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

REVIEW REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020

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

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

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Review report

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

Introduction

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

Scope of review

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

Conclusion

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

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

PricewaterhouseCoopers Ezzeldeen, Diab & Co.
pwc

11 May 2020
Cairo

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

Consolidated statement of financial position - As of 31 March 2020

(All amounts in Egyptian Pounds)

	Note	31 March 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	5	2,136,801,599	1,993,845,097
Right of use assets	6	89,039,032	-
Intangible assets	7	168,546,112	168,276,650
Total non-current assets		**2,394,386,743**	**2,162,121,747**
Current assets			
Inventories	8	305,993,280	295,420,425
Trade and other receivables	10	184,194,250	204,193,093
Treasury bills	11	537,934,089	548,192,500
Cash and bank balances	12	61,081,437	153,615,452
Total current assets		**1,089,203,056**	**1,201,421,470**
Total assets		**3,483,589,799**	**3,363,543,217**
Equity and liabilities			
Equity attributable to owners of the parent			
Paid up capital	13	145,072,580	145,072,580
Legal reserve	14	78,233,972	78,233,972
Cumulative translation reserve		(2,407,900)	(202,760)
Transactions with non-controlling interest	15	(32,132,098)	(32,132,098)
Retained earnings		1,348,971,749	1,458,283,248
		1,537,738,303	**1,649,254,942**
Non-controlling interest	15	33,832,779	36,424,222
Total equity		**1,571,571,082**	**1,685,679,164**
Liabilities			
Non-current liabilities			
Term loans	16	601,357,805	605,756,771
Employee benefit obligations	17	13,744,652	11,600,000
Deferred income tax liabilities	18	165,067,441	167,800,747
Lease liabilities	19	74,571,664	-
Total non-current liabilities		**854,741,562**	**785,157,518**
Current liabilities			
Provisions	20	27,300,916	21,221,845
Bank overdraft	21	153,758,741	120,096,127
Trade and other payables	22	671,000,878	502,314,867
Current portion of term loans	16	129,001,399	185,887,584
Current income tax liabilities	23	62,476,548	63,186,112
Lease liabilities	19	13,738,673	-
Total current liabilities		**1,057,277,155**	**892,706,535**
Total liabilities		**1,912,018,717**	**1,677,864,053**
Total equity and liabilities		**3,483,589,799**	**3,363,543,217**

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

Mr. Sameh Naguib
Vice President - Finance

Eng. Hani Berzi
Chairman

11 May 2020
Giza

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

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

(All amounts in Egyptian Pounds)

	Note	31 March 2020	31 March 2019
Revenue		964,071,365	982,181,168
Cost of sales	29	(623,936,651)	(630,801,751)
Gross profit		**340,134,714**	**351,379,417**
Other income	24	28,766,424	5,041,002
Distribution cost	29	(173,875,245)	(113,944,941)
Administrative expenses	29	(77,423,046)	(66,343,651)
Other losses - Net	25	(12,757,575)	(13,835,394)
Finance cost - Net	26	3,295,141	(734,708)
Profit before income tax		**108,140,413**	**161,561,725**
Income tax expense	27	(25,073,586)	(36,632,168)
Net profit for the period		**83,066,827**	**124,929,557**
Profit is attributable to			
Owners of the parent		83,861,081	123,606,493
Non-controlling interest		(794,254)	1,323,064
Net profit for the period		**83,066,827**	**124,929,557**
Basic and Diluted earnings per share	**28**	**0.12**	**0.17**

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

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

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

(All amounts in Egyptian Pounds)

	31 March 2020	31 March 2019
Net profit for the period	83,066,827	124,929,557
Other comprehensive income		
Exchange items that may be reclassified to profit or loss		
differences in translation of foreign operations	(4,002,329)	(23,637)
Total comprehensive income for the period	**79,064,498**	**124,905,920**
Attributable to		
Owners of the parent	81,655,942	123,582,856
Non-controlling interest	(2,591,444)	1,323,064
Total comprehensive income for the period	**79,064,498**	**124,905,920**

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

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

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

(All amounts in Egyptian Pounds)

	Paid up capital	Legal reserve	Cumulative translation reserve	Transactions with non-controlling interest	Retained earnings	Total Owners of the parent	Non-controlling interest	Total owners' equity
Balance at 1 January 2019	145,072,580	73,265,674	16,103	-	1,239,654,874	1,458,009,231	23,829,451	1,481,838,682
Change of equity in 2019								
Net Profit for the period	-	-	-	-	123,606,493	123,606,493	1,323,064	124,929,557
Other comprehensive income for the period	-	-	(23,637)	-	-	(23,637)	-	(23,637)
Non - Controlling interest share in establishment of subsidiaries	-	-	-	-	-	-	10,003,534	10,003,534
Total comprehensive income for the period	-	-	(23,637)	-	123,606,493	123,582,856	11,326,598	134,909,454
Shareholders transactions								
Dividends distribution for 2018	-	-	-	-	(186,635,000)	(186,635,000)	-	(186,635,000)
Total shareholders transactions	-	-	-		(186,635,000)	(186,635,000)	-	(186,635,000)
Balance at 31 March 2019	145,072,580	73,265,674	(7,534)	-	1,176,626,367	1,394,957,087	35,156,049	1,430,113,136
Balance at 1 January 2020	145,072,580	78,233,972	(202,760)	(32,132,098)	1,458,283,248	1,649,254,942	36,424,222	1,685,679,164
Change of equity in 2020								
Net Profit for the period	-	-	-	-	83,861,081	83,861,081	(794,254)	83,066,827
Other comprehensive income for the period	-	-	(2,205,140)	-	-	(2,205,140)	(1,797,189)	(4,002,329)
Total comprehensive income for the period	-	-	(2,205,140)	-	83,861,081	81,655,941	(2,591,443)	79,064,498
Shareholders transactions								
Transactions with non-controlling interest	-	-	-	-	-	-	-	-
Dividends distribution for 2019	-	-	-	-	(193,172,580)	(193,172,580)	-	(193,172,580)
Total shareholders transactions	-	-	-	-	(193,172,580)	(193,172,580)	-	(193,172,580)
Balance at 31 March 2020	145,072,580	78,233,972	(2,407,900)	(32,132,098)	1,348,971,749	1,537,738,303	33,832,779	1,571,571,082

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

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

(All amounts in Egyptian Pounds)	Notes	31 March 2020	31 March 2019
Cash flows from operating activities			
Profit for the period before income tax		**108,140,413**	**161,561,725**
Adjustments for:			
Provisions	25	6,079,375	8,451,180
Employee benefit obligation	25	2,250,000	1,064,496
Interest expense	26	23,305,329	23,670,732
Interest income	26	(19,689,060)	(13,479,255)
Interest income - corporate tax advances	25		
Depreciation and amortization		44,329,890	36,619,357
Provision of slow moving inventory	25	205,500	191,179
Gain from sale of property, plant and equipment	25	(68,655)	(40,278)
Provision no longer required	25	-	(170,430)
Foreign exchange gains		(7,524,778)	-
		157,028,014	**217,868,706**
Inventories		(10,778,355)	37,900,035
Trade and other receivables		19,998,843	(21,630,724)
Trade and other payables		(24,486,569)	17,398,299
Provisions used		(304)	(3,601,851)
Payments of employee benefit obligations		(105,348)	(478,151)
Dividends paid to Company's employees			-
Cash generated from operating activities		**141,656,281**	**247,456,314**
Interest paid		(15,875,492)	(23,521,320)
Income tax paid		(28,703,937)	(5,675,561)
Net cash flows generated from operating activities		**97,076,852**	**218,259,433**
Cash flows from investing activities			
Prepayments on future investments in subsidiary		-	
Payment for purchase of property, plant and equipment and Intangible assets		(187,684,928)	(65,752,849)
Proceeds from sale of property, plant and equipment	5	68,689	150,031
Payments to acquire non-controlling interest		-	(55,297,782)
Cash acquired on establishment of subsidiary		-	10,850,159
Interest received		525,290	358,308
Payment for purchase of treasury bills		(30,596,700)	-
Proceeds from sale of treasury bills		-	297,450,000
Net cash flows used in investing activities		**(217,687,649)**	**187,757,867**
Cash flows from financing activities			
Dividends paid to shareholders			
Proceeds from non-controlling interest on the establishment of subsidiary		-	10,003,534
Lease Payments		(4,006,658)	-
Repayments of borrowings		(57,311,143)	(75,334,647)
Proceeds from borrowings		-	-
Net cash flows used in financing activities		**(61,317,801)**	**(65,331,113)**
Net (decrease) / increase in cash and cash equivalents		**(181,928,598)**	**340,686,187**
Cash and cash equivalents at beginning of the period		93,538,206	44,453,178
Effect of exchange rate on cash and cash equivalents		(4,286,912)	(23,637)
Cash and cash equivalents at end of the period	12	**(92,677,304)**	**385,115,728**

	31 March 2020	31 March 2019
Non-cash transaction		
Dividends declared not yet settled	193,172,580	186,635,000

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

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

1. General information

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

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

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

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

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

2. Accounting policies

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

A. Basis of preparation

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

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

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

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

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

Basis of preparation (continued)

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group 31 March 2020	Ownership interest held by the group 31 December 2019	Ownership interest held by non-controlling interests 31 March 2020	Ownership interest held by non-controlling interests 31 December 2019
Digma for trading	Egypt	99.8%	99.8%	0.2%	0.2%
Edita Confectionery Industries	Egypt	99.98%	99.98%	0.02%	0.02%
Edita participation limited	Cyprus	100%	100%	-	-
Edita Food Industries Morocco	Morocco	51%	51%	49%	49%

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

Name of subsidiary	Total Assets 31 March 2020	Total Equity 31 March 2020	Total Sales 31 March 2020	Net Profit / (loss) 31 March 2020
Digma for trading	411,973,411	174,875,901	904,396,391	(14,146,477)
Edita Confectionery Industries	206,280,901	121,935,993	42,032,115	1,080,614
Edita participation limited	41,260,786	(5,042,120)	-	(569,045)
Edita Food Industries Morocco	91,211,916	67,601,604	-	(1,564,133)

Name of subsidiary	Total Assets 31 March 2019	Total Equity 31 March 2019	Total Sales 31 March 2019	Net Profit / (loss) 31 March 2019
Digma for trading	332,962,049	252,305,600	899,239,318	10,473,852
Edita Confectionery Industries	197,826,474	112,506,708	40,528,882	6,458,274
Edita participation limited	17,635,841	(2,272,637)	-	(70,720)
Edita Food Industries Morocco	20,519,317	20,134,901	-	(280,474)

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

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

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

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

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

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

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

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

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

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

The group does not have investments in equity instruments.

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

Impairment of financial assets
The group has three types of financial assets that are subject to EAS 47's new expected credit loss model:
- Balances with banks
- Trade receivables and other debit balances
- Financial assets at amortized cost

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

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

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

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

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

Financial asset at amortized cost- treasury bills

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

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

B) EAS No. (48) – "Revenue from contracts with customers":

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

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

a. Impact

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

b. Mandatory application date / implementation date by the Group

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

C) EAS No. (49) – "Leases":

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

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

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

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

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

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

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

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

	31 December 201٩	Impact of EAS 49	1 January 2020
Assets			
Non-current assets			
Property, plant and equipment	1,993,845,097	-	1,993,845,097
Right of use assets	-	56,235,707	56,235,707
Intangible assets	168,276,650	-	168,276,650
Total non-current assets	**2,162,121,747**	**56,235,707**	**2,218,357,454**
Current assets			
Inventories	295,420,425	-	295,420,425
Trade and other receivables	204,193,093	-	204,193,093
Treasury bills	548,192,500		548,192,500
Cash and bank balances	153,615,452	-	153,615,452
Total current assets	**1,201,421,470**	**-**	**1,201,421,470**
Total assets	**3,363,543,217**	**56,235,707**	**3,419,778,924**
Equity and liabilities			
Equity			
Paid up capital	145,072,580	-	145,072,580
Legal reserve	78,233,972	-	78,233,972
Cumulative translation reserve	(202,760)	-	(202,760)
Transactions with non-controlling interest	(32,132,098)	-	(32,132,098)
Retained earnings	1,458,283,248	-	1,458,283,248
	1,649,254,942	**-**	**1,649,254,942**
Non-controlling interest	36,424,222	-	36,424,222
Net equity	**1,685,679,164**	**-**	**1,685,679,164**
Liabilities			
Non-current liabilities			
Term loans	605,756,771		605,756,771
Employee benefit obligations	11,600,000		11,600,000
Deferred income tax liabilities	167,800,747		167,800,747
Lease liabilities	-	46,875,581	46,875,581
Total non-current liabilities	**785,157,518**	**46,875,581**	**823,033,099**
Current liabilities			
Provisions	21,221,845	-	21,221,845
Bank overdraft	120,096,127		120,096,127
Trade and other payables	502,314,867		502,314,867
Current portion of term loans	185,887,584	-	185,887,584
Current income tax liabilities	63,186,112	-	63,186,112
Lease liabilities	-	9,360,126	9,360,126
Total current liabilities	**892,706,535**	**9,360,126**	**902,066,661**
Total liabilities	**1,677,864,053**	**56,235,707**	**1,734,099,760**
Total liabilities and equity	**3,363,543,217**	**56,235,707**	**3,419,778,924**

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

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

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

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

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

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

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

Transition

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

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

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

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

Significant judgements upon adoption EAS 49

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

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

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

Extension and termination options are included in a number of property leases across the group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of termination options held are exercisable only by the group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise a termination option. Years after termination options are only included in the lease term if the lease is reasonably certain not to be terminate.

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

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

Operating lease commitments as of 31 December 2019	118,273,427
Total undiscounted lease payments which are reasonably certain	**118,273,427**
Discounting effect using incremental borrowing rate	(62,037,720)
EAS 49 Lease liability recognized on balance sheet as of 1 January 2020	**56,235,707**
EAS 49 lease liability presented as:	
Non-current	46,875,581
Current	9,360,126
	56,235,707

C. Basis of consolidation

i. Subsidiaries

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

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

1.1 Acquisition method

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

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

Basis of consolidation (continued)

Acquisition-related costs are expensed as incurred.

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

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

1.2 Changes in ownership interests in subsidiaries without change of control

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

1.3 Disposal of subsidiaries

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

1.4 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree 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.

Basis of consolidation (continued)

1.5 Measurement period:

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

ii. Associates

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

2.1 Equity accounting method

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

2.2 Changes in owner's equity

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

2.3 The losses of an associate:

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

2.4 Transactions with associates

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

Basis of consolidation (continued)

2.5 Goodwill arisen from investments in associates

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

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

D. Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

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

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

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

Foreign currency translation (continued)

(3) Group companies

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

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

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

All resulting exchange differences are recognised in other comprehensive income.

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

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

E. Property, plant and equipment

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

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

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

Estimated useful lives of assets are as follows:

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

Property, plant and equipment (continued)

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

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

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

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

F. Intangible assets

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

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

Computer software

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

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

Impairment of non-financial assets

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

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

Intangible assets (continued)

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

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

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

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

G. Inventories

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

H. Financial assets under EAS 47

(1) Classification

From 1 January 2020, the group classifies its financial assets in the following measurement categories:

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

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

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

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

Financial assets under EAS 47 (continued)

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

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

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

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

I. Export Subsidy

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

J. Cash and cash equivalents

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

K. Share capital

Ordinary shares are classified as equity.

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

L. 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.

M. Borrowings

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

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

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

N. Borrowings costs

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

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

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

O. 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.

Current and deferred income tax (continued)

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

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

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

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

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

P. Employee benefits

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

a. Pension obligations

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

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

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

Employee benefits (continued)

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

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

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

b. Termination benefits

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

c. Profit-sharing and bonus plans

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

Q. 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

Provisions (continued)

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

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

R. Contingent assets

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

S. Trade payables & other credit balances

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

T. Revenue recognition

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

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

(1) Sales of goods – wholesale
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.

Revenue recognition (continued)

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

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

U. Dividend Distribution

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

V. 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.

W. Comparative figures

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

3. Financial risk management

(1) Financial risk factors

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

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

Financial risk management (continued)

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

(A) Market risk

(i) Foreign currency exchange risk

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

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

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

	31 March 2020	31 March 2019
Amounts recognised in profit or loss		
Net foreign exchange gain/(loss) included in finance cost	6,911,410	9,456,769
	6,911,410	**9,456,769**
Net gain / (loss) recognised in comprehensive income		
Foreign currency translation reserve net of tax	(4,002,329)	(23,637)
	(4,002,329)	**(23,637)**

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

	31 March 2020			31 December 2019
	Assets	Liabilities	Net	Net
Euros	25,857,720	(24,021,556)	**1,836,164**	**5,362,588**
MAD	31,632,771	(20,980,281)	**10,652,490**	**55,859,032**
US Dollars	21,096,203	(474,610,063)	**(453,513,860)**	**(379,443,760)**

Financial risk management (continued)

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

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

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

MAD/EGP
At 31 March 2020, if the Egyptian Pounds had weakened / strengthened by 10% against the MAD with all other variables held constant, post-tax profit for the period would have been EGP 1,065,249 (2019: EGP 5,585,903) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

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

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

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

At 31 March 2020, if interest rates on Egyptian pound -denominated net interest bearing liabilities had been 1% higher/lower with all other variables held constant, post-tax profit for the period would have been EGP 8,841,179 (2019: EGP 9,117,404) lower/higher interest expense on floating rate borrowings.

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

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

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

Financial risk management (continued)

(B) Credit risk

(i) Risk management

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

(ii) Security

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

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

(iii) Credit quality

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

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

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

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

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

Trade receivables

Counter parties without external credit rating:

	31 March 2020	31 December 2019
Trade and notes receivables	41,209,977	52,997,688
Total	**41,209,977**	**52,997,688**

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.

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

Financial risk management (continued)

(C) Liquidity risk

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

The table below summarizes the maturities of the Group's undiscounted financial liabilities at 31 March 2020 based on contractual payment dates and current interest rates as we had excluded the taxes payable, advances from customers and social insurance:

At 31 March 2020	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
Loans	38,153,727	78,945,007	359,443,215	241,914,590
Future interest payments	15,356,491	38,763,736	42,994,400	53,591,267
Trade and other payables	557,387,635	-	-	-
Bank overdraft	153,758,741	-	-	-
Notes payable	66,373,367	-	-	-
Lease liabilities	7,891,469	8,296,329	16,464,002	140,366,279
Total	**838,921,430**	**126,005,072**	**418,901,617**	**435,872,136**
At 31 December 2019				
Loans	89,454,468	89,454,468	355,992,164	249,764,534
Future interest payments	34,870,958	30,438,190	74,038,278	25,535,291
Trade and other payables	329,103,742	-	-	-
Bank overdraft	120,096,127	-	-	-
Notes payable	128,454,135	-	-	-
Total	**701,979,430**	**119,892,658**	**430,030,442**	**275,299,825**

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

(2) Capital risk management

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

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

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

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

Financial risk management (continued)

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

	31 March 2020	31 December 2019
Total Borrowings	730,359,204	791,644,355
Bank Overdraft	153,758,741	120,096,127
Total Loans and overdraft	**884,117,945**	**911,740,482**
Less: Cash and bank balances	(61,081,437)	(153,615,452)
Net debt	**823,036,508**	**758,125,030**
Total equity	1,571,571,082	1,685,679,164
Total capital	**2,394,607,590**	**2,443,804,194**
Gearing ratio	**34%**	**31%**

The increase in gearing ratio during the period mainly due to decrease in the Cash and bank balances.

Loan covenants

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

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

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

(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

(A) Critical accounting estimates and assumptions

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

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

Impairment of infinite life intangible assets (trade mark and know how)
The group tests whether infinite life intangible assets has suffered any impairment on an annual basis.

The recoverable amount of a cash generating unit (CGU) is determined based on a value of in use calculations which require the use of assumptions (Note 6).

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

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

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

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

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

Critical accounting estimates and judgments (continued)

Determining the lease term

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

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

Notes to the consolidated financial statements
for the three months period ended 31 March 2020
(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

5. Property, plant and equipment

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
At 1 January 2019								
Cost	120,908,260	923,888,177	1,078,533,044	180,898,627	114,492,877	93,232,774	23,192,134	**2,535,145,893**
Accumulated depreciation	-	(130,284,458)	(291,222,934)	(94,793,529)	(67,204,822)	(67,402,696)	-	**(650,908,439)**
Net book amount	**120,908,260**	**793,603,719**	**787,310,110**	**86,105,098**	**47,288,055**	**25,830,078**	**23,192,134**	**1,884,237,454**
Period ended 31 December 2019								
Opening net book amount	120,908,260	793,603,719	787,310,110	86,105,098	47,288,055	25,830,078	23,192,134	1,884,237,454
Additions	-	-	1,500,526	101,691,246	13,494,593	7,037,855	153,441,865	**277,166,085**
Depreciation charge	-	(36,878,264)	(54,658,223)	(27,651,032)	(17,854,912)	(12,397,450)	-	**(149,439,881)**
Impairment loss	-	-	(16,593,500)	-	-	-	-	(16,593,500)
Accumulated depreciation of disposals	-	35,486	57,000	7,951,478	497,845	13,623	-	**8,555,432**
Disposals	-	(44,175)	(570,000)	(8,954,850)	(497,845)	(13,623)	-	**(10,080,493)**
Transfers from Projects under construction	-	14,947,749	50,853,284		5,852,636	5,709,229	(77,362,898)	-
Closing net book amount	**120,908,260**	**771,664,515**	**767,899,197**	**159,141,940**	**48,780,372**	**26,179,712**	**99,271,101**	**1,993,845,097**
At 31 December 2019								
Cost	120,908,260	938,791,751	1,130,316,854	273,635,023	133,342,261	105,966,235	99,271,101	2,802,231,485
Accumulated depreciation	-	(167,127,236)	(362,417,657)	(114,493,083)	(84,561,889)	(79,786,523)	-	(808,386,388)
Net book amount	**120,908,260**	**771,664,515**	**767,899,197**	**159,141,940**	**48,780,372**	**26,179,712**	**99,271,101**	**1,993,845,097**
Period ended 31 March 2020								
Opening net book amount	**120,908,260**	**771,664,515**	**767,899,197**	**159,141,940**	**48,780,372**	**26,179,712**	**99,271,101**	**1,993,845,097**
Additions	-	-	53,500	62,647,611	5,379,186	5,117,663	113,580,338	**186,778,298**
Depreciation charge	-	(9,364,715)	(13,862,958)	(11,730,074)	(4,920,211)	(3,042,696)	-	**(42,920,654)**
Accumulated depreciation of disposals	-	-	-	239,000	796,207	1,210	-	**1,036,417**
Disposals	-	-	-	(239,000)	(796,241)	(1,210)	-	**(1,036,451)**
Translation of foreign operations	-	-	-	-	-	-	(901,108)	**(901,108)**
Transfers from Projects under construction	-	15,758,960	6,612,924	-	23,353	-	(22,395,237)	-
Closing net book amount	**120,908,260**	**778,058,760**	**760,702,663**	**210,059,477**	**49,262,666**	**28,254,679**	**189,555,094**	**2,136,801,599**
At 31 March 2020								
Cost	120,908,260	954,550,711	1,136,983,278	336,043,634	137,948,559	111,082,688	189,555,094	2,987,072,224
Accumulated depreciation	-	(176,491,951)	(376,280,615)	(125,984,157)	(88,685,893)	(82,828,009)	-	(850,270,625)
Net book amount at 31 March 2020	**120,908,260**	**778,058,760**	**760,702,663**	**210,059,477**	**49,262,666**	**28,254,679**	**189,555,094**	**2,136,801,599**

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

Property, plant and equipment (continued)

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

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

The project under construction represents the following Categories:

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

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

	31 March 2020	31 December 2019
Net book value of the assets disposed	35	1,047,482
Gain on sale of property, plant and equipment (Note 25)	68,655	8,794,725
	68,690	**9,842,207**

6. Right of use assets

	31 March 2020
Balance on initial adoption of EAS 49	56,235,707
Additions during the period	34,623,744
Amortization expenses	(772,068)
Exchange differences	(1,048,351)
Balance as of 31 March 2020	**89,039,032**

Right of use assets represent properties rented by the group.

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

7. Intangible assets

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

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

A. Trademark

	Trade Mark (HOHOS, Twinkies & Tiger Tail)	
	31 March 2020	**31 December 2019**
Cost		
Opening Balance	131,480,647	131,480,647
Balance as of	**131,480,647**	**131,480,647**

The intangible assets in the amount of ten million US Dollars equivalent to EGP 68,618,658 paid against buying all the rights to the trademarks (HOHOS, Twinkies & Tiger Tail) and the consequences of this acquisition of the trademark in the countries of Egypt, Jordan, Libya and Palestine these rights do not have a definite time, and on the 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

	Know How	
	31 March 2020	**31 December 2019**
Cost		
Opening balance	31,430,995	31,430,995
Balance as of	**31,430,995**	**31,430,995**

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

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

Intangible assets (continued)

C. Software

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

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 2019 as follows:

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

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

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

Intangible assets (continued)

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

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

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

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

8. Inventories

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

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

During the period ended 31 March 2020, there has been a slow moving and obsolete inventory amounted to EGP 205,500 (31 March 2019: EGP 191,179) (Note 25) and the cost of write down was nil (31 March 2019: EGP 1,348,856).

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

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

9. Financial instrument by category

The group holds the following financial instruments:

	31 March 2020	31 December 2019
Financial assets at amortised cost		
Trade and other receivables (excluding non-financial assets)*	68,918,335	78,376,198
Cash and bank balances	61,081,437	153,615,452
Treasury bills	537,934,089	548,192,500
Total	**667,933,861**	**780,184,150**

	31 March 2020	31 December 2019
Financial liabilities at amortised cost		
Borrowings	730,359,204	791,644,355
Trade and other payables (excluding non-financial liabilities)*	623,761,002	457,557,877
Bank overdraft	153,758,741	120,096,127
Lease Liabilities	88,310,337	-
Total	**1,596,189,284**	**1,369,298,359**

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

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

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

10. Trade and other receivables

	31 March 2020	31 December 2019
Trade receivables	40,881,120	52,253,383
Notes receivable	328,857	744,305
Total	**41,209,977**	**52,997,688**
Less: Provision for impairment of trade receivables	(20,556)	(20,556)
	41,189,421	**52,977,132**
Advances to suppliers	63,962,952	93,969,686
Prepaid expenses	48,403,140	15,403,515
Deposits with others	15,639,340	15,542,106
Other current assets	11,242,110	9,378,854
Value added tax – receivables	2,909,823	16,443,694
Letters of credit	630,120	239,152
Employee loans	217,344	238,954
Total	**184,194,250**	**204,193,093**

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

11. Treasury bills

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

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

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

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

12. Cash and bank balances

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

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

	31 March 2020	31 December 2019
Cash and bank balances	61,081,437	153,615,452
Treasury bills with maturities of 3 months or less	-	60,018,881
Bank overdraft (Note 21)	(153,758,741)	(120,096,127)
Total	**(92,677,304)**	**93,538,206**

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

13. Share capital

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

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

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

On 30 March 2016, an Extraordinary General Assembly Meeting were held in which the shareholders approved the increase of issued and paid up capital from 72,536,290 EGP to be 145,072,580 EGP. An increase amounted to 72,536,290 EGP distributed on 362,681,450 shares with a par value of EGP 0.2 per share financed from the dividends of the year ended 31 December 2015 distributed as a free share for each original share which has been registered in commercial register on 9 May 2016.

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

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

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

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

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

14. Legal reserve

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

15. Non-controlling interest

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

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

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

Non-controlling interest (continued)

	Paid up capital	Legal reserves	Revaluation assets reserve	Currency translation differences	Accumulated losses	Total 31 March 2020	Total 31 December 2019
Balance at 1 January	**37,724,135**	**593,605**	**38,162**	**(996,523)**	**(935,157)**	**36,424,222**	**23,829,451**
Non-controlling share in profit of subsidiaries	-	-	-	-	(794,254)	(794,254)	(763,266)
Currency translation differences	-	-	-	(1,797,189)	-	(1,797,189)	(996,523)
Total comprehensive income for the period	-	-	-	(1,797,189)	(794,254)	**(2,591,443)**	**(1,759,789)**
Shareholders transactions							
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	-	-	-	(173,430)
Purchase of non-controlling interest share in subsidiary	-	-	-	-	-	-	(23,165,685)
Non-controlling interest share in establishment of subsidiary	-	-	-	-	-	-	37,693,675
Shareholders transactions	-	-	-	-	-	-	**14,354,560**
Balance at period end	**37,724,135**	**593,605**	**38,162**	**(2,793,712)**	**(1,729,411)**	**33,832,779**	**36,424,222**

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

16. Loans

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

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

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

(1) Edita Food Industries Company

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

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

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

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

Loans (continued)

Borrower	Type of debt	Guaranties	Currency	Interest rate
First loan	Loan	Cross corporate guarantee Digma Trading Company amounted to EGP 185,000,000	EGP/USD	1% above mid corridor rate of Central Bank of Egypt and 2.5% above the Libor rate 3 months.
Second loan	Loan	Cross corporate guarantee Digma Trading Company amounted to EGP 90,000,000	EGP	1 % above lending rate of Central Bank of Egypt.
Third loan	Loan	Cross corporate guarantee Digma Trading Company amounted to EGP 202,234,888	EGP/USD	1% above mid corridor rate of Central Bank of Egypt and 4.5% above the Libor rate 1 month.
Fourth loan	Loan	Cross corporate guarantee Digma Trading Company amounted to EGP 220,000,000 and 6,000,000 Euro	EGP/USD	0.5% above mid corridor rate of Central Bank of Egypt and average 4% above USD Libor rate 6 months.
Fifth loan	Loan		USD	3.85% above the USD Libor rate 3 months.
Sixth loan	Loan		USD	3.85% above the USD Libor rate 3 months.
Seventh loan	Loan		USD	4% above the USD Libor rate – 6 months.

(2) Edita Confectionery Industries Company

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

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

	31 March 2020	31 December 2019
Balance due within 1 year	4,000,000	8,000,000
Accrued interest	306,722	54,556
	4,306,722	**8,054,556**

- **First loan:**
  The company obtained a loan from a financial institution on December 2017 based on a cross guarantee issued from Edita Food Industries Company amounted to EGP 40,000,000. The loan outstanding balance at 31 March 2020 after payment of due instalments amounted to EGP 24,000,000 in addition to accrued interests.

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

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

Loans (continued

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

Fair value:
Fair value is approximately equal to book value.

(3) Edita Participation Limited

	31 March 2020			31 December 2019		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	698,603	38,124,409	38,823,010	338,891	38,616000	38,954,892
	698,603	**38,124,409**	**38,823,010**	**338,891**	**38,616000**	**38,954,892**

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

	31 March 2020	31 December 2019
Balance due within 1 year	-	-
Accrued interest	698,603	338,891
	698,603	**338,891**

First Loan:
On June 2019, the group signed an agreement with a financial institution to obtain a loan amounting to USD 20,000,000. The loan outstanding amounts for Edita Participation Limited was USD 2,400,000 as of 31 March 2020.

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

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

Fair value:
Fair value is approximately equal to book value.

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

17. Employee retirement benefit obligations

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

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

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

	31 March 2020	31 December 2019
Present value of obligations	13,744,652	11,600,000
Liability at the statement of financial position	**13,744,652**	**11,600,000**

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

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

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

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

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

18. Deferred income tax liability

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

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

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

19. Lease Liabilities

	31 March 2020
Commitments in relation to leases are payable as follows:	
Within one year	16,187,798
Later than one year	156,830,281
Minimum lease payments	**173,018,079**
The present value of lease liabilities is as follows:	
Within one year	13,738,673
Later than one year	74,571,664
Present Value of Minimum Lease Payments	**88,310,337**

20. Provision

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

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

21. Bank overdraft

	31 March 2020	31 December 2019
Bank overdraft	153,758,741	120,096,127
Total	**153,758,741**	**120,096,127**

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

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

22. Trade and other payables

	31 March 2020	31 December 2019
Trade payables	212,944,354	203,651,206
Accrued expenses	117,059,233	87,629,100
Notes payable	66,373,367	128,454,135
Other credit balances	21,603,203	21,443,494
Taxes payable	40,324,951	39,573,804
Social insurance	7,389,523	6,757,022
Dividends payable	192,406,443	1,633,863
Contract liabilities – accrued rebates	5,984,879	7,989,057
Advances from customers	6,914,925	5,183,186
Total	**671,000,878**	**502,314,867**

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

23. Current income tax liabilities

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

24. Other income

	31 March 2020	31 March 2019
Export subsidies	28,299,665	4,144,938
Other income	466,759	896,064
Net	**28,766,424**	**5,041,002**

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

25. Other losses – Net

	31 March 2020	31 March 2019
Provision for slow moving inventory	(205,500)	(191,179)
Other Provisions (Note 20)	(6,079,375)	(8,451,180)
Provision for employee benefit obligation (Note 17)	(2,250,000)	(1,064,496)
Provision no longer required	-	170,430
Gain from sales of property, plant and equipment (Note 5)	68,655	40,278
Solidarity Contribution	(4,291,355)	(4,339,247)
Dividends tax	-	-
Other losses – Net	**(12,757,575)**	**(13,835,394)**

26. Finance cost – net

	31 March 2020	31 March 2019
Finance income		
Interest income	19,689,060	13,479,255
Foreign exchange gains from financing activities	6,911,410	9,456,769
	26,600,470	**22,936,024**
Finance cost		
Interest expense	(21,068,678)	(23,670,732)
Lease interest expenses	(2,236,651)	-
	(23,305,329)	**(23,670,732)**
Finance cost - net	**3,295,141**	**(734,708)**

27. Income tax expense

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

	31 March 2020	31 March 2019
Income tax for the period	27,994,373	37,879,172
Deferred tax expense / (income)for the period	(2,920,787)	(1,247,004)
Total	**25,073,586**	**36,632,168**
Profit before tax	**108,140,413**	161,561,725
Tax calculated based on applicable tax rates	24,331,593	36,351,388
	24,331,593	**36,351,388**
Tax effect of non-deductible expenses	726,546	1,783,310
Tax losses for which no deferred income tax asset was recognized	15,447	(1,502,530)
Income tax expense	**25,073,586**	**36,632,168**
Effective tax rate	**23%**	**23%**

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

28. Earnings per share

Basic

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

	31 March 2020	31 March 2019
Profit attributed to owners of the parent*	83,861,081	123,606,493
Weighted average number of ordinary shares in issue	725,362,900	725,362,900
Basic earnings per share	**0.12**	**0.17**

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

Diluted

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

29. Expenses by nature

	31 March 2020	31 March 2019
Cost of sales	623,936,651	630,801,751
Distribution cost	173,875,245	113,944,941
Administrative expenses	77,423,046	66,343,651
	875,234,942	**811,090,343**
Raw and packaging materials used	460,940,954	488,134,990
Salaries and wages	135,733,689	111,463,463
Advertising expense	78,353,935	38,211,987
Depreciation and amortization	44,329,890	36,619,357
Purchases – goods for resale	-	2,107,289
Employees benefits	22,648,702	20,995,686
Other expenses	28,589,331	23,497,594
Gas, water and electricity	23,723,025	22,376,018
Company share in social insurance	13,519,489	13,014,041
Rent expense	16,114,503	16,712,329
Transportation expense	13,637,750	11,481,485
Vehicle expense	14,793,382	10,691,342
Maintenance	12,378,615	10,112,542
Consumable materials	10,471,677	5,672,220
Total cost of sales, distribution costs, and administrative expenses	**875,234,942**	**811,090,343**

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

30. Related parties

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

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

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

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

31. Segment reporting

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

Segment	Brand	Product
Cake	Tiger tail, Twinkies, Todo and HOHOS	Traditional rolled filled and layered cake as well as brownies and packaged donut
Croissants	Molto	Sweet and savoury croissants and strudels
Rusks	Bake Rolz, Bake Stix	Baked wheat salty snack
Wafer	Freska	Filled wafers
Candy	Mimix	Hard, soft and jelly candy and lollipops

(Amounts presented to the nearest thousands EGP)

	Cake		Croissant		Rusks		Wafer		Candy		Other		Total	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Revenue	446,784	455,878	302,064	277,666	89,104	105,485	80,258	97,349	45,840	43,114	21	2,689	964,071	982,181
Gross profit	176,237	185,068	98,357	89,326	27,430	32,008	22,915	32,487	15,215	11,884	(21)	606	340,135	351,379
Operating profit	96,339	111,466	2,281	29,398	6,696	7,847	6,751	10,393	(7,202)	2,944	(20)	248	104,845	162,296

Operating profit reconciles to net profit as follows:

	31 March 2020	31 March 2019
Operating profit	104,845	162,296
Finance cost	(23,305)	(23,670)
Finance income	26,601	22,936
Income tax	(25,074)	(36,632)
Net profit	**83,067**	**124,930**

Segment reporting (continued)

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

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

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

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

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.

32. Contingent liability

(1) Edita Food Industries Company

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

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

(2) Digma for Trading Company

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

(3) Edita Confectionary Industries Company

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

33. Commitments

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

34. COVID 19 Impact

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

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

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

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

35. Tax position

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

Edita Food Industries Company

a) Corporate tax

- The company is tax exempted for a period of 10 years ending 31 December 2007 in accordance with Law No. 230 of 1989 and Law No. 59 of 1979 related to New Urban Communities. The exemption period was determined to start from the fiscal year beginning on 1 January 1998. The company submits its tax returns on its legal period.
- The tax inspection was performed for the period from the company's inception till 31 December 2012 and all due tax amounts paid.
- For the years 2013-2016; the company finalized the tax inspection and the difference was transferred to an internal committee.
- For the years 2017 – 2018 the Company submitted the tax return according to law No. 91 of 2005 in its legal period and has not been inspected yet.

Tax position (continued)

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

c) VAT & Sales tax
- The sales tax inspection was performed till 31 December 2018 and tax due was paid.

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

Digma for Trading Company

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

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

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

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

Edita Confectionary Industries Company

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

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

Tax position (continued)

c) VAT & Sales Tax

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

d) Stamp Tax

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