Edita Food Industries S.A.E.

Annual Report 2019

Expanding Horizons

EXPANDING
HORIZONS

Contents

EDITA at a Glance

A leader in the Egyptian packaged snack food market, Edita leverages its unmatched innovative abilities and dynamic business model to offer consumers a diverse range of products that best cater to their needs, consistently delivering on its promise of quality and high value propositions

Edita Food Industries was established in 1996 and has since solidified its leadership position in the snack food market in Egypt and the region, all while building a reputation of an industry pioneer and leading innovator. Leveraging unrivalled research and development capabilities and a strong brand equity, Edita consistently brings to market a broad range of innovative product offerings across the cakes, bakery, rusks, wafers and candy segments.

Edita's flexible and dynamic business model allows the company to effectively respond to trends in consumers' tastes and preferences, taking the company from being the first producer of the packaged croissant to a current market leader with more than 140 SKUs across its five market segments. Capitalizing on the strength of its five state-of-the-art facilities, existing 30 production lines and expansive distribution capabilities, Edita boasts a brand portfolio of household names with an expanding regional footprint that today covers 17 export markets. Edita is also expanding its manufacturing capabilities beyond its borders with its first overseas facility in Morocco under construction, a milestone in the company's regional expansion strategy that adds new momentum on a path of sustainable growth and value creation for stakeholders.

146 SKUs Across Five Segments

Bakery
Molto

Cakes
ToDo, HOHOs, Twinkies, Tiger Tail

Rusks
Bake Rolz, Bake Stix

Wafers
Freska

Candy
MiMix

5,692
Employees

5
ISO Certified Manufacturing Facilities

4.0 BN EGP
Revenues in 2019; + 6.6%

2.7 BN
Packs Sold in 2019

>17
Regional Export Destinations

A Note from Our Chairman

Dear Shareholders,

I am very pleased to report on yet another year of continued growth and value creation. Our performance in 2019 showcases Edita's ability to capture growing market demand and deliver strong profitability thanks to proactive strategies and continued strengthening of our market position.

Overall, our company recorded a 6.6% expansion in top-line to a record EGP 4 billion, while net profit for the year accelerated by a strong 19.3% year-on-year to EGP 362 million. Edita's strong earnings growth was supported by continued portfolio optimization and cost control efforts, with all our segments delivering much improved gross profitability during the year.

This success was not born out of efforts in 2019 alone but is the result of cumulative building blocks that we have laid out over the years, leaving us today with a structurally sound business model and promising future prospects.

Over the years, our strategies have seen us preemptively reprice and optimize our product portfolio to better align with market dynamics and protect our profitability amid growing inflationary pressures; we have invested in new capacities and production lines that will allow us to continue serving the strong demand in our markets; and we have taken concrete steps to expand our regional footprint as a key pillar for driving long-term sustainable growth.

In 2019, we pushed forward on all fronts. Across our segments we worked to capitalize on our strong brand equity and launch new and innovative products that best cater to consumers' preferences. At our cakes segment, we continued to enhance the company's value propositions and strengthen our position in the layered cake market. In the bakery segment, we maintained Molto's leadership within the sweet baked snacks market and are further growing in the savory segment by introducing new formats.

During the year, we commissioned a new wafer line which allowed us to further expand our offering in the segment with new propositions as we aim to grow our market share. Similarly, at our candy segment, a new line extension installed in 2019 was followed by the launch Edita's juice-filled confectionary brand BonBon Bursts, and later compounded with a launch of a second candy range under the Mimix line branded Breeze. These efforts are part of our strategy to further penetrate the segment with a strengthened MiMix family of brands.

Our efforts to further optimize our product portfolio were supported by strong marketing campaigns and efficient go-to market strategies. A key highlight during the year was Edita's sponsorship of the Total Africa Cup of Nations 2019 Tournament. Our strong marketing roadmap will continue to be a key focus area for our company going forward as we aim to both support new offerings and to stimulate demand for existing product.

On the regional front, I am pleased to report that 2019 marked the commencement of construction in Morocco of what will be Edita's first overseas production facility. Edita's direct presence in Morocco will see it fully utilize its research and development capabilities, manufacturing expertise, and distribution networks in cooperation with its JV partners to capture a share of the highly promising Moroccan market. Our aim is to transform Edita into a multi-country player able to capture cross-border growth opportunities by leveraging its established and flexible business model, and this milestone in Morocco is a first step toward realizing this goal.

OUTLOOK

We are heading into 2020 having laid the foundations for a stronger and more agile company and are ready to turn a page toward a new chapter in Edita's growth story. Our strategy will continue to revolve around driving innovation and introducing new products to the market across all categories, with differentiation being at the core of our offerings. In doing so, we will continue deploying our responsive business model and decades of experience and knowhow to efficiently gauge market trends, customizing relevant propositions that cater for our expanding consumer base.

In the early months of the year we have already delivered on the strong momentum built in 2019 and began rolling new innovative propositions. We continue to adopt our price point segmentation strategy across our new introductions with an eye on migrating consumers to higher price-points and setting new benchmarks in the market to strengthen profitability. In parallel, we will work to provide better value-for-money to consumers, with a target to capture consumers' demand for more hunger quenching or meal substitution snacks.

I am also pleased to report that 2020 will mark Edita's entrance into the large biscuits category under a new brand. Our dedicated biscuits line is expected to begin operations in April 2020, marking Edita's delivery on its promise to introduce new segments and revenue streams. This also falls in line our plans to earmark EGP 500 million in CAPEX for the year to add new production lines, as well as for enhancing our distribution capabilities.

At Edita Morocco, we are making good progress with the buildout of our manufacturing facility and we expect operations there to commence during 2020. In parallel, we have already hired a new general manager for Edita Morocco and our export business there is steadily growing as we gain deeper insights and deploy strategies tailored to this new and exciting market.

In summary, we have set the stage for the next chapter in Edita's growth story and we look forward to a new cycle of value creation for our shareholders.

Hani Berzi
Chairman and Managing Director

Highlights of 2019

In 2019 Edita strengthened its foundation through investment in capacities, product launches and regional expansion, while simultaneously reaping the rewards of a successful strategy with stronger profitability across its segments

Continued Investment in Capacities

Edita push forward with its expansion drive, investing EGP 278 million in new capacities as it lays the foundation for a new growth phase.

New Candy Line Extension

In the first quarter of the year, Edita installed its candy line extension at its E15 factory with a capacity of 3,000 tons per annum.

New Wafer Line

Edita utilized the available space at its E08 factory and installed a new wafer line in the second quarter of the year as it seeks to expand the segment's SKUs with new propositions and grow market share.

Secured CAPEX Funding

Edita secured a seven-year, medium-term facility from the International Finance Corporation (IFC) amounting to USD 20 million with an option to extend by a further USD 10 million to finance the company's capital expenditure plan as well as growth opportunities in Egypt.

New Product Launches

Edita worked to optimize its portfolio through the introduction of new innovative propositions that best cater to its consumers' evolving preferences.

BonBon Bursts & Breeze

Launch of Edita's juice-filled confectionery brand BonBon Bursts in April, followed by a second candy range under the Mimix line branded Breeze.

Freska Pops

Edita's rolled cocoa wafers filled with cocoa and hazelnut cream. The launch coincided with Freska's sponsorship of the Egyptian football team during the Total Africa Cup of Nations 2019 (AFCON).

Mini Molto Friendship Pack

Launched first as a special edition for the 2019 AFCON, for which Molto was the national supporter of the tournament, and then as a permanent addition to the portfolio.

TODO Max

Edita strengthen its position in the layered cake market with the introduction of TODO Max, a layered cake available in four different flavours.

Breaking Ground in Morocco

Following its entry into the Moroccan market in 2018 through its joint venture with the Dislog Group, Edita followed through with its growth strategy and began construction of its first overseas facility.

Land Lease Secured

Edita secured a long-term lease agreement for a 13,000 sqm plot of land with a nine-year extendable tenor for its new facility in Morocco.

Designs Completed

All designs and technical studies for equipment installation were completed.

Additional Funding Secured

Edita signed a MAD 15 million grant agreement with the Moroccan government as part of a home-grown incentive program to encourage foreign direct investment.

Commenced Construction

Construction of the manufacturing facility started in 4Q2019 and operations are set to begin by 4Q2020.

Delivering Solid Earnings Growth

Edita's proactive growth strategies and solid foundational structure allowed it to continue delivering growth and generate strong returns for shareholders.

4.0 BN EGP

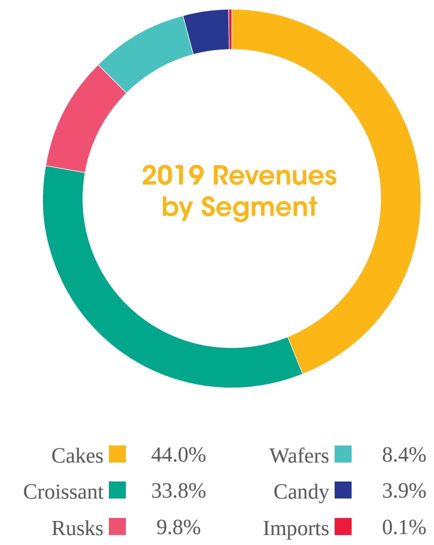
Revenues in 2019, up 6.6% y-o-y

35.3 %

Gross profit margin in 2019 with a 17.4% y-o-y increase in gross profit to EGP 1.4 billion

19.3 %

Net profit growth y-o-y in 2019 to EGP 362.3 million



Building on a Track Record of Success

A house of brands, Edita is an unwavering pioneer in the snack food market with a clear vision and established road map for sustainable growth and value creation. Through its two-decade track record of success, Edita has built a solid reputation thanks to its quality, innovation and flexibility in adapting to new market trends and different market dynamics

1996

Edita is founded and begins construction of the E-06 plant in 6th of October City

1997

Launch of Molto line, the first packaged croissant in the Egyptian market

2000

Launch of rusks line with Bake Rolz

2003

Purchase and upgrade of the Hostess factory in 10th of Ramadan City and entry to the cake market under license with Hostess Brands LLC (HTT)

2006-2009

Edita attains world-class safety certifications including HACCP, ISO 22000, ISO 9001, and ISO 18001

2010

- Launch of TODO family
- Introduction of handheld online receipt computers from Motorola Solutions

2011

- Edita undergoes a rebranding campaign
- Sales cross the EGP 1 billion milestone
- Entry to the candy market with MiMix brand, building a production facility in Beni Suef

2012

- Launch of wafer products under the Freska brand
- Building a production plant in Polaris Industrial Park to meet increased demand

2013

- headquarters and logistics hub in Sheikh Zayed City
- Introduction of an ERP system upgrade
- Acquisition of HTT brands in Egypt, Libya, Jordan, and Palestine

2015

- Listing of Edita on the Egyptian Stock Exchange
- Acquisition of the rights to its existing HOHOs, Twinkies, and Tiger Tail brands in 12 additional MENA countries, acquisition of technical assistance and know-how to manufacture 11 new Hostess products
- Addition of four new production lines — two croissant lines, one cake line, and one rusk line — in its E07 factory extension

2016

- Commissioning of new strudel line and launch of the Molto Pate SKUs
- Construction start of phase one of its new E08 factory
- Launch of TODO Bomb and Twinkies Icing
- Launch of TODO Brownies
- Installation of new candy line and commencement of production

2017

- Rebranding campaign for Freska
- Installation of E08 factory with the commissioning of a new wafer production line and the launch of Freska Fingers and Freska Bites
- Signing an MoU to form JV with Moroccan distributor, Dislog Group

2018

- Launch of TODO Mini Muffins in addition to TODO Go Layered Cakes and vanilla-flavoured wafer products under the Freska brand
- Rebranding campaign for Molto
- Signing shareholder's agreement for its joint venture with Moroccan distributor, Dislog Group
- Beginning of operations in Morocco with the start of exports while progress continues to be made toward establishing Edita's first overseas manufacturing facility

2019

- Installation of a new wafer production line at E08 and launch of Freska Pops as part of the Freska wafer brand
- Sponsoring Total Africa Cup of Nations 2019 Tournament and Egyptian national football team
- Finalizing a USD 20 million financing agreement with the International Finance Corporation
- Receiving a MAD 15 million grant from the Moroccan government to support operations of JV with Dislog
- Securing a long-term lease agreement for a 13,000 sqm plot of land to build the new Moroccan facility
- Beginning of the factory construction phase in Morocco
- Inauguration of new BonBon Bursts and Breeze candy lines under MiMix brand
- Launch of new ToDo Max under leading ToDo cake brand

Our Strategy

Edita's adherence to its strategic pillars and its flexible business model have allowed the company to weather macroeconomic challenges and lay the foundation for a new growth phase

Edita's Strategy Pillars

Since inception, Edita's success rested on four key strategic pillars that provide it with the flexibility and dynamism to capture market demand and adapt to an ever-changing operating environment.

Innovation and Differentiation

Innovation is at the heart of Edita's operations as the company strives to maintain its leading position in Egypt's snack food market by introducing new and differentiated products that cater to its consumers' tastes and behaviour.

Regional Expansion

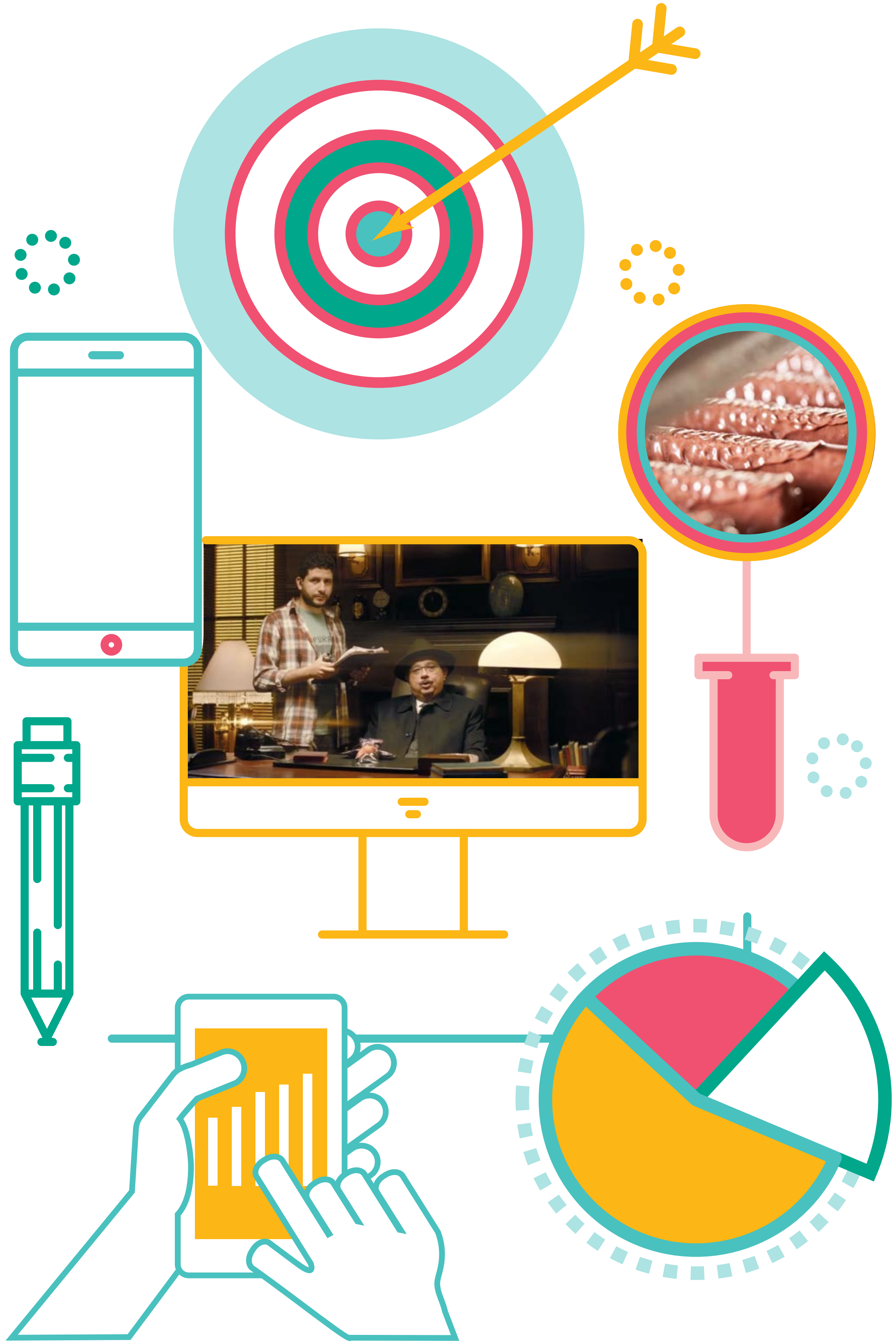
Edita aims to replicate its decades-long success in Egypt across the wider region, strengthening its export position in existing markets while assessing potential ones to penetrate. Edita targets fast-growing markets characterized by large consumer bases and significant growth potential.

Diversify Revenue Streams

Edita is constantly exploring new growth avenues through further expansion in the snack food market and the introduction of new categories.

Leverage Human Capital

The dedication, knowledge, and expertise of Edita's staff have and will continue to be the engine behind the company's success. Investing in personnel's technical skills and professional development will continue to be a core pillar of Edita's strategy.



Building Blocks for Growth

Over the past few years, Edita has successfully deployed its strategy pillars to navigate recent macroeconomic headwinds, protect its leadership position in an increasingly competitive market, maintain its profitability and all while laying the building blocks for a new chapter in the company's growth story.

Building Blocks for Growth	Repricing Strategy	Portfolio Optimization	E08 Inauguration	Growing Export Footprint	JV in Morocco	New Production Lines	Overseas Facility	Edita is Well Positioned for Long-Term Sustainable Growth
	In response to macroeconomic reforms and rising inflation, Edita launched a repricing strategy to maintain profitability, leveraging its innovative abilities and differentiation to offer consumers great value for money.	Edita's portfolio optimization efforts see it continuously calibrating its product offering to stay in tune with market dynamics and consumer tastes.	The inauguration of Edita's fifth factory was a milestone in the company's future growth plans, affording it the space and capacity to expand its offering, diversify revenue streams and grow its market share.	Edita is expanding its regional footprint through distribution agreements as a catalyst for export growth, with its products now offered in over 17 countries	Edita first entered the Moroccan snack food market in 2018 through Edita Food Industries Morocco, a joint venture with leading FMCG distributor Dislog Group, facilitating direct access to a fast-growing market with over 36 million consumers.	Edita continues to invest in new production lines across its existing segments, and is currently installing its first biscuits line to mark the company's entry into a new category.	Edita broke ground in Morocco on its first overseas manufacturing facility, a milestone in the company's regional expansion strategy. Construction began in the fourth quarter of 2019 with operations expected to commence in late 2020.	
Strategy Alignment	Innovation and Differentiation	Innovation and Differentiation	Diversify Revenue Streams	Regional Expansion	Regional Expansion	Diversify Revenue Streams	Regional Expansion	

Leveraging Human Capital

SEGMENTS
& BRANDS

Cake

Edita's cakes segment is the largest contributor to consolidated revenues at 44% in 2019, while the cakes market is a relatively mature sector with Edita continuing to hold the number one spot in terms of market share as of 2019. Edita's cake products include rolled, filled and layered cakes, produced under a number of brands including TODO, HoHo's, Twinkies and Tiger Tail.

During 2019, Edita launched its new layered cake, TODO Max, priced at EGP 2 per pack as part of the company's portfolio enhancement strategy for the segment. The new TODO Max is available in four different flavours, including cocoa-filled and coated chocolate cake, cocoa-filled and coated vanilla cake, vanilla cake with strawberry jelly and cream filling, and white chocolate-coated vanilla cake with strawberry jelly and cream filling. Early on in 2020, Edita continued to enhance the segment's offerings, including the rebranding of its HOHOs line as well as the rollout of new products such as the Twinkies Zig Zag and an upsized HOHOs Cream pack.

Total sales for the year remained largely stable at EGP 1,772.3 million in 2019, where a 1.5% uptick in volumes during the year. Average price contracted from EGP 1.23 to EGP 1.21 during the year due to product reconfigurations.

Products

Traditional rolled, filled and layered cakes as well as the market's first long shelf-life brownies, and muffins.

Twinkies: A golden or chocolate sponge cake with a creamy filling offering satisfaction with every bite.

Tiger Tail: Similar to Twinkies, Tiger Tail is a golden sponge cake with a creamy filling garnished with raspberry jelly and coconut.

HOHOs: HOHOs is one of Edita's most popular cakes. These cylindrical, cream-filled chocolate snack cakes come in both coated and uncoated varieties and offer just the right amount of sweetness to entice the taste buds.

TODO: A golden or chocolate sponge cake with a creamy filling offering satisfaction with every bite.

44%
Cake Share of Revenue in 2019

MN EGP
1,772
Total Revenues in 2019

#1
Market Ranking

36
SKUs

Bakery

The bakery segment is one of Edita's core offerings, constituting the second largest share of total revenue for 2019 at 34%. Edita is a pioneer in the segment having introduced the first packaged croissant brand in Egypt. It has since grown to command a leadership position in the market with over 22 innovative SKUs produced under its flagship Molto brand.

During 2019, Edita worked to further enhance its Molto product line, launching multiple new sweet and savory SKUs as it looked to solidify the brand as a household name in the snack food industry and boost its bakery segment's performance. During the 2019 AFCON tournament, Molto was selected as the official national supporter offering an important marketing opportunity for the company. One of the company's initiatives during the event was the launch of a special edition Molto Mini Friendship Pack. However, following the impressive customer reception of the new SKU, Edita has now officially added the Molto product to its permanent product range.

Most recently, the company launched two additional products: Molto Sandwich and Molto Magnum, hitting the shelves in January and February 2020, respectively. Molto Sandwich is available in a combination of sweet and savoury flavours including white istanbolli cheese, feta cheese, cheese with olives, and chocolate and hazelnut. The new Molto Magnum comes in two flavours: chocolate and strawberry cheesecake. In the coming year, Edita will be looking to launch multiple new bakery products as it looks to further add to its unique and innovative product offering.

Edita recorded total revenues from the segment of EGP 1,361.2 million in 2019, up 10.1% y-o-y. The strong expansion in the segment's top-line was dual driven as the company recorded both a 3.5% y-o-y rise in total packs sold for the year to 767 million and witnessed a 6.4% y-o-y rise in the average price per pack to EGP 1.78.

Products

Sweet and savoury bakery.

The first packaged croissant brand in Egypt and neighbouring countries, Molto was launched two decades ago as a new concept promising a delicious yet healthy snacking alternative. The brand is available in sweet and savoury varieties.

34%
Bakery Share of Revenue in 2019

MN EGP
1,361
Total Revenues in 2019

#1
Market Ranking

22
SKUs

Rusk

The rusks market is a fast-growing sector within the larger salty snack segment, which in turn represents Egypt's most frequently consumed snack food category. Edita competes in the rusks markets with its Bake Family products, with the segment's performance in 2019 seeing it record the fastest year-on-year growth in revenues among Edit'a five segments. Edita has two brands under its Bake Family, namely Bake Rolz and Bake Stix, with over 35 SKUs positioned as a healthier baked snack variety compared to traditional fried snacks. Edita commands a number two position in the rusks market.

In 2019, rusks reported sales growth of 25.9% y-o-y to EGP 394.2 million. The top-line expansion was largely volume driven as the segment reported a 19.6% y-o-y rise in total packs sold for the year to 222 million. Average price per pack also expanded, recording a 5.3% y-o-y rise to EGP 1.78 in 2019.

Products

Baked wheat salty snacks.

Bake Rolz is a value brand that offers customers satisfaction, well-being and choice. A healthy snack baked from 100% wheat, this crunchy, salty treat is available in 7 flavours of the single-serve pack; Salt, Pizza, Nacho, Ketchup, Chilli & Lemon, Mix Cheese and Olives and in 6 flavours of the family-serve pack; Salt, Pizza, Ketchup, Chilli & Lemon, Mix Cheese and Olives. Most recently, Bake Rolz added 3 new flavours including Salt & Vinegar, Sweet Chilli and Butter & Herbs.

Taking the satisfaction and well-being mantra a step further, Bake Stix adds even more flavours and variety to Edita's salty snack line. Baked from 100% wheat, Bake Stix offer a different texture and taste mix from Bake Rolz. Bake Stix satisfy every palate and are available to consumers in 3 unique flavours: Oriental sausages, BBQ and Cheese.

10%
Rusk Share of Revenue in 2019

MN EGP
394
Total Revenues in 2019

#2
Market Ranking

35
SKUs

Wafer

Edita's wafers segment recorded strong double-digit growth in 2019 as the company successfully capitalizes on the market's high-growth profile. In line with the company's goal of better utilizing the space afforded by its new E08 facility, Edita launched its new wafer line in 2Q2019. The newly installed production line immediately began producing Edita's latest product under its Freska range, Freska Pops. The new rolled cocoa wafers filled with cocoa and hazelnut cream are currently selling for EGP 3 per pack. The introduction of Freska Pops further diversifies Edita's wafer offerings as it seeks to capture a larger share of this fast-growing market.

Edita's Freska brand was also the first to be registered and launched in Morocco under the company's joint venture agreement in the kingdom. In 2019, the company shipped more than 69 containers to Morocco.

In 2019, the company's total sales for the segment came in at EGP 337.0 million in 2019, up 21.8% y-o-y. The expansion was wholly volume-driven as total packs sold for the year increased 22.8% y-o-y to 204.3 million. The rise in volumes sold was only marginally offset by a 0.9% contraction in the average price per pack to EGP 1.65 for 2019.

Products

Filled wafers.

Freska!

Freska is the most indulgent premium wafer product to hit the market, available in 27 different SKUs with different coatings and different fillings to match all tastes.

8%
Wafer Share of Revenue in 2019

MN EGP
337
Total Revenues in 2019

#3
Market Ranking

27
SKUs

Candy

The highly fragmented Egyptian candy market continued to be the fastest growing among all of Edita's segments. Edita's candy products include hard, soft and jelly candy as well as lollipops produced under the umbrella MiMiX brand and a number of recently introduced sub-brands.

In early 2019, the company installed a new candy production line extension at its E15 facility and soon after launched a line of juice-filled stick candies under the company's new BonBon Bursts brand. BonBon Bursts products are offered in strawberry, orange and apple flavours, and are currently sold for EGP 2 per package. Later in the year, the company launched a new hard candies product range under its new Breeze brand. Breeze products are offered in mint, orange mint, and cherry mint flavours and retail for EGP 2 per pack. The introduction of BonBon Bursts and Breeze, which functions as sub-brands of Edita's existing MiMix candy brand, further diversifies and differentiates Edita's product offering, in turn helping to solidify the company's growing leadership in Egypt's market for candies and confectioneries.

During the year, Edita concluded an agreement to acquire Confindel LTD's 22.7% stake in Edita Confectionary Industries (ECI), the company's candy subsidiary operating the E15 facility, leaving Edita with a shareholding stake of 99.98%. Along with the appointment of a new general manager for ECI during the year, the move will allow Edita to make full use of economies of scale as it works to capture further gains from the growing demand for candy products, one of the fastest growing segments in Egypt's snack food market.

Edita's candy segment reported a top-line of EGP 155.1 million in 2019, compared to EGP 160.4 million in the twelve months prior.

Products

Hard, soft and jelly candy and lollipops.

MiMiX is Edita's unique range of confectioneries. Available in four families: Toffee, Candy, Jello and Lollipops. With its wide variety of flavours, types, shapes, colours and unique ingredients, Mimix adds a burst of craziness to everyday life.

4%
Candy Share of Revenue in 2019

MN EGP
155
Total Revenues in 2019

#1
Market Ranking

22
SKUs

MARKETING
& ADVERTISING

Marketing & Advertising

Edita's Marketing & Advertising Department is at the core of the company's activities, deploying a strategy that leverages innovation, brand equity and technical capabilities to effectively capture demand with an optimized product portfolio

Throughout 2019, the marketing and advertising department focused on strengthening Edita's market position and cementing a foundation from which to launch a new growth phase for the company. Through driving product innovation and differentiation, the marketing and advertising division introduced an array of new offerings across its segments that best cater to consumers' preferences, as well as maintaining Edita's leading position in an increasingly competitive environment.

During the year, Edita sought to optimize its product portfolio through a multifaceted strategy that saw it implement indirect price increases, product reconfigurations and new propositions that offer consumers higher value for money and are relevant to trends in tastes. Additionally, the marketing and advertising department focused on developing efficient go-to-market strategies and launch campaigns to support new offerings and stimulate demand for existing products.

Marketing Campaigns

Total Africa Cup of Nations 2019

During the year, Edita sponsored the Total Africa Cup of Nations 2019 Tournament. A biennial championship organized by the African Football Confederation, the tournament was hosted by Egypt across four different cities in June and July of 2019. Through its involvement, Edita sought to engage with its customers, promote its products and increase its brand recognition.

The company's iconic Molto brand acted as the national supporter for the tournament as a whole and its flagship Freska line sponsoring the Egyptian team. Additionally, the company launched a campaign for the event, including branded packaging, outdoor advertising, stadium activations as well as TV commercials. Edita also held a promotion campaign titled 'Everyone is a Winner' whereby consumers receive winning codes in their Edita products for a variety of prizes.

Online and Trade Marketing

Edita operates social media channels for all its brands where customers can follow updates and product launches as well as engage with the brand itself. The company places immense emphasis on its online presence as a mean of creating an open channel of communication with customers, drive demand, and solidify the positioning of each brand in its respective segment.

The company also intensified its trade marketing efforts throughout the year by further capitalizing on its brand equity. The main goal of these efforts was to increase product visibility through an array of display options to help boost sales by influencing consumer decisions at the point of purchase.

Edita supplemented visibility at corner store retail partners by installing branded metal booths for its product ranges, which, along with on-the-ground activations, resulted in increased consumer engagement and product sales. The company also entered into agreements with large supermarket chain retailers to increase shelf space and introduce differentiated instalments with Edita branding throughout strategic key outlets.

Segment Developments

Edita launched marketing initiatives for each of its product segments to help capture larger market shares and meet evolving consumer needs.

In the cakes segment, Edita continued to enhance the company's value propositions and strengthen its position in the layered cake market with the introduction of TODO Max, the latest under its flagship TODO brand. A layered cake available in four different flavours including cocoa-filled and coated chocolate cake, cocoa-filled and coated vanilla cake, vanilla cake with strawberry jelly and cream filling, and white chocolate coated vanilla cake with strawberry jelly and cream filling to meet a variety of taste preferences. The new launch was supported by a television advertisement that was met with great success thus far.

The division also rebranded the HoHo's line of cakes during the year, as well as conducting extensive research to uncover trends taking place in the cake market in 2019 and set the stage for the launch of a new cake offerings in 2020. Most recently, the company launch a coffee-flavoured variant of its HoHo's line in February 2020, as well as the successful launch of Twinkies Zig Zag, a golden sponge cake with a creamy filling, topped with raspberry jelly and coconut. Both the rebranding and the new launches were supported with a TV advertisement.

2019 was a pivotal year for Edita's bakery segment as the company built on its product range, maintaining Molto's leadership within the baked snacks market. The year's new launches included the Mini Molto Friendship pack, first as a special edition for the 2019 AFCON tournament and later as a permanent addition to its product range owing to its strong success.

Moreover, the division played a central roll in uncovering consumers' dynamic tastes and preference for not only innovative, but higher-value, hunger quenching propositions. As such, Edita set new benchmarks in the market, with the launch of its Molto Sandwich and the Molto Magnum in early 2020. The Molto Sandwich is available in four flavours, including white istanbolli cheese, feta cheese, cheese with olives, and chocolate and hazelnut, further solidifying brand's position is the sweet baked goods market and unlocking new potential in the savoury segment. Meanwhile, the Molto Magnum is a croissant offering available in two flavours, chocolate and strawberry cheesecake. Both new products mark the migration of consumers to higher price points in the segment yet with improved value-for-money.

Edita's flagship wafer brand, Freska, also saw a year of rapid growth and development. In addition to sponsoring Egypt's national team at the AFCON tournament, the company launched an activation campaign to introduce its new products – Freska Pops and Freska Fingers Hazelnut White Wafer – with efficient go-to market strategies to grow Edita's market share.

2019 also marked a year of expansion for the Freska line, with the launch of its official communication in Morocco via Facebook, Freska Maroc, taking place in the second quarter. The brand's advertisements were adapted to the Moroccan dialect and were supplemented by on-ground activations across five major cities to promote the brand's products and carve out a strong position in the market's competitive landscape.

In the rusks segment, Bake Rolz worked throughout the year to reposition itself as the market's healthy on-the-go snack of choice by fortifying its visibility in the health and sports spaces. Bake Rolz was a continued sponsor of large-scale sporting events during the year including Cairo Runners and Fitness Showdown. The brand also increased its on-ground presence in the North Coast during the summer months, with installations at multiple compounds and key outlets. These events were supplemented by intensified social media presence to support the campaigns.

Finally, in the candy segment, 2019 saw MiMix leverage its newly installed candy line extension and launch Edita's juice-filled confectionery brand BonBon Bursts in April. This was later compounded with a launch of a second candy range under the MiMix line branded Breeze. These efforts are part of our strategy to further penetrate the segment and widen Edita's consumer base. A primary aim for MiMix was to highlight its different product categories, which include hard candy, toffee, jelly, and lollipops. This was achieved by a complete packaging overhaul of the entire range of products under Edita's candy segment as well as the introduction of new package sizes, including jumbo packs for the Jellix, Frulla and BonBon Bursts brands as well as Fakka offerings for its Dolce Coffee and Dolce Butter candies, in response to growing demand. MiMix also intensified its on-ground installations with display stands across its small-scale retail partners to highlight its products and further increase sales.

RESEARCH
& DEVELOPMENT

Research and Development

The Research and Development Department is among Edita's core competitive advantages, helping the company develop new value propositions and drive sustainable growth

Edita's innovative market leadership is fortified through the efforts of its Research and Development Department, one of the fundamental pillars of its success in bringing innovative products to market. Over 15 local and international specialists keep Edita ahead of emerging consumer trends, and through research, experimentation and application, the department is able to fuel the company's creative independence and elevate its brand equity. It plays a central role in keeping Edita at the forefront of the snack food industry by regularly improving on existing products and finding new avenues for development to strengthen product demand and generate consumer loyalty.

In 2019, the department helped Edita expand on products offered by a number of its popular brand names, pushing forward the introduction of Mini Molto Friendship pack, Freska Pops, BonBon Bursts, Breeze and TODO Max. In parallel, market research and testing continued throughout 2019 to encourage new market ventures in the coming year, whether by paving the way for the company to continue upsizing some if its successful SKUs, or by exploring new opportunities for growth within competitive segments and regional markets. Freska, as a result, was introduced to our neighbouring Moroccan market, with more local and regional expansion plans on the horizon.

Also in 2019, Edita adapted global food regulations, bolstering our ability to cater to emerging health and nutrition consumer trends. By the end of the year, the Research and Development Department successfully supported Edita in manufacturing healthy products with high nutritional value to comply with global food regulations and standards, creating more value for consumers while maintaining our trademark personalized standards. By using free trans-fat and non-hydrogenated ingredients, the department's specialists were able to alter a few of Edita's key product elements without compromising quality. Application is scheduled to begin with Freska's products, gradually followed by the rest of Edita's product portfolio.

Through the global experience of its specialists, Edita continues to succeed as a consumer-centric product innovator. The regular improvements on product tastes, flavours, sizes and designs keep the company at the forefront in current and potential consumers' perceptions, and facilitates the generation of mass appeal across its areas of operations. With strong opportunities for progress lying ahead in several snack food markets and new product segments, Edita is capitalizing on its vast, successful track record and the advanced capabilities of its research and innovation department by venturing into the promising biscuits segment, with the launch scheduled to take place in 2020. As such, the company is committed to further enhancements and continued improvements in its Research and Development Department, as it constitutes a key factor for future success.

Idea

Marketing: Concept brief

Research

- R&D/engineering feasibility study; regulatory compliance
- Supply Chain: Study on the procurement and prices of ingredients

Develop

- Prototype testing (lab-line trials) till approved
- Product testing (sensorial/shelf life)
- PLS/nutritional packaging

Testing

- Line trials and product sensorial evaluation
- Line modifications/adjustments
- Packaging machinability trials/shipping test
- Market research
- Artwork development
- Line capability

Analysis

- Evaluation of market research results
- Final adjustments, final COGS
- Procurement of ingredients as per sales forecast and lead times

Intro

- Task force team for team alignment and setting launch date
- Issue a Know-How draft, prepare for launch
- First production is run under R&D lead, then gradually handed over to production/quality teams
- Post-launch evaluation by sensory team

INDUSTRIAL OPERATIONS

State-of-the-Art Production Facilities

Edita's five state-of-the-art facilities utilize the latest technology to comply with the best–practice food safety and quality management

Edita currently operates five ISO-certified, state-of-the-art facilities, encompassing 30 production lines and maintains compliance with the highest food safety standards as well as best-practice quality management. Across its facilities, plant managers work to ensure Edita is maximizing the company's production of its acclaimed snack foods, with each plant delivering on its specific KPIs. Edita's facilities are located in 6th of October City (E06, E07, E08), 10th of Ramadan City (E10), and in the Beni Suef industrial zone to the south of Cairo (E15). All the company's production facilities have received the following certifications: Food Safety Management System (ISO 22000), Quality Management System (ISO 9001), Environmental Management System (ISO 14001), Occupational Health and Safety Management System (OSAS 18001), Food Safety System Certification (FSSC 22000), National Food Safety Auditor (NFSA) certification and the HALAL food certification.

In 2019, Edita installed two new production lines, including a new candy line extension in E15 and a new wafer line in E08. The industrial operations (IO) department was integral in optimizing the company's efforts to upgrade facilities and products throughout the year. The team completed a facility-enhancing project across all factories which will significantly improve safety conditions for the facility's staff as well as enhance the energy conservation capabilities of the plants.

2019 Industrial Operations Updates

In line with Edita's strategy to comply with environmental laws and regulation, 3Q 2019 witnessed the successful start of the wastewater treatment in E06 plant with a total investment of EGP 11 million, where also construction works for the Keystone project were finalized. Renovations on all electrical cables and panels took place in E06 to ensure better safety measures for the employees. Moreover, Edita's first energy audit was piloted in the E07 plant, with the expected outcome of the study to be implemented throughout the factories during 2020. The ECI plant in Beni Sueif was successfully connected to the national electricity grid with a total of 2.5MW power capacity . For the E10 plant, renovations of phase three were finalized and the process of installing the fire-fighting system, similar to the one in E6, is currently underway.

As for new lines investment, the biscuit oven in the E08 plant was successfully installed, with the full start-up of the line expected in 1Q 2020. Additionally, Edita successfully launched a new layered TODO max, with four SKU variances offering exposure to a broader segment of consumer demand. On the confectionery front, Bonbon Bursts and Breeze were released to the market with three SKU variances. As for the bakery products, modifications were implemented on existing lines to produce Molto Sandwich and Molto Magnum.

2019 Quality Control

During 2019, quality occupied center stage in Edita. Throughout the year, Edita maintained all its quality and food safety certifications after undergoing rigorous audits from the National Food Safety Authority (NFSA), ISO, FSSC and Halal bodies. We successfully renewed our Halal Certificate for two more years and the ISO 9001:2015 for an additional three years. We also successfully added the ECI facility to the White List of NFSA, which is reserved only for those meeting the highest food safety standards and it's recognized by international bodies such as the SFDA. With this addition, all Edita plants are now on NFSA white list.

In line with global health trends and complying with international regulations, Edita has adjusted its wafers' portfolio to be trans-fat free, the adjustment will also be applied to cakes in March 2020.

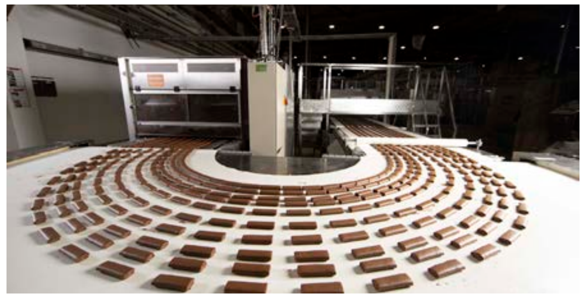
This year, Edita emphasised on the seamless integration between Logistics, Production and Quality on SAP. We started the roll-out of the Quality Module on SAP in one of our factories in December 2019 and we're working to implement it across all our plants by mid-2020.

Moreover, we're applying a continuous rotation for workers operating in identified high-heat areas every 2-3 hours (depending on area) moving them to a lower temperature area to minimize the duration of exposure to high temperature.

Production Facilities

6th of October - E07 (Hall A & B)

Began operations in 2012
Produces croissants, cakes, wafers and rusks
Houses 9 production lines following the addition of 4 new lines in 2015
Total land area of 50,000 sqm
Total built-up Area of 30,500 sqm



6th October City - E06

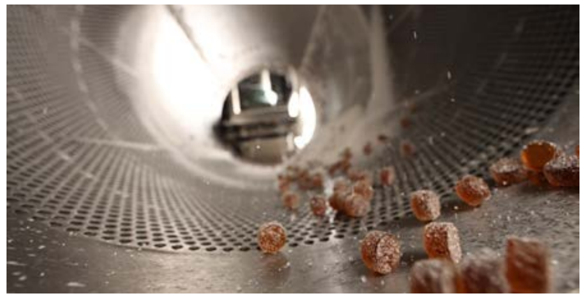
Began operations in 1997
Produces croissants, cakes and rusks
Houses 10 production lines
Total land area of 33,638 sqm
Total built-up area of 22,065 sqm

6th of October - E08

Began operations in 2017
Produces cakes and wafers
2 production lines with space for 9 more
Total land area of 55,000 sqm
Total built-up area of 36,000 sqm

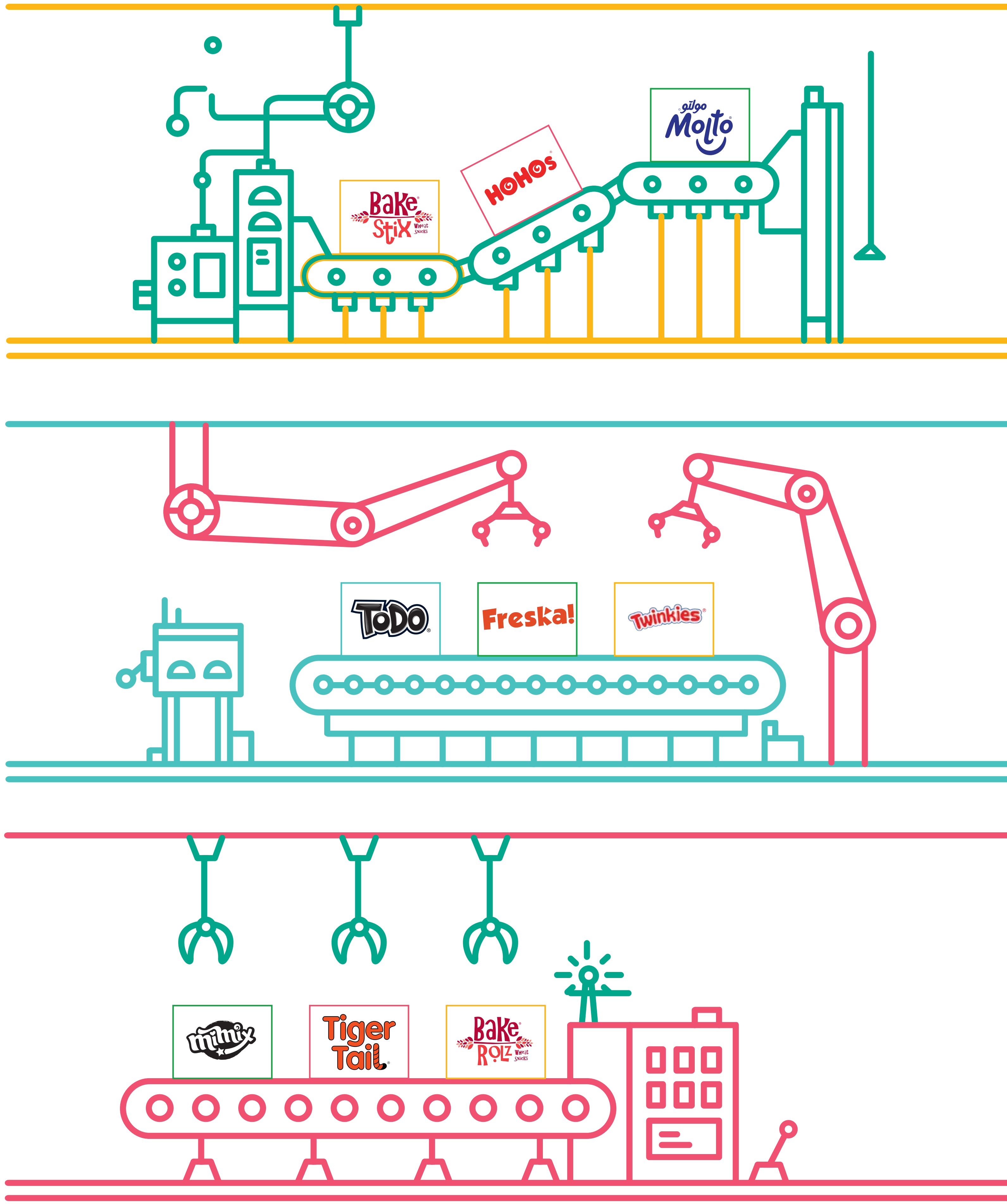
10th of Ramadan - E10

Acquired in 2003
Produces cakes
Houses 4 production lines
Total land Area of 11,733 sqm
Total built-up area of 7,592 sqm

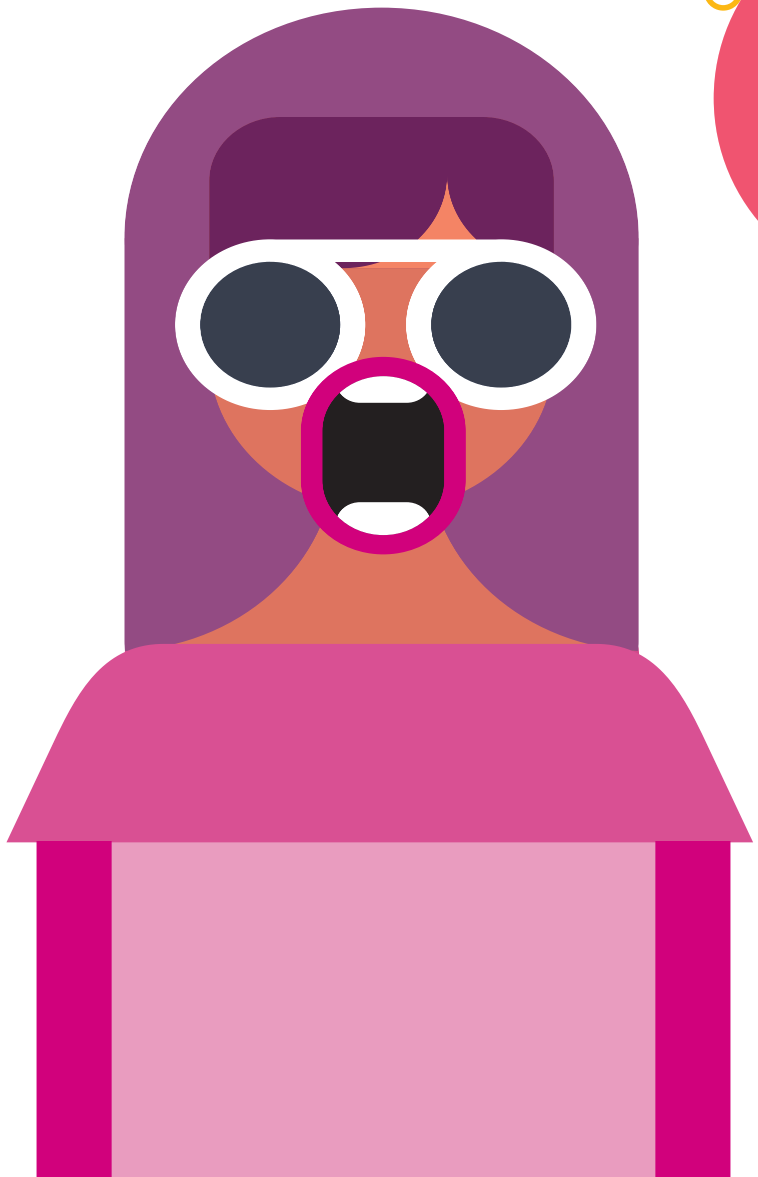


Ben Sueif - E15

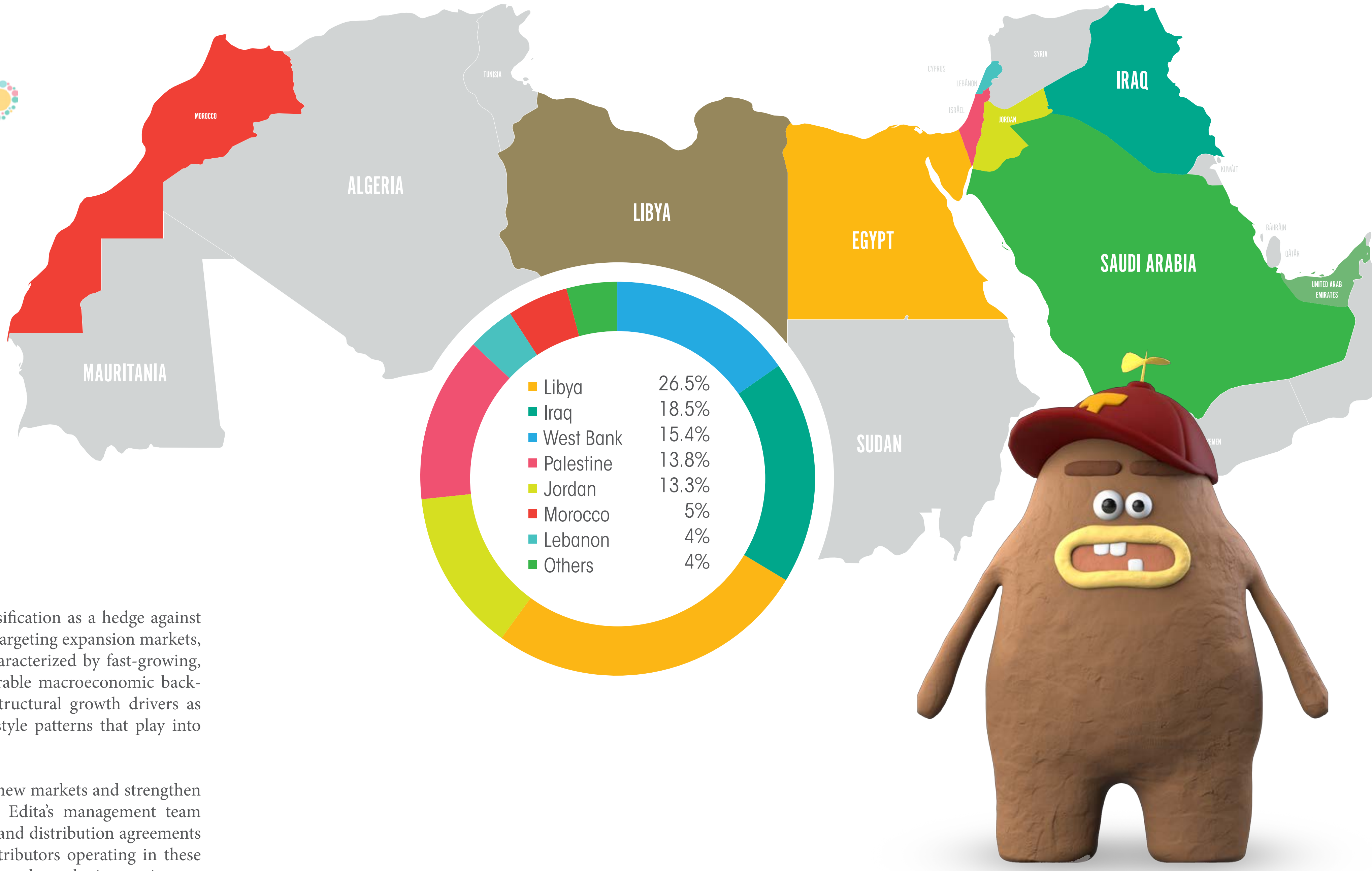
Began operations in 2011
Produces hard candy, hard filled candy and soft Candy
Houses 5 production lines
Total land area of 25,611 sqm
Total built-up area of 11,525 sqm



EXPORTS AND INTERNATIONAL MARKETS



Exports & International Markets



Throughout 2019, Edita maintained a regional presence through exports to 17 foreign markets across the Middle East and North Africa, with total export sales standing at EGP 343.5 million in 2019, up 8.7% y-o-y and constituting 8.5% of total revenue for the year. Edita's top five markets included Libya, Iraq, Palestine and the West Bank and Jordan, which together accounted for 88% of Edita's export revenues in 2019. Edita also maintains a direct, on-the-ground presence in Morocco through its subsidiary Edita Food Industries Morocco, which currently distributes a range of the company's products and is constructing Edita's first overseas manufacturing facility. In 2019, Morocco contributed 5% of Edita's total export revenues for the year.

Exports & International Markets Strategy

Regional expansion continues to be a key pillar in Edita's forward-looking growth strategy, with the aim of transforming the company into a multi-country player able to capture cross-border growth opportunities by leveraging its established and flexible business model. Edita views a growing regional footprint as bringing innumerable benefits to the company, including access to a wider customer base as well as ensuring greater diversification as a hedge against market concentration risk. In targeting expansion markets, Edita focuses on countries characterized by fast-growing, young populations and favourable macroeconomic backdrops, providing for strong structural growth drivers as well as consumption and lifestyle patterns that play into Edita's growth trajectory.

To facilitate the entrance into new markets and strengthen its position in existing ones, Edita's management team actively works to secure trade and distribution agreements with leading international distributors operating in these markets to supply logistical and marketing assistance to the company. In parallel, Edita also explores further organic and inorganic opportunities to penetrate new markets, including the establishment of a direct, on-the-ground presence such as its recent venture into the Moroccan market through Edita Food Industries Morocco, a joint venture with the Dislog Group. Edita's direct presence in Morocco will see it fully utilize its research and development capabilities, manufacturing expertise, and distribution networks in cooperation with its JV partners to capture a share of the highly promising Moroccan market and deliver incremental value to shareholders.

344 mn EGP
Export sales in 2019, up 8.7% y-o-y

8.5%
Export contribution to total revenues in 2019

+17
Countries in 2019

EDITA MOROCCO

Edita Morocco

Edita first entered the Moroccan snack food market in 2018 through Edita Food Industries Morocco, a joint venture with leading FMCG distributor Dislog Group, whose substantial network facilitates access to over 36 million consumers. In the same year, the company also completed the registration of its Freska brand in Morocco, and began exporting its wafer products by shipping 80 containers to the Kingdom throughout the year. Simultaneously, Edita also began laying the groundwork for the construction of its first oversees manufacturing facility, and so took a strong step forward towards expanding its regional footprint.

Why Morocco?

Increasing access to fast-growing emerging markets with large consumer bases and significant growth potential is at the center of Edita's regional expansion strategy. As such, Edita made Morocco its first regional destination after identifying and researching a range of countries that best meet this criteria. Morocco's market is young, with over 50% of the population under the age of 30, representing 18 million potential consumers for Edita. The Kingdom's total FMCG market is valued at MAD 40 billion and it actively encourages foreign investment, facilitating it through macroeconomic policies, trade liberalization, structural reforms, major infrastructure improvements, and incentives for investors. Egypt's North African neighbour also enjoys solid macroeconomic fundamentals, a stable and safe environment, and government-backed long-term investments plans.

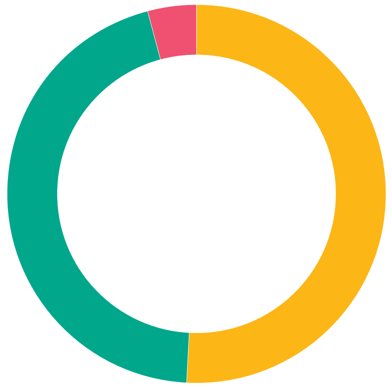
Furthermore, Morocco has access to a large international market of around 1.2 billion consumers, which continues growing as the Kingdom signs unique free trade agreements. It currently holds agreements with the Arab Free Trade Zone (since 2003) and the Turkey Free Trade Zone (since 2005), a free trade agreement with the United States of America (since 2004), the Agadir Agreement with Jordan, Egypt and Tunisia (since 2001), and an Association Treaty with the European Union. Morocco was also among the 44 African states that formed the African Continental Free Trade Area (CFTA) in 2018, which is pursuing a combined gross product of over USD 3 trillion.

About Dislog Group

Dislog Group is a fully integrated distribution company, a leader in the Moroccan FMCG distribution market and a trusted partner of global brands. Their services cover the full sales and distribution value chain, as the company handles product logistics at all points, from factories to consumers.

2019 Factory Updates

In the first half of 2019, Edita secured a long-term lease agreement for a 13,000 sqm plot of land with a nine-year extendable tenor for its new facility in Morocco. The company then signed a MAD 15 million grant agreement with the Moroccan government in October as part of a homegrown incentive program. The program aims to boost economic development by encouraging foreign direct investment in the Kingdom, with the vision of ultimately transforming it into an export hub. With the long-term lease secured, the additional funding received, and all designs and technical studies for equipment installation completed, construction of the company's manufacturing facility started in 4Q2019 and operations are set to begin in late 2020.



Edita Food Industries Morocco Shareholders

Edita	51%
Dislog	45%
Technical Middle East Trading Company	4%

16
Local and International Subsidiaries

1,400+
Employees

65,000
Distribution Points

780
Vehicles

26
Warehouses

SALES
& DISTRIBUTION

Sales
& Distribution

Edita's position as a leading player in an increasingly competitive market is supported by the company's strong distribution network and wide geographical reach. Utilizing this key competitive advantage in its sales and distribution strategy allows Edita to achieve optimal price-point segmentation across its distribution channels and income levels. The success of this strategy is evident in Edita's continued volume growth in 2019 despite the year being increasingly challenging in terms of competitive environment and consumer behaviour.

Another key strength of Edita's sales and distribution systems is its increased processes digitization and strategies to optimize operational efficiency. Specifically, the company deploys innovative technology such as handheld devices and data warehouses containing a log of daily sales transactions. Each salesperson is given a handheld device to operate, with the ability to instantly extract information in reports for monitoring, analysis of client visits and evaluate their success rate, analyse customer purchases by SKU, optimize sales routes and visits and enforce stricter control over the entire process. The device is also connected to the SAP system and can generate live reports which feed into planning and forecasting strategies.

Distribution Channels

In 2019, Edita served over 55,000 clients between wholesale, retail, key accounts and direct supply, through 21 distribution centers, 573 sales representatives, and 645 distribution vans.

Retail and Traditional Trade

As a cornerstone of Edita's long-term sustainable growth strategy, heavy reliance on the retail and traditional trade distribution channel enables Edita to connect with customers and improve satisfaction levels, as well as strategically adapt to market fluctuations. The channel, which is made up of kiosks and small, independent retail stores, has proven to respond positively to higher price points, allowing for higher value extraction and support profitability.

Wholesale

With wholesale channels playing a pivotal role in Edita's geographical reach, the company prioritizes building and maintaining close relationships with its wholesale customers. During 2019, Edita continued to organize loyalty-building initiatives, including gatherings for the top 100 customers and semi-annual incentives for the company's largest clients.

Key Accounts

Mainly comprised of modern trade channels such as supermarkets, key accounts offer high-potential partnerships for companies like Edita. These have grown significantly across Egypt in recent years, reinforcing Edita's focus on this channel as it pursues its portfolio optimization strategy that leverages more premium, higher-priced products.

Direct Supply

Direct supply allows Edita to directly engage with younger customers and build brand loyalty by delivering products directly to schools and universities across Egypt.

Sales Channel Performance in 2019

Wholesale channels contributed to over half of total gross sales for 2019, growing 5.8% y-o-y to EGP 2,228 million. Retail and traditional trade recorded a year-on-year growth of 8.7% to EGP 1,307 million, contributing 32.3% of total gross sales for 2019. Gross sales from key accounts fell 6.8% y-o-y to EGP 116 million, contributing to 2.9% of total sales, and direct supply sales declined 10.9% y-o-y to EGP 57 million, contributing to 1.4% of total sales in 2019.

New Investments in Distribution

With sales and distribution forming a key pillar of Edita's growth strategy, the company continuously invests to strengthen its network and further extend its reach as it seeks to increase penetration and grow market share. As such, Edita has recently earmarked significant CAPEX heading into 2020 to acquire over 200 new distribution vehicles and adopt a more sales centric approach. Each van will be deployed with a driver and a dedicated salesperson to streamline the sales cycle. Edita will leverage its expanded fleet to better highlight and push its entire brand portfolio, growing sales volumes and capitalizing on growth potential and new market opportunities.

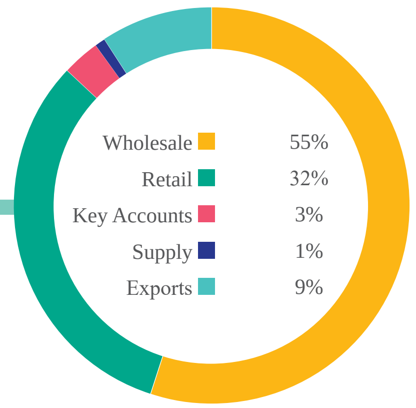
21 Distribution Centers

27 Governorates

645 Vehicles

1,273 Total Sales Force

573 Sales Representatives



*Revenue Contribution by Distribution Channel FY2019

SUPPLY CHAIN

Supply Chain

The company's Supply Chain Department works diligently to ensure the efficient flow of its operations including planning, procurement, logistics, manufacturing, quality control and safety

In 2019, Edita' Supply Chain Department was able to increase its bargaining power and negotiate convenient payment terms and prices by acquiring its inputs from a wide number of suppliers. These suppliers have been thoroughly tested to guarantee quality, minimize disruption risk, and ensure that the company's supply stream remains consistent.

Edita utilizes modernized digital systems such as SAP and other internationally recognized sales and operational planning processes that are in-line with global best practices to maximize operational efficiency.

Developments in 2019

The department's core focus in 2019 was to minimize cost and increase operational efficiency. Leveraging Edita's strong market position and favourable reputation, it was able to secure direct materials at lower prices in comparison to competition. It successfully reduced direct materials costs as a percentage of sales, which recorded 49.6% in 2019 down from 53.6% in 2018.

In FY2019, Edita's raw materials continued to make up the lion's share of total direct materials cost at 67%, while the company's packaging materials costs stood at 33%. Cost of imported materials made up 24% of the company's total direct materials bill compared to the 28% contribution made in the comparable period of 2018.

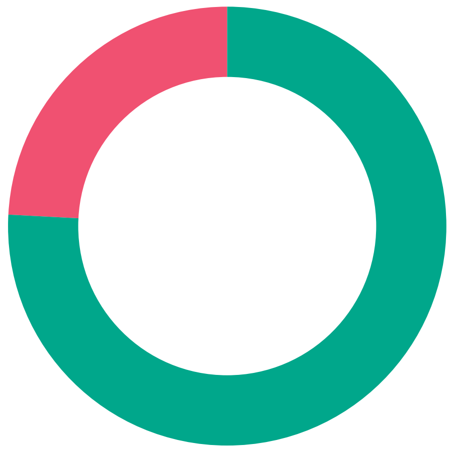
Edita successfully started implementing the localization project and began acquiring two crucial raw materials from reputable local producers, which had a positive impact on the company's value chain by reducing cost, inventory value and FX exposure.

Inventory coverage of all production materials remained at an average of 1.1 months and finished goods an average of 4.65 days of sales in 2019. Throughout the year, the department's carefully planned activities were a main factor in decreasing waste and downtime and increasing daily production across all factories.

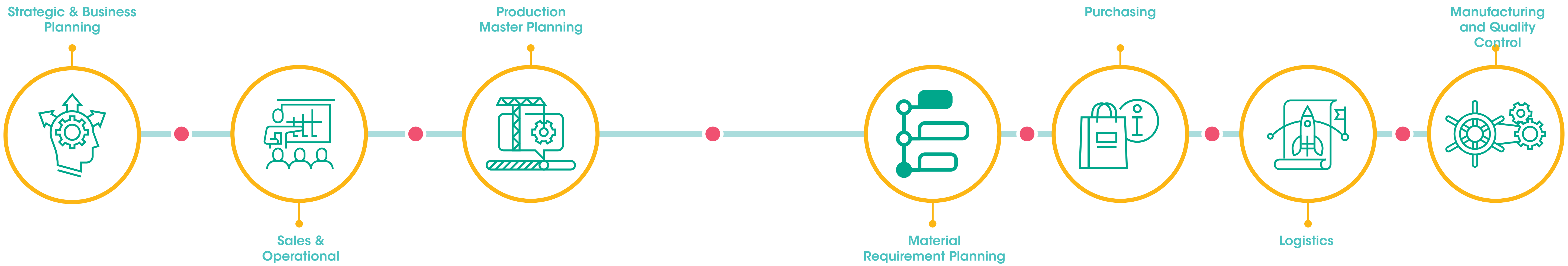
Direct Material Breakdown 2019

Packaging Materials	33%	Flour	13%
Milk Powder	3%	Sugar	9%
Cocoa Powder	4%	Oil & Fats	16%
Eggs	5%	Other	17%

Imported vs. Local Direct Materials in 2019



Local	76%
Imported	24%



OUR PEOPLE

edita
جديد
Molto
SANDWICH
CHOCOLATE & HAZELNUT
Edita Food Industries S.A.E.

Human Resources

Employee Engagement

Edita's Human Resources function is conscious in keeping open communication channels across the organization, prioritizing employee engagement — one of Edita's main pillars.

Climate Survey

A climate survey conducted by Edita's HR department allowed the company to formulate a comprehensive and accurate understanding of employee morale, satisfaction, and engagement. The survey focused on seven main planks, namely loyalty and commitment; communication and collaboration; performance and compensation; leadership; work/life balance; learning and career progression and strategic orientation. Results showed a strong sense of diversity and inclusion and an overall feeling of employee belonging. After analysing all results in 2019, the HR department assembled focus groups with participants from all sectors to brainstorm improvement opportunities and work to enhance policies that will empower employees and provide them with the tools necessary to meet their goals and objectives.

In Touch

In 2019, Edita's In Touch program continued its efforts to build a culture of strong interdepartmental communication. The program aims to build trust between all levels of the organization, creating space for blue-collar employees to voice ideas and concerns, while providing management with an understanding of the on-the-ground work environment.

In response to compensation inquiries regarding positions that require specific technical expertise, the program implemented a new compensation structure in January 2020. During the year, Edita also received approval to provide sales representatives in certain regions with drivers to help them achieve their monthly targets more efficiently.

Team Bonding

In 2019, Edita hosted its very first "Editaweya Championship", a major interdepartmental event comprised of a series of games that are built to promote team bonding and encourage collaboration in an innovative and enjoyable context. Departments were divided into teams who then competed in leagues for the championship, with activities tailored to strengthen teamwork and ensure every member's participation. The championship, most importantly, allowed employees to compete alongside teammates and against one another in a friendly and positive environment, which boosted morale and increased engagement within and across Edita's different departments.

Learning & Development

Edita provides its employees with the latest training and development opportunities to enhance their skills and improve their professional profile. Investing in our employees has consistently been proven to improve efficiencies and create brand ambassadors from within the company. Learning and development initiatives motivate employees to meet company targets with more efficiency and reach the company's strategic objectives regardless of their title or division.

Core Competencies

In 2019, Edita continued to maintain and improve its HR competencies to align with both internal and external changes in business environment, all while working to maintain best practices in the industry. Business Acumen, Customer Centricity and Striving for Excellence are Edita's core competencies, while Coaching and Developing People, Leading Change and Diversity and Inclusion are the company's leadership competencies. In a further effort to strengthen all employees' in-depth knowledge of these competencies using a creative incentive, Edita launched a customized trivia game in 2019. Separate questions were created for each competency to test every player's individual knowledge, and the person who scored the highest across the entire game was rewarded.

Edita Sales & Manufacturing Academies

Every year, the Edita Manufacturing Academy (EMA) and the Edita Sales Academy (ESA) train hundreds of employees on job-specific skills, soft skills, and general principles.

In 2019, the EMA began delivering the 7 Habits of Highly Effective People workshop that will continue into the spring. The ongoing workshop is serving 182 attendees from Edita's E08 plant and 677 attendees from Edita's E10 plant.

Meanwhile, the ESA pressed on with its communicated strategies, certifying eight sales managers to be ESA internal trainers, intending to implement plans on a larger scale, targeting higher numbers nationwide and aiming for overall improvement. The training began in November and will cover the entire Edita sales population for completion by 2020.

Edita Quality Academy

In 2019, Edita's Quality Academy International Certificate Program continued to provide participants with best-in-practice training, focusing on quality and productivity improvement at Edita's manufacturing lines. During the year, the academy delivered two rounds of Quality Improvement using Six Sigma Methodology, targeting the quality and production team, where they presented their projects and ideas for improvements at the plants.

Skill Bites Training

The Skill Bites Training program provides short classroom interventions targeting specific skills. Discussion topics are chosen based on employee needs and company training goals, including problem-solving, negotiating skills, time management and emotional skills. In 2019, Edita delivered 47 sessions to 847 attendees, up from 39 sessions to 719 employees trained under the program in 2018.

Management Overview

Eng. Hani Berzi
Chairman and Managing Director

Mr. Berzi has 34 years of experience in the food and beverage industry, having started his career in 1986 by joining Tasty Foods Egypt, his family's snack food business. Mr. Berzi subsequently held the position of Sales and Marketing Vice President at Tasty Foods Egypt after a sale of a part of its shares to PepsiCo, from 1990 to 1992. Mr. Berzi became a member of the Board of Edita Food Industries in 1996 and became the Managing Director and Chairman of the Board in 2006. Mr. Berzi is also a member of the Board of the Chamber of Food Industries and the Egyptian Centre for Economic Studies and is the Chairman of the Egyptian-Greek Business Council (Egyptian side) and is the Chairman of the Food Export Council. Previously, he was a member of the Boards of a number of companies in the food and beverage industry including Technopack in 1987, Rotopak in 1989 and Egypt Sack in 1997, and has also served as a Board Member of the Federation of Egyptian Industries. He graduated from Ain Shams University (Cairo, Egypt) with a BSc in Computer and Control Engineering.

Mr. Samir Nabih Aziz Berzi
Vice Chairman

Mr. Berzi has 37 years of experience in the food and beverage industry, having started his career by joining Tasty Foods Egypt. In 1986, Mr. Berzi founded Berzi Confectionary, which was later acquired by Tasty Foods Egypt. He subsequently held the position of Industrial Operation Vice President at Tasty Foods Egypt after a sale of a part of its shares to PepsiCo. Mr. Berzi has also established a number of companies including Digma Trading, a fast-moving consumer goods distribution company and Edita Food Industries. Mr. Berzi became a member of the Board of Edita Food Industries in 1996. He is also the Chairman of Digma Trading and Edita Confectionary Industries, a member of the American Chamber of Commerce, a member of the Board and shareholder of Le Pacha 1901, a shareholder of Mirage Hotels, which owns the JW Marriott at Mirage City, and a shareholder of Sakkara Tourism Investment, which owns the Mirage City compound in New Cairo. He graduated from Cairo University (Cairo, Egypt) in 1982 with a BA in Commerce.

Mr. Alfred Younan
Vice President Sales and International Markets

Mr. Younan has 28 years of experience in the FMCG industry and joined Edita Food Industries as National Sales Manager in 2005 before assuming his role as Vice President— Sales and International Business in 2007. Previously, he worked as Business Development and Export Director at Hero Middle East from 2002 to 2005, National Sales and Distribution Director at Al Ahram Beverages (a member of the Heineken group) from 2000 to 2001, Marketing and Sourcing General Manager at Mansour Distribution Company (Distributor of Philip Morris in Egypt) from 1997 to 2000 and the Horn of Africa Representative at Philip Morris from 1994 to 1996. He graduated from Alexandria University (Alexandria, Egypt) in 1992 with a BA in Commerce, and completed the International Marketing Program at INSEAD (Fontainebleau, France) in 1998 and the Executive Development Program at Kellogg School of Management (Chicago, USA) in 2009.

Mr. Sameh Naguib
Vice President of Finance and Chief Financial Officer

Sameh Naguib holds over 20 years of experience and joined Edita following his most recent stint as chief financial officer and a member of the Board of Directors of the ASEC Company for Mining, an EGX-listed company better known as ASCOM, which he joined in late 2011. Naguib's earlier professional track record includes a more than 10-year run with Heineken International, where he held a series of increasingly senior positions in Egypt, Algeria and the Netherlands, including business controller for the group's activities across 10 countries in the Middle East and Africa. Naguib entered the workforce as an assistant to the Minister of Economy and Foreign Trade in 2000 before joining Al Ahram Beverages Co. in 2001 as a financial analyst prior to that company's acquisition by Heineken. He worked on the group's EGP 250 million Gouna Beverages acquisition before going on to become costing manager responsible for both the company's primary factory and its raw materials plants. He was later promoted to become regional business controller for Africa and the Middle East with responsibilities for 10 countries. After a two-year stint in that role, Naguib was seconded to Heineken's Algerian subsidiary, where he was finance director from January 2009 until he joined ASCOM as CFO and Board Member in October 2011.

Mr. Tadros has over 30 years of experience in human resources and joined Edita as Vice President—HR and Administration in 2010. Before joining us, Mr. Tadros was Human Resources Development Manager at Al Ahram Beverages (a member of the Heineken group) from 2006 to 2010 and as an Independent Organisational Development Consultant from 2004 to 2006. Prior to that, he worked as Training and Development Senior Supervisor at Vodafone Egypt from 1998 to 2004. Mr. Tadros is certified as a Human Resources Assessor and Franklin Covey Trainer. He graduated from Helwan University (Cairo, Egypt) in 1986 with a BA in Hotel Management.

Mr. Maged Tadros
Vice President Human Resources & Administration

Mr. Shaker has 35 years of experience in finance and auditing. He joined Edita Food Industries as Financial Manager in 1997 and became Internal Audit and Compliance Director in 2010. Previously, Mr. Shaker was Financial Manager at Peugeot Egypt from 1993 to 1997, Accounting Supervisor at Hoechst Egypt Pharmaceutical Company from 1991 to 1993 and held various positions at PricewaterhouseCoopers from 1983 to 1991. Mr. Shaker is a Certified Director of the Egyptian Institute of Directors (EIoD). He graduated from Ain Shams University with a BA in Commerce in 1983 and obtained his MBA from the Arab Academy Graduate School of Business (Alexandria, Egypt) in 2009, specialising in Finance, Investment and Banking.

Mr. Sherif Shaker
Internal Audit Senior Director

Mr. El Bahey has 25 years of experience in the FMCG industry and joined Edita Food Industries as Vice President—Supply Chain in 2012 and later assumed responsibility for Industrial Operations. Previously, Mr. El Bahey was Managing Director and CEO of Kraft Foods Algeria from 2010 to 2012 and Supply Chain and Sale Director at Kraft Foods Egypt from 2004 to 2010. He has also been a member of the Board of Kraft Foods Egypt from 2004 to 2012 and Managing Director of Kraft Foods Distribution Limited from 2006 to 2012. From 1995 to 2004 he worked at Gillette Egypt, as Production Engineer, and later as Value Chain Manager for North Africa and Pakistan at Gillette Egypt, and as Assistant Regional Supply Chain Director at Gillette MEA. He graduated from Ain Shams University in 1995 with a BSc in Engineering (Mechanical Power Section).

Eng. Mohamed El Bahey
Vice President Supply Chain & Industrial Operations

Mr. Papadodimas has 19 years of experience in research and development and joined Edita as Research and Development Director in 2014. Before joining Edita, Mr. Papadodimas was Senior Research and Development Food Developer and Continuous Improvement at E.J. Papadopoulos from 2011 to 2014, Research and Development Scientist at General Mills from 2005 to 2009 and Jotis from 2001 to 2005. He graduated from the University of Surrey (Guildford, United Kingdom) in 1998 with a BA in Chemistry and the University of Reading (Reading, United Kingdom) in 1999 with a master's degree in Food Science and Technology. He obtained his MBA from Alba Graduate Business School (Athens, Greece) in 2010.

Mr. Panagiotis Papadodimas
Research and Development Director

Mr. Ahmed Samy has over 17 years of experience in marketing and brand management and currently serves as Edita's Vice President — Marketing. Mr. Samy joined the company in 2014 as Marketing Manager for the cakes & bakes categories before getting promoted to Group Marketing Director responsible for the entire brand portfolio and finally his current position. Prior to joining Edita, he held a variety of marketing and sales positions, including Marketing & Wholesales Senior Manager at Bavarian Auto Group, the sole importer of BMW and MINI in Egypt, Senior Brand Manager at the Non-Alcoholic Division for Heineken Egypt, Sales and Retail Manager for the Consumer Electronics — Near East Area at Philips and began his career at British American Tobacco where he held a variety of marketing roles. He holds a Bachelor of Science in Mechanical Engineering from The American University in Cairo with a double specialization in Design & Industrial Engineering.

Mr. Ahmed Samy
Vice President Marketing

Ms. Shams El Din has over 16 years of experience in corporate strategy, economics and finance and currently serves as Senior Director of Investor Relations & Business Development at Edita. Prior to joining Edita, Ms. Shams El Din served a Vice President of Pharos Asset Management, where she evaluated the company's investment opportunities while also managing the portfolios of high-net-worth individuals and public institutions. In the past, Ms. Shams El Din has also served as a Research Analyst for Morgan Stanley based in Dubai, UAE, an Economist for EFG Hermes Research based in Cairo and held positions at Vodafone Egypt where she helped develop marketing strategies. She holds a Bachelor of Arts in economics and a minor in psychology from The American University in Cairo.

Ms. Menna Shams El Din
Investor Relations and Business Development Senior Director

MANAGEMENT DISCUSSION & ANALYSIS

Strong Earnings Growth in 2019

Edita delivered a solid 19.3% y-o-y rise in net profits to EGP 362.3 million in 2019, driven by continuous product mix enhancement and improved gross profitability; revenues for the year grew 6.6% y-o-y to EGP 4,025.3 million

Edita's performance in 2019 showcased the company's ability to capture growing market demand and deliver strong earnings growth. Its results were driven by a structurally sound business model and years of deploying proactive growth and optimization strategies that position it today ahead of the curve with promising growth prospects. Overall, Edita recorded a 6.6% increase in consolidated revenues to EGP 4,025.3 million in 2019, supported by improving volumes and better price mix. Meanwhile, increased cost efficiency and improved gross profitability helped accelerate top-line growth into a 19.3% increase in net profit to EGP 362.3 million in 2019, with a 9% net profit margin.

Edita's total number of packs sold during the year reached 2,736 million in 2019, with all segments delivering higher volumes particularly the rusks and wafers segments which recorded strong double-digit growth in number of packs sold. Average price per pack also improved in2019 to close the year at EGP 1.47, up 1.8% y-o-y.

Summary Income Statement*

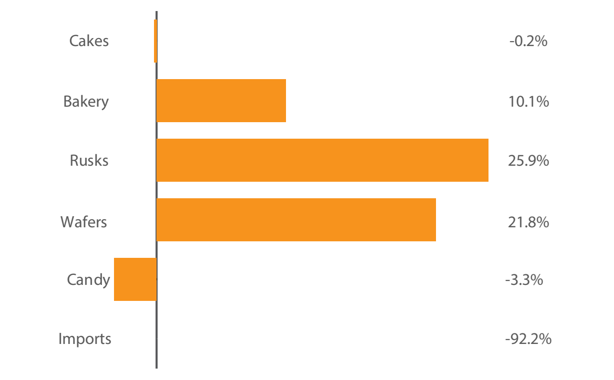
EGP mn	2019	2018	Change
Revenue	4,025.3	3,776.4	6.6%
Gross Profit	1,422.3	1,211.4	17.4%
% Margin	35.3%	32.1%	
EBITDA	705.9	644.2	9.6%
% Margin	17.5%	17.1%	
Net Profit	362.3	303.7	19.3%
% Margin	9.0%	8.0%	

*Figures in the table and this section are based on IFRS reporting standards.

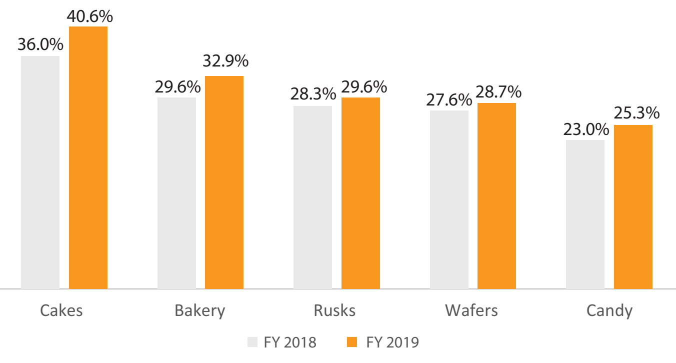
Segment Performance

On a segment basis, top-line growth for the year was largely supported by Edita's bakery, rusks and wafers segments. The bakery segment reported a 10.1% y-o-y rise in revenues on the back of both higher volumes and average price per pack, and contributed to 50% of the company's total revenue growth in 2019. The rusks segment reported a 25.9% y-o-y rise in revenues, contributing to 33% of total top-line growth, while the wafers segment recorded a 21.8% y-o-y rise in revenues and contributed to 24% of total revenue growth in the year. The company's cake segment reported stable revenues for the year at EGP 1,772.3 million, while the candy segment recorded revenues of EGP 155.1 million in 2019.

2019 Revenue Growth by Segment

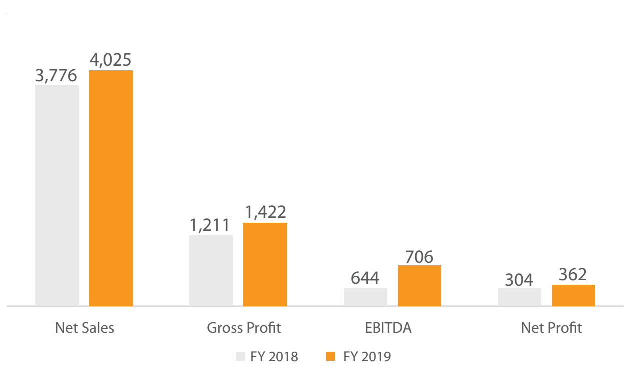


Gross Profit Margin by Segment

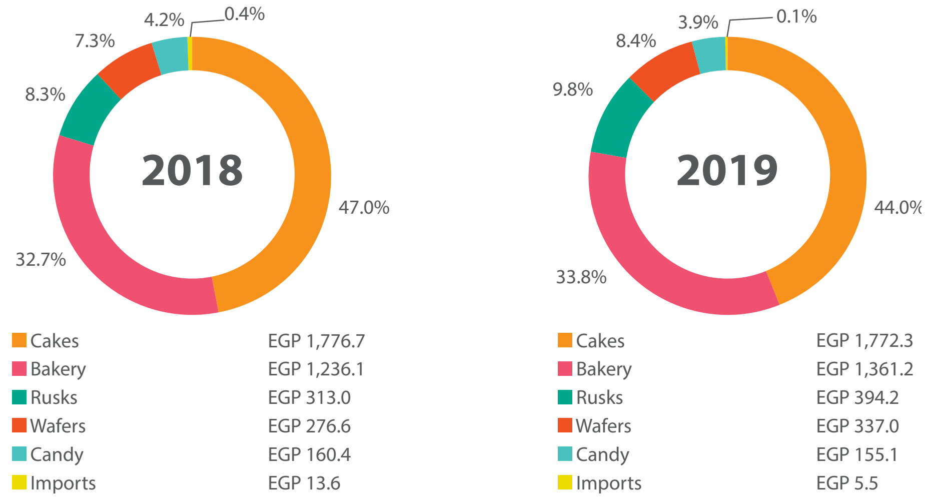


At the gross profit level, all of Edita's segment reported gross profit growth with expanding margins for the year. The cakes segment recorded the highest GPM for the year at 40.6% (+460 bps), followed by bakery at 32.9% (+340 bps), rusks at 29.6%, wafers at 28.7%, and candy at 25.3%. Meanwhile, Edita's rusks segment reported the fastest year-on-year gross profit growth rate at 31.9% followed by the wafers segment up 26.8% y-o-y, the bakery segment at 22.6%, the cakes segment at 12.6%, and the candy segment at 6.2%.

Snapshot of Results 2019



Segment Contribution to Revenue



Revenue and Gross Profitability by Segment

EGP mn	2019	2018	Change
Cakes			
Revenue	1,772.3	1,776.7	-0.2%
Gross Profit	719.3	638.8	12.6%
Gross Profit Margin	40.6%	36.0%	4.6pts
Bakery			
Revenue	1,361.2	1,236.1	10.1%
Gross Profit	448.2	365.4	22.6%
Gross Profit Margin	32.9%	29.6%	3.4pts
Rusk			
Revenue	394.2	313.0	25.9%
Gross Profit	116.8	88.5	31.9%
Gross Profit Margin	29.6%	28.3%	1.3pts
Wafers			
Revenue	337.0	276.6	21.8%
Gross Profit	96.8	76.3	26.8%
Gross Profit Margin	28.7%	27.6%	1.1pts
Candy			
Revenue	155.1	160.4	-3.3%
Gross Profit	39.2	36.9	6.2%
Gross Profit Margin	25.3%	23.0%	2.3pts
Total Revenues*	4,025.3	3,776.4	6.6%
Total Gross Profit*	1,422.3	1,211.4	17.4%
Total GPM	**35.3%**	**32.1%**	**3.3pts**

*Includes contributions from Edita's imports segment

Segment Volumes and Prices

EGP mn	2019	2018	Change
Cakes			
Packs (mn)	1,462	1,441	1.5%
Tons (000s)	41.2	43.4	-4.9%
Av. Factory Price (EGP)	1.21	1.23	-1.7%
Bakery			
Packs (mn)	767	741	3.5%
Tons (000s)	34.5	33.5	3.0%
Av. Factory Price (EGP)	1.78	1.67	6.4%
Rusk			
Packs (mn)	222	186	19.6%
Tons (000s)	8.6	7.2	19.8%
Av. Factory Price (EGP)	1.78	1.69	5.3%
Wafers			
Packs (mn)	204	166	22.8%
Tons (000s)	5.9	4.7	25.1%
Av. Factory Price (EGP)	1.65	1.66	-0.9%
Candy			
Packs (mn)	81	79	2.4%
Tons (000s)	4.4	3.6	21.0%
Av. Factory Price (EGP)	1.91	2.03	-5.5%
Total Packs* (mn)	2,736	2,613	4.7%
Total Tons* (000s)	94.6	92.3	2.4%
Av. Edita Price (EGP)	**1.47**	**1.44**	**1.8%**

*Includes contributions from Edita's imports segment

Costs of Goods Sold

Edita's total cost of goods sold (COGS) was up 1.5% y-o-y in 2019 to EGP 2,603.0 million, while cost of direct materials saw a 1.4% y-o-y decline on the back of an appreciation of the EGP against the USD as well as the company's continued cost controls and optimization efforts. Accordingly, Edita delivered strong gross profit growth of 17.4% y-o-y to EGP 1,422.3 million, and a 3.3 percentage-points expansion in gross profit margin (GPM) to 35.3% for 2019.

EBITDA

Edita recorded an EBITDA of EGP 705.9 million in 2019, up 9.6% y-o-y, with an EBITDA margin of 17.5%, despite a 26.3% y-o-y increase in SG&A spending for the year.

Net Profit

Net profit increased 19.3% y-o-y to EGP 362.3 million in 2019, with the company's net profit margin (NPM) recording 9.0% compared to 8.0% in 2018. Net profit growth was supported by an improvement in the company's gross profit margins for the year combined with lower interest expenses and improved cost of funding.

Exports

Edita recorded gross export sales of EGP 343.5 million in 2019, up 8.7% y-o-y and contributing 8.5% to total revenues.

Balance Sheet

Edita's total CAPEX for the year stood at EGP 277.8 million, including additions and maintenance work across several of the company's factories and equipment.

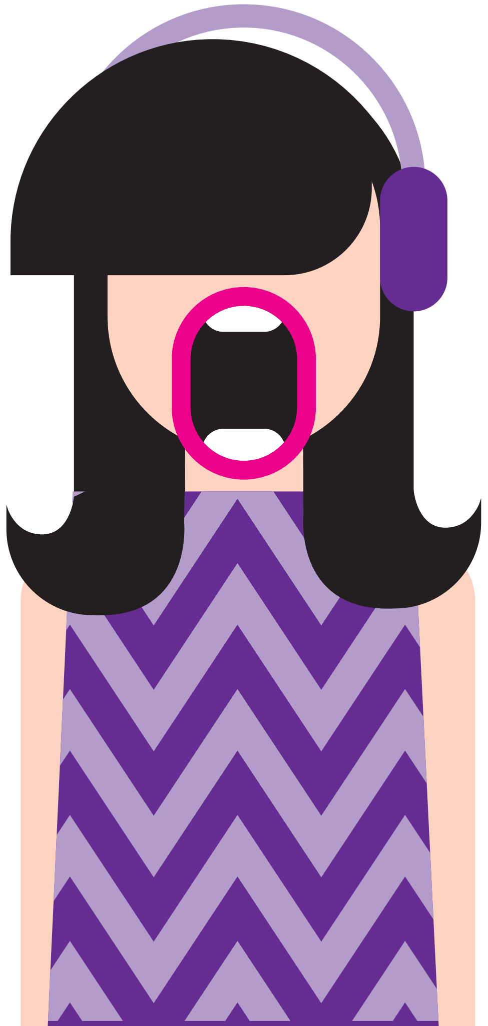
The company's total loans and borrowings as of 31 December 2019 came in at EGP 911.7 million, up from EGP 725.7 million as of 31 December 2018. On the other hand, net debt as at year-end 2019 fell to EGP 209.9 million compared to EGP 372.0 million as of 31 December 2018. Total shareholders' equity stood at EGP 1.6 billion as of 31 December 2019.

Outlook

Edita's strategy in 2020 will focus on driving sustainable revenue growth and utilizing its strong foundations for expansion to create long-term value. A key focus will continue to be the company's portfolio optimization strategy as it seeks to consistently stimulate demand across its existing segments. In doing so, Edita will leverage its innovative abilities to introduce new offerings such as the recently launched Molto Sandwich and Molto Magnum in the bakery segment. Meanwhile, the company will also explore new revenue streams from new segments in the snack food market, capitalizing on its brand equity and strong marketing campaigns with efficient go-to market plans.

The strength of Edita's distribution network will continue to be a key strategic pillar. The company plans on further enhancing its distribution capabilities to help extend its reach and increase its penetration and market share.

On the regional front, Edita's greenfield investment in Morocco is on track with construction progressing on schedule. The new facility, which is set to begin operations in 2020, is the first milestone in Edita's efforts to deliver on its regional expansion strategy.



CORPORATE GOVERNANCE

Board of Directors

Edita's Board of Directors is comprised of some of the region's leading FMCG and financial professionals who bring broad expertise to the company. These experienced men and women have helped transform Edita from a small family business into a leading publicly listed company with a fast-growing regional presence. The Board consists of two executive and six non-executive members, including four independent members.

Eng. Hani Berzi
Chairman and Managing Director, Representing Quantum Invest BV

Mr. Berzi has 34 years of experience in the food and beverage industry, having started his career in 1986 by joining Tasty Foods Egypt, his family's snack food business. Mr. Berzi subsequently held the position of Sales and Marketing Vice President at Tasty Foods Egypt after a sale of a part of its shares to PepsiCo, from 1990 to 1992. Mr. Berzi became a member of the Board of Edita Food Industries in 1996 and became the Managing Director and Chairman of the Board in 2006. Mr. Berzi is also a member of the Board of the Chamber of Food Industries and the Egyptian Centre for Economic Studies and is the Chairman of the Egyptian-Greek Business Council (Egyptian side) and is the Chairman of the Food Export Council. Previously, he was a member of the Boards of a number of companies in the food and beverage industry including Technopack in 1987, Rotopak in 1989 and Egypt Sack in 1997, and has also served as a Board Member of the Federation of Egyptian Industries. He graduated from Ain Shams University (Cairo, Egypt) with a BSc in Computer and Control Engineering.

Mr. Samir Nabih Aziz Berzi
Vice Chairman, Representing Quantum Invest BV

Mr. Berzi has 37 years of experience in the food and beverage industry, having started his career by joining Tasty Foods Egypt. In 1986, Mr. Berzi founded Berzi Confectionary, which was later acquired by Tasty Foods Egypt. He subsequently held the position of Industrial Operation Vice President at Tasty Foods Egypt after a sale of a part of its shares to PepsiCo. Mr. Berzi has also established a number of companies including Digma Trading, a fast-moving consumer goods distribution company and Edita Food Industries. Mr. Berzi became a member of the Board of Edita Food Industries in 1996. He is also the Chairman of Digma Trading and Edita Confectionary Industries, a member of the American Chamber of Commerce, a member of the Board and shareholder of Le Pacha 1901, a shareholder of Mirage Hotels, which owns the JW Marriott at Mirage City, and a shareholder of Sakkara Tourism Investment, which owns the Mirage City compound in New Cairo. He graduated from Cairo University (Cairo, Egypt) in 1982 with a BA in Commerce.

Ms. Fatma Lotfy
Board Member, Representing Quantum Invest BV

Ms. Lotfy has been a member of Edita's Board of Directors since 2015, with over 33 years of commercial and investment banking experience under her belt. Since she began her career in the late 1980s, Ms. Lotfy has held senior and key executive positions in a number of renowned international and local banks and sits on the boards of several largescale financial institutions. Since 2015, she has been a board member of Credit Libanias Beirut and is currently the Chairperson of EFG Hermes Finance. Prior to that, Ms. Lotfy was the Deputy Chairperson and Managing Director at Bank Audi Egypt, the First Deputy Chairperson and Managing Director at Alexbank Intesa San Paolo and Managing Director and Board and Executive Committee Member at Al Watani Bank of Egypt (currently NBK Egypt), in addition to several other senior positions at various institutions including the Commercial International Bank (CIB). Ms. Lotfy is also highly engaged in her role as an active corporate citizen through her activities as a member of the Egyptian European Council, the Young Presidents Organization (YPO), the Egyptian British Chamber of Commerce, the Egyptian American Chamber of Commerce, in addition to being an active member of the Economic Committee of the Women's National Congress.

Mr. Tamir Saeed
Board Member, Representing Kingsway

Mr. Tamir Saeed has 15 years of experience in the finance industry, having started his career at Goldman Sachs where he spent eight years in a variety of roles in the firm's Investment Banking, Equity Derivatives Trading and Principal Strategies groups. Currently, Mr. Saeed is a Managing Partner at Kingsway Capital Advisors LLP, a leading U.K. based investment manager, managing institutional capital with a long-term investment horizon and a focus on high-quality consumer franchises in frontier and emerging markets. Aside from Edita, Mr. Saeed is a board member of a number of reputable companies in Egypt and the broader region, including Al-Eqbal Investment Company (EICO) in Jordan. He graduated from the University of Cambridge (United Kingdom) with an MA in Economics, and is a CFA Charterholder.

Mr. Mounir Fakhry Abdel Nour
Independent Board Member

Mounir Fakhry Abdel Nour is a veteran banker, industrialist and public servant. Mr. Abdel Nour first entered government service in 2011 as Minister of Tourism, a post he held until 2012. He rejoined cabinet as Minister of Trade and Industry in July 2013 and went on to serve as Minister of Trade, Industry and Investment and as Minister of Trade, Industry and SMEs until he left office in September 2015. Prior to entering government, Mr. Abdel Nour was a banker with Banque de l'Union Européenne and American Express. He founded Vitrac, a leading Egyptian maker of jams, juices and syrups, in the 1980s and grew the company into a category-defining player with a dominant market share in Egypt and strong export network. Mr. Abdel Nour led Vitrac's sale in 2002 to Hero Group, a leading Switzerland-based international consumer foods company. Mr. Abdel Nour was chairman of Hero Middle East from 2004 until 2011. He is currently a board member of GB Auto, Domty and Beltone Financial. His past directorships include service to the Egyptian Exchange (1999-2002), the Federation of Egyptian Industries (2004-2007), the Egyptian Competition Authority (2005-2007), among others. Mr. Abdel Nour holds a BSc in statistics from Cairo University's School of Economics and Political Science and an MA in economics from the American University in Cairo. He is an Egyptian national.

Mr. Hussein Choukri
Independent Board Member

Mr. Choukri is among the pioneers of Egypt's investment banking sector. He joined the investment banking department of Morgan Stanley in New York as an Associate in 1980 and acted as Managing Director from 1987 until 1993. In 1993, he became its Advisory Director to serve in this capacity until 2007. In 1996, he established HC Securities & Investment, which currently is one of the leading investment banks in the Middle East and North Africa. Mr. Choukri is a board member of a number of associations and reputable companies, including Holding Company for Tourism, Hotels and Cinema and The Egyptian British Business Council (EBBC). Mr. Choukri joined Edita as a Board Member in January 2015. Mr. Choukri is the head of Edita's Remuneration Committee and is also a member of the Audit Committee. He graduated from Ain Shams University and the American University in Cairo with a degree in Commerce and Management, respectively.

Ms. Sahar El Sallab
Independent Board Member

Ms. El Sallab worked and trained at Citibank Cairo and Athens before spending 25 years working at Commercial International Bank, where she assumed the roles of Vice Chairman and Managing Director. She was also the Chairperson of Commercial International Capital Holding Company (CI Capital) and is currently chairperson of Hiteknofal Company and a board member at the National Bank of Egypt. After significant private sector experience, she became the Deputy Minister of Trade and Industry for Development and Investment in Internal Trade in Egypt. Ms. El Sallab has been nominated as one of the 100 Most Powerful Arab Women 2011 by South African Magazine, CEO, and one of 10 Most Powerful Egyptian Women 2011 by the Egypt Business Directory. Ms. El Sallab is also the head of Edita's Audit Committee. She graduated from the American University in Beirut and from the Harvard Kennedy School for Management.

Mr. Hanny Y. Elmessiry
Independent Board Member

Hanny Elmessiry has over 18 years of experience in the food and beverages industry. From 2012-2015 he served as Chief Executive Officer for IFFCO Egypt, North Africa's largest edible oil and fats refining and processing company. Before that, he acted as Vice President and Managing Director of Golden State Foods Middle East, whose clients include McDonalds, YUM Brands, and Americana. Currently, Elmessiry is a partner at Global Equity Ventures, a fund investing in projects in the MENA region with a focus on entrepreneurship, franchising, information technology, logistics, and sports tourism. He also serves on the board of several for-profit companies in addition to teaching strategic management at The American University in Cairo. Previously, Elmessiry also acted as Chairman and Chief Executive Officer of Orascom Housing Communities. He also served as Governor of Alexandria, Egypt's second largest city. In the 1980s and 1990s, Elmessiry lived in California, USA, where he pursued educational opportunities and gained extensive international work experience with a number of companies, including Bank of America and Al Baraka Bancorp California. Upon returning to the Middle East, he worked for several companies, where he was responsible for projects in the areas of private infrastructure, oil & gas, petrochemicals, and international trade.

Compliance

Edita has incorporated a detailed corporate compliance program into its corporate governance framework with the aim of shielding the company from severe sanctions imposed by the law resulting from violations, as well as educating employees on relevant laws to our operations including securities, antitrust, and environmental regulations, among others.

Edita's compliance program has a broad mandate which enables it to achieve its aim. Among these responsibilities are:

- Stay up to date with new laws and regulations that impact the company's operations and ensure that they are incorporated into the corporate policy manual.
- Review developed policy drafts and identifying other corporate policies to ensure that they are in line with relevant laws and regulations and support the vision and direction of the collection center in conjunction with the departmental vision set forth by the Executive Management.
- Provide necessary policy awareness sessions (through available channels) aimed at educating employees about the applicable laws and corporate policies that affect their operations and sharing awareness statistics with Top Management.
- Carry out risk assessment for business operations to identify areas at risk and ensure management is made aware to take proper actions and mitigates.
- Carry out compliance checks (for new / updated policies) to ensure compliance with the corporate policies and identify actual and potential problems.
- Allow anonymous reporting by employees on gaps / breaches conducted by others without fear of retribution and permitting employees to ask questions.
- Review contracts and agreements with other parties and ensure that their terms and conditions do not violate Edita's corporate policies.
- Direct the Supplier Selection Committee meetings and make sure that minutes of meetings are developed and communicated to all concerned parties.
- Empower department heads to ensure that the necessarily controls are properly implemented by providing them with a self-assessment check list after the implementation of new policies and controls.

Audit Committee

In accordance with EGX listing rules, the Board of Directors has established an Audit Committee, consisting of four experienced Non-Executive Directors, three of whom are independent. The Audit Committee's primary responsibilities include assisting the Board in fulfilling its oversight responsibilities in connection with:

- The inspection and review of internal audit procedures;
- The inspection and review of accounting standards and any changes resulting from the application of new accounting standards;
- The inspection and review of internal audit procedures, plans and results;
- The inspection and review of the periodic administrative information presented to the different levels of management and the methods of such preparation and timing of submission;
- Ensuring the implementation of appropriate supervisory procedures in order to protect our assets;
- Ensuring adherence to auditor and EFSA recommendations;
- The inspection of the procedures carried out in preparing and reviewing:
    1. the financial statements,
    2. offerings relating to securities, and
    3. estimated budgets, cash flow and income statements;
- Advising on the appointment of auditors to perform services other than the preparation of financial statements;
- The inspection and review of the auditor's report regarding the financial statements and discussing the comments;
- Ensuring the preparation by an independent financial advisor of a report concerning any related party transactions before being ratified; and
- Ensuring the application of the necessary supervisory methods to maintain our assets, conduct periodic evaluation of administrative procedures and prepare reports to the Board.

Internal Audit Department

Edita's Internal Audit department spearheads a number of policies and procedures aimed at strengthening the company's compliance efforts and organizational operations by guarding against corruption, promoting ethical conduct, and adding value to the company. Using a systematic, disciplined approach to improve the efficiency of Edita's processes, the Internal Audit department also supervises the company's risk management, control process, and governance efforts to facilitate the achievement of the company's goals. The department is also responsible for evaluating the efficiency of Edita's internal controls system, assessing company policies' alignment with legal regulations and sound business practices as well as reviewing operations to ensure their consistency with business objectives.

The department issues exhaustive reports to the Audit Committee as well as Edita's senior management to provide advice and recommendations across all company departments and sectors. It is also tasked with investigating any reported instances of fraud, embezzlement, theft, waste, or any wrongdoings. Edita aims to comply with all laws and regulations to which it is subjected as an Egyptian business, and the Internal Audit Department perpetually reviews all operations, and advises on company integrates ethical standards into its policies and actively raises awareness of its expectations for ethical conduct among all employees. Edita is proud of its transparent and merit-based hiring process, and in recent years the company has made efforts to strengthen its information security procedures and succession planning.

Information Security

The Information Security department supports Edita's strategic direction with the purpose of ensuring the application of security controls and countermeasures for protecting confidential information and monitoring and responding to security breaches and taking corresponding corrective and preventative measures.

The mandate of Edita's Information Security team includes:

- Measuring the effectiveness and efficiency of current controls and recommending additional controls for tightening security to protect information assets against inappropriate disclosure.
- Conducting periodic reviews of the company's information security policy in order to ensure it remains up to date with any changes in information records or security controls.
- Mitigating risks associated with the theft, loss, misuse, damage, or abuse of information.
- Monitoring the Data Loss Prevention (DLP) system in order to protect data in use, in-transit, or at rest, as well as to detect any breaches, and act immediately to prevent any unauthorized traffic.

SUSTAINABILITY

Sustainability

Edita adhere to business practices that foster sustainability through strategies that increase operational efficiencies, policies that promote human rights and ethical behavior, safeguard the environment, and leave a positive impact on local communities

In 2019, Edita continued to build on its track record of adopting successful sustainable practices, including increased alignment with international standards, promoting employee wellbeing, diversity and inclusion, as well as maintaining strict health, safety and environmental standards for a safe and sustainable workplace. Across these avenues, Edita had identified key areas where it can best invest its efforts; and in 2019 carried on building up on these areas to create larger value for all its stakeholders and the communities where it operates.

Alignment with International Standards

In its strive to regularly benchmark its efforts against global best practices, Edita remains a member of the United Nations Global Compact (UNGC). The compact is an international call that has so far brought over 10,000 companies from over 170 countries together to advance societies through unified corporate goals. Its 10 universal principles are built around the notions of human rights, labour, environment and anti-corruption, and have assisted Edita in further fortifying its relevant policies and procedures. Additionally, Edita continues to adhere to as many of the UN's sustainable development goals (SDGs) as possible, with particular focus on goals number 3, 4, 5, 8, 10, 11 and 17. The goals cover a range of topics, from the importance of good health and quality education, to decent work conditions, reduced inequalities and improved conditions for women and girls, the importance of sustainability and partnerships that make such goals attainable.

Employee Wellbeing

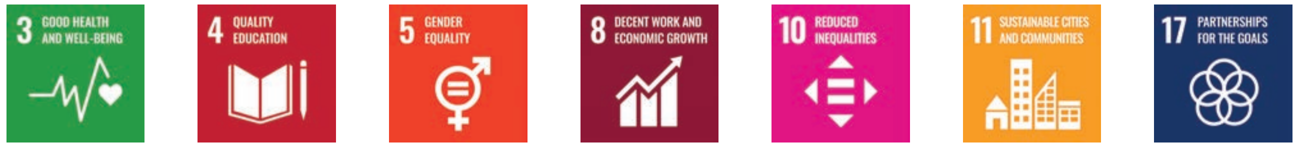
Edita's employees are core to the success of its operations, which is why the company is committed to upholding the highest standards of quality and fairness when dealing with employee affairs, wellbeing and development. Next to abiding by local labour laws and maintaining a fair and transparent compensation scheme, the company ensures that financial support is provided to its employees where and as needed, and keeps ahead of any local shifts that necessitate pay rises or restructures. In addition, and of equal importance to employee wellbeing, Edita invests in its employees' development journeys and provides skill-specific courses and trainings to further propel its teams forward. The company believes in providing a healthy and productive work environment where all employees can thrive, and where frontrunners can claim leadership positions that will help shape their and Edita's future. Furthermore, and because employee safety is essential to Edita, the company provides vital trainings to all teams, closely monitors operations and potential violations, and keeps risk assessment systems in full effect to improve response times and reduce mishaps.

Diversity and Inclusion

As Edita looks to sustain an internal culture built on the pillars of mutual respect, support and the celebration of differences, a diverse hiring strategy and zero-tolerance anti-discrimination policies are adopted. Next to fully prohibiting any form of discrimination against an employee based on personal attributes, inclinations or preferences, the company regularly updates the mechanisms it uses to combat negative behaviours and activities. This includes but is not limited to awareness sessions, sensitivity trainings and reporting systems. Edita also remains a firm believer in the importance of empowering females in the workplace. The company supports female leadership through specialized programs and KPI frameworks that encourage women to make strides towards the forefront of the company's operations.

Environmental Sustainability

Edita continues to prioritize environmental wellbeing by reducing its carbon footprint and the impact of its operations whenever possible. Most importantly, the company always chooses to locate its factories in designated industrial zones and far away from residential communities to help safeguard people's surrounding environment and safety. Edita also implements sound environmental policies and procedures that reduce waste and increase operational efficiency and conducted a year-round analysis to ensure that all emissions and waste are within legal limits across all of its plants, which was successfully confirmed in 2019. The company also renewed its ISO 14001 environmental management certification across all its factories. Throughout 2019, Edita used its SHE policies and eREMS system



to ensure full compliance with national and international environmental regulations, as well as evaluate and act on potential environmental risks. Next to reducing its total water consumption in 2019, Edita also successfully installed and inaugurated a new water treatment station in its E06 factory in June. It additionally began implementing a waste segregation system across its E08 and E15 factories throughout the year, so that it can dispose of hazardous waste effectively and safely. Moreover, Edita began using plastic reusable trays in place of cartons to push out its Molto Sandwich SKU, in an effort to reduce its carton waste and embrace more eco-friendly solutions across its operations.

Corporate Social Responsibility

Edita is from and to the communities where it operates, which is why it insists on advancing individuals and providing them with the skills and education necessary to further their knowledge, self-dependency and collective sustainability. In 2018, and in partnership with Educate Me Foundation, Edita launched the "Building Pioneers" program in Beni Suef governorate, whose two-pronged framework looks to develop underprivileged schools – thereby improving access to education – and strengthen students using a 3-day camp that aims to equip children with modern-day skills, trainings and cultural visits. Its main objective is to nurture a value system that promotes inclusion and respect.

The program was inaugurated in Ta'awon school in Beni Suef, where fields and play areas were renovated and camps full of workshops were hosted. Not only did children gain access to a plethora of new sources of knowledge through the program, they were encouraged to report on their learnings using creative outlets, such as fun presentations, drawings and plays. Parallel to the 3-day camp conducted for children, workshops for mothers were also introduced to the program, where mothers were trained on topics such as child psychology and nutrition. By the end of 2019, four new schools were entered into the program successfully, impacting the lives of 1,350 children and 580 mothers.

Furthermore, a new program which adopts a "school transformation journey" framework was adopted in 2019 at Ta'awon, targeting the development of 40 educators, administrators and members of the school's professional development team. The program's framework includes a three-year plan of successive direct and indirect interventions, where participants are provided with the necessary soft skills trainings, field work and remote activities to assist them in embracing continuous self-learning. By doing so, the program aims to transform the school into a fully independent institution through the efforts of its staff by the year 2022.

Edita is also in the final stages of establishing the Edita Foundation which will serve as the umbrella for the company's CSR activities. Among the foundation's priorities will be furthering Edita's support for mothers and children, sponsoring educational initiatives as a cornerstone for community development, and providing career progress training such as management skills. The foundation will also focus supporting the handicapped through employment opportunities as well as funding healthcare services through grants and sponsorships of cancer institutions.

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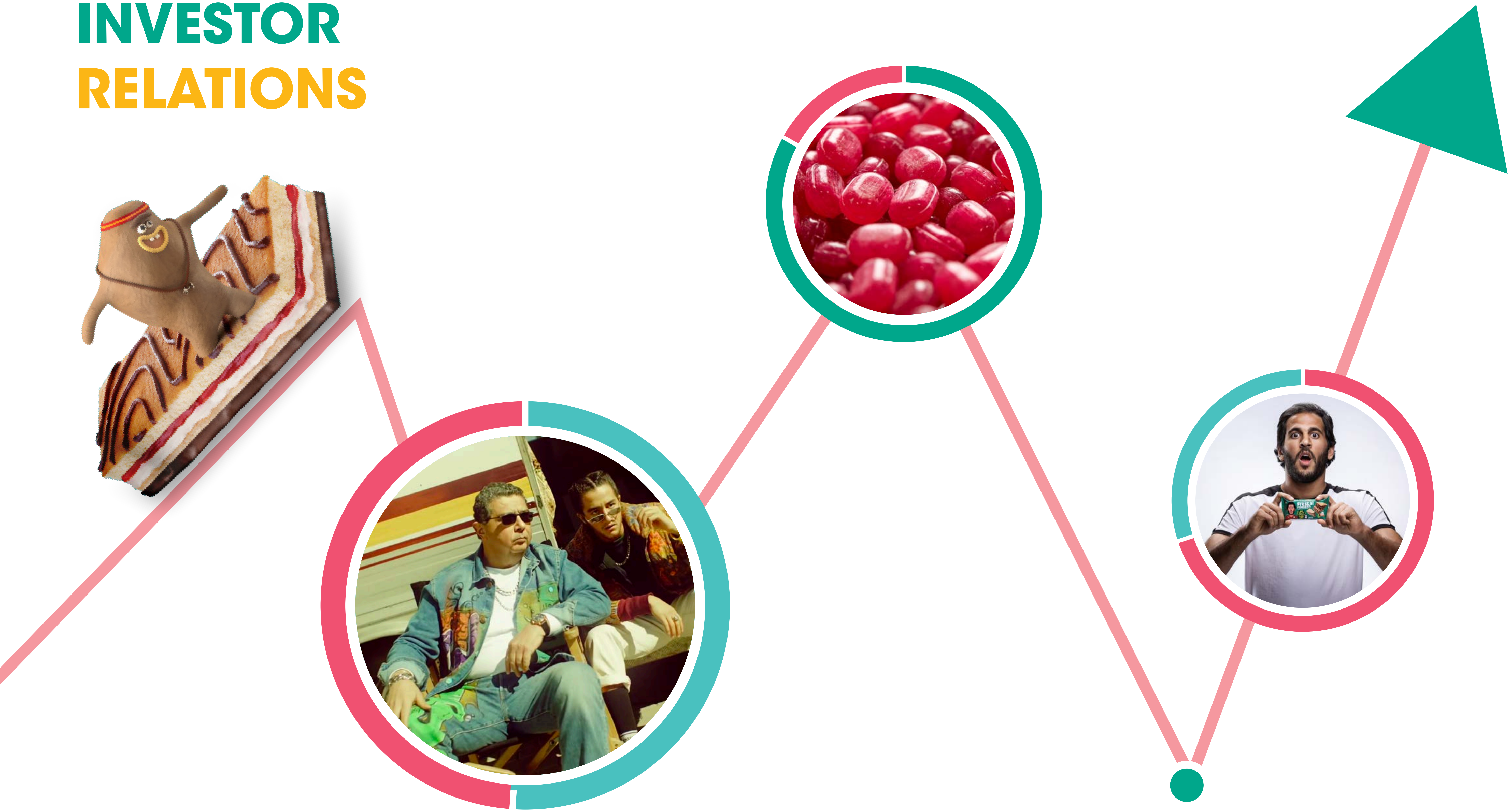
Anti-Corruption Efforts

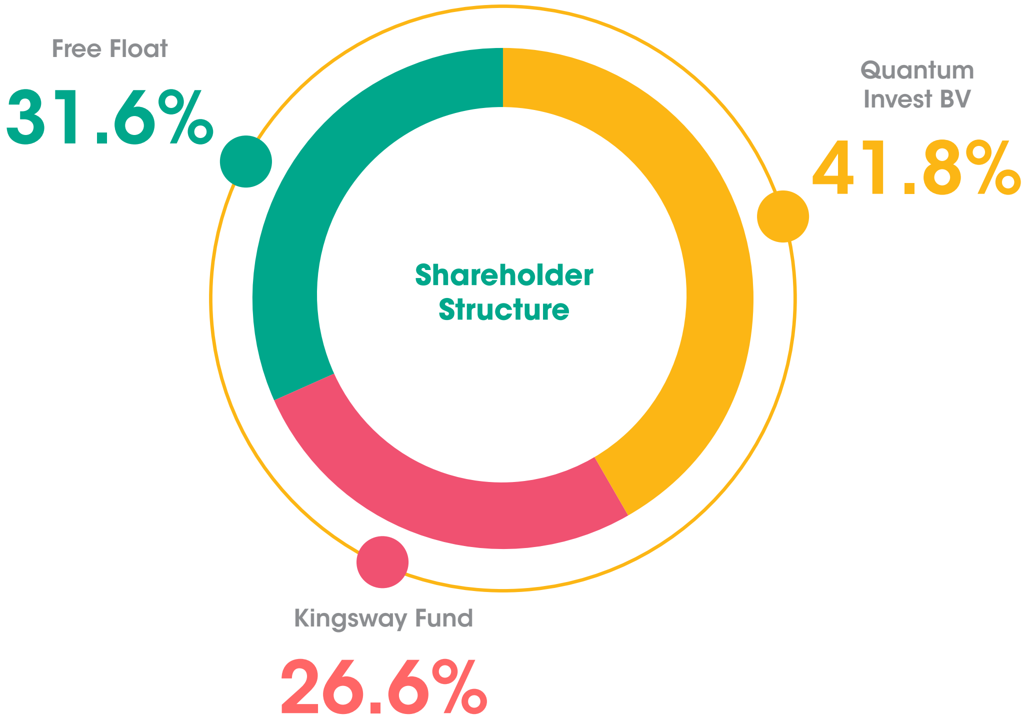
Ethical behavior is key to Edita's success, and so the company is heavily invested in combating illicit, unethical and corrupt behaviours, and maintaining integral operations at all costs. Edita complies with all the laws, regulations and procedures dictated by its markets of operation, and relies on its internal audit department to improve internal controls and ward the company against any form of corrupt behaviour. Employees are expected to abide by the company's Code of Conduct and zero-tolerance policies related to bribery and corruption, on which they regularly receive refresher courses and trainings. In 2019, the company also upgraded its whistleblowing protocol by introducing IVoiceUp, a new system for anonymous reporting by employees and service providers. The system can be used to submit notices of wrongdoings, unethical behaviour or illegal acts with complete anonymity. It can also be used to submit suggestions, improvements or initiatives that can assist Edita in enhancing its operations and mechanisms.

INVESTOR RELATIONS

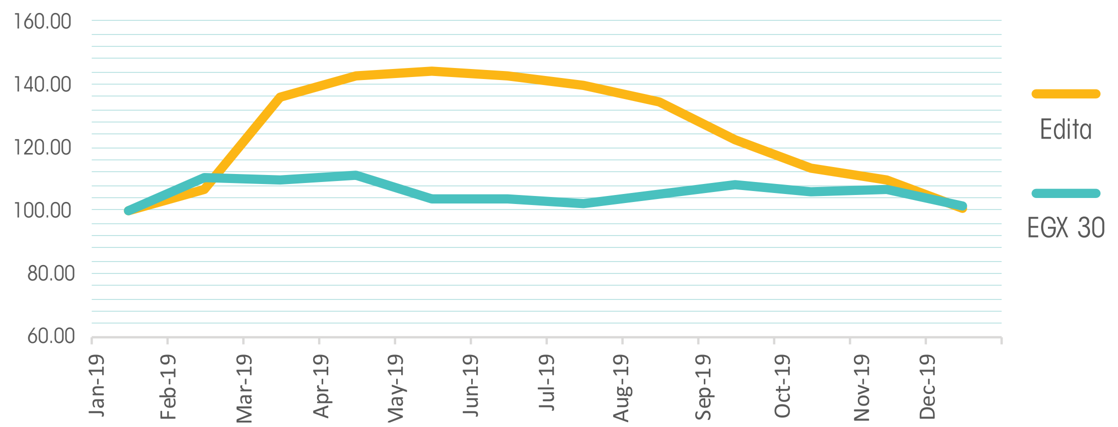


Investor Information

Edita Food Industries S.A.E. has been listed on the Egyptian Exchange (EGX) since 2015 and offers its shares on international markets with a Global Depository Receipt (GDR) program on the London Stock Exchange (LSE). As at 31 December 2019 the company's 725 million shares had a market capitalization of c.EGP 10.9 billion . Stock coverage includes nine local and six international institutions as of year-end 2019.



52-Week Stock Performance
(Rebased 100)



Investor Relations

Our Investor Relations department's key objective is to maintain a proactive outreach program with investors focusing on transparency and access to information. The department aims to serve the best interest of Edita's investors by adopting best-in-class disclosure practices and effectively communicating the stock's fundamentals through various channels, including Edita's corporate and investor relations websites, periodic publications, investor conferences and direct communication. Edita is cognizant of capital markets' dynamic landscape and recognizes that investors' needs and expectations are constantly evolving. To that end, the IR department is keen on incorporating good governance practices in its strategy for matters such as environmental, social and governance (ESG) issues as well as more specific factors such as the implementation of MIFID II.

Investor Relations Activities in 2019

The IR department's activities over the last twelve months included the participation in several global investor conferences with exposure to some 327 institutional investors ranging from corporates to leading fund and portfolio managers with an aggregate assets under management of USD 12 trillion.

Listing Regulations

Joint stock companies in Egypt adhere to the philosophy of separating ownership and control: though shareholders own the Issuer nominally, management of the Issuer is vested by law in the hands of its Board of Directors. Edita is subject to Egyptian disclosure requirements and is required to submit annual and quarterly financial statements prepared in accordance with EAS and IFRS; provide notices of any material developments to the EFSA, EGX and LSE; provide the regulator with minutes of the Issuer's Ordinary and Extraordinary General Meetings; and publish our annual and quarterly financial statements in two widely circulated local daily newspapers.

Share Information

Codes:
EGX: EFID.CA
Reuters: EFID.CA
Bloomberg: EFID.L

Share Listing:
Cairo, Egypt / London, United Kingdom

Currency
EGP / USD

No. of Outstanding Shares:
725,362,900

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019- (IFRS)

Independent auditor's report to the shareholders of Edita Food Industries Company (S.A.E)

Our opinion
In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Edita Food Industries Company (S.A.E) ("the Company") and its subsidiaries (together "the Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the prevailing Egyptian laws and regulations.

What we have audited
The Group's consolidated financial statements comprise:

- The consolidated balance sheet at 31 december 2019;
- The consolidated statement of profit or loss for the year then ended;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the other ethical requirements that are relevant to our audit of the consolidated financial statements in Egypt. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach
Overview

Key audit matters	• Valuation of trademark intangible assets which have indefinite useful lives • Implementation of IFRS 16 "Leases"

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of trademark intangible assets which have indefinite useful lives	
The Group's balance sheet includes intangible assets amounting to EGP 162.9 million as at 31 December 2019. relating to the purchase of trademarks and knowhow on certain of its branded products (see Note 7 to the consolidated financial statements). Under the Group's accounting policy, trademarks and knowhow are treated as having indefinite useful lives because the related licenses are perpetual, irrevocable and exclusive. They include the trademark in the territory in connection with specific cake product brands. Under accounting standards when intangible assets are assumed to have indefinite useful lives, and no amortisation is charged, management are required to perform an annual test to assess whether the carrying value of these trademarks has been impaired. Management have not identified any decline in the value in the trademarks concerned and have assessed that no impairment is required. The impairment test is based on management's view of the future cash flows to be generated from the trademarked brands concerned. We focused on the carrying values of these intangible assets because of the amount of inherent uncertainty involved in estimating future product cash flows and also because of the potentially significant impact on the Group's reported income, its earnings per share and its asset carrying values of relatively small changes in the underlying assumptions.	We obtained management's valuation analysis which is derived from the Board approved business plan. The most significant judgments within that analysis relate to the discount rate applied together with the assumptions supporting the underlying forecast cash flows, in particular the terminal growth rate and the forecast combined operating ratios in the projection period and investment return assumptions. We evaluated management's discounted cash flow forecasts and the process by which they were developed. We compared these forecasts to Board-approved business plans for consistency and also compared previous forecasts to actual results to assess the performance of the business and the accuracy of management forecasting. We confirmed that the key assumptions had been subject to oversight from the directors. With the assistance of our internal valuations specialists we tested the assumptions and methodologies used, in particular those relating to the discount rate and growth rates. To do this: • We evaluated these assumptions with reference to those applied to valuations of similar companies. • We compared the key assumptions to externally derived data where possible, including market expectations of investment return, projected economic growth and interest rates. • We applied sensitivities in evaluating management's assessment of the planned growth rate in cash flows and combined operating ratios. • We tested the calculations within the valuation model for mathematical accuracy, and considered the sensitivity of the calculations by varying the assumptions and applying other values within a reasonably possible range of outcomes. • We assessed the adequacy of the Group's disclosure regarding the key assumptions, sensitivities and headroom as included in the accounting policies and in note 6 to the consolidated financial statements
Implementation of IFRS 16 "Leases"	
The Group has adopted IFRS 16 "Leases" with effect from 1 January 2019. This new accounting standard supersedes the requirements of IAS 17 'Leases'. Management performed a detailed analysis of each lease contract to identify differences between the requirements of the two standards, identify the changes required to be made to existing accounting policies and determine the transition adjustments and consequential changes to processes and controls required particularly in connection with identification of whether an arrangement meets the definition of a lease. IFRS 16 principally modifies the accounting treatment of operating leases at inception, with the recognition of a right-of-use on the leased asset and a corresponding liability for the discounted amount of lease payments over the term of lease contract. The Group has chosen to apply IFRS 16 "Leases" under the simplified approach. Management also assessed the disclosure requirements of the new standard to be made in the consolidated financial statements. We considered this as a key audit matter because the calculations of amounts underlying the right-of-use assets and the corresponding lease liabilities involve new processes for collecting data, complex rules and the application of significant management judgement relating to the terms in the contracts. Refer to Note 2.A.III which explains the impact of the adoption of the new standard, notes 2.K for the accounting policy and Note 6 for the related disclosures in the accompanying consolidated	We performed the following as part of our audit: • Reviewed management's assessment of the impact of IFRS 16 in terms of the classification and measurement of its right-of-use assets and lease liabilities, and understood the approach taken towards implementation; • Assessed the accuracy of the lease data by testing, on a sample basis, the lease data captured by management through the inspection of lease documents; • Tested lease schedules, on a sample basis, by recalculating the amounts underlying the right-of-use assets and lease liabilities, based on the terms of the lease contracts. We also tested the arithmetical accuracy of those individual lease schedules and how these accumulated into the overall adjustment totals applied in the consolidated financial statements as at 1 January 2019; and • Consulted our accounting subject matter specialists to assess the appropriateness of the discount rates used in computation of lease liability obligations. • Assessed the completeness of the lease data by comparing the contracts included in the contracts analysis to those tested in the current and prior period lease testing. We also reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements in relation to the implementation of the new standard.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' annual report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and with the prevailing Egyptian laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

22 March 2020
Cairo, Egypt

Consolidated balance sheet “IFRS”

At 31 December 2019

(All amounts in Egyptian Pounds)	Note	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	5	1,993,845,097	1,884,237,454
Right of use assets	6	61,432,524	-
Intangible assets	7	168,276,650	169,921,078
Prepayments on future investments in subsidiary	8	-	10,850,159
Total non-current assets		**2,223,554,271**	**2,065,008,691**
Current assets			
Inventories	9	295,420,425	288,828,341
Trade and other receivables	11	204,193,093	128,179,325
Treasury bills	12	548,192,500	290,180,875
Cash and bank balances	13	153,615,452	63,579,745
Total current assets		**1,201,421,470**	**770,768,286**
Total assets		**3,424,975,741**	**2,835,776,977**
Liabilities and Equity			
Non-current liabilities			
Borrowings	14	605,756,771	495,564,577
Deferred tax liabilities	15	167,800,747	158,168,693
Employee benefit obligations	16	11,600,000	6,621,193
Lease liabilities	17	56,293,305	-
Total non-current liabilities		841,450,823	660,354,463
Current liabilities			
Trade and other payables	18	544,325,008	460,405,346
Current income tax liabilities	19	63,186,112	6,633,469
Borrowings	14	185,887,584	211,049,595
Bank overdraft	20	120,096,127	19,126,567
Lease liabilities	17	7,576,894	-
Provisions	21	21,221,845	29,270,866
Total current liabilities		**942,293,570**	**726,485,843**
Total liabilities		**1,783,744,393**	**1,386,840,306**
Equity			
Share capital	22	145,072,580	145,072,580
Legal reserve	23	78,233,972	73,265,674
Cumulative translation reserve		(202,760)	16,103
Transactions with non-controlling interest	24	(32,132,098)	-
Retained earnings		1,414,038,957	1,206,786,382
		1,605,010,651	**1,425,140,739**
Non-controlling interests	24	36,220,697	23,795,932
Total equity		**1,641,231,348**	**1,448,936,671**
Total liabilities and equity		**3,424,975,741**	**2,835,776,977**

-The accompanying notes on pages 105 to 152 form an integral part of these consolidated financial statements.
- Auditor’s report attached

Mr. Sameh Naguib
Vice President - Finance

Eng Hani Berzi
Chairman

Giza, 26 February 2020

Consolidated statement of profit or loss “IFRS” -

For the year ended 31 December 2019

(All amounts in Egyptian Pounds)	Note	2019	2018
Revenue	29	4,025,272,151	3,776,424,133
Cost of sales	31	(2,602,963,051)	(2,565,067,553)
Gross profit		**1,422,309,100**	**1,211,356,580**
Distribution cost	31	(593,990,396)	(444,026,080)
Administrative expenses	31	(291,683,948)	(256,025,396)
Other income	25	11,658,738	7,729,678
Other losses - net	26	(42,146,567)	(23,687,522)
Operating profit		**506,146,927**	**495,347,260**
Finance income		93,768,528	38,314,043
Finance cost		(106,998,119)	(122,329,790)
Finance cost - Net	27	**(13,229,591)**	**(84,015,747)**
Profit before income tax		**492,917,336**	**411,331,513**
Income tax expense	28	(130,629,735)	(107,681,080)
Net profit for the year		**362,287,601**	**303,650,433**
Profit is attributable to			
Owners of the parent		363,220,873	301,492,789
Non-controlling interest		(933,272)	2,157,644
Net profit for the year		**362,287,601**	**303,650,433**
Earnings per share (expressed in EGP per share):			
Basic earnings per share	30	0.50	0.42
Diluted earnings per share	**30**	**0.50**	**0.42**

- The accompanying notes on pages 105 to 152 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income "IFRS" -

For the year ended 31 December 2019

(All amounts in Egyptian Pounds)	2019	2018
Profit for the year	362,287,601	303,650,433
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1,215,386)	221,605
Other comprehensive (loss) / income for the year - net of tax	**(1,215,386)**	**221,605**
Total comprehensive income for the year	**361,072,215**	**303,872,038**
Total comprehensive income is attributable to		
Owners of the parent	363,002,010	301,714,394
Non-controlling interest	(1,929,795)	2,157,644
Total comprehensive income for the year	**361,072,215**	**303,872,038**

- The accompanying notes on pages 105 to 152 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity - "IFRS"

For the year ended 31 December 2019

						Total Owners' Equity		
(All amounts in Egyptian Pounds)	Share 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 2018	**145,072,580**	**56,474,533**	**(205,502)**	**-**	**1,007,084,734**	**1,208,426,345**	**21,800,103**	**1,230,226,448**
Profit for the year	-	-	-	-	301,492,789	301,492,789	2,157,644	303,650,433
Other comprehensive income for the year	-	-	221,605	-	-	221,605	-	221,605
Total comprehensive income for the year	**-**	**-**	**221,605**	**-**	**301,492,789**	**301,714,394**	**2,157,644**	**303,872,038**
Transactions with owners in their capacity as owners:								
Dividends distribution for 2017	-	-	-	-	(85,000,000)	(85,000,000)	(161,815)	(85,161,815)
Transfer to legal reserve	-	16,791,141	-	-	(16,791,141)	-	-	-
Balance at 31 December 2018	**145,072,580**	**73,265,674**	**16,103**	**-**	**1,206,786,382**	**1,425,140,739**	**23,795,932**	**1,448,936,671**
Balance at 1 January 2019	**145,072,580**	**73,265,674**	**16,103**	**-**	**1,206,786,382**	**1,425,140,739**	**23,795,932**	**1,448,936,671**
Profit for the year	-	-	-	-	363,220,873	363,220,873	(933,272)	362,287,601
Other comprehensive loss for the year	-	-	(218,863)	-	-	(218,863)	(996,523)	(1,215,386)
Total comprehensive income for the year	**-**	**-**	**(218,863)**	**-**	**363,220,873**	**363,002,010**	**(1,929,795)**	**361,072,215**
Transactions with owners in their capacity as owners:								
Transactions with non-controlling interest	-	-	-	(32,132,098)	-	(32,132,098)	(23,165,685)	(55,297,783)
Non-controlling interest share in establishment of subsidiary	-	-	-	-	-	-	37,693,675	37,693,675
Dividends distribution for 2018	-	-	-	-	(151,000,000)	(151,000,000)	(173,430)	(151,173,430)
Transfer to legal reserve	-	4,968,298	-	-	(4,968,298)	-	-	-
Balance at 31 December 2019	**145,072,580**	**78,233,972**	**(202,760)**	**(32,132,098)**	**1,414,038,957**	**1,605,010,651**	**36,220,697**	**1,641,231,348**

- The accompanying notes on pages 105 to 152 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows "IFRS"-

For the year ended 31 December 2019

(All amounts in Egyptian Pounds)	Notes	2019	2018
Cash generated from operations	32	678,889,786	646,067,861
Interest paid		(100,019,397)	(126,882,706)
Income tax paid		(62,454,457)	(42,772,496)
Net cash inflow from operating activities		**516,415,932**	**476,412,659**
Cash flows from investing activities			
Payment for purchase of property, plant and equipment	5	(277,166,085)	(97,176,199)
Payment for purchase of intangible assets		(729,058)	-
Proceeds from sale of property, plant and equipment		8,831,820	9,842,207
Prepayments on future investments in subsidiary		-	(10,850,159)
Cash acquired on establishment of subsidiary		10,850,159	-
Interest received		47,969,019	26,892,398
Payment for purchase of treasury bills		(1,502,816,565)	(191,969,753)
Proceeds from sale of treasury bills		1,183,615,500	226,571,670
Net cash outflow from investing activities		**(529,445,210)**	**(36,689,836)**
Cash flows from financing activities			
Dividends paid to shareholders		(151,173,430)	(85,161,815)
Payments to acquire non-controlling interest		(55,297,783)	-
Proceeds from non-controlling interest on the establishment of subsidiary		37,693,675	-
Lease Payments		(6,241,903)	-
Repayments of borrowings		(275,973,661)	(182,205,616)
Proceeds from borrowings		379,732,129	67,142,841
Net cash out flow from financing activities		**(71,260,973)**	**(200,224,590)**
Net (decrease) / increase in cash and cash equivalents		**(84,290,251)**	**239,498,233**
Cash and cash equivalents at beginning of the year		179,589,499	(60,130,339)
Effects of exchange rate on cash and cash equivalents		(1,761,042)	221,605
Cash and cash equivalents at end of the year	13	**93,538,206**	**179,589,499**

- The accompanying notes on pages 105 to 152 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2019

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 12.861% of the Company share capital and Kingsway Fund Frontier Consumer Franchises which owns 11.131% of Company's share capital and other shareholders owning 34.193% of company's share capital.

These consolidated financial statements have been approved by Chairman and Managing Director on 26 February 2020.

Consolidated financial statements of the Group comprise financial statements of Edita Food Industries Company (S.A.E.) and its subsidiaries (together referred to as the "Group").

Edita Food Industries:

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

The group's principal subsidiaries at 31 December 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Digma for Trading:

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

Edita Confectionery Industries:

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

Edita participation limited:

The principal activities of the company are the provision of services and the holding of investments but the Company does not have any operations until now and all its transactions are immaterial.

Edita Food Industries Morocco:

The company's main purpose is to build and operate a factory for production, sales and distribution of cakes, pastry, wafer and other confectionary products. Edita Morocco incorporated in 2019, with 51% majority stake owned by Edita Food Industries (S.A.E.).

	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
Name of entity		2019	2018	2019	2018
Digma for trading	Egypt	99.8%	99.8 %	0.2%	0.2 %
A Confectionery Industries	Egypt	99.98%	77.71 %	0.02%	22.29 %
Edita participation limited	Cyprus	100%	100 %	-	-
Edita Food Industries Morocco	Morocco	51%	-	49%	-

Financial information about the subsidiaries of the group as at 31 December 2019 and 31 December 2018

Name of subsidiary	Total Assets 2019	Total Equity 2019	Total Sales 2019	Net Profit/ (loss) 2019
Digma for trading	348,975,043	190,475,352	3,689,583,280	34,287,005
Edita Confectionery Industries	211,335,096	119,775,378	144,061,511	13,726,945
Edita participation limited	41,262,594	(4,473,075)	-	(2,271,158)
Edita Food Industries Morocco	101,359,569	74,867,193	-	(2,058,931)

Name of subsidiary	Total Assets 2018	Total Equity 2018	Total Sales 2018	Net Profit/ (loss) 2018
Digma for trading	315,629,952	242,903,348	3,466,987,824	74,078,258
Edita Confectionery Industries	187,280,299	106,048,435	147,424,084	9,015,183
Edita participation limited	17,711,524	(2,201,917)	-	(1,931,436)

The above mentioned financial information are related to amounts as included in the separate financial statements which have been used in the consolidation.

2. Summary of significant 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 to all the years presented, unless otherwise stated.

A. Basis of preparation

I. Compliance with IFRS

The consolidated financial statements of Edita food industries and its subsidiaries "the group" have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

II. Historical cost convention

These financial statements have been prepared under the historical cost basis except for the defined benefit obligation which is recognized at the present value of future obligation using the projected credit unit method.

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

A number of new and amended standards became effective as of 1 January 2019, the impact of which is described below. The Group has not early adopted any other standards, interpretations or amendments that have been issued but have not yet become effective.

IFRIC 23 'Uncertainty over income tax treatments'

This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

IFRS 16 'Leases'

IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 'Leases' introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-ofuse 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.

The Group has adopted IFRS 16 on 1 January 2019, using the modified retrospective approach, therefore, the cumulative effect of adopting IFRS 16 has been recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with a restatement of comparative information. 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 2019 are identified as leases in accordance with IAS 17 and IFRIC 4. The impact of adopting IFRS 16 on the Statement of Financial Position as at 1 January 2019 and 31 December 2018 and Statement of Profit or Loss for the period ended 31 December 2018 are as follows:

	31 December 2018	Impact of IFRS 16	1 January 2019
Assets			
Non-current assets			
Property, plant and equipment	1,884,237,454	-	1,884,237,454
Right of use assets	-	32,144,016	32,144,016
Intangible assets	169,921,078	-	169,921,078
Prepayments on future investments in subsidiary	10,850,159	-	10,850,159
Advance payments for acquisition of non-controlling interest	-	-	-
Total non-current assets	**2,065,008,691**	**32,144,016**	**2,097,152,707**
Current assets			
Inventories	288,828,341	-	288,828,341
Trade and other receivables	128,179,325	-	128,179,325
Treasury bills	290,180,875	-	290,180,875
Cash and bank balances	63,579,745	-	63,579,745
Total current assets	**770,768,286**	**-**	**770,768,286**
Total assets	**2,835,776,977**	**32,144,016**	**2,867,920,993**
Liabilities			
Non-current liabilities			
Term loans	495,564,577	-	495,564,577
Deferred tax liabilities	158,168,693	-	158,168,693
Employee benefit obligations	6,621,193	-	6,621,193
Lease liabilities	-	24,593,751	24,593,751
Total non-current liabilities	**660,354,463**	**24,593,751**	**684,948,214**
Current liabilities			
Trade and other payables	460,405,346	-	460,405,346
Current income tax liabilities	6,633,469	-	6,633,469
Current portion of term loans	211,049,595	-	211,049,595
Bank overdraft	19,126,567	-	19,126,567
Lease liabilities	-	7,550,265	7,550,265
Provisions	29,270,866	-	29,270,866
Total current liabilities	**726,485,843**	**7,550,265**	**734,036,108**
Equity			
Share capital	145,072,580	-	145,072,580
Legal reserve	73,265,674	-	73,265,674
Cumulative translation reserve	16,103	-	16,103
Retained earnings	1,206,786,382	-	1,206,786,382
	1,425,140,739	**-**	**1,425,140,739**
Non-controlling interests	23,795,932	-	23,795,932
Total equity	**1,448,936,671**	**-**	**1,448,936,671**
Total liabilities and equity	**2,835,776,977**	**32,144,016**	**2,867,920,993**

The Company, 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 Group, 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 IFRS 16 on the date the standard becomes effective, 1 January 2019. The Group adopted the standard using the modified retrospective approach. And that comparatives were not restated.

The Group used the following practical expedients when adopting IFRS 16 on its effective date:

- IFRS 16 applied only to contracts that were previously assessed as leases in accordance with the previous IFRS standards (IAS 17 Leases and IFRIC 4 Determining whether and Arrangement contains a Lease);
- A single discount rate applied to a portfolio of leases with reasonably similar characteristics as permitted by IFRS 16;
- Initial direct cost was excluded from the measurement of if the right-of-use asset as at 1 January 2019;

The weighted-average incremental borrowing rate applied to lease liabilities recognized on 1 January 2019 was 18.5%.

Significant judgements upon adoption IFRS 16

IFRS 16 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.

A significant portion of the lease contracts included within Company's lease portfolio includes lease contracts which are extendable through mutual agreement between Edita for Food Industries S.A.E and the lessor or lease contracts which are cancelable by the Company on immediately or on short notice.

In assessing the lease term for the adoption of IFRS 16, 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 2018, to the lease liabilities recognized upon initial application of IFRS 16 on 1 January 2019.

Operating lease commitments as of 31 December 2018	52,873,500
Short term leases	(303,095)
Total undiscounted lease payments which are reasonably certain	**52,570,405**
Discounting effect using incremental borrowing rate	(20,426,389)
IFRS 16 Lease liability recognized on balance sheet as of 1 January 2019	**32,144,016**
IFRS 16 lease liability presented as:	
Non-current	24,593,751
Current	7,550,265
	32,144,016

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

Amendments to IFRS 3 –definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Amendments to IAS 1 and IAS 8 on the definition of material

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

B. Basis of consolidation

1. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the 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.

The acquisition method of accounting is used to account for business combinations by the group

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2. Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

3. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

4. Changes in ownership interests

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.

C. Principles of consolidation and equity accounting

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 recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

D. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer. The board of EDITA FOOD INDUSTRIES has appointed a chief operating decision-maker who assess the financial performance and position of the group, and makes strategic decisions. Which has been identified as the chief executive officer.

E. Foreign currency translation

1. Functional and presentation currency

These consolidation financial statements are presented in EGP "Egyptian Pounds" which is the group presentation currency.

2. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss, they are deferred in equity if they are attributable to part of the net investment in foreign operations.

Foreign exchange gains and losses that relate to loans and cash and cash equivalents are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within 'other gains / (losses) – net'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income.

3. Group companies

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

A. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
B. Income and expenses for each statement of profit or loss and statement of comprehensive income 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.
C. All resulting exchange differences are recognized in other comprehensive income. On consolidation, exchange differences arising from translation of the net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

F. 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.

Sales of goods – wholesale

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

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

G. 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.

H. Dividend income

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

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. Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset 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 is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in 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.

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

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

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

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

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

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

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

L. Business combinations
The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred
- Liabilities incurred to the former owners of the acquired business
- Equity interests issued by the group
- Fair value of any asset or liability resulting from a contingent consideration arrangement, and
- Fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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 remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

M. Impairment of assets
Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

N. Cash and cash equivalents
For the purpose of presentation in the statement of cash flows, 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. In the consolidated balance sheet, bank overdrafts are shown in current liabilities in the balance sheet.

O. Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are amounts due from customers for goods' sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

P. Inventories
Inventories are stated at the lower of cost or net realisable value. Cost comprises direct materials, direct labour, other direct costs and an appropriate proportion of variable and fixed overhead expenditures, the latter being allocated on the basis of normal operating capacity but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and estimated costs necessary to make the sale, and the provision for obsolete inventory is created in accordance to the management's assessment.

Q. Financial assets under IFRS 9
1. Classification
From 1 January 2018, 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.

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 2018, 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 IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

R. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only 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. All other repairs and maintenance are charged to the statements of Profit or loss during the financial year in which they are incurred.

Land is not depreciated.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual value over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains / (losses) in the statement of profit or loss.

Projects under construction are stated at cost less realized 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.

S. Intangible assets

Intangible assets (Trademarks & know how) have indefinite useful lives as there is no foreseeable limit on the period of time over which the brands are expected to exist and generate cash Flows, 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 knowhow of perpetual license not exposed to typical obsolescence as it relates to a food products. The brand remain 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.

T. Trade and other payables

These amounts represent liabilities for goods or services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

U. Borrowing

Borrowing are recognized initially at fair value, net of transaction costs incurred. Loans are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the Loans using the effective interest method.

Established fees "transaction cost"

Loans are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowing 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 end of the reporting period.

V. Borrowing 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.

Investment income earned on the temporary investment of specific Loans pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are recognized in profit or loss in the period in which they are incurred.

W. Provisions

Provisions are recognized 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. Provisions are not recognized for future operating losses.

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.

Provisions are measured at the present value of management's best estimate to the expenditures required to settle the obligation at the end of the period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

X. Employee benefits

1. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All other current employee benefit obligations in the balance sheet.

2. Post-employment obligation

Pension obligations

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

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

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

The defined benefit plan defines an amount of benefits to be provided in the form of 15 working days payment for each year they had worked for the company for employees who reach the age of sixty, according to the following criteria:

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

For defined contribution plans, the group pays fixed 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 recognized as employee benefit expense when they are due.

3. 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 an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

4. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when 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 IAS 37 and involves the payment of terminations 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 and in accordance with labour law. Falling due more than 12 months after the end of the reporting period are discounted to present value.

Y. Contributed equity

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.

Z. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

AA. Earnings per share

1. Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group excluding any costs of servicing equity other than ordinary shares by the weight average number of ordinary shares in issue during the year excluding ordinary shares purchase by the Group and held as treasury shares.

2. Diluted earnings per share

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.

BB. Comparative figures

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

3. Financial risk management

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

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

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognized financial assets and liabilities not denominated in Egyptian pounds	Cash flow forecasting Sensitivity analysis	By local banks that the Company deals with in official rates and the rest from its exports in US Dollars
Market risk – interest rate	Long-term borrowing at variable rates	Sensitivity analysis	Investment in short 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 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 Company deals with in official rates and the rest from its exports in US Dollars.

Exposure

The group's exposure to foreign currency risk at the end of the reporting year, expressed in Egyptian pounds, was as follows:

At year end, major financial Assets (liabilities) in foreign currencies were as follows:

	Assets	Liabilities	Net 2019	Net 2018
Euros	35,057,637	(29,695,049)	5,362,588	(63,155,160)
United States Dollars	**107,995,452**	**(487,439,213)**	**(379,443,761)**	**(249,598,178)**

Amounts recognised in profit or loss

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

	2019	2018
Amounts recognised in profit or loss		
Net foreign exchange gain / (loss) included in finance cost and other gain or losses	29,880,928	234,041
	29,880,928	**234,041**
Net losses recognised in other comprehensive income		
Foreign currency translation reserve	(1,215,386)	221,605

Sensitivity analysis

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

Euro/EGP

At 31 December 2019, if the Egyptian Pounds had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been LE 536,258 (2018: LE 6,315,516) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

USD/EGP

At 31 December 2019, if the Egyptian Pounds had weakened / strengthened by 10% against the US Dollars with all other variables held constant, post tax profit for the year would have been LE 37,944,376 (2018: LE 24,959,818) 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 variable rates do not expose the company to fair value interest rate risk.

At 31 December 2019, if interest rates on Egyptian pound -denominated net interest bearing liabilities had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been LE 9,117,405 (2018: LE 7,257,407) lower/higher interest expense on floating rate borrowings.

Borrowings at the balance sheet date with variable interest rate amounted to LE 791,644,355 (2018: LE 706,614,172)

Overdraft at the balance sheet on 31 December 2019 amounted to LE 120,096,127 (2018: LE 19,126,567)

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 year, and management does not expect any losses from non-performance by these counterparties except for the impairment of accounts receivables presented in (Note 11).

For the wholesalers, the Credit Controllers assess the credit quality of the wholesale customer, taking into account its financial position, and their market reputation, past experience and other factors.

For Individuals there is no credit risk since all sales are in cash.

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:

	2019	2018
Trade and notes receivables	52,997,688	48,311,880

Outstanding trade receivables are current and not impaired

The table below summarizes the maturities of the Company's trade receivables at 31 December 2019 and 31 December 2018:

	2019	2018
Less than 30 days	21,349,844	26,874,692
From 31 to 60 days	26,651,463	13,322,554
From 61 to 90 days	4,887,431	8,114,634
More than 90 days	108,950	-
Total	**52,997,688**	**48,311,880**

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	2019	2018
At 1 January	20,556	20,556

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The group does not hold any collateral in relation to these receivables.

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.

C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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 company debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 December 2019 based on contractual payment dates and current interest rates.

At 31 December 2019	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
Borrowings	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	364,356,861	-	-	-
Bank overdraft	120,096,127	-	-	-
Notes payable	128,454,135	-	-	-
Lease liability	4,708,276	4,708,276	56,100,454	52,756,420
Total	**741,940,825**	**124,600,934**	**486,130,896**	**328,056,245**
At 31 December 2018				
Borrowings	94,507,002	108,250,441	187,050,382	308,514,195
Future interest payments	49,055,203	40,061,651	61,135,771	61,288,204
Trade and other payables	294,885,007	-	-	-
Bank overdraft	19,126,567	-	-	-
Notes payable	99,686,739	267,721	-	-
Total	**557,260,518**	**148,579,813**	**248,186,153**	**369,802,399**

The amount of unused credit facility is nil as of 31 December 2019 (2018: EGP 8,000,000) also the Company will have future interest payments related to Loans amounted to EGP 164,882,717 (2018: EGP 211,540,829).

1. Capital 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.
Financial risk management (continued)

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 borrowings and bank overdraft less cash and cash equivalents. Total capital is calculated as equity, plus net debts.

	2019	2018
Total borrowings	791,644,355	706,614,172
Bank overdraft	120,096,127	19,126,567
Total borrowings and loans	**911,740,482**	**725,740,739**
Less: Cash and bank balances	(153,615,452)	(63,579,745)
Net debt	758,125,030	662,160,994
Total equity	1,641,231,348	1,448,936,671
Total capital	**2,399,356,378**	**2,111,097,665**
Gearing ratio	**31.6%**	**31%**

The company has a stable gearing ratio during both periods as the increase in the overdraft facilities is compensated by an increase in cash and cash equivalents and an increase in equity.

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 December 2019, the Group was in compliance with the debt covenants.

2. Fair value estimation

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

4. Critical accounting estimates and judgments

1. Critical accounting estimates and assumptions

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

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

Impairment of infinite life intangible assets (trade mark and know how)

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

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

Employee benefit retirement obligation

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

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

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

2. Critical judgments in applying the group's accounting policies

Revenue recognition

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

Determining the lease term

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

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

5. Property, plant and equipment

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
At 1 January 2018								
Cost	120,908,260	881,187,062	1,057,570,462	161,934,695	100,478,878	86,871,590	43,152,742	2,452,103,689
Accumulated depreciation	-	(94,854,984)	(239,238,823)	(82,720,305)	(52,317,066)	(55,362,985)	-	(524,494,163)
Net book amount	**120,908,260**	**786,332,078**	**818,331,639**	**79,214,390**	**48,161,812**	**31,508,605**	**43,152,742**	**1,927,609,526**
Year ended 31 December 2018								
Opening net book amount	120,908,260	786,332,078	818,331,639	79,214,390	48,161,812	31,508,605	43,152,742	1,927,609,526
Additions	-	-	5,432,630	30,550,100	9,214,424	6,833,293	45,145,752	97,176,199
Depreciation charge	-	(35,429,474)	(52,450,786)	(22,646,852)	(15,645,831)	(13,327,846)	-	(139,500,789)
Accumulated depreciation of disposals	-	-	466,675	10,573,628	758,075	1,288,135	-	13,086,513
Disposals	-	-	(466,675)	(11,586,168)	(758,075)	(1,323,077)	-	(14,133,995)
Transfers from projects under construction	-	42,701,115	15,996,627	-	5,557,650	850,968	(65,106,360)	-
Closing 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**
At 31 December 2018								
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**
Year 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**

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

	2019	2018
Charged to cost of sales	104,505,198	98,571,143
Charged to distribution costs	25,797,074	23,996,918
Charged to administrative expenses	19,137,609	16,932,728
	149,439,881	**139,500,789**

The projects under construction represent:

	2019	2018
Buildings	31,254,205	15,037,717
Machinery & equipment	54,531,374	7,916,795
Tools & equipment	12,321,313	192,345
Technical and other installations	1,164,209	45,277
	99,271,101	**23,192,134**

Impairment Loss:

The company considered the impairment indicators for certain equipment which has become idle on 2019 therefore, the company determined the recoverable amount at fair value minus cost to sell which is higher than value in use.

The equipment was written down to its recoverable amount of EGP 4 M, which was determined by an independent valuer, using current replacement cost method due to the specialised nature of the equipment.

The impairment loss amounted to EGP 16,593,500 is included in Other expenses in the statement of profit or loss. (Note 26)

6. Right of use assets

	Right of use assets
Balance on initial adoption of IFRS 16	32,144,016
Additions during the year	39,086,151
Depreciation expenses	(8,679,579)
Exchange differences	(1,118,064)
Balance as of 31 December 2019	**61,432,524**

Right of use assets represent properties rented by the group.

7. Intangible assets

	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 year	-	-	(2,373,486)	(2,373,486)
Balance as of	**131,480,647**	**31,430,995**	**5,365,008**	**168,276,650**

	2018			
	Trademark (A)	Know how (B)	Software (C)	Total
Cost	131,480,647	31,430,995	9,345,914	172,257,556
Amortisation for the year	-	-	(2,336,478)	(2,336,478)
Balance as of	**131,480,647**	**31,430,995**	**7,009,436**	**169,921,078**

A. Trademark

	Trade Mark (HOHOS, Twinkies & Tiger Tail)	
	2019	2018
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 LE 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 life. On the 16th of April 2015 the Group had signed a new contract for expanding the scope of the rights to the trademarks (HOHOS, Twinkies, and Tiger Tail) to include Algeria, Bahrain, Iraq, Kuwait, Lebanon, Morocco, Oman, Qatar, Kingdom of Saudi Arabia, Syria, Tunisia, United Arab Emirates and this trademarks have indefinite useful lives, and this is against USD 8 Million equivalent to EGP 62,861,989.

B. Know how

	Know How	
	2019	2018
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.

C. Software

	Software	
	2019	2018
Cost		
Opening balance	7,009,436	9,345,914
Additions	729,058	-
Amortization expense for the year	(2,373,486)	(2,336,478)
Balance as of	**5,365,008**	**7,009,436**

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 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 assumption as follows:

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

The 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. Prepayments on future investments in subsidiary

On 14 March 2018, the company has signed a shareholder's agreement with Morocco's Dislog Group and Technica Middle East Trading Company for the purpose of establishing a new company in the Kingdom of Morocco, Edita Food Industries Morocco. The terms of the agreement stipulate that Edita will be the controlling owner of the new company with 51% stake. The company has paid an amount of EGP 10,850,159 which represent 25% of its share capital of the new company. The registration and establishment was finalized during the year.

9. Inventories

	2019	2018
Raw and packaging materials	195,916,056	187,074,081
Spare parts	43,060,821	45,942,680
Finished goods	40,892,377	43,280,500
Consumables	7,279,085	5,293,740
Work in process	11,419,617	11,684,556
Total	**298,567,956**	**293,275,557**
Less: allowance for decline in value	(3,147,531)	(4,447,216)
Net	**295,420,425**	**288,828,341**

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

During the year ended 31 December 2019, there has been a slow moving and obsolete inventory addition amounted to LE 2,136,834 (2018: LE 4,694,415) (Note 26) and the cost of write down amounted to LE 3,436,519 (2018: LE 1,400,545).

The cost of inventory recognized as an expense and included in cost of sales amounted to LE 2,000,791,962 during the year ended 31 December 2019 (2018: LE 2,030,438,835).

10. Financial instruments by category

The Group holds the following financial instruments:

	2019	2018
Financial assets at amortised cost		
Trade and other receivables (excluding non-financial assets)* (Note 11)	78,376,198	63,605,689
Cash and bank balances (Note 13)	153,615,452	63,579,745
Treasury bills (Note 12)	548,192,500	290,180,875
Total	**780,184,150**	**417,366,309**

	2019	2018
Financial liabilities at amortised cost		
Borrowings (Note 14)	791,644,355	706,614,172
Trade and other payables (excluding non-financial liabilities)* (Note 18)	492,810,996	394,839,467
Bank overdraft (Note 20)	120,096,127	19,126,567
Lease liabilities (Note 17)	63,870,199	-
Total	**1,468,421,677**	**1,120,580,206**

* 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.

11. Trade and other receivables

	2019	2018
Trade receivables	52,253,383	45,439,750
Notes receivable	744,305	2,872,130
Total	**52,997,688**	**48,311,880**
Less: Provision for impairment of trade receivables	(20,556)	(20,556)
	52,977,132	**48,291,324**
Advances to suppliers	93,969,686	39,866,322
Prepaid expenses	15,403,515	8,813,890
Deposits with others	15,542,106	12,326,569
Other current assets	9,378,854	2,537,032
Value added tax – receivables	16,443,694	15,893,424
Letters of credit	239,152	228,366
Employee loans	238,954	222,398
Total	**204,193,093**	**128,179,325**

Classification of trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in Note (3B).

Other receivables

These amounts generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates where the terms of repayment exceed nine months. Collateral is not normally obtained.

Impairment of trade receivables

Information about the impairment of trade receivables and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note (3B).

Trade receivables are due for settlement within 90 days therefore there is no significant financing component.

12. Treasury bills

	2019	2018
Treasury bills par value		
91 Days maturity	60,225,000	141,700,000
265 - 273 Days maturity	529,600,000	155,750,000
	589,825,000	**297,450,000**
Unearned interest	(101,344,999)	(41,755,105)
Amount of treasury bills paid	**488,480,001**	**255,694,895**
Interest income recognized to profit or loss	59,712,499	34,485,980
Treasury bills balance	**548,192,500**	**290,180,875**

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.
- Treasury bills are dominated in EGP currency so there is no currency risk.
- There is no history of default.
- Incorporating forward-looking information would not result in an increase in Expected default rate.

13. Cash and bank balances

	2019	2018
Bank deposits – EGP	-	642,669
Cash at banks and on hand	153,615,452	62,937,076
Cash and bank balances (excluding bank overdrafts)	**153,615,452**	**63,579,745**

The average interest rate on local currency time deposits was 31 December 2019: 13.25%

Bank deposits have maturity dates less than 3 months from date of the deposit.

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

	2019	2018
Cash and bank balances	153,615,452	63,579,745
Treasury bills with maturities of 3 months or less	60,018,881	135,136,321
Bank overdraft (Note 20)	(120,096,127)	(19,126,567)
Total	**93,538,206**	**179,589,499**

14. Borrowings

	2019			2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Loans	185,887,584	605,756,771	791,644,355	211,049,595	495,564,577	706,614,172

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

	2019	2018
Balance due within 1 year	178,908,863	202,757,443
Accrued interest	6,978,721	8,292,152
	185,887,584	**211,049,595**

1. Edita Food Industries Company

	2019			2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	-	-	-	9,447,260	-	9,447,260
Second loan	41,342,460	-	41,342,460	45,226,910	30,451,671	75,678,581
Third loan	19,489,438	18,000,000	37,489,438	20,587,500	36,000,000	56,587,500
Fourth loan	38,467,668	55,939,553	94,407,221	41,154,405	99,448,641	140,603,046
Fifth loan	56,797,975	170,053,819	226,851,794	60,986,236	245,006,121	305,992,357
Sixth loan	11,169,415	11,027,159	22,196,574	14,787,355	29,574,710	44,362,065
Seventh loan	8,765,387	12,936,240	21,701,627	10,833,374	27,083,434	37,916,808
Eighth loan	1,461,794	283,184,000	284,645,794	-	-	-
Total	**177,494,137**	**551,140,771**	**728,634,908**	**203,023,040**	**467,564,577**	**670,587,617**

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

	2019	2018
Balance due within 1 year	170,908,863	194,757,443
Accrued interest	6,585,274	8,265,597
Total	**177,494,137**	**203,023,040**

Borrower	Type of debt	Guaranties	Currency	Interest rate
First loan	Loan	Cross corporate guarantee Digma Trading Company with an amount of LE 70,000,000	EGP	1 % above lending rate of Central Bank of Egypt.
Second loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 185,000,000	EGP/USD	1% above mid corridor rate of Central Bank of Egypt and 2.5% above the Libor rate 3 months.
Third loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 90,000,000	EGP	1 % above lending rate of Central Bank of Egypt.
Fourth loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 202,234,888	EGP/USD	1% above mid corridor rate of Central Bank of Egypt and 4.5% above the Libor rate 1 month.
Fifth loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 220,000,000 and 6,000,000 Euro	EGP/USD	0.5% above mid corridor rate of Central Bank of Egypt and average 4% abov USD Libor rate 6 months.
Sixth loan	Loan		EGP/USD	1.5% above mid corridor rate of Central Bank of Egypt and 3.85% above the USD Libor rate 3 months.
Seventh loan	Loan		EGP/USD	.5% above mid corridor rate of Central Bank of Egypt and 3.85% above the USD Libor rate.
Eighth loan	Loan		USD	4% above the USD Libor rate – 6 months.

2. Edita Confectionery Industries Company

	2019			2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	8,054,556	16,000,000	24,054,556	8,026,555	28,000,000	36,026,555

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

	2019	2018
Balance due within 1 year	8,000,000	8,000,000
Accrued interest	54,556	26,555

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 LE 40,000,000. The loan outstanding balance at 31 December 2019 after payment of due instalments amounted to LE 24,000,000 in addition to accrued interests.

Terms of payments:
Edita Confectionary Industries S.A.E. is obligated to Pay LE 24,000,000 on 6 equal semi-annual instalments; the next instalment is due on 30 June 2020 and the last on December 2022.

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

	2019			2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	338,891	38,616,000	38,954,891	-	-	-

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

	2019	2018
Balance due within 1 year	-	-
Accrued interest	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 December 2019.

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.

15. Deferred tax liability

Deferred tax represents tax expenses on the temporary differences arising between the tax basis 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 2019	Net deferred tax liabilities 2018
Deferred tax assets							
Balance at 1 January	-	-	2,145,612	-	5,676,827	7,822,439	24,189,086
Charged to statement of profit or loss	-	-	2,033,528	614,380	(2,724,956)	(77,048)	(16,366,647)
Ending balance	**-**	**-**	**4,179,140**	**614,380**	**2,951,871**	**7,745,391**	**7,822,439**
Deferred tax liabilities							
Balance at 1 January	(162,896,180)	(3,094,952)	-	-	-	(165,991,132)	(154,141,487)
Charged to statement of profit or loss	(9,795,442)	240,436	-	-	-	(9,555,006)	(11,849,645)
Ending balance	**(172,691,622)**	**(2,854,516)**	**-**	**-**	**-**	**(175,546,138)**	**(165,991,132)**
Net deferred tax liabilities	**(172,691,622)**	**(2,854,516)**	**4,179,140**	**614,380**	**2,951,871**	**(167,800,747)**	**(158,168,693)**
Balance at 1 January	(162,896,180)	(3,094,952	2,145,612	-	5,676,827	(158,168,693)	(129,952,401)
Charged to statement of profit or loss (Note 28)	(9,795,442)	240,436	2,033,528	614,380	(2,724,956)	(9,632,054)	(28,216,292)
Ending balance	**(172,691,622)**	**(2,854,516)**	**4,179,140**	**614,380**	**2,951,871**	**(167,800,747)**	**(158,168,693)**

16. Employee retirement Benefit obligations

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

	2019	2018
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 balance sheet date are determined as follows:

	2019	2018
Present value of obligations	11,600,000	6,621,193
Liability at the balance sheet	**11,600,000**	**6,621,193**

Movement in the liability recognized in the balance sheet:

	2019	2018
Balance at beginning of the year	6,621,193	4,761,965
Charged during the year (Note 26)	6,673,286	3,304,046
Paid during the year	(1,694,479)	(1,444,818)
Balance at end of the year	**11,600,000**	**6,621,193**

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

	2019	2018
Interest expenses	993,179	714,295
Current service cost	5,680,207	2,589,751
Total	**6,673,386**	**3,304,046**

17. Lease liability

	2019
Commitments in relation to leases are payable as follows:	
Within one year	9,416,552
Later than one year	56,100,455
Later than five years	52,756,420
Minimum lease payments	**118,273,427**
The present value of lease liabilities is as follows:	
Within one year	7,576,894
Later than one year	37,136,592
Later than five years	19,156,713
Present Value of Minimum Lease Payments	**63,870,199**

18. Trade and other payables

	2019	2018
Trade payables	203,651,206	161,860,602
Accrued expenses	129,639,242	109,035,729
Notes payable	128,454,135	99,954,460
Other credit balances	21,443,493	14,235,281
Taxes payable	39,573,804	42,234,785
Social insurance	6,757,022	5,071,344
Dividends payable	1,633,863	2,953,395
Contract liabilities – accrued rebates	7,989,057	6,800,000
Contract liabilities – Advances from customers	5,183,186	18,259,750
Total	**544,325,008**	**460,405,346**

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

19. Current income tax liabilities

	2019	2018
Balance at 1 January	6,633,469	-
Income tax paid during the year	(10,087,816)	(5,405,273)
Withholding tax receivable	(5,068,754)	(9,433,362)
Income tax for the year (Note 28)	120,997,681	79,464,788
Corporate income tax – advance payments	(34,618,800)	(55,862,730)
Tax on Treasury bills	(12,679,087)	-
Accrued interest – advance payments	(1,990,581)	(2,129,954)
Balance at end of year	**63,186,112**	**6,633,469**

20. Bank overdraft

	2019	2018
Bank overdraft	120,096,127	19,126,567
Total	**120,096,127**	**19,126,567**

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 13.25 % as of 31 December 2019 (2018: 17.17%).

21. Provisions

	Other provisions	
	2019	2018
Balance at 1 January	29,270,866	20,910,445
Additions during the year (Note 26)	7,482,340	12,828,759
Utilized during the year	(9,995,304)	(4,277,817)
Provision no longer required	(5,536,057)	(190,521)
Balance at end of year	**21,221,845**	**29,270,866**

Other provisions relate to claims expected to be made by a third party in connection with the Group's operations. The information usually required by the International Financial Reporting 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.

22. Share capital

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

The issued and paid up capital amounted to LE 72,536,290 after trading distributed on 362,681,450 shares (par value LE 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%
Total	**362,681,450**	**72,536,290**	**100%**

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

The issued capital amounted to LE 145,072,580 (par value LE 0.2 per share) is distributed as follows as of 31 December 2018:

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"	157,526,845	31,505,369	21.717%
Exoder Ltd.	94,769,464	18,953,893	13.065%
Kingsway Fund Frontier Consumer Franchises	31,639,252	6,327,850	4.362%
The Genesis group trust	11,452,175	2,290,435	1.579%
Others (Public stocks)	126,666,864	25,333,373	17.462%
	725,362,900	**145,072,580**	**100%**

The issued capital amounted to LE 145,072,580 (par value LE 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%**

23. Legal reserve

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

24. Non-controlling interest

Transaction with non-controlling interest

On 6 March 2019, the company signed an official agreement with Confindel LTD for the acquisition of 2,279,287 shares (22.27%) which is their total ownership in Edita Confectionary Industries for 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 year is summarised as follows:

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

	Share capital	Legal re-serves	Revaluation assets reserve	Currency translation differences	(Accumulat-ed losses)/ retained earning	Total 2019	Total 2018
Balance at 1 January	**22,823,330**	**593,605**	**38,162**	-	**340,835**	**23,795,932**	**21,800,103**
Non-controlling share in profit of subsidiaries	-	-	-	-	(933,272)	(933,272)	2,157,644
Currency translation differences	-	-	-	(996,523)	-	(996,523)	-
Total comprehensive income for the year	-	-	-	**(996,523)**	**(933,272)**	**(1,929,795)**	**2,157,644**
Non-controlling interest share in establishment of subsidiary	37,693,675	-	-	-	-	37,693,675	-
Purchase of non-controlling interest share in subsidiary	(22,792,870)	-	-	-	(372,815)	(23,165,685)	-
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	-	(173,430)	(173,430)	(161,815)
Balance at end of year	**37,724,135**	**593,605**	**38,162**	**(996,523)**	**(1,138,682)**	**36,220,697**	**23,795,932**

25. Other income

	2019	2018
Other income	4,585,548	2,917,666
Export subsidies	7,073,190	4,812,012
Net	**11,658,738**	**7,729,678**

26. Other losses, net

	2019	2018
Provision for slow moving inventory	(2,136,834)	(4,694,415)
Other Provisions (Note 21)	(7,482,340)	(12,828,759)
Provision for employee benefit obligation (Note 16)	(6,673,286)	(3,304,046)
Provision no longer required	5,536,057	219,292
Gain from sales of property, plant and equipment (Note 32)	7,306,759	8,794,725
Solidarity contribution	(17,776,344)	(7,837,229)
Impairment loss (Note 5)	(16,593,500)	-
Dividends tax	(4,327,079)	(4,037,090)
Net	**(42,146,567)**	**(23,687,522)**

27. Finance cost - net

	2019	2018
Finance income		
Interest income	61,897,019	35,950,048
Interest income – corporate tax advance payment	1,990,581	2,129,954
Foreign exchange gains from financing activities	29,880,928	234,041
	93,768,528	**38,314,043**
Finance cost		
Interest expense	**(106,998,119)**	**(122,329,790)**
Finance cost - net	**(13,229,591)**	**(84,015,747)**

28. Income tax expense

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

	2019	2018
Income tax for the year (Note 19)	120,997,681	79,464,788
Reversal of income tax from prior year		-
Deferred tax expense for the year (Note 15)	9,632,054	28,216,292
Total	**130,629,735**	**107,681,080**
Profit before tax	**492,917,336**	**411,331,513**
Tax calculated based on applicable tax rates	**110,906,401**	**92,549,590**
Tax effect of non-deductible expenses	21,623,698	16,845,936
Tax losses for which no deferred income tax asset was recognized	(1,900,364)	(1,714,446)
Income tax expense	**130,629,735**	**107,681,080**
Effective tax rate	**26.5%**	**26%**

The increase in the effective tax rate in 31 December 2019 is due to the increase in non-deductible expenses during the year.

29. Revenue from contracts with customers

A. Disaggregation of revenue from contracts with costumers

The Group derives revenue from the transfer of goods at a point in time. The Group disaggregate revenue by products line as disclosed in note (37) segment reporting.

B. The Group has recognised the following contracts' liabilities

	2019	2018
Contract liabilities – accrued rebates	7,989,057	6,800,000
Contract liabilities – advances from customers	5,183,186	18,259,750
Total contract liabilities	**13,172,243**	**25,059,750**

C. The decrease in contracts' liabilities is due to the decrease in the advances payments made by the export customers during the year.

30. Earnings per share

Basic

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

	2019	2018
Profit attributed to owners of the parent	363,220,873	301,492,789
Weighted average number of ordinary shares in issue		
Ordinary shares	725,362,900	725,362,900
Basic earnings per share	**0.50**	**0.42**

Diluted

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

31. Expenses by nature

	2019	2018
Cost of sales	2,602,963,051	2,565,067,553
Distribution cost	593,990,396	444,026,080
Administrative expenses	291,683,948	256,025,396
Total	**3,488,637,395**	**3,265,119,029**

Raw materials used	2,000,791,962	2,030,438,835
Salaries and wages	504,226,799	438,229,441
Advertising and marketing	245,519,331	162,972,463
Depreciation and amortization	160,492,946	141,837,267
Gas, water and electricity	95,887,850	84,374,284
Miscellaneous and other expense	115,100,748	92,933,379
Employee benefits	87,861,744	82,091,450
Rent	67,234,530	57,899,840
Profit share employee	44,136,969	33,245,392
Transportation expenses	50,202,704	39,249,215
Maintenance	42,767,338	32,475,541
Vehicle expense	45,955,848	37,942,228
Consumable materials	28,458,626	23,218,048
Purchases – goods for resale	-	8,211,646
Total	**3,488,637,395**	**3,265,119,029**

32. Cash generated from operations

	2019	2018
Profit for the year before income tax	492,917,336	411,331,513
Adjustments for:		
Provisions	7,482,340	12,828,759
Provision for employee retirement benefit obligation	6,673,286	3,304,046
Interest expense	106,998,119	122,329,790
Interest income	(61,897,019)	(35,950,048)
Interest income – corporate tax advance payment	(1,990,581)	(2,129,954)
Depreciation and amortization	160,492,946	141,837,267
Impairment loss	16,593,500	-
Provision for slow moving inventory	2,136,834	4,694,415
Gain on disposal of property, plant and equipment	(7,306,759)	(8,794,725)
Provision no longer required	(5,536,057)	(219,291)
Foreign exchange (gain)	(25,161,352)	(714,366)
	691,402,593	**648,517,406**
Change in working capital		
Inventories	(5,292,399)	3,917,992
Trade and other receivables	(76,013,768)	(59,250,775)
Trade and other payables	83,919,662	60,006,418
Provisions used	(13,431,823)	(5,678,362)
Payments of employee benefit obligations	(1,694,479)	(1,444,818)
Cash generated from operations	**678,889,786**	**646,067,861**

Net debt reconciliation

	2019	2018
Cash and cash equivalent	93,538,206	179,589,499
Borrowings – repayable within one year	(185,887,584)	(211,049,595)
Borrowing – repayable within after one year	(605,756,771)	(495,564,577)
Total	**(698,106,149)**	**(527,024,673)**

	Cash and cash equivalent	Borrowing due within 1 year	Borrowing due after 1 year	Total
Net debt as at 1 January 2019	179,589,499	(211,049,595)	(495,564,577)	(527,024,673)
Cash flows	(84,290,251)	17,548,876	(128,286,066)	(195,027,441)
Foreign exchange adjustment	(1,761,042)	7,613,135	18,093,872	23,945,965
Net debt as at 31 December 2019	**93,538,206**	**(185,887,584)**	**(605,756,771)**	**(698,106,149)**

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

	2019	2018
Net book amount	1,525,061	1,047,482
Profit of disposal of property, plant and equipment	7,306,759	8,794,725
Proceeds from disposal of property, plant and equipment	**8,831,820**	**9,842,207**

33. Related parties

The Group entered into several transactions with companies and entities that are included within the definition of related parties, as stated in IAS 24, „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 year ended 31 December 2019, the group paid an amount of LE 85,259,207 as benefits to the key management members (2018: LE 77,501,463).

	2019		2018	
	Non-executive / independent board members	Key management personnel	Non-executive / independent board members	Key management personnel
Salaries and compensation	2,700,000	78,725,649	2,250,000	72,114,608
Allowances	2,380,000	1,282,200	2,160,000	882,233
Other benefit		171,358	-	94,622

34. 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.

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 2015 and tax due was paid.
- For the years 2016 till 2018 the tax inspection has been performed and the difference was transferred to an internal committee.

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 2012 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- For the years from 2013 to 2019 the Company submitted its quarter tax returns to Tax Authority on due dates.

c. VAT & Sales tax

- The tax inspection was performed until 31 December 2015 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The years 2016-2019 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.

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.

35. 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 amounted to LE 40,632,491 as at 31 December 2019 (2018: LE 75,016,958).

2. Digma for Trading Company

The Company guarantees Edita Food Industries against third parties in borrowing from Egyptian Banks.
At 31 December 2019, 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 December 2019 (2018: LE 1,537,277).

3. Edita Confectionary Industries Company

At 31 December 2019, 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 at 31 December 2019 amounted to LE 806,302 (2018: LE 1,617,068).

36. Commitments

Capital commitments

The Group has capital commitments as of 31 December 2019 of EGP 108.7 M (2018: 44.6 M) in respect of the capital expenditure.

27. 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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	1,772,252	1,776,670	1,361,161	1,236,064	394,244	313,045	337,021	276,627	155,097	160,399	5,497	13,619	4,025,272	3,776,424
Gross profit	719,303	638,733	448,167	365,527	116,777	88,494	96,803	76,378	39,197	36,876	2,063	5,348	1,422,310	1,211,356
Operating profit	**377,652**	**314,199**	**119,134**	**124,825**	**26,355**	**27,173**	**(16,691)**	**18,611**	**(1,637)**	**7,235**	**1,334**	**3,305**	**506,147**	**495,348**

Operating profit reconciles to net profit as follows:

	2019	2018
Operating profit	506,147	495,348
Finance cost	(106,998)	(122,330)
Finance income	93,769	38,314
Income tax	(130,630)	(107,681)
Net profit	**362,288**	**303,650**

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 who is the chief executive officer 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 IFRS 8 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 year.
- 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.

38. Earnings before interest, taxes, depreciation and amortization

Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measure and disclosure by other entities.

The information disclosed in the table below represents the earnings before interest, taxes, depreciation & amortization according to the internal reports prepared by the group's management, and the earnings before interest, taxes, depreciation & amortization for the yearends 31 December 2019 & 31 December 2018 were as follows:

	2019	2018
Net profit for the year	362,287,601	303,650,433
Income tax	130,629,735	107,681,080
Dividends distribution tax	4,327,079	4,037,090
Debit interest	106,998,119	122,329,790
Credit interest	(63,887,600)	(38,080,002)
Gain on sale of property, plant and equipment	(7,306,759)	(8,794,725)
Foreign exchange (gain) / loss	(29,880,928)	(234,041)
Donation	848,370	930,000
Other provision addition	6,999,995	3,000,000
Depreciation and amortization	177,086,448	141,837,267
Solidarity Contribution	17,776,244	7,837,229
Total	**705,878,304**	**644,194,121**

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Edita Food Industries S.A.E.