

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

**REVIEW REPORT AND CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE SIX MONTHS  
PERIOD ENDED 30 JUNE 2020**

---

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

## **Consolidated financial statements - For the six months period ended 30 June 2020**

---

<b>Contents</b>	<b>Page</b>
Review report	1
Consolidated statement of financial position	2
Consolidated statement of profit or loss	3
Consolidated statement of comprehensive income	4
Consolidated statement of changes in equity	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7 – 58



## Review report

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

### Introduction

We have reviewed the accompanying consolidated statement of financial position of Edita Food Industries (S.A.E.) as at 30 June 2020 and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months period then ended, and notes comprising summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

### Scope of review

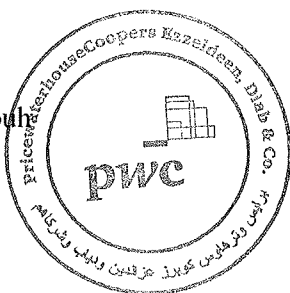
We conducted our review in accordance with Egyptian Standard on Review Engagements No. 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly in all material respects, the financial position of Edita Food Industries (S.A.E.) as at 30 June 2020, and of its financial performance and its cash flows for the six months period then ended in accordance with Egyptian Accounting Standards.

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

28 July 2020  
Cairo



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

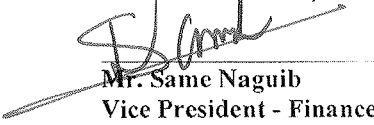
## Consolidated statement of financial position - As of 30 June 2020

(All amounts in Egyptian Pounds)

	Note	30 June 2020	31 December 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	2,133,023,724	1,993,845,097
Right of use assets	6	88,465,821	-
Intangible assets	7	167,881,601	168,276,650
<b>Total non-current assets</b>		<b>2,389,371,146</b>	<b>2,162,121,747</b>
<b>Current assets</b>			
Inventories	8	321,218,258	295,420,425
Trade and other receivables	10	178,793,383	204,193,093
Treasury bills	11	455,299,517	548,192,500
Cash and bank balances	12	83,483,242	153,615,452
<b>Total current assets</b>		<b>1,038,794,400</b>	<b>1,201,421,470</b>
<b>Total assets</b>		<b>3,428,165,546</b>	<b>3,363,543,217</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Paid up capital	13	145,072,580	145,072,580
Legal reserve	14	78,233,972	78,233,972
Cumulative translation reserve		(1,397,586)	(202,760)
Transactions with non-controlling interest	15	(32,132,098)	(32,132,098)
Treasury shares	13	(22,556,297)	-
Retained earnings		1,360,249,964	1,458,283,248
		<b>1,527,470,535</b>	<b>1,649,254,942</b>
Non-controlling interest	15	35,313,589	36,424,222
<b>Total equity</b>		<b>1,562,784,124</b>	<b>1,685,679,164</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Term loans	16	744,200,250	605,756,771
Employee benefit obligations	17	15,994,652	11,600,000
Deferred income tax liabilities	18	165,301,606	167,800,747
Lease liabilities	19	74,281,651	-
<b>Total non-current liabilities</b>		<b>999,778,159</b>	<b>785,157,518</b>
<b>Current liabilities</b>			
Provisions	20	29,108,557	21,221,845
Bank overdraft	21	265,188,707	120,096,127
Trade and other payables	22	390,125,534	502,314,867
Current portion of term loans	16	162,911,835	185,887,584
Current income tax liabilities	23	3,371,033	63,186,112
Lease liabilities	19	14,897,597	-
<b>Total current liabilities</b>		<b>865,603,263</b>	<b>892,706,535</b>
<b>Total liabilities</b>		<b>1,865,381,422</b>	<b>1,677,864,053</b>
<b>Total equity and liabilities</b>		<b>3,428,165,546</b>	<b>3,363,543,217</b>

- The accompanying notes on pages 7 to 58 form an integral part of these consolidated financial statements.

- Limited review report attached

  
Mr. Same Naguib  
Vice President - Finance

  
Eng. Hani Beri  
Chairman

28 July 2020  
Giza

**EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES**
**Consolidated statement of profit or loss - For the six months period ended 30 June 2020**

(All amounts in Egyptian Pounds)

	Note	The six months period ended 30 June		The three months period ended 30 June	
		2020	2019	2020	2019
Revenue		1,732,815,908	1,845,021,560	768,744,543	862,840,392
Cost of sales	29	(1,147,223,953)	(1,200,020,365)	(523,287,302)	(569,218,614)
<b>Gross profit</b>		<b>585,591,955</b>	<b>645,001,195</b>	<b>245,457,241</b>	<b>293,621,778</b>
Other income	24	36,318,526	7,707,460	7,552,102	2,666,458
Distribution cost	29	(309,243,300)	(268,873,633)	(135,368,055)	(154,928,692)
General and administrative expenses	29	(154,659,613)	(135,969,847)	(77,236,567)	(69,626,196)
Other losses - net	25	(16,923,939)	(20,798,081)	(4,166,364)	(6,962,687)
<b>Profit from operations</b>		<b>141,083,629</b>	<b>227,067,094</b>	<b>36,238,357</b>	<b>64,770,661</b>
Finance cost - net	26	(16,399,702)	(6,735,013)	(19,694,843)	(6,000,305)
<b>Profit before income tax</b>		<b>124,683,927</b>	<b>220,332,081</b>	<b>16,543,514</b>	<b>58,770,356</b>
Income tax expense	27	(30,903,493)	(52,495,076)	(5,829,907)	(15,862,908)
<b>Net profit for the period</b>		<b>93,780,434</b>	<b>167,837,005</b>	<b>10,713,607</b>	<b>42,907,448</b>
<b>Profit is attributable to</b>					
Owners of the parent		95,139,296	172,457,880	11,278,215	48,851,387
Non-controlling interest		(1,358,862)	(4,620,875)	(564,608)	(5,943,939)
<b>Net profit for the period</b>		<b>93,780,434</b>	<b>167,837,005</b>	<b>10,713,607</b>	<b>42,907,448</b>
Basic earnings per share	28	0.13	0.24	0.02	0.07
Diluted earnings per share	28	0.13	0.24	0.02	0.07

- The accompanying notes on pages 7 to 58 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 six months period ended 30 June 2020**

(All amounts in Egyptian Pounds)

	The six months period ended 30 June		The three months period ended 30 June	
	2020	2019	2020	2019
<b>Profit for the period</b>	93,780,434	167,837,005	10,713,607	42,907,448
<b>Other comprehensive (loss) / income</b>				
Exchange differences on translation of foreign operation	(946,597)	(6,624)	3,055,732	17,013
<b>Total comprehensive income for the period</b>	<b>92,833,837</b>	<b>167,830,381</b>	<b>13,769,339</b>	<b>42,924,461</b>
<b>Attributable to</b>				
Owners of the parent	93,944,470	172,451,256	12,288,528	48,868,400
Non-controlling interest	(1,110,633)	(4,620,875)	1,480,811	(5,943,939)
<b>Total comprehensive income for the period</b>	<b>92,833,837</b>	<b>167,830,381</b>	<b>13,769,339</b>	<b>42,924,461</b>

- The accompanying notes on pages 7 to 58 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 six months period ended 30 June 2020

(All amounts in Egyptian Pounds)

	Share 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
Balance at 1 January 2019	145,072,580	73,265,674	16,103	-	-	1,239,654,874	1,458,009,231	23,829,451	1,481,838,682
Change of equity in 2019									
Net Profit for the period	-	-	-	-	-	172,457,880	172,457,880	(4,620,875)	167,837,005
Currency translation differences	-	-	(6,624)	-	-	-	(6,624)	-	(6,624)
Total comprehensive income for the period	-	-	(6,624)	-	-	172,457,880	172,451,256	(4,620,875)	167,830,381
Shareholders transactions									
Non-controlling interest share in purchase of subsidiary (Note 15)	-	-	-	(32,132,098)	-	-	(32,132,098)	(23,165,685)	(55,297,783)
Non-controlling interest share in establishment of subsidiary (Note 15)	-	-	-	-	-	-	-	10,003,534	10,003,534
Declared dividends distribution for 2018	-	-	-	-	-	(186,635,000)	(186,635,000)	-	(186,635,000)
Balance at 30 June 2019	145,072,580	73,265,674	9,479	(32,132,098)	-	1,225,477,754	1,411,693,389	6,046,425	1,417,739,814
Balance at 1 January 2020	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
Change of equity in 2020									
Net Profit for the period	-	-	-	-	-	95,139,296	95,139,296	(1,358,862)	93,780,434
Currency translation differences	-	-	(1,194,826)	-	-	-	(1,194,826)	248,229	(946,597)
Total comprehensive income for the period	-	-	(1,194,826)	-	-	95,139,296	93,944,470	(1,110,633)	92,833,837
Shareholders transactions									
Acquisition of treasury shares	-	-	-	-	(22,556,297)	-	(22,556,297)	-	(22,556,297)
Declared dividends distribution for 2019	-	-	-	-	-	(193,172,580)	(193,172,580)	-	(193,172,580)
Balance at 30 June 2020	145,072,580	78,233,972	(1,397,586)	(32,132,098)	(22,556,297)	1,360,249,964	1,527,470,535	35,313,589	1,562,784,124

- The accompanying notes on pages 7 to 58 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 six months period ended 30 June 2020

(All amounts in Egyptian Pounds)		30 June	30 June
	Notes	2020	2019
<b><u>Cash flows from operating activities</u></b>			
Profit for the period before income tax		124,683,927	220,332,081
<b>Adjustments for:</b>			
Provisions	25	7,897,477	11,177,653
Provisions no longer required	25	(10,461)	(182,830)
Provision for employee benefit obligation	25	4,500,000	2,128,992
Interest expense	26	47,313,312	51,781,532
Interest income	26	(40,284,028)	(27,742,910)
Depreciation of property, plant and equipment		90,834,501	73,136,516
Amortization of Intangible assets	6	1,301,679	1,125,399
Interest expenses – Leased assets	26	5,000,864	-
Provision of slow moving inventory	25	411,000	625,337
Gain on disposal of property, plant and equipment	25	(3,679,886)	(1,111,332)
Foreign exchange (gain)/loss		2,821,094	-
		<b>240,789,479</b>	<b>331,270,438</b>
Inventories		(26,048,492)	10,151,246
Trade and other receivables		25,399,710	(30,242,387)
Trade and other payables		(117,802,188)	(4,256,860)
Provisions used		(160,645)	(8,172,454)
Payments of employee benefits obligation		(105,348)	(478,151)
Dividends paid to Company's employees		(42,487,145)	(37,229,778)
<b>Cash inflow from operating activities</b>		<b>79,585,371</b>	<b>261,042,054</b>
Interest paid		(45,496,491)	(52,651,663)
Income tax paid		(93,319,992)	(31,695,439)
<b>Net cash (outflow) inflow from operating activities</b>		<b>(59,231,112)</b>	<b>176,694,952</b>
<b><u>Cash flows from investing activities</u></b>			
Payment for property, plant and equipment		(225,448,251)	(104,459,646)
Payment for intangible assets		(906,630)	(245,620)
Proceeds from sale of property, plant and equipment		3,679,886	1,660,518
Cash acquired on establishment of subsidiary		-	10,850,159
Interest received		24,143,449	975,977
Payment for purchase of treasury bills		(30,596,700)	(300,983,733)
Proceeds from sale of treasury bills		203,607,282	611,800,000
<b>Net cash (outflow) inflow from investing activities</b>		<b>(25,520,964)</b>	<b>219,597,655</b>
<b><u>Cash flows from financing activities</u></b>			
Dividends paid to Company's shareholders		(145,072,580)	(151,000,000)
Payments to acquire non-controlling interest		-	(55,297,783)
Proceeds from non-controlling interest on the establishment of subsidiary		-	10,003,534
Lease payments		(5,107,098)	-
Acquisition of treasury shares		(22,556,297)	-
Repayments of borrowings		(116,718,134)	(138,032,646)
Proceeds from borrowings		228,595,178	102,236,000
<b>Net cash outflow financing activities</b>		<b>(60,858,931)</b>	<b>(232,090,895)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(145,611,007)</b>	<b>164,201,712</b>
Cash and cash equivalents at beginning of the period		93,538,206	44,453,178
Effect of exchange rate on cash and cash equivalents		(3,070,545)	(6,624)
<b>Cash and cash equivalents at end of the period</b>	12	<b>(55,143,346)</b>	<b>208,648,266</b>

- The accompanying notes on pages 7 to 58 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 six months period ended 30 June 2020**

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

---

#### **1. General information**

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

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

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

The main shareholders are Quantum Investment BV which owns 41.815% of the Company's share capital and the Bank of New York Mellon "depository bank for shares traded in London Stock Exchange" which manages 12.020% of the Company share capital and Kingsway Fund Frontier Consumer Franchises which owns 11.419% of Company's share capital and other shareholders owning 34.746% of company's share capital.

These consolidated financial statements have been approved by Chairman and Managing Director on 28 July 2020.

#### **2. Accounting policies**

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

##### **A. Basis of preparation**

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

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

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

##### **Percentage of ownership in subsidiaries**

The group consists of the below companies as of 30 June 2020 and 31 December 2019 unless otherwise was noted and the percentage of the Group's share of the companies in is the direct ownership of the ordinary shares of the paid-up capital only.

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

### Notes to the consolidated financial statements For the six months period ended 30 June 2020

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

#### Basis of preparation (continued)

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
		30 June 2020	31 December 2019	30 June 2020	31 December 2019
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%	-	-
Edita Food Industries Morocco	Morocco	51%	51%	49%	49%

#### Financial information about the subsidiaries of the group as at 30 June 2020 and 30 June 2019

Name of subsidiary	Total Assets	Total Liabilities	Total Equity	Total Sales	Net Profit / (loss)
	30 June 2020	30 June 2020	30 June 2020	30 June 2020	30 June 2020
Digma for trading	449,503,110	293,836,558	155,666,553	1,638,604,986	(33,355,824)
Edita Confectionery Industries	211,734,052	86,431,493	125,302,558	76,257,987	4,447,180
Edita participation limited	41,214,851	46,702,985	(5,488,133)	-	(1,015,057)
Edita Food Industries Morocco	103,006,414	32,305,205	70,701,209	-	(2,639,367)

Name of subsidiary	Total Assets	Total Liabilities	Total Equity	Total Sales	Net Profit / (loss)
	30 June 2019	30 June 2019	30 June 2019	30 June 2019	30 June 2019
Digma for trading	340,129,816	84,581,309	255,548,507	1,698,490,886	13,716,758
Edita Confectionery Industries	205,986,877	88,008,372	117,978,505	75,719,720	11,930,070
Edita participation limited	57,487,258	60,543,048	(3,055,789)	-	(853,872)
Edita Food Industries Morocco	16,949,634	6,025,472	10,924,162	-	(9,491,212)

#### B. New standards, interpretations and amendments adopted by the Group

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

##### A) EAS No. (47) – “Financial instruments”:

This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standards No. (1), (25), (26) and (40) should be adopted at the same time. EAS 47 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces EAS 26 Financial Instruments: Recognition and Measurement

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

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

### **Notes to the consolidated financial statements For the six months period ended 30 June 2020**

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

---

#### **New standards, interpretations and amendments adopted by the Group (continued)**

##### **Classification and measurement of financial assets and financial liabilities:**

EAS 47 largely retains the existing requirements in EAS 26 for the classification and measurement of financial liabilities. However, it eliminates the previous EAS 26 Categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of EAS 47 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of EAS 47 on the classification and measurement of financial assets is set out below.

Under EAS 47, on initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under EAS 47 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

According to the Group's business model trade receivable, treasury bills and other debit balances will be classified as financial asset at amortized cost.

All the group's investments in debt instruments that are currently classified as held to maturity will satisfy the conditions for classification at amortized cost under EAS 47 and hence there will be no change to the accounting for these assets. Accordingly, the group does not expect the new guidance to affect the classification and measurement of these financial assets.

The group does not have investments in equity instruments.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. Also, group's financial liabilities have not been restructured or modified.

##### **Impairment of financial assets**

The group has three types of financial assets that are subject to EAS 47's new expected credit loss model:

- Balances with banks
- Trade receivables and other debit balances
- Financial assets at amortized cost

The Group was required to revise its impairment methodology under EAS 47 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed below.

While balances with banks are also subject to the impairment requirements of EAS 47, the identified impairment loss was immaterial.

---

##### **Trade receivables and other debit balances**

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

Provision matrix has not been disclosed as the average historical rate of default is minimal for all aging buckets and the adoption of the Expected Credit loss model has resulted in an immaterial increase in the loss allowance.

---

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

### Notes to the consolidated financial statements For the six months period ended 30 June 2020

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

---

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

##### **Financial asset at amortized cost- treasury bills**

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

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

#### **B) EAS No. (48) – “Revenue from contracts with customers”:**

A new standard for revenue recognition was issued to replace the Egyptian Accounting Standard No. 11 which includes goods sales and services contracts, and the Egyptian Accounting Standard No. 8 which includes construction contracts.

The new standard is based on the principle of revenue recognition when transferring control of goods or services to the customer.

##### **a. Impact**

The management has assessed the impact of applying the new standard on the Group's financial statements, and has determined that recognition and measurement of revenue for all existing contracts in accordance with the Egyptian Accounting Standard Model No. 48 consisting of five steps will not change as currently recognised under the Egyptian Accounting Standard No. 11..

##### **b. Mandatory application date / implementation date by the Group**

Mandatory for the financial years beginning on or after 1 January 2020. The Group intends to apply the new standard using a modified approach for the application on retrospective basis, which means that the cumulative effect of the application will be recognised in the retained earnings from 1 January 2020, and that the comparative figures will not be modified

#### **C) EAS No. (49) – “Leases”:**

This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standard No. (48) – ‘Revenue from contracts with customers’ should be adopted at the same time.

EAS No. (49) introduces a single lease accounting model for lease contracts. A lessee recognizes his right-of-use for assets and lease liability, which represents his lease instalments liability.

There are some exemptions for short-term lease contracts and assets lease contracts with low value.

This standard replaces the EAS No. (20) ‘Accounting rules and standards related to financial lease’.

EAS 49 ‘Leases’ introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

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

## Notes to the consolidated financial statements For the six months period ended 30 June 2020

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

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

The Group has adopted EAS 49 on 1 January 2020. The Group has applied the practical expedient to grandfather the definition of a lease on transition i.e. all contracts entered into before 1 January 2020 are identified as leases in accordance with EAS 49. The impact of adopting EAS 49 on the Statement of Financial Position as at 1 January 2020 and 31 December 2019 and Statement of Profit or Loss for the period ended 31 December 2019 are as follows:

	31 December 2019	Impact of EAS 49	1 January 2020
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1,993,845,097	-	1,993,845,097
Right of use assets	-	52,344,264	52,344,264
Intangible assets	168,276,650	-	168,276,650
<b>Total non-current assets</b>	<b>2,162,121,747</b>	<b>52,344,264</b>	<b>2,214,466,011</b>
<b>Current assets</b>			
Inventories	295,420,425	-	295,420,425
Trade and other receivables	204,193,093	-	204,193,093
Treasury bills	548,192,500	-	548,192,500
Cash and bank balances	153,615,452	-	153,615,452
<b>Total current assets</b>	<b>1,201,421,470</b>	<b>-</b>	<b>1,201,421,470</b>
<b>Total assets</b>	<b>3,363,543,217</b>	<b>52,344,264</b>	<b>3,415,887,481</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Paid up capital	145,072,580	-	145,072,580
Legal reserve	78,233,972	-	78,233,972
Cumulative translation reserve	(202,760)	-	(202,760)
Transactions with non-controlling interest	(32,132,098)	-	(32,132,098)
Retained earnings	1,458,283,248	-	1,458,283,248
	<b>1,649,254,942</b>	<b>-</b>	<b>1,649,254,942</b>
Non-controlling interest	36,424,222	-	36,424,222
<b>Net equity</b>	<b>1,685,679,164</b>	<b>-</b>	<b>1,685,679,164</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Term loans	605,756,771	-	605,756,771
Employee benefit obligations	11,600,000	-	11,600,000
Deferred income tax liabilities	167,800,747	-	167,800,747
Lease liabilities	-	43,288,865	43,288,865
<b>Total non-current liabilities</b>	<b>785,157,518</b>	<b>43,288,865</b>	<b>828,446,383</b>
<b>Current liabilities</b>			
Provisions	21,221,845	-	21,221,845
Bank overdraft	120,096,127	-	120,096,127
Trade and other payables	502,314,867	-	502,314,867
Current portion of term loans	185,887,584	-	185,887,584
Current income tax liabilities	63,186,112	-	63,186,112
Lease liabilities	-	9,055,399	9,055,399
<b>Total current liabilities</b>	<b>892,706,535</b>	<b>9,055,399</b>	<b>901,761,934</b>
<b>Total liabilities</b>	<b>1,677,864,053</b>	<b>52,344,264</b>	<b>1,730,208,317</b>
<b>Total liabilities and equity</b>	<b>3,363,543,217</b>	<b>52,344,264</b>	<b>3,415,887,481</b>

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

### **Notes to the consolidated financial statements For the six months period ended 30 June 2020**

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

---

#### **New standards, interpretations and amendments adopted by the Group (continued)**

The Group, as a lessee, recognizes a right-of-use asset and a lease liability on the lease commencement date.

Upon initial recognition the right of use asset is measured as the amount equal to initially measured lease liability adjusted for lease prepayments. Subsequently, the right of use asset is measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter estimated useful lives of the right-of-use assets or the lease term.

The lease liability was measured upon initial recognition at the present value of the future lease payments and related fixed services payments over the lease term, discounted with the country specific incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

Right-of-use assets and lease liabilities will be remeasured subsequently if one of the following events occurs:

- Change in lease price due to indexation or rate which has become effective in reporting period.
- Modifications to the lease contract.
- Reassessment of the lease term.

Leases of non-core assets and not related to the main operating activities of the Company, which are short- term in nature (less than 12 months including extension options) and leases of low-value items are expensed in the Income Statement as incurred.

#### **Transition**

The Company adopted EAS 49 on the date the standard becomes effective, 1 January 2020 and that comparatives were not restated.

The Company used the following practical expedients when adopting EAS 49 on its effective date:

- EAS 49 applied only to contracts that were previously assessed as leases in accordance with the previous EAS standards;
- a single discount rate applied to a portfolio of leases with reasonably similar characteristics as permitted by EAS 49;
- initial direct cost was excluded from the measurement of if the right-of-use asset as at 1 January 2020;

The weighted-average incremental borrowing rate applied to lease liabilities recognized on 1 January 2020 was 13.25%.

#### **Significant judgements upon adoption EAS 49**

EAS 49 requires the Company to assess the lease term as the non-cancellable lease term in line with the lease contract together with the period for which the Company has termination options for which the Company is reasonably certain not to exercise those termination options.

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

### Notes to the consolidated financial statements For the six months period ended 30 June 2020

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

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

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 terminate.

In assessing the lease term for the adoption of EAS 49, the Company concluded that these cancelable future lease periods should be included within the lease term, which represents an increase to the future lease payments used in determining the lease liability upon initial recognition. The reasonably certain period used to determine the lease term is based on facts and circumstances related to the underlying leased asset and lease contracts.

The following table reconciles the Company's operating lease commitments as of 31 December 2019, to the lease liabilities recognized upon initial application of EAS 49 on 1 January 2020.

Operating lease commitments as of 31 December 2019	118,273,427
<b>Total undiscounted lease payments which are reasonably certain</b>	<b>118,273,427</b>
Discounting effect using incremental borrowing rate	(65,929,163)
<b>EAS 49 Lease liability recognized on balance sheet as of 1 January 2020</b>	<b>52,344,264</b>
EAS 49 lease liability presented as:	
Non-current	43,288,865
Current	9,055,399
	<b>52,344,264</b>

#### C. Basis of consolidation

##### i. Subsidiaries

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

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

##### 1.1 Acquisition method

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

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the 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.

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

### Notes to the consolidated financial statements For the six months period ended 30 June 2020

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

---

#### Basis of consolidation (continued)

Acquisition-related costs are expensed as incurred.

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

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

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

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

#### 1.3 Disposal of subsidiaries

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

#### 1.4 Goodwill

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

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



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

### **Notes to the consolidated financial statements For the six months period ended 30 June 2020**

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

---

#### **Basis of consolidation (continued)**

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

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

##### **ii. Associates**

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

##### **2.1 Equity accounting method**

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

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

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

##### **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.

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

### **Notes to the consolidated financial statements For the six months period ended 30 June 2020**

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

---

#### **Basis of consolidation (continued)**

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

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

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

#### **D. Foreign currency translation**

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

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

##### **(2) Transactions and balances**

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

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

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

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

### Notes to the consolidated financial statements For the six months period ended 30 June 2020

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

---

#### Foreign currency translation (continued)

##### (3) Group companies

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

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

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

All resulting exchange differences are recognised in other comprehensive income.

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

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

#### E. Property, plant and equipment

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

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

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

Estimated useful lives of assets are as follows:

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

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

### **Notes to the consolidated financial statements For the six months period ended 30 June 2020**

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

---

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

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 four years using the straight-line method.

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

##### **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.

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

### **Notes to the consolidated financial statements For the six months period ended 30 June 2020**

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

---

#### **Intangible assets (continued)**

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.

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

### **Notes to the consolidated financial statements For the six months period ended 30 June 2020**

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

---

#### **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 other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

##### **(3) Impairment**

From 1 January 2020, the group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by EAS 47, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

##### **(4) 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. Export Subsidy**

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

#### **J. 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.

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

### **Notes to the consolidated financial statements For the six months period ended 30 June 2020**

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

---

#### **K. 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.

#### **L. 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.

#### **M. Leases**

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

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

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

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

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

### **Notes to the consolidated financial statements For the six months period ended 30 June 2020**

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

---

#### **N. Borrowings**

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

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

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

#### **O. Borrowings costs**

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

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

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

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

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

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

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

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



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

### **Notes to the consolidated financial statements For the six months period ended 30 June 2020**

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

---

#### **Current and deferred income tax (continued)**

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

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

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

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

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

#### **Q. Employee benefits**

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

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

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

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

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

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

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

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

### **Notes to the consolidated financial statements For the six months period ended 30 June 2020**

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

---

#### **Employee benefits (continued)**

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

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

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

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

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

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

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

#### **R. Provisions**

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

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

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

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

### **Notes to the consolidated financial statements For the six months period ended 30 June 2020**

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

---

#### **Provisions (continued)**

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

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

#### **S. Contingent assets**

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

#### **T. Trade payables & other credit balances**

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

#### **U. Revenue recognition**

Revenue 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**

Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesalers, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of damage and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

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

### **Notes to the consolidated financial statements For the six months period ended 30 June 2020**

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

---

#### **Revenue recognition (continued)**

The products are often sold with retrospective volume discounts based on aggregate sales over a 3 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, based on actual volume, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 90 days, which is consistent with market practice. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### **(2) Dividend income**

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

#### **V. Dividend Distribution**

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

#### **W. Government Grants**

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

#### **X. Operating Segments**

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

#### **Y. Comparative figures**

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

### **3. Financial risk management**

#### **(1) Financial risk factors**

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

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.

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

## Notes to the consolidated financial statements For the six months period ended 30 June 2020

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

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

#### (A) Market risk

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

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

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

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

	30 June 2020	30 June 2019
<b>Amounts recognised in profit or loss</b>		
Net foreign exchange gains / (loss) included in finance cost	(4,369,554)	17,303,609
	<b>(4,369,554)</b>	<b>17,303,609</b>
<b>Net (Losses) / income recognised in other comprehensive income</b>		
Foreign currency translation reserve – net of tax	(946,597)	(6,624)
	<b>(946,597)</b>	<b>(6,624)</b>

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

	30 June 2020			31 December 2019
	Assets	Liabilities	Net	Net
Euros	70,947	(33,679,684)	(33,608,737)	5,362,588
MAD	20,969,066	(11,147,699)	9,821,367	55,859,032
US Dollars	36,819,369	(433,851,050)	(397,031,681)	(379,443,760)

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

### Notes to the consolidated financial statements For the six months period ended 30 June 2020

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

---

#### Financial risk management (continued)

##### **Amounts recognised in profit or loss**

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

##### **Sensitivity analysis**

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

##### ***Euro/EGP***

At 30 June 2020, if the Egyptian Pounds had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the period would have been EGP 3,360,874 (2019: EGP 536,258) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

##### ***MAD/EGP***

At 30 June 2020, if the Egyptian Pounds had weakened / strengthened by 10% against the MAD with all other variables held constant, post-tax profit for the period would have been EGP 982,137 (2019: EGP 5,585,903) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

##### ***USD/EGP***

At 30 June 2020, if the Egyptian Pounds had weakened / strengthened by 10% against the US Dollars with all other variables held constant, post tax profit for the period would have been EGP 39,703,168 (2019: EGP 37,944,376) higher / lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets and liabilities.

#### **(ii) Price risk**

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

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

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

At 30 June 2020, if interest rates on Egyptian pound -denominated net interest bearing liabilities had been 1% higher/lower with all other variables held constant, post-tax profit for the period would have been EGP 11,723,008 (2019: EGP 9,117,404) lower/higher interest expense on floating rate borrowings.

Borrowings at the balance sheet date with variable interest rate amounted to EGP 845,146,686 (2019: EGP 791,644,355)

Overdraft at the balance sheet on 30 June 2020 amounted to EGP 265,188,707 (2019: EGP 120,096,127).

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

### Notes to the consolidated financial statements For the six months period ended 30 June 2020

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

#### Financial risk management (continued)

##### (B) Credit risk

###### (i) Risk management

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

###### (ii) Security

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

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

###### (iii) Credit quality

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

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

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

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

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

#### Trade receivables

Counter parties without external credit rating:

	30 June 2020	31 December 2019
Trade and notes receivables	19,777,777	44,964,192
<b>Total</b>	<b>19,777,777</b>	<b>44,964,192</b>

Outstanding trade receivables are current and not impaired.

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

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

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

### Notes to the consolidated financial statements For the six months period ended 30 June 2020

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

#### Financial risk management (continued)

##### (C) Liquidity risk

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

The table below summarizes the maturities of the Group's undiscounted financial liabilities at 30 June 2020 based on contractual payment dates and current interest rates as we had excluded the taxes payable, advances from customers and social insurance:

At 30 June 2020	Between			
	Less than 6 month	6 month & 1 year	Between 1 & 2 years	More than 2 years
Loans	29,026,518	123,152,754	460,111,308	284,088,942
Future interest payments	36,143,269	16,437,757	52,058,482	68,081,838
Trade and other payables	328,841,184	-	-	-
Bank overdraft	265,188,707	-	-	-
Notes payable	14,476,517	-	-	-
Lease liabilities	8,098,824	8,195,228	16,254,462	132,735,555
<b>Total</b>	<b>681,775,019</b>	<b>147,785,739</b>	<b>528,424,252</b>	<b>484,906,335</b>
<b>At 31 December 2019</b>				
Loans	89,454,468	89,454,468	355,992,164	249,764,534
Future interest payments	34,870,958	30,438,190	74,038,278	25,535,291
Trade and other payables	329,103,742	-	-	-
Bank overdraft	120,096,127	-	-	-
Notes payable	128,454,135	-	-	-
<b>Total</b>	<b>701,979,430</b>	<b>119,892,658</b>	<b>430,030,442</b>	<b>275,299,825</b>

The amount of unused credit facility amounted to EGP 165,378,778 as of 30 June 2020 (31 December 2019: Nil) also the Company will have future interest payments related to Loans amounted to EGP 170,784,323 (31 December 2019: EGP 164,882,717).

##### (2) Capital risk management

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

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

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



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

### Notes to the consolidated financial statements For the six months period ended 30 June 2020

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

#### Financial risk management (continued)

The gearing ratio at 30 June 2020 and 31 December 2019 were as follows:

	30 June 2020	31 December 2019
Total Borrowings	907,112,085	791,644,355
Bank Overdraft	265,188,707	120,096,127
<b>Total Loans and overdraft</b>	<b>1,172,300,792</b>	<b>911,740,482</b>
Less: Cash and bank balances	(83,483,242)	(153,615,452)
<b>Net debt</b>	<b>1,088,817,550</b>	<b>758,125,030</b>
Total equity	1,562,784,124	1,685,679,164
<b>Total capital</b>	<b>2,651,601,674</b>	<b>2,443,804,194</b>
<b>Gearing ratio</b>	<b>41%</b>	<b>31%</b>

The increase in gearing ratio mainly due to increase in total borrowing and bank overdraft.

#### Loan covenants

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

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

As of 30 June 2020, 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.

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

### **Notes to the consolidated financial statements For the six months period ended 30 June 2020**

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

---

#### **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 6).

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

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

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

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

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

##### **Revenue recognition**

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

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

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

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

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

## Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

### 5. Property, plant and equipment

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
<b>At 1 January 2019</b>								
Cost	120,908,260	923,888,177	1,078,533,044	180,898,627	114,492,877	93,232,774	23,192,134	2,535,145,893
Accumulated depreciation	-	(130,284,458)	(291,222,934)	(94,793,529)	(67,204,822)	(67,402,696)	-	(650,908,439)
<b>Net book amount</b>	<b>120,908,260</b>	<b>793,603,719</b>	<b>787,310,110</b>	<b>86,105,098</b>	<b>47,288,055</b>	<b>25,830,078</b>	<b>23,192,134</b>	<b>1,884,237,454</b>
<b>Period ended 31 December 2019</b>								
Opening net book amount	120,908,260	793,603,719	787,310,110	86,105,098	47,288,055	25,830,078	23,192,134	1,884,237,454
Additions	-	-	1,500,526	101,691,246	13,494,593	7,037,855	153,441,865	277,166,085
Depreciation charge	-	(36,878,264)	(54,658,223)	(27,651,032)	(17,854,912)	(12,397,450)	-	(149,439,881)
Impairment loss	-	-	(16,593,500)	-	-	-	-	(16,593,500)
Accumulated depreciation of disposals	-	35,486	57,000	7,951,478	497,845	13,623	-	8,555,432
Disposals	-	(44,175)	(570,000)	(8,954,850)	(497,845)	(13,623)	-	(10,080,493)
Transfers from Projects under construction	-	14,947,749	50,853,284	-	5,852,636	5,709,229	(77,362,898)	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>771,664,515</b>	<b>767,899,197</b>	<b>159,141,940</b>	<b>48,780,372</b>	<b>26,179,712</b>	<b>99,271,101</b>	<b>1,993,845,097</b>
<b>At 31 December 2019</b>								
Cost	120,908,260	938,791,751	1,130,316,854	273,635,023	133,342,261	105,966,235	99,271,101	2,802,231,485
Accumulated depreciation	-	(167,127,236)	(362,417,657)	(114,493,083)	(84,561,889)	(79,786,523)	-	(808,386,388)
<b>Net book amount</b>	<b>120,908,260</b>	<b>771,664,515</b>	<b>767,899,197</b>	<b>159,141,940</b>	<b>48,780,372</b>	<b>26,179,712</b>	<b>99,271,101</b>	<b>1,993,845,097</b>
<b>Period ended 30 June 2020</b>								
Opening net book amount	120,908,260	771,664,515	767,899,197	159,141,940	48,780,372	26,179,712	99,271,101	1,993,845,097
Additions	-	-	587,753	68,127,109	9,671,878	7,494,040	139,567,471	225,448,251
Depreciation charge	-	(18,913,149)	(28,236,768)	(24,219,179)	(10,001,890)	(6,140,825)	-	(87,511,811)
Disposals	-	-	(87,264)	(3,979,500)	-	(1,210)	-	(4,067,974)
Accumulated depreciation of disposals	-	-	87,264	3,979,500	-	1,210	-	4,067,974
Translation of foreign operations	-	-	-	-	-	-	1,242,187	1,242,187
Transfers from Projects under construction	-	22,729,738	84,098,886	-	13,886,932	288,788	(121,004,344)	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>775,481,104</b>	<b>824,349,068</b>	<b>203,049,870</b>	<b>62,337,292</b>	<b>27,821,715</b>	<b>119,076,415</b>	<b>2,133,023,724</b>
<b>At 30 June 2020</b>								
Cost	120,908,260	961,521,489	1,214,916,229	337,782,632	156,901,071	113,747,853	119,076,415	3,024,853,949
Accumulated depreciation	-	(186,040,385)	(390,567,161)	(134,732,762)	(94,563,779)	(85,926,138)	-	(891,830,225)
<b>Net book amount at 30 June 2020</b>	<b>120,908,260</b>	<b>775,481,104</b>	<b>824,349,068</b>	<b>203,049,870</b>	<b>62,337,292</b>	<b>27,821,715</b>	<b>119,076,415</b>	<b>2,133,023,724</b>

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

### Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

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

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

	30 June 2020	31 December 2019
Charged to cost of sales	54,797,776	104,505,198
Charged to distribution costs	22,822,903	25,797,074
Charged to administrative expenses	9,891,132	19,137,609
	<b>87,511,811</b>	<b>149,439,881</b>

The project under construction represents the following Categories:

	30 June 2020	31 December 2019
Buildings	65,578,184	31,254,205
Machinery and equipment	26,283,401	54,531,374
Tools and equipment	2,299,632	12,321,313
Technical and other installations	24,915,198	1,164,209
	<b>119,076,415</b>	<b>99,271,101</b>

#### Cash flow statement

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

	30 June 2020	30 June 2019
Net book value of the assets disposed	-	549,186
Gain on sale of property, plant and equipment (Note 25)	3,679,886	1,111,332
	<b>3,679,886</b>	<b>1,660,518</b>

#### 6. Right of use assets

	30 June 2020
Balance on initial adoption of EAS 49	52,344,264
Additions during the period	39,204,550
Amortization expenses	(3,322,690)
Exchange differences	239,697
Balance as of 30 June 2020	<b>88,465,821</b>

Right of use assets represent properties rented by the group.

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

### Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

#### 7. Intangible assets

30 June 2020				
	Trademark (A)	Know how (B)	Software (C)	Total
Cost	131,480,647	31,430,995	5,365,008	168,276,650
Additions	-	-	906,630	906,630
Amortisation for the period	-	-	(1,301,679)	(1,301,679)
Balance as of	131,480,647	31,430,995	4,969,959	167,881,601

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

#### A. Trademark

Trademark (HOHOS, Twinkies & Tiger Tail)		
	30 June 2020	31 December 2019
Cost		
Opening Balance	131,480,647	131,480,647
Balance as of	131,480,647	131,480,647

The intangible assets in the amount of ten million US Dollars equivalent to 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		
	30 June 2020	31 December 2019
Cost		
Opening balance	31,430,995	31,430,995
Balance as of	31,430,995	31,430,995

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

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

### Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

#### Intangible assets (continued)

##### C. Software

	Software	
	30 June 2020	31 December 2019
<b>Cost</b>		
Opening balance	5,365,008	7,009,436
Additions	906,630	729,058
Amortization expense for the period	(1,301,679)	(2,373,486)
<b>Balance as of</b>	<b>4,969,959</b>	<b>5,365,008</b>

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

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

##### E. Recoverable amount of cake segment

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

Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. This growth rate is consistent with forecasts included in industry reports specific to the industry where 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 30 June 2020 as follows:

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

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

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

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

### Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

#### Intangible assets (continued)

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

#### Sensitivity of recoverable amounts

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

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

At 30 June 2020, if the gross profit rate had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make an impairment.

#### 8. Inventories

	30 June 2020	31 December 2019
Raw and packaging materials	189,369,590	195,916,056
Finished goods	71,382,089	40,892,377
Spare parts	43,163,606	43,060,821
Work in process	12,249,548	11,419,617
Consumables	8,451,615	7,279,085
<b>Total</b>	<b>324,616,448</b>	<b>298,567,956</b>
Less: allowance for decline in value	(3,398,190)	(3,147,531)
<b>Net</b>	<b>321,218,258</b>	<b>295,420,425</b>

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

During the period ended 30 June 2020, there has been a slow moving and obsolete inventory amounted to EGP 411,000 (30 June 2019: EGP 625,337) (Note 25) and the cost of write down amounted to EGP 160,341 (30 June 2019: EGP 3,190,536).

The cost of inventory recognized as an expense and included in cost of sales amounted to EGP 824,895,409 during the period ended 30 June 2020 (30 June 2019: EGP 919,693,730).

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

### Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

#### 9. Financial instrument by category

The group holds the following financial instruments:

	30 June 2020	31 December 2019
<b>Financial assets at amortised cost</b>		
Trade and other receivables (excluding non-financial assets) *	55,532,830	78,376,198
Cash and bank balances	83,483,242	153,615,452
Treasury bills	455,299,517	548,192,500
<b>Total</b>	<b>594,315,589</b>	<b>780,184,150</b>
	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Financial liabilities at amortised cost</b>		
Borrowings	907,112,085	791,644,355
Trade and other payables (excluding non-financial liabilities) *	343,317,701	457,557,877
Bank overdraft	265,188,707	120,096,127
Lease Liabilities	89,179,248	-
<b>Total</b>	<b>1,604,797,741</b>	<b>1,369,298,359</b>

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

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

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

#### 10. Trade and other receivables

	30 June 2020	31 December 2019
Trade receivables	19,538,785	44,219,887
Notes receivable	238,992	744,305
<b>Total</b>	<b>19,777,777</b>	<b>44,964,192</b>
Less: Provision for impairment of trade receivables	(20,556)	(20,556)
	<b>19,757,221</b>	<b>44,943,636</b>
Advances to suppliers	82,328,499	93,969,686
Prepaid expenses	39,555,618	15,403,515
Deposits with others	16,123,049	15,542,106
Due from related parties (Note 30)	9,301,190	8,033,496
Other current assets	9,865,183	9,378,854
Value added tax – receivables	1,376,436	16,443,694
Letters of credit	302,898	239,152
Employee loans	183,289	238,954
<b>Total</b>	<b>178,793,383</b>	<b>204,193,093</b>



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

### Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

#### 11. Treasury bills

	30 June 2020	31 December 2019
<b>Treasury bills par value</b>		
91 Days maturity	129,050,000	60,225,000
265 - 273 Days maturity	336,950,000	529,600,000
	<b>466,000,000</b>	<b>589,825,000</b>
Unearned interest	(37,428,748)	(101,344,999)
<b>Amount of treasury bills paid</b>	<b>428,571,252</b>	<b>488,480,001</b>
Interest income recognized to profit or loss	26,728,265	59,712,499
<b>Treasury bills balance</b>	<b>455,299,517</b>	<b>548,192,500</b>

The average effective interest rate related to treasury bills is 13 %.

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

- It is issued and guaranteed by Government of Egypt.
- There is no history of default.

Incorporating forward-looking information would not result in an increase in Expected default rate.

#### 12. Cash and bank balances

	30 June 2020	31 December 2019
Cash at banks and on hand	83,483,242	153,615,452
<b>Cash and bank balances (excluding bank overdrafts)</b>	<b>83,483,242</b>	<b>153,615,452</b>

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

	30 June 2020	31 December 2019
Cash and bank balances	83,483,242	153,615,452
Treasury bills with maturities of 3 months or less	126,562,119	60,018,881
Bank overdraft (Note 21)	(265,188,707)	(120,096,127)
<b>Total</b>	<b>(55,143,346)</b>	<b>93,538,206</b>

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

### Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

#### 13. 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:

Shareholders	No. of shares	Shares value	Percentage of ownership
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 30 March 2016, an Extraordinary General Assembly Meeting were held in which the shareholders approved the increase of issued and paid up capital from 72,536,290 EGP to be 145,072,580 EGP. An increase amounted to 72,536,290 EGP distributed on 362,681,450 shares with a par value of EGP 0.2 per share financed from the dividends of the year ended 31 December 2015 distributed as a free share for each original share which has been registered in commercial register on 9 May 2016.

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

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

The issued capital amounted to EGP 145,072,580 (par value EGP 0.2 per share) is distributed as follows as of 30 June 2020:

Shareholders	No. of shares	Shares value	Percentage of ownership
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"	87,187,670	17,437,534	12.020%
Kingsway Fund Frontier Consumer Franchises	82,828,197	16,565,639	11.419%
Treasury shares	2,304,461	460,892	0.318 %
Others (Public stocks)	249,734,272	49,946,855	34.429 %
	<b>725,362,900</b>	<b>145,072,580</b>	<b>100%</b>

#### 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 22,556,297, the consideration paid has been accounted for as reserve in the statement of shareholders' Equity.

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

### Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

#### 14. Legal reserve

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

#### 15. Non-controlling interest

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
Carrying amount of non-controlling interest acquired	23,165,685	23,165,685
Consideration paid to non-controlling interest	(55,297,783)	(55,297,783)
<b>Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity</b>	<b>(32,132,098)</b>	<b>(32,132,098)</b>

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

Notes to the consolidated financial statements  
for the six months period ended 30 June 2020

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

## Non-controlling interest (continued)

	Paid up capital	Legal reserves	Assets revaluation reserve	Currency translation differences	Accumulated losses	30 June 2020	Total 31 December 2019
Balance at 1 January	37,724,135	593,605	38,162	(996,523)	(935,157)	36,424,222	23,829,451
Non-controlling share in profit of subsidiaries	-	-	-	-	(1,358,862)	(1,358,862)	(763,266)
Currency translation differences	-	-	-	248,229	-	248,229	(996,523)
Total comprehensive income for the period	-	-	-	248,229	(1,358,862)	(1,110,633)	(1,759,789)
Shareholders transactions							
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	-	-	-	(173,430)
Purchase of non-controlling interest share in subsidiary	-	-	-	-	-	-	(23,165,685)
Non-controlling interest share in establishment of subsidiary	-	-	-	-	-	-	37,693,675
Shareholders transactions	-	-	-	-	-	-	14,354,560
Balance at period end	37,724,135	593,605	38,162	(748,294)	(2,294,019)	35,313,589	36,424,222

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

## Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

### 16. Loans

	30 June 2020			31 December 2019		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Loans	162,911,835	744,200,250	907,112,085	185,887,584	605,756,771	791,644,355
	<u>162,911,835</u>	<u>744,200,250</u>	<u>907,112,085</u>	<u>185,887,584</u>	<u>605,756,771</u>	<u>791,644,355</u>

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

	30 June 2020	31 December 2019
Balance due within 1 year	152,176,730	178,908,863
Accrued interest	8,795,542	6,978,721
Deferred government grants	1,939,563	-
	<u>162,911,835</u>	<u>185,887,584</u>

The due dates for long term portion loans represented as follows:

	30 June 2020	31 December 2019
Balance due more than 1 year	740,308,812	605,756,771
Deferred government grants	3,891,438	-
	<u>744,200,250</u>	<u>605,756,771</u>

#### (1) Edita Food Industries Company

	30 June 2020			31 December 2019		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	20,354,637	-	20,354,637	41,342,460	-	41,342,460
Second loan	18,940,500	18,000,000	36,940,500	19,489,438	18,000,000	37,489,438
Third loan	17,018,282	45,402,177	62,420,459	38,467,668	55,939,553	94,407,221
Fourth loan	28,503,936	162,022,603	190,526,539	56,797,975	170,053,819	226,851,794
Fifth loan	5,601,477	5,554,700	11,156,177	11,169,415	11,027,159	22,196,574
Sixth loan	4,344,240	8,688,480	13,032,720	8,765,387	12,936,240	21,701,627
Seventh loan	30,328,606	256,766,400	287,095,006	1,461,794	283,184,000	284,645,794
Eighth loan	4,637,676	57,327,723	61,965,399			
<b>Total</b>	<u>129,729,354</u>	<u>553,762,083</u>	<u>683,491,437</u>	<u>177,494,137</u>	<u>551,140,771</u>	<u>728,634,908</u>

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

	30 June 2020	31 December 2019
Balance due within 1 year	123,064,108	170,908,863
Accrued interest	4,725,683	6,585,274
Deferred government grants	1,939,563	-
<b>Total</b>	<u>129,729,354</u>	<u>177,494,137</u>

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

### Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

#### Loans (continued)

The due Long-term portion loans represented as follows:

	30 June 2020	31 December 2019
Balance due more than 1 year	549,870,645	551,140,771
Deferred government grants	3,891,438	-
<b>Total</b>	<b>553,762,083</b>	<b>551,140,771</b>

Borrower	Type of debt	Guaranties	Currency	Interest rate
First loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 185,000,000	EGP/US D	1% above mid corridor rate of Central Bank of Egypt and 2.5% above the Libor rate 3 months.
Second loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 90,000,000	EGP	1 % above lending rate of Central Bank of Egypt.
Third loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 202,234,888	EGP/US D	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/US D	0.5% above mid corridor rate of Central Bank of Egypt and average 4% above USD Libor rate 6 months.
Fifth loan	Loan		USD	3.85% above the USD Libor rate 3 months.
Sixth loan	Loan		USD	3.85% above the USD Libor rate 3 months.
Seventh loan	Loan		USD	4% above the USD Libor rate – 6 months.
Eighth loan	Loan	Cross corporate guarantee Digma Trading Company	EGP	8 %

#### Eighth loan

During the period, the group obtained a loan facility of EGP 96 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 million from the total facility up to 30 June 2020

#### Terms of payments:

Edita is obligated to pay the loan on 10 semi-annual installments and the first instalment is due after 24 months of the first withdrawals.

#### Fair value:

The fair value of the loan at initial recognition has been calculated by discounting the future cash outflows using the prevailing market rate of interest which is determined to be 10.75 % , the difference between the fair value and loan proceed has been accounted for as deferred government grant to be amortised over the loan's term.

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

## Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

### Loans (continued)

#### (2) Digma For Trading

	30 June 2020			31 December 2019		
	Short-term portion	Long-term portion	Total	Long-term portion	Long-term portion	Short-term portion
First Loan	20,999,169	128,276,868	149,276,037	-	-	-
	<u>20,999,169</u>	<u>128,276,868</u>	<u>149,276,037</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	30 June 2020	31 December 2019
Balance due within 1 year	17,222,222	-
Accrued interest	3,776,947	-
	<u>20,999,169</u>	<u>-</u>

The company obtained a loan from a financial institution based on a cross guarantee issued from Edita Food Industries Company amounted to EGP 155,000,000. The loan outstanding balance at 30 June 2020 after payment of due instalments amounted to EGP 145,499,090 in addition to accrued interests.

#### Terms of payments:

Digma is obligated to pay the loan on 9 semi-annual installments amounted to 17,222,222 and the first installment is due on 27 February 2021 and the last installment is due on 27 February 2025

#### Interest:

The rate is 1% above Central Bank of Egypt Lending rate.

#### Fair value:

Fair value is approximately equal to book value.

#### (3) Edita Confectionery Industries Company

	30 June 2020			31 December 2019		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	8,050,556	16,000,000	24,050,556	8,054,556	16,000,000	24,054,556
	<u>8,050,556</u>	<u>16,000,000</u>	<u>24,050,556</u>	<u>8,054,556</u>	<u>16,000,000</u>	<u>24,054,556</u>

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

	30 June 2020	31 December 2019
Balance due within 1 year	8,000,000	8,000,000
Accrued interest	50,556	54,556
	<u>8,050,556</u>	<u>8,054,556</u>

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

### Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

#### Loans (continued)

##### (4) Edita Food Industries Morocco

	30 June 2020			31 December 2019		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	-	11,147,699	11,147,699	-	-	-
	-	11,147,699	11,147,699	-	-	-

During the period, the group obtained a loan facility of MAD 80,000,000 from one of the commercial to finance the new factory construction project in Morocco. The group utilised MAD 6,707,400 from the total facility up to 30 June 2020.

The assets and tools of the financed project is considered collateral in return for this loan which value amounted to MAD 115 M

#### Terms of payments:

Edita Food Industries Morocco is obligated to pay the loan on 20 quarter installments and the first installment is due after 27 months of the first withdrawals.

#### Interest:

The interest rate is 6%

#### Fair value:

Fair value is approximately equal to book value.

##### (5) Edita Participation Limited

	30 June 2020			31 December 2019		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	4,132,756	35,013,600	39,146,356	338,891	38,616,000	38,954,891
	4,132,756	35,013,600	39,146,356	338,891	38,616,000	38,954,891

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

	30 June 2020	31 December 2019
Balance due within 1 year	3,890,400	-
Accrued interest	242,356	338,891
	4,132,756	338,891



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

### Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

#### 17. Employee retirement benefit obligations

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

	30 June 2020	31 December 2019
Discount rate	15%	15%
Average salary increase rate	10%	10%
Turnover rate	35%	35%
Life table	49-52	49-52

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

	30 June 2020	31 December 2019
Present value of obligations	15,994,652	11,600,000
<b>Liability at the statement of financial position</b>	<b>15,994,652</b>	<b>11,600,000</b>

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

	30 June 2020	31 December 2019
Balance at beginning of the period / year	11,600,000	6,621,193
Charged during the period (Note 25)	4,500,000	6,673,286
Paid during the period/ year	(105,348)	(1,694,479)
<b>Balance at 30 June 2020</b>	<b>15,994,652</b>	<b>11,600,000</b>

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

	30 June 2020	31 December 2019
Interest expenses	870,000	993,179
Current service cost	3,630,000	5,680,207
<b>Total</b>	<b>4,500,000</b>	<b>6,673,386</b>

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

Notes to the consolidated financial statements  
for the six months period ended 30 June 2020

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

## **18. Deferred income tax liability**

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

	Acquiring Digma			Unrealized		Net deferred tax liabilities	
	Fixed assets	Company for Trading	Other provisions	Carry forward tax losses	foreign exchange loss	30 June 2020	31 December 2019
<b><u>Deferred tax assets</u></b>							
Balance at 1 January	-	-	4,179,140	614,380	2,951,871	7,745,391	7,822,439
Charged to statement of profit or loss	-	-	1,652,439	9,563,542	(2,911,049)	8,304,932	(77,048)
Translation of foreign operations	-	-	-	(102,279)	-	(102,279)	-
<b>Ending balance</b>	-	-	<b>5,831,579</b>	<b>10,075,643</b>	<b>40,822</b>	<b>15,948,044</b>	<b>7,745,391</b>
<b><u>Deferred tax liabilities</u></b>							
Balance at 1 January	(172,691,622)	(2,854,516)	-	-	-	(175,546,138)	(165,991,132)
Charged to statement of profit or loss	(5,823,722)	120,210	-	-	-	(5,703,512)	(9,555,006)
<b>Ending balance</b>	<b>(178,515,344)</b>	<b>(2,734,306)</b>	-	-	-	<b>(181,249,650)</b>	<b>(175,546,138)</b>
<b>Net deferred tax liabilities</b>	<b>(178,515,344)</b>	<b>(2,734,306)</b>	<b>5,831,579</b>	<b>10,075,643</b>	<b>40,822</b>	<b>(165,301,606)</b>	<b>(167,800,747)</b>
Balance at 1 January	(172,691,622)	(2,854,516)	4,179,140	614,380	2,951,871	(167,800,747)	(158,168,693)
Charged to statement of comprehensive income	-	-	-	(102,279)	-	(102,279)	-
Charged to statement of profit or loss (Note 27)	(5,823,722)	120,210	1,652,439	9,563,542	(2,911,049)	2,601,420	(9,632,054)
<b>Ending balance</b>	<b>(178,515,344)</b>	<b>(2,734,306)</b>	<b>5,831,579</b>	<b>10,075,643</b>	<b>40,822</b>	<b>(165,301,606)</b>	<b>(167,800,747)</b>

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

### Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

#### 19. Lease Liabilities

	<u>30 June 2020</u>
<b>Commitments in relation to leases are payable as follows:</b>	
Within one year	16,294,052
Later than one year	59,598,161
Later than five year	<u>89,391,855</u>
<b>Minimum lease payments</b>	<b>165,284,068</b>
 <b>The present value of lease liabilities are as follows:</b>	
Within one year	14,897,597
Later than one year	30,909,270
Later than five year	<u>43,372,381</u>
<b>Present Value of Minimum Lease Payments</b>	<b><u>89,179,248</u></b>

#### 20. Provision

	<u>Other provisions</u>	
	<u>30 June 2020</u>	<u>31 December 2019</u>
Balance at 1 January	21,221,845	29,270,866
Additions during the period / year (Note 25)	7,897,477	7,482,340
Utilized during the period / year	(304)	(9,995,304)
Provision no longer required	<u>(10,461)</u>	<u>(5,536,057)</u>
<b>Ending Balance as of</b>	<b><u>29,108,557</u></b>	<b><u>21,221,845</u></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.

#### 21. Bank overdraft

	<u>30 June 2020</u>	<u>31 December 2019</u>
Bank overdraft	<u>265,188,707</u>	<u>120,096,127</u>
<b>Total</b>	<b><u>265,188,707</u></b>	<b><u>120,096,127</u></b>

Bank overdraft is an integral part of the Company's cash management to finance its working capital. The average interest rate for bank overdraft was 10.23 % as of 30 June 2020 (2019: 13.25%).

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

### Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

#### 22. Trade and other payables

	30 June 2020	31 December 2019
Trade payables	189,050,566	203,651,206
Accrued expenses	105,827,680	87,629,100
Notes payable	14,476,517	128,454,135
Other credit balances	20,473,721	21,443,494
Taxes payable	30,669,519	39,573,804
Social insurance	7,526,055	6,757,022
Dividends payable	7,246,718	1,633,863
Contract liabilities – accrued rebates	6,242,499	7,989,057
Advances from customers	8,612,259	5,183,186
<b>Total</b>	<b>390,125,534</b>	<b>502,314,867</b>

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

#### 23. Current income tax liabilities

	30 June 2020	31 December 2019
Balance at 1 January	63,186,112	6,633,469
Income tax paid during the period / year	(69,514,600)	(10,087,816)
Withholding tax receivable	(2,637,933)	(5,068,754)
Income tax for the period / year (Note 27)	33,504,913	120,997,681
Corporate income tax – advance payments	(15,892,966)	(34,618,800)
Tax on Treasury bills	(5,274,493)	(12,679,087)
Accrued interest – advance payments	-	(1,990,581)
<b>Balance at</b>	<b>3,371,033</b>	<b>63,186,112</b>

#### 24. Other income

	30 June 2020	30 June 2019
Export subsidies	35,315,622	4,193,021
Other income	1,002,904	3,514,439
<b>Total</b>	<b>36,318,526</b>	<b>7,707,460</b>

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

## Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

### 25. Other losses – Net

	30 June 2020	30 June 2019
Provisions	(7,897,477)	(11,177,653)
Provision for slow moving inventory	(411,000)	(625,337)
Provision for employee benefit obligation	(4,500,000)	(2,128,992)
Gain on sale of property, plant and equipment	3,679,886	1,111,332
Solidarity contribution	(7,805,809)	(8,160,261)
Provision no longer required	10,461	182,830
<b>Net</b>	<b>(16,923,939)</b>	<b>(20,798,081)</b>

### 26. Finance cost – net

	30 June 2020	30 June 2019
<b>Finance income</b>		
Interest income	40,284,028	27,742,910
Foreign exchange Gain	-	17,303,609
	<b>40,284,028</b>	<b>45,046,519</b>
<b>Finance cost</b>		
Interest expenses	(47,313,312)	(51,781,532)
Finance lease interest expenses	(5,000,864)	-
Foreign exchange (Loss)	(4,369,554)	-
	<b>(56,683,730)</b>	<b>(51,781,532)</b>
<b>Finance cost – Net</b>	<b>(16,399,702)</b>	<b>(6,735,013)</b>

### 27. 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.

	30 June 2020	30 June 2019
Income tax for the period	33,504,913	50,519,814
Deferred tax	(2,601,420)	1,975,262
<b>Total</b>	<b>30,903,493</b>	<b>52,495,076</b>
<b>Profit before tax</b>	<b>124,683,927</b>	<b>220,332,081</b>
Tax calculated based on applicable tax rates	28,053,884	49,574,718
Tax effect of non- deductible expenses	2,021,635	3,170,408
Tax losses for which no deferred income tax asset was recognized	827,974	-
Tax effect of non-taxable revenues	-	(250,050)
<b>Income tax</b>	<b>30,903,493</b>	<b>52,495,076</b>

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

### Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

#### 28. Earnings per share

##### Basic

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

	30 June 2020	30 June 2019
<b>Profit attributed to owners of the parent</b>	<b>95,139,296</b>	<b>172,457,880</b>
<b>Weighted average number of ordinary shares in issue</b>		
Ordinary shares	725,362,900	725,362,900
Treasury shares	(768,154)	-
	<b>724,594,746</b>	<b>725,362,900</b>
<b>Basic earnings per share</b>	<b>0.13</b>	<b>0.24</b>

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

##### Diluted

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

#### 29. Expenses by nature

	30 June 2020	30 June 2019
Cost of sales	1,147,223,953	1,200,020,365
Distribution cost	309,243,300	268,873,633
General and administrative expenses	154,659,613	135,969,847
	<b>1,611,126,866</b>	<b>1,604,863,845</b>
Raw materials used	824,895,409	919,693,730
Salaries and wages	273,214,672	225,766,802
Advertising and marketing	115,368,310	120,616,496
Depreciation & Amortization	92,136,180	74,261,915
Other Expenses	61,094,328	41,531,235
Employee benefits	48,663,941	42,931,016
Gas, oil, water and electricity	44,136,036	42,139,083
Vehicle expense	28,639,669	20,580,048
Rent	29,158,548	32,366,071
Transportation expenses	26,391,356	22,717,200
Maintenance	19,919,161	20,972,222
Consumable materials	19,971,330	11,682,700
Company share in social insurance	27,537,926	26,229,244
Purchases – goods for resale	-	3,376,083
	<b>1,611,126,866</b>	<b>1,604,863,845</b>

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

### Notes to the consolidated financial statements for the six months period ended 30 June 2020

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

#### 30. Related parties

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

##### a. Due from related parties

	30 June 2020	31 December 2019
La Marocaine De Distribution De Logistiquis (Dislog S.A)	9,301,190	8,033,496
<b>Total</b>	<b>9,301,190</b>	<b>8,033,496</b>

The nature of transaction during the period ended 30 June 2020 is represented in sale of Finished goods amounting to EGP 10,457,670 (30 June 2019: EGP 4,353,978).

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

##### b. Key management compensation

During the period ended 30 June 2020, the group paid an amount of EGP 47,594,920 as benefits to the key management members (30 June 2019: EGP 46,463,942).

	30 June 2020		30 June 2019	
	Non-executive / independent board members	Key management personnel	Non-executive / independent board members	Key management personnel
Salaries and compensation	1,350,000	43,832,970	1,350,000	42,777,162
Allowances	1,680,000	641,100	1,610,000	641,100
Other benefit	-	90,850	-	85,680

**Notes to the consolidated financial statements**  
**For the six months period ended 30 June 2020**

### 31. Segment reporting

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

Segment	Brand	Product												
Cake	Tiger tail, Twinkies, Todo and HOHOS	Traditional rolled filled and layered cake as well as brownies and packaged donut												
Croissants	Molto	Sweet and savoury croissants and strudels												
Rusks	Bake Rolz, Bake Stix	Baked wheat salty snack												
Wafer	Freska	Filled wafers												
Candy	Mimix	Hard, soft and jelly candy and lollipops												
(Amounts presented to the nearest thousands EGP)														
	<div>Cake</div> <div>30 June 2020</div> <div>30 June 2019</div>	<div>Croissant</div> <div>30 June 2020</div> <div>30 June 2019</div>	<div>Bake</div> <div>30 June 2020</div> <div>30 June 2019</div>	<div>Wafer</div> <div>30 June 2020</div> <div>30 June 2019</div>	<div>Candy</div> <div>30 June 2020</div> <div>30 June 2019</div>	<div>Other</div> <div>30 June 2020</div> <div>30 June 2019</div>	<div>Total</div> <div>30 June 2020</div> <div>30 June 2019</div>							
Sales	792,001	844,343	564,010	554,470	144,889	173,001	80,750	79,898	5,614	4,206	1,732,816	1,845,022		
Gross profit	310,605	340,456	177,313	173,368	39,968	53,620	36,617	55,109	20,570	20,177	519	2,271	585,592	645,001
Operating profit	155,500	191,953	1,304	35,190	6,998	5,769	(5,718)	(10,399)	(14,963)	2,981	(2,038)	1,573	141,084	227,067



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

### Notes to the consolidated financial statements For the six months period ended 30 June 2020

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

#### Segment reporting (continued)

Operating profit reconciles to net profit as follows:

	30 June 2020	30 June 2019
Operating profit	141,084	227,067
Finance cost	(56,684)	(51,782)
Finance income	40,284	45,047
Income tax	(30,904)	(52,495)
Net profit	93,780	167,837

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

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

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

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

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

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

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

### Notes to the consolidated financial statements For the six months period ended 30 June 2020

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

---

#### 32. Contingent liability

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

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

The Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business amounted to EGP 60,826,336 as at 30 June 2020 (31 December 2019: EGP 40,632,491).

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

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

The Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business amounted to EGP 1,665,096 as at 30 June 2020 (31 December 2019 was nil).

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

At 30 June 2020, the Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business amounted to EGP 4,222,508 (31 December 2019: EGP 806,302).

#### 33. Commitments

##### Capital commitments

The Group has capital commitments as of 30 June 2020 of EGP 198,2 M (2019: EGP 108.7 M) in respect of the capital expenditure.

#### 34. COVID 19 Impact

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

Edita's business operations currently remain slightly impacted as the food industry in general is exempted from various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and cargo shipping and flight operations restrictions. Based on these factors, Edita's management believes that the Covid-19 pandemic has had no material effects on Edita's reported financial results for the period ended 30 June 2020. Edita's management continues to monitor the situation closely.

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

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

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

### **Notes to the consolidated financial statements For the six months period ended 30 June 2020**

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

---

#### **35. Tax position**

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

##### **Edita Food Industries Company**

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

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

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

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

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

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

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

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

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

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

- The Company is subject to the corporate income tax according to tax law Law No, 91 of 2005 and amendments.
- The tax inspection was performed by the Tax Authority for the year from the Company's inception until year 2014 and the tax resulting from the tax inspection were settled and paid to the Tax Authority.
- For the years from 2015 to 2019 Company submits its tax returns on due dates according to law No, 91 for the year 2005.

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

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

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

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

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

### **Notes to the consolidated financial statements For the six months period ended 30 June 2020**

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

---

#### **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 2019 the Company paid the tax due.

#### **Edita Confectionary Industries Company**

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

- The Company is subject to the corporate income tax according to tax Law No. 91 of 2005 and adjustments.
- The corporate tax inspection was performed for the years from 2009 to 2014 and the company objected the estimated tax amount. And the company is in the process of reinspection.
- The company hasn't been inspected for the years from 2015 to 2019 and the Company submitted its tax returns to Tax Authority on due dates.

##### **b) Payroll Tax**

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

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

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

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

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