA FOOD INDUSTRIES S.A.E.**  
**Consolidated statement of cash flows**  
**For the year ended 31 December 2022**

	Notes	31 December 2022	31 December 2021
		EGP	EGP
<b>Cash flows from operating activities</b>			
Profit for the year before income tax		1 331 783 173	692 315 095
<b>Adjustments for:</b>			
Provisions	24	39 747 480	10 178 161
Provisions no longer required		( 398 669)	( 58 635)
Employee benefit obligation	21	11 850 024	3 413 527
Interest expense	30	101 210 509	74 944 642
Interest expense - Leases assets		9 507 087	8 538 558
Amortization -Lease	6	15 103 900	13 011 191
Fair value gain on financial assets at fair value through profit or loss	15	22 172 000	( 8 508 793)
Share of net loss of joint ventures accounted for using the equity method		5 005 095	5 831 695
Deferred Grant income		( 5 636 545)	( 3 281 728)
Interest income	30	( 110 242 998)	( 74 237 378)
Interest income - Corporate Tax advance payments		( 1 511 606)	( 2 846 806)
Depreciation and amortization		214 131 166	182 535 212
Provision of slow moving inventory	8	3 900 000	2 000 000
Gain from sale of property, plant and equipment	36	( 16 645 687)	( 17 846 453)
Foreign exchange gains		( 34 991 225)	( 4 893 685)
Proceeds from sale of Joint venture	11	( 31 807 595)	--
		<b>1 553 176 109</b>	<b>881 094 603</b>
Inventories		( 444 786 066)	( 213 219 016)
Trade receivables and other debit balances		( 296 853 057)	( 99 462 264)
Trade and other payables		346 297 506	85 722 958
Provision utilized	24	( 739 577)	( 9 948 669)
Inventory provision used	8	( 818 824)	( 605 659)
Payments of employee benefit obligations		( 975 696)	( 1 950 710)
Dividends paid to Company's employees		( 56 118 627)	( 44 650 000)
<b>Cash generated from operating activities</b>		<b>1 099 181 768</b>	<b>596 981 243</b>
Interest paid		( 103 618 941)	( 86 021 161)
Income tax paid		( 131 506 683)	( 128 142 042)
<b>Net cash flows generated from operating activities</b>		<b>864 056 144</b>	<b>382 818 040</b>
<b>Cash flows from investing activities</b>			
Payment for purchase of property, plant and equipment and Intangible assets (*)		( 430 189 213)	( 216 080 345)
Payment for purchase of Intangible assets		--	( 15 495 981)
Proceeds from sale of property, plant and equipment	36	53 922 383	20 083 916
Payment for purchase of share in joint venture		--	( 18 917 434)
Payment for capital increase of share in joint venture		--	( 21 011 616)
Interest received		112 948 301	60 911 310
Payment for purchase of treasury bills		( 2 212 700 019)	( 1 137 766 286)
Proceeds from sale of Treasury Bills		2 085 318 530	885 252 165
Cash generated from gaining control over Edita Morocco in 30 April 2022		11 296 934	--
Proceeds from financial assets at fair value through profit and loss		54 231 685	--
Payments for purchase of financial assets at fair value through profit and loss		--	( 72 787 866)
<b>Net cash flows used in investing activities</b>		<b>( 325 171 399)</b>	<b>( 515 812 137)</b>
<b>Cash flows from financing activities</b>			
Lease Payments		( 19 641 906)	( 7 248 545)
Payments of borrowings		( 214 859 916)	( 226 159 664)
Proceeds from borrowings		275 293 623	159 417 120
Payments for share purchase in Joint Venture		--	( 12 611 623)
Proceeds from non-controlling interest to increase share capital		14 986 994	--
Payments for acquisition of treasury shares		( 160 827 557)	--
Dividends paid to shareholders		( 200 000 000)	( 156 145 803)
<b>Net cash flows used in financing activities</b>		<b>( 305 048 762)</b>	<b>( 242 748 515)</b>
<b>Net increase in cash and cash equivalents</b>		<b>233 835 984</b>	<b>( 375 742 612)</b>
Cash and cash equivalents at beginning of the year	16	( 241 111 347)	134 631 265
<b>Cash and cash equivalents at end of the year</b>	16	<b>( 7 275 363)</b>	<b>( 241 111 347)</b>

\* Fixed asset suppliers amounting EGP 10 901 773 had been eliminated from project under construction and trade payable

- The accompanying notes form an integral part of these consolidated financial statements.

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

**Notes to the consolidated financial statements for the year ended 31 December 2022**

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

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**1. General information**

Edita Food Industries S.A.E. was established in July 9, 1996, under the investment Law No. 230 of 1989 which had been replaced by law No. 8 of 1997 and the money market Law No. 95 of 1992 and is registered in the commercial register under number 692 Cairo. The company's period is 25 years, and the company's period have been extended by 25 years ending July 7, 2046.

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

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

The main shareholders are Quantum Investment BV which owns 42.67% of the Company's share capital and the Bank of New York Mellon "depository bank for shares traded in London Stock Exchange" which manages 11.70% of the Company share capital and Kingsway Fund Frontier Consumer Franchises which owns 9.11% of Company's share capital and RIMCO E G T Investment LLC which owns 5.35% of Company's share capital other shareholders owning 28.98% of company's share capital.

These consolidated financial statements have been approved by Chairman and Managing Director on 28 February 2023.

**Edita Food Industries SAE:**

Edita food industries is the holding company. 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.

The company's shares/GDRs are listed in the Egyptian and London stock exchanges.

The company's activities include wholesale and retail trading in all consumable goods and acts as distributor for local and foreign companies and factories and also imports and exports in accordance with law and regulations.

The following entities are the subsidiaries of Edita Food Industries SAE:

**Digma for Trading:**

Digma for trading main activity is wholesale and retail trading in consumable goods. The Company also acts as a distributor for local and foreign factories and companies producing these goods and also imports and exports, in accordance with laws and regulations. The company buys from Edita confectionery industries and Edita food industries and distributes to others.

**Edita Confectionery Industries:**

The company's purpose is to build and operate a factory for production, sales of distributions of Sweets, Toofy, Jelly and Caramel other nutrition materials and sell the products to Digma for Trading.

**Edita participation limited:**

The principal activities of the company are the provision of services and the holding of investments.

**Edita Food Industries Morocco:**

The company's main purpose is to build and operate a factory for production, sales and distribution of cakes, pastry, wafer and other confectionary products. Edita Morocco incorporated in 2019, with 51% stake owned by Edita Food Industries (S.A.E.). The stake was increased to 77% in April 2022. For the disclosure and the accounting for the increase in stake please refer to Note 10.

**Edita Holding for Investment**

The principal activities of the company are to participate in establishment of companies that issue financial instruments or increase its share capital. On 8 December 2022, Edita Holding for Investments had been established as Stock Authorised Enterprise with authorized and issued share capital of EGP 5 000 000.

**2. Accounting policies**

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

**A. Basis of preparation of the consolidated financial statements**

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

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

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

**Percentage of ownership in subsidiaries**

The group consists of the below companies as of 31 December 2022 and 31 December 2021 unless otherwise was noted and the percentage of the Group's share of the companies in is the direct ownership of the ordinary shares of the paid-up capital only.

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES**  
**Notes to the consolidated financial statements for the year ended 31 December 2022**  
(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
		Digma for trading	Egypt	99.8%	99.8%
Edita Confectionery Industries	Egypt	99.98%	99.98%	0.02%	0.02%
Edita participation limited	Cyprus	100%	100%	--	--
Edita food Industries -Morocco	Morocco	77%	--	23%	--
Edita Holding for Investment	Egypt	98%	--	2%	--

Financial information about the subsidiaries of the group as of 31 December 2022 and 31 December 2021:

Name of subsidiary	Total Assets	Total Liabilities	Total Equity	Total Sales	Net Profit / (loss)
	2022	2022	2022	2022	2022
Digma for trading	704 625 400	344 783 173	359 842 227	6 999 207 059	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

Name of subsidiary	Total Assets	Total Liabilities	Total Equity	Total Sales	Net Profit / (loss)
	2021	2021	2021	2021	2021
Digma for trading	481 289 703	289 593 397	191 796 306	4 949 151 342	64 559 614
Edita Confectionery Industries	196 437 971	61 189 442	135 248 529	138 774 543	6 475 044
Edita participation limited	169 256 637	176 301 398	(7 044 762)	--	(583 990)

**B. Basis of consolidation**

**1) Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

**1.1 Acquisition method**

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

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiring on an acquisition-by-acquisition basis, at the non-controlling interest's proportionate share of the recognized amounts of acquirer's identifiable net assets at the date of acquisition. Acquisition-related costs are expensed as incurred.

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

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

#### **1.2 Changes in ownership interests in subsidiaries without change of control**

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

#### **1.3 Disposal of subsidiaries**

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

#### **1.4 Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### **1.5 Measurement period:**

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

## **2) Investment in Joint Venture**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

### **2.1 Equity accounting method**

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

### **2.2 Changes in owner's equity**

If an entity's ownership interest in an associate or a joint venture is reduced, but the investment continues to be classified either as an associate or a joint venture respectively, the entity shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

### **2.3 The losses of a joint venture**

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

### **2.4 Transactions with joint venture**

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

### **2.5 Goodwill arisen from investments in joint venture**

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

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

**C. Foreign currency translation**

**(1) Functional and presentation currency**

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

**(2) Transactions and balances**

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

The Group recognize Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognized in other comprehensive income. Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve within other comprehensive income.

**(3) Group companies**

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

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that statement of financial position.

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

All resulting exchange differences are recognised in other comprehensive income.

In the consolidated financial statements, it is recognized in the statement of comprehensive income the value of the currency revaluation differences resulting from the translation of the net investment in foreign entities, as well as loans or financial instruments assigned to cover this investment in foreign currency differences and when the investment in the foreign entity excluding the currency differences stage to property rights are recognized as part of the profits and losses on disposal of this investment Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

**D. Property, plant, and equipment**

The group applies the historical cost model at measuring Property, plant, and equipment. All property, plant, and equipment are stated at historical cost less accumulated depreciation. Historical cost includes all costs associated with acquiring the asset and bringing it to a ready-for-use condition by the group's management. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

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

Estimated useful lives of assets are as follows:

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

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

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

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

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

**E. Intangible assets****Trademarks and Know How**

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

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

**Computer software**

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



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

#### **F. Inventories**

Inventories are stated at the lower of cost or net realizable value, Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. And the provision for obsolete inventory is created in accordance to the management's assessment. The following basis is used in determining the cost of all the inventories categories:

##### **i. Raw and packaging materials**

Cost is determined using the weighted moving average method.

##### **ii. Spare parts**

Cost is determined using the weighted moving average method.

##### **iii. Finished products and work in progress**

The cost of finished goods and work in progress comprises raw materials, packing materials, direct labor, direct utilities, other direct costs, and related production overheads (based on normal operating capacity) but excludes borrowing costs. Cost is determined applying the standard cost method, and variances between standard and actual cost are accounted for.

#### **G. Financial instruments**

Financial assets and financial liabilities are recognized in the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in consolidated statement of profit or loss.

##### **G.1 Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. All recognized financial assets are subsequently measured in their entirety at amortized cost or fair value through other comprehensive or fair value through profit and loss, depending on the classification of the financial assets.

###### **G.1.1 Classification of financial assets**

###### **(i) Debt instruments designated at amortized cost**

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

Amortized cost and effective interest rate method

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

(ii) Debt instruments designated at FVTOCI

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

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Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss will not be reclassified to consolidated statement of profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in consolidated statement of profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment.

#### (iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in the consolidated statement of profit or loss.

#### **G.1.2 Impairment of financial assets**

The Company recognizes a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortized cost or at FVTOCI, trade and other receivables, contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company recognizes lifetime ECL for trade and other receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

#### (i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company employs statistical models to analyze the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Company. For trade receivables, the average credit terms are 30-90 days.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

significant financial difficulty of the issuer or the borrower;

a breach of contract, such as a default or past due event;

the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

The Company recognizes an impairment gain or loss in consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

(v) Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

**G.1.3 Derecognition of financial assets**

The Company de-recognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in consolidated statement of profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to consolidated statement of profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to consolidated statement profit or loss but is transferred to retained earnings.

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognized where:

- The contractual rights to receive cash flows from the asset have expired. Or
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

## **G.2 Financial liabilities**

All financial liabilities are measured either at FVTPL or at amortized cost using the effective interest method.

### **Financial liabilities at FVTPL**

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognized in the consolidated statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in the consolidated statement profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in consolidated statement of comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch consolidated statement of in profit or loss. The remaining amount of change in the fair value of liability is recognized in consolidated statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in consolidated statement of comprehensive income are not subsequently reclassified to consolidated statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognized in consolidated statement of profit or loss.

### **Financial liabilities measured at amortized cost**

Financial liabilities, that are not designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in consolidated statement of profit or loss.

**H. Cash and cash equivalents**

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

**I. Share capital**

**I.1 Ordinary shares**

Ordinary shares are classified as equity. The bonus shares and rights issued during the year are shown as an addition to the share capital. Issue of bonus shares are deducted from the accumulated retained earnings of the Company. Any share premium on rights issue is accounted in compliance with local statutory requirements.

**I.1 Dividend on ordinary share capital**

Dividend distributions to the Company's shareholders are recognized as a liability in the consolidated financial statements in the period in which the dividend is approved by the shareholders. Dividend for the year that are approved after the reporting date of the consolidated financial statements are considered as an event after the reporting date.

**J. Treasury Shares**

When any Group entity 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.

**K. Leases**

The group leases various properties, Rental contracts are typically made for fixed periods of 3 to 7 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 recognized 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. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees

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- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

**L. Borrowings costs**

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

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

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

**M. Current and deferred income tax**

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

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

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

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

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

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

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

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

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

#### **N. Employee benefits**

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

##### **a. Pension obligations**

###### **Defined contribution plan**

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

###### **Defined benefit plan**

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

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

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

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

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

##### **b. Termination benefits**

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



**c. Profit-sharing and bonus plans**

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

**O. Provisions**

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

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

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

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

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

**P. Contingent assets**

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

**Q. Revenue recognition**

Revenue is measured in accordance with the new Egyptian Standard No. (48) "Revenue from contracts with customers" on the basis of the consideration specified in the contract with the customer. The Company recognizes 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 Company expects to be entitled in exchange for those goods or services.

The company recognizes 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 company 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 company will allocate the transaction price to each performance obligation in an amount depicts the amount of consideration to which the company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize 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.

#### **Sales Revenue**

Performance obligations are when they are satisfied at a point in time as the company fulfills the performance obligation at a point in time. To determine the point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation, the entity shall consider the requirements for control. In addition, an entity shall consider indicators of the transfer of control, which include, but are not limited to, the following:

The entity has a present right to payment for the asset.

The customer has legal title to the asset.

The entity 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.

#### **Sales of goods**

Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesalers, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products.

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

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 recognized 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 recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized 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 recognized 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 recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount.

**Dividend income**

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

**Export Subsidy**

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

**R. Dividend Distribution**

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

**S. Government Grants**

The Group receives government grants in form of loan at below market rate of interest. Government grants are initially recognized within other liabilities at fair value when there is reasonable assurance that it will be received, and the Group will comply with the conditions associated with the grant. Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

**T. Operating Segments**

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

**3. Financial risk management**

**(1) Financial risk factors**

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

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

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

(A) Market risk

(i) Foreign currency exchange risk

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

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

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

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>Amounts recognised in profit or loss</b>		
Net foreign exchange (loss) gain	34 991 221	7 097 400
	<u>34 991 221</u>	<u>7 097 400</u>
<b>Net losses recognised in comprehensive income</b>		
Exchange differences on translation of foreign operations	(43 998 117)	454 408
	<u>(43 998 117)</u>	<u>454 408</u>

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

	<u>31 December 2022</u>			<u>31 December 2021</u>
	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>	<u>Net</u>
Euros	35 495 462	(94 186 905)	(58 691 443)	28 215 850
US Dollars	334 065 217	(356 642 774)	(22 577 557)	(128 088 981)
Moroccan Dirham	55 253 496	(247 789 926)	(192 536 430)	--

**Amounts recognised in profit or loss**

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

**Sensitivity analysis**

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

**Euro/EGP**

On 31 December 2022, if the Egyptian Pounds had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been EGP 5 869 145 (31 December 2021: EGP 2 821 585) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

**USD/EGP**

On 31 December 2022, if the Egyptian Pounds had weakened / strengthened by 10% against the US Dollars with all other variables held constant, post tax profit for the year would have been EGP 2 257 756 (31 December 2021: EGP 12 808 898) higher / lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets and liabilities.

**Moroccan Dirham/EGP**

On 31 December 2022, if the Egyptian Pounds had weakened / strengthened by 10% against the Moroccan Dirham with all other variables held constant, post-tax profit for the year would have been EGP 19 253 643 (31 December 2021: EGP null) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Dirham-denominated financial assets and liabilities.

**(ii) Price risk**

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

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

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

On 31 December 2022, if interest rates on Egyptian pound-denominated net interest bearing liabilities had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been EGP 9 532 146 (31 December 2021: EGP 9 065 038) lower/higher interest expense on floating rate borrowings.

Borrowings at the financial position date with variable interest rate amounted to EGP 451 551 975 (31 December 2021: EGP 505 826 911)

Overdraft at the balance sheet on 31 December 2022 amounted to EGP 501 662 587 (31 December 2021: EGP 400 676 904).

**(B) Credit risk**

**(i) Risk management**

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

**(ii) Security**

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

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

**(iii) Credit quality**

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

For corporate Bonds the Group deals with EFG Hermes which are considered with a high credit rating (A +)

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES****Notes to the consolidated financial statements for the year ended 31 December 2022**

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

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties except for the impairment of accounts receivables presented in (Note 12).

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

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

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

**Trade receivables**

Counter parties without external credit rating:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Trade and notes receivables	79 797 130	26 340 558
<b>Total</b>	<b><u>79 797 130</u></b>	<b><u>26 340 558</u></b>

Outstanding trade receivables are current and not impaired.

**Cash at bank and short-term bank deposits:**

All current accounts and deposits are held at Egyptian banks subject to the supervision of the Central Bank of Egypt except Edita Participation Limited and Edita Food Industries Morocco.

The credit ratings for the banks the group is dealing with are as follow:

<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)	AA-
Arab Bank of Egypt (ABE)	BB
Al Ahli Bank of Kuwait (ABK)	A+
Ahli United Bank (AUB)	BB+
Attijariwafa bank	BB
Banque Misr (BM)	B+
National Bank of Egypt (NBE)	B+

**(C) Liquidity risk**

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

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES**
**Notes to the consolidated financial statements for the year ended 31 December 2022**

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

The table below summarizes the maturities of the Group's undiscounted financial liabilities at 31 December 2022 and 31 December 2021 based on contractual payment dates and current interest rates as we had excluded the taxes payable, advances from customers and social insurance:

	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
<b>At 31 December 2022</b>				
Loans	133 757 423	110 781 583	271 579 427	467 916 962
Payments for future interests	12 247 734	35 358 207	39 050 106	16 593 853
Creditors and other credit balances	342 215 578	--	--	--
Bank overdraft	501 662 587	--	--	--
Trade and notes payable	632 225 898	--	--	--
Lease liabilities	12 428 598	12 687 677	20 981 449	141 911 438
<b>Total</b>	<b>1 634 537 818</b>	<b>158 827 467</b>	<b>331 610 982</b>	<b>626 422 253</b>
<b>At 31 December 2021</b>				
Loans	102 687 475	94 317 908	180 382 884	407 251 816
Payments for future interests	18 724 226	28 599 179	43 861 154	58 004 997
Financial guarantee contract	120 455 801	--	--	--
Creditors and other credit balances	110 985 814	--	--	--
Bank overdraft	400 676 904	--	--	--
Trade and notes payable	379 874 874	--	--	--
Lease liabilities	7 857 555	8 383 717	15 393 377	72 613 415
<b>Total</b>	<b>1 141 262 649</b>	<b>131 300 804</b>	<b>239 637 415</b>	<b>537 870 228</b>

The amount of unused credit facility amounted to EGP 1 191 292 481 as of 31 December 2022 (31 December 2021: EGP 578 476 085).

**(2) Capital risk management**

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

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

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

The gearing ratio on 31 December 2022 and 31 December 2021 were as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Total borrowings	984 035 395	784 640 083
Bank Overdraft	501 662 587	400 676 904
<b>Total Loans and overdraft</b>	<b>1 485 697 982</b>	<b>1 185 316 987</b>
Less: Cash and bank balances	(494 387 224)	(159 565 557)
<b>Net debt</b>	<b>991 310 758</b>	<b>1 025 751 430</b>
Total equity	2 716 978 436	2 111 668 776
<b>Total capital</b>	<b>3 708 289 194</b>	<b>3 137 420 206</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 1.25
- Leverage ratio shall not exceed 1.5:1.
- Current ratio shall not be less than 1
- Liabilities to Tangible Net Worth Ratio of not more than 1.5;
- Net Financial Debt to EBITDA Ratio of not more than 1.8;
- Adjusted PPE to Financial Debt Ratio of not less than 2.2; and
- Days Payable Ratio of not more than 75 days

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

#### **(3) 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 is estimates by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

#### **4. Critical accounting estimates and judgments**

##### **1. Critical accounting estimates and assumptions**

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

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

##### **Recognition of revenue**

Management considers recognizing revenue over time, if one of the following criteria is met, otherwise revenue will be recognized at a point in time:

- a) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- c) the Company's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

##### **Principal versus agent**

Significant judgments are made by management when concluding whether the Company is transacting as an agent or a principal. The assessment is performed for each separate revenue stream in the Company. The assessment requires an analysis of key indicators, specifically whether the Company:

- carries any inventory risk;
- has the primary responsibility for providing the goods or services to the customer;
- has the latitude to establish pricing; and
- bears the customer's credit risk.



These indicators are used to determine whether the Company has exposure to the significant risks and rewards associated with the sale of goods or rendering of services. For example, any sale relating to inventory that is held by the Company, not on consignment, is a strong indicator that the Company is acting as a principal.

**1. Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**i. Provisions**

In respect of provisions including decommissioning provision, the Company provides for anticipated outflows of resources considered probable. Estimates are used in assessing the likely amount of the settlement. The ultimate liability may vary from the amounts provided and would be dependent on the eventual outcome. (See Note 24)

**ii. Useful lives for property and equipment**

The annual depreciation and amortization charge is sensitive to the estimated lives allocated to each type of asset. Assets lives are assessed annually and changed where necessary to reflect current circumstances in light of technological change, network investment plans and physical conditions of the assets concerned.

**iii. Write-down in inventories**

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts, this estimation is performed on an individual basis. Inventories which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

**iv. Deferred tax assets**

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. The Company believes that sufficient taxable profit will be available to allow or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**v. Impairment of infinite life intangible assets (Trademark & Know How)**

The Company tests whether infinite life intangible assets have suffered any impairment on an annual basis.

The recoverable amount of a cash generating unit (CGU) is determined based on a value in use calculations which require the use of assumptions (Note 7).

**vi. Employee benefit retirement obligation**

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

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

Note (21) shows the main assumptions used to estimate the employees' benefit obligation

5. Property, plant and equipment and projects under constructions

	Land		Buildings		Machinery and Equipment		Vehicles		Tools & Equipment		Furniture and Office Equipment		Projects under construction*		Total		
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	
<b>Cost</b>																	
<b>As of January 1, 2021</b>	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									
Transferred from projects under constructions	-	4 680 216	167 983 168	-	28 023 177	10 405 909	(212 248 054)	(1 155 584)									
Additions	-	-	782 745	9 141 677	8 442 517	4 176 229	130 590 250	153 133 418									
Disposals	-	-	(66 264)	(18 695 559)	(679 265)	(725 963)	-	(20 167 051)									
<b>As of December 31, 2021</b>	<b>120 908 260</b>	<b>977 086 803</b>	<b>1 427 515 906</b>	<b>328 235 873</b>	<b>215 503 703</b>	<b>141 982 672</b>	<b>88 588 582</b>	<b>3 299 821 799</b>									
<b>Accumulated depreciation</b>																	
<b>As of January 1, 2021</b>	-	(205 676 310)	(419 993 066)	(158 080 691)	(103 089 733)	(85 241 057)	-	(972 080 857)									
Depreciation for the year	-	(39 340 037)	(66 377 923)	(32 117 738)	(25 670 347)	(16 538 201)	-	(180 044 246)									
Accumulated depreciation of disposals	-	-	22 113	16 686 289	665 934	555 252	-	17 929 588									
<b>As of December 31, 2021</b>	<b>-</b>	<b>(245 016 347)</b>	<b>(486 348 876)</b>	<b>(173 512 140)</b>	<b>(128 094 146)</b>	<b>(101 224 006)</b>	<b>88 588 582</b>	<b>(1 134 195 515)</b>									
<b>Net book value as of December 31, 2021</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>									
<b>Cost</b>																	
<b>Cost as of January 1, 2022</b>	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									
Transferred from projects under constructions	-	21 153 462	225 366 788	-	35 400 690	6 750 205	(300 584 333)	(11 913 188)									
Morocco Additions	-	131 625 033	66 939 592	335 997	6 959 566	1 243 270	87 955	207 191 413									
Forex differences	-	(9 071 186)	85 962 308	-	251 803	80 555	(319 897)	76 903 583									
Additions	-	-	2 124 681	58 354 200	17 530 350	9 212 836	263 058 138	350 280 205									
Disposals	(14 194 132)	(827 195)	(18 262 325)	(18 596 784)	(2 854 194)	(128 416)	(11 424 715)	(66 287 761)									
<b>Cost as of December 31, 2022</b>	<b>106 714 128</b>	<b>1 119 966 917</b>	<b>1 789 646 950</b>	<b>368 329 286</b>	<b>272 791 918</b>	<b>159 141 122</b>	<b>39 405 730</b>	<b>3 855 996 051</b>									
<b>Accumulated depreciation</b>																	
<b>Accumulated Depreciation as of January 1, 2022</b>	-	(245 016 347)	(486 348 876)	(173 512 140)	(128 094 146)	(101 224 006)	-	(1 134 195 515)									
Depreciation for the year	-	(43 227 888)	(73 326 791)	(41 072 694)	(32 564 356)	(17 905 197)	-	(208 096 926)									
Accumulated depreciation of disposals	-	143 380	11 568 483	16 761 912	423 164	114 126	-	29 011 065									
<b>Accumulated Depreciation as of December 31, 2022</b>	<b>-</b>	<b>(288 100 855)</b>	<b>(548 107 184)</b>	<b>(197 822 922)</b>	<b>(160 235 338)</b>	<b>(119 015 077)</b>	<b>39 405 730</b>	<b>(1 313 281 376)</b>									
<b>Net book value as of December 31, 2022</b>	<b>106 714 128</b>	<b>831 866 062</b>	<b>1 241 539 766</b>	<b>170 506 364</b>	<b>112 556 580</b>	<b>40 126 045</b>	<b>39 405 730</b>	<b>2 542 714 675</b>									

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

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

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

	<u>31 December 2022</u>	<u>31 December 2021</u>
Cost of sales	141 532 318	124 881 929
Distribution costs	46 286 057	37 121 915
Administrative expenses	20 278 551	18 040 402
	<u><b>208 096 926</b></u>	<u><b>180 044 246</b></u>

\* The project under construction represents the following Categories:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Buildings	7 686 475	9 201 456
Machinery and equipment	19 400 187	53 757 848
Tools and equipment	8 474 704	15 632 136
Technical and other installations	3 844 364	9 997 142
	<u><b>39 405 730</b></u>	<u><b>88 588 582</b></u>

During the year, the group has capitalized borrowings costs amounting to EGP 2 000 520 on qualified assets. The capitalization rate used to determine the amount of borrowing cost to be capitalized is the interest rate applicable to the group's specific borrowings during the year was 6.5%

**6. Right of use assets**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Balance as of 1 January	55 651 129	67 343 105
Additions during the year	62 332 654	1 319 215
Amortization expenses	(15 103 900)	(13 011 191)
<b>Balance</b>	<u><b>102 879 883</b></u>	<u><b>55 651 129</b></u>

Right of use assets represent properties rented by the group.

**7. Intangible assets**

	<u>31 December 2022</u>			
	<u>Trademark (A)</u>	<u>Know how (B)</u>	<u>Software (C)</u>	<u>Total</u>
<b>Cost</b>	131 480 647	31 430 995	22 923 203	185 834 845
Accumulated Amortization	--	--	(5 121 667)	(5 121 667)
Transfer from PUC	--	--	11 913 190	11 913 190
Additions during the year	--	--	--	--
Amortization for the year	--	--	(6 034 239)	(6 034 239)
<b>Balance as of</b>	<u><b>131 480 647</b></u>	<u><b>31 430 995</b></u>	<u><b>23 680 487</b></u>	<u><b>186 592 129</b></u>

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

	<b>31 December 2021</b>			
	<b>Trademark (A)</b>	<b>Know how (B)</b>	<b>Software (C)</b>	<b>Total</b>
<b>Cost</b>	131 480 647	31 430 995	6 271 638	<b>169 183 280</b>
Accumulated amortization	-	-	(2 630 701)	<b>(2 630 701)</b>
Transfer from PUC	-	-	1 155 584	<b>1 155 584</b>
Additions	-	-	15 495 981	<b>15 495 981</b>
Amortisation for the year	-	-	(2 490 966)	<b>(2 490 966)</b>
<b>Balance as of</b>	<b>131 480 647</b>	<b>31 430 995</b>	<b>17 801 536</b>	<b>180 713 178</b>

**A. Trademark**

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>Cost</b>		
<b>HOHOS, Twinkies &amp; Tiger Tail</b>	131 480 647	131 480 647
<b>Balance as of</b>	<b>131 480 647</b>	<b>131 480 647</b>

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

**B. Know how**

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>Cost</b>		
Technical assistance for certain Hostess products	31 430 995	31 430 995
<b>Balance as of</b>	<b>31 430 995</b>	<b>31 430 995</b>

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

**C. Software**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Opening balance	17 801 536	3 640 937
Transfer from projects under construction	11 913 190	1 155 584
Additions during the year	--	15 495 981
Amortization expense for the year	(6 034 239)	(2 490 966)
<b>Balance as of</b>	<b>23 680 487</b>	<b>17 801 536</b>

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

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

**E. Recoverable amount of cake segment**

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

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

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

Assumptions used by the Group when testing the impairment of intangible assets as of 31 December 2022 as follows:

	<b>2022</b>
Average gross margin	31.2%
Sales growth rate	20%
Pre-tax discount rate	15.5%
Terminal growth rate	5%

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

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

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

**Sensitivity of recoverable amounts**

The growth rate in the forecast period has been estimated to be 5%. If all other assumptions kept the same, a reduction of this growth rate by 100% would give a value in use exceed the current carrying amount.

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The discount rate in the forecast period has been estimated to be 15.5%. If all other assumptions kept the same, and the discount rate is 25% would give a value in use exceed the current carrying amount.

At 31 December 2022, if the gross profit rate had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make an impairment.

**8. Inventories**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Raw and packaging materials	792 411 132	410 652 760
Finished goods	70 092 406	50 032 903
Spare parts	53 032 467	44 616 150
Work in process	25 050 325	18 827 641
Consumables	48 222 562	6 593 275
<b>Total</b>	<b>988 808 892</b>	<b>530 722 729</b>
Less: write-down for slow moving and obsolete inventory	(7 309 741)	(4 228 565)
<b>Net</b>	<b>981 499 151</b>	<b>526 494 164</b>

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

**Write-down for slow moving and obsolete inventory:**

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>Balance as of 1 January</b>	4 228 565	2 834 224
Charged during the year	3 900 000	2 000 000
Utilized during the year	(818 824)	(605 659)
<b>Ending Balance as of the year</b>	<b>7 309 741</b>	<b>4 228 565</b>

The cost of inventory recognized as an expense and included in cost of sales amounted to EGP 4 149 503 881 during the year ended 31 December 2022 (2021: EGP 2 834 568 962).

**9. Goodwill**

On April 21, 2022, the group's management obtained control over Edita Food Industries Morocco. Where both parties signed an amendment agreement where reserved matters related to joint control has been removed following non-exercise of the call option by DISLOG. The group management completed the fair value study for identified assets and liabilities related to the acquisition of Edita Food Industries Morocco and revaluation of goodwill and intangible assets at date of step acquisition of Edita Food Industries Morocco. Please refer to Note No. (11).

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>Balance as of 1 January</b>	--	--
Goodwill resulting from acquisition of subsidiary	41 956 386	--
<b>Ending Balance as of the year</b>	<b>41 956 386</b>	--

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES****Notes to the consolidated financial statements for the year ended 31 December 2022**

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**10. Investment in joint venture**

Investment in joint venture represents the Group's investment in Edita Food Industries Morocco. The Group's shareholding in Edita Food Industries Morocco and the carrying value of the investment in joint venture as of 31 December 2022 and 31 December 2021 are as follows:

	<b>Ownership</b>			
	<b>%</b>	<b>31 December 2022</b>	<b>Ownership %</b>	<b>December 31 ,2021</b>
Edita Food Industries Morocco	77%	--	69.6%	70 140 650
		--		<b>70 140 650</b>

On April 2021, the group acquired additional 112 500 shares (25%) in Edita Food Industries Morocco from La Marocaine De Distribution De Logistiqu (Dislog S.A) against consideration of EGP 31 529 057, of which 7.4% was subject to a call option exercisable at any point until April 2022 by the Dislog.A. Due to the terms of the call option, the 7.4% was not considered as a purchase as the Dislog.A retained the beneficial interest. The amount paid under the call option was considered a receivable from the minority interest and if not exercised will be accounted for as purchase of 7.4% at that date.

Immediately prior to the purchase, the carrying amount of the 17.6% of the net assets in Edita Food Industries Morocco was EGP 12 325 493, the receivable related to the 7.4% call option has been included in due from related parties Note 34(a), the excess of consideration paid over the acquired 17.6% share of the net assets has been allocated as follows:

	<b>1 April 2021</b>
Consideration paid to acquire 17.6% of the net assets	18 917 434
<b>Deduct:</b>	
Group's share in fair value of net asset at the date of acquisition *	(12 325 493)
<b>Notional goodwill arises from the cost additional interest in joint venture</b>	<b>6 591 941</b>

\* Fair value of acquired net assets have been determined as follows:

	<b>Fair value on 30 April 2021</b>
	<b>EGP</b>
Fixed assets	148 679 885
Right of use	18 161 655
Deferred tax assets	2 500 246
Trade and notes receivable and other receivables	56 405 947
Cash and bank balances	6 545 269
Due to related parties	(936 362)
Bank borrowings and overdraft	(93 138 800)
Trade and notes payable and other payables	(49 037 637)
Lease liability	(19 148 991)
<b>Fair value of acquired net assets</b>	<b>70 031 212</b>
<b>Group's share in fair value of net assets at the date of acquisition of joint venture</b>	<b>12 325 493</b>



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On April 21, 2022, the call option lapsed, and the minority shareholder didn't exercise the option. Therefore, Edita Group Share in Edita Food Industries Morocco increased from 69.6% to 77%. At the date of the lapse of the option, Edita Participation Limited and the minority shareholder signed a new shareholder agreement which resulted in Edita Group obtained control over Edita Food Industries Morocco. At that date, the investment was derecognized from investments in joint venture and became an investment in subsidiary (Note No. 11).

\*The management decided to present April 30, 2022, figures as there are no significant changes in the account balances between April 21, 2022 and April 30, 2022. The carrying amount of the investment on April 30, 2022, is summarized below:

**Summarized financial information for the joint venture**

The tables below provide summarized financial information for the joint venture. The information disclosed reflects the amounts presented in the financial statements of the joint venture and not the Group's share of those amounts.

<b>Summarized Financial position</b>	<b>30 April 2022</b>	<b>31 December 2021</b>
	<b>EGP</b>	<b>EGP</b>
<b>Non-current assets</b>	<b>235 826 405</b>	<b>214 874 379</b>
<b>Current assets:</b>		
Cash and cash equivalents	11 296 933	20 139 112
Other current assets	55 356 818	34 911 633
<b>Total current assets</b>	<b>66 653 751</b>	<b>55 050 745</b>
<b>Non-Current liabilities:</b>	<b>147 312 211</b>	<b>124 677 108</b>
<b>Current liabilities:</b>		
Financial liabilities	19 795 211	17 922 352
Other non-current liabilities	47 566 778	38 798 750
<b>Total Current liabilities</b>	<b>67 361 989</b>	<b>56 721 102</b>
<b>Net assets</b>	<b>87 805 956</b>	<b>88 526 914</b>

The Group has provided a financial guarantee to the bank for the joint venture's borrowing amounting to Nil and 120 455 802 as of 31 December 2022 and 31 December 2021 respectively.

<b>Reconciliation to carrying amounts:</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>EGP</b>	<b>EGP</b>
<b>Opening net assets 1 January</b>	<b>88 526 914</b>	<b>70 673 129</b>
Amounts paid under Capital increase	--	26 264 520
Losses and other comprehensive income for the year	(720 958)	(8 410 735)
<b>Closing net assets</b>	<b>87 805 956</b>	<b>88 526 914</b>
Group's share in %	69.6%	69.6%
Group's share in EGP	61 112 945	60 640 936
Goodwill	6 784 091	6 591 941
Other reconciling items	--	2 907 773
<b>Carrying amount</b>	<b>67 897 036</b>	<b>70 140 650</b>

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES****Notes to the consolidated financial statements for the year ended 31 December 2022**

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<b>Summarized statement of profit or loss</b>	<b>Four months ending 30 April, 2022</b>	<b>Year ended December 31, 2021</b>
Revenue	28 224 263	5 737 016
Cost of sales	(27 668 729)	(14 270 790)
Other income	140 675	9 919
Distribution cost	(4 029 655)	(601 983)
Administrative expenses	(4 523 473)	(3 905 881)
Finance cost	(2 883 362)	842 249
Income tax expense	4 240 159	3 778 735
<b>Total loss for the period/year</b>	<b>(6 500 122)</b>	<b>(8 410 735)</b>
<b>Group share of Total loss for the period/year</b>	<b>(5 005 095)</b>	<b>(5 831 695)</b>

**11. Acquisition in stages of a subsidiary company**

On April 21, 2022, the call option lapsed, and the minority shareholder in Edita Food Industries Morocco did not exercise the purchase option. Therefore, the group took the beneficial ownership of an additional stake of 7.4% in Edita Food Industries Morocco. at that date, the Group and the minority shareholders signed a new shareholder agreement which resulted in the Group obtaining control of Edita Food Industries Morocco and the investment was derecognized from investments in joint venture and became an investment in subsidiary. The goodwill recognized represents the excess of cash consideration paid to acquire the additional stake of 7.4%, acquisition-date fair value of previously held equity interest and the non-controlling interest share of the fair value of identifiable assets acquired and it's assumed liabilities over the fair value of the acquiree identifiable net assets.

The group management has applied the requirements of the Egyptian Accounting Standard (No. 29) with regard to the accounting for business combination carried out in stages and the group's management has re-measured the equity interest previously held in the invested company at fair value at the date of control and recognized the profits resulting from the remeasurement of the investment in the consolidated statement of profit or loss of EGP 31 807 959.

The fair value of the identifiable assets and it's assumed liabilities arising from the acquisition of Edita Food Industries Morocco has been determined. The fair value at the acquisition date amounted to EGP 87 859 000.

	<b>30 April 2022</b>
	<b>EGP</b>
<b>The net fair value of the assets and liabilities acquired</b>	<b>87 859 000</b>
<b>Deduct:</b>	
Consideration paid to acquire the additional stake of 7.4%	12 611 623
Fair value of the previously held interest	96 996 193
Non-controlling interest shares at fair value of net identifiable assets	20 207 570
<b>Goodwill</b>	<b>41 956 386</b>

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**Net cash acquired from the acquisition of a subsidiary:**

	<u>30 April 2022</u>
	<u>EGP</u>
Consideration paid to acquire the additional stake of 7.4%	(12 611 623)
Deduct: cash and cash equivalents of the acquired Company	11 296 933
	<u><b>(1 314 690)</b></u>

**Profits from disposed investment in joint venture:**

	<u>30 April 2022</u>
	<u>EGP</u>
The fair value of the investment at the date of disposal	96 996 193
<b>Deduct:</b>	
The book value of the investment at the date of disposal of the joint venture company	(65 188 598)
	<u><b>31 807 595</b></u>

**12. Trade and other receivables**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Trade receivables	71 455 565	26 178 949
Notes receivable	8 341 565	161 609
	<u><b>79 797 130</b></u>	<u><b>26 340 558</b></u>
Less: Expected credit loss of trade receivables	--	(20 556)
<b>Total</b>	<u><b>79 797 130</b></u>	<u><b>26 320 002</b></u>

**13. Debtors and other debit balances**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Advances to suppliers	290 881 092	96 826 414
Prepaid expenses	15 405 434	43 596 818
Deposits with others	20 472 048	15 896 538
Other debit balances	55 262 815	8 808 606
Withholding taxes	3 749 048	--
Value added Tax-Receivables	--	479 190
Export Subsidies grant receivable	2 223 678	10 187 538
Government Grant-Edita Morocco	10 620 450	--
Letters of credit	4 494 765	125 000
Employee loans	236 308	204 883
<b>Total</b>	<u><b>403 345 638</b></u>	<u><b>176 124 987</b></u>

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**14. Treasury bills**

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>Treasury bills par value</b>		
31 Days maturity	86 000 000	--
91 Days maturity	685 000 000	233 250 000
250- 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)
<b>Amount of treasury bills paid</b>	<u>872 123 460</u>	<u>744 742 025</u>
Interest income recognized to profit or loss	22 517 981	25 223 285
<b>Treasury bills balance</b>	<u>894 641 441</u>	<u>769 965 310</u>

The average effective interest rate related to treasury bills is 14.07 %.

The Group has adopted 12-month ECL approach, based on management assessment, there will be immaterial impact on treasury bills due to the following factors:

- It is issued and guaranteed by Government of Egypt.
- There is no history of default.
- Incorporating forward-looking information would not result in an increase in Expected default rate.

**15. Investments at fair value through profit or loss**

The Group has signed an Investment Solution Agreement with EFG Hermes with a leverage feature and the investment value will be calculated by EFG Hermes at market - to market. The contractual terms of the instrument would not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, therefore it has been classified as Investment at fair value through profit or loss.

Fair value losses of EGP 22 172 000 was recognized in the consolidated interim statement of profit or loss during the year.

	<u>Balance as of 31 December 2022</u>	<u>Balance as of 31 December 2021</u>
Investment Solution in June 30 ,2022 revalued with fair value	--	76 403 685
<b>Total</b>	<u>--</u>	<u>76 403 685</u>

**16. Cash and bank balances**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Cash at banks and on hand	291 310 379	83 775 717
Time deposit – Foreign currency*	203 076 845	75 789 840
<b>Cash and bank balances</b>	<u>494 387 224</u>	<u>159 565 557</u>

\* The average rate on time deposit is 4.38% with maturity less than a month

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For the purpose of preparation of the interim consolidation cash flow statements, cash and cash equivalents consist of:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Cash and bank balances	494 387 224	159 565 557
Bank overdraft (Note 25)	<u>(501 662 587)</u>	<u>(400 676 904)</u>
<b>Total</b>	<b><u>(7 275 363)</u></b>	<b><u>(241 111 347)</u></b>

Non-Cash Transactions

The impact of non-cash transactions resulting from the signing of the acquisition contract for Edita Food Industries-Morocco from the Moroccan Company for Distribution and Logistics (Dislog) related to the balances of net assets of Edita Food Industries-Morocco on April 31, 2022 on the balances of the Edita Food Industries Group has been excluded from the statement of cash flows, shown in the following table:

	<b>EGP</b>
Property, Plant and Equipment and Projects under constructions	207 191 413
Right of Use Assets	17 900 186
Inventory	13 300 095
Trade Receivables and Other Debit Balances	42 056 723
Loans	(147 344 378)
Lease Liability	(19 763 044)
Provisions	(126 897)
Trade Payable	(47 467 045)
Deferred Tax Assets	9 370 603

**17. Share capital**

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

Previously, 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) were distributed as follow:

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

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

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In April 2021, the extra ordinary general assembly meeting approved to write off the treasury shares amounted to 2 304 461 shares. Accordingly, the share capital has been reduced by the par value of the treasury shares and the difference between the par value and the consideration paid to acquire those shares was absorbed in retained earnings.

The issued and paid-up capital as of 31 December 2022 amounted to EGP 144 611 688 (par value EGP 0.2 per share) is distributed as follow

<b>Shareholders</b>	<b>No. of shares</b>	<b>Share's value</b>	<b>Percentage of ownership</b>
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	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%</b>

The issued and paid-up capital amounted to EGP 144 611 688 (par value EGP 0.2 per share) is distributed as follow as of 31 December 2021

<b>Shareholders</b>	<b>No. of shares</b>	<b>Shares value</b>	<b>Percentage of ownership</b>
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%</b>

**Treasury shares**

According to Board of Director resolution on 5 April 2022 and 15 August 2022, the group purchased 15 814 199 shares from the stock market and held in treasury for a total consideration of EGP 160 826 557, the consideration paid has been accounted for as a reserve in the statement of shareholders' Equity.

**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 issued capital. The reserve is not eligible for distribution to shareholders.

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**19. Transactions with non-controlling interest****19.a Changes in ownership interest in subsidiaries without change in control**

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

	<b>31 December</b>	
	<b>2022</b>	<b>31 December 2021</b>
Carrying amount of non-controlling interest acquired	23 165 685	23 165 685
Consideration paid to non-controlling interest	<u>(55 297 783)</u>	<u>(55 297 783)</u>
<b>Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity</b>	<b><u>(32 132 098)</u></b>	<b><u>(32 132 098)</u></b>

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**19.b non-controlling interest**

	Paid up capital	Legal reserves	Assets revaluation reserve	Retained earnings	31 December 2022	31 December 2021
<b>Balance as of 1 January</b>	30 460	593 605	38 162	27 620	689 847	559 353
Non-controlling share in profit of subsidiaries	--	--	--	(5 350 581)	(5 350 581)	130 494
Payment under share capital – Edita Morocco	14 986 994	--	--	--	14 986 994	--
Non-controlling share in net assets fair value of Edita Morocco	20 207 570	--	--	--	20 207 570	--
Non-controlling share in cumulative translation reverser	--	--	--	10 463 354	10 463 354	--
<b>Total comprehensive income for the year</b>	35 194 564	--	--	5 112 773	40 307 337	130 494
<b>Balance at year end</b>	<b>35 225 024</b>	<b>593 605</b>	<b>38 162</b>	<b>5 140 393</b>	<b>40 997 184</b>	<b>689 847</b>



## 20. Loans

	31 December 2022			31 December 2021		
	Current portion	Non-current		Current portion	Non-current	
		portion	Total		portion	Total
Loans	244 539 006	739 496 389	984 035 395	197 005 383	587 634 700	784 640 083
	<b>244 539 006</b>	<b>739 496 389</b>	<b>984 035 395</b>	<b>197 005 383</b>	<b>587 634 700</b>	<b>784 640 083</b>

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

	31 December 2022	31 December 2021
Balance due within 1 year	237 632 559	191 696 203
Accrued interest	6 906 447	5 309 180
	<b>244 539 006</b>	<b>197 005 383</b>

### (1) IFC loan obtained by Edita food industries and EPL

	2022			2021		
	Current portion	Non-current		Current portion	Non-current	
		portion	portion		Total	portion
IFC loan	43 305 344	257 608 000	300 913 344	64 589 303	189 120 000	253 709 303
	<b>43 305 344</b>	<b>257 608 000</b>	<b>300 913 344</b>	<b>64 589 303</b>	<b>189 120 000</b>	<b>253 709 303</b>

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

	2022	2021
Balance due within 1 year	39 632 000	63 040 000
Accrued interest	3 673 344	1 549 303
	<b>43 305 344</b>	<b>64 589 303</b>

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

#### Terms of payments:

The group is obligated to pay USD 20 000 000 on 10 equal semi-annual instalments; each instalment amounts to USD 2 000 000. The first instalment is due in May 2021 and the last in November 2025.

#### Interest:

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

#### Fair value:

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

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**(2) Edita Food Industries**

	31 December 2022			31 December 2021		
	Current	Non-current	Total	Current	Non-current	Total
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
Sixth Loan	40 123 228	--	40 123 228	63 602 811	25 216 000	88 818 811
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	26 756	52 824 954	52 851 710
<b>Total</b>	<b>161 934 467</b>	<b>260 499 719</b>	<b>422 434 186</b>	<b>151 524 029</b>	<b>336 325 171</b>	<b>487 849 200</b>

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

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

	31 December 2022	31 December 2021
Balance due within 1 year	121 811 239	87 293 990
Accrued interest	--	627 226
<b>Total</b>	<b>121 811 239</b>	<b>87 921 216</b>

Borrower	Type of debt	Guaranties	Currency	Tenure	Interest rate
First loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 185,000,000	EGP/USD	7 years with first instalment in Jan 2016	1% above mid corridor rate of Central Bank of Egypt and 2.5% above the Libor rate 3 months.
Second loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 90,000,000	EGP	7 years with first installment in April 2017	1 % above lending rate of Central Bank of Egypt.
Third loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 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.
Fourth loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 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.
Fifth loan	Loan		USD	4 years with the first installment in Sep 2018	3.85% above the USD Libor rate 3 months.
Sixth Loan	Loan		USD		4% above the USD Libor rate 6 months.
Seventh loan	Loan	Cross corporate guarantee Digma Trading Company	EGP	7 years with first installment in Nov 2022	8 %
Eighth loan	Loan	Cross corporate guarantee Digma Trading Company	EGP	7 years with first installment in June 2022	8 %
Ninth loan	Loan	Cross corporate guarantee Digma Trading Company	EGP	7 years with first installment in Sep 2023	8 %
Tenth loan	Loan		EGP	7 years with first installment in July 2023	8%

(3) Digma For Trading

31 December 2022			31 December 2021		
Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
36 466 982	50 043 317	86 510 299	36 330 058	83 405 529	119 735 587
<b>36 466 982</b>	<b>50 043 317</b>	<b>86 510 299</b>	<b>36 330 058</b>	<b>83 405 529</b>	<b>119 735 587</b>

The due current portion is according to the following schedule:

	31 December 2022	31 December 2021
Balance due within 1 year	33 362 211	33 362 211
Accrued interest	3 104 771	2 967 847
	<b>36 466 982</b>	<b>36 330 058</b>

The company obtained a loan from a financial institution based on a cross corporate guarantee issued from Edita Food Industries Company amounted to EGP 155 million. The Loan outstanding balance as of 31 December 2022 amounted EGP 86 510 299 in addition to accrued interest.

**Terms of payments:**

Digma is obligated to pay the loan on 9 semi-annual instalments amounted to 16 681 106 and the first instalments is due on 27 August 2021 and the last instalments is due on 27 February 2025

**Interest:**

The rate is 1% above Central Bank of Egypt mid corridor rate.

**Fair value:**

Fair value is approximately equal to book value.

(4) Edita Confectionery Industries Company

31 December 2022			31 December 2021		
Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
4 128 333	--	4 128 333	8 164 806	4 000 000	12 164 806
<b>4 128 333</b>	<b>--</b>	<b>4 128 333</b>	<b>8 164 806</b>	<b>4 000 000</b>	<b>12 164 806</b>

The due current portion is according to the following schedule:

	31 December 2022	31 December 2021
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>

(5) Edita Food Industries Morocco:

31 December 2022			31 December 2021		
Current portion	Non-Current Portion	Total	Current Portion	Non-current Portion	Total
38 827 109	171 345 354	210 172 463	--	--	--
<b>38 827 109</b>	<b>171 345 354</b>	<b>210 172 463</b>	<b>--</b>	<b>--</b>	<b>--</b>

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The due current portion is according to the following schedule:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Balance due within 1 year	38 827 109	--
Accrued interest	--	--
	<u><b>38 827 109</b></u>	<u><b>--</b></u>

**Deferred government grant**

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 and recognized in the profit or loss over the year necessary to match them with the costs that they are intended to compensate.

The Deferred government grants is according to the following schedule:

	<u>31 December 2022</u>			<u>31 December 2021</u>		
	<u>Current</u>	<u>Non-current</u>	<u>Total</u>	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Seventh loan	2 281 071	4 057 431	6 338 502	2 517 521	4 931 993	<b>7 449 514</b>
Eighth loan	861 078	1 415 991	2 277 069	1 055 416	2 277 069	<b>3 332 485</b>
Ninth loan	588 420	1 200 392	1 788 812	497 621	1 476 828	<b>1 974 449</b>
Tenth loan	380 916	451 951	832 867	394 988	1 211 398	<b>1 606 386</b>
	<u><b>4 111 485</b></u>	<u><b>7 125 765</b></u>	<u><b>11 237 250</b></u>	<u><b>4 465 546</b></u>	<u><b>9 897 288</b></u>	<u><b>14 362 834</b></u>

	<u>31 December 2022</u>	<u>31 December 2021</u>
Government Grant – Investment subsidy – Edita Morocco	9 786 843	--
– Non-Current	--	--
	<u><b>9 786 843</b></u>	<u><b>--</b></u>

**21. Employee retirement benefit obligations**

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

	<u>31 December 2022</u>	<u>31 December 2021</u>
Discount rate	15.5%	14.5%
Average salary increase rate	15%	10%
Turnover rate	16%	20%
Life table	52-49	49-52

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

	<u>31 December 2022</u>	<u>31 December 2021</u>
Present value of obligations	33 396 656	24 103 494
<b>Liability at the statement of financial position</b>	<u><b>33 396 656</b></u>	<u><b>24 103 494</b></u>

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

	<u>31 December 2022</u>	<u>31 December 2021</u>
Balance at beginning of the year	24 103 494	20 164 016
Interest expenses	3 736 042	2 923 783
Current service cost	8 113 982	489 744
<b>Total amount recognised in profit or loss</b>	<b>11 850 024</b>	<b>3 413 527</b>
Remeasurements: -		
(Gain)/Loss from change in assumptions	(1 581 166)	2 476 661
<b>Total amount recognized in other comprehensive income</b>	<b>(1 581 166)</b>	<b>2 476 661</b>
Paid during the year	(975 696)	(1 950 710)
<b>Balance at end of the year</b>	<b>33 396 656</b>	<b>24 103 494</b>

**Sensitivity in Defined Benefit Obligation: -**

The sensitivity of the defined benefit obligation 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%	Decrease by 5%	Increase by 5%
Salary increase	0.5%	Increase by 5%	Decrease by 5%
Mortality age	1%	Increase by 10%	Decrease by 9%

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 obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the Consolidated balance sheet statement.

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**22. Deferred income tax liability**

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

	Acquiring Digma Company for Trading				Unrealized foreign exchange loss		Net deferred tax liabilities
	Fixed assets	Deferred income losses	Other provisions	exchange loss	31 December 2022	31 December 2021	
<b>Deferred tax assets</b>							
Balance at 1 January	--	--	8 634 651	4 377 787	13 012 438	19 696 105	
Settlements – Edita Morocco	--	9 403 865	--	--	9 403 865	--	
Currency Translation	--	3 936 568	--	--	3 936 568	--	
Charged to statement of profit or loss	--	11 367 607	11 780 740	3 638 527	26 786 874	(6 683 666)	
<b>Ending balance</b>	--	<b>24 708 040</b>	<b>20 415 391</b>	<b>8 016 314</b>	<b>53 139 745</b>	<b>13 012 439</b>	
<b>Deferred tax liabilities</b>							
Balance at 1 January	(216 521 540)	--	--	--	(218 895 209)	(193 810 025)	
Other adjustments	1 095 334	--	--	--	1 095 334	--	
Charged to statement of profit or loss	(30 250 624)	240 424	--	--	(30 010 200)	(25 085 184)	
<b>Ending balance</b>	<b>(245 676 830)</b>	<b>(2 133 245)</b>	<b>--</b>	<b>--</b>	<b>(247 810 075)</b>	<b>(218 895 209)</b>	
<b>Net deferred tax liabilities</b>	<b>(245 676 830)</b>	<b>24 708 040</b>	<b>20 415 391</b>	<b>8 016 314</b>	<b>(194 670 330)</b>	<b>(205 882 770)</b>	
Balance at 1 January	(216 521 540)	--	8 634 652	4 377 787	(205 882 771)	(174 113 920)	
Other adjustments	1 095 334	--	--	--	1 095 334	--	
Settlements – Edita Morocco	--	9 403 865	--	--	9 403 865	--	
Currency Translation	--	3 936 568	--	--	3 936 568	--	
Charged to statement of profit or loss	(30 250 624)	240 424	11 780 740	3 638 527	(3 223 326)	(31 768 850)	
(Note 31)							
<b>Ending balance</b>	<b>(245 676 830)</b>	<b>24 708 040</b>	<b>20 415 391</b>	<b>8 016 314</b>	<b>(194 670 330)</b>	<b>(205 882 770)</b>	

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**23. Lease Liabilities**

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>Commitments in relation to leases are payable as follows:</b>		
Within one year	25 116 275	16 241 272
Later than one year	72 177 334	49 246 852
Later than five year	91 595 792	38 759 940
<b>Minimum lease payments</b>	<b>188 889 401</b>	<b>104 248 064</b>
<b>The present value of lease liabilities are as follows:</b>		
Within one year	12 855 017	8 685 095
<b>Lease Liability - Current</b>	<b>12 855 017</b>	<b>8 685 095</b>
Later than one year	40 258 864	29 113 764
Later than five year	64 757 028	26 011 358
<b>Lease Liability – Non-current</b>	<b>105 015 892</b>	<b>55 125 122</b>
<b>Total Lease Liability</b>	<b>117 870 909</b>	<b>63 810 217</b>

**24. Provisions**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Balance at 1 January	33 978 251	34 413 053
Morocco – addition	91 308	--
Additions during the year	39 747 480	10 178 161
Utilized during the year	(739 577)	(10 554 328)
Provision no longer required	(398 669)	(58 635)
Currency translation – Morocco	35 588	--
<b>Ending Balance as of</b>	<b>72 714 381</b>	<b>33 978 251</b>

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

**25. Bank overdraft**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Bank overdraft	501 662 587	400 676 904
<b>Total</b>	<b>501 662 587</b>	<b>400 676 904</b>

Bank overdraft 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 of 31 December 2022 (31 December 2021: 8.05%).

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**26. Trade and notes payables**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Trade payables	527 630 461	287 618 623
Fixed assets payables	40 319 469	50 060 453
Notes payable	64 275 968	42 195 798
<b>Total</b>	<b><u>632 225 898</u></b>	<b><u>379 874 874</u></b>

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

**27. Creditors and other credit balances**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Other credit balances	64 088 844	26 120 210
Accrued expenses	144 284 835	66 800 968
Taxes payable	48 693 231	41 859 345
Social insurance	9 165 163	7 358 709
Dividends payable	1 331 373	1 097 065
Deposits from others	6 081 555	4 332 630
Contract liabilities – accrued customer rebates	15 066 090	12 634 941
Advances from customers	27 928 540	13 690 850
<b>Total</b>	<b><u>316 639 631</u></b>	<b><u>173 894 718</u></b>

**28. Current income tax liabilities**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Balance at 1 January	30 584 092	29 897 178
Income tax paid during the year	(42 184 437)	(48 319 265)
Withholding tax receivable	(18 708 449)	(7 130 574)
Income tax for the year (Note 31)	287 988 253	131 675 762
Corporate income tax – advance payments	(69 102 192)	(63 709 382)
Tax on Treasury bills	11 602 122	(8 982 821)
Accrued interest – advance payments	(1 511 605)	(2 846 806)
<b>Balance at</b>	<b><u>198 667 784</u></b>	<b><u>30 584 092</u></b>

**29. Other income / expense**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Export subsidies <sup>*(2)</sup>	20 805 218	29 904 977
Gain from disposal of property plant and Equipment	16 645 688	17 846 453
Income from government grant <sup>*(1)</sup>	5 636 545	3 281 728
Other income	7 347 219	7 028 479
<b>Total-Other Income</b>	<b><u>50 434 670</u></b>	<b><u>58 061 637</u></b>
Solidarity contribution	(33 558 543)	(23 448 198)
<b>Total Other expense</b>	<b><u>(33 558 543)</u></b>	<b><u>(23 448 198)</u></b>
<b>Net</b>	<b><u>16 876 127</u></b>	<b><u>34 613 439</u></b>



**Government Grants****1. Reduced interest loans grants**

The Group receives government grants in form of loan at below market rate of interest. Government grants are initially recognized within other liabilities at fair value when there is reasonable assurance that it will be received, and the Group will comply with the conditions associated with the grant. Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to loans are deferred and recognised in profit or loss over the period necessary to match them with the loan term.

Amounts to be amortised are presented in (note 20).

**2. Government export subsidy**

The government of Egypt operates an export subsidy program managed by the Export Development Fund. The scheme was established under law 155 of 2002 to create incentives for Egyptian companies to grow exports. The Group operates in a qualifying sector 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 recognized 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 statement of profit or loss on a gross basis.

Export subsidies are recognized immediately as the company already recognize it since the government provide this subsidy to compensate the group for cost already incurred.

Amount to be released to the statement of profit or loss is presented in (note 13)

**30. Finance income / (cost) – net**

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>30.a Finance income</b>		
Interest income	110 242 998	74 237 378
Interest income – corporate tax advance payment	1 511 606	2 846 806
	<u>111 754 604</u>	<u>77 084 184</u>
<b>30.b Finance cost</b>		
Interest expense	(101 210 508)	(74 944 742)
Lease interest expenses	(9 507 086)	(8 538 558)
	<u>(110 717 594)</u>	<u>83 483 300</u>
<b>Finance income/cost - net</b>	<u>1 037 010</u>	<u>(6 399 116)</u>

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**31. Income tax expense**

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

	<u>31 December 2022</u>	<u>31 December 2021</u>
Income tax for the year	287 988 253	118 568 365
Deferred tax expense for the year	3 223 327	31 768 850
Income Tax on Treasury Bills	20 225 343	13 107 397
<b>Total</b>	<b><u>311 436 923</u></b>	<b><u>163 444 612</u></b>

**32. Earnings per share****Basic**

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

	<u>31 December 2022</u>	<u>31 December 2021</u>
Profit attributed to owners of the parent	1 025 696 831	528 739 989
Employees' profit share	(71 799 500)	--
	<b><u>953 897 331</u></b>	<b><u>528 739 989</u></b>
<b>Weighted average number of ordinary shares in issue</b>		
Ordinary shares	723 058 439	723 058 439
Treasury shares (Note 15)	(15 814 199)	--
	<b><u>707 244 240</u></b>	<b><u>723 058 439</u></b>
<b>Basic earnings per share</b>	<b><u>1.35</u></b>	<b><u>0.73</u></b>

**Diluted**

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

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES**
**Notes to the consolidated financial statements for the year ended 31 December 2022**

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

**33. Expenses by nature**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Cost of sales	5 033 938 556	3 559 706 634
Distribution cost	846 106 845	698 347 826
Administrative expenses	461 708 318	323 306 204
	<b><u>6 341 753 719</u></b>	<b><u>4 581 360 664</u></b>
Raw and packaging materials used	4 149 503 881	2 834 568 962
Salaries and wages	821 890 314	617 060 115
Advertising expense	363 584 526	287 994 919
Depreciation and amortization	229 235 066	195 546 403
Employees benefits	126 565 158	112 846 423
Other expenses	147 787 534	93 753 084
Gas, water and electricity	119 008 148	104 099 300
Company share in social insurance	58 337 455	56 213 676
Logistics expense	80 902 409	73 696 555
Transportation expense	66 267 558	60 067 667
Vehicle expense	70 316 384	60 571 201
Maintenance	60 718 496	49 583 999
Consumable materials	47 636 790	35 358 360
<b>Total cost of sales, distribution costs, and administrative expenses</b>	<b><u>6 341 753 719</u></b>	<b><u>4 581 360 664</u></b>

**34. Related parties**

The Group entered into several transactions with companies and entities that are included within the definition of related parties, as stated in EAS 15, "Disclosure of related parties". The related parties comprise the Group's board of directors, their entities, companies under common control, and/ or joint management and control, and their partners and employees of senior management. The partners of joint arrangement and non-controlling interest are considered by the Group as related parties. The management decides the terms and conditions of transactions and services provided from/ to related parties, as well as other expenses. Below is the statement that shows the nature and values of transaction with related parties during the period, and the balances due at the date of the consolidated financial statements.

**a. Due from related parties**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Edita food industries Morocco	--	3 860 444
La Marocaine De Distribution De Logistiquis (Dislog S.A)	62 072 443	12 611 623
<b>Total</b>	<b><u>62 072 443</u></b>	<b><u>16 472 067</u></b>

The nature of transaction is represented in secured financing against shares subject to call option (Note 10,11)

La Marocaine De Distribution De Logistiquis (Dislog S.A) is considered a related party as the Company is a Joint controlling shareholder in Edita Food Industries Morocco (Joint venture).

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES****Notes to the consolidated financial statements for the year ended 31 December 2022**

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**Key management compensation**

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

	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>Non-executive / independent board members</b>	<b>Key management personnel</b>	<b>Non-executive / independent board members</b>	<b>Key management personnel</b>
Salaries and compensation	4 900 000	146 904 158	2 450 000	102 319 939
Allowances	--	1 442 400	--	1 382 460
Other benefit	--	245 528	--	220 186



**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES****Notes to the consolidated financial statements for the year ended 31 December 2022**

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

Operating profit reconciles to net profit as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>Operating profit</b>	<b>1 299 854</b>	<b>654 326</b>
Finance cost	(101 333)	(76 386)
Finance income	111 755	77 084
Fair value gain/(loss) on investments at fair value through profit or loss	26 803	(5 832)
loss / Gain from joint ventures	(22 172)	8 509
Other income/expenses	16 876	34 613
Income tax	(311 437)	(163 445)
<b>Net profit</b>	<b><u>1 020 346</u></b>	<b><u>528 870</u></b>

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

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

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

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

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

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

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

The table below shows the financial assets and liabilities at fair value in the consolidated financial statements at 31 December 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 Company can have access to at the date of measurement.

Level 2- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES****Notes to the consolidated financial statements for the year ended 31 December 2022**

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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:

Bank balances and cash, 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.

Fair value of bank loans:

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

Fixed interest-bearing loans:

Edita Food Industries loans: The fair value of the loan at the reporting date has been calculated by discounting the future cash outflows using the prevailing market rate of interest of 9.75% at the reporting date.

The fair value is determined to be as follows:

	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>Fair value at reporting date</b>	<b>Carrying amount</b>	<b>Fair value at reporting date</b>	<b>Carrying amount</b>
Seventh loan	80 431 297	75 465 920	89 672 295	88 183 435
Eighth loan	95 257 062	99 115 924	72 713 690	70 840 435
Ninth loan	58 779 116	58 397 574	60 817 806	61 838 539
Tenth loan	86 579 417	89 331 540	52 348 719	52 851 708

Fair value of investment at fair value through profit or loss was determined using market comparison technique. The valuation model is based on identical instruments in an inactive market. This is a level 2 recurring Fair value measurement using significant observable input.

### 37. Cash flow information

#### Non-cash Investing and Finance Activities: -

- Transfer to Property, Plant and Equipment from Projects under construction. (Refer note 5).
- Acquisition of Right-of-Use-Assets. ((Refer note 6).
- Purchase of property, plant and equipment on credit. (Refer note 26).
- Dividends declared not yet settled

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

	<u>31 December</u> <u>2022</u>	<u>31 December</u> <u>2021</u>
Net book value of the assets disposed	37 276 696	2 237 463
Gain on disposal of property, plant and equipment (Note 29)	<u>16 645 688</u>	<u>17 846 453</u>
	<u><b>53 922 384</b></u>	<u><b>20 083 916</b></u>

### 38. Contingent liability

#### (1) Edita Food Industries Company

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

The Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business amounted to EGP 312 623 934 as of 31 December 2022, (31 December 2021: EGP 29 085 087).

#### (2) Digma for Trading Company

The Company guarantees Edita Food Industries against third parties in borrowing from Egyptian Banks. The Company had contingent liabilities in respect of letters of guarantee and letters of credit as at 31 December 2022 EGP 1 500 000 (31 December 2021: EGP 250 000).

#### (3) Edita Confectionary Industries Company

On 31 December 2022, the Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business amounted to EGP 5 282 085 (31 December 2021: EGP 1 340 572).

### 39. Capital Commitments

The Group has capital commitments as of 31 December 2022 of EGP 97 Million (31 December 2021: EGP 580 M) in respect of capital expenditure.



#### 40. Tax position

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

##### Edita Food Industries Company

###### a) Corporate tax

- The company is tax exempted for a period of 10 years ending 31 December 2007 in accordance with Law No. 230 of 1989 and Law No. 59 of 1979 related to New Urban Communities. The exemption period was determined to start from the fiscal year beginning on 1 January 1998. The company submits its tax returns on its legal period.
- The tax inspection was performed for the period from the company's inception till 31 December 2012 and all due tax amounts paid.
- For the years 2013 - 2016 tax inspection was performed and company paid tax due.
- For the years 2017 – 2019, Company books are under tax inspection.
- For the years 2020 – 2022 the Company submitted the tax return according to law No. 91 of 2005 in its legal period and has not been inspected yet.

###### b) Payroll tax

- The payroll tax inspection was performed till 31 December 2019 and company paid tax due.
- As for the years 2020 till 2022 the tax inspection has not been performed and the company is submitting the tax forms and annual payroll reconciliations on due time to the Tax Authority.

###### c) Value added tax

- The company is submitting the monthly forms on time according to law 67 for the year 2016 and its regulations
- The sales tax inspection was performed till 31 December 2019 and tax due was paid.
- As for the years 2020 till 2022 the tax inspection has not been performed and the company is submitting monthly tax returns on due time to the Tax Authority.

###### d) Stamp duty tax

- The stamp duty tax inspection was performed till 2019 and all due tax amounts paid.
- The years from 2020 to 2022 tax inspection has not been performed.

##### Digma for Trading Company

###### a) Corporate tax

- The company is subject to the corporate income tax according to tax law No, 91 of 2005 and amendments.
- The tax inspection was performed by the Tax Authority for the year from the Company's inception until year 2017 and the tax resulting from the tax inspection were settled and paid to the Tax Authority.
- The company hasn't been inspected for the years from 2018 to 2022 and the company submits its tax returns on due dates according to law No. 91 for the year 2005.

###### b) Payroll tax

- The tax inspection was performed until 31 December 2014 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- For the years from 2015 to 2019 the company finalized the tax inspection, and it had been settled and paid
- As for the years 2020 till 2022 the tax inspection has not been performed and the company is submitting quarterly tax forms on due time to the Tax Authority.

**c) Value added tax**

- The tax inspection was performed until 31 December 2020 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The years 2021 and 2022 the Company submits its monthly sales VAT return on due date.

**d) Stamp tax**

- The tax inspection was performed for the year from the Company's inception until 31 December 2020 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority
- For the year 2021 and 2022 the Company paid the tax due.

**Edita Confectionary Industries Company**

**a) Corporate tax**

- The Company is subject to the corporate income tax according to tax Law No. 91 of 2005 and adjustments.
- The corporate tax inspection was performed for the years from 2010 to 2016 and the difference was transferred to an internal committee.
- The company hasn't been inspected for the years from 2017 to 2022 and the Company submitted its tax returns to Tax Authority on due dates.

**b) Payroll Tax**

- The payroll tax inspection was performed for the years from 2009 to 2019 and the tax due was paid to the Tax Authority.
- The company hasn't been inspected for the year from 2020 to 2022.

**c) Value added tax**

- The tax inspection was performed for the year from the Company's inception until 2020 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The company hasn't been inspected for the years from 2021 -2022 and the Company submits its monthly VAT tax return on due date.

**d) Stamp Tax**

- The stamp tax inspection was performed from 2009 to 2020 and the tax due was paid to the Tax Authority.
- The Company has not been inspected for the year from 2021 and 2022.

**41. Significant events during the period:**

- On April 14, 2022, the ordinary general assembly of the company's shareholders was held, and it approved the consolidated financial statements for the year ended December 31, 2021 and approved the dividends distribution of EGP 0.277 per share.
- On April 27, 2022, the Prime Minister issued the Ministerial decree No. (1568) for the year 2022 to amend some provisions of the Egyptian Accounting Standards by adding Annex (B) to the Egyptian Accounting Standard No. 13 "The Effects of Changes in Foreign Exchange Rates".

This annex aims to set a special accounting treatment for the implications resulted from the Exceptional Economic Decision pertaining to the movement of the foreign currencies exchange rates through setting a temporary additional option to paragraph (28) of the Egyptian Accounting Standard No (13) – “The Effects of Changes in Foreign Exchange Rates” which requires the recognition of the foreign exchange difference in the statement of profit or loss for the period in which they incur. Alternatively, an entity that has outstanding liabilities in foreign currency on the date of the movement of the exchange rates that are related to property plant and equipment, investment property, intangible assets (other than goodwill) or mining assets to revalue its related liabilities during the period from the beginning of January 2020 until the date of the movement of the exchange rate, and recognize the foreign exchange differences resulted from the revaluation of related liabilities at the date of movement of the exchange rates as a part of the acquisition costs. Also, this treatment permits an entity to recognize foreign exchange gain or loss resulting from the revaluation of the monetary balances in foreign currencies that are outstanding on the movement date of the exchange rates to be recognized in the other comprehensive income in accordance with paragraph 9 of the annex.

- On December 27, 2022, the Prime Minister issued the Ministerial decree No. (4706) for the year 2022 to amend some provisions of the Egyptian Accounting Standards by adding Annex (c) to the Egyptian Accounting Standard No. 13 “The Effects of Changes in Foreign Exchange Rates”.

This appendix aims to set a special accounting treatment to deal with the effects of the exceptional economic decision related to moving the exchange rate by setting an additional temporary option to Paragraph No. 28 of the amended Egyptian Accounting Standard No. 13 “The effects of changes in foreign exchange rates”, which require the recognition of foreign exchange differences in the statement of profit or loss statement for the period in which they occur. Alternatively, an entity that has outstanding liabilities in foreign currency on the date of movement the exchange rate that are related to property plant and equipment, investment property, intangible assets (other than for goodwill), mining assets and right of use assets acquired before the date of the movement and still present and operating, by recognizing the finance costs resulting from the paid part of these liabilities during the financial period of applying this special accounting treatment, in addition to the foreign exchange difference resulting from the translation of the balance as of 31 December 2022, or at the end of the closing day of the financial statements for the financial period of apply this special accounting treatment if previously using the exchange rate used on those dates, is included in the cost of assets, as set out in paragraph 7 of this appendix.

- Also, this treatment permits an entity to recognize foreign exchange gain or loss resulting from the revaluation of the monetary balances in foreign currencies that are outstanding as of 31 December 2022, or at the end of the closing day of the financial statements for the financial period of apply this special accounting treatment to be recognized in the other comprehensive income in accordance with paragraph 9 of the annex.
- The Central Bank’s Monetary Policy Committee decided at its meeting on Thursday, May 19, 2022, to raise the overnight deposit and lending rates and the central bank main transaction by 200 basis points to 11.25%, 12.25% and 11.75%, respectively. Also, credit and discount rates had been raised by 200 basis points to reach 11.75%.
- The Central Bank’s Monetary Policy Committee decided at its meeting on Thursday, October 27, 2022, to raise the overnight deposit and lending rates and the central bank main transaction by 200 basis points to 13.25%, 14.25% and 13.75%, respectively. Also, credit and discount rates had been raised by 200 basis points to reach 13.75%.

**42. Subsequent Events**

- According to Digma (S.A.E) extraordinary general assembly meeting dated 13 February 2023, article no. (2) of the company's articulation had been amended where the company's name from Digma Trading (S.A.E) to Edita for Trading and Distribution. (S.A.E).
- According to Board of Directors meeting, on February 26, 2023, it has been agreed to submit a purchase offer after completing the legal procedures and government approvals, which includes punitive terms for both parties to acquire a 100% stake in an unlisted company operating in the food industries sector.