

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

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**Auditor's report AND  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2023**

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

## Consolidated financial statements - For the year 31 December 2023

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Contents	Page
Auditor's report	1 - 2
Consolidated statement of financial position	3
Consolidated statement of profit or loss	4
Consolidated statement of comprehensive income	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8 – 60

**Auditor's Report**

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

**Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of EDITA FOOD INDUSTRIES (S.A.E) and its subsidiaries (the Group), which comprise the consolidated financial position as of December 31, 2023, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

**Auditor's responsibility**

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

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

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



Saleh, Barsoum & Abdel Aziz

Grant Thornton

### Opinion

In our opinion, the consolidated financial statements referred to above give a true and fair view, in all material respects, of the consolidated financial position of EDITA FOOD INDUSTRIES (S.A.E.) and its subsidiaries (the Group) as of December 31, 2023, the results of its operations and its cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and in the light of the related applicable Egyptian laws and regulations.

Cairo, March 3, 2024

Kamel Magdy Saleh, FCA  
F.E.S.A.A (R.A.A. 8510) &  
FRA Register No. "69"



**EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES**  
**Consolidated Statement of Financial Position as of 31 December 2023**

	Note	31 December 2023 EGP	31 December 2022 EGP
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment and projects under constructions	5	3 371 603 358	2 542 714 675
Right of use assets	6	122 057 438	102 879 883
Intangible assets	7	181 837 263	186 592 129
Goodwill	9	81 397 483	41 956 386
<b>Total non-current assets</b>		<b>3 756 895 542</b>	<b>2 874 143 073</b>
<b>Current assets</b>			
Inventories	8	1 866 984 477	981 499 151
Trade receivables	11	105 537 703	79 797 130
Debtors and Other Debit Balance	12	603 531 291	403 345 638
Due from related parties	32	54 057 426	62 072 443
Treasury Bills	13	346 432 739	894 641 441
Cash and bank balances	14	1 009 903 473	494 387 224
<b>Total current assets</b>		<b>3 986 447 109</b>	<b>2 915 743 027</b>
<b>Total assets</b>		<b>7 743 342 651</b>	<b>5 789 886 100</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Paid up capital	15	140 002 731	144 611 688
Legal reserve	16	72 536 289	78 953 630
Cumulative translation reserve		( 51 231 711)	( 42 435 638)
Transactions with non-controlling interest	17.a	( 32 132 098)	( 32 132 098)
Treasury Shares	15	-	(160 827 557)
Retained earnings		3 244 568 334	2 687 811 227
<b>Total equity</b>		<b>3 373 743 545</b>	<b>2 675 981 252</b>
Non-controlling interest	17.b	74 203 124	40 997 184
<b>Total equity</b>		<b>3 447 946 669</b>	<b>2 716 978 436</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	18	1 129 283 746	739 496 389
Deferred government grants	18	17 216 439	16 912 608
Employee benefit obligations	19	55 143 601	33 396 656
Deferred tax liabilities	20	240 116 669	194 670 330
Lease liabilities	21	132 705 608	105 015 892
<b>Total non-current liabilities</b>		<b>1 574 466 063</b>	<b>1 089 491 875</b>
<b>Current liabilities</b>			
Provisions	22	105 601 704	72 714 381
Bank overdraft	23	596 722 472	501 662 587
Trade and notes payables	24	960 343 470	632 225 898
Creditors and other credit balances	25	357 913 045	316 639 631
Current portion of borrowings	18	297 757 496	244 539 006
Deferred government grants	18	3 003 960	4 111 485
Current income tax liabilities	26	388 769 823	198 667 784
Lease liabilities	21	10 817 949	12 855 017
<b>Total current liabilities</b>		<b>2 720 929 919</b>	<b>1 983 415 789</b>
<b>Total liabilities</b>		<b>4 295 395 982</b>	<b>3 072 907 664</b>
<b>Total equity and liabilities</b>		<b>7 743 342 651</b>	<b>5 789 886 100</b>

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

Mr. Sameh Naguib  
Vice President - Finance

Eng. Hani Berzi  
Chairman

- Auditor's report attached

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

**Consolidated statement of profit or loss**

**For the year ended 31 December 2023**

	Note	year ended	
		31 December 2023	31 December 2022
		EGP	EGP
Revenue		12 125 997 046	7 671 100 869
Cost of sales	31	(8 151 309 352)	(5 033 938 556)
<b>Gross profit</b>		<b>3 974 687 694</b>	<b>2 637 162 313</b>
Other income / expense	27	42 462 006	16 876 127
Distribution cost	31	(1 100 567 099)	(846 106 845)
Administrative expenses	31	(745 185 400)	(461 708 318)
Inventory write-down provision	8	(10 543 416)	(3 900 000)
Provisions	22	(30 579 503)	(39 348 811)
Employee Benefit Obligations provision	19	(18 535 914)	(11 850 024)
Finance Income	28.a	213 587 378	111 754 604
Foreign Exchange Gain		44 119 455	34 991 221
Finance cost	28.b	( 211 888 890)	( 110 717 594)
Fair value gain on investments at fair value through profit or loss	15	-	(22 172 000)
Profits from disposal of Joint venture		-	31 807 595
Share of net loss of joint ventures accounted for using the equity method		-	(5 005 095)
<b>Profit before income tax</b>		<b>2 157 556 311</b>	<b>1 331 783 173</b>
Income tax expense	29	(544 046 655)	(311 436 923)
<b>Net profit for the year</b>		<b>1 613 509 656</b>	<b>1 020 346 250</b>
<b>Profit is attributable to</b>			
Owners of the parent		1 631 794 504	1 025 696 831
Non-controlling interest		( 18 284 848)	( 5 350 581)
<b>Net profit for the year</b>		<b>1 613 509 656</b>	<b>1 020 346 250</b>
<b>Basic and Diluted earnings per share</b>	30	<b>2.25</b>	<b>1.35</b>

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

**EDITA FOOD INDUSTRIES S.A.E.**  
**Consolidated statement of comprehensive income**  
**For the year ended 31 December 2023**

	year ended	
	31 December 2023	31 December 2022
	<u>EGP</u>	<u>EGP</u>
Net profit for the year	1 613 509 656	1 020 346 250
Other comprehensive income		
Items that may be reclassified to profit or loss :-		
Exchange differences on translation of foreign operations	17 894 706	( 33 534 763)
Items that will not reclassified to profit or loss :-		
Re-measurements of post-employment benefit obligations	( 3 951 159)	1 581 166
<b>Total comprehensive income for the year</b>	<b><u>1 627 453 203</u></b>	<b><u>988 392 653</u></b>
<b>Attributable to</b>		
Owners of the parent	1 619 047 272	983 279 880
Non-controlling interest	8 405 931	5 112 773
<b>Total comprehensive income for the year</b>	<b><u>1 627 453 203</u></b>	<b><u>988 392 653</u></b>

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

**EDITA FOOD INDUSTRIES S.A.E.**  
**Consolidated statement of changes in equity**  
**For the year ended 31 December 2023**

	Paid up capital	Legal reserve	Cumulative translation reserve	Transactions with non-controlling interest	Treasury Shares	Retained earnings	Total Owners of the parent	Non-controlling Interest	Total owners' equity
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
<b>Balance at 1 January 2022</b>	144 611 688	78 953 630	1 562 479	(32 132 098)	-	1 917 983 230	2 110 978 929	689 847	2 111 668 776
Net profit for the year	-	-	-	-	-	1 025 696 831	1 025 696 831	(5 350 581)	1 020 346 250
other comprehensive income	-	-	(43 998 117)	-	-	1 581 166	(42 416 951)	10 463 354	(31 953 597)
<b>Total comprehensive income for the year</b>	-	-	(43 998 117)	-	-	1 027 277 997	983 279 880	5 112 773	988 392 653
<b>Shareholders transactions</b>									
Joint venture adjustment	-	-	-	-	-	-	-	20 207 570	20 207 570
Payment under capital increase - Edita Morocco	-	-	-	-	-	-	-	14 986 994	14 986 994
Acquisition of Treasury Shares	-	-	-	-	(160 827 557)	-	(160 827 557)	-	(160 827 557)
Dividends Distribution for 2021	-	-	-	-	-	(257 450 000)	(257 450 000)	-	(257 450 000)
<b>Total shareholders transactions</b>	-	-	-	-	(160 827 557)	(257 450 000)	(418 277 557)	35 194 564	(383 082 993)
<b>Balance at 31 December 2022</b>	144 611 688	78 953 630	(42 435 638)	(32 132 098)	(160 827 557)	2 687 811 227	2 675 981 252	40 997 184	2 716 978 436
<b>Balance at 1 January 2023</b>	144 611 688	78 953 630	(42 435 638)	(32 132 098)	(160 827 557)	2 687 811 227	2 675 981 252	40 997 184	2 716 978 436
Net profit for the year	-	-	-	-	-	1 631 794 504	1 631 794 504	(18 284 848)	1 613 509 656
Elimination of Subsidiaries Legal Reserve	-	(6 417 341)	-	-	-	6 417 341	-	-	-
Other comprehensive income for the year	-	-	(8 796 073)	-	-	(3 951 159)	(12 747 232)	26 690 779	13 943 547
<b>Total comprehensive income for the year</b>	-	(6 417 341)	(8 796 073)	-	-	1 634 260 686	1 619 047 272	8 405 931	1 627 453 203
<b>Shareholders transactions</b>									
Payment for capital increase - Edita Morocco	-	-	-	-	-	-	-	24 800 009	24 800 009
Acquisition of Treasury Shares	-	-	-	-	(105 184 979)	-	(105 184 979)	-	(105 184 979)
Cancellation of Treasury Shares	(4 608 957)	-	-	-	266 012 536	(261 403 579)	-	-	-
Dividends Distribution for 2022	-	-	-	-	-	(816 100 000)	(816 100 000)	-	(816 100 000)
<b>Total shareholders transactions</b>	(4 608 957)	-	-	-	160 827 557	(1 077 503 579)	(921 284 979)	24 800 009	(896 484 970)
<b>Balance at 31 December 2023</b>	140 002 731	72 536 289	(51 231 711)	(32 132 098)	-	3 244 568 334	3 373 743 545	74 203 124	3 447 946 669

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



**EDITA FOOD INDUSTRIES S.A.E.**  
**Consolidated statement of cash flows**  
**For the year ended 31 December 2023**

	Notes	31 December 2023	31 December 2022
		EGP	EGP
<b>Cash flows from operating activities</b>			
Profit for the year before income tax		2 157 556 311	1 331 783 173
<b>Adjustments for:</b>			
Provisions Formed	22	38 728 138	39 747 480
Provisions no longer required	22	( 8 148 635)	( 398 669)
Employee benefit obligation	19	18 535 914	11 850 024
Interest expense	28	195 775 875	101 210 508
Interest expense - Leases assets	28	16 113 015	9 507 086
Amortization -Lease	6	21 094 430	15 103 900
Fair value gain on financial assets at fair value through profit or loss		--	22 172 000
Share of net loss of joint ventures accounted for using the equity method		--	5 005 095
Deferred Grant income	27	( 4 447 524)	( 5 636 545)
Interest income	28	( 210 632 251)	( 110 242 998)
Interest income - Corporate Tax advance payments	28	( 2 955 127)	( 1 511 606)
Depreciation of property, plant and equipment	5	255 757 872	208 096 926
Amortization of intangible assets	7	7 553 869	6 034 239
Provision of slow moving inventory	8	10 543 416	3 900 000
Gain from sale of property, plant and equipment	35	( 4 770 586)	( 16 645 688)
Foreign exchange gains		( 44 119 455)	( 34 991 221)
Proceeds from sale of Joint venture	11	--	( 31 807 595)
		<b>2 446 585 262</b>	<b>1 553 176 109</b>
Inventories		( 890 423 304)	( 444 786 066)
Trade receivables and other debit balances		( 226 059 957)	( 296 853 057)
Trade and other payables		328 940 444	346 297 506
Provision utilized	22	( 1 601 262)	( 739 577)
Inventory provision used	8	( 4 530 012)	( 818 824)
Payments of employee benefit obligations	19	( 740 128)	( 975 696)
Dividends paid to Company's employees		( 97 416 949)	( 56 118 627)
<b>Cash generated from operating activities</b>		<b>1 554 754 094</b>	<b>1 099 181 768</b>
Interest paid		( 156 953 069)	( 103 618 941)
Income tax paid		( 329 531 910)	( 131 506 683)
<b>Net cash flows generated from operating activities</b>		<b>1 068 269 115</b>	<b>864 056 144</b>
<b>Cash flows from investing activities</b>			
Payment for purchase of property, plant and equipment and Intangible assets (*)		( 572 147 343)	( 430 189 213)
Payment for purchase of Intangible assets	7	( 2 326 940)	--
Proceeds from sale of property, plant and equipment	35	6 035 663	53 922 384
Interest received		215 911 491	112 948 301
Payment for purchase of treasury bills		(4 664 845 933)	(2 212 700 019)
Proceeds from sale of Treasury Bills		5 207 775 393	2 085 318 530
Cash generated from gaining control over Edita Morocco in 30 April 2022		--	11 296 934
Consideration paid for acquisition of new subsidiary "Edita Frozen Food Industries"	10	( 257 206 976)	--
Cash and Cash equivalent under business combination - "Edita Frozen Food Industries"		( 1 489 428)	--
Proceeds from financial assets at fair value through profit and loss		--	54 231 685
<b>Net cash flows used in investing activities</b>		<b>( 68 294 073)</b>	<b>( 325 171 398)</b>
<b>Cash flows from financing activities</b>			
Lease Payments		( 30 098 582)	( 19 641 906)
Payments of borrowings		( 936 135 351)	( 214 859 916)
Proceeds from borrowings		1 166 800 225	275 293 623
Proceeds from non-controlling interest for Edita Food Industries Morocco capital increase		24 800 009	14 986 994
Payments for acquisition of treasury shares	15	( 105 184 979)	( 160 827 557)
Dividends paid to shareholders		( 699 700 000)	( 200 000 000)
<b>Net cash flows used in financing activities</b>		<b>( 579 518 678)</b>	<b>( 305 048 762)</b>
<b>Net increase in cash and cash equivalents</b>		<b>420 456 364</b>	<b>233 835 984</b>
Cash and cash equivalents at beginning of the year	14	( 7 275 363)	( 241 111 347)
<b>Cash and cash equivalents at end of the year</b>	14	<b>413 181 001</b>	<b>( 7 275 363)</b>

\*The effect of non-cash of purchase of property, plant, and equipment amounted to EGP 23 389 209 had been eliminated as non cash transaction against the related increase in Trade and other payables.

\*\* The consideration paid for the Acquisition of subsidiaries includes an amount of 136 280 072 Egyptian pound as debt assignment for the group from the old shareholders.

\*\*\* The effect of the Acquisition of Fancy food SAE (acquired company) and Edita for food industries S.A.E (Acquirer company) on the balances of the acquired company had been eliminated from the statement of cash flows as non-cash transactions (note 10)

\*\*\*\* The effect of treasury share write had been eliminated as non cash transaction against the related decrease in Paid-up capital and Retained Earnings.

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

## **1. General information**

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

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

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

The main shareholders are Quantum Investment BV which owns 44.07% of the Company's share capital and the Bank of New York Mellon "depository bank for shares traded in London Stock Exchange" which manages 8.43% of the Company share capital and Kingsway Fund Frontier Consumer Franchises which owns 10.55% of Company's share capital and RIMCO E G T Investment LLC which owns 7.22% of Company's share capital other shareholders owning 29.72% of company's share capital.

These consolidated financial statements have been approved by Chairman and Managing Director on 3 March 2024.

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

Edita food industries is the holding company. The company provides manufacturing, producing and packing of all food products and producing and packing of readymade food, cakes, pastry, milk, chocolate and other food products with all necessary ingredients and sell the products to Edita for Trade & Distribution (previously Edita for Trade & Distribution).

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

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

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

### **Edita for Trade & Distribution (previously Digma for Trade):**

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

### **Edita Confectionery Industries:**

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

### **Edita participation limited:**

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

**Edita Food Industries Morocco:**

The company's main purpose is to build and operate a factory for production, sales and distribution of cakes, pastry, wafer and other confectionary products. Edita Morocco incorporated in 2019, with 51% stake owned by Edita Food Industries (S.A.E.). The stake was increased to 77% in April 2022. Later in November 2023 the group share increased to 78.36% of Edita Food Industries Morocco .

**Edita Holding for Investment**

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

**Edita Frozen Foods Industries (previously Fancy Foods S.A.E)**

The company's purpose is to operate a factory for production, sales, and distributions of frozen pastries and bakery. On 29 May 2023, the company signed a Sell Purchase agreement with Fancy Foods S.A.E Shareholders for the acquisition of 2 000 000 shares (100%) which is their total ownership in Fancy Foods S.A.E for a total purchase price of EGP 120 926 804. The deal was Closed on 13 June 2023.

On 1 August 2023, Edita Frozen Food Industries' board of directors has approved to increase the company paid-up capital by EGP 400 000 000 to be EGP 600 000 000. Article (6) and (7) has been amended accordingly.

The paid-up capital increase had been fully paid according to bank certificate issued by National Bank of Kuwait.

**2. Accounting policies**

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

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

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

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

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

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES****Notes to the consolidated financial statements for the year ended 31 December 2023**

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

**Percentage of ownership in subsidiaries**

The group consists of the below companies as of 31 December 2023 and 31 December 2022 unless otherwise was noted and the percentage of the Group's share of the companies in is the direct ownership of the ordinary shares of the paid-up capital only.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
		31 December 2023	31 December 2022	31 December 2023	31 December 2022
Edita for Trade and Distribution	Egypt	99.8%	99.8%	0.20%	0.20%
Edita Confectionery Industries	Egypt	99.98%	99.98%	0.02%	0.02%
Edita Participation Limited	Cyprus	100%	100%	--	0.00%
Edita food Industries -Morocco	Morocco	78.36%	77%	21.64%	23.00%
Edita Holding for Investment	Egypt	98%	98%	0.00%	2.00%
Edita Frozen Food Industries	Egypt	100.0%	0.00%	0.00%	0.00%

Financial information about the subsidiaries of the group as of 31 December 2023 as follows :

Name of subsidiary	Total Assets	Total Liabilities	Total Equity	Total Sales	Net Profit / (loss)
Edita for Trade and Distribution	1 120 974 814	424 600 462	696 374 352	10 728 977 832	365 624 957
Edita Confectionery Industries	273 498 390	85 953 486	187 544 905	289 623 504	44 702 185
Edita Participation Limited	561 421 465	771 014 689	(209 593 225)	-	(23 462 819)
Edita Food Industries Morocco	769 054 852	494 237 518	274 817 333	326 160 783	(87 204 396)
Edita Holding for Investment	5 515 576	98 201	5 417 374	-	321 027
Edita Frozen Food Industries	328 797 186	21 730 561	307 066 626	14 031 844	(46 453 523)

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

Name of subsidiary	Total Assets	Total Liabilities	Total Equity	Total Sales	Net Profit / (loss)
Edita for Trade and Distribution	704 625 400	344 783 173	359 842 227	6 999 207 059	184 745 921
Edita Confectionery Industries	203 682 445	60 731 663	142 950 782	163 785 825	7 702 253
Edita Participation Limited	174 579 358	292 713 835	(118 134 477)	--	(30 023 493)
Edita Food Industries Morocco	639 080 208	426 314 148	212 766 060	176 171 728	(32 320 519)
Edita Holding for Investment	5 101 347	5 000	5 096 347	--	96 347

**B. Basis of consolidation****1) Subsidiaries**

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

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

**1.1 Acquisition method**

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

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

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

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

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

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

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

### **1.3 Disposal of subsidiaries**

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

### **1.4 Goodwill**

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

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

### **1.5 Measurement period:**

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

**2) Investment in Joint Venture**

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

**2.1 Equity accounting method**

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

**2.2 Changes in owner's equity**

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

**2.3 The losses of a joint venture**

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

**2.4 Transactions with joint venture**

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

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

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

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

**C. Foreign currency translation**

**(1) Functional and presentation currency**

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

**(2) Transactions and balances**

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

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

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

**(3) Group companies**

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

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

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

All resulting exchange differences are recognised in other comprehensive income.

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

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

The group applies the historical cost model at measuring Property, plant, and equipment. All property, plant, and equipment are stated at historical cost less accumulated depreciation. Historical cost includes all costs associated with acquiring the asset and bringing it to a ready-for-use condition by the group's management. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Depreciation is calculated by using the straight-line method to allocate the cost of each asset to its residual value over the estimated useful lives of assets except land, which is not depreciated.

Estimated useful lives of assets are as follows:

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

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

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

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

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

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

Intangible assets (Trademarks & know how) have indefinite useful lives as there is no foreseeable limit of time over which the brands are expected to exist and generate cash flows to the group and are carried at cost less impairment losses. Historical cost includes all expenses associated with the acquisition of an intangible asset. The trademark and know how is recognized as an indefinite intangible asset as the license are perpetual, irrevocable, and exclusive including the trademark in the territory related to cake products. The brand has an established presence in the territory since 1990s. In addition, the group has a strong historic financial track-record and forecasts continued growth also, the know-how of perpetual license not exposed to typical obsolescence as it relates to food products. The brand remains popular in the Middle East and the group does not foresee any decline in the foreseeable future.

**Computer software**

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



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

**F. Inventories**

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

**i. Raw and packaging materials**

Cost is determined using the weighted moving average method.

**ii. Spare parts**

Cost is determined using the weighted moving average method.

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

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

**G. Financial instruments**

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

**G.1 Financial assets**

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

**G.1.1 Classification of financial assets**

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

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

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

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

#### Amortized cost and effective interest rate method

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

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

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

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

#### (ii) Debt instruments designated at FVTOCI

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

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

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

#### (iii) Equity instruments designated as at FVTOCI

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

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

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

**(iv) Financial assets at FVTPL**

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

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

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

**G.1.2 Impairment of financial assets**

The Company recognizes a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortized cost or at FVTOCI, trade and other receivables, contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognizes lifetime ECL for trade and other receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

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

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

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

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

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

significant financial difficulty of the issuer or the borrower;

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

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

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

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

(iv) Measurement and recognition of expected credit losses

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

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

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

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

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

(v) Write-off policy

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

**G.1.3 Derecognition of financial assets**

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

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

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

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

## **G.2 Financial liabilities**

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

### Financial liabilities at FVTPL

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

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

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

### Financial liabilities measured at amortized cost

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

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

Derecognition of financial liabilities

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

**H. Cash and cash equivalents**

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

**I. Share capital**I.1 Ordinary shares

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

I.1 Dividend on ordinary share capital

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

**J. Treasury Shares**

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

**K. Leases**

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

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

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

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

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

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

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

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

#### **L. Borrowings costs**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



#### **O. Provisions**

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

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

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

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

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

#### **P. Contingent assets**

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

#### **Q. Revenue recognition**

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

The company recognizes revenue from contracts with customers based on the five steps model set out as follows:

Step 1: identify the contract(s) with a customer:

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: identify the performance obligations in the contract:

A performance obligation is a promise in a contract with a customer to transfer a good or services to the customer.

Step 3: Determine the transaction price:

The transaction price is the amount of consideration to which the company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract:

For a contract that has more than one performance obligation, the company will allocate the transaction price to each performance obligation in an amount depicts the amount of consideration to which the company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation:

An entity shall consider the terms of the contract, as well as any laws that apply to the contract, when evaluating whether it has an enforceable right to payment for performance completed to date.

For assessing the existence and enforceability of a right to payment and whether an entity's right to payment would entitle the entity to be paid for its performance completed to date.

#### **Sales Revenue**

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

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

The customer has legal title to the asset.

The entity has transferred physical possession of the asset.

The customer has the significant risks and rewards of ownership of the asset.

The customer has accepted the asset.

#### **Sales of goods**

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

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

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

#### **Interest income**

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

#### **Dividend income**

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

#### **Export Subsidy**

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

**R. Dividend Distribution**

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

**S. Government Grants**

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

**T. Operating Segments**

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

**3. Financial risk management****(1) Financial risk factors**

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

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

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

**(A) Market risk****(i) Foreign currency exchange risk**

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

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES****Notes to the consolidated financial statements for the year ended 31 December 2023**

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

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

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

	31 December 2023	31 December 2022
<b>Amounts recognised in profit or loss</b>		
Net foreign exchange (loss) gain	44 119 455	34 991 221
	<b>44 119 445</b>	<b>34 991 221</b>
<b>Net losses recognised in comprehensive income</b>		
Exchange differences on translation of foreign operations	17 894 706	(33 534 763)
	<b>17 894 706</b>	<b>(33 534 763)</b>

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

	31 December 2023			31 December 2022
	Assets	Liabilities	Net	Net
Euros	197 068 938	(145 028 820)	52 040 118	(58 691 443)
US Dollars	479 095 288	(876 315 978)	(397 220 690)	(22 577 557)
Moroccan Dirham	82 490 372	(525 831 826)	(443 341 454)	(192 536 430)
GBP	19	(21 543)	(21 525)	--

**Amounts recognised in profit or loss**

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

**Sensitivity analysis**

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

**Euro/EGP**

On 31 December 2023, if the Egyptian Pounds had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been EGP 5 204 012 (31 December 2022: EGP 5 869 145) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

**USD/EGP**

On 31 December 2023, if the Egyptian Pounds had weakened / strengthened by 10% against the US Dollars with all other variables held constant, post tax profit for the year would have been EGP 39 722 069 (31 December 2022: EGP 2 257 756) higher / lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets and liabilities.

**Moroccan Dirham/EGP**

On 31 December 2023, if the Egyptian Pounds had weakened / strengthened by 10% against the Moroccan Dirham with all other variables held constant, post-tax profit for the year would have been EGP 44 334 145 (31 December 2022: EGP 19 253 643) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Dirham-denominated financial assets and liabilities.

**Sterling Pound/EGP**

On 31 December 2023, if the Egyptian Pounds had weakened / strengthened by 10% against the Sterling Pound with all other variables held constant, post-tax profit for the year would have been EGP 2 152 (31 December 2022: EGP 0) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Dirham-denominated financial assets and liabilities.

**(ii) Price risk**

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

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

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

On 31 December 2023, if interest rates on Egyptian pound-denominated net interest bearing liabilities had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been EGP 15 427 452 (31 December 2022: EGP 9 532 146) lower/higher interest expense on floating rate borrowings.

Borrowings at the financial position date with variable interest rate amounted to EGP 946 022 734 (31 December 2022: EGP 451 551 975)

Overdraft at the balance sheet on 31 December 2023 amounted to EGP 596 722 472 (31 December 2022: EGP 501 662 587).

**(B) Credit risk**

**(i) Risk management**

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

**(ii) Security**

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

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

**(iii) Credit quality**

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

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties except for the impairment of accounts receivables presented in (Note 11).

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

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

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

**Trade receivables**

Counter parties without external credit rating:

	31 December 2023	31 December 2022
Trade and notes receivables	105 537 703	79 797 130
<b>Total</b>	<b>105 537 703</b>	<b>79 797 130</b>

Outstanding trade receivables are current and not impaired.

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

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

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

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

**(C) Liquidity risk**

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

The table below summarizes the maturities of the Group's undiscounted financial liabilities at 31 December 2023 and 31 December 2022 based on contractual payment dates and current interest rates as we had excluded the taxes payable, advances from customers and social insurance:

	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
<b>At 31 December 2023</b>				
Loans	123 243 865	174 513 631	386 729 911	742 553 835
Payments for future interests	37 662 036	15 636 473	41 558 911	8 615 588
Creditors and other credit balances	271 986 445	--	--	--
Bank overdraft	596 722 472	--	--	--
Trade and notes payable	960 343 470	--	--	--
Lease liabilities	14 674 941	13 289 330	49 259 523	164 445 945
<b>Total</b>	<b>2 004 633 229</b>	<b>203 439 434</b>	<b>477 548 345</b>	<b>915 615 368</b>

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES**
**Notes to the consolidated financial statements for the year ended 31 December 2023**

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

**At 31 December 2022**

Loans	133 757 423	110 781 583	271 579 427	467 916 962
Payments for future interests	12 247 734	35 358 207	39 050 106	16 593 853
Creditors and other credit balances	342 215 578	--	--	--
Bank overdraft	501 662 587	--	--	--
Trade and notes payable	632 225 898	--	--	--
Lease liabilities	12 428 598	12 687 677	20 981 449	141 911 438
<b>Total</b>	<b>1 634 537 818</b>	<b>158 827 467</b>	<b>331 610 982</b>	<b>626 422 253</b>

The amount of unused credit facility amounted to EGP 2 799 903 800 as of 31 December 2023 (31 December 2022: EGP 1 191 292 481).

**(2) Capital risk management**

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

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

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

The gearing ratio on 31 December 2023 and 31 December 2022 were as follows:

	<b>31 December 2023</b>	<b>31 December 2022</b>
Total borrowings	1 427 041 242	984 035 395
Bank Overdraft	596 722 472	501 662 587
<b>Total Loans and overdraft</b>	<b>2 023 763 714</b>	<b>1 485 697 982</b>
Less: Cash and bank balances	(1 009 903 473)	(494 387 224)
<b>Net debt</b>	<b>1 013 860 241</b>	<b>991 310 758</b>
Total equity	3 447 946 669	2 716 978 436
<b>Total capital</b>	<b>4 461 806 910</b>	<b>3 708 289 194</b>
<b>Gearing ratio</b>	<b>23%</b>	<b>27%</b>

**Loan covenants**

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

- The debt-to-equity ratio must be not more than 1:1.
- Debt service ratio shall not fall below 1.25
- Leverage ratio shall not exceed 2:1.
- Current ratio shall not be less than 1
- Liabilities to Tangible Net Worth Ratio Not to exceed 2:1;
- Net Financial Debt to EBITDA Ratio of not more than 1.8;
- Peak Debt Service Coverage Ratio Not Less than 1.4
- Financial Debt to EBITDA Ratio of not more than 2.5

As of 31 December 2023, the Group was in compliance with the debt covenants.

**(3) Fair value estimation**

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

**4. Critical accounting estimates and judgments****1. Critical accounting estimates and assumptions**

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

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

**Recognition of revenue**

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

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

**Principal versus agent**

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

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

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

**1. Key sources of estimation uncertainty**

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

**i. Provisions**

In respect of provisions including decommissioning provision, the Company provides for anticipated outflows of resources considered probable. Estimates are used in assessing the likely amount of the settlement. The ultimate liability may vary from the amounts provided and would be dependent on the eventual outcome. (See Note 22).

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

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



**iii. Write-down in inventories**

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

**iv. Deferred tax assets**

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

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

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

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

**vi. Employee benefit retirement obligation**

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

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

Note (19) shows the main assumptions used to estimate the employees' benefit obligation.

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

**Notes to the consolidated financial statements for the year ended 31 December 2023**

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

**5. Property, plant and equipment and projects under constructions**

	<u>Land</u> EGP	<u>Buildings</u> EGP	<u>Machinery and Equipment</u> EGP	<u>Vehicles</u> EGP	<u>Tools &amp; Equipment</u> EGP	<u>Furniture and Office Equipment</u> EGP	<u>Projects under construction*</u> EGP	<u>Total</u> EGP
<b>Cost</b>								
<b>Cost as of January 1, 2022</b>	120 908 260	977 086 803	1 427 515 906	328 235 873	215 503 703	141 982 672	88 588 582	3299 821 799
Transferred from projects under constructions	-	21 153 462	225 366 788	-	35 400 690	6 750 205	(300 584 333)	(11 913 188)
Morocco Additions	-	131 625 033	66 939 592	335 997	6 959 566	1 243 270	87 955	207 191 413
Translation differences	-	(9 071 186)	85 962 308	-	251 803	80 555	(319 897)	76 903 583
Additions	-	-	2 124 681	58 354 200	17 530 350	9 212 836	263 058 138	350 280 205
Disposals	(14 194 132)	(827 195)	(18 262 325)	(18 596 784)	(2 854 194)	(128 416)	(11 424 715)	(66 287 761)
<b>Cost as of December 31, 2022</b>	106 714 128	1 119 966 917	1 789 646 950	368 329 286	272 791 918	159 141 122	39 405 730	3 855 996 051
<b>Accumulated depreciation</b>								
<b>Accumulated Depreciation as of January 1, 2022</b>	-	(245 016 347)	(486 348 876)	(173 512 140)	(128 094 146)	(101 224 006)	-	(1 134 195 515)
Depreciation for the year	-	(43 227 888)	(73 326 791)	(41 072 694)	(32 564 356)	(17 905 197)	-	(208 096 926)
Accumulated depreciation of disposals	-	143 380	11 568 483	16 761 912	423 164	114 126	-	29 011 065
<b>Accumulated Depreciation as of December 31, 2022</b>	-	(288 100 855)	(548 107 184)	(197 822 922)	(160 235 338)	(119 015 077)	-	(1 313 281 376)
<b>Net book value as of December 31, 2022</b>	106 714 128	831 866 062	1 241 539 766	170 506 364	112 556 580	40 126 045	39 405 730	2 542 714 675
<b>Cost</b>								
<b>Cost as of January 1, 2023</b>	106 714 128	1 119 966 917	1 789 646 950	368 329 286	272 791 918	159 141 122	39 405 730	3 855 996 051
Transferred from projects under constructions	-	51 276 581	52 236 719	-	32 533 044	-	(136 518 407)	(472 063)
Acquisition Through Business Combination	42 436 000	64 549 590	193 883 462	1 817 858	5 629 240	326 084	90 671 959	399 314 193
Translation differences	-	39 956 110	45 097 902	-	5 468 500	1 044 736	(34 298)	91 532 950
Additions	-	-	13 179 134	172 598 152	15 735 788	23 253 353	370 770 125	595 536 552
Disposals	-	-	-	(10 650 385)	(646 521)	(575 471)	(832 366)	(12 704 743)
<b>Cost as of December 31, 2023</b>	149 150 128	1 275 749 198	2 094 044 167	532 094 911	331 511 969	183 189 824	363 462 743	4 929 202 940
<b>Accumulated depreciation</b>								
<b>Accumulated Depreciation as of January 1, 2023</b>	-	(288 100 855)	(548 107 184)	(197 822 922)	(160 235 338)	(119 015 077)	-	(1 313 281 376)
Depreciation for the year	-	(54 325 296)	(87 796 642)	(52 699 529)	(39 977 447)	(20 958 958)	-	(255 757 872)
Accumulated depreciation of disposals	-	-	-	10 227 937	636 258	575 471	-	11 439 666
<b>Accumulated Depreciation as of December 31, 2023</b>	-	(342 426 151)	(635 903 826)	(240 294 514)	(199 576 527)	(139 398 564)	-	(1 557 599 582)
<b>Net book value as of December 31, 2023</b>	149 150 128	933 323 047	1 458 140 341	291 800 397	131 935 442	43 791 260	363 462 743	3 371 603 358

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES**
**Notes to the consolidated financial statements for the year ended 31 December 2023**

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

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

	<b>31 December 2023</b>	<b>31 December 2022</b>
Cost of sales	174 884 741	141 532 318
Distribution costs	57 923 485	46 286 057
Administrative expenses	22 949 646	20 278 551
	<b>255 757 872</b>	<b>208 096 926</b>

\* The project under construction represents the following Categories:

	<b>31 December 2023</b>	<b>31 December 2022</b>
Buildings	93 585 983	7 686 475
Machinery and equipment	219 166 801	19 400 187
Tools and equipment	10 030 476	8 474 704
Technical and other installations	40 679 483	3 844 364
	<b>363 462 743</b>	<b>39 405 730</b>

During the year, the group has capitalized borrowings costs as of December 31, 2023 amounting to null (2022 :EGP 2 000 520) on qualified assets. The capitalization rate used to determine the amount of borrowing cost to be capitalized is the interest rate applicable to the group's specific borrowings during the year was 6.5%

**6. Right of use assets**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Balance as of 1 January	102 879 883	55 651 129
Acquisition Through Business Combination	2 318 978	20 594 937
Additions during the year	27 323 330	37 408 677
Amortization expenses	(21 094 430)	(15 103 900)
Disposal during the year	(2 318 978)	--
Translation of foreign operations	12 948 655	4 329 040
<b>Balance</b>	<b>122 057 438</b>	<b>102 879 883</b>

**7. Intangible assets**

	<b>31 December 2023</b>			
	<b>Trademark (A)</b>	<b>Know how (B)</b>	<b>Software (C)</b>	<b>Total</b>
<b>Cost</b>	131 480 647	31 430 995	34 836 393	<b>197 748 035</b>
Accumulated Amortization	--	--	(11 155 906)	(11 155 906)
Transfer from PUC	--	--	472 063	472 063
Additions during the year	--	--	2 326 940	2 326 940
Amortization for the year	--	--	(7 553 869)	(7 553 869)
<b>Balance as of</b>	<b>131 480 647</b>	<b>31 430 995</b>	<b>18 925 621</b>	<b>181 837 263</b>

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES**
**Notes to the consolidated financial statements for the year ended 31 December 2023**

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

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

**A. Trademark**

	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Cost</b>		
<b>HOHOS, Twinkies &amp; Tiger Tail</b>	131 480 647	131 480 647
<b>Balance as of</b>	<b>131 480 647</b>	<b>131 480 647</b>

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

**B. Know how**

	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Cost</b>		
Technical assistance for certain Hostess products	31 430 995	31 430 995
<b>Balance as of</b>	<b>31 430 995</b>	<b>31 430 995</b>

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

**C. Software**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Opening balance	34 836 393	17 801 536
Accumulated amortization	(11 155 906)	
Transfer from projects under construction	472 063	11 913 190
Additions during the year	2 326 940	--
Amortization expense for the year	(7 553 869)	(6 034 239)
<b>Balance as of</b>	<b>18 925 621</b>	<b>23 680 487</b>

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

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

**E. Recoverable amount of cake segment**

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

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

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

Assumptions used by the Group when testing the impairment of intangible assets as of 31 December 2023 as follows:

	2023
Average gross margin	35%
Sales growth rate	15%
Pre-tax discount rate	24.8%
Terminal growth rate	5%

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

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

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

**Sensitivity of recoverable amounts**

The growth rate in the forecast period has been estimated to be 5%. If all other assumptions kept the same a reduction of this growth rate by 1% would give a value in use exceed the current carrying amount.

The discount rate in the forecast period has been estimated to be 24.8%. If all other assumptions kept the same and the discount rate had increased / decreased by 1% would give a value in use exceed the current carrying amount.

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES****Notes to the consolidated financial statements for the year ended 31 December 2023**

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

At 31 December 2023, if the gross profit rate had increased / decreased by 1% with all other variables held constant the recoverable amount is higher than the carrying amount therefore there will be no need to make an impairment.

**8. Inventories**

	<u>31 December 2023</u>	<u>31 December 2022</u>
Raw and packaging materials	1 598 551 501	792 411 132
Finished goods	131 491 903	70 092 406
Spare parts	74 762 406	53 032 467
Work in process	55 145 282	25 050 325
Consumables	20 356 530	48 222 562
<b>Total</b>	<b>1 880 307 622</b>	<b>988 808 892</b>
Less: write-down for slow moving and obsolete inventory	(13 323 145)	(7 309 741)
<b>Net</b>	<b>1 866 984 477</b>	<b>981 499 151</b>

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

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

	<u>31 December 2023</u>	<u>31 December 2022</u>
<b>Balance as of 1 January</b>	7 309 741	4 228 565
Charged during the year	10 543 416	3 900 000
Utilized during the year	(4 530 012)	(818 824)
<b>Ending Balance as of the year</b>	<b>13 323 145</b>	<b>7 309 741</b>

The cost of inventory recognized as an expense and included in cost of sales amounted to EGP 6 971 942 026 during the year ended 31 December 2023 (2022: EGP 4 149 503 881).

**9. Goodwill**

On April 21, 2022, the group's management obtained control over Edita Food Industries Morocco. Where both parties signed an amendment agreement where reserved matters related to joint control has been removed following non-exercise of the call option by DISLOG. The group management completed the fair value study for identified assets and liabilities related to the acquisition of Edita Food Industries Morocco and revaluation of goodwill and intangible assets at date of step acquisition of Edita Food Industries Morocco.

On May 29, 2023, the group's management purchased 100% of "Fancy Foods Company for Food Industries S.A.E.". The deal was closed on June 13, 2023, through registering the sale and transfer of "Fancy Foods Company for Food Industries S.A.E." purchased shares to "Edita Food Industries S.A.E" before the EGX in accordance with the applicable laws and regulations. The group management completed the fair value study for identified assets and liabilities related to the acquisition of "Fancy Foods Company for Food Industries S.A.E." at date of acquisition of "Fancy Foods Company for Food Industries S.A.E.".

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES**
**Notes to the consolidated financial statements for the year ended 31 December 2023**

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

	31 December 2023	31 December 2022
<b>Balance as of 1 January</b>	41 956 386	--
Goodwill resulting from acquisition of subsidiary (note 10)	11 295 552	41 956 386
Goodwill Translation from foreign operation	28 145 545	--
<b>Ending Balance as of the year</b>	<b>81 397 483</b>	<b>41 956 386</b>

**10. Business Combinations**

On May 29, 2023, Edita Food Industries S.A.E acquired 100% of "Fancy Foods Company for Food Industries S.A.E.". The group's management has applied the requirements of The Egyptian Standard (No.29) with regard to accounting for business combination and the group's management has measured the Net assets at fair value at the date of control.

The fair value of identifiable assets acquired, liabilities and potential liabilities assumed resulting from the acquisition of Fancy foods S.A.E. has been determined, and the fair value of the net assets acquired at the date of the acquisition was EGP 245 911 425 represented below: -

**Non-current assets**

Property, plant, and equipment	394 914 980
Right of use assets	2 318 978
<b>Total non-current assets</b>	<b>397 233 958</b>

**Current assets**

Inventories	1 075 426
Cash and Cash Equivalents	440 012
Trade and other receivables	5 195 662
<b>Total current assets</b>	<b>6 711 100</b>
<b>Total assets</b>	<b>403 945 058</b>

**Non-current liabilities**

Deferred tax liabilities	30 724 596
Borrowing	95 055 818
Lease liabilities	1 570 288
<b>Total non-current liabilities</b>	<b>127 350 702</b>

**Current liabilities**

Trade and other payables	25 210 099
Bank overdraft	1 929 441
Provisions	3 543 392
<b>Total current liabilities</b>	<b>30 682 932</b>
<b>Total Liabilities</b>	<b>158 033 634</b>

**Fair Value for Net Identifiable Assets**

Consideration Paid	245 911 424
Goodwill arisen from acquisition	257 206 976
	11 295 552

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES**
**Notes to the consolidated financial statements for the year ended 31 December 2023**

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

**Non-Cash Transactions**

The impact of non-cash transactions resulting from the signing of the acquisition contract for Fancy Foods related to the balances of net assets of Fancy Foods As of June 1, 2023, on the balances of the Edita Food Industries Group has been excluded from the statement of cash flows, shown in the following table:

	<b>EGP</b>
Property, Plant and Equipment and Projects under constructions	394 914 980
Right of Use Assets	2 318 978
Inventory	1 075 426
Trade Receivables and Other Debit Balances	5 195 662
Loans	(95 055 818)
Lease Liability	(1 570 288)
Bank overdraft	(1 929 441)
Provisions	(3 543 392)
Trade Payable	(25 210 099)

**11. Trade and other receivables**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Trade receivables	101 632 255	71 455 565
Notes receivable	3 905 448	8 341 565
	<b>105 537 703</b>	<b>79 797 130</b>
Less: Expected credit loss of trade receivables	--	--
<b>Total</b>	<b>105 537 703</b>	<b>79 797 130</b>

**12. Debtors and other debit balances**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Advances to suppliers	467 610 451	290 881 092
Prepaid expenses	45 622 157	15 405 434
Deposits with others	24 213 630	20 472 048
Other debit balances	16 137 507	55 262 815
Withholding taxes	3 149 697	3 749 048
Value Added Tax – Morocco	46 060 325	--
Export Subsidies grant receivable	--	2 223 678
Government Grant-Edita Morocco	--	10 620 450
Letters of credit	500 004	4 494 765
Employee loans	237 520	236 308
<b>Total</b>	<b>603 531 291</b>	<b>403 345 638</b>

**13. Treasury bills**

	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Treasury bills par value</b>		
31 Days maturity	--	86 000 000
91 Days maturity	350 000 000	685 000 000
250- 364 Days maturity	--	150 000 000
	<b>350 000 000</b>	<b>921 000 000</b>
Unearned interest	(20 806 000)	(48 876 540)
<b>Amount of treasury bills paid</b>	<b>329 194 000</b>	<b>872 123 460</b>
Interest income recognized to profit or loss	17 238 739	22 517 981
<b>Treasury bills balance</b>	<b>346 432 739</b>	<b>894 641 441</b>



**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES**
**Notes to the consolidated financial statements for the year ended 31 December 2023**

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

The average effective interest rate related to treasury bills is 21.21%.

Based on Prime Minister decision number 4575 for the year 2023, the debt instruments issued by the Egyptian government and in Egyptian currency is exempted from Expected credit losses measurement.

**14. Cash and bank balances**

	31 December 2023	31 December 2022
Cash at banks and on hand	669 815 464	277 480 173
Time deposit*	265 184 932	--
Time deposit – Foreign currency**	74 903 077	216 907 051
<b>Cash and bank balances</b>	<b>1 009 903 473</b>	<b>494 387 224</b>

\* The average rate on time deposit is 15% with maturity less than a month.

\*\* The average rate on time deposit is 6% with maturity less than a month.

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

	31 December 2023	31 December 2022
Cash and bank balances	1 009 903 473	494 387 224
Bank overdraft (Note 25)	(596 722 472)	(501 662 587)
<b>Total</b>	<b>413 181 001</b>	<b>(7 275 363)</b>

**15. Share capital**

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

Previously, the issued and paid-up capital amounted to EGP 72 536 290 after trading distributed on 362 681 450 shares (par value EGP 0.2 per share) were distributed as follow:

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 EGP 72 536 290 to be EGP 145 072 580.

An increase amounted to EGP 72 536 290 distributed over 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.

On 4 April 2021 the extraordinary general assembly meeting approved to write off the treasury shares amounted 2 304 461. Accordingly, the share capital has been reduced by the par value of the treasury shares and the difference between the par value and the consideration paid to acquire those shares was absorbed in retained earnings.

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES****Notes to the consolidated financial statements for the year ended 31 December 2023**

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

On 26 November 2023 the extraordinary general assembly meeting approved to write off the treasury shares amounted 23 044 783. Accordingly, the share capital has been reduced by the par value of the treasury shares and the difference between the par value and the consideration paid to acquire those shares was absorbed in retained earnings.

Then the issued and paid-up capital amounted to EGP 140 002 7321 (par value EGP 0.2 per share) is distributed as follow as of 31 December 2023

<b>Shareholders</b>	<b>No. of shares</b>	<b>Shares value</b>	<b>Percentage of ownership</b>
Quantum Investment BV	308 527 188	61 705 438	44.07%
The Bank of New York Mellon "depository bank for shares traded in London Stock Exchange"	58 999 980	11 799 996	8.43%
Kingsway Fund Frontier Consumer Franchises	73 833 953	14 766 791	10.55%
RIMCO E G T Investment LLC	50 563 527	10 112 705	7.22%
Others (Public stocks)	208 089 008	41 617 801	29.72%
	<b>700 013 656</b>	<b>140 002 731</b>	<b>100%</b>

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

<b>Shareholders</b>	<b>No. of shares</b>	<b>Shares value</b>	<b>Percentage of ownership</b>
Quantum Investment BV	308 527 188	61 705 438	42.67%
The Bank of New York Mellon "depository bank for shares traded in London Stock Exchange"	84 594 650	16 918 930	11.70%
Kingsway Fund Frontier Consumer Franchises	65 896 445	13 179 289	9.11%
RIMCO E G T Investment LLC	38 685 105	7 737 021	5.35%
Treasury Shares	15 814 199	3 162 840	2.19%
Others (Public stocks)	209 540 852	41 908 170	28.98%
	<b>723 058 439</b>	<b>144 611 688</b>	<b>100%</b>

**Treasury shares**

On 4 April 2021 the extraordinary general assembly meeting approved to write off the treasury shares amounted 2 304 461. Accordingly, the share capital has been reduced by the par value of the treasury shares and the difference between the par value and the consideration paid to acquire those shares was absorbed in retained earnings.

According to Board of Director resolution on 2 August 2022 and 18 October 2022 the group purchased 15 814 199 shares from the stock market and held in treasury for a total consideration of EGP 160 827 557 the consideration paid has been accounted for as a reserve in the statement of shareholders' Equity.

According to Board of Director resolution on 16 March 2023 the group purchased 7 230 584 shares from the stock market and held in treasury for a total consideration of EGP 105 173 725 the consideration paid has been accounted for as a reserve in the statement of shareholders' Equity.

On 26 November 2023 the extraordinary general assembly meeting approved to write off the treasury shares amounted 23 044 783. Accordingly, the share capital has been reduced by the par value of the treasury shares and the difference between the par value and the consideration paid to acquire those shares was absorbed in retained earnings.

**16. Legal reserve**

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

**17. Transactions with non-controlling interest****17.a Changes in ownership interest in subsidiaries without change in control**

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

	<u>31 December 2023</u>	<u>31 December 2022</u>
Carrying amount of non-controlling interest acquired	23 165 685	23 165 685
Consideration paid to non-controlling interest	<u>(55 297 783)</u>	<u>(55 297 783)</u>
<b>Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity</b>	<u><b>(32 132 098)</b></u>	<u><b>(32 132 098)</b></u>

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

**Notes to the consolidated financial statements for the year ended 31 December 2023**

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

**17.b non-controlling interest**

	Assets			31 December	31 December
	Paid up capital	Legal reserves	revaluation reserve	Retained earnings	2022
<b>Balance as of 1 January</b>	35 225 024	593 603	38 162	5 140 395	689 847
Non-controlling share in profit of subsidiaries	--	--	--	(18 284 848)	(5 350 581)
share capital – Edita Morocco	24 800 009	--	--	--	14 986 994
Non-controlling share in net assets fair value of Edita Morocco	--	--	--	--	20 207 570
Non-controlling share in cumulative translation reserve	--	--	--	26 690 779	10 463 354
<b>Total comprehensive income for the year</b>	24 800 009	--	--	8 405 931	40 307 337
<b>Balance at year end</b>	<b>60 025 033</b>	<b>593 603</b>	<b>38 162</b>	<b>13 546 326</b>	<b>40 997 184</b>

**18. Loans**

	31 December 2023			31 December 2022		
	Non-current			Non-current		
	Current portion	portion	Total	Current portion	portion	Total
Loans	297 757 496	1 129 283 746	1 427 041 242	244 539 006	739 496 389	984 035 395
	<b>297 757 496</b>	<b>1 129 283 746</b>	<b>1 427 041 242</b>	<b>244 539 006</b>	<b>739 496 389</b>	<b>984 035 395</b>

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

	31 December 2023	31 December 2022
Balance due within 1 year	275 413 659	237 632 558
Accrued interest	22 343 837	6 906 448
	<b>297 757 496</b>	<b>244 539 006</b>

**(1) IFC loan obtained by Edita Participation Limited**

	2023			2022		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	portion	portion		portion	portion	
IFC loan	6 998 953	619 000 000	625 998 953	43 305 344	257 608 000	300 913 344
	<b>6 998 953</b>	<b>619 000 000</b>	<b>625 998 953</b>	<b>43 305 344</b>	<b>257 608 000</b>	<b>300 913 344</b>

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

	2023	2022
Balance due within 1 year	--	39 632 000
Accrued interest	6 998 953	3 673 344
	<b>6 998 953</b>	<b>43 305 344</b>

On 30 September 2023, Edita Food Industries S.A.E, Edita Participation Cyprus Limited and Edita For Trade & Distribution S.A.E "The Co-Borrowers" signed a loan agreement with International Finance Corporation with total amount of USD 45 million. to finance (i) the Group's working capital and capital expenditure program in Egypt and Morocco (ii) the Group's expansion plan in Egypt and internationally, and (iii) the refinancing of up to \$10 million Dollars of the loan provided by IFC to the Co-Borrowers under the loan agreement (the "2019 Loan Agreement") entered among the parties and dated May 26, 2019.

According to the loan Agreement, each of the Co-Borrowers shall be jointly and severally liable for all obligations of all the Co-Borrowers, If any Event of Default occurs and is continuing.

As of the financial statements date the outstanding balance as per Edita Participation Cyprus Limited amounted to USD 20 226 137.

**Terms of payments:**

The group is obligated to repay the withdrawn amounts on 13 equal semi-annual instalments. The first instalment is due in October 2025 and the last in October 2031.

**Interest:**

The interest rate is SOFR based on 180 days plus 3.3%.

**Fair value:**

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

**(2) Edita Food Industries**

	31 December 2023			31 December 2022		
	Current	Non-current	Total	Current	Non-current	Total
Fourth loan	20 357 361	--	20 357 361	40 000 000	20 000 000	60 000 000
Seventh loan	54 544 317	4 227 158	58 771 475	34 762 943	40 702 977	75 465 920
Eighth Loan	41 022 947	49 594 457	90 617 404	15 258 754	83 857 170	99 115 924
Ninth loan	41 621 076	41 214 756	82 835 832	14 122 163	75 209 377	89 331 540
Tenth Loan	32 085 831	14 375 274	46 461 105	17 667 379	40 730 195	58 397 574
Eleventh Loan	11 498 958	190 000 000	201 498 958	--	--	--
Twelfth loan	9 761 994	35 708 465	45 470 459	--	--	--
<b>Total</b>	<b>210 892 484</b>	<b>335 120 110</b>	<b>546 012 594</b>	<b>121 811 239</b>	<b>260 499 719</b>	<b>382 310 958</b>

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

	31 December 2023	31 December 2022
Balance due within 1 year	198 201 286	121 443 239
Accrued interest	12 691 198	368 000
<b>Total</b>	<b>210 892 484</b>	<b>121 811 239</b>

Borrower	Type of debt	Guaranties	Currency	Tenure	Interest rate
Fourth loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 220,000,000 and 6,000,000 Euro	EGP/USD	7 years with first installment in May 2017	0.5% above mid corridor rate of Central Bank of Egypt and average 4% above USD Libor rate 6 months.
Seventh loan	Loan	Cross corporate guarantee Digma Trading Company	EGP	7 years with first installment in Nov 2022	8 %
Eighth loan	Loan	Cross corporate guarantee Digma Trading Company	EGP	7 years with first installment in July 2023	8 %
Ninth loan	Loan	Cross corporate guarantee Digma Trading Company	EGP	7 years with first installment in Sep 2023	8 %
Tenth loan	Loan		EGP	7 years with first installment in June 2022	8%
Eleventh Loan	Loan		EGP	7 years with first installment in March 2024	0.5% above mid corridor rate of Central Bank of Egypt
Twelfth Loan	Loan	Cross corporate guarantee Edita for Trade and Distribution Company	EGP/USD	5 years with first instalment in July 2023	1% above mid corridor rate of Central Bank of Egypt and average 3% above USD SOFR rate 3 months

**(3) Edita for Trade and Distribution**

31 December 2023			31 December 2022		
Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
36 015 897	16 681 106	52 697 003	36 466 982	50 043 317	86 510 299
<b>36 015 897</b>	<b>16 681 106</b>	<b>52 697 003</b>	<b>36 466 982</b>	<b>50 043 317</b>	<b>86 510 299</b>

The due current portion is according to the following schedule:

	31 December 2023	31 December 2022
Balance due within 1 year	33 362 211	33 362 211
Accrued interest	2 653 686	3 104 771
	<b>36 015 897</b>	<b>36 466 982</b>

The company obtained a loan from a financial institution based on a cross corporate guarantee issued from Edita Food Industries Company amounted to EGP 155 million.

**Terms of payments:**

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

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

**(4) Edita Confectionery Industries Company**

31 December 2023			31 December 2022		
Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
--	--	--	4 128 333	--	4 128 333
--	--	--	4 128 333	--	4 128 333

The due current portion is according to the following schedule:

	31 December 2023	31 December 2022
Balance due within 1 year	--	4 000 000
Accrued interest	--	128 333
	--	<b>4 128 333</b>

**(5) Edita Food Industries Morocco:**

31 December 2023			31 December 2022		
Current portion	Non-Current Portion	Total	Current Portion	Non-current Portion	Total
43 850 162	158 482 530	<b>202 332 692</b>	38 827 108	171 345 353	<b>210 172 461</b>
<b>43 850 162</b>	<b>158 482 530</b>	<b>202 332 692</b>	<b>38 827 108</b>	<b>171 345 353</b>	<b>210 172 461</b>

The due current portion is according to the following schedule:

	31 December 2023	31 December 2022
Balance due within 1 year	43 850 162	38 827 108
	<b>43 850 162</b>	<b>38 827 108</b>

Pledge on the business goodwill (Nantissement du fonds de commerce) for an amount of MAD 104 000 000 (EGP 325 728 000)

Pledge on the equipment for an amount of MAD 38 374 676 (EGP 120 189 485).

#### Deferred government grant

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

The Deferred government grants is according to the following schedule:

	31 December 2023			31 December 2022		
	Current	Non-current	Total	Current	Non-current	Total
Seventh loan	1 858 544	2 614 040	4 472 584	2 281 071	4 057 431	6 338 502
Eighth loan	41 727	--	41 727	861 078	1 415 991	2 277 069
Ninth loan	475 935	698 953	1 174 888	588 420	1 200 392	1 788 812
Tenth loan	627 754	469 168	1 096 922	380 916	451 951	832 867
	<b>3 003 960</b>	<b>3 782 161</b>	<b>6 786 121</b>	<b>4 111 485</b>	<b>7 125 765</b>	<b>11 237 250</b>

	31 December 2023	31 December 2022
Government Grant – Investment subsidy –Edita Food Industries Morocco	13 434 278	9 786 843
	<b>13 434 278</b>	<b>9 786 843</b>

#### 19. Employee retirement benefit obligations

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

	31 December 2023	31 December 2022
Discount rate	15%	15.5%
Average salary increase rate	15%	15%
Turnover rate	14%	16%
Life table	52-49	52-49

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

	31 December 2023	31 December 2022
Present value of obligations	55 143 601	33 396 656
<b>Liability at the statement of financial position</b>	<b>55 143 601</b>	<b>33 396 656</b>

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

	31 December 2023	31 December 2022
Balance at beginning of the year	33 396 656	24 103 494
Interest expenses	5 009 498	3 736 042
Current service cost	13 526 416	8 113 982
<b>Total amount recognised in profit or loss</b>	<b>18 535 914</b>	<b>11 850 024</b>
Remeasurements: -		
Loss(gain) from change in assumptions	3 951 159	(1 581 166)
<b>Total amount recognized in other comprehensive income</b>	<b>3 951 159</b>	<b>(1 581 166)</b>
Paid during the year	(740 128)	(975 696)
<b>Balance at end of the year</b>	<b>55 143 601</b>	<b>33 396 656</b>



**Sensitivity in Defined Benefit Obligation: -**

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

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

The above sensitivity analyses are based on a change in discount rate while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the Consolidated balance sheet statement.

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

## **Notes to the consolidated financial statements for the year ended 31 December 2023**

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

### **20. Deferred income tax liability**

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

**Net deferred tax liabilities**

	Fixed assets	Acquiring Digma Company for Trading	Acquisition of Edita Frozen Foods	Deferred income losses	Other provisions	Unrealized foreign exchange loss	31 December 2023	31 December 2022
<b>Deferred tax assets</b>								
Balance at 1 January	--	--	--	24 708 040	20 415 391	8 016 277	53 139 708	13 012 438
Settlements – Edita Morocco	--	--	--	--	--	--	--	9 403 865
Acquisition of Subsidiary	--	--	--	--	22 535 491	--	22 535 491	--
Currency Translation	--	--	--	10 746 811	--	--	10 746 811	3 936 568
Charged to statement of profit or loss	--	--	--	(10 689 807)	10 795 123	(10 629 123)	(10 523 807)	26 786 874
<b>Ending balance</b>	--	--	--	<b>24 765 044</b>	<b>53 746 005</b>	<b>(2 612 846)</b>	<b>75 898 203</b>	<b>53 139 745</b>
<b>Deferred tax liabilities</b>								
Balance at 1 January	(245 676 793)	(2 133 245)	--	--	--	--	(247 810 038)	(218 895 209)
Other adjustments	--	--	--	--	--	--	--	1 095 334
Acquisition of Subsidiary	(7 937 479)	--	(45 322 607)	--	--	--	(53 260 086)	--
Charged to statement of profit or loss	(15 185 172)	240 424	--	--	--	--	(14 944 748)	(30 010 200)
<b>Ending balance</b>	<b>(268 799 444)</b>	<b>(1 892 821)</b>	<b>(45 322 607)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(316 014 872)</b>	<b>(247 810 075)</b>
<b>Net deferred tax liabilities</b>	<b>(268 799 444)</b>	<b>(1 892 821)</b>	<b>(45 322 607)</b>	<b>24 765 044</b>	<b>53 746 005</b>	<b>(2 612 846)</b>	<b>(240 116 669)</b>	<b>(194 670 330)</b>
Balance at 1 January	(245 676 793)	(2 133 245)	--	24 708 040	20 415 391	8 016 277	(194 670 330)	(205 882 771)
Other adjustments	--	--	--	--	--	--	--	1 095 334
Acquisition of Subsidiary	(7 937 479)	--	(45 322 607)	--	22 535 491	--	(30 724 595)	--
Settlements – Edita Morocco	--	--	--	--	--	--	--	9 403 865
Currency Translation	--	--	--	10 746 811	--	--	10 746 811	3 936 568
Charged to statement of profit or loss (Note 29)	(15 185 172)	240 424	--	(10 689 807)	10 795 123	(10 629 123)	(25 468 555)	(3 223 326)
<b>Ending balance</b>	<b>(268 799 444)</b>	<b>(1 892 821)</b>	<b>(45 322 607)</b>	<b>24 765 044</b>	<b>53 746 005</b>	<b>(2 612 846)</b>	<b>(240 116 669)</b>	<b>(194 670 330)</b>

**21. Lease Liabilities**

	<u>31 December 2023</u>	<u>31 December 2022</u>
<b>Commitments in relation to leases are payable as follows:</b>		
Within one year	27 964 271	25 116 275
Later than one year	114 294 984	72 177 334
Later than five year	99 410 484	91 595 792
<b>Minimum lease payments</b>	<b>241 669 739</b>	<b>188 889 401</b>
<b>The present value of lease liabilities are as follows:</b>		
Within one year	10 817 949	12 855 017
<b>Lease Liability - Current</b>	<b>10 817 949</b>	<b>12 855 017</b>
Later than one year	46 594 675	40 258 864
Later than five year	86 110 933	64 757 028
<b>Lease Liability – Non-current</b>	<b>132 730 234</b>	<b>105 015 892</b>
<b>Total Lease Liability</b>	<b>143 544 993</b>	<b>117 870 909</b>

**22. Provisions**

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at 1 January	72 714 381	33 978 251
Morocco – addition	-	91 308
Acquisition of new subsidiary	3 543 392	-
Additions during the year	38 728 138	39 747 480
Utilized during the year	(1 601 262)	(739 577)
Provision no longer required	(8 148 635)	(398 669)
Currency translation – Morocco	365 690	35 588
<b>Ending Balance as of</b>	<b>105 601 704</b>	<b>72 714 381</b>

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

**23. Bank overdraft**

	<u>31 December 2023</u>	<u>31 December 2022</u>
Bank overdraft	596 722 472	501 662 587
<b>Total</b>	<b>596 722 472</b>	<b>501 662 587</b>

Bank overdraft is an integral part of the Group's cash management to finance its working capital. The average interest rate for bank overdraft was 15.33% as of 31 December 2023 (31 December 2022: 8.23%).

**24. Trade and notes payables**

	<u>31 December 2023</u>	<u>31 December 2022</u>
Trade payables	800 619 528	527 630 461
Fixed assets payables	63 708 678	40 319 469
Notes payable	96 015 264	64 275 968
<b>Total</b>	<b>960 343 470</b>	<b>632 225 898</b>

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

**25. Creditors and other credit balances**

	<u>31 December 2023</u>	<u>31 December 2022</u>
Other credit balances	92 318 129	64 088 844
Accrued expenses	136 957 964	144 284 835
Taxes payable	55 821 890	48 693 231
Social insurance	10 159 886	9 165 163
Dividends payable	18 983 051	1 331 373
Deposits from others	7 355 312	6 081 555
Contract liabilities – accrued customer rebates	16 371 989	15 066 090
Advances from customers	19 944 824	27 928 540
<b>Total</b>	<b>357 913 045</b>	<b>316 639 631</b>

**26. Current income tax liabilities**

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at 1 January	198 667 784	30 584 092
Income tax paid during the year	(198 667 784)	(42 184 437)
Withholding tax receivable	(19 583 872)	(18 708 449)
Income tax for the year (Note 29)	481 879 027	287 988 253
Corporate income tax – advance payments	(70 570 205)	(69 102 192)
Tax on Treasury bills	-	11 602 122
Accrued interest – advance payments	(2 955 127)	(1 511 605)
<b>Balance at</b>	<b>388 769 823</b>	<b>198 667 784</b>

**27. Other income / expense**

	<u>31 December 2023</u>	<u>31 December 2022</u>
Export subsidies <sup>*(2)</sup>	50 555 320	20 805 218
Gain from disposal of property plant and Equipment	4 770 586	16 645 688
Income from government grant <sup>*(1)</sup>	4 447 524	5 636 545
Other income	11 306 516	7 347 219
<b>Total-Other Income</b>	<b>71 079 946</b>	<b>50 434 670</b>
Solidarity contribution	(28 617 940)	(33 558 543)
<b>Total Other expense</b>	<b>(28 617 940)</b>	<b>(33 558 543)</b>
<b>Net</b>	<b>42 462 006</b>	<b>16 876 127</b>

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

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

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

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

**2. Government export subsidy**

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

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

**28. Finance income / (cost) – net**

	<u>31 December 2023</u>	<u>31 December 2022</u>
<b>28.a Finance income</b>		
Interest income	210 632 251	110 242 998
Interest income – corporate tax advance payment	2 955 127	1 511 606
	<u>213 587 378</u>	<u>111 754 604</u>
<b>28.b Finance cost</b>		
Interest expense	(195 775 875)	(101 210 508)
Lease interest expenses	(16 113 015)	(9 507 086)
	<u>(211 888 890)</u>	<u>(110 717 594)</u>
<b>Finance income/cost - net</b>	<u>1 698 488</u>	<u>1 037 010</u>

**29. Income tax expense**

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

	<u>31 December 2023</u>	<u>31 December 2022</u>
Income tax for the year	481 879 027	287 988 253
Deferred tax expense for the year	25 468 556	3 223 327
Income Tax on Treasury Bills	36 699 072	20 225 343
<b>Total</b>	<u>544 046 655</u>	<u>311 436 923</u>

**30. Earnings per share****Basic**

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

	<b>31 December 2023</b>	<b>31 December 2022</b>
Profit attributed to owners of the parent	1 631 794 504	1 025 696 831
Employees' profit share*	(56 800 000)	(71 799 500)
	<b>1 574 994 504</b>	<b>953 897 331</b>
<b>Weighted average number of ordinary shares in issue</b>		
Ordinary shares	723 058 439	723 058 439
Treasury shares (Note 15)	(23 044 783)	(15 814 199)
<b>Weighted average number of ordinary shares</b>	<b>701 479 583</b>	<b>707 244 240</b>
<b>Basic earnings per share</b>	<b>2.25</b>	<b>1.35</b>

\* The Employees profit share is subject to the approval of the Board of Directors and General Ordinary assembly Meeting

**Diluted**

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

**31. Expenses by nature**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Cost of sales	8 151 309 352	5 033 938 556
Distribution cost	1 100 567 099	846 106 845
Administrative expenses	745 185 400	461 708 318
	<b>9 997 061 851</b>	<b>6 341 753 719</b>
Raw and packaging materials used	6 971 942 026	4 149 503 881
Salaries and wages	1 101 916 733	821 890 314
Advertising expense	496 625 939	363 584 526
Depreciation and amortization	284 406 181	229 235 066
Employees benefits	167 930 391	126 565 158
Other expenses	300 084 871	147 787 534
Gas, water, and electricity	154 960 673	119 008 148
Company's share in social insurance	71 001 509	58 337 455
Logistics expense	105 143 664	80 902 409
Transportation expense	74 249 255	66 267 558
Vehicle expense	95 788 620	70 316 384
Maintenance	91 158 820	60 718 496
Consumable materials	81 853 169	47 636 790
<b>Total cost of sales, distribution costs, and administrative expenses</b>	<b>9 997 061 851</b>	<b>6 341 753 719</b>

**32. Related parties**

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

**a. Due from related parties**

	<b>31 December 2023</b>	<b>31 December 2022</b>
La Marocaine De Distribution De Logistiqus (Dislog S.A)	54 057 426	62 072 443
<b>Total</b>	<b>54 057 426</b>	<b>62 072 443</b>

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

**b. Key management compensation**

During the year ended 31 December 2023, the Group incurred an amount of EGP 238 600 775 as benefits to the key management members (31 December 2022: EGP 153 492 086).

	<b>31 December 2023</b>		<b>31 December 2022</b>	
	<b>Non-executive / independent board members</b>	<b>Key management personnel</b>	<b>Non-executive / independent board members</b>	<b>Key management personnel</b>
Salaries and compensation	7 000 000	229 213 469	4 900 000	146 904 158
Allowances	--	2 114 800	--	1 442 400
Other benefit	--	272 506	--	245 528

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

- 54 -



Operating profit reconciles to net profit as follows:

(Amounts presented in thousand EGP)

	<u>31 December 2023</u>	<u>31 December 2022</u>
<b>Operating profit</b>	2 128 935	1 329 377
Foreign Exchange Gain/Losses	44 116	34 991
Finance cost	(211 889)	(110 747)
Finance income	213 587	111 755
Loss / Gain from joint ventures	--	26 803
Fair value gain/(loss) on investments at fair value through profit or loss	--	(22 172)
Other income/expenses	(17 197)	(38 223)
Income tax	(544 047)	(311 437)
<b>Net profit</b>	<u>1 613 507</u>	<u>1 020 346</u>

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

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

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

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

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

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

#### 34. Fair value measurement

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

In the principal market for the asset or liability, or

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

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

The table below shows the financial assets and liabilities at fair value in the consolidated financial statements at 31 December 2023 within the hierarchy of the fair value, based on the input levels that are considered to be significant to the fair value measurement as a whole:

Level 1 - Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities, which the Company can have access to at the date of measurement.

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

Level 3- Unobservable inputs of the asset or the liability.

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

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

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

Fair value of bank loans:

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

Fixed interest-bearing loans:

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

The fair value is determined to be as follows:

	31 December 2023		31 December 2022	
	Fair value at reporting date	Carrying amount	Fair value at reporting date	Carrying amount
Seventh loan	63 177 684	58 771 475	80 431 297	75 465 920
Eighth loan	87 619 229	90 617 404	95 257 062	99 115 924
Ninth loan	79 758 634	82 835 832	86 579 417	89 331 540
Tenth loan	46 252 152	46 461 105	58 779 116	58 397 574

Fair value of investment at fair value through profit or loss was determined using market comparison technique.

The valuation model is based on identical instruments in an inactive market. This is a level 2 recurring Fair value measurement using significant observable input.

### 35. Cash flow information

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

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

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

	31 December 2023	31 December 2022
Net book value of the assets disposed	1 265 077	37 276 696
Gain on disposal of property, plant, and equipment (Note 27)	4 770 586	16 645 688
	<b>6 035 663</b>	<b>53 922 384</b>

**36. Contingent liability****(1) Edita Food Industries Company**

The Company guarantees Edita for Trade & Distribution 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 267 893 918 as of 31 December 2023, (31 December 2022: EGP 312 623 934).

**(2) Edita for Trade & Distribution Company**

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

The Company had contingent liabilities in respect of letters of guarantee and letters of credit as at 31 December 2023 EGP 1 250 000 (31 December 2022: EGP 1 500 000).

**(3) Edita Confectionary Industries Company**

On 31 December 2023, the Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business amounted to EGP 3 509 983 (31 December 2022: EGP 5 282 085).

**37. Capital Commitments**

The Group has capital commitments as of 31 December 2023 of EGP 988 million (31 December 2022: EGP 97 M) in respect of capital expenditure.

**38. Tax position**

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

**Edita Food Industries Company****a) Corporate tax**

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

**b) Payroll tax**

- The payroll tax inspection was performed till 31 December 2019 and company paid tax due.
- As for the years 2020 till 2023 the tax inspection has not been performed and the company is submitting the tax forms and annual payroll reconciliations on due time to the Tax Authority.

**c) Value added tax**

- The company is submitting the monthly forms on time according to law 67 for the year 2016 and its regulations.
- The sales tax inspection was performed till 31 December 2019 and tax due was paid.
- The year 2020 the tax inspection was finalized and settled.
- For the year 2021 - 2023 the tax inspection has not been performed and the company is submitting monthly tax returns on due time to the Tax Authority.

**d) Stamp duty tax**

- The stamp duty tax inspection was performed till 2020 and all due tax amounts paid.
- The years from 2021 to 2023 tax inspection has not been inspected.

**Edita for Trade & Distribution Company**

**a) Corporate tax**

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

**b) Payroll tax**

- The tax inspection was performed until 31 December 2014 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- For the years from 2015 to 2019 the company finalized the tax inspection, and it had been settled and paid
- As for the years 2020 till 2023 the tax inspection has not been performed and the company is submitting quarterly tax forms on due time to the Tax Authority.

**c) Value added tax**

- The tax inspection was performed until 31 December 2020 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The years 2021 and 2023 the Company submits its monthly sales VAT return on due date.

**d) Stamp tax**

- The tax inspection was performed for the year from the Company's inception until 31 December 2020 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority
- The Company has not been inspected for the years from 2021 and 2023.

**Edita Confectionary Industries Company**

**a) Corporate tax**

- The Company is subject to corporate income tax according to tax Law No. 91 of 2005 and adjustments.
- The corporate tax inspection was performed for the years from 2010 to 2016 and the difference was settled.
- The corporate tax inspection was performed for the years from 2017 to 2019 and the difference was settled.
- The company hasn't been inspected for the years from 2020 to 2022 and the Company submitted its tax returns to Tax Authority on due dates.

**b) Payroll Tax**

- The payroll tax inspection was performed for the years from 2009 to 2019 and the tax due was paid to the Tax Authority.
- The company has not been inspected for the year from 2020 to 2023.

**c) Value added tax**

- The tax inspection was performed for the year from the Company's inception until 2020 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The company has not been inspected for the years from 2021 -2023 and the Company submits its monthly VAT tax return on due date.

**d) Stamp Tax**

- The stamp tax inspection was performed from 2009 to 2020 and the tax due was paid to the Tax Authority.

- The Company has not been inspected for the year from 2021 and 2023.

**Edita Frozen Foods Industries Company**

**a) Corporate tax**

- The Company is subject to the corporate income tax according to tax Law No. 91 of 2005 and adjustments.
- The corporate tax inspection was not performed for the years from 2015 to 2022 as the company has a carry forward loss.

**b) Payroll Tax**

- The payroll tax inspection was performed for the years from 2015 to 2021 and the tax due was paid to the Tax Authority.
- The company hasn't been inspected for the years 2022 – 2023.

**c) Value added tax**

- The company hasn't been inspected for the years from 2015 -2022 and the Company submits its monthly VAT tax return on due date.

**d) Stamp Tax**

- The stamp tax inspection was performed and settled from 2015 to 2022.
- The inspection had not been inspected for the year 2023

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

- On March 28, 2023, the ordinary general assembly of the company's shareholders was held, and it approved the financial statements for the year ended December 31, 2022 and approved the dividends distribution to shareholders of EGP 400 million along with employee dividends amounted to EGP 71.9 Million for Edita Food Industries and its subsidiaries employees.
- The Monetary Policy Committee of the Central Bank of Egypt decided, in its meeting on Thursday, March 30, 2023, to raise the overnight deposit and lending yield and the price of the main operation of the Central Bank by 200 basis points, to reach 18.25, 19.25 and 18.75%, respectively. The credit and discount rate was also raised by 200 basis points to reach my rate 18.75%
- The Board of Directors agreed, in its session on May 29, 2023, the purchase of 100% of "Fancy Foods Company for Food Industries S.A.E.". The deal was closed on June 13, 2023, through registering the sale and transfer of "Fancy Foods Company for Food Industries S.A.E." purchased shares to "Edita Food Industries S.A.E" before the EGX in accordance with the applicable laws and regulations.
- According to Digma (S.A.E) extraordinary general meeting dated 13 February 2023, article no. (2) of the company articulation had been amended where the company name from Digma trading (S.A.E) to Edita for trading and distribution (S.A.E) and it was registered in the commercial register on 22 May 2023.
- The Monetary Policy Committee of the Central Bank of Egypt decided, in its meeting on Thursday, August 3, 2023, to raise the overnight deposit and lending yield and the price of the main operation of the Central Bank by 100 basis points, to reach 19.25, 20.25 and 19.75%, respectively. The credit and discount rate were also raised by 100 basis points to reach 19.75%.
- During the current period the company signed a loan agreement with National Bank of Kuwait with total amount of EGP 200 000 000 to finance/refinance of "Fancy foods S.A.E" CAPEX expenditure. The loan has not been disbursed until the consolidated financial statement date.

- On 30 September 2023, Edita Food Industries S.A.E, Edita Participation Cyprus Limited and Edita For Trade & Distribution S.A.E "The Co-Borrowers" signed a loan agreement with International Finance Corporation with total amount of USD 45 million. to finance (i) the Group's working capital and capital expenditure program in Egypt and Morocco (ii) the Group's expansion plan in Egypt and internationally, and (iii) the refinancing of up to \$10 million Dollars of the loan provided by IFC to the Co-Borrowers under the loan agreement (the "2019 Loan Agreement") entered among the parties and dated May 26, 2019.
- The Board of Directors agreed, in its session on October 10, 2023, to reduce the capital of the Company from EGP 144 611 687 to EGP 140 002 731 by way of write off the treasury shares of the company in total of 23 044 783 share.
- On November 5, 2023, the ordinary general assembly of Edita Food Industries' shareholders was held, and it approved the profit share distribution from the retained earning appearing on the financial statements for the year ended December 31, 2022, to shareholders of EGP 299 700 000 million and employee dividend distribution of EGP 33 300 000 million.
- On November 5, 2023, the ordinary general assembly of the Edita for Trade and Distribution's shareholders was held, and it approved the profit share distribution from the retained earning appearing on the financial statements for the year ended December 31, 2022, as employee dividend distribution of EGP 11 200 000.
- On 26 November 2023 the extraordinary general assembly meeting approved to write off the treasury shares amounted 23 044 783. Accordingly, the share capital has been reduced by the par value of the treasury shares and the difference between the par value and the consideration paid to acquire those shares was absorbed in retained earnings.

#### **40. Subsequent Events**

The Central Bank's Monetary Policy Committee decided at its meeting on Thursday, February 1, 2024, to raise the overnight deposit and lending rates and the central bank main transaction by 200 basis points to 21.25%, 22.25% and 21.75%, respectively. Also, credit and discount rates had been raised by 200 basis points to reach 21.75%.