

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

**AUDITOR'S REPORT  
AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

Consolidated financial statements - For the year ended 31 December 2021

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## **Auditor's report**

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

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

We have audited the accompanying consolidated financial statements of Edita Food Industries Company (S.A.E) and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as of 31 December 2021 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the fiscal year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

### **Auditor's responsibility**

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

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

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



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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Edita Food Industries Company (S.A.E.) as of 31 December 2021, and of its financial performance and its cash flows for the fiscal year then ended in accordance with Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.

A handwritten signature in blue ink, appearing to read 'Ashraf Mamdouh', is written over a light blue grid background.

Ashraf Mamdouh  
R.A.A. 26231  
F.R.A. 383

14 March 2022  
Cairo



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

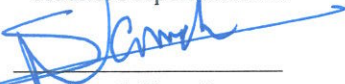
Consolidated statement of financial position - As of 31 December 2021

(All amounts in Egyptian Pounds)

	Note	31 December 2021	Restated 31 December 2020	Restated 1 January 2020
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5	2,165,626,284	2,195,930,159	1,983,920,948
Right of use assets	6	55,651,129	67,343,105	-
Intangible assets	7	180,713,178	166,552,579	168,276,650
Investment in joint ventures	8	70,140,650	36,043,295	38,336,764
<b>Total non-current assets</b>		<b>2,472,131,241</b>	<b>2,465,869,138</b>	<b>2,190,534,362</b>
<b>Current assets</b>				
Inventories	9	526,494,164	315,275,148	295,420,425
Trade and other receivables	11	218,917,056	106,843,169	197,708,112
Financial assets at amortized cost	12	769,965,310	499,232,147	548,192,500
Financial assets at fair value through profit or loss	13	76,403,685	-	-
Cash and cash equivalents (Excluding bank overdrafts)	14	159,565,557	214,670,740	99,166,326
<b>Total current assets</b>		<b>1,751,345,772</b>	<b>1,136,021,204</b>	<b>1,140,487,363</b>
<b>Total assets</b>		<b>4,223,477,013</b>	<b>3,601,890,342</b>	<b>3,331,021,725</b>
<b>Equity and liabilities</b>				
<b>Equity attributable to owners of the parent</b>				
Paid up capital	15	144,611,688	145,072,580	145,072,580
Legal reserve	16	78,953,630	78,629,880	78,233,972
Cumulative translation reserve		1,562,479	1,108,071	32,293
Transactions with non-controlling interest	17	(32,132,098)	(32,132,098)	(32,132,098)
Treasury shares	15	-	(22,556,296)	-
Retained earnings		1,917,983,230	1,608,789,056	1,458,283,248
		<b>2,110,978,929</b>	<b>1,778,911,193</b>	<b>1,649,489,995</b>
Non-controlling interest	17	689,847	559,353	587,509
<b>Total equity</b>		<b>2,111,668,776</b>	<b>1,779,470,546</b>	<b>1,650,077,504</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Term loans	18	587,634,700	668,926,848	605,756,771
Deferred government grants	18	9,897,288	9,271,911	-
Employee benefit obligations	19	24,103,494	20,164,016	11,600,000
Deferred tax liabilities	20	205,882,770	174,113,920	168,415,126
Lease liabilities	21	55,125,122	62,520,389	-
<b>Total non-current liabilities</b>		<b>882,643,374</b>	<b>934,997,084</b>	<b>785,771,897</b>
<b>Current liabilities</b>				
Provisions	22	33,978,251	34,413,053	21,221,845
Bank overdraft	23	400,676,904	80,039,475	120,096,127
Trade and other payables	24	558,235,138	540,084,528	504,780,656
Current portion of term loans	18	197,005,383	195,769,320	185,887,584
Current income tax liabilities	25	30,584,092	29,897,178	63,186,112
Lease liabilities	21	8,685,095	7,219,158	-
<b>Total current liabilities</b>		<b>1,229,164,863</b>	<b>887,422,712</b>	<b>895,172,324</b>
<b>Total liabilities</b>		<b>2,111,808,237</b>	<b>1,822,419,796</b>	<b>1,680,944,221</b>
<b>Total equity and liabilities</b>		<b>4,223,477,013</b>	<b>3,601,890,342</b>	<b>3,331,021,725</b>

- The accompanying notes on pages 8 to 66 form an integral part of these consolidated financial statements.

- Auditor's report attached

  
Mr. Sameh Naguib  
Vice President - Finance

  
Eng. Hani Berzi  
Chairman

14 March 2022  
Giza

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

### Consolidated statement of profit or loss - For the year ended 31 December 2021

(All amounts in Egyptian Pounds)

	Note	2021	Restated 2020
Revenue	34	5,251,219,990	4,021,088,297
Cost of sales	31	(3,559,706,634)	(2,617,684,208)
<b>Gross profit</b>		<b>1,691,513,356</b>	<b>1,403,404,089</b>
Other income	26	58,120,272	81,718,932
Distribution cost	31	(698,347,826)	(661,141,314)
Administrative expenses	31	(323,306,204)	(304,381,748)
Other losses	27	(39,039,886)	(42,403,983)
Interest income	28	77,084,184	76,421,469
Finance cost - net	28	(76,385,899)	(94,807,952)
Fair value gain on financial assets at fair value through profit or loss		8,508,793	-
Share of net loss of joint ventures accounted for using the equity method	8	(5,831,695)	(2,293,469)
<b>Profit before income tax</b>		<b>692,315,095</b>	<b>456,516,024</b>
Income tax expense	29	(163,444,612)	(108,824,041)
<b>Net profit for the year</b>		<b>528,870,483</b>	<b>347,691,983</b>
<b>Profit is attributable to</b>			
Owners of the parent		528,739,989	347,720,060
Non-controlling interest		130,494	(28,077)
<b>Net profit for the year</b>		<b>528,870,483</b>	<b>347,691,983</b>
Basic and Diluted earnings per share	30	0.73	0.48

The accompanying notes on pages 8 to 66 form an integral part of these consolidated financial statements.

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

### Consolidated statement of comprehensive income - For the year ended 31 December 2021

(All amounts in Egyptian Pounds)

	<u>2021</u>	<u>Restated 2020</u>
Net profit for the year	528,870,483	347,691,983
Other comprehensive income		
Items that may be reclassified to profit or loss:-		
Exchange differences on translation of foreign operations	454,408	1,075,778
Items that will not be reclassified to profit or loss:-		
Remeasurements of post-employment benefit obligations	(2,476,661)	(4,704,314)
Income tax relating to this item	-	1,058,471
Other comprehensive (loss) / income for the year - net of tax	<u>(2,022,253)</u>	<u>(2,570,065)</u>
Total comprehensive income for the year	<u><u>526,848,230</u></u>	<u><u>345,121,918</u></u>
Attributable to		
Owners of the parent	526,717,736	345,149,995
Non-controlling interest	<u>130,494</u>	<u>(28,077)</u>
Total comprehensive income for the year	<u><u>526,848,230</u></u>	<u><u>345,121,918</u></u>

The accompanying notes on pages 8 to 66 form an integral part of these consolidated financial statements.

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

Consolidated statement of changes in equity - For the year ended 31 December 2021

(All amounts in Egyptian Pounds)

	Paid up capital	Legal reserve	Cumulative translation reserve	Transactions with non-controlling interest	Treasury shares	Retained earnings	Total Owners of the parent	Non- controlling interest	Total owners' equity
<b>Balance at 1 January 2020 as previously stated</b>	145,072,580	78,233,972	(202,760)	(32,132,098)	-	1,458,283,248	1,649,254,942	36,424,222	1,685,679,164
Prior year adjustments (Note 36)	-	-	235,053	-	-	-	235,053	(35,836,713)	(35,601,660)
<b>Balance at 1 January 2020 - restated</b>	145,072,580	78,233,972	32,293	(32,132,098)	-	1,458,283,248	1,649,489,995	587,509	1,650,077,504
<b>Change of equity in 2020</b>									
Net Profit for the year	-	-	-	-	-	347,720,060	347,720,060	(28,077)	347,691,983
Other comprehensive income for the year	-	-	1,075,778	-	-	(3,645,843)	(2,570,065)	-	(2,570,065)
<b>Total comprehensive income for the year</b>	-	-	1,075,778	-	-	344,074,217	345,149,995	(28,077)	345,121,918
<b>Shareholders transactions</b>									
Acquisition of treasury shares	-	-	-	-	(22,556,296)	-	(22,556,296)	-	(22,556,296)
Dividends distribution for 2019	-	-	-	-	-	(193,172,580)	(193,172,580)	-	(193,172,580)
Transfer to legal reserve	-	395,908	-	-	-	(395,829)	79	(79)	-
<b>Total shareholders transactions</b>	-	395,908	-	-	(22,556,296)	(193,568,409)	(215,728,797)	(79)	(215,728,876)
<b>Balance at 31 December 2020 - restated</b>	145,072,580	78,629,880	1,108,071	(32,132,098)	(22,556,296)	1,608,789,056	1,778,911,193	559,353	1,779,470,546
<b>Balance at 1 January 2021 as previously stated</b>	145,072,580	78,629,880	1,991,407	(32,132,098)	(22,556,296)	1,608,789,056	1,779,794,529	36,197,534	1,815,992,063
Prior year adjustments (Note 36 )	-	-	(883,336)	-	-	-	(883,336)	(35,638,181)	(36,521,517)
<b>Balance at 1 January 2021 - restated</b>	145,072,580	78,629,880	1,108,071	(32,132,098)	(22,556,296)	1,608,789,056	1,778,911,193	559,353	1,779,470,546
<b>Change of equity in 2021</b>									
Net profit for the year	-	-	-	-	-	528,739,989	528,739,989	130,494	528,870,483
Other comprehensive loss for the year	-	-	454,408	-	-	(2,476,661)	(2,022,253)	-	(2,022,253)
<b>Total comprehensive income for the year</b>	-	-	454,408	-	-	526,263,328	526,717,736	130,494	526,848,230
<b>Shareholders transactions</b>									
Treasury shares write-off	(460,892)	-	-	-	22,556,296	(22,095,404)	-	-	-
Dividends distribution for 2020	-	-	-	-	-	(194,650,000)	(194,650,000)	-	(194,650,000)
Transfer to legal reserve	-	323,750	-	-	-	(323,750)	-	-	-
<b>Total shareholders transactions</b>	(460,892)	323,750	-	-	22,556,296	(217,069,154)	(194,650,000)	-	(194,650,000)
<b>Balance at 31 December 2021</b>	144,611,688	78,953,630	1,562,479	(32,132,098)	-	1,917,983,230	2,110,978,929	689,847	2,111,668,776

The accompanying notes on pages 8 to 66 form an integral part of these consolidated financial statements.



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

Consolidated statement of cash flows - For the year ended 31 December 2021

(All amounts in Egyptian Pounds)

	Notes	2021	Restated 2020
<b>Cash flows from operating activities</b>			
Profit for the year before income tax		692,315,095	456,516,024
<b>Adjustments for:</b>			
Provisions	27	10,178,161	19,350,683
Employee benefit obligation	27	3,413,527	4,295,686
Interest expense	28	74,944,642	86,548,093
Interest expense - leased assets	28	8,538,558	8,136,925
Interest income	28	(74,237,378)	(74,231,224)
Interest income - corporate tax advances	28	(2,846,806)	(2,100,245)
Fair value gains from investment held at fair value through profit or loss		(8,508,793)	-
Share of net loss of joint ventures accounted for using the equity method	8	5,831,695	2,293,469
Governmental Grant	26	(3,281,728)	(1,022,160)
Depreciation and amortization	31	195,546,403	192,550,042
Provision of slow moving inventory	27	2,000,000	822,000
Gain from sale of property, plant and equipment	26	(17,846,453)	(3,255,064)
Provision no longer required	26	(58,635)	(3,134,935)
Foreign exchange		(4,893,685)	(4,788,989)
		<b>881,094,603</b>	<b>681,980,305</b>
Inventories	9	(213,219,016)	(19,541,416)
Trade and other receivables	11	(99,462,264)	90,864,943
Trade and other payables	24	85,722,958	(71,012,645)
Provisions used		(10,554,328)	(4,159,847)
Payments of employee benefit obligations		(1,950,710)	(435,984)
Dividends paid to Company's employees		(44,650,000)	(48,099,999)
<b>Cash generated from operating activities</b>		<b>596,981,243</b>	<b>629,595,357</b>
Interest paid		(86,021,161)	(93,816,598)
Income tax paid		(128,142,042)	(133,255,465)
<b>Net cash flows generated from operating activities</b>		<b>382,818,040</b>	<b>402,523,294</b>
<b>Cash flows from investing activities</b>			
Payment for purchase of property, plant and equipment	5	(216,080,345)	(296,181,496)
Payment for purchase of Intangible assets	7	(15,495,981)	(906,630)
Proceeds from sale of property, plant and equipment	32	20,083,916	4,166,023
Payment for share purchase in joint venture	8	(18,917,434)	-
Payment under capital increase in joint venture	8	(21,011,616)	-
Interest received		60,911,310	81,154,981
Payment for purchase of corporate bonds	12	-	(50,000,000)
Payment for purchase of treasury bills	12	(1,137,766,286)	(1,147,508,720)
Proceeds from sale of treasury bills	12	885,252,165	1,239,545,316
Payment for purchase of financial assets at fair value through P/L	13	(72,787,866)	-
<b>Net cash flows used in investing activities</b>		<b>(515,812,137)</b>	<b>(169,730,526)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders		(156,145,803)	(139,463,576)
Acquisition of treasury shares		-	(22,556,296)
Lease Payments	32	(7,248,545)	(6,495,809)
Secured finance payments to joint venture		(12,611,623)	-
Repayments of borrowings	32	(226,159,664)	(198,289,974)
Proceeds from borrowings	32	159,417,120	289,573,953
<b>Net cash flows used in financing activities</b>		<b>(242,748,515)</b>	<b>(77,231,702)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(375,742,612)</b>	<b>155,561,066</b>
Cash and cash equivalents at beginning of the year (restated)		134,631,265	(20,929,801)
<b>Cash and cash equivalents at end of the year</b>	14	<b>(241,111,347)</b>	<b>134,631,265</b>

The accompanying notes on pages 8 to 66 form an integral part of these consolidated financial statements.

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

**Notes to the consolidated financial statements - For the year ended 31 December 2021**

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

### **1. General information**

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

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

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

The main shareholders are Quantum Investment BV which owns 41.95% of the Company's share capital and the Bank of New York Mellon "depository bank for shares traded in London Stock Exchange" which manages 11.87% of the Company share capital and Kingsway Fund Frontier Consumer Franchises which owns 6.31% of Company's share capital and other shareholders owning 39.87% of company's share capital.

These consolidated financial statements have been approved by Chairman and Managing Director on 14 March 2022.

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

Edita food industries is the holding company. The company provides manufacturing, producing and packing of all food products and producing and packing of readymade food, cakes, pastry, milk, chocolate and other food products with all necessary ingredients and sell the products to Digma for Trading.

The group's principal subsidiaries at 31 December 2021 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.

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

##### **Digma for Trading:**

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

##### **Edita Confectionery Industries:**

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

##### **Edita participation limited:**

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

#### **The following is the joint venture in which Edita Food Industries SAE has an investment:**

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

The company's main purpose is to build and operate a factory for production, sales and distribution of cakes, pastry, wafer and other confectionary products. Edita Morocco incorporated in 2019, with 51% stake owned by Edita Food Industries (S.A.E.). The stake was increased to 68.5% in April 2021. For the disclosure and the accounting for the increase in stake please refer to Note 8.

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

Notes to the consolidated financial statements - For the year ended 31 December 2021

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

### 2. Accounting policies

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

#### A. Basis of preparation

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

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

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

#### Percentage of ownership in subsidiaries

The group consists of the below companies as of 31 December 2021 and 31 December 2020 unless otherwise was noted and the percentage of the Group's share of the companies in is the direct ownership of the ordinary shares of the paid-up capital only.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
		2021	2020	2021	2020
Digma for trading	Egypt	99.8%	99.8%	0.2%	0.2%
Edita Confectionery Industries	Egypt	99.98%	99.98%	0.02%	0.02%
Edita participation limited	Cyprus	100%	100%	-	-

Financial information about the subsidiaries of the group as at 31 December 2021 and 31 December 2020:

Name of subsidiary	Total Assets	Total Liabilities	Total Equity	Total Sales	Net Profit / (loss)
	2021	2021	2021	2021	2021
Digma for trading	481,389,703	289,593,397	191,796,306	4,949,151,342	64,599,614
Edita Confectionery Industries	196,437,971	61,189,442	135,248,529	138,774,453	6,475,044
Edita participation limited	169,256,637	176,301,398	(7,044,762)	-	(583,990)

Name of subsidiary	Total Assets	Total Liabilities	Total Equity	Total Sales	Net Profit / (loss)
	2020	2020	2020	2020	2020
Digma for trading	452,620,146	311,806,177	140,813,969	3,777,945,968	(48,208,408)
Edita Confectionery Industries	207,200,120	78,426,635	128,773,485	146,092,596	7,918,106
Edita participation limited	41,198,932	47,659,704	(6,460,772)	-	(1,987,695)

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

Notes to the consolidated financial statements - For the year ended 31 December 2021

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

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### **B. New standards and interpretations not yet adopted -Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform**

In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7 (Phase 2 amendments) that address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

For floating interest loans, as a practical expedient, for changes to cash flows that relate directly to the Reform to be treated as changes to a floating interest rate, i.e., the EIR is updated to reflect the change in an interest rate benchmark from IBOR to an RFR without adjusting the carrying amount. In effect, the change is treated as akin to a movement in the market rate of interest. The use of the practical expedient is subject to two conditions:

- First, the change in the basis for determining contractual cash flows must be a 'direct consequence of the Reform'
- Second, the new basis for determining the contractual cash flows must be 'economically equivalent' to the previous basis immediately preceding the change.

Based on the above, management does not expect material adjustment to the carrying value of the loans.

### **C. Basis of consolidation**

#### **1) Subsidiaries**

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

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

#### **1.1 Acquisition method**

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

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

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

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### Basis of consolidation (continued)

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

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

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

#### 1.3 Disposal of subsidiaries

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

#### 1.4 Goodwill

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

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

#### 1.5 Measurement period:

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

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### Basis of consolidation (continued)

#### 2) Associates

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

##### 2.1 Equity accounting method

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

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

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

##### 2.3 The losses of an associate:

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

##### 2.4 Transactions with associates

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

##### 2.5 Goodwill arisen from investments in associates

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

Goodwill that arises from the acquisition of an investment in associates is disclosed within the cost of the investment in associates after deduction of impairment losses in associates and it is not presented separately, and the goodwill impairment is not tested separately, Impairment test is performed on the carrying amount of the investment in associate which includes goodwill, by comparing the carrying value with the recoverable amount of the asset, and the impairment losses recognized at this case are not allocated to any asset, therefore, any reversal of impairment losses are recognized to the extent it will not exceed the amount of the impairment losses previously recognized.

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### Basis of consolidation (continued)

#### 3) Joint arrangements

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

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

#### Goodwill arisen from investments in joint ventures

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

Goodwill that arises from the acquisition of an investment in joint ventures is disclosed within the cost of the investment in joint ventures after deduction of impairment losses in joint ventures and it is not presented separately, and the goodwill impairment is not tested separately. Impairment test is performed on the carrying amount of the investment in joint venture which includes goodwill, by comparing the carrying value with the recoverable amount of the asset, and the impairment losses recognized at this case are not allocated to any asset, therefore, any reversal of impairment losses are recognized to the extent it will not exceed the amount of the impairment losses previously recognized.

### D. Foreign currency translation

#### (1) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The group companies' financial statement are presented in Egyptian Pound.

#### (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 'Finance income or Finance cost'.

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### Foreign currency translation (continued)

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 hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this 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 dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income. On consolidation, exchange differences arising from the translation of any 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 operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### E. Property, plant and equipment

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

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

The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

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



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### Property, plant and equipment (continued)

Estimated useful lives of assets are as follows:

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

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

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

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

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

### F. Intangible assets

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

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

#### Computer software

Separately acquired software licences are shown at cost less the accumulated amortization and the accumulated impairment losses. The Group charges the amortization amount of the software licences consistently over their estimated useful lives of 4 years using the straight-line method.

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

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### Intangible assets (continued)

#### Impairment of non-financial assets

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

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

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

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

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

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

### G. Inventories

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

### H. Financial assets under EAS 47

#### (1) Classification

From 1 January 2020, 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 EAS 47 (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 finance income/(costs), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

#### Debt instruments – trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

#### Cash and cash equivalents

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

#### (3) Financial Assets – write off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

#### (4) Financial assets impairment – credit loss allowance for ECL

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments. The Group measures ECL and recognises net impairment losses on financial assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

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### Financial assets under EAS 47 (continued)

The company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

A default on a financial asset is when the counterparty fails to make contractual payments within 30 days of when they fall due.

#### (5) Financial assets – modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

#### (6) 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.

### I. Share capital

Ordinary shares are classified as equity.

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

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### J. Treasury Shares

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

### K. Leases

The group leases various properties, Rental contracts are typically made for fixed periods of 3 to 7 years lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

### **M. Borrowings costs**

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

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

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

### **N. Current and deferred income tax**

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

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

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

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

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### Current and deferred income tax (continued)

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

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

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

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

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

### O. Employee benefits

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

#### a. Pension obligations

##### Defined contribution plan

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

##### Defined benefit plan

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

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

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

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### Employee benefits (continued)

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

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

#### b. Termination benefits

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

### P. Provisions

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

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

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

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

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



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

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

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### Q. Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under EAS 47 Financial Instruments, and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of EAS 48 Revenue from Contracts with Customers.

### R. Contingent assets

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

### S. Trade payables & other credit balances

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

### T. 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.

#### (1) Sales of goods – wholesale

Revenue is recognised when the goods are delivered and have been accepted by customers at their premises. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns and rebates, which are estimated based on the historical data for the products sold. In these circumstances, a refund liability and a right to recover returned goods asset are recognised. The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables (see Note 23) and the right to recover returned goods is included in inventory (see Note 8). The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

#### (2) Dividend income

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

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### U. Dividend Distribution

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

### V. Government Grants

#### 1) Loans grants

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

#### 2) Government export subsidy

The government of Egypt operates an export subsidy program managed by the Export Development Fund. The scheme was established under law 155 of 2002 to create incentives for Egyptian companies to grow exports. The Group operates in a qualifying sector and the subsidy represents a percentage of the export value depending on a set of variables including the percentage of local components, location of the factory, export destination and amongst others. The subsidy on export sales is recognized when there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. The subsidy is recognised under other income in the statement of profit or loss on a gross basis.

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

### W. Operating Segments

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

### 3. Financial risk management

#### (1) Financial risk factors

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

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

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### Financial risk management (continued)

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	The group maintain short term foreign currency cash that is used to finance foreign currency liquidity needs
Market risk – interest rate	Long-term borrowing at variable rates	Sensitivity analysis	Investment in short term treasury bills
Market risk – security prices	No investment in a quoted equity securities.	Not applicable	Not applicable
Credit risk	Cash and cash equivalents, trade receivables and held-to-collect investments	Aging analysis. Credit ratings	Diversification of bank deposits, credit limits and governmental treasury bills
Liquidity risk	Loans and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

#### (A) Market risk

##### (i) Foreign currency exchange risk

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

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

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

	2021	Restated 2020
<b>Amounts recognised in profit or loss</b>		
Net foreign exchange gain / (loss) included in finance cost	7,097,400	(122,934)
	<u>7,097,400</u>	<u>(122,934)</u>

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

	2021			Restated 2020
	Assets	Liabilities	Net	Net
Euros	70,747,074	(42,531,224)	28,215,850	(139,455,014)
US Dollars	155,569,547	(283,658,528)	<u>(128,088,981)</u>	<u>(226,161,717)</u>

##### Sensitivity analysis

As shown in the table above, the group is primarily exposed to changes in US/EGP, Euro/EGP, and MAD/EGP exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from Euro, US-dollars, and MAD denominated financial instruments.

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### Financial risk management (continued)

#### *Euro/EGP*

On 31 December 2021, if the Egyptian Pounds had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been EGP 2,821,585 (2020: EGP 13,945,501) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

#### *USD/EGP*

On 31 December 2021, if the Egyptian Pounds had weakened / strengthened by 10% against the US Dollars with all other variables held constant, post tax profit for the year would have been EGP 12,808,898 (2020: EGP 22,616,171) higher / lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets and liabilities.

#### (ii) Price risk

The Group has no investments in quoted equity securities, so it's not exposed to the fair Price 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.

At 31 December 2021, if interest rates on Egyptian pound -denominated net interest bearing liabilities had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been EGP 9,065,038 (2020 restated: EGP 8,211,251) lower/higher interest expense on floating rate borrowings.

Borrowings at the balance sheet date with variable interest rate amounted to EGP 505,826,911 (2020: EGP 741,085,589)

Overdraft at the balance sheet on 31 December 2021 amounted to EGP 400,676,904 (2020 restated: EGP 80,039,475).

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

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

	2021		Restated 2020	
	Amount	% of total loans	Amount	% of total loans
Variable rate borrowings	505,826,911	65%	741,085,589	86%
Fixed rate borrowings	273,503,992	35%	115,763,438	14%
<b>Total</b>	<b>779,330,903</b>	<b>100%</b>	<b>856,849,027</b>	<b>100%</b>

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### Financial risk management (continued)

#### (B) Credit risk

##### (i) Risk management

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analyzing the credit quality 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, corporate bonds, and other 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+).

The deposits with others are deposits with the government which are considered with a high credit rating (Egypt B+)

For corporate Bonds and financial assets at fair value through profit or loss the Group deals with EFG Hermes which are considered with a high credit rating (A +)

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

The maximum exposure to credit risk is the amount of receivables, cash balances and Treasury Bills in addition to the financial guarantee contract provided to Edita Food Industries Morocco in favor of one of the commercial banks in Morocco amounted to EGP120,455,802.

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.

The Group exposure to expected credit loss was quantified and it is immaterial.

#### Trade receivables

Counter parties without external credit rating:

	<u>2021</u>	<u>2020</u>
Trade and notes receivables	26,340,558	26,790,768
<b>Total</b>	<b><u>26,340,558</u></b>	<b><u>26,790,768</u></b>

Outstanding trade receivables are current and not impaired.

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### Financial risk management (continued)

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

All current accounts and deposits are held at Egyptian banks subject to the supervision of the Central Bank of Egypt except for the group's banks in EPL.

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

Bank	Credit Rating
Qatar National Bank (QNB)	A+
Credit Agricole Egypt (CAE)	A+
Commercial International Bank (CIB)	B+
National Bank of Kuwait (NBK)	AA-
Arab Bank of Egypt (ABE)	BB
Al Ahli Bank of Kuwait (ABK)	A+
Ahli United Bank (AUB)	BB+
Attijariwafa bank	BB
Banque Misr (BM)	B+
National Bank of Egypt (NBE)	B+

#### (iv) Impairment of financial assets

##### Trade and notes receivables

The group applies the EAS 47 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2021 or 1 January 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for both trade receivables:

	Current	More than 30 days past due	More than 90 days past due	More than 180 days past due	More than 270 days past due	Total
<b>31 December 2021</b>						
Expected loss rate	0%	0%	0%	5.79%	100%	
Gross carrying amount	12,694,659	13,306,501	192,485	44,918	101,995	26,340,558
Loss allowance	-	-	-	2,602	101,995	104,597
	Current	More than 30 days past due	More than 90 days past due	More than 180 days past due	More than 270 days past due	Total
<b>31 December 2020</b>						
Expected loss rate	0%	0%	0%	5.79%	100%	
Gross carrying amount	26,448,308	280,044	62,416	-	-	26,790,768
Loss allowance	-	-	-	-	-	-

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### Financial risk management (continued)

#### (C) Liquidity risk

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

#### i) Maturity of financial liabilities

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

	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
<b>At 31 December 2021</b>				
Loans	102,687,477	94,317,908	180,382,885	407,251,816
Future interest payments	18,724,226	28,599,179	43,861,154	58,004,997
Financial guarantee contract	120,455,801	-	-	-
Trade and other payables	448,664,890	-	-	-
Bank overdraft	400,676,904	-	-	-
Notes payable	42,195,798	-	-	-
Lease liabilities	7,857,555	8,383,717	15,393,377	72,613,415
<b>Total</b>	<b>1,141,262,651</b>	<b>131,300,804</b>	<b>239,637,416</b>	<b>537,870,228</b>
<b>At 31 December 2020</b>				
<b>Restated</b>				
Loans	98,786,478	89,135,701	393,902,425	275,024,423
Future interest payments	17,234,909	27,581,315	43,817,017	55,717,362
Financial guarantee contract	74,275,152	-	-	-
Trade and other payables	417,944,868	-	-	-
Bank overdraft	80,039,475	-	-	-
Notes payable	66,722,464	-	-	-
Lease liabilities	7,837,348	7,799,755	16,076,272	86,284,870
<b>Total</b>	<b>762,840,694</b>	<b>124,516,771</b>	<b>453,795,714</b>	<b>417,026,655</b>

#### ii) Financing arrangements

The group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2021	Restated 2020
Expiring within 1 year (bank overdrafts)	424,323,096	834,635,000
Expiring beyond 1 year (bank loans)	154,152,989	78,440,002
	<b>578,476,085</b>	<b>913,075,002</b>

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### Financial risk management (continued)

#### (2) Capital risk management

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

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

The gearing ratio at 31 December 2021 and 31 December 2020 were as follows:

	2021	Restated 2020
Total borrowings	784,640,083	864,696,168
Bank overdraft	400,676,904	80,039,475
<b>Total loans and overdraft</b>	<b>1,185,316,987</b>	<b>944,735,643</b>
Less: Cash and cash equivalent (Excluding bank overdrafts)	(159,565,557)	(214,670,740)
<b>Net debt</b>	<b>1,025,751,430</b>	<b>730,064,903</b>
Total equity	2,111,668,776	1,779,470,546
<b>Total capital</b>	<b>3,137,420,206</b>	<b>2,509,535,449</b>
<b>Gearing ratio</b>	<b>33%</b>	<b>29%</b>

#### Loan covenants

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

- The debt to equity ratio must be not more than 1:1.
- Debt service ratio shall not fall below 1.25
- Leverage ratio shall not exceed 1.5:1.
- Current ratio shall not be less than 1
- Liabilities to Tangible Net Worth Ratio of not more than 1.5;
- Net Financial Debt to EBITDA Ratio of not more than 1.8;
- Adjusted PPE to Financial Debt Ratio of not less than 2.2; and
- Days Payable Ratio of not more than 75 days

As of 31 December 2021, the Group was in compliance with the debt covenants.

#### (3) Fair value estimation

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



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### 4. Critical accounting estimates and judgments

#### (A) Critical accounting estimates and assumptions

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

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

##### **Impairment of infinite life intangible assets (trademark 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 (19) shows the main assumptions used to estimate the employees' benefit obligation.

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

##### **Revenue recognition**

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

##### **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.

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**5. Property, plant and equipment**

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
<b>At 1 January 2020</b>								
Cost	120,908,260	938,791,751	1,130,316,854	273,635,023	133,342,261	105,966,235	89,346,952	2,792,307,336
Accumulated depreciation	-	(167,127,236)	(362,417,657)	(114,493,083)	(84,561,889)	(79,786,523)	-	(808,386,388)
<b>Net book amount - restated</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>89,346,952</b>	<b>1,983,920,948</b>
<b>Year ended 31 December 2020</b>								
Opening net book amount	120,908,260	771,664,515	767,899,197	159,141,940	48,780,372	26,179,712	89,346,952	1,983,920,948
Additions	-	-	1,894,261	69,851,032	14,032,601	9,906,858	298,259,092	393,943,844
Depreciation charge	-	(38,549,074)	(57,662,673)	(49,256,189)	(21,549,753)	(14,009,401)	-	(181,027,090)
Disposals	-	-	(87,264)	(5,696,300)	(3,029,352)	(9,430,664)	-	(18,243,580)
Accumulated depreciation of disposals	-	-	87,264	5,668,581	3,021,909	8,554,867	-	17,332,621
Translation of foreign operations	-	-	-	-	-	3,382	34	3,416
Transfers from Projects under construction	-	33,614,836	126,692,406	-	35,371,764	21,680,686	(217,359,692)	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>766,730,277</b>	<b>838,823,191</b>	<b>179,709,064</b>	<b>76,627,541</b>	<b>42,885,440</b>	<b>170,246,386</b>	<b>2,195,930,159</b>
<b>At 31 December 2020</b>								
<b>Restated</b>								
Cost	120,908,260	972,406,587	1,258,816,257	337,789,755	179,717,274	128,126,497	170,246,386	3,168,011,016
Accumulated depreciation	-	(205,676,310)	(419,993,066)	(158,080,691)	(103,089,733)	(85,241,057)	-	(972,080,857)
<b>Net book amount</b>	<b>120,908,260</b>	<b>766,730,277</b>	<b>838,823,191</b>	<b>179,709,064</b>	<b>76,627,541</b>	<b>42,885,440</b>	<b>170,246,386</b>	<b>2,195,930,159</b>
<b>Year ended 31 December 2021</b>								
Opening net book amount	120,908,260	766,730,277	838,823,191	179,709,064	76,627,541	42,885,440	170,246,386	2,195,930,159
Additions	-	-	782,745	9,141,677	8,442,517	4,176,229	130,590,250	153,133,418
Depreciation charge	-	(39,340,037)	(66,377,923)	(32,117,738)	(25,670,347)	(16,538,201)	-	(180,044,246)
Disposals	-	-	(66,264)	(18,695,559)	(679,265)	(725,963)	-	(20,167,051)
Accumulated depreciation of disposals	-	-	22,113	16,686,289	665,934	555,252	-	17,929,588
Transfers from Projects under construction	-	4,680,216	167,983,168	-	28,023,177	10,405,909	(212,248,054)	(1,155,584)
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>732,070,456</b>	<b>941,167,030</b>	<b>154,723,733</b>	<b>87,409,557</b>	<b>40,758,666</b>	<b>88,588,582</b>	<b>2,165,626,284</b>
<b>At 31 December 2021</b>								
Cost	120,908,260	977,086,803	1,427,515,906	328,235,873	215,503,703	141,982,672	88,588,582	3,299,821,799
Accumulated depreciation	-	(245,016,347)	(486,348,876)	(173,512,140)	(128,094,146)	(101,224,006)	-	(1,134,195,515)
<b>Net book amount</b>	<b>120,908,260</b>	<b>732,070,456</b>	<b>941,167,030</b>	<b>154,723,733</b>	<b>87,409,557</b>	<b>40,758,666</b>	<b>88,588,582</b>	<b>2,165,626,284</b>

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

Notes to the consolidated financial statements - For the year ended 31 December 2021

(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 is as follows:

	2021	Restated 2020
Charged to cost of sales	124,881,929	112,385,796
Charged to distribution costs	37,121,915	49,272,195
Charged to administrative expenses	18,040,402	19,369,099
	<u>180,044,246</u>	<u>181,027,090</u>

The project under construction represents the following Categories:

	2021	Restated 2020
Buildings	9,201,456	9,639,174
Machinery and equipment	53,757,848	141,109,413
Tools and equipment	15,632,136	7,027,383
Technical and other installations	9,997,142	12,470,416
	<u>88,588,582</u>	<u>170,246,386</u>

### 6. Right of use assets

	2021	Restated 2020
Balance on initial adoption of EAS 49	-	34,157,542
Opening net book amount at 1 January	67,343,105	-
Additions during the year	1,319,215	42,077,814
Amortization expenses	(13,011,191)	(8,892,251)
<b>Balance - restated</b>	<u>55,651,129</u>	<u>67,343,105</u>

The group leases various warehouses. Rental contracts are typically made for fixed periods of 2 years to 17 years with no extension options.

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

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

### 7. Intangible assets

	2021			
	Trademark (A)	Know how (B)	Software (C)	Total
Cost / opening net book amount	131,480,647	31,430,995	3,640,937	166,552,579
Amortisation for the year	-	-	(2,490,966)	(2,490,966)
Transfers from Projects under construction (Note 5)	-	-	1,155,584	1,155,584
Additions	-	-	15,495,981	15,495,981
<b>Balance as of 31 December</b>	<b>131,480,647</b>	<b>31,430,995</b>	<b>17,801,536</b>	<b>180,713,178</b>

	2020			
	Trademark (A)	Know how (B)	Software (C)	Total
Cost / opening net book amount	131,480,647	31,430,995	5,365,008	168,276,650
Additions	-	-	906,630	906,630
Amortisation for the year	-	-	(2,630,701)	(2,630,701)
<b>Balance as of 31 December</b>	<b>131,480,647</b>	<b>31,430,995</b>	<b>3,640,937</b>	<b>166,552,579</b>

#### A. Trademark

	Trademark (HOHOS, Twinkies & Tiger Tail)	
	2021	2020
	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 EGP 68,618,658 paid against buying all the rights to the trademarks (HOHOS, Twinkies & Tiger Tail) and the consequences of this acquisition of the trademark in the countries of Egypt, Jordan, Libya and Palestine these rights do not have a definite time, and on the 16<sup>th</sup> of April 2015 the Group had signed a new contract for the expanding the scope of the rights to the trademarks (Hohos, Twinkies, and Tiger Tail) to include Algeria, Bahrain, Iraq, Kuwait, Lebanon, Morocco, Oman, Qatar, Kingdom of Saudi Arabia, Syria, Tunisia, United Arab Emirates and this trademarks have infinite useful lives, and the this is against USD 8 Million equivalent to EGP 62,861,989.

#### B. Know how

	Know How	
	2021	2020
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.

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

### Intangible assets (continued)

#### C. Software

	Software	
	2021	2020
Cost		
Opening balance	3,640,937	5,365,008
Transfers from Projects under construction (Note 5)	1,155,584	-
Additions	15,495,981	906,630
Amortization expense for the year	(2,490,966)	(2,630,701)
<b>Balance as of</b>	<b>17,801,536</b>	<b>3,640,937</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 each CGU operates.

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

Assumptions used by the Group when testing the impairment of intangible assets as of 31 December 2021 as follows:

	2021	2020
Average gross margin	34%	43%
Sales growth rate	11%	11%
Pre-tax discount rate	15.26%	17%
Terminal growth rate	5%	3%

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

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

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

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

### 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 5%. If all other assumptions kept the same, a reduction of this growth rate by 100% would give a value in use exceed the current carrying amount.

The discount rate in the forecast period has been estimated to be 15.26%. If all other assumptions kept the same, and the discount rate is 25% would give a value in use exceed the current carrying amount.

At 31 December 2021, 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. Investment in joint venture

Investment in joint venture represents the Group's investment in Edita Food Industries Morocco. The Group's shareholding in Edita Food Industries Morocco and the carrying value of the investment in joint venture as at 31 December 2020 and 2021 are as follows:

	Ownership %	2021	Ownership %	Restated 2020
Edita Food Industries Morocco	68%	70,140,650	51%	36,043,295
		<u>70,140,650</u>		<u>36,043,295</u>

Edita Food Industries Morocco was previously accounted for as an investment in subsidiary. The financial statements have been restated to account for this investment as an investment in joint venture. Refer to Note 36 on the restatement to account for this investment as an investment in joint venture.

	Group's share of			Losses	Ownership percentage
	Assets	Liabilities	Revenue		
31 December 2021	180,379,688	121,270,579	3,901,171	(5,831,695)	68%
31 December 2020	109,255,965	72,247,909	-	(2,293,469)	51%

In April 2021, the group acquired additional 112,500 shares (25%) in Edita Food Industries Morocco against consideration of EGP 31,529,057, of which 7.4% was subject to a call option exercisable at any point until April 2022 by the minority shareholder. Due to the terms of the call option, the 7.4% was not considered as a purchase as the minority interest retained the beneficial interest. The amount paid under the call option was considered a receivable from the minority interest and if not exercised will be accounted for as purchase of 7.4% at that date. Due to the short term nature of the secured borrowing, the fair value of the loan approximate the carrying amount since discounting the balance using the prevailing market interest rate will not have a material impact.

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

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### Investment in joint venture (continued)

Immediately prior to the purchase, the carrying amount of the 17.6% of the net assets in Edita Food Industries Morocco was EGP 12,325,493, this receivable has been included in due from related parties Note 33(a), the excess of consideration paid over the acquired 17.6% share of the net assets has been allocated on a provisional basis as follows:

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

\* Fair value of net assets have been determined on a provisional basis until the group finalise the purchase price allocation process with in the measurement period are as follows:

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

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

Notes to the consolidated financial statements - For the year ended 31 December 2021

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

### Investment in joint venture (continued)

#### Summarized financial information for the joint venture

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

Summarized Balance sheet	2021	2020
<b>Non current assets</b>	<b>214,874,379</b>	<b>156,898,484</b>
<b>Current assets:</b>		
Cash and cash equivalents (excluding bank overdrafts)	20,139,112	3,669,610
Other current assets	34,911,633	55,514,345
<b>Total current assets</b>	<b>55,050,745</b>	<b>59,183,955</b>
<b>Non Current liabilities:</b>		
Financial liabilities (excluding trade payables)	124,677,108	93,300,591
<b>Current liabilities:</b>		
Financial liabilities (excluding trade payables)	17,922,352	1,558,771
Other non current liabilities	38,798,750	50,549,948
<b>Total Current liabilities</b>	<b>56,721,102</b>	<b>52,108,719</b>
<b>Net assets</b>	<b>88,526,914</b>	<b>70,673,129</b>

The Group has provided a financial guarantee to the bank for the joint venture's borrowing amounting to 120,455,802 and 74,275,152 as at 31 December 2021 and 2020 respectively.

Reconciliation to carrying amounts:	2021	2020
<b>Opening net assets 1 January</b>	<b>70,673,129</b>	<b>75,170,126</b>
Amounts paid under Capital increase	26,264,520	
loss for the year	(8,410,735)	(4,496,997)
<b>Closing net assets</b>	<b>88,526,914</b>	<b>70,673,129</b>
Group's share in %	68.5%	51%
Group's share in EGP	60,640,936	36,043,295
Goodwill	6,591,941	-
Other reconciling items	2,907,773	-
<b>Carrying amount</b>	<b>70,140,650</b>	<b>36,043,295</b>

Summarized statement of profit or loss	2021	2020
Revenue	5,737,016	-
Cost of sales	(14,270,792)	(768,871)
Other income	9,919	
Distribution cost	(601,983)	(3,128,022)
Administrative expenses	(3,905,881)	(2,341,669)
Finance cost	842,249	(121,433)
Income tax expense	3,778,736	1,862,998
<b>Total loss for the year</b>	<b>(8,410,736)</b>	<b>(4,496,997)</b>



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

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### 9. Inventories

	2021	2020
Raw and packaging materials	410,652,760	202,257,766
Finished goods	50,032,903	52,027,070
Spare parts	44,616,150	43,228,256
Work in process	18,827,641	13,086,923
Consumables	6,593,275	7,509,357
<b>Total</b>	<b>530,722,729</b>	<b>318,109,372</b>
Less: allowance for decline in value	(4,228,565)	(2,834,224)
<b>Net</b>	<b>526,494,164</b>	<b>315,275,148</b>

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

During the year ended 31 December 2021, there has been a slow moving and obsolete inventory addition amounted to EGP 2,000,000 (2020: EGP 822,000) (Note 27) and the cost of write down amounted to EGP 605,659 (2020: EGP 1,135,307).

The cost of inventory recognized as an expense and included in cost of sales amounted to EGP 2,831,872,154 during the year ended 31 December 2021 (2020: EGP 1,955,242,665).

### 10. Financial instrument by category

The group holds the following financial instruments:

	Financial assets at amortised cost		Financial assets at fair value through profit or loss	
	2021	Restated 2020	2021	2020
Trade and other receivables (excluding non-financial assets) *	78,014,634	54,994,516	-	-
Cash and cash equivalent) excluding bank overdrafts) (Note 14)	159,565,557	214,670,740	-	-
Government treasury bills	769,965,310	499,232,147	-	-
Financial assets at fair value through profit or loss (Note 13)	-	-	76,403,685	-
<b>Total</b>	<b>1,007,545,501</b>	<b>768,897,403</b>	<b>76,403,685</b>	<b>-</b>
	Financial liabilities at amortised cost		Financial liabilities at fair value through profit or loss	
	2021	Restated 2020	2021	2020
Borrowings (Note 18)	784,640,083	864,696,168	-	-
Trade and other payables (excluding non-financial liabilities)*	490,860,688	484,667,332	-	-
Bank overdraft (Note 23)	400,676,904	80,039,475	-	-
Lease Liabilities (Note 21)	63,810,217	69,739,547	-	-
<b>Total</b>	<b>1,739,987,892</b>	<b>1,499,142,522</b>	<b>-</b>	<b>-</b>

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

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### Financial instrument by category (continued)

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, social insurances and deferred government grants.

### 11. Trade and other receivables

	2021	Restated 2020
Trade receivables	26,178,949	18,952,818
Notes receivable	161,609	7,837,950
<b>Total</b>	<b>26,340,558</b>	<b>26,790,768</b>
Less: Provision for impairment of trade receivables	(20,556)	(20,556)
	<b>26,320,002</b>	<b>26,770,212</b>
Advances to suppliers	96,826,414	45,106,512
Prepaid expenses	43,596,818	6,742,141
Deposits with others	15,896,538	16,673,936
Value added tax - receivables	479,190	-
Other current assets	8,808,606	2,916,390
Export subsidies grant receivable	10,187,538	-
Due from related parties (Note 33)	16,472,067	8,275,119
Letters of credit	125,000	125,167
Employee loans	204,883	233,692
<b>Total</b>	<b>218,917,056</b>	<b>106,843,169</b>

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### 12. Financial assets at amortised cost

	<u>2021</u>	<u>2020</u>
Treasury bills	769,965,310	448,889,188
Corporate bonds	-	50,342,959
	<u>769,965,310</u>	<u>499,232,147</u>

#### 12.1) Treasury bills

	<u>2021</u>	<u>2020</u>
<b>Treasury bills par value</b>		
91 Days maturity	233,250,000	159,850,000
266 - 364 Days maturity	572,400,000	314,675,000
	<u>805,650,000</u>	<u>474,525,000</u>
Unearned interest	(60,907,975)	(32,297,095)
<b>Amount of treasury bills paid</b>	<u>744,742,025</u>	<u>442,227,905</u>
Interest income recognized to profit or loss	25,223,285	6,661,283
<b>Treasury bills balance</b>	<u>769,965,310</u>	<u>448,889,188</u>

The average effective interest rate related to treasury bills is 12.88 %.

The group has adopted 12-month ECL model, 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.

#### 12.2) Corporate Bonds

	<u>2021</u>	<u>2020</u>
<b>Corporate bonds</b>		
More than 90 Days maturity	50,000,000	50,000,000
Interest income recognized to profit or loss	5,674,411	342,959
Redeemed amount	(55,674,411)	-
	<u>-</u>	<u>50,342,959</u>

The carrying value of the bonds approximate the fair value at initial recognition since the bonds bear a prevailing market rate of interest.

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

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### 13. Financial assets at fair value through profit or loss

The group has invested in treasury bills with a leverage feature which carries an average net return of 17%. The contractual terms of the instrument would not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, therefore it has been classified as financial assets at fair value through profit or loss.

Fair value gains of EGP 8,508,793 was recognized in the statement of profit or loss during the year.

	<u>Significant other observable inputs (Level 2)</u>
Leverage Egyptian T-bills	76,403,685
<b>Total</b>	<u><u>76,403,685</u></u>

#### Fair value measurement:

Fair value was determined using specific valuation technique using quoted prices for identical instruments in an inactive market.

### 14. Cash and cash equivalents

	<u>2021</u>	<u>Restated 2020</u>
Cash at banks and on hand	83,775,717	76,998,540
Time deposit – Foreign currency	75,789,840	137,672,200
<b>Cash and cash equivalents (excluding bank overdrafts)</b>	<u><u>159,565,557</u></u>	<u><u>214,670,740</u></u>

The average rate on time deposit in USD is 1% with a maturity of less than a month.

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

	<u>2021</u>	<u>Restated 2020</u>
Cash and bank balances	159,565,557	214,670,740
Bank overdraft (Note 23)	(400,676,904)	(80,039,475)
<b>Total</b>	<u><u>(241,111,347)</u></u>	<u><u>134,631,265</u></u>

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### 15. Share capital

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

The issued and paid-up capital amounted to EGP 72,536,290 after trading distributed on 362,681,450 shares (par value EGP 0.2 per share) are distributed 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>362,681,450</b>	<b>72,536,290</b>	<b>100%</b>

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 December 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"	86,749,655	17,349,931	11.959%
Kingsway Fund Frontier Consumer Franchises	59,553,461	11,910,692	8.210%
Treasury shares	2,304,461	460,892	0.318 %
Others (Public stocks)	273,447,023	54,689,405	37.698%
	<b>725,362,900</b>	<b>145,072,580</b>	<b>100%</b>

The issued capital amounted to EGP 144,611,688 (par value EGP 0.2 per share) is distributed as follows as of 31 December 2021:

<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	41.95%
The Bank of New York Mellon "depository bank for shares traded in London Stock Exchange"	85,792,350	17,158,470	11.87%
Kingsway Fund Frontier Consumer Franchises	45,623,461	9,124,692	6.31%
Others (Public stocks)	288,334,328	57,666,866	39.87%
	<b>723,058,439</b>	<b>144,611,688</b>	<b>100%</b>

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

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### Share capital (continued)

#### Treasury shares

According to Board of Director resolution on 5 April 2020, the group purchased 2,304,461 shares from the stock market and held in treasury for a total consideration of EGP 22,556,296, the consideration paid has been accounted for as reserve in the statement of shareholders' Equity.

On 4 April 2021, the extra ordinary general assembly meeting approved to write off the treasury shares. Accordingly, the share capital has been reduced by the par value of the treasury shares and the difference between the par value and the consideration paid to acquire those shares was absorbed in retained earnings.

### 16. Legal reserve

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

### 17. Non-controlling interest

On 6 March 2019, the Company signed an official agreement with Confidel LTD for the acquisition of 2,279,287 shares (22.27%) which is their total ownership in Edita Confectionary Industries for the total consideration of EGP 55,297,782. The acquisition was completed in June of 2019 and accordingly Edita Food Industries' share in Edita Confectionary Industries increased from 77.71% to 99.98%.

The effect on the equity attributable to the owners of Parent is summarised as follows:

					<u>2021</u>	<u>2020</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>					<b><u>(32,132,098)</u></b>	<b><u>(32,132,098)</u></b>
						Total
	Paid up	Legal	Assets	Accumulated		Restated
	capital	reserves	revaluation	losses	2021	2020
Balance at 1 January	30,460	593,605	38,162	(102,874)	559,353	587,509
Non-controlling share in loss of subsidiaries	-	-	-	130,494	130,494	(28,077)
<b>Total comprehensive loss for the year</b>	-	-	-	130,494	130,494	(28,077)
Shareholders transactions						
Transfer to legal reserve	-	-	-	-	-	(79)
Shareholders transactions	-	-	-	-	-	(79)
<b>Balance</b>	<b><u>30,460</u></b>	<b><u>593,605</u></b>	<b><u>38,162</u></b>	<b><u>27,620</u></b>	<b><u>689,847</u></b>	<b><u>559,353</u></b>

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

Notes to the consolidated financial statements - For the year ended 31 December 2021

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

**18. Loans**

	2021			Restated 2020		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Loans	197,005,383	587,634,700	784,640,083	195,769,320	668,926,848	864,696,168
	<u>197,005,383</u>	<u>587,634,700</u>	<u>784,640,083</u>	<u>195,769,320</u>	<u>668,926,848</u>	<u>864,696,168</u>

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

	2021	2020
Balance due within 1 year	191,696,203	187,922,179
Accrued interest	5,309,180	7,847,141
	<u>197,005,383</u>	<u>195,769,320</u>

**(1) Edita Food Industries Group**

	2021			2020		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
IFC loan	64,589,303	189,120,000	253,709,303	65,033,676	252,640,000	317,673,676
	<u>64,589,303</u>	<u>189,120,000</u>	<u>253,709,303</u>	<u>65,033,676</u>	<u>252,640,000</u>	<u>317,673,676</u>

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

	2021	2020
Balance due within 1 year	63,040,000	63,160,000
Accrued interest	1,549,303	1,873,676
	<u>64,589,303</u>	<u>65,033,676</u>

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

**Terms of payments:**

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

**Interest:**

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

**Fair value:**

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

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

Notes to the consolidated financial statements - For the year ended 31 December 2021

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

### Loans (continued)

#### (2) Edita Food Industries Company

	2021			2020		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	-	-	-	10,187,943	-	10,187,943
Second loan	9,221,688	-	9,221,688	18,675,563	9,000,000	27,675,563
Third loan	16,044,582	-	16,044,582	16,479,208	26,396,659	42,875,867
Fourth loan	40,050,000	60,000,000	100,050,000	40,086,373	132,747,039	172,833,412
Fifth loan	-	-	-	16,831	4,136,902	4,153,733
Seventh loan	9,567,069	78,616,366	88,183,435	112,762	82,798,473	82,911,235
Eighth loan	12,935,925	57,904,510	70,840,435	31,465	32,964,970	32,996,435
Ninth loan	75,198	61,763,341	61,838,539	-	-	-
Tenth loan	26,754	52,824,954	52,851,708	-	-	-
<b>Total</b>	<b>87,921,216</b>	<b>311,109,171</b>	<b>399,030,387</b>	<b>85,590,145</b>	<b>288,044,043</b>	<b>373,634,188</b>

- The sixth loan is the IFC loan which is separately disclosed in note 18.1.

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

	2021	2020
Balance due within 1 year	87,293,990	83,549,948
Accrued interest	627,226	2,040,197
<b>Total</b>	<b>87,921,216</b>	<b>85,590,145</b>

Borrower	Type of debt	Guaranties	Currency	Tenure	Interest rate
First loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 185,000,000	EGP/USD	7 years with first installment in Jan 2016	1% above mid corridor rate of Central Bank of Egypt and 2.5% above the Libor rate 3 months.
Second loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 90,000,000	EGP	7 years with first installment in April 2017	1 % above lending rate of Central Bank of Egypt.
Third loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 202,234,888	EGP/USD	7 years with first installment in April 2017	1% above mid corridor rate of Central Bank of Egypt and 4.5% above the Libor rate 1 month.
Fourth loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 220,000,000 and 6,000,000 Euro	EGP/USD	7 years with first installment in May 2017	0.5% above mid corridor rate of Central Bank of Egypt and average 4% above USD Libor rate 6 months.
Fifth loan	Loan		USD	4 years with the first installment in Sep 2018	3.85% above the USD Libor rate 3 months.
Seventh loan	Loan	Cross corporate guarantee Digma Trading Company	EGP	7 years with first installment in Nov 2022	8 %
Eighth loan	Loan	Cross corporate guarantee Digma Trading Company	EGP	7 years with first installment in June 2022	8 %
Ninth loan	Loan	Cross corporate guarantee Digma Trading Company	EGP	7 years with first installment in Sep 2023	8 %
Tenth loan	Loan		EGP	7 years with first installment in July 2023	8%



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

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### Loans (continued)

#### Ninth loan

During the year, the group obtained a loan facility of EGP 90 million from one of the commercial banks under the central bank of Egypt initiative to support the Egyptian manufacturing companies, according to the initiative, the loan was obtained at interest rate of 8 % that is lower than the prevailing market rate of similar loans, The group utilised EGP 62.9 million from the total facility up to 31 December 2021.

#### **Terms of payments:**

Edita is obligated to pay the loan on 10 semi-annual installments and the first instalment is due on September 2023.

#### Tenth loan

During the year, the group obtained a loan facility of EGP 150 million from one of the commercial banks under the central bank of Egypt initiative to support the Egyptian manufacturing companies, according to the initiative, the loan was obtained at interest rate of 8 % that is lower than the prevailing market rate of similar loans, The group utilised EGP 53.5 million from the total facility up to 31 December 2021.

#### **Terms of payments:**

Edita is obligated to pay the loan on 11 semi-annual installments and the first instalment is due in July 2023.

### (3) Digma For Trading

	2021			2020		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	36,330,058	83,405,529	119,735,587	37,095,943	116,242,805	153,338,748
	<b>36,330,058</b>	<b>83,405,529</b>	<b>119,735,587</b>	<b>37,095,943</b>	<b>116,242,805</b>	<b>153,338,748</b>

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

	2021	2020
Balance due within 1 year	33,362,211	33,212,231
Accrued interest	2,967,847	3,883,712
	<b>36,330,058</b>	<b>37,095,943</b>

The company obtained a loan from a financial institution based on a cross corporate guarantee issued from Edita Food Industries Company amounted to EGP 155 million. The loan outstanding balance at 31 December 2021 amounted to EGP 116,767,740 million in addition to accrued interests.

#### **Terms of payments:**

Digma is obligated to pay the loan on 7 semi-annual installments amounted to 16,681,106 and the first installments is due on 27 February 2022 and the last installments is due on 27 February 2025

#### **Interest:**

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

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

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### Loans (continued)

#### (4) Edita Confectionery Industries Company

	2021			2020		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	8,164,806	4,000,000	12,164,806	8,049,556	12,000,000	20,049,556
	<b>8,164,806</b>	<b>4,000,000</b>	<b>12,164,806</b>	<b>8,049,556</b>	<b>12,000,000</b>	<b>20,049,556</b>

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

	2021	2020
Balance due within 1 year	8,000,000	8,000,000
Accrued interest	164,806	49,556
	<b>8,164,806</b>	<b>8,049,556</b>

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

#### Terms of payments:

Edita Confectionery Industries is obligated to pay the loan on 3 semi-annual instalments and the first instalment is due on June 2022 and the last instalment is due on June 2023.

#### Interest:

The interest rate is 0.5% plus the lending rate.

#### Fair value:

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

The fair value is determined to be as follows:

	Fair value at reporting date	Carrying amount
Seventh loan	89,672,295	88,183,435
Eighth loan	72,713,690	70,840,435
Ninth loan	60,817,806	61,838,539
Tenth loan	52,348,719	52,851,708

#### Deferred government grants

The group obtained a loan facility of EGP 441 million from commercial banks under the central bank of Egypt initiative to support the Egyptian manufacturing companies, according to the initiative, the loan was obtained at interest rate of 8 % that is lower than the prevailing market rate of similar loans by average 2%. and recognized in the profit or loss over the years necessary to match them with the costs that they are intended to compensate.

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

Notes to the consolidated financial statements - For the year ended 31 December 2021

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### Loans (continued)

The deferred government grants is according to the following schedule:

	2021			2020		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Edita Seventh loan	2,517,521	4,931,993	7,449,514	2,244,311	7,159,895	9,404,206
Edita Eighth loan	1,055,416	2,277,069	3,332,485	700,853	2,112,016	2,812,869
Edita Ninth loan	497,621	1,476,828	1,974,449	-	-	-
Edita Tenth loan	394,988	1,211,398	1,606,386	-	-	-
	<b>4,465,546</b>	<b>9,897,288</b>	<b>14,362,834</b>	<b>2,945,164</b>	<b>9,271,911</b>	<b>12,217,075</b>

### 19. Employee retirement benefit obligations

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

	2021	2020
Discount rate	14.5%	14.2%
Average salary increase rate	10%	10%
Turnover rate	20%	21%
Life table	49-52	49-52

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

	2021	2020
Present value of obligations	24,103,494	20,164,016
<b>Liability at the statement of financial position</b>	<b>24,103,494</b>	<b>20,164,016</b>

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

	2021	2020
Balance at beginning of the year	20,164,016	11,600,000
Interest expenses	2,923,782	1,647,200
Current service cost	489,745	2,648,486
<b>Total amount recognised in profit or loss (Note 26)</b>	<b>3,413,527</b>	<b>4,295,686</b>
Remeasurements: -		
Loss from change in assumptions	2,476,661	4,704,314
<b>Total amount recognised in other comprehensive income</b>	<b>2,476,661</b>	<b>4,704,314</b>
Paid during the year	(1,950,710)	(435,984)
<b>Balance at end of the year</b>	<b>24,103,494</b>	<b>20,164,016</b>

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

Notes to the consolidated financial statements - For the year ended 31 December 2021

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

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### Employee retirement benefit obligations (continued)

#### Sensitivity in Defined Benefit Obligation: -

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

	<u>Change in assumption</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>		
Discount rate	1%	Decrease by 9%	Increase by 9%		
Salary increase	0.5%	Increase by 5%	Decrease by 5%		
Mortality age	1%	Increase by 9%	Decrease by 9%		

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

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

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**20. Deferred income tax liability**

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

	Acquiring Digma Company for Trading				Unrealized foreign exchange loss	Net deferred tax liabilities	
	Fixed assets	Other provisions	Carry forward tax losses	Unrealized foreign exchange loss		2021	Restated 2020
<b>Deferred tax assets</b>							
Balance at 1 January	-	7,600,800	11,809,913	285,392	19,696,105	7,131,012	
Charged to statement of profit or loss	-	1,033,852	(11,809,913)	4,092,395	(6,683,666)	11,506,622	
Charged to statement of comprehensive income	-	-	-	-	-	1,058,471	
<b>Ending balance</b>	-	<b>8,634,652</b>	-	<b>4,377,787</b>	<b>13,012,439</b>	<b>19,696,105</b>	
<b>Deferred tax liabilities</b>							
Balance at 1 January	(191,195,932)	(2,614,093)	-	-	(193,810,025)	(175,546,138)	
Charged to statement of profit or loss	(25,325,608)	240,424	-	-	(25,085,184)	(18,263,887)	
Ending balance	<b>(216,521,540)</b>	<b>(2,373,669)</b>	-	-	<b>(218,895,209)</b>	<b>(193,810,025)</b>	
<b>Net deferred tax (liabilities) / assets</b>	<b>(216,521,540)</b>	<b>(2,373,669)</b>	<b>8,634,652</b>	<b>4,377,787</b>	<b>(205,882,770)</b>	<b>(174,113,920)</b>	
Balance at 1 January	(191,195,932)	(2,614,093)	7,600,800	11,809,913	285,392	(168,415,126)	
Charged to statement of comprehensive income	-	-	-	-	-	1,058,471	
Charged to statement of profit or loss (Note 28)	(25,325,608)	240,424	1,033,852	(11,809,913)	4,092,395	(6,757,265)	
Ending balance	<b>(216,521,540)</b>	<b>(2,373,669)</b>	<b>8,634,652</b>	<b>4,377,787</b>	<b>(205,882,770)</b>	<b>(174,113,920)</b>	

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

Notes to the consolidated financial statements - For the year ended 31 December 2021

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### 21. Lease Liabilities

	2021	Restated 2020
<b>Commitments in relation to leases are payable as follows:</b>		
Within one year	16,241,272	15,787,103
From one year to five years	49,246,852	54,911,124
Later than five year	38,759,940	49,336,940
<b>Minimum lease payments</b>	<b>104,248,064</b>	<b>120,035,167</b>
<b>The present value of lease liabilities are as follows:</b>		
Within one year	8,685,095	7,219,158
From one year to five years	29,113,764	29,682,778
Later than five year	26,011,358	32,837,611
<b>Present Value of Minimum Lease Payments</b>	<b>63,810,217</b>	<b>69,739,547</b>

### 22. Provision

	Other provisions	
	2021	2020
Balance at 1 January	34,413,053	21,221,845
Additions during the year (Note 27)	10,178,161	19,350,683
Utilized during the year	(10,554,328)	(3,024,540)
Provision no longer required	(58,635)	(3,134,935)
<b>Ending Balance as of</b>	<b>33,978,251</b>	<b>34,413,053</b>

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

### 23. Bank overdraft

	2021	Restated 2020
Bank overdraft	400,676,904	80,039,475
<b>Total</b>	<b>400,676,904</b>	<b>80,039,475</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 8.05% as of 31 December 2021 (2020: 9.29 %).

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### 24. Trade and other payables

	<u>2021</u>	<u>Restated 2020</u>
Trade payables	287,618,623	148,548,870
Accrued expenses	66,800,968	106,725,119
Creditors to purchase of property, plant and equipment	50,060,453	113,007,380
Notes payable	42,195,798	66,722,464
Other credit balances	30,452,840	31,493,714
Taxes payable	41,859,345	31,888,801
Social insurance	7,358,709	10,917,007
Dividends payable	1,097,065	7,242,868
Deferred government grants (Note 18)	4,465,546	2,945,164
Contract liabilities – accrued rebates	12,634,941	10,926,917
Advances from customers	13,690,850	9,666,224
<b>Total</b>	<b><u>558,235,138</u></b>	<b><u>540,084,528</u></b>

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

### 25. Current income tax liabilities

	<u>2021</u>	<u>2020</u>
Balance at 1 January	29,897,178	63,186,112
Income tax paid during the year	(48,319,265)	(75,107,022)
Withholding tax receivable	(7,130,574)	(4,984,531)
Income tax for the year (Note 29)	131,675,762	102,066,776
Corporate income tax – advance payments	(63,709,382)	(37,342,974)
Tax on Treasury bills	(8,982,821)	(15,820,938)
Accrued interest – advance payments	(2,846,806)	(2,100,245)
<b>Balance at</b>	<b><u>30,584,092</u></b>	<b><u>29,897,178</u></b>

### 26. Other income

	<u>2021</u>	<u>2020</u>
Government grant - Export subsidies - *2	29,904,977	70,739,519
Gain from sales of property, plant and equipment (Note 32)	17,846,453	3,255,064
Other income	7,028,479	3,567,254
Governmental grant – reduced interest loans - *1	3,281,728	1,022,160
Provision no longer required	58,635	3,134,935
<b>Net</b>	<b><u>58,120,272</u></b>	<b><u>81,718,932</u></b>

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

Notes to the consolidated financial statements - For the year ended 31 December 2021

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### Other income (continued)

#### \* Government Grants

##### 1) Reduced interest loans grants

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

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

Amounts to be amortised are presented in (note 18).

##### 2) Government export subsidy

The government of Egypt operates an export subsidy program managed by the Export Development Fund. The scheme was established under law 155 of 2002 to create incentives for Egyptian companies to grow exports. The Group operates in a qualifying sector and the subsidy represents a percentage of the export value depending on a set of variables including the percentage of local components, location of the factory, export destination and amongst others. The subsidy on export sales is recognized when there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. The subsidy is recognised under other income in the statement of profit or loss on a gross basis.

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

Amount to be released to the statement of profit or loss is presented in (note 11)

### 27. Other losses

	<u>2021</u>	<u>2020</u>
Solidarity contribution	(23,448,198)	(17,935,614)
Other provisions (Note 22)	(10,178,161)	(19,350,683)
Provision for employee benefit obligation (Note 19)	(3,413,527)	(4,295,686)
Provision for slow moving inventory	<u>(2,000,000)</u>	<u>(822,000)</u>
<b>Other losses – Net</b>	<b><u>(39,039,886)</u></b>	<b><u>(42,403,983)</u></b>



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

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### 28. Finance income / (Cost) – net

	2021	Restated 2020
<b>Interest income</b>		
Interest income	74,237,378	74,321,224
Interest income – corporate tax advance payment (Note 25)	2,846,806	2,100,245
	<u>77,084,184</u>	<u>76,421,469</u>
<b>Finance cost - net</b>		
Interest expense	(74,944,742)	(86,548,093)
Interest expense for lease liability	(8,538,558)	(8,136,925)
Foreign exchange loss from financing activities	7,097,401	(122,934)
	<u>(76,385,899)</u>	<u>(94,807,952)</u>
<b>Finance income / (cost) - net</b>	<u>698,286</u>	<u>(18,386,483)</u>

### 29. Income tax expense

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

	2021	Restated 2020
Income tax for the year	131,675,762	102,066,776
Deferred tax expense / (income) for the year	31,768,850	6,757,265
<b>Total</b>	<u>163,444,612</u>	<u>108,824,041</u>
Profit before tax	<u>692,315,095</u>	<u>456,516,024</u>
Applicable Tax rate	22.5%	22.5%
Tax calculated based on applicable tax rates	155,770,896	102,716,105
	<u>155,770,896</u>	<u>102,716,105</u>
Tax effect of non-deductible expenses	7,673,716	6,107,936
<b>Income tax expense</b>	<u>163,444,612</u>	<u>108,824,041</u>
<b>Effective tax rate</b>	<u>24%</u>	<u>24%</u>

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

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

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

### 30. Earnings per share

#### Basic

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

	2021	2020
Profit attributed to owners of the parent	528,739,989	347,720,060
<b>Weighted average number of ordinary shares in issue</b>		
Ordinary shares	723,058,439	725,362,900
Treasury shares	-	(1,536,307)
	<u>723,058,439</u>	<u>723,826,593</u>
	<u>0.73</u>	<u>0.48</u>

#### Diluted

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

### 31. Expenses by nature

	2021	Restated 2020
Cost of sales	3,559,706,634	2,617,684,208
Distribution cost	698,347,826	661,141,314
Administrative expenses	323,306,204	304,381,748
	<u>4,581,360,664</u>	<u>3,583,207,270</u>
Raw and packaging materials used	2,834,568,962	1,955,242,665
Salaries and wages	617,060,115	561,796,705
Advertising and marketing	287,994,919	238,001,898
Depreciation and amortization	195,546,403	192,550,042
Employee benefits	112,846,423	103,172,830
Gas, water and electricity	104,099,300	94,774,849
Miscellaneous and other expense	93,753,084	119,933,197
Logistics services	73,696,555	67,892,684
Vehicle expense	60,571,201	60,519,813
Transportation expenses	60,067,667	56,735,228
Company share in social insurance	56,213,676	56,317,878
Maintenance	49,583,999	40,756,008
Consumable materials	35,358,360	35,513,473
<b>Total cost of sales, distribution costs, and administrative expenses</b>	<u>4,581,360,664</u>	<u>3,583,207,270</u>

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

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

### 32. Cash Flow Information

#### a. Net debt reconciliation

	2021	2020 restated
Cash and cash equivalent	(241,111,347)	134,631,265
Borrowings – repayable within one year	(197,005,383)	(195,769,320)
Borrowing – repayable after one year	(587,634,700)	(668,926,848)
Lease liability	(63,810,217)	(69,739,547)
<b>Total</b>	<b>(1,089,561,647)</b>	<b>(799,804,450)</b>

	Cash & cash equivalent	Borrowing due within 1 year	Borrowing due after 1 year	Lease liability	Total
Net debt as at 1 January 2021 restated	134,631,265	(195,769,320)	(668,926,848)	(69,739,547)	(799,804,450)
Cash flows	(375,742,612)	(3,216,073)	75,386,104	7,248,545	(296,324,036)
New leases	-	-	-	(1,319,215)	(1,319,215)
Interest expense	-	(15,540,274)	(46,354,086)	(8,538,558)	(70,432,918)
Interest repayments	-	16,177,499	48,254,822	8,538,558	72,970,879
Foreign exchange adjustment	-	1,342,785	4,005,308	-	5,348,093
<b>Net debt as at 31 December 2021</b>	<b>(241,111,347)</b>	<b>(197,005,383)</b>	<b>(587,634,700)</b>	<b>(63,810,217)</b>	<b>(1,089,561,647)</b>

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

- i. Transfer to Property, Plant and Equipment from Projects under construction. (Refer note 5).
- ii. Acquisition of Right-of-Use-Assets. ((Refer note 6).

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

	2021	2020
Net book amount (Note 5)	2,237,463	910,959
Gain on disposal of property, plant and equipment (Note 26)	17,846,453	3,255,064
<b>Proceeds from disposal of property, plant and equipment</b>	<b>20,083,916</b>	<b>4,166,023</b>

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### 33. Related parties

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

#### a. Due from related parties

	2021	Restated 2020
Edita Food Industries Morocco	3,860,444	-
La Marocaine De Distribution De Logistiqu (Dislog S.A) (Note 8)	12,611,623	8,275,119
<b>Total</b>	<b>16,472,067</b>	<b>8,275,119</b>

The nature of transaction with La Marocaine De Distribution De Logistiqu (Dislog S.A) during the year ended 31 December 2021 is represented in sale of finished goods amounting to EGP 10,601,197 and secured financing against shares subject to call option (Note 8) amounted to EGP 12,611,623. this amount has been initially recognized at fair value.  
The sales transactions were at arm's length. (2020: EGP 21,411,280).

La Marocaine De Distribution De Logistiqu (Dislog S.A) is considered a related party as Dislog S.A is a joint venture in Edita Food Industries Morocco (Joint venture).

The group recognized EGP: Nil for the expected credit loss for the balance of related party as a result of the low credit risk with zero history of default.

#### b. Key management compensation

During the year ended 31 December 2021, the group paid an amount of LE 106,372,585 as benefits to the key management members (2020: LE 90,037,576).

	2021		2020	
	Non-executive / independent board members	Key management personnel	Non-executive / independent board members	Key management personnel
Salaries and compensation	2,450,000	102,319,939	2,700,000	82,513,676
Allowances	-	1,382,460	3,360,000	1,282,200
Other benefit	-	220,186	-	181,700



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### Segment reporting (continued)

Operating profit reconciles to net profit as follows:

	<u>2021</u>	<u>Restated 2020</u>
<b>Operating profit</b>	688,940	477,196
Finance cost - net	(76,386)	(94,808)
Interest income	77,084	76,421
Fair value gain	8,509	-
Share of net loss of joint ventures accounted for using the equity method	(5,832)	(2,293)
Income tax	(163,445)	(108,824)
<b>Net profit</b>	<u><u>528,870</u></u>	<u><u>347,692</u></u>

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

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

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

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

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

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

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

Edita sales consists of local sale and export sales.

The local and export sales are as follows:

	<u>2021</u>	<u>2020</u>
Local sales	4,942,126,902	3,771,962,574
Export sales	309,093,088	249,125,723
<b>Total</b>	<u><u>5,251,219,990</u></u>	<u><u>4,021,088,297</u></u>

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

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#### 35. 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 (33) segment reporting.

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

	<u>2021</u>	<u>2020</u>
Contract liabilities – accrued rebates	12,634,941	10,926,917
Contract liabilities – advances from customers	13,690,850	9,666,224
<b>Total contract liabilities</b>	<b><u>26,325,791</u></b>	<b><u>20,593,141</u></b>

C. The increase in contracts' liabilities mainly due to the increase in the advance payments made by the export customers during the year in addition to the increase in the incentive which is due to the increase in sales.

##### D. Revenue recognized in relation to contract liabilities – advance from customers

	<u>2021</u>	<u>2020</u>
Opening balance	9,666,224	5,183,186
Recognized contract liabilities for Sale of goods	(9,666,224)	(5,183,186)
Contract liabilities arisen during the year	13,690,850	9,666,224
<b>Total</b>	<b><u>13,690,850</u></b>	<b><u>9,666,224</u></b>

#### 36. Restatement

In prior years, the investment in Edita Food Industries Morocco "Edita Morocco" was accounted for as an investment in a subsidiary and consolidated on the basis that the Group held 51% and provided the Group with control. One of the minority shareholders held a 45% interest in Edita Morocco and was afforded certain veto rights. In April 2021, the Group acquired an additional interest of 25% from this minority shareholder in the Edita Food Industries Morocco, of which 7.5% was subject to a call option exercisable at any point until April 2022 by the minority shareholder. As a result of assessing the accounting implications of the acquisition and the call option, it was noted that the minority interest had substantive veto rights on certain reserved matters, even subsequent to the acquisition of the additional interest, the reserved matters would continue to prevent the Group from having the current ability to direct the relevant activities of Edita Morocco.

The management in the process of reviewing the reserved matters with the other shareholder.

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### Restatement (continued)

Based on the substantive nature of the veto rights, the Company has joint control according to the requirements of EAS 42, 'Consolidated Financial Statements' and EAS 43 'Joint Arrangements'. As a consequence, the Company has accounted for the investment in Edita Food Industries Morocco as investment in joint ventures using the equity method and, accordingly, has restated the comparative financial information in these consolidated financial statements. This restatement has resulted in the following changes:

<b>Extract from the statement of financial position:</b>	<b>2020</b>	<b>Increase / (decrease)</b>	<b>Restated 2020</b>
Property, plant and equipment	2,331,299,024	(135,368,865)	2,195,930,159
Right of use assets	86,101,716	(18,758,611)	67,343,105
Investment in joint venture	-	36,043,295	36,043,295
Trade and other receivables	162,342,342	(55,499,173)	106,843,169
Cash and cash equivalents (excluding bank overdrafts)	218,340,350	(3,669,610)	214,670,740
Cumulative translation reserve	1,991,407	(883,336)	1,108,071
Non-controlling interest	36,197,534	(35,638,181)	559,353
Term loans	743,202,000	(74,275,152)	668,926,848
Deferred tax liabilities	172,258,866	1,855,054	174,113,920
Lease liabilities	81,545,828	(19,025,439)	62,520,389
Bank overdraft	80,364,773	(325,298)	80,039,475
Trade and other payables	588,742,782	(48,658,254)	540,084,528
Lease liabilities	7,521,516	(302,358)	7,219,158
			<b>Restated</b>
<b>Extract from the statement of financial position:</b>	<b>2019</b>	<b>Increase / (decrease)</b>	<b>1 January 2020</b>
Property, plant and equipment	1,993,845,097	(9,924,149)	1,983,920,948
Investment in joint venture	-	38,336,764	38,336,764
Trade and other receivables	204,193,093	(6,484,981)	197,708,112
Cash and cash equivalents (excluding bank overdrafts)	153,615,452	(54,449,126)	99,166,326
Cumulative translation reserve	(202,760)	235,053	32,293
Non-controlling interest	36,424,222	(35,836,713)	587,509
Deferred tax liabilities	167,800,747	614,381	168,415,128
Trade and other payables	502,314,867	2,465,787	504,780,654
		<b>Profit</b>	<b>Restated</b>
<b>Extract from the statement of profit or loss:</b>	<b>2020</b>	<b>increase / (decrease)</b>	<b>2020</b>
Cost of sales	(2,618,453,079)	768,871	(2,617,684,208)
Distribution cost	(664,269,336)	3,128,022	(661,141,314)
Administrative expenses	(307,115,466)	2,733,718	(304,381,748)
Share of net loss of joint ventures accounted for using the equity method	-	(5,831,695)	(5,831,695)
Finance cost – Net	(18,507,916)	121,433	(18,386,483)
Income tax expense	(106,961,043)	(1,862,998)	(108,824,041)



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### Restatement (continued)

<u>Extract from the statement of cash flow:</u>	<u>2020</u>	<u>Cash increase / (decrease)</u>	<u>Restated 2020</u>
Net cash flows generated from operating activities	400,439,978	2,083,316	402,523,294
Net cash flows used in investing activities	(175,135,789)	5,405,263	(169,730,526)
Net cash flows used in financing activities	(20,351,385)	(56,880,317)	(77,231,702)

### Basic and diluted earnings per share:

Basic and diluted earnings per share for the prior year have not been restated. Since there was no effect on the net profit attributable to the owners of the parent company for the years ended 31 December 2019 and 2020.

### 37. Fair value measurement

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

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

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

The below shows the financial assets and liabilities at fair value in the consolidated financial statements at 31 December 2020 within the hierarchy of the fair value, based on the input levels that are considered to be significant to the fair value measurement as a whole:

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

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

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

- Bank balances and cash, trade receivables, other financial assets, due from related parties, trade and other payables and due to related parties approximate their carrying amounts, largely due to the short-term maturities of these instruments.

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### Fair value measurement (continued)

#### Fair value of bank loans:

- Variable interest-bearing loans: Fair value is approximately equal the carrying amount since the loan is bearing variable interest rate that approximate the market prevailing rates.
- Fixed interest-bearing loans:
  - Edita Food Industries loans: The fair value of the loan at the reporting date has been calculated by discounting the future cash outflows using the prevailing market rate of interest of 9.75% at the reporting date.
- The fair value is determined to be as follows:

	2021		2020	
	Fair value	Carrying amount	Fair value	Carrying amount
Seventh loan	89,672,295	88,183,435	82,002,658	82,911,235
Eighth loan	72,713,690	70,840,435	33,047,763	32,996,435
Ninth loan	60,817,806	61,838,539	-	-
Tenth loan	52,348,719	52,851,708	-	-

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

### 38. Commitments

#### Capital commitments

The Group has capital commitments as of 31 December 2021 of EGP 580 M (Restated 2020: EGP 120 M) in respect of capital expenditure.

The banks have issued internal document collections in favor of Edita Food Industries amounted to EGP 29,085,087 which guarantee Edita for the goods imported (2020: 39,835,555).

The banks have issued letter of credit in favor of Digma Company For trading amounted to EGP 250,000 which guarantee Edita for the goods imported (2020: Nil).

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### **39. 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 2016 and all due tax amounts paid.
- For the years 2017 – 2020 the Company submitted the tax return according to law No. 91 of 2005 in its legal period and has not been inspected yet.

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

- The payroll tax inspection was performed till 31 December 2019 and company paid tax due.

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

- The sales tax inspection was performed till 31 December 2019 and tax due was paid.

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

- The stamp duty tax inspection was performed till 2018.

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

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

- The Company is subject to the corporate income tax according to tax law No, 91 of 2005 and amendments.
- The tax inspection was performed by the Tax Authority for the year from the Company's inception until year 2014 and the tax resulting from the tax inspection were settled and paid to the Tax Authority.
- For the years from 2015 to 2020 Company submits its tax returns on due dates according to law No, 91 for the year 2005.

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

- The tax inspection was performed until 31 December 2014 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- For the years from 2015 to 2019 the Company finished the inspection and the difference transfer to internal committee.
- For 2020 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 2016-2020 the Company submits its monthly sales VAT return on due date.

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

#### **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 2020 the Company paid the tax due.

### **Edita Confectionary Industries Company**

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

- The Company is subject to the corporate income tax according to tax Law No. 91 of 2005 and adjustments.
- The corporate tax inspection was performed for the years from 2009 to 2016 and the difference was transferred to an internal committee.
- The company hasn't been inspected for the years from 2017 to 2020 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 – 2019 and the tax due was paid to the Tax Authority.

#### **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 VAT tax return on due date.

#### **d) Stamp Tax**

- The stamp tax inspection was performed from 2009 to 2019 and the tax due was paid to the Tax Authority.