

**EDITA FOOD INDUSTRIES S.A.E.**

**REVIEW REPORT AND  
SEPARATE FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED  
31 MARCH 2021**

EDITA FOOD INDUSTRIES S.A.E.

Separate financial statements - For the three months period ended 31 March 2021

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## Review report

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

### Introduction


We have reviewed the accompanying separate statement of financial position of Edita Food Industries (S.A.E.) as at 31 March 2021 and the related separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the three months period then ended, and notes comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these Separate interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these Separate 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 Separate 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 Separate interim financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements do not present fairly in all material respects, the financial position of Edita Food Industries (S.A.E.) as at 31 March 2021, and of its financial performance and its cash flows for the three months period then ended in accordance with Egyptian Accounting Standards.

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

10 May 2021  
Cairo

EDITA FOOD INDUSTRIES S.A.E.

Separate statement of financial position - At 31 March 2021

(All amounts in Egyptian Pounds)

	Note	31 March 2021	31 December 2020
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,791,826,874	1,789,633,324
Intangible assets	6	165,888,068	166,552,579
Investments in subsidiaries	7	179,774,445	179,774,445
<b>Total non-current assets</b>		<b>2,137,489,387</b>	<b>2,135,960,348</b>
<b>Current assets</b>			
Inventories	8	248,776,260	248,328,281
Trade and other receivables	9	113,651,217	74,357,083
Due from related parties	10	9,940,519	14,590,757
Financial assets at amortised cost	11	512,595,367	499,232,147
Cash and bank balances	12	68,810,351	143,662,933
<b>Total current assets</b>		<b>953,773,714</b>	<b>980,171,201</b>
<b>Total assets</b>		<b>3,091,263,101</b>	<b>3,116,131,549</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	13	145,072,580	145,072,580
Legal reserve	14	72,536,290	72,536,290
Treasury shares	13	(22,556,296)	(22,556,296)
Retained earnings		1,417,789,926	1,500,637,889
<b>Total equity</b>		<b>1,612,842,500</b>	<b>1,695,690,463</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	15	388,720,786	510,367,243
Deferred government grant	15	8,952,299	9,271,911
Employee benefit obligations	16	19,838,638	20,164,016
Deferred tax liabilities, net	17	157,282,964	153,582,847
<b>Total non-current liabilities</b>		<b>574,794,687</b>	<b>693,386,017</b>
<b>Current liabilities</b>			
Provisions	18	25,180,216	25,408,958
Bank overdraft	19	11,676,499	64,311,046
Trade and other payables	20	642,857,865	446,928,307
Due to related parties	10	40,599,460	4,280
Borrowings	15	110,721,470	142,819,780
Current income tax liabilities, net	21	72,590,404	47,582,698
<b>Total current liabilities</b>		<b>903,625,914</b>	<b>727,055,069</b>
<b>Total liabilities</b>		<b>1,478,420,601</b>	<b>1,420,441,086</b>
<b>Total equity and liabilities</b>		<b>3,091,263,101</b>	<b>3,116,131,549</b>

- The accompanying notes on pages 7 to 43 form an integral part of these separate financial statements.

-Review report attached

Mr. Sameh Naguib  
Vice President - Finance

10 May 2021  
Giza

Eng. Hani Berzi  
Chairman

EDITA FOOD INDUSTRIES S.A.E.

Separate statement of profit or loss  
For the three months period ended 31 March 2021

(All amounts in Egyptian Pounds)

	Note	31 March 2021	31 March 2020
Revenue		948,294,045	770,112,969
Cost of sales	27	(688,952,615)	(557,267,361)
<b>Gross profit</b>		<b>259,341,430</b>	<b>212,845,608</b>
Other income	22	2,012,532	28,648,658
Distribution cost	27	(68,074,086)	(48,798,934)
Administrative expenses	27	(67,807,776)	(66,031,225)
Other losses	23	(4,705,752)	(9,842,036)
Finance cost - net	24	10,020,393	7,319,560
<b>Profit before income tax</b>		<b>130,786,741</b>	<b>124,141,631</b>
Income tax expense	25	(30,584,704)	(28,946,445)
<b>Profit for the period</b>		<b>100,202,037</b>	<b>95,195,186</b>
Basic earnings per share	26	0.14	0.13
Diluted earnings per share	26	0.14	0.13

- The accompanying notes on pages 7 to 43 form an integral part of these separate financial statements.

EDITA FOOD INDUSTRIES S.A.E.

Separate statement of comprehensive income  
For the three months period ended 31 March 2021

(All amounts in Egyptian Pounds)

	31 March 2021	31 March 2020
Profit for the period	100,202,037	95,195,186
Other comprehensive income for the period, net of tax	-	-
<b>Total comprehensive income for the period</b>	<b>100,202,037</b>	<b>95,195,186</b>

- The accompanying notes on pages 7 to 43 form an integral part of these separate financial statements.

EDITA FOOD INDUSTRIES S.A.E.

Separate statement of  
For the three months period ended 31 March 2021

(All amounts in Egyptian

	Share capital	Legal reserve	Treasury shares	Retained earnings	Total
Balance at 31 December 2019 and 1 January 2020	145,072,580	72,536,290	-	1,291,155,291	1,508,764,161
Change of equity in 2020			-		
Profit for the period	-	-		95,195,186	95,195,186
Total comprehensive income for the period	-	-	-	95,195,186	95,195,186
Shareholders transactions					
	-	-	-	(179,972,580)	(179,972,580)
Total shareholders transactions	-	-	-	(179,972,580)	(179,972,580)
Balance at 31 March 2020	145,072,580	72,536,290	-	1,206,377,897	1,423,986,767
Balance at 31 December 2020 and 1 January 2021	145,072,580	72,536,290	(22,556,296)	1,500,637,889	1,695,690,463
Change of equity in 2021					
Profit for the period				100,202,037	100,202,037
Total comprehensive income for the period	-	-	-	100,202,037	100,202,037
Shareholders transactions					
Dividends distribution for 2020				(183,050,000)	(183,050,000)
Total shareholders transactions	-	-	-	(183,050,000)	(183,050,000)
Balance at 31 March 2021	145,072,580	72,536,290	(22,556,296)	1,417,789,926	1,612,842,500

- The accompanying notes on pages 7 to 43 form an integral part of these separate financial statements.

**EDITA FOOD INDUSTRIES S.A.E.**
**Separate statement of cash flows**
**For the three months period ended 31 March 2021**

(All amounts in Egyptian Pounds)		31 March	31 March
	Notes	2021	2020
<b><u>Cash flows from operating activities</u></b>			
Profit for the period before income tax		130,786,741	124,141,631
<b>Adjustments for:</b>			
Provisions	23	367,258	5,461,252
Provision for employee benefit obligation	23	1,500,000	2,250,000
Interest expenses	24	11,970,873	19,314,674
Interest income	24	(16,357,552)	(19,578,287)
Depreciation and amortization	27	31,878,007	29,355,454
Provision of slow moving inventory	23	467,759	205,500
Gain on sale of property, plant and equipment	23	(134,741)	(68,655)
Foreign exchange (gain)		(2,315,121)	(8,406,360)
		<b>158,163,224</b>	<b>152,675,209</b>
Inventories		(915,738)	(18,211,746)
Trade and other receivables		(39,294,134)	2,871,016
Due from related parties		4,650,238	(66,026,434)
Trade and other payables		18,932,343	(20,680,965)
Due to related parties		40,595,180	(5,088,384)
Provision utilized		(596,000)	-
Payment of Employee Benefits Obligation		(1,825,378)	(105,348)
Dividends paid to Company's employees		(2,400,000)	-
<b>Cash inflow from operating activities</b>		<b>177,309,735</b>	<b>45,433,348</b>
Interest paid		(9,058,406)	(15,002,608)
Income taxes paid		(1,876,881)	(28,548,629)
<b>Net cash inflow from operating activities</b>		<b>166,374,448</b>	<b>1,882,111</b>
<b><u>Cash flows from investing activities</u></b>			
Payment of property, plant and equipment	5	(37,216,590)	(72,704,280)
Payment of Intangible assets		-	(906,630)
Proceeds from sale of property, plant and equipment	5	143,700	68,690
Interest received		4,817,415	414,517
Payment for purchase of treasury bills		(36,474,400)	(30,596,700)
<b>Net cash inflow / (outflow) from investing activities</b>		<b>(68,729,875)</b>	<b>(103,724,403)</b>
<b><u>Cash flows from financing activities</u></b>			
Proceeds from borrowings		9,366,335	-
Repayment of borrowings		(163,880,260)	(57,311,143)
<b>Net cash outflow from financing activities</b>		<b>(154,513,925)</b>	<b>(57,311,143)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(56,869,352)</b>	<b>(159,153,435)</b>
Cash and cash equivalents at beginning of the period		237,454,443	31,172,887
<b>Cash and cash equivalents at the end of the period</b>	13	<b>180,585,091</b>	<b>(127,980,548)</b>
<b><u>Non-cash transactions</u></b>		<b>31 March</b>	<b>31 March</b>
		<b>2021</b>	<b>2020</b>
Dividends declared not yet settled		183,050,000	179,972,580

- The accompanying notes on pages 7 to 43 form an integral part of these separate financial statements.



## **EDITA FOOD INDUSTRIES S.A.E.**

### **Notes to the separate financial statements - For the three months period ended 31 March 2021**

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

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

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

The Company is located in Sheikh Zayed city - Central Axis, Giza.

The company provides manufacturing, producing and packing of all food products and producing and packing of juices, jams, readymade food, dry goods, cakes, pastry, dairy products, meat, vegetables, fruits, chocolate, vegetarian products and other food products with all necessary ingredients, the company is registered in Egypt and London's stock exchange.

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 11.921% of the Company share capital and Kingsway Fund Frontier Consumer Franchises which owns 8.210% of Company's share capital and other shareholders owning 38.054% of company's share capital.

These separate financial statements have been approved by the Chairman and Managing Director on 10 May 2021, and the General Assembly of shareholders has the right to amend the separate financial statements after being approved.

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

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

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

The separate financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) and applicable related laws and regulations. The separate financial statements have been prepared under the historical cost convention except for employees' end of services obligations, which is measured by the present value of the obligation.

The preparation of separate 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 Company's accounting policies areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the separate 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.

## EDITA FOOD INDUSTRIES S.A.E.

### Notes to the separate financial statements - For the three months period ended 31 March 2021

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

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#### B. Foreign currency translation

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

Items included in the separate financial statements of each of the company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') (Egyptian Pounds). The separate financial statements are presented in Egyptian Pounds which is the company's functional and presentation currency.

##### (2) Transaction and balances

Transactions in foreign currency during the period are recognised at the initial recognition with the functional currency of the company 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 company 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.

#### C. Property, plant and equipment

The company 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 company's management

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company 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.

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

Salvage value and useful lives are reviewed and changed if necessary, by the company 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.

## **EDITA FOOD INDUSTRIES S.A.E.**

Notes to the separate financial statements - For the three months period ended 31 March 2021

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

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### **Impairment of non-financial assets (continued)**

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 company 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.

### **F. Investments in subsidiaries**

Investments in subsidiaries is accounted for using the cost method. Investment in subsidiaries in the separate financial statements is stated at cost. The Cost method require recognition of investment at cost and recording of investment income to the extent of dividends distribution received from investee. The subsidiaries are entities controlled by the Company, a subsidiary is separate when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

### **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**

#### **a. Classification**

From 1 January 2020, the Company 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 amortized cost. The Company's financial asset at amortized 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 Company 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 company reclassifies debt investments when and only when its business model for managing those assets changes.

## EDITA FOOD INDUSTRIES S.A.E.

### Notes to the separate financial statements - For the three months period ended 31 March 2021

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

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#### Financial assets under EAS 47 (continued)

##### b. Measurement

At initial recognition, the company 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 company's business model for managing the asset and the cash flow characteristics of the asset. According to the company business model the company 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.

##### c. Impairment

From 1 January 2020, the company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the company applies the simplified approach permitted by EAS 47, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

#### I. 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 separate statement of financial position.

#### J. 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.

#### K. 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.

## **EDITA FOOD INDUSTRIES S.A.E.**

### **Notes to the separate financial statements - For the three months period ended 31 March 2021**

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

#### **L. Borrowings**

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

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

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

#### **M. Borrowings costs**

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

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

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

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

The company 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 Company'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 separate 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.**

### **Notes to the separate financial statements - For the three months period ended 31 March 2021**

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

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

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

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

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

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

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

#### **O. Employee benefits**

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

##### **(1) Pension obligations**

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

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company 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 Company 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 period they had worked for the Company for employees who reach the age of sixty, according to the following criteria:

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

## **EDITA FOOD INDUSTRIES S.A.E.**

### **Notes to the separate financial statements - For the three months period ended 31 March 2021**

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

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#### **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 and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

#### **(2) Termination benefits**

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits at the earlier of the following dates: (a) when the company 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.

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

The company 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 company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### **P. Provisions**

Provisions are recognised when the Company 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 Company recognizes the necessary commitments for restructuring and non-related activities of the Company 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 separate 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.**

### **Notes to the separate financial statements - For the three months period ended 31 March 2021**

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

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#### **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 company, the Company recognize the recovered amount when it is certain that the recovery will take place if the company 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.

#### **Q. Trade payables and 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.

#### **R. 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 company 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 company's activities, as described below. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### **Sales of goods – wholesale**

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

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



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Notes to the separate financial statements - For the three months period ended 31 March 2021

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

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

#### **1) Interest income**

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount.

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

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

#### **3) 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.

### **S. Dividends distribution**

Dividend distribution is recorded in the company's separate financial statements in the period in which they are approved by the Company's General assembly of Shareholders.

### **T. 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.

### **U. Operating Segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker for the Company. 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 company.

### **V. Comparative figures**

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

## EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2021

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

### 3. Financial risk management

#### (1) Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The company's efforts are addressed to minimize potential adverse effects of such risks on the company's financial performance.

The company does not use any derivative financial instruments to cover specific risk.

#### A. Market risk

##### i. Foreign exchange risk

The company 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 at financial position date and net investments in foreign operations.

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

During the period, the following foreign exchange related amounts were recognized in profit or loss:

	31 March 2021	31 December 2020
<b>Amounts recognized in profit or loss</b>		
Net foreign exchange gain included in finance cost	5,633,714	215,505
<b>Total</b>	<b>5,633,714</b>	<b>215,505</b>

The following table shows the currencies position denominated in Egyptian Pounds at the date of the statement of financial position.

	31 March 2021			31 December 2020
	Assets	Liabilities	Net	Net
Euros	625,141	(81,827,025)	(81,201,884)	(78,690,790)
US Dollars	58,887,232	(204,787,092)	(145,899,860)	(188,104,567)

At 31 March 2021, if the Egyptian Pounds had weakened / strengthened by 10% against the Euro with all other variables held constant, profit for the year would have been EGP 8,120,188 (31 December 2020: EGP 7,869,079) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

At 31 March 2021, if the Egyptian Pounds had weakened / strengthened by 10% against the US Dollar with all other variables held constant, profit for the period would have been EGP 14,589,986 (31 December 2020: EGP 18,810,457) lower, mainly as a result of foreign exchange losses on translation of US dollar-denominated assets and liabilities.

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Notes to the separate financial statements - For the three months period ended 31 March 2021

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

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**Financial risk management (continued)**

**ii. Price risk**

The company has no investment 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 Company's interest rate risk arises from long-term Loans. Loans issued at variable rates expose the Company to cash flow interest rate risk. Which is partially offset by short term time deposits which are renewed with the applicable interest rate at the time of renewal. Loans measured at amortized cost with fixed rates do not expose the Company to fair value interest rate risk.

At 31 March 2021, if interest rates on Egyptian pound -denominated net interest bearing liabilities had been 1% higher/lower with all other variables held constant, profit for the period would have been EGP 3,829,915 (31 December 2020: EGP 6,015,904) lower/higher, mainly as a result of higher/lower interest expense on floating rate Loans.

Borrowing at statement of financial position date as of 31 March 2021 with variable interest rate amounted to EGP 371,315,049 (31 December 2020: EGP 537,279,353).

Overdraft at the statement of financial position date as of 31 March 2021 amounted to EGP 11,676,499 (31 December 2020: EGP 64,311,046).

**B. Credit risk**

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, treasury bills, as well as credit exposures to wholesalers and retail customers, including outstanding accounts and notes receivables.

For banks and financial institutions, the company is dealing with the banks which have a high independent rating and banks and financial institutions with a good reputation and subject to supervision of the Central Bank of Egypt.

For the wholesalers, the Credit Controllers assess the credit quality of the wholesale customer, taking into account its financial position, and their market reputation, past experience and other factors. Sales of the company are for a major customer (Digma for Trading – company's subsidiary), which represent 90% of total company's sales.

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

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

The maximum exposure to credit risk is the amount of receivables and the intercompany receivable, treasury bills as well as the cash and cash equivalents.

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Notes to the separate financial statements - For the three months period ended 31 March 2021

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

## Financial risk management (continued)

### C. Credit quality of financial assets

#### Trade receivables

Counter parties without external credit rating:

	31 March 2021	31 December 2020
Trade receivables	9,362,328	7,309,560
<b>Total</b>	<b>9,362,328</b>	<b>7,309,560</b>

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They generally due from settlement within 90 days.

Outstanding trade receivables are current and not past due.

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

All cash balances are deposited at banks that are subject to the supervision of the Central Bank of Egypt.

### D. Liquidity risk

Management monitors rolling forecasts of the company'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 Company does not breach borrowing limits or covenants) on any of its borrowing facilities. Such forecasting takes into consideration the company debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets.

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 March 2021 and 31 December 2020 based on contractual payment dates and current interest rates.

	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
<b>31 March 2021</b>				
Borrowings	32,059,985	60,220,821	235,264,871	174,990,923
Future interest payments	8,790,786	18,486,834	31,732,082	42,684,055
Trade and other payables	538,174,866	-	-	-
Due to related parties	40,599,460	-	-	-
Bank overdraft	11,676,499	-	-	-
Notes payable	48,577,446	-	-	-
<b>Total</b>	<b>679,879,042</b>	<b>78,707,655</b>	<b>266,996,953</b>	<b>217,674,978</b>
<b>31 December 2020</b>				
Borrowings	74,390,762	64,739,985	300,319,562	210,047,682
Future interest payments	13,288,329	19,512,843	30,895,183	41,524,747
Trade and other payables	339,953,728	-	-	-
Due to related parties	4,280	-	-	-
Bank overdraft	64,311,046	-	-	-
Notes payable	61,578,440	-	-	-
<b>Total</b>	<b>553,526,585</b>	<b>84,252,828</b>	<b>331,214,745</b>	<b>251,572,429</b>

## EDITA FOOD INDUSTRIES S.A.E.

### Notes to the separate financial statements - For the three months period ended 31 March 2021

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

#### Financial risk management (continued)

The amount of unused credit facility is 819,927,000 of 31 March 2021 (31 December 2020: EGP 597,531,044) also the Company will have future interest payments related to Loans amounted to EGP 101,693,757 (31 December 2020: EGP 105,221,102).

#### (2) Capital management

The company's objectives when managing capital are to safeguard the company's 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 an optimum, the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

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

Description	31 March 2021	31 December 2020
Total Borrowings	499,442,256	653,187,023
Bank Overdraft	11,676,499	64,311,046
<b>Total borrowings and overdraft</b>	<b>511,118,755</b>	<b>717,498,069</b>
Less: Cash and bank balances	(68,810,351)	(143,662,933)
<b>Net debt</b>	<b>442,308,404</b>	<b>573,835,136</b>
Total equity	1,612,842,500	1,695,690,463
<b>Total capital</b>	<b>2,055,150,904</b>	<b>2,269,525,599</b>
<b>Gearing ratio</b>	<b>22%</b>	<b>25%</b>

The decrease in the gearing ratio mainly results from the decrease in Bank Overdraft and Borrowings during the period.

#### Loan covenants:

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

- The debt to equity ratio must be not more than 1:1.
- Debt service ratio shall not fall below 1.25.
- Leverage ratio shall not exceed 1.5:1.
- Current ratio shall not be less than 1

As of 31 March 2021, the Company was in compliance with the debt covenants.

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Notes to the separate financial statements - For the three months period ended 31 March 2021

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

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### **Financial risk management (continued)**

#### **(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 – for disclosure purposes – is estimates by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

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

#### **(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 company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

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

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

The recoverable amount of a cash generating unit (CGU) is determined based on a value in use calculations which require the use of assumptions (Note 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 Company determines the appropriate discount rate of cash flows at the end of each financial period. The discount rate is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefits obligations. The Company considers the discount rate at the end of the financial period on market returns on the government bonds denominated in the currency and the period estimated for the defined benefits obligations.

Note (16) shows the main assumptions used to estimate the employees' benefit obligation.

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

##### **Revenue recognition**

The Company, 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.

**EDITA FOOD INDUSTRIES S.A.E.**

**Notes to the separate financial statements - For the three months period ended 31 March 2021**

(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 2020</b>								
Cost	120,908,260	813,192,992	1,008,305,844	40,955,670	119,712,808	77,819,725	86,490,767	2,267,386,066
Accumulated depreciation	-	(139,215,533)	(336,779,828)	(17,043,210)	(77,942,992)	(57,667,633)	-	(628,649,196)
<b>Net book amount</b>	<b>120,908,260</b>	<b>673,977,459</b>	<b>671,526,016</b>	<b>23,912,460</b>	<b>41,769,816</b>	<b>20,152,092</b>	<b>86,490,767</b>	<b>1,638,736,870</b>
<b>Year ended 31 December 2020</b>								
Opening net book amount	120,908,260	673,977,459	671,526,016	23,912,460	41,769,816	20,152,092	86,490,767	1,638,736,870
Additions	-	-	1,894,261	5,163,150	9,991,744	1,730,908	251,029,644	269,809,707
Depreciation charge	-	(33,191,078)	(51,545,389)	(7,156,432)	(18,676,950)	(8,335,961)	-	(118,905,810)
Accumulated depreciation of disposals	-	-	87,264	1,691,940	3,021,909	393,367	-	5,194,480
Disposals	-	-	(87,264)	(1,691,940)	(3,029,352)	(393,367)	-	(5,201,923)
Transfers from Projects under construction	-	26,003,384	123,191,114	-	30,500,918	288,788	(179,984,204)	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>666,789,765</b>	<b>745,066,002</b>	<b>21,919,178</b>	<b>63,578,085</b>	<b>13,835,827</b>	<b>157,536,207</b>	<b>1,789,633,324</b>
<b>At 31 December 2020</b>								
Cost	120,908,260	839,196,376	1,133,303,955	44,426,880	157,176,118	79,446,054	157,536,207	2,531,993,850
Accumulated depreciation and impairment	-	(172,406,611)	(388,237,953)	(22,507,702)	(93,598,033)	(65,610,227)	-	(742,360,526)
<b>Net book amount at 31 December 2020</b>	<b>120,908,260</b>	<b>666,789,765</b>	<b>745,066,002</b>	<b>21,919,178</b>	<b>63,578,085</b>	<b>13,835,827</b>	<b>157,536,207</b>	<b>1,789,633,324</b>
<b>Year ended 31 March 2021</b>								
Opening net book amount	120,908,260	666,789,765	745,066,002	21,919,178	63,578,085	13,835,827	157,536,207	1,789,633,324
Additions	-	-	-	95,760	958,298	561,034	31,800,913	33,416,005
Depreciation charge	-	(8,377,906)	(13,752,579)	(1,781,433)	(5,444,763)	(1,856,815)	-	(31,213,496)
Disposals	-	-	-	(185,000)	(528,978)	(170,194)	-	(884,172)
Accumulated depreciation of disposals	-	-	-	185,000	520,019	170,194	-	875,213
Transfers from Projects under construction	-	650,748	133,769,915	-	5,214,839	-	(139,635,502)	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>659,062,607</b>	<b>865,083,338</b>	<b>20,233,505</b>	<b>64,297,500</b>	<b>12,540,046</b>	<b>49,701,618</b>	<b>1,791,826,874</b>
<b>At 31 March 2021</b>								
Cost	120,908,260	839,847,124	1,267,073,870	44,337,640	162,820,277	79,836,894	49,701,618	2,564,525,683
Accumulated depreciation and impairment	-	(180,784,517)	(401,990,532)	(24,104,135)	(98,522,777)	(67,296,848)	-	(772,698,809)
<b>Net book amount at 31 March 2021</b>	<b>120,908,260</b>	<b>659,062,607</b>	<b>865,083,338</b>	<b>20,233,505</b>	<b>64,297,500</b>	<b>12,540,046</b>	<b>49,701,618</b>	<b>1,791,826,874</b>

# EDITA FOOD INDUSTRIES S.A.E.

## Notes to the separate financial statements - For the three months period ended 31 March 2021

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

### Property, plant and equipment (continued)

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

	31 March 2021	31 December 2020
Charged to cost of sales	26,942,463	101,238,070
Charged to administrative expenses	4,177,239	17,240,537
Charged to distribution costs	93,794	427,203
	<b>31,213,496</b>	<b>118,905,810</b>

The project under construction represents the following Categories:

	31 March 2021	31 December 2020
Buildings	9,264,616	8,282,146
Machinery and equipment	16,928,169	139,284,152
Tools and equipment	7,537,765	3,750,017
Technical and other installations	15,971,068	6,219,892
	<b>49,701,618</b>	<b>157,536,207</b>

### Cash flow statement

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

	31 March 2021	31 December 2020
Net book value of the assets disposed	8,959	7,443
Gain on sale of property, plant and equipment (Note 22)	134,741	898,336
	<b>143,700</b>	<b>905,779</b>

### 6. Intangible assets

31 March 2021				
	Trademark (A)	Know how (B)	Software (C)	Total
Cost	131,480,647	31,430,995	3,640,937	166,552,579
Amortisation for the period	-	-	(664,511)	(664,511)
Balance as of	<b>131,480,647</b>	<b>31,430,995</b>	<b>2,976,426</b>	<b>165,888,068</b>
31 December 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 year	-	-	(2,630,701)	(2,630,701)
Balance as of	<b>131,480,647</b>	<b>31,430,995</b>	<b>3,640,937</b>	<b>166,552,579</b>



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Notes to the separate financial statements - For the three months period ended 31 March 2021

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

## Intangible assets (continued)

### A. Trademark

	Trademark (HOHOS, Twinkies & Tiger Tail)	
	31 March 2021	31 December 2020
<b>Cost</b>		
Opening Balance	131,480,647	131,480,647
<b>Balance as of</b>	<b>131,480,647</b>	<b>131,480,647</b>

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

### B. Know how

	Know How	
	31 March 2021	31 December 2020
<b>Cost</b>		
Opening Balance	31,430,995	31,430,995
<b>Balance as of</b>	<b>31,430,995</b>	<b>31,430,995</b>

On the 16 April 2015 the Company 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.

### C. Software

	Software	
	31 March 2021	31 December 2020
<b>Cost</b>		
Opening balance	3,640,937	5,365,008
Additions	-	906,630
Amortization expense for the period / year	(664,511)	(2,630,701)
<b>Balance as of</b>	<b>2,976,426</b>	<b>3,640,937</b>

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

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

## EDITA FOOD INDUSTRIES S.A.E.

### Notes to the separate financial statements - For the three months period ended 31 March 2021

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

#### Intangible assets (continued)

##### 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 for casts included in industry reports specific to the industry which 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 Company when testing the impairment of intangible assets as of 31 March 2021 as follows:

Average gross margin	43%
Sales growth rate	11%
Discount rate	17%
Growth rate	3%

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

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

The Company 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 14%. If all other assumptions kept the same, and the discount rate is 40% would give a value in use exceed the current carrying amount.

At 31 March 2021, if the gross profit rate had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make an impairment.

## EDITA FOOD INDUSTRIES S.A.E.

### Notes to the separate financial statements - For the three months period ended 31 March 2021

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

#### 7. Investments in subsidiaries

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

	<u>Country of Incorporation</u>	<u>% interest held</u>	<u>31 March 2021</u>	<u>31 December 2020</u>
Digma for Trading Company	Egypt	99.80%	44,939,639	44,939,639
Edita Confectionary Industries	Egypt	99.98%	134,820,782	134,820,782
Edita Participation Ltd.	Cyprus	100%	14,024	14,024
<b>Balance at</b>			<u><b>179,774,445</b></u>	<u><b>179,774,445</b></u>

#### 8. Inventories

	<u>31 March 2021</u>	<u>31 December 2020</u>
Raw and packaging materials	179,518,718	187,123,564
Spare parts	31,063,118	31,071,676
Work in process	16,775,804	12,386,648
Consumables	6,789,777	6,330,922
Finished goods	17,522,470	13,841,339
<b>Total</b>	<u><b>251,669,887</b></u>	<u><b>250,754,149</b></u>
Less: allowance for slow moving and obsolete inventory	<u>(2,893,627)</u>	<u>(2,425,868)</u>
<b>Net</b>	<u><b>248,776,260</b></u>	<u><b>248,328,281</b></u>

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

During the period ended 31 March 2021, there has been a slow moving and obsolete inventory addition amounted to EGP 467,759 (31 March 2020: EGP 205,500) (Note 23) and utilized is Nil (31 March 2020: Nil).

The cost of inventory recognized as an expense and included in cost of sales amounted to EGP 525,428,911 as of 31 March 2021 (31 March 2020: EGP 406,324,487).

# EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2021

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

## 9. Trade and other receivables

	31 March 2021	31 December 2020
Trade receivables*	9,362,328	7,309,560
Notes Receivables	-	6,812,170
Advances to suppliers	45,590,231	25,741,096
Prepaid expenses	40,910,834	17,787,451
Deposits with others	12,658,421	12,658,421
Other current assets	4,541,343	3,777,694
Value added tax -- receivables	171,474	-
Letters of credit	391,045	218,521
Employee loans	25,541	52,170
<b>Total</b>	<b>113,651,217</b>	<b>74,357,083</b>

\* The balance included due from related party (Dislog SA) amounted to EGP 9,354,072 (31 December 2020: EGP 7,302,298. (Note 10).

## 10. Related parties

The company 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 company'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 Company as related parties. The management decides the terms and conditions of transactions and services provided from/ to related parties, as well as other expenses. Below is the statement that shows the nature and values of transaction with related parties during the year, and the balances due at the date of the financial statements.

### a. Due from related parties

	31 March 2021	31 December 2020
Edita Participation Ltd.	7,500,980	7,436,920
Digma Company for Trading	-	6,236,663
Edita Food Industries Morocco.	923,766	917,174
Edita Confectionary Industries	1,515,773	-
<b>Total</b>	<b>9,940,519</b>	<b>14,590,757</b>

### b. Due to related parties

	31 March 2021	31 December 2020
Edita Confectionary Industries	-	4,280
Digma for Trading Company	40,599,460	-
<b>Total</b>	<b>40,599,460</b>	<b>4,280</b>

## EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2021

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

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### Related parties (continued)

The following transactions were carried out with related parties:

**1. Edita Confectionary Industries**

The nature of transaction during the period ended 31 March 2021 is represented in sale of raw material amounting to EGP 3,209,171.

Edita Confectionary Industries is considered a related party as the Company is the main shareholder in Edita Confectionary Industries.

**2. Edita Participation Ltd**

During the year, the nature of transaction was evaluation for the foreign currency amounted to EGP 64,060 (31 December 2020: settlement amounted to EGP 1,985,813) to Edita Participation Company Ltd (EPL) for the purpose of supporting EPL in establishing a company in Morocco.

**3. Digma for Trading Company S.A.E.**

Digma for Trading is handling the distribution of all the company's products in local market. The total sales to Digma for Trading during the year ended 31 March 2021 amounted to EGP 906,058,614 (31 March 2020: EGP 926,067,747).

Digma for Trading is considered a related party as the company is the main shareholder in Digma for Trading.

**4. Edita Food Industries Morocco**

The nature of transaction during the period ended 31 March 2021 is represented in payment expenses on behalf amounted to EGP 6,592.

Edita food industries Morocco is considered a related party as Edita Participation Ltd is the Main Shareholder (51%).

**5. La Marocaine De Distribution De Logistiques (Dislog S.A)**

The nature of transaction during the period ended 31 March 2021 is represented in sale of finished goods amounting to EGP 4,434,325 (31 March 2020: EGP 8,408,473).

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

**c. Key management compensation**

During the period ended 31 March 2021, the company paid an amount of EGP 24,077,103 as salaries to the key management members (31 March 2020: EGP 24,616,110).

# EDITA FOOD INDUSTRIES S.A.E.

## Notes to the separate financial statements - For the three months period ended 31 March 2021

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

### 11. Financial assets at amortised cost

	31 March 2021	31 December 2020
Treasury bills	460,849,394	448,889,188
Corporate bonds	51,745,973	50,342,959
	<b>512,595,367</b>	<b>499,232,147</b>

#### 11.1 Treasury bills

	31 March 2021	31 December 2020
<b>Treasury bills par value</b>		
91 Days maturity	125,000,000	159,850,000
250- 273 Days maturity	354,675,000	314,675,000
	<b>479,675,000</b>	<b>474,525,000</b>
Unearned interest	(31,212,618)	(32,297,095)
<b>Amount of treasury bills paid</b>	<b>448,462,382</b>	<b>442,227,905</b>
Interest income recognized to profit or loss	12,387,012	6,661,283
<b>Treasury bills balance</b>	<b>460,849,394</b>	<b>448,889,188</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.

#### 11.2 Corporate Bonds

	31 March 2021	31 December 2020
<b>Corporate bonds</b>		
More than 90 Days maturity	50,000,000	50,000,000
Interest income recognized to profit or loss	1,745,973	342,959
	<b>51,745,973</b>	<b>50,342,959</b>

On December 2020 the group purchased Corporate bonds of EFG-Hermes amounted to EGP 50 million with a maturity on December 2021 and effective interest rate 11.38%.

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

## EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2021

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

### 12. Cash and banks balances

	31 March 2021	31 December 2020
Cash on hand	1,184,043	398,244
Cash at banks	22,188,718	6,507,499
Time Deposits	45,437,590	136,757,190
<b>Cash and bank balances</b>	<b>68,810,351</b>	<b>143,662,933</b>

The average rate on time deposit is 1% with a maturity of less than three months.

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

	31 March 2021	31 December 2020
Cash and bank balances	68,810,351	143,662,933
Treasury bills with maturities of 3 months or less	123,451,239	158,102,556
Bank overdraft (Note 19)	(11,676,499)	(64,311,046)
<b>Total</b>	<b>180,585,091</b>	<b>237,454,443</b>

### Non-cash Investing and Finance Activities

Transfer to Property, Plant and Equipment from Projects under construction. (Refer note 5).

Purchase of property, plant and equipment on credit. (Refer note 20).

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

## EDITA FOOD INDUSTRIES S.A.E.

### Notes to the separate financial statements - For the three months period ended 31 March 2021

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

#### Share capital (continued)

The issued capital amounted to EGP 145,072,580 (par value EGP 0.2 per share) is distributed as follows as of 31 March 2021:

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"	86,469,810	17,293,962	11.921%
Kingsway Fund Frontier Consumer Franchises	59,553,461	11,910,692	8.210%
Treasury shares	2,304,461	460,892	0.318 %
Others (Public stocks)	273,726,868	54,745,374	37.737%
	<u>725,362,900</u>	<u>145,072,580</u>	<u>100%</u>

The issued capital amounted to EGP 145,072,900 (par value EGP 0.2 per share) is distributed as follows as of 31 December 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"	86,749,655	17,349,931	11.959%
Kingsway Fund Frontier Consumer Franchises	59,553,461	11,910,692	8.210%
Treasury shares	2,304,461	460,892	0.318 %
Others (Public stocks)	273,447,023	54,689,405	37.698%
	<u>725,362,900</u>	<u>145,072,580</u>	<u>100%</u>

#### Treasury shares

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

#### 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 company may stop such transfers when the legal reserve reaches 50% of the issued capital. The reserve is not eligible for distribution to shareholders.



# EDITA FOOD INDUSTRIES S.A.E.

## Notes to the separate financial statements - For the three months period ended 31 March 2021

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

### 15. Borrowings

	31 March 2021			31 December 2020		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	-	-	-	10,187,943	-	10,187,943
Second loan	19,362,938	9,000,000	28,362,938	18,675,563	9,000,000	27,675,563
Third loan	16,468,886	26,363,417	42,832,303	16,479,208	26,396,659	42,875,867
Fourth loan	40,086,322	104,482,508	144,568,830	40,086,373	132,747,039	172,833,412
Fifth loan	-	-	-	16,831	4,136,902	4,153,733
Sixth loan	34,667,778	120,883,200	155,550,978	57,229,635	222,323,200	279,552,835
Seventh loan	114,703	88,673,357	88,788,060	112,762	82,798,473	82,911,235
Eighth loan	18,335	34,506,343	34,524,678	31,465	32,964,970	32,996,435
Ninth loan	2,508	4,811,961	4,814,469	-	-	-
<b>Total</b>	<b>110,721,470</b>	<b>388,720,786</b>	<b>499,442,256</b>	<b>142,819,780</b>	<b>510,367,243</b>	<b>653,187,023</b>

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

	31 March 2021	31 December 2020
Balance due within 1 year	104,119,971	139,130,748
Accrued interest	6,601,499	3,689,032
<b>Total</b>	<b>110,721,470</b>	<b>142,819,780</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/USD	1% above mid corridor rate of Central Bank of Egypt and 2.5% above the Libor rate 3 months.
Second loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 90,000,000	EGP	1 % above lending rate of Central Bank of Egypt.
Third loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 202,234,888	EGP/USD	1% above mid corridor rate of Central Bank of Egypt and 4.5% above the Libor rate 1 month.
Fourth loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 220,000,000 and 6,000,000 Euro	EGP/USD	0.5% above mid corridor rate of Central Bank of Egypt and average 4% for USD above Libor rate 6 months.
Fifth loan	Loan		USD	3.85% above the USD Libor rate 3 months.
Sixth loan	Loan		USD	4% above the USD Libor rate – 6 months.
Seventh loan	Loan	Cross corporate guarantee Digma Trading Company	EGP	8 %
Eighth loan	Loan	Cross corporate guarantee Digma Trading Company	EGP	8 %
Ninth Loan	Loan	Cross corporate guarantee Digma Trading Company	EGP	8%

## EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2021

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

### Borrowings (continued)

#### Ninth loan

During the period, the group obtained a loan facility of EGP 90 million from one of the commercial banks under the central bank of Egypt initiative to support the Egyptian manufacturing companies, according to the initiative, the loan was obtained at interest rate of 8 % that is lower than the prevailing market rate of similar loans, The group utilised EGP 5 million from the total facility up to 31 March 2021.

#### Terms of payments:

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

#### 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 9.25 % , 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.

#### Deferred government grant

During the year, the group obtained a loan facility of EGP 291 million from commercial banks under the central bank of Egypt initiative to support the Egyptian manufacturing companies, according to the initiative, the loan was obtained at interest rate of 8 % that is lower than the prevailing market rate of similar loans. and recognized in the profit or loss over the year necessary to match them with the costs that they are intended to compensate.

The Deferred government grants is according to the following schedule:

	31 March 2021			31 December 2020		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Seventh loan	2,331,953	6,860,336	9,192,289	2,244,311	7,159,895	9,404,206
Eighth loan	717,841	1,930,415	2,648,256	700,853	2,112,016	2,812,869
Ninth loan	43,170	161,548	204,718	-	-	-
	<u>3,092,964</u>	<u>8,952,299</u>	<u>12,045,263</u>	<u>2,945,164</u>	<u>9,271,911</u>	<u>12,217,075</u>

# EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2021

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

## 16. Employee retirement benefit obligations

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

	31 March 2021	31 December 2020
Discount rate	14.2%	14.2%
Average salary increase rate	10%	10%
Turnover rate	21%	21%
Life table	49-52	49-52

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

	31 March 2021	31 December 2020
Present value of obligations	19,838,638	20,164,016
<b>Liability at the statement of financial position</b>	<b>19,838,638</b>	<b>20,164,016</b>

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

	31 March 2021	31 December 2020
Balance at beginning of the year	20,164,016	11,600,000
Interest expenses	715,823	1,647,200
Current service cost	784,174	2,648,486
<b>Total amount recognised in profit or loss (Note 23)</b>	<b>1,500,000</b>	<b>4,295,686</b>
Remeasurements: -		
Loss from change in assumptions	-	4,704,314
<b>Total amount recognised in other comprehensive income</b>	<b>-</b>	<b>4,704,314</b>
Paid during the period / year	(1,825,378)	(435,984)
<b>Balance at end of the period / year</b>	<b>19,838,638</b>	<b>20,164,016</b>

### Sensitivity in Defined Benefit Obligation: -

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

	<u>Change in assumption</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
Discount rate	1%	Decrease by 7%	Increase by 12%

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

**EDITA FOOD INDUSTRIES S.A.E.**

**Notes to the separate financial statements - For the three months period ended 31 March 2021**

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

**17. Deferred tax liabilities, net**

Deferred income taxes represent tax expenses on the temporary differences between the tax basis of assets and liabilities and their carrying amounts in the financial statements.

	Net deferred tax liabilities			
	Fixed assets depreciation	Other Provisions	Unrealized foreign exchange loss	31 March 2021      31 December 2020
<b>A. Deferred tax assets</b>				
Balance at 1 January	-	6,980,575	285,355	7,030,007
Charged to statement of profit or loss	-	58,606	-	(822,547)
Charged to statement of comprehensive income	-	-	-	1,058,471
Ending balance as of	-	7,039,181	285,355	7,265,930
<b>B. Deferred tax liabilities</b>				
Balance at 1 January	(160,848,777)	-	-	(145,275,114)
Charged to statement of profit or loss	(3,758,723)	-	-	(15,573,664)
Ending balance as of	(164,607,500)	-	-	(160,848,778)
Net deferred tax liabilities	(164,607,500)	7,039,181	285,355	(153,582,847)
Balance at 1 January	(160,848,777)	6,980,575	285,355	(138,245,107)
Charged to statement of profit or loss (Note 25)	(3,758,723)	58,606	-	(16,396,211)
Charged to statement of comprehensive income	-	-	-	1,058,471
Ending Balance as of	(164,607,500)	7,039,181	285,355	(153,582,847)

# EDITA FOOD INDUSTRIES S.A.E.

## Notes to the separate financial statements - For the three months period ended 31 March 2021

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

### 18. Provisions

	31 March 2021	31 December 2020
Balance at 1 January	25,408,958	14,243,408
Charged during the period /year (Note 23)	367,258	16,750,025
Utilized during the period / year	(596,000)	(2,500,000)
No longer required	-	(3,084,475)
<b>Ending Balance as of</b>	<b>25,180,216</b>	<b>25,408,958</b>

Provisions related to claims expected to be made by a third party in connection with the company'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.

### 19. Bank overdrafts

	31 March 2021	31 December 2020
Bank overdraft	11,676,499	64,311,046
<b>Total</b>	<b>11,676,499</b>	<b>64,311,046</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 9.25 % as of 31 March 2021 (31 December 2020: 9.29 %).

### 20. Trade and other payables

	31 March 2021	31 December 2020
Trade payables	171,753,407	176,761,044
Payables from purchase of property, plant, and equipment	60,377,301	64,177,886
Notes payable	48,577,446	61,578,440
Taxes payable	26,751,151	26,676,620
Accrued expenses	95,243,114	68,365,558
Other credit balances	21,712,550	21,533,626
Social insurance	7,999,489	6,286,325
Advances from customers	18,261,949	9,488,030
Dividends payable	185,570,566	4,920,566
Deposits from others	3,517,928	4,195,048
Deferred government grant (Note 15)	3,092,964	2,945,164
<b>Total</b>	<b>642,857,865</b>	<b>446,928,307</b>

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2021

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

**21. Current income tax liabilities**

	<b>31 March 2021</b>	<b>31 December 2020</b>
Balance at 1 January	47,582,698	68,778,282
Income tax paid during the period / year	-	(69,514,851)
Withholding tax receivable	(847,202)	(4,004,317)
Income tax for the period / year	26,884,587	101,565,244
Corporate income tax – advances	-	(31,943,343)
Tax on Treasury bills	(1,029,679)	(15,820,937)
Accrued interest – advances	-	(1,477,380)
<b>Balance as of</b>	<b>72,590,404</b>	<b>47,582,698</b>

**22. Other income**

	<b>31 March 2021</b>	<b>31 March 2020</b>
Export subsidies	-	28,299,665
Gain from sale of property plant and equipment	134,741	68,655
Others income	1,877,791	280,338
<b>Total</b>	<b>2,012,532</b>	<b>28,648,658</b>

**23. Other losses - net**

	<b>31 March 2021</b>	<b>31 March 2020</b>
Other provisions	(367,258)	(5,461,252)
Provision for employee benefit obligation	(1,500,000)	(2,250,000)
Provision for slow moving inventory	(467,759)	(205,500)
Solidarity contribution	(2,370,735)	(1,925,284)
<b>Other losses</b>	<b>(4,705,752)</b>	<b>(9,842,036)</b>

# EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2021

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

## 24. Finance income / (cost) – net

	31 March 2021	31 March 2020
<b>Finance income</b>		
Interest income	16,357,552	19,578,287
Foreign exchange Gain	5,633,714	7,055,947
	<u>21,991,266</u>	<u>26,634,234</u>
<b>Finance cost</b>		
Interest expenses	(11,970,873)	(19,314,674)
	<u>(11,970,873)</u>	<u>(19,314,674)</u>
<b>Finance cost – net</b>	<u>10,020,393</u>	<u>7,319,560</u>

## 25. Income tax expense

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

	31 March 2021	31 March 2020
Income tax for the period	26,884,587	27,994,374
Deferred tax expense	3,700,117	952,072
<b>Total</b>	<u>30,584,704</u>	<u>28,946,445</u>
<b>Profit before tax</b>	<b>130,786,741</b>	<b>124,141,631</b>
Tax calculated based on applicable tax rates	29,427,017	27,931,867
Tax effect of non-deductible expenses	1,157,687	1,014,578
<b>Income tax expense</b>	<u>30,584,704</u>	<u>28,946,445</u>

## 26. Earnings per share

### Basic

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

	31 March 2021	31 March 2020
Profit for the period	100,202,037	95,195,186
<b>Weighted average number of ordinary shares in issue</b>		
Ordinary shares	725,362,900	725,362,900
Treasury shares	(2,304,461)	-
	<u>723,058,439</u>	<u>725,362,900</u>
<b>Basic earnings per share</b>	<u>0.14</u>	<u>0.13</u>

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**Earnings per share (continued)****Diluted**

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

**27. Expenses by nature**

	<b>31 March 2021</b>	<b>31 March 2020</b>
Cost of sales	688,952,615	557,267,361
Distribution cost	68,074,086	48,798,934
Administrative expenses	67,807,776	66,031,225
	<b>824,834,477</b>	<b>672,097,520</b>
Raw and packaging materials used	525,428,911	406,324,487
Salaries and wages	99,822,100	93,017,497
Advertising expense	64,245,000	43,377,133
Depreciation & Amortization	31,878,007	29,355,454
Miscellaneous and other expense	21,042,855	24,421,827
Fuel, oil, water and electricity	22,704,113	21,748,760
Employees benefits	19,447,268	14,231,574
Company share in social insurance	8,787,632	7,631,121
Transportation expense	13,427,526	12,102,280
Maintenance	10,138,143	10,485,132
Consumables	6,960,701	8,400,648
Vehicle expense	952,221	908,960
Rent expense	-	92,647
<b>Total cost of sales, distribution costs, and administrative expenses</b>	<b>824,834,477</b>	<b>672,097,520</b>



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## 28. Segment reporting

Edita operates across four segments in Egyptian snack food market offering eight distinct brands:

Segment	Brand				Product							
	Tiger tail, Twinkies, Todo and HOHOS		Molto		Bake Rolz, Bake Stix		Freska		Oniro		Traditional rolled filled and layered cake as well as brownies and packaged donut	
	Cake		Croissant		Rusks		Wafer		Biscuits		Total	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Revenue	429,837	377,923	332,602	250,595	48,795	72,690	130,090	68,905	6,970	-	948,294	770,113
Gross profit	128,062	123,476	86,812	60,042	10,170	14,209	34,144	15,119	153	-	259,341	212,846
Operating profit	92,998	100,428	41,465	2,377	1,116	6,979	(5,163)	7,038	(9,650)	-	120,766	116,822

Operating profit reconciles to net profit as follows:

	31 March 2021	31 March 2020
Operating profit	120,766	116,822
Finance cost	(11,970)	(19,315)
Finance income	21,991	26,634
Income tax	(30,585)	(28,946)
Net profit	100,202	95,195

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### Segment reporting (continued)

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

- Management has determined the operating segments based on the information reviewed by the chief operating decision makers of the Company 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 Company 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 Company.

### 29. Contingent liabilities

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 72,094,662 as at 31 March 2021 (31 December 2020: EGP 39,835,555).

### 30. 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 three months period ended 31 March 2021. 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 as follows:

**Impairment of non-financial assets:** There company has carried out impairment testing for all non-financial assets at 31 March 2021, the test results showed no impairment loss as indicated in Note (6).

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### **COVID 19 Impact (continued)**

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.

### **31. 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 Company 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 2019 and tax due was paid.

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

- The stamp duty tax inspection was performed till 2018 and the difference was transfer to internal committee.
- Years from 2019 till 2020 tax inspection has not been performed.

### **32. Commitments**

#### **Capital comments**

The Company has capital commitments as of 31 March 2021 of EGP 63.9 M (31 December 2020: EGP 66.7 M) in respect of the capital expenditure.

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Notes to the separate financial statements - For the three months period ended 31 March 2021

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## 33. Financial instrument by category

	31 March 2021	
	Loans & receivables	Total
<b>Assets as per statement of financial position</b>		
Trade and other receivables (excluding non- financial assets) *	26,978,678	26,978,678
Due from related parties	9,940,519	9,940,519
Financial assets at amortised cost	512,595,367	512,595,367
Cash and bank balances	68,810,351	68,810,351
<b>Total</b>	<b>618,324,915</b>	<b>618,324,915</b>

	31 March 2021	
	Other financial liabilities at amortised costs	Total
<b>Liabilities as per statement of financial position</b>		
Borrowings *	499,442,256	495,135,007
Trade and other payables (excluding non-financial liabilities) *	586,752,312	586,752,312
Due to related parties	40,599,460	40,599,460
Bank overdraft	11,676,499	11,676,499
<b>Total</b>	<b>1,134,163,278</b>	<b>1,134,163,278</b>

	31 December 2020	
	Loans & receivables	Total
<b>Assets as per statement of financial position</b>		
Trade and other receivables (excluding non - financial assets) *	30,828,536	30,828,536
Due from related parties	14,590,757	14,590,757
Financial assets at amortised cost	499,232,147	499,232,147
Cash and bank balances	143,662,933	143,662,933
<b>Total</b>	<b>688,314,373</b>	<b>688,314,373</b>

	31 December 2020	
	Other financial liabilities at amortised costs	Total
<b>Liabilities as per statement of financial position</b>		
Borrowings *	653,187,023	653,187,023
Trade and other payables (excluding non-financial liabilities) *	401,532,168	401,532,168
Due to related parties	4,280	4,280
Bank overdraft	64,311,046	64,311,046
<b>Total</b>	<b>1,119,034,517</b>	<b>1,119,034,517</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 approximate 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, deferred government grant and social insurances.