

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

**REVIEW REPORT AND CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED  
31 MARCH 2020  
(IFRS)**

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

## Consolidated financial statements - For the three months period ended 31 March 2020

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## Review report

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

### Introduction

We have reviewed the accompanying consolidated balance sheet of Edita Food Industries Company (S.A.E.) as at 31 March 2020 and the related Consolidated statements of Profit or loss, comprehensive income, changes in equity and cash flows for the three months period then ended, and notes comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements No. 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly in all material respects, the financial position of Edita Food Industries Company (S.A.E.) as at 31 March 2020, and of its financial performance and its cash flows for the three months period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers – Egypt

11 May 2020  
Cairo



**EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES**
**Consolidated balance sheet - At 31 March 2020**

(All amounts in Egyptian Pounds)

	Note	31 March 2020	31 December 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	2,136,801,599	1,993,845,097
Right of use assets	6	82,398,576	61,432,524
Intangible assets	7	168,546,112	168,276,650
<b>Total non-current assets</b>		<b>2,387,746,287</b>	<b>2,223,554,271</b>
<b>Current assets</b>			
Inventories	8	305,993,280	295,420,425
Trade and other receivables	10	185,194,250	204,193,093
Treasury bills	11	537,934,089	548,192,500
Cash and bank balances	12	61,081,437	153,615,452
<b>Total current assets</b>		<b>1,090,203,056</b>	<b>1,201,421,470</b>
<b>Total assets</b>		<b>3,477,949,343</b>	<b>3,424,975,741</b>
<b>Liabilities and Equity</b>			
<b>Non-current liabilities</b>			
Borrowings	13	601,357,805	605,756,771
Deferred tax liabilities	14	165,067,441	167,800,747
Employee benefit obligations	15	13,744,652	11,600,000
Lease liabilities	16	72,747,338	56,293,305
<b>Total non-current liabilities</b>		<b>852,917,236</b>	<b>841,450,823</b>
<b>Current liabilities</b>			
Trade and other payables	17	680,883,718	544,325,008
Current income tax liabilities	18	62,476,548	63,186,112
Borrowings	13	129,001,399	185,887,584
Bank overdraft	19	153,758,741	120,096,127
Lease liabilities	16	14,741,346	7,576,894
Provisions	20	27,300,916	21,221,845
<b>Total current liabilities</b>		<b>1,068,162,668</b>	<b>942,293,570</b>
<b>Total liabilities</b>		<b>1,921,079,904</b>	<b>1,783,744,393</b>
<b>Equity</b>			
Share capital	21	145,072,580	145,072,580
Legal reserve	22	78,233,972	78,233,972
Cumulative translation reserve		(2,104,972)	(202,760)
Transactions with non-controlling interest	23	(32,132,098)	(32,132,098)
Retained earnings		1,334,402,249	1,414,038,957
		<b>1,523,471,731</b>	<b>1,605,010,651</b>
Non-controlling interests	23	33,397,708	36,220,697
<b>Total equity</b>		<b>1,556,869,439</b>	<b>1,641,231,348</b>
<b>Total liabilities and equity</b>		<b>3,477,949,343</b>	<b>3,424,975,741</b>

- The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

- Review Auditor's report attached

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

11 May 2020  
 Giza

  
**Eng. Hami Berzi**  
 Chairman

EDITA FOOD INDUSTRIES (S.A.E.)

Consolidated statement of profit or loss "IFRS"  
For the three months period ended 31 March 2020

(All amounts in Egyptian Pounds)

	Note	31 March 2020	31 March 2019
Revenue		964,071,365	982,181,168
Cost of goods sold	30	(628,593,785)	(634,914,691)
<b>Gross profit</b>		<b>335,477,580</b>	<b>347,266,477</b>
Distribution cost	30	(178,886,709)	(115,155,826)
General and administrative expenses	30	(84,851,556)	(69,937,442)
Other income	24	28,766,424	5,041,002
Other losses - net	25	(12,757,575)	(13,835,394)
<b>Profit from operations</b>		<b>87,748,164</b>	<b>153,378,817</b>
Finance income	26	26,600,470	22,936,024
Finance cost	26	(24,864,976)	(25,357,951)
<b>Finance cost, net</b>		<b>1,735,494</b>	<b>(2,421,927)</b>
<b>Profit before income tax</b>		<b>89,483,658</b>	<b>150,956,890</b>
Income tax expense	27	(25,073,586)	(36,632,168)
<b>Net profit for the period</b>		<b>64,410,072</b>	<b>114,324,722</b>
<b>Net Profit is attributable to</b>			
Shareholders' equity		65,435,872	113,007,001
Non-controlling interest		(1,025,800)	1,317,721
<b>Net profit for the period</b>		<b>64,410,072</b>	<b>114,324,722</b>
<b>Earnings per share (expressed in EGP per share):</b>			
Basic earnings per share	29	0.09	0.16
Diluted earnings per share	29	0.09	0.16

The above consolidated statement of profit or loss should be read in conjunction with the accompanying

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

### Consolidated statement of comprehensive income For the three months period ended 31 March 2020

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(All amounts in Egyptian Pounds)

	<u>31 March 2020</u>	<u>31 March 2019</u>
<b>Profit for the period</b>	64,410,072	114,324,722
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operation	<u>(3,699,401)</u>	<u>(23,637)</u>
<b>Total comprehensive income for the period</b>	<u><b>60,710,671</b></u>	<u><b>114,301,085</b></u>
<b>Total comprehensive income is attributable to</b>		
Owners of the parent	63,533,660	112,983,364
Non-controlling interest	<u>(2,822,989)</u>	<u>1,317,721</u>
<b>Total comprehensive income for the period</b>	<u><b>60,710,671</b></u>	<u><b>114,301,085</b></u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## EDITA FOOD INDUSTRIES

### Consolidated statement of changes in equity For the three months period ended 31 March 2020

	Total Owners' Equity							
	Paid up capital	Legal reserve	Cumulative translation reserve	Transactions with non-controlling interest	Retained earnings	Total shareholders	Non-controlling interest	Total owners' equity
Balance at 1 January 2019	145,072,580	73,265,674	16,103	-	1,206,786,382	1,425,140,739	23,795,932	1,448,936,671
Net profit for the period	-	-	-	-	113,007,001	113,007,001	1,317,721	114,324,722
Other comprehensive loss for the period	-	-	(23,637)	-	-	(23,637)	-	(23,637)
Non-controlling interest share in establishment of subsidiary	-	-	-	-	-	-	10,003,534	10,003,534
<b>Total other comprehensive income for the period</b>	-	-	(23,637)	-	113,007,001	112,983,364	11,321,255	124,304,619
Declared dividends distribution for 2018	-	-	-	-	(151,000,000)	(151,000,000)	-	(151,000,000)
<b>Balance at 31 March 2019</b>	<b>145,072,580</b>	<b>73,265,674</b>	<b>(7,534)</b>	<b>-</b>	<b>1,168,793,383</b>	<b>1,387,124,103</b>	<b>35,117,187</b>	<b>1,422,241,290</b>
Balance at 1 January 2020	145,072,580	78,233,972	(202,760)	(32,132,098)	1,414,038,957	1,605,010,651	36,220,697	1,641,231,348
Net profit for the period	-	-	-	-	65,435,872	65,435,872	(1,025,800)	64,410,072
Other comprehensive loss for the period	-	-	(1,902,212)	-	-	(1,902,212)	(1,797,189)	(3,699,401)
<b>Total other comprehensive income for the period</b>	-	-	(1,902,212)	-	65,435,872	63,533,660	(2,822,989)	60,710,671
Declared dividends distribution for 2019	-	-	-	-	(145,072,580)	(145,072,580)	-	(145,072,580)
<b>Balance at 31 March 2020</b>	<b>145,072,580</b>	<b>78,233,972</b>	<b>(2,104,972)</b>	<b>(32,132,098)</b>	<b>1,334,402,249</b>	<b>1,523,471,731</b>	<b>33,397,708</b>	<b>1,556,869,439</b>

- The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

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

Consolidated statement of cash flows  
For the three months period ended 31 March 2020

(All amounts in Egyptian Pounds)

	<u>Notes</u>	<u>31 March 2020</u>	<u>31 March 2019</u>
<b><u>Cash flows from operating activities</u></b>			
Cash inflow operations	31	141,925,525	237,993,853
Interest paid		(16,144,736)	(23,521,320)
Income tax paid		(28,703,937)	(5,675,561)
<b>Net cash inflow operating activities</b>		<b><u>97,076,852</u></b>	<b><u>208,796,972</u></b>
<b><u>Cash flows from investing activities</u></b>			
Purchase of property, plant and equipment	5	(187,684,928)	(65,752,849)
Acquired cash from establishment of subsidiary		-	10,850,159
Secured payments for acquisition of non-controlling interest		-	(55,297,782)
Proceeds from sale of property, plant and equipment		68,689	150,031
Interest received		525,290	358,308
Payment for purchase of treasury bills		(30,596,700)	-
Proceeds from sale of treasury bills		-	297,450,000
<b>Net cash (outflow) / inflow investing activities</b>		<b><u>(217,687,649)</u></b>	<b><u>187,757,867</u></b>
<b><u>Cash flows from financing activities</u></b>			
Repayment of borrowings		(57,311,143)	(65,872,186)
Lease payments		(4,006,658)	
Proceeds from non-controlling interest on the establishment of subsidiary		-	10,003,534
<b>Net cash outflow financing activities</b>		<b><u>(61,317,801)</u></b>	<b><u>(55,868,652)</u></b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b><u>(181,928,598)</u></b>	<b><u>340,686,187</u></b>
Cash and cash equivalents at beginning of the Period		93,538,206	44,453,178
Effects of exchange rate on cash and cash equivalents		(4,286,912)	(23,637)
<b>Cash and cash equivalents at end of the Period</b>	12	<b><u><u>(92,677,304)</u></u></b>	<b><u><u>385,115,728</u></u></b>
		<b><u>31 March 2020</u></b>	<b><u>31 March 2019</u></b>
<b><u>Non-cash transaction</u></b>			
Dividends declared not yet settled		145,072,580	151,000,000

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.



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

### **Notes to the consolidated financial statements For the three months period ended 31 March 2020**

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

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

The main shareholders are Quantum Investment BV which owns 41.815% of the Company's share capital and the Bank of New York Mellon "depository bank for shares traded in London Stock Exchange" which manages 12.488% of the Company share capital and Kingsway Fund Frontier Consumer Franchises which owns 11.131% of Company's share capital and other shareholders owning 34.566% of company's share capital.

These consolidated financial statements have been approved by Chairman and Managing Director on 11 May 2020.

consolidated financial statements of the Group comprise financial statements of Edita Food Industries Company (S.A.E.) and its subsidiaries (together referred to as the "Group").

#### **Edita Food Industries:**

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 group's principal subsidiaries at 31 March 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

#### **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 but the Company does not have any operations until now and all its transactions are immaterial.

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

### Notes to the consolidated financial statements

For the three months period ended 31 March 2020

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

#### General information (continued)

##### 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% majority stake owned by Edita Food Industries (S.A.E.).

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
		31 March 2020	31 December 2019	31 March 2020	31 December 2019
		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	51%	51%	49%	49%

#### Financial information about the subsidiaries of the group as at 31 March 2020 and 31 March 2019

Name of subsidiary	Total Assets 2020	Total Equity 2020	Total Sales 2020	Net Profit/ (loss) 2020
Digma for trading	406,780,353	170,205,161	904,396,391	(20,270,191)
Edita Confectionery Industries	206,280,901	120,489,444	42,032,115	714,064
Edita participation limited	41,260,786	(5,042,118)	-	(569,045)
Edita Food Industries Morocco	90,764,519	67,154,205	-	(2,011,532)

Name of subsidiary	Total Assets 2019	Total Equity 2019	Total Sales 2019	Net Profit/ (loss) 2019
Digma for trading	332,962,049	250,701,021	899,239,318	7,797,673
Edita Confectionery Industries	197,826,474	112,506,708	40,528,882	6,458,274
Edita participation limited	17,635,841	(2,272,637)	-	(70,720)
Edita Food Industries Morocco	20,519,317	20,134,901	-	(280,474)

The above mentioned financial information are related to amounts as included in the separate financial statements which have been used in the consolidation.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

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#### 2. Summary of significant 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 to all the years presented, unless otherwise stated.

##### A. Basis of preparation

###### I. Compliance with IFRS

The consolidated financial statements of Edita food industries and its subsidiaries "the group" have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

###### II. Historical cost convention

These financial statements have been prepared under the historical cost basis except for the defined benefit obligation which is recognized at the present value of future obligation using the projected credit unit method.

##### 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 to direct the activities of the 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.

The acquisition method of accounting is used to account for business combinations by the group

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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

###### 2. Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

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#### Basis of consolidation (continued)

##### 3. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

##### 4. Changes in ownership interests

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.

#### C. Principles of consolidation and equity accounting

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

#### D. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer. The board of EDITA FOOD INDUSTRIES has appointed a chief operating decision-maker who assess the financial performance and position of the group, and makes strategic decisions. Which has been identified as the chief executive officer.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

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#### E. Foreign currency translation

##### (1) Functional and presentation currency

These consolidation financial statements are presented in EGP "Egyptian Pounds" which is the group presentation currency.

##### (2) Transactions and balances

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

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

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

##### (3) Group companies

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

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) All resulting exchange differences are recognized in other comprehensive income.  
On consolidation, exchange differences arising from translation of the net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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 recognized in other comprehensive income.

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

### **Notes to the consolidated financial statements For the three months period ended 31 March 2020**

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

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#### **F. Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### **Sales of goods – wholesale**

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 is often sold with retrospective volume discounts 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.

#### **G. Interest income**

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

#### **H. Dividend income**

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

#### **I. 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.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

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#### **J. Income tax**

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

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

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

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

Current and deferred tax is recognised in 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.

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#### 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
- 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.



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#### L. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

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

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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

#### M. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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#### N. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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. In the consolidated balance sheet, bank overdrafts are shown in current liabilities in the balance sheet.

#### O. Trade receivables

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

#### P. Inventories

Inventories are stated at the lower of cost or net realisable value. Cost comprises direct materials, direct labour, other direct costs and an appropriate proportion of variable and fixed overhead expenditures, the latter being allocated on the basis of normal operating capacity but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and estimated costs necessary to make the sale, and the provision for obsolete inventory is created in accordance to the management's assessment.

#### Q. Financial assets under IFRS 9

##### (1) Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- Those to be measured at amortised cost. The Group's financial asset at amortised cost comprise of trade receivables, other debit balances and treasury bills.

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

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

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

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#### Financial assets under IFRS 9 (continued)

##### (2) Measurement

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

##### Debt instruments – treasury bills

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

##### (3) Impairment

From 1 January 2018, the group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

#### R. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statements of Profit or loss during the financial year in which they are incurred.

Land is not depreciated.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual value over their estimated useful lives, as follows:

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

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

#### **S. Intangible assets**

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

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

#### **T. Trade and other payables**

These amounts represent liabilities for goods or services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

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#### U. Borrowing

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

##### Established fees "transaction cost"

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

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

Borrowing are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### V. Borrowing costs

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

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

#### W. Provisions

Provisions are recognized 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. Provisions are not recognized for future operating losses.

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.

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

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#### X. Employee benefits

##### (1) Short-term obligations

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

##### (2) Post-employment obligation

Pension obligations

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

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

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

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

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

The defined benefit plan defines an amount of benefits to be provided in the form of 15 working days payment for each year they had worked for the company 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 Company only
- The working period must be not less than ten years.
- The maximum contribution is 12 months salary.

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

##### (3) Profit-sharing and bonus plans

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

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#### Employee benefits (continued)

##### (4) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer and in accordance with labour law. Falling due more than 12 months after the end of the reporting period are discounted to present value.

#### Y. Contributed equity

Ordinary shares are classified as equity.

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

#### Z. Dividends

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

#### AA. Earnings per share

##### (1) Basic earnings per share

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

##### (2) Diluted earnings per share

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

#### BB. Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

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#### 3. Financial risk management

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 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 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 Company deals with in official rates and the rest from its exports in US Dollars.

##### Exposure

The group's exposure to foreign currency risk at the end of the reporting year, expressed in Egyptian pounds, was as follows:



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#### Financial risk management (continued)

At period end, major financial Assets (liabilities) in foreign currencies were as follows:

	Assets	Liabilities	Net 31 March 2020	Net 31 December 2019
Euros	25,857,720	(24,021,556)	1,836,164	5,362,588
MAD	31,632,771	(20,980,281)	10,652,490	34,018,665
United States Dollars	21,096,203	(474,610,063)	(453,513,860)	(379,443,760)

#### Amounts recognised in profit or loss

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

	31 March 2020	31 March 2019
<b>Amounts recognised in profit or loss</b>		
Net foreign exchange gain / (loss) included in finance cost and other gain or losses	6,911,410	9,456,769
	<b>6,911,410</b>	<b>9,456,769</b>
<b>Net losses recognised in other comprehensive income</b>		
Foreign currency translation reserve	(3,699,401)	(23,637)
	<b>(3,699,401)</b>	<b>(23,637)</b>

#### 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 period components arises from contracts designated financial liabilities.

#### *Euro/EGP*

At 31 March 2020, if the Egyptian Pounds had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the period would have been EGP 183,616 (2019: EGP 536,258) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

#### *MAD/EGP*

At 31 March 2020, if the Egyptian Pounds had weakened / strengthened by 10% against the MAD with all other variables held constant, post-tax profit for the period would have been EGP 1,065,249 (2019: EGP 3,401,866) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

#### *USD/EGP*

At 31 March 2020, if the Egyptian Pounds had weakened / strengthened by 10% against the US Dollars with all other variables held constant, post tax profit for the period would have been EGP 45,351,386 (2019: EGP 37,944,376) higher / lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets and liabilities.

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#### Financial risk management (continued)

##### (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 variable rates do not expose the company to fair value interest rate risk.

At 31 March 2020, 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 period would have been EGP 8,841,179 (31 December 2019: EGP 9,117,405) lower/higher interest expense on floating rate borrowings.

Borrowings at the balance sheet date with variable interest rate amounted to EGP 730,359,204 (2019: EGP 791,644,355)

Overdraft at the balance sheet on 31 March 2020 amounted to EGP 153,758,741 (2019: EGP 120,096,127)

#### (B) Credit risk

##### (i) Risk management

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

##### (ii) Security

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

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

##### (iii) Credit quality

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

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

For the wholesalers, the Credit Controllers assess the credit quality of the wholesale customer, taking into account its financial position, and their market reputation, past experience and other factors.

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#### Financial risk management (continued)

For Individuals there is no credit risk since all sales are in cash.

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 March 2020</u>	<u>31 December 2019</u>
Trade and notes receivables	41,209,977	52,997,688
<b>Total</b>	<u><b>41,209,977</b></u>	<u><b>52,997,688</b></u>

Outstanding trade receivables are current and not impaired

The table below summarizes the maturities of the Company's trade receivables at 31 March 2020 and 31 December 2019:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Less than 30 days	13,520,048	21,349,844
From 31 to 60 days	18,251,554	26,651,463
From 61 to 90 days	3,089,284	4,887,431
More than 90 days	6,349,091	108,950
	<u><b>41,209,977</b></u>	<u><b>52,997,688</b></u>

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Impairment of trade receivables	20,556	20,556
	<u><b>20,556</b></u>	<u><b>20,556</b></u>

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The group does not hold any collateral in relation to these receivables.

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

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

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#### Financial risk management (continued)

##### (C) Liquidity risk

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

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

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 March 2020 based on contractual payment dates and current interest rates.

At 31 March 2020	Between			
	Less than 6 month	6 month & 1 year	Between 1 & 2 years	More than 2 years
Borrowings	38,153,727	78,945,007	359,443,215	241,914,590
Future interest payments	15,356,491	38,763,736	42,994,400	53,591,267
Trade and other payables	567,270,475	-	-	-
Bank overdraft	153,758,741	-	-	-
Notes payable	66,373,367	-	-	-
Lease liability	7,891,469	8,296,329	16,464,002	140,366,279
<b>Total</b>	<b>848,804,270</b>	<b>126,005,072</b>	<b>418,901,617</b>	<b>435,872,136</b>
<b>At 31 December 2019</b>				
Borrowings	89,454,468	89,454,468	355,992,164	249,764,534
Future interest payments	34,870,958	30,438,190	74,038,278	25,535,291
Trade and other payables	364,356,861	-	-	-
Bank overdraft	120,096,127	-	-	-
Notes payable	128,454,135	-	-	-
Lease liability	4,708,276	4,708,276	56,100,454	52,756,420
<b>Total</b>	<b>741,940,825</b>	<b>124,600,934</b>	<b>486,130,896</b>	<b>328,056,245</b>

The amount of unused credit facility is nil as of 31 March 2020 (31 December 2019: Nil) also the Company will have future interest payments related to Loans amounted to EGP 150,705,894 (31 December 2019: EGP 164,882,717).

##### (1) Capital management

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

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

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

#### Financial risk management (continued)

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Total borrowings	730,359,204	791,644,355
Bank overdraft	153,758,741	120,096,127
<b>Total borrowings and loans</b>	<b>884,117,945</b>	<b>911,740,482</b>
Less: Cash and bank balances	(61,081,437)	(153,615,452)
<b>Net debt</b>	<b>823,036,508</b>	<b>758,125,030</b>
Total equity	1,556,869,439	1,641,231,348
<b>Total capital</b>	<b>2,379,905,947</b>	<b>2,399,356,378</b>
<b>Gearing ratio</b>	<b>35 %</b>	<b>31.6%</b>

The increase in gearing ratio mainly due to decrease in Cash and bank balances

#### Loan covenants

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

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

As of 31 March 2020, the Group was in compliance with the debt covenants.

#### (2) Fair value estimation

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

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

## Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

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### 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 period are outlined below:

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

The group 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 of in use calculations which require the use of assumptions (Note 7).

##### **Employee benefit retirement obligation**

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

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

Note (15) shows the main assumptions used to estimate the employees' benefit obligation.

#### 2. Critical judgments in applying the group's accounting policies

##### **Revenue recognition**

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

##### **Determining the lease term**

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

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

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

#### 5. Property, plant and equipment

##### At 1 January 2019

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
Cost	120,908,260	923,888,177	1,078,533,044	180,898,627	114,492,877	93,232,774	23,192,134	2,535,145,893
Accumulated depreciation	-	(130,284,458)	(291,222,934)	(94,793,529)	(67,204,822)	(67,402,696)	-	(650,908,439)
<b>Net book amount</b>	<b>120,908,260</b>	<b>793,603,719</b>	<b>787,310,110</b>	<b>86,105,098</b>	<b>47,288,055</b>	<b>25,830,078</b>	<b>23,192,134</b>	<b>1,884,237,454</b>
<b>Year ended 31 December 2019</b>								
Opening net book amount	120,908,260	793,603,719	787,310,110	86,105,098	47,288,055	25,830,078	23,192,134	1,884,237,454
Additions	-	-	1,500,526	101,691,246	13,494,593	7,037,855	153,441,865	277,166,085
Depreciation charge	-	(36,878,264)	(54,658,223)	(27,651,032)	(17,854,912)	(12,397,450)	-	(149,439,881)
Impairment loss	-	-	(16,593,500)	-	-	-	-	(16,593,500)
Accumulated depreciation of disposals	-	35,486	57,000	7,951,478	497,845	13,623	-	8,555,432
Disposals	-	(44,175)	(570,000)	(8,954,850)	(497,845)	(13,623)	-	(10,080,493)
Transfers from Projects under construction	-	14,947,749	50,853,284	-	5,852,636	5,709,229	(77,362,898)	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>771,664,515</b>	<b>767,899,197</b>	<b>159,141,940</b>	<b>48,780,372</b>	<b>26,179,712</b>	<b>99,271,101</b>	<b>1,993,845,097</b>

##### At 31 December 2019

Cost	120,908,260	938,791,751	1,130,316,854	273,635,023	133,342,261	105,966,235	99,271,101	2,802,231,485
Accumulated depreciation	-	(167,127,236)	(362,417,657)	(114,493,083)	(84,561,889)	(79,786,523)	-	(808,386,388)
<b>Net book amount</b>	<b>120,908,260</b>	<b>771,664,515</b>	<b>767,899,197</b>	<b>159,141,940</b>	<b>48,780,372</b>	<b>26,179,712</b>	<b>99,271,101</b>	<b>1,993,845,097</b>

##### Period ended 31 March 2020

Opening net book amount	120,908,260	771,664,515	767,899,197	159,141,940	48,780,372	26,179,712	99,271,101	1,993,845,097
Additions	-	-	53,500	62,647,611	5,379,186	5,117,663	113,580,338	186,778,298
Depreciation charge	-	(9,364,715)	(13,862,958)	(11,730,074)	(4,920,211)	(3,042,696)	-	(42,920,654)
Disposals	-	-	-	239,000	796,207	1,210	-	1,036,417
Accumulated depreciation of disposals	-	-	-	(239,000)	(796,241)	(1,210)	-	(1,036,451)
Translation of foreign operations	-	-	-	-	-	-	(901,108)	(901,108)
Transfers from Projects under construction	-	15,758,960	6,612,924	-	23,353	-	(22,395,237)	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>778,058,760</b>	<b>760,702,663</b>	<b>210,059,477</b>	<b>49,262,666</b>	<b>28,254,679</b>	<b>189,555,094</b>	<b>2,136,801,599</b>
Cost	120,908,260	954,550,711	1,136,983,278	336,043,634	137,948,559	111,082,688	189,555,094	2,987,072,224
Accumulated depreciation	-	(176,491,951)	(376,280,615)	(125,984,157)	(88,685,893)	(82,828,009)	-	(850,270,625)
<b>Net book amount</b>	<b>120,908,260</b>	<b>778,058,760</b>	<b>760,702,663</b>	<b>210,059,477</b>	<b>49,262,666</b>	<b>28,254,679</b>	<b>189,555,094</b>	<b>2,136,801,599</b>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

#### Property, plant and equipment (continued)

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

	<b>For the period ended 31 March 2020</b>	<b>For the year ended 31 December 2019</b>
Charged to cost of sales	27,011,664	104,505,198
Charged to distribution costs	11,061,461	25,797,074
Charged to administrative expenses	4,847,529	19,137,609
	<b>42,920,654</b>	<b>149,439,881</b>

#### The projects under construction represent:

	<b>31 March 2020</b>	<b>31 December 2019</b>
Buildings	47,815,803	31,254,205
Machinery & equipment	105,610,056	54,531,374
Tools & equipment	13,620,761	12,321,313
Technical and other installations	22,508,474	1,164,209
	<b>189,555,094</b>	<b>99,271,101</b>

#### 6. Right of use assets

	<b>31 March 2020</b>	<b>31 December 2019</b>
Balance on initial adoption of IFRS 16	-	32,144,016
Opening net book amount	61,432,524	-
Additions during the period	21,360,769	39,086,151
Amortization expenses	(1,896,483)	(8,679,579)
Exchange differences	1,501,766	(1,118,064)
<b>Balance</b>	<b>82,398,576</b>	<b>61,432,524</b>

Right of use assets represent properties rented by the group.



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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

#### 7. Intangible assets

	31 March 2020			
	Trademark (A)	Know how (B)	Software (C)	Total
Cost	131,480,647	31,430,995	5,365,008	168,276,650
Additions	-	-	906,630	906,630
Amortisation for the period	-	-	(637,168)	(637,168)
<b>Balance as of</b>	<b>131,480,647</b>	<b>31,430,995</b>	<b>5,634,470</b>	<b>168,546,112</b>

  

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

#### A. Trademark

	Trade Mark (HOHOS, Twinkies & Tiger Tail)	
	31 March 2020	31 December 2019
	Cost	
Opening Balance	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 LE 68,618,658 paid – against buying all the rights to the trademarks (HOHOS, Twinkies & Tiger Tail) and the consequences of this acquisition of the trademark in the countries of Egypt, Jordan, Libya and Palestine these rights do not have a definite life. On the 16<sup>th</sup> of April 2015 the Group had signed a new contract for 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 indefinite useful lives, and this is against USD 8 Million equivalent to EGP 62,861,989.

#### B. Know how

	Know How	
	31 March 2020	31 December 2019
Cost		
Opening balance	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 some Hostess Brands products in the countries Egypt, Libya, Palestine, Jordan, Algeria, Bahrain, Iraq, Jordan, Lebanon, Kuwait, Morocco, Oman, Qatar, Kingdom of Saudi Arabia, Syria, Tunisia, and the United Arab Emirates, and this is against an amount of USD 4 Million equivalent to EGP 31,430,995.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

#### Intangible assets (continued)

##### C. Software

	Software	
	31 March 2020	31 December 2019
<b>Cost</b>		
Opening balance	5,365,008	7,009,436
Additions	906,630	729,058
Amortization expense for the period	(637,168)	(2,373,486)
<b>Balance as of</b>	<b>5,634,470</b>	<b>5,365,008</b>

##### 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 CGU operates.

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

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

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

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

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

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

#### Intangible assets (continued)

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

#### Sensitivity of recoverable amounts

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

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

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

#### 8. Inventories

	<u>31 March 2020</u>	<u>31 December 2019</u>
Raw and packaging materials	200,740,778	195,916,056
Finished goods	45,447,227	40,892,377
Spare parts	42,167,009	43,060,821
Work in process	11,931,011	11,419,617
Consumables	9,060,286	7,279,085
<b>Total</b>	<b>309,346,311</b>	<b>298,567,956</b>
Less: allowance for decline in value	(3,353,031)	(3,147,531)
<b>Net</b>	<b>305,993,280</b>	<b>295,420,425</b>

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

During the period ended 31 March 2020, there has been a slow moving and obsolete inventory amounted to EGP 205,500 (31 March 2019: EGP 191,179) (Note 24) and the cost of write down was nil (31 March 2019: EGP 1,348,856).

The cost of inventory recognized as an expense and included in cost of sales amounted to EGP 460,940,954 during the period ended 31 March 2020 (31 March 2019: EGP 488,134,990).

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

#### 9. Financial instruments by category

The Group holds the following financial instruments:

	<u>31 March 2020</u>	<u>31 December 2019</u>
<b>Financial assets at amortised cost</b>		
Trade and other receivables (excluding non-financial assets)* (Note 10)	69,918,436	78,376,198
Cash and bank balances (Note 12)	61,081,437	153,615,452
Treasury bills (Note 11)	537,934,089	548,192,500
<b>Total</b>	<u>668,933,962</u>	<u>780,184,150</u>
	<u>31 March 2020</u>	<u>31 December 2019</u>
<b>Financial liabilities at amortised cost</b>		
Borrowings (Note 13)	730,359,204	791,644,355
Trade and other payables (excluding non-financial liabilities)* (Note 17)	633,643,842	492,810,996
Bank overdraft (Note 19)	153,758,741	120,096,127
Lease liabilities (Note 16)	87,488,684	63,870,199
<b>Total</b>	<u>1,601,035,882</u>	<u>1,468,421,677</u>

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

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

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

#### 10. Trade and other receivables

	<u>31 March 2020</u>	<u>31 December 2019</u>
Trade receivables	40,881,120	52,253,383
Notes receivable	328,857	744,305
<b>Total</b>	<u>41,209,977</u>	<u>52,997,688</u>
Less: Provision for impairment of trade receivables	(20,556)	(20,556)
	<u>41,189,421</u>	<u>52,977,132</u>
Advances to suppliers	63,962,952	93,969,686
Prepaid expenses	48,403,140	15,403,515
Deposits with others	15,639,340	15,542,106
Other current assets	12,242,110	9,378,854
Value added tax – receivables	2,909,823	16,443,694
Letters of credit	630,120	239,152
Employee loans	217,344	238,954
<b>Total</b>	<u>185,194,250</u>	<u>204,193,093</u>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

#### Trade and other receivables (continued)

##### Classification of trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in Note (3B).

##### Other receivables

These amounts generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates where the terms of repayment exceed nine months. Collateral is not normally obtained.

##### Impairment of trade receivables

Information about the impairment of trade receivables and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note (3B).

Trade receivables are due for settlement within 90 days therefore there is no significant financing component.

#### 11. Treasury bills

	<u>31 March 2020</u>	<u>31 December 2019</u>
<b>Treasury bills par value</b>		
91 Days maturity	-	60,225,000
265 - 273 Days maturity	563,600,000	529,600,000
	<u>563,600,000</u>	<u>589,825,000</u>
Unearned interest	(42,738,904)	(101,344,999)
<b>Amount of treasury bills paid</b>	<b>520,861,096</b>	<b>488,480,001</b>
Interest income recognized to profit or loss	17,072,993	59,712,499
<b>Treasury bills balance</b>	<b><u>537,934,089</u></b>	<b><u>548,192,500</u></b>

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.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

#### 12. Cash and bank balances

	<u>31 March 2020</u>	<u>31 December 2019</u>
Cash at banks and on hand	61,081,437	153,615,452
<b>Cash and bank balances (excluding bank overdrafts)</b>	<b><u>61,081,437</u></b>	<b><u>153,615,452</u></b>

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Cash and bank balances	61,081,437	153,615,452
Treasury bills with maturities of 3 months or less	-	60,018,881
Bank overdraft (Note 19)	<u>(153,758,741)</u>	<u>(120,096,127)</u>
<b>Total</b>	<b><u>(92,677,304)</u></b>	<b><u>93,538,206</u></b>

#### 13. Borrowings

	<u>31 March 2020</u>			<u>31 December 2019</u>		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Loans	<u>129,001,399</u>	<u>601,357,805</u>	<u>730,359,204</u>	<u>185,887,584</u>	<u>605,756,771</u>	<u>791,644,355</u>
	<b><u>129,001,399</u></b>	<b><u>601,357,805</u></b>	<b><u>730,359,204</u></b>	<b><u>185,887,584</u></b>	<b><u>605,756,771</u></b>	<b><u>791,644,355</u></b>

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Balance due within 1 year	117,098,734	178,908,863
Accrued interest	<u>11,902,665</u>	<u>6,978,721</u>
	<b><u>129,001,399</u></b>	<b><u>185,887,584</u></b>

#### (1) Edita Food Industries Company

	<u>31 March 2020</u>			<u>31 December 2019</u>		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	19,903,416	-	19,903,416	41,342,460	-	41,342,460
Second loan	11,751,688	27,000,000	38,751,688	19,489,438	18,000,000	37,489,438
Third loan	30,659,913	63,310,746	93,970,659	38,467,668	55,939,553	94,407,221
Fourth loan	36,495,917	160,959,724	197,455,641	56,797,975	170,053,819	226,851,794
Fifth loan	10,914,272	5,414,205	16,328,477	11,169,415	11,027,159	22,196,574
Sixth loan	8,482,405	8,468,721	16,951,126	8,765,387	12,936,240	21,701,627
Seventh loan	5,788,463	278,080,000	283,868,463	1,461,794	283,184,000	284,645,794
<b>Total</b>	<b><u>123,996,074</u></b>	<b><u>543,233,396</u></b>	<b><u>667,229,470</u></b>	<b><u>177,494,137</u></b>	<b><u>551,140,771</u></b>	<b><u>728,634,908</u></b>

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**Borrowings (continued)**

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Balance due within 1 year	113,098,734	170,908,863
Accrued interest	10,897,340	6,585,274
<b>Total</b>	<b><u>123,996,074</u></b>	<b><u>177,494,137</u></b>

<u>Borrower</u>	<u>Type of debt</u>	<u>Guaranties</u>	<u>Currency</u>	<u>Interest rate</u>
First loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 185,000,000	EGP/USD	1% above mid corridor rate of Central Bank of Egypt and 2.5% above the Libor rate 3 months.
Second loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 90,000,000	EGP	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	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	0.5% above mid corridor rate of Central Bank of Egypt and average 4% above USD Libor rate 6 months.
Fifth loan	Loan		USD	3.85% above the USD Libor rate 3 months.
Sixth loan	Loan		USD	3.85% above the USD Libor rate 3 months.
Seventh loan	Loan		USD	4% above the USD Libor rate – 6 months.

**(2) Edita Confectionery Industries Company**

	<u>31 March 2020</u>			<u>31 December 2019</u>		
	<u>Short-term portion</u>	<u>Long-term portion</u>	<u>Total</u>	<u>Short-term portion</u>	<u>Long-term portion</u>	<u>Total</u>
First Loan	4,306,722	20,000,000	24,306,722	8,054,556	16,000,000	24,054,556
	<b><u>4,306,722</u></b>	<b><u>20,000,000</u></b>	<b><u>24,306,722</u></b>	<b><u>8,054,556</u></b>	<b><u>16,000,000</u></b>	<b><u>24,054,556</u></b>

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Balance due within 1 year	4,000,000	8,000,000
Accrued interest	306,722	54,556
	<b><u>4,306,722</u></b>	<b><u>8,054,556</u></b>

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#### Borrowings (continued)

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

#### Terms of payments:

Edita Confectionary Industries S.A.E. is obligated to Pay LE 24,000,000 on 6 equal semi-annual instalments; the next instalment is due on 30 December 2020 and the last on June 2023.

#### Interest:

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

#### Fair value:

Fair value is approximately equal to book value.

#### (3) Edita Participation Limited

	31 March 2020			31 December 2019		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	698,603	38,124,409	38,823,010	338,891	38,616,000	38,954,891
	<u>698,603</u>	<u>38,124,409</u>	<u>38,823,010</u>	<u>338,891</u>	<u>38,616,000</u>	<u>38,954,891</u>

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

	31 March 2020	31 December 2019
Balance due within 1 year	-	-
Accrued interest	698,603	338,891
	<u>698,603</u>	<u>338,891</u>

#### First Loan:

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

#### Terms of payments:

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

#### Interest:

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

#### Fair value:

Fair value is approximately equal to book value.



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**14. Deferred tax liability**

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

	Acquiring Digma Company for Trading			Other provisions	Carry forward tax losses	Unrealized foreign exchange loss	Net deferred tax liabilities	
	Fixed assets						31 March 2020	31 December 2019
<b><u>Deferred tax assets</u></b>								
Balance at 1 January	-	-	4,179,140	-	614,380	2,951,871	7,745,391	
Charged to statement of profit or loss	-	-	3,862,387	-	702,725	(1,455,532)	3,109,580	7,822,439
Translation of foreign operations	-	-	-	-	(187,481)	-	(187,481)	(77,048)
<b>Ending balance</b>	-	-	<b>8,041,527</b>	-	<b>1,129,624</b>	<b>1,496,339</b>	<b>10,667,490</b>	<b>7,745,391</b>
<b><u>Deferred tax liabilities</u></b>								
Balance at 1 January	(172,691,622)	(2,854,516)	-	-	-	-	(175,546,138)	(165,991,132)
Charged to statement of profit or loss	(248,900)	60,107	-	-	-	-	(188,793)	(9,555,006)
<b>Ending balance</b>	<b>(172,940,522)</b>	<b>(2,794,409)</b>	-	-	-	-	<b>(175,734,931)</b>	<b>(175,546,138)</b>
<b>Net deferred tax liabilities</b>	<b>(172,940,522)</b>	<b>(2,794,409)</b>	<b>8,041,527</b>	-	<b>1,129,624</b>	<b>1,496,339</b>	<b>(165,067,441)</b>	<b>(167,800,747)</b>
Balance at 1 January	(172,691,622)	(2,854,516)	4,179,140	-	614,380	2,951,871	(167,800,747)	(158,168,693)
Charged to statement of comprehensive income	-	-	-	-	(187,481)	-	(187,481)	-
Charged to statement of profit or loss (Note 27)	(248,900)	60,107	3,862,387	-	702,725	(1,455,532)	2,920,787	(9,632,054)
<b>Ending balance</b>	<b>(172,940,522)</b>	<b>(2,794,409)</b>	<b>8,041,527</b>	-	<b>1,129,624</b>	<b>1,496,339</b>	<b>(165,067,441)</b>	<b>(167,800,747)</b>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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#### 15. Employee retirement Benefit obligations

Employees of the company 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 March 2020</u>	<u>31 December 2019</u>
Discount rate	15%	15%
Average salary increase rate	10%	10%
Turnover rate	35%	35%
Life table	49-52	49-52

The amounts recognized at the balance sheet date are determined as follows:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Present value of obligations	13,744,652	11,600,000
<b>Liability at the balance sheet</b>	<b><u>13,744,652</u></b>	<b><u>11,600,000</u></b>

Movement in the liability recognized in the balance sheet:

	<u>31 March 2020</u>	<u>31 December 2019</u>
Balance at beginning of the period	11,600,000	6,621,193
Charged during the period (Note 25)	2,250,000	6,673,286
Paid during the period	(105,348)	(1,694,479)
<b>Balance at end of the period</b>	<b><u>13,744,652</u></b>	<b><u>11,600,000</u></b>

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
Interest expenses	435,000	993,179
Current service cost	1,815,000	5,680,207
<b>Total</b>	<b><u>2,250,000</u></b>	<b><u>6,673,386</u></b>

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

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#### 16. Lease liability

	<u>31 March 2020</u>	<u>31 December 2019</u>
<b>Commitments in relation to leases are payable as follows:</b>		
Within one year	16,187,798	9,416,552
Later than one year	62,114,858	56,100,455
Later than five years	94,715,423	52,756,420
<b>Minimum lease payments</b>	<b>173,018,079</b>	<b>118,273,427</b>
<b>The present value of lease liabilities is as follows:</b>		
Within one year	14,741,346	7,576,894
Later than one year	28,933,608	37,136,592
Later than five years	43,813,730	19,156,713
<b>Present Value of Minimum Lease Payments</b>	<b>87,488,684</b>	<b>63,870,199</b>

#### 17. Trade and other payables

	<u>31 March 2020</u>	<u>31 December 2019</u>
Trade payables	212,944,354	203,651,206
Accrued expenses	126,942,073	129,639,242
Notes payable	66,373,367	128,454,135
Other credit balances	21,603,203	21,443,493
Taxes payable	40,324,951	39,573,804
Social insurance	7,389,523	6,757,022
Dividends payable	192,406,443	1,633,863
Contract liabilities – accrued rebates	5,984,879	7,989,057
Contract liabilities – Advances from customers	6,914,925	5,183,186
<b>Total</b>	<b>680,883,718</b>	<b>544,325,008</b>

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

#### 18. Current income tax liabilities

	<u>31 March 2020</u>	<u>31 December 2019</u>
Balance at 1 January	63,186,112	6,633,469
Income tax paid during the period	(27,499,665)	(10,087,816)
Withholding tax receivable	(744,893)	(5,068,754)
Income tax for the period (Note 27)	27,994,373	120,997,681
Corporate income tax – advance payments	-	(34,618,800)
Tax on Treasury bills	(459,379)	(12,679,087)
Accrued interest – advance payments	-	(1,990,581)
<b>Balance at end of period</b>	<b>62,476,548</b>	<b>63,186,112</b>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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#### 19. Bank overdraft

	<u>31 March 2020</u>	<u>31 December 2019</u>
Bank overdraft	153,758,741	120,096,127
<b>Total</b>	<b><u>153,758,741</u></b>	<b><u>120,096,127</u></b>

Bank overdraft is an integral part of the Company's cash management to finance its working capital. The average interest rate for bank overdraft was 11.81 % as of 31 March 2020 (2019: 13.25%).

#### 20. Provisions

	<u>Other provisions</u>	
	<u>31 March 2020</u>	<u>31 December 2019</u>
Balance at 1 January	21,221,845	29,270,866
Additions during the period (Note 25)	6,079,375	7,482,340
Utilized during the period	(304)	(9,995,304)
Provision no longer required	-	(5,536,057)
<b>Balance at end of period</b>	<b><u>27,300,916</u></b>	<b><u>21,221,845</u></b>

Other provisions relate to claims expected to be made by a third party in connection with the Group's operations. The information usually required by the International Financial Reporting 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.

#### 21. Share capital

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

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

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

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

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#### Share capital (continued)

On the 30 March 2016, an extra ordinary general assembly meeting was 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.

The issued capital amounted to EGP 145,072,580 (par value EGP 0.2 per share) is distributed as follows as of 31 March 2020:

<u>Shareholders</u>	<u>No. of shares</u>	<u>Shares value</u>	<u>Percentage of ownership</u>
Quantum Investment BV	303,308,300	60,661,660	41.815%
The Bank of New York Mellon "depository bank for shares traded in London Stock Exchange"	90,584,175	18,116,835	12.488%
Kingsway Fund Frontier Consumer Franchises	80,741,242	16,148,248	11.131%
Others (Public stocks)	250,729,183	50,145,837	34.566%
	<u>725,362,900</u>	<u>145,072,580</u>	<u>100%</u>

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

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

#### 22. Legal reserve

In accordance with Companies Law No. 159 of 1981 and the Company's Articles of Association, 5% of annual net profit is transferred to the legal reserve. The Company 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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#### 23. Non-controlling interest

##### Transaction with non-controlling interest

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

	<u>31 March 2020</u>	<u>31 December 2019</u>
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>	<u><b>(32,132,098)</b></u>	<u><b>(32,132,098)</b></u>

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**Non-controlling interest (continued)**

	Share capital	Legal reserves	Revaluation assets reserve	Currency translation differences	(Accumulated losses)/retained earning	Total	
						31 March 2020	31 December 2019
<b>Balance at 1 January</b>	<b>37,724,135</b>	<b>593,605</b>	<b>38,162</b>	<b>(996,523)</b>	<b>(1,138,682)</b>	<b>36,220,697</b>	<b>23,795,932</b>
Non-controlling share in profit of subsidiaries	-	-	-	-	(1,025,800)	(1,025,800)	(933,272)
Currency translation differences	-	-	-	(1,797,189)	-	(1,797,189)	(996,523)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,797,189)</b>	<b>(1,025,800)</b>	<b>(2,822,989)</b>	<b>(1,929,795)</b>
Non-controlling interest share in establishment of subsidiary	-	-	-	-	-	-	37,693,675
Purchase of non-controlling interest share in subsidiary	-	-	-	-	-	-	(23,165,685)
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	-	-	-	(173,430)
<b>Balance at end of period</b>	<b>37,724,135</b>	<b>593,605</b>	<b>38,162</b>	<b>(2,793,712)</b>	<b>(2,164,482)</b>	<b>33,397,708</b>	<b>36,220,697</b>

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**24. Other income**

	<b>31 March 2020</b>	<b>31 March 2019</b>
Export incentive	28,299,665	4,144,938
Other income	466,759	896,064
<b>Net</b>	<b>28,766,424</b>	<b>5,041,002</b>

**25. Other losses, net**

	<b>31 March 2020</b>	<b>31 March 2019</b>
Provisions	(6,079,375)	(8,451,180)
Provision for slow moving inventory	(205,500)	(191,179)
Provision for employee benefit obligation	(2,250,000)	(1,064,496)
Gain on sale of property , plant and equipment	68,655	40,278
Provisions no longer required	-	170,430
Solidarity contribution	(4,291,355)	(4,339,247)
<b>Net</b>	<b>(12,757,575)</b>	<b>(13,835,394)</b>

**26. Finance cost - net**

	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Finance income</b>		
Interest income	19,689,060	13,479,255
Foreign exchange (Gain)	6,911,410	9,456,769
	<b>26,600,470</b>	<b>22,936,024</b>
<b>Finance expense</b>		
Interest expenses	(21,068,678)	(23,670,732)
Lease interest expenses	(3,796,298)	(1,687,219)
	<b>(24,864,976)</b>	<b>(25,357,951)</b>
<b>Net</b>	<b>1,735,494</b>	<b>(2,421,927)</b>



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#### 27. Income tax expense

The Company is subject to the corporate income tax according to tax law No. 91 of 2005 and its amendments No. 96 of 2015.

	<u>31 March 2020</u>	<u>31 March 2019</u>
Income tax for the period	27,994,373	37,879,172
Deferred tax expense	-	359,466
Deferred tax income	(2,920,787)	(1,606,470)
<b>Total</b>	<u><b>25,073,586</b></u>	<u><b>36,632,168</b></u>
Profit before tax	<u>89,483,658</u>	<u>150,956,890</u>
Tax calculated based on applicable tax rates	<u>20,133,823</u>	<u>33,965,300</u>
	20,133,823	<b>33,965,300</b>
Tax effect of non- deductible expenses	4,924,316	4,169,398
Tax losses for which no deferred income tax asset was recognized	15,447	(1,502,530)
<b>Income tax expense</b>	<u><b>25,073,586</b></u>	<u><b>36,632,168</b></u>
<b>Effective tax rate</b>	<b>28 %</b>	<b>24 %</b>

The increase in the effective tax rate in 31 March 2020 is due to the increase in non-deductible expenses during the period.

#### 28. Revenue from contracts with customers

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

The Group derives revenue from the transfer of goods at a point in time. The Group disaggregate revenue by products line as disclosed in note (36) segment reporting.

##### B. The Group has recognised the following contracts' liabilities

	<u>31 March 2020</u>	<u>31 March 2019</u>
Contract liabilities – accrued rebates	5,984,879	6,128,166
Contract liabilities – advances from customers	6,914,925	7,006,724
<b>Total contract liabilities</b>	<u><b>12,899,804</b></u>	<u><b>13,134,890</b></u>

##### C. The decrease in contracts' liabilities mainly due to the decrease in the advances payments made by the export customers during the period.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

#### 29. Earnings per share

##### Basic

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

	<u>31 March 2020</u>	<u>31 March 2019</u>
<b>Profit attributed to owners of the parent</b>	<u>65,435,872</u>	<u>113,007,001</u>
<b>Weighted average number of ordinary shares in issue</b>		
Ordinary shares	<u>725,362,900</u>	<u>725,362,900</u>
	<u><b>725,362,900</b></u>	<u><b>725,362,900</b></u>
<b>Basic earnings per share</b>	<u><b>0.09</b></u>	<u><b>0.16</b></u>

##### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company 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.

#### 30. Expenses by nature

	<u>31 March 2020</u>	<u>31 March 2019</u>
Cost of goods sold	628,593,785	634,914,691
Distribution cost	178,886,709	115,155,826
General and administrative expenses	<u>84,851,556</u>	<u>69,937,442</u>
	<u><b>892,332,050</b></u>	<u><b>820,007,959</b></u>
Raw materials used	460,940,954	488,134,990
Salaries and wages	135,733,689	111,463,463
Advertising and marketing	78,353,935	38,211,987
Depreciation & Amortization	45,454,305	37,325,198
Other Expenses	31,664,329	23,497,594
Employee benefits	22,648,702	20,995,686
Employees Profit share	12,897,695	10,507,335
Gas, oil, water and electricity	23,723,025	22,376,018
Vehicle expense	14,793,382	10,691,342
Company share in social insurance	13,519,489	13,014,041
Rent	16,114,503	14,416,769
Transportation expenses	13,637,750	11,481,485
Maintenance	12,378,615	10,112,542
Consumable materials	10,471,677	5,672,220
Purchases – goods for resale	-	2,107,289
	<u><b>892,332,050</b></u>	<u><b>820,007,959</b></u>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

#### 31. Cash generated from operations

	<u>31 March 2020</u>	<u>31 March 2019</u>
Profit for the period before tax	89,483,658	150,956,890
<b>Adjustments for:</b>		
Additions to provision	6,079,375	8,451,180
Provisions no longer required	-	(170,430)
Provision for employee benefit obligation	2,250,000	1,064,496
Interest expense	21,068,678	23,670,732
Interest income	(19,689,060)	(13,479,255)
Depreciation of property, plant and equipment	44,817,137	36,732,880
Amortization of intangible assets	637,168	592,321
Interest expenses – Leased assets	3,796,298	1,687,219
Provision for slow moving and obsolete inventory	205,500	191,179
Gain on disposal of property, plant and equipment	(68,655)	(40,278)
Finance lease adjustment	-	(2,295,557)
Foreign exchange (gain)/loss	(6,255,540)	(9,462,461)
	<u>142,324,559</u>	<u>197,898,916</u>
<b>Change in working capital</b>		
Inventories	(10,778,355)	37,900,035
Trade and other receivables	18,998,843	(21,630,724)
Trade payables and other credit balances	(8,513,870)	27,905,628
Provisions used	(304)	(3,601,851)
Payment of Employee Benefits Obligation	(105,348)	(478,151)
<b>Cash generated from operations</b>	<u>141,925,525</u>	<u>237,993,853</u>

#### Net debt reconciliation

	<u>31 March 2020</u>	<u>31 December 2019</u>
Cash and cash equivalent	(92,677,304)	93,538,206
Borrowings – repayable within one year	(129,001,399)	(185,887,584)
Borrowing – repayable within after one year	(601,357,805)	(605,756,771)
<b>Total</b>	<u>(823,036,508)</u>	<u>(698,106,149)</u>

	Cash and cash equivalent	Borrowing due within 1 year	Borrowing due after 1 year	Total
Net debt as at 1 January 2020	93,538,206	(185,887,584)	(605,756,771)	(698,106,149)
Cash flows	(181,928,598)	(47,925,427)	(20,620,193)	(154,623,364)
Foreign exchange adjustment	(4,286,912)	8,960,758	25,019,159	29,693,005
<b>Net debt as at 31 March 2020</b>	<u>(92,677,304)</u>	<u>(129,001,399)</u>	<u>(601,357,805)</u>	<u>(823,036,508)</u>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

#### Cash generated from operations (continued)

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

	<u>31 March 2020</u>	<u>31 March 2019</u>
Net book amount	35	109,753
Gain on disposal of property, plant and equipment	68,655	40,278
<b>Proceeds from disposal of property, plant and equipment</b>	<b><u>68,690</u></b>	<b><u>150,031</u></b>

#### 32. Related parties

The Group entered into several transactions with companies and entities that are included within the definition of related parties, as stated in IAS 24, "Disclosure of related parties". The related parties comprise the Group's board of directors, their entities, companies under common control, and/ or joint management and control, and their partners and employees of senior management. The partners of joint arrangement and non-controlling interest are considered by the Group as related parties. The management decides the terms and conditions of transactions and services provided from/ to related parties, as well as other expenses.

#### Key management compensation

During the period ended 31 March 2020, the group paid an amount of EGP 25,646,511 as benefits to the key management members (31 March 2019: EGP 23,447,753).

	<u>31 March 2020</u>		<u>31 March 2019</u>	
	<u>Non-executive / independent board members</u>	<u>Key management personnel</u>	<u>Non-executive / independent board members</u>	<u>Key management personnel</u>
Salaries and compensation	675,000	23,765,536	675,000	21,624,363
Allowances	840,000	320,550	785,000	320,550
Other benefit	-	45,425	-	42,840

#### 33. Tax position

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

#### Edita Food Industries Company

##### a) Corporate tax

- The company is tax exempted for a period of 10 years ending 31 December 2007 in accordance with Law No. 230 of 1989 and Law No. 59 of 1979 related to New Urban Communities. The exemption period was determined to start from the fiscal year beginning on 1 January 1998. The company submits its tax returns on its legal period.
- The tax inspection was performed for the period from the company's inception till 31 December 2012 and all due tax amounts paid.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

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#### **Tax position (continued)**

- For the years 2013-2016; the company finalized the tax inspection and the difference was transferred to an internal committee.
- For the years 2017 – 2018 the Company submitted the tax return according to law No. 91 of 2005 in its legal period and has not been inspected yet.

#### **b) Payroll tax**

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

#### **c) VAT & Sales tax**

- The sales tax inspection was performed till 31 December 2018 and tax due was paid.
- For the years 2016 till 2018 the tax inspection has been performed and the difference was transferred to an internal committee.

#### **d) Stamp duty tax**

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

#### **Digma for Trading Company**

##### **a) Corporate tax**

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

##### **b) Payroll tax**

- The tax inspection was performed until 31 December 2014 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- For the years from 2013 to 2019 the Company submitted its quarter tax returns to Tax Authority on due dates.

##### **c) VAT & Sales tax**

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

##### **d) Stamp tax**

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

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

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#### Tax position (continued)

##### Edita Confectionary Industries Company

###### a) Corporate tax

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

###### b) Payroll Tax

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

###### c) VAT & Sales Tax

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

###### d) Stamp Tax

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

#### 34. Contingent liability

##### (1) Edita Food Industries Company

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

The Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities is nil as at 31 March 2020 (31 December 2019: EGP 40,632,491).

##### (2) Digma for Trading Company

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

##### (3) Edita Confectionary Industries Company

At 31 March 2020, the Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities is nil (31 December 2019: EGP 806,302).

#### 35. Commitments

##### Capital commitments

The Group has capital commitments as of 31 March 2020 of EGP 44.5 M (2019: EGP 108.7 M) in respect of the capital expenditure.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

#### 36. Segment reporting

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

Segment	Brand		Product		Candy		Wafer		Rusks		Croissant		Total	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Cake			Tiger tail, Twinkies, Todo and HOHOS	Traditional rolled filled and layered cake as well as brownies and packaged donut										
Croissants			Molto	Sweet and savoury croissants and strudels										
Rusks			Bake Rolz, Bake Stix	Baked wheat salty snack										
Wafer			Freska	Filled wafers										
Candy			Mimix	Hard, soft and jelly candy and lollipops										
(Amounts presented to the nearest thousands EGP)														
Sales	446,784	455,878	302,064	277,666	89,104	105,485	80,258	97,349	45,840	43,114	20	2,689	964,071	982,181
Gross profit	178,632	182,901	93,902	88,281	26,178	31,633	23,357	32,106	13,429	11,745	(20)	600	335,478	347,266
Operating Profit.	80,632	104,999	1,909	27,934	5,604	7,512	5,650	9,881	(6,027)	2,818	(20)	235	87,748	153,379

Operating profit reconciles to net profit as follows:

	31 March 2020	31 March 2019
Operating profit	87,748	153,379
Finance cost	(24,865)	(25,358)
Finance income	26,600	22,936
Income tax	(25,074)	(36,632)
<b>Net profit</b>	<b>64,410</b>	<b>114,325</b>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

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#### Segment reporting (continued)

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

- Management has determined the operating segments based on the information reviewed by the chief operating decision makers of the group who is the chief executive officer 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 IFRS 8 for reportable segments, management has concluded that these segments should be reported as it is closely monitored by the chief operating decision makers as it is expected to materially contribute to the Group revenue in the future.
- The chief operating decision makers assesses the performance of the operating segments based on their operating profit.
- 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.

#### 37. COVID 19 Impact

In response to the spread of the Covid-19 in Egypt and other territories where Group operates and its resulting disruptions to the social and economic activities in those markets, Edita's management has proactively assessed its impacts on its operations and has taken a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and wider community as well as to ensure the continuity of supply of its products throughout its markets . Notwithstanding these challenges.

Edita's business operations currently remain slightly impacted as the food industry in general is exempted from various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and cargo shipping and flight operations restrictions. Based on these factors, Edita's management believes that the Covid-19 pandemic has had no material effects on Edita's reported financial results for the period ended 31 March 2020. Edita's management continues to monitor the situation closely.

However, as explained above, the Group has reviewed the key sources of estimation uncertainties disclosed in the last annual Consolidated Financial Statements against the backdrop of Covid-19 pandemic, all other sources of estimation uncertainty remain similar to those disclosed in the annual Consolidated Financial Statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

The Central Bank of Egypt launched an initiative to postpone the installments of individual and corporate loans for a period of 6 months. Accordingly, this has resulted in some loans balances being classified from current to non current liabilities.



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

### Notes to the consolidated financial statements For the three months period ended 31 March 2020

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

#### 38. Earnings before interest, taxes, depreciation and amortization

Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measure and disclosure by other entities.

The information disclosed in the table below represents the earnings before interest, taxes, depreciation & amortization according to the internal reports prepared by the group's management, and the earnings before interest, taxes, depreciation & amortization for the period end 31 March 2020 & 31 March 2019 were as follows:

	<u>31 March 2020</u>	<u>31 March 2019</u>
Net profit for the period	64,410,072	114,324,722
Income tax	25,073,586	36,632,168
Debit interest	24,864,976	25,357,951
Credit interest	(19,689,060)	(13,479,255)
Gain on sale of property, plant and equipment	(68,655)	(40,278)
Foreign exchange (gains) / losses	(6,911,410)	(9,456,769)
Donation	270,040	-
Other provision addition	4,625,002	1,000,000
Depreciation & Amortization	45,454,305	37,325,198
Solidarity Contribution	4,291,354	4,339,247
<b>Total</b>	<b><u>142,320,210</u></b>	<b><u>196,002,984</u></b>