

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

**INDEPENDENT AUDITOR'S REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2017  
"IFRS"**

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

## Consolidated financial statements – For the year ended 31 December 2017

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## Independent auditor's report

To the shareholders of Edita Food Industries Company (S.A.E)

Report on the audit of the consolidated financial statements

### 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 2017, 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 2017;
- 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 other independence requirements 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.



## The shareholders of Edita Food Industries Company (S.A.E) and its subsidiaries

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#### Overview

##### Key Audit Matter

- Valuation of trade mark intangible assets which have indefinite useful lives

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 131.4 million (2016: EGP 131.4 million), relating to the purchase of trade marks on certain of its branded products (see Note 6 to the financial statements).

Under the Group's accounting policy for trademarks these are treated as having an indefinite life because the related licenses are perpetual, irrevocable and exclusive. They include the trademark in the territory in connection with specific cake product brands. These brands remain popular in the Middle East and the group does not foresee any decline in their value in the foreseeable future. No amortisation is charged annually as a result. However, under accounting standards management are required to perform an annual test to assess whether the carrying value of these trademarks has been impaired.

We obtained management's valuation analysis which is derived from the Board approved business plan. The most significant judgments 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.



## **The shareholders of Edita Food Industries Company (S.A.E) and its Subsidiaries**

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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 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.

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 the directors' assessment of the planned growth rate in cash flows and combined operating ratios.
- In testing the valuation model we checked the calculations for mathematical accuracy, and considered the sensitivity of the calculation by varying the assumptions and applying other values within a reasonably possible range.
- Assessed the adequacy of the group's disclosure regarding assumptions, sensitivities and headroom as included in the accounting policies and in note 6 to the consolidated financial statements

### **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.



**The shareholders of Edita Food Industries Company (S.A.E) and its Subsidiaries**  
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**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.



**The shareholders of Edita Food Industries Company (S.A.E) and its Subsidiaries**  
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- 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.

Legal and regulatory requirements

Mansour & Co. PricewaterhouseCoopers

26 February 2018  
Cairo



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

## Consolidated balance sheet "IFRS" - At 31 December 2017


(All amounts in Egyptian Pounds)

		As at 31 December	
	Note	2017	2016
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,936,955,440	1,474,461,243
Intangible assets	6	162,911,642	162,911,642
<b>Total non-current assets</b>		<b>2,099,867,082</b>	<b>1,637,372,885</b>
<b>Current assets</b>			
Inventories	7	296,011,433	318,428,559
Trade and other receivables	8	96,857,419	196,668,474
Treasury bills	9	180,588,821	192,144,828
Cash and cash equivalents (excluding bank overdrafts)	10	35,991,510	90,465,545
<b>Total current assets</b>		<b>609,449,183</b>	<b>797,707,406</b>
<b>Total assets</b>		<b>2,709,316,265</b>	<b>2,435,080,291</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term loans	11	648,432,586	527,825,757
Deferred tax liabilities	12	129,952,401	86,492,634
Employee benefit obligations	13	4,761,965	1,945,034
<b>Total non-current liabilities</b>		<b>783,146,952</b>	<b>616,263,425</b>
<b>Current liabilities</b>			
Trade and other payables	14	400,398,928	283,349,109
Current income tax liabilities	15	-	1,233,553
Current portion of long-term loans	11	178,511,643	146,232,334
Bank overdraft	16	96,121,849	240,473,897
Provisions	17	20,910,445	19,166,385
<b>Total current liabilities</b>		<b>695,942,865</b>	<b>690,455,278</b>
<b>Total liabilities</b>		<b>1,479,089,817</b>	<b>1,306,718,703</b>
<b>Net assets</b>		<b>1,230,226,448</b>	<b>1,128,361,588</b>
<b>Equity</b>			
Share capital	18	145,072,580	145,072,580
Legal reserve	19	56,474,533	48,745,291
Foreign currency translation reserve		(205,502)	(162,824)
Retained earnings		1,007,084,734	919,722,773
<b>Capital and reserves attributable to owners of Edita Food Industries</b>		<b>1,208,426,345</b>	<b>1,113,377,820</b>
Non-controlling interests	20	21,800,103	14,983,768
<b>Total equity</b>		<b>1,230,226,448</b>	<b>1,128,361,588</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

  
Mr. Sameh Naguib  
Vice President - Finance

Giza, 26 February 2018

Independent auditor's report attached 

  
Eng Hani Berzi  
Chairman



**EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES**
**Consolidated statement of profit or loss "IFRS" - For the year ended 31 December 2017**

(All amounts in Egyptian Pounds)

	Note	Year ended 31 December	
		2017	2016
Revenue		3,044,229,332	2,502,918,189
Cost of sales	26	(2,098,454,009)	(1,604,647,951)
<b>Gross profit</b>		<b>945,775,323</b>	<b>898,270,238</b>
Distribution cost	26	(386,634,812)	(308,100,697)
Administrative expenses	26	(211,153,544)	(181,914,459)
Other income	21	12,015,313	9,725,028
Other losses - net	22	(15,504,373)	(39,987,841)
<b>Operating profit</b>		<b>344,497,907</b>	<b>377,992,269</b>
Finance income		44,420,038	33,203,696
Finance cost		(117,122,130)	(318,867,865)
<b>Finance cost - Net</b>	23	<b>(72,702,092)</b>	<b>(285,664,169)</b>
<b>Profit before income tax</b>		<b>271,795,815</b>	<b>92,328,100</b>
Income tax expense	24	(59,841,889)	(44,888,835)
<b>Net profit for the year</b>		<b>211,953,926</b>	<b>47,439,265</b>
<b>Profit is attributable to</b>			
Owners of the parent		205,137,591	48,368,637
Non-controlling interest		6,816,335	(929,372)
<b>Net profit for the year</b>		<b>211,953,926</b>	<b>47,439,265</b>
<b>Earnings per share (expressed in EGP per share):</b>			
Basic earnings per share	25	0.28	0.07
Diluted earnings per share	25	0.28	0.07

The above consolidated statements of profit or loss should be read in conjunction with the accompanying notes.

**EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES****Consolidated statement of comprehensive income "IFRS" - For the year ended 31 December 2017**

(All amounts in Egyptian Pounds)

	Year ended 31 December	
	2017	2016
Profit for the year	211,953,926	47,439,265
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit or loss</b>		
Exchange differences on transaction of foreign operations	(42,678)	(168,392)
<b>Other comprehensive income for the year - net of tax</b>	<u>(42,678)</u>	<u>(168,392)</u>
<b>Total comprehensive income for the year</b>	<u>211,911,248</u>	<u>47,270,873</u>
<b>Total comprehensive income is attributable to</b>		
Owners of the parent	205,094,913	48,200,245
Non-controlling interest	6,816,335	(929,372)
<b>Total comprehensive income for the year</b>	<u>211,911,248</u>	<u>47,270,873</u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

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

**Consolidated statement of changes in equity "IFRS" - For the year ended 31 December 2017**

(All amounts in Egyptian Pounds)

	Total Owners' Equity						
	Share capital	Legal reserve	Foreign currency translation reserve	Retained earnings	Total owners of the parent	Non-controlling interest	Total owners' equity
<b>Balance at 1 January 2016</b>	72,536,290	38,947,275	5,568	1,057,715,965	1,169,205,098	5,617,437	1,174,822,535
Employees dividends accruals	-	-	-	(22,995,460)	(22,995,460)	-	(22,995,460)
Profit for the year	-	-	-	48,368,637	48,368,637	(929,372)	47,439,265
Other comprehensive income for the year	-	-	(168,392)	-	(168,392)	-	(168,392)
<b>Total comprehensive income for the year</b>	-	-	(168,392)	48,368,637	48,200,245	(929,372)	47,270,873
<b>Transactions with owners in their capacity as</b>							
Transfer to legal reserve	-	9,798,016	-	(9,798,016)	-	-	-
Bonus share, capital increase	72,536,290	-	-	(72,536,290)	-	-	-
Issue of ordinary shares of a subsidiary	-	-	-	-	-	-	-
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	-	-	(256,627)	(256,627)
Dividends distribution for 2015	-	-	-	(81,032,063)	(81,032,063)	-	(81,032,063)
<b>Balance at 31 December 2016</b>	<b>145,072,580</b>	<b>48,745,291</b>	<b>(162,824)</b>	<b>919,722,773</b>	<b>1,113,377,820</b>	<b>14,983,768</b>	<b>1,128,361,588</b>
<b>Balance at 31 December 2016 and 1 January 2017</b>	<b>145,072,580</b>	<b>48,745,291</b>	<b>(162,824)</b>	<b>919,722,773</b>	<b>1,113,377,820</b>	<b>14,983,768</b>	<b>1,128,361,588</b>
Profit for the year	-	-	-	205,137,591	205,137,591	6,816,335	211,953,926
Other comprehensive income for the year	-	-	(42,678)	-	(42,678)	-	(42,678)
<b>Total comprehensive income for the year</b>	-	-	(42,678)	205,137,591	205,094,913	6,816,335	211,911,248
<b>Transactions with owners in their capacity as owners:</b>							
Transfer to legal reserve	-	7,729,242	-	(7,729,242)	-	-	-
Dividends distribution for 2016	-	-	-	(110,046,388)	(110,046,388)	-	(110,046,388)
<b>Balance at 31 December 2017</b>	<b>145,072,580</b>	<b>56,474,533</b>	<b>(205,502)</b>	<b>1,007,084,734</b>	<b>1,208,426,345</b>	<b>21,800,103</b>	<b>1,230,226,448</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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

### Consolidated statement of cash flows "IFRS" - For the year ended 31 December 2017

(All amounts in Egyptian Pounds)

	Notes	Year end 31 December	
		2017	2016
Cash generated from / (used in) operations	27	727,716,132	(90,412,156)
Interest paid		(104,312,936)	(56,831,581)
Income tax paid		(62,646,410)	(73,056,654)
<b>Net cash inflow / (outflow) from operating activities</b>		<b>560,756,786</b>	<b>(220,300,391)</b>
<b><u>Cash flows from investing activities</u></b>			
Payment for purchase of property, plant and equipment	5	(572,928,431)	(274,146,026)
Proceeds from sale of property, plant and equipment		5,570,467	6,157,864
Interest received		34,758,376	30,656,227
Payment for purchase of treasury bills		(749,832,077)	(691,612,480)
Proceeds from sale of treasury bills		767,370,752	648,682,420
<b>Net cash outflow from investing activities</b>		<b>(515,060,913)</b>	<b>(280,261,995)</b>
<b><u>Cash flows from financing activities</u></b>			
Proceeds from non-controlling interest share in capital increase of subsidiary		-	10,552,330
Dividends paid to shareholders		(110,300,449)	(81,016,675)
Payments against notes payable for acquisition of land		-	(10,546,825)
Repayments of borrowings		(384,937,444)	(220,436,080)
Proceeds from borrowings		539,462,711	412,524,052
<b>Net cash inflow from financing activities</b>		<b>44,224,818</b>	<b>111,076,802</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>89,920,691</b>	<b>(389,485,584)</b>
Cash and cash equivalents at beginning of the year		(150,008,352)	239,645,624
Effects of exchange rate on cash and cash equivalents		(42,678)	(168,392)
<b>Cash and cash equivalents at end of the year</b>	10	<b>(60,130,339)</b>	<b>(150,008,352)</b>

**\* Non cash transaction:**

Transfer of overdraft facility into term loan with amount of 58,757,379 EGP for the year of 2017.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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

### **Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017**

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

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

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

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

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

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

The main shareholders are Quantum Investment BV which owns 33% of the Company's share capital and the Bank of New York Mellon "depository bank for shares traded in London Stock Exchange" which manages 24.412% of the Company share capital and Exoder participation, "Exoder Limited", domiciled in Cyprus which owns 13.065% of the Company's share capital and Berco Limited which owns 8.815% of Company's share capital and other shareholders owning 20.708% of company's share capital.

These consolidated financial statements have been approved by the Board of Directors on 26 February 2018.

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 2017 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 FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements "IFRS"

For the year ended 31 December 2017

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

#### General information (continued)

##### 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.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
		2017	2016	2017	2016
Digma for trading	Egypt	99.8 %	99.8 %	0.2 %	0.2 %
Edita Confectionery Industries	Egypt	77.71 %	77.71 %	22.29 %	22.29 %
Edita participation limited	Cyprus	100 %	100 %	-	-

#### Financial information about the subsidiaries of the group as at 31 December 2017 and 2016

Name of subsidiary	Total Assets 2017	Total Equity 2017	Total Sales 2017	Net Profit/ (loss)
				2017
Digma for trading	318,852,142	256,661,154	2,810,151,883	76,794,230
Edita Confectionery Industries	173,858,495	97,033,253	139,848,887	29,946,261
Edita participation limited	142,104	(272,144)	-	(90,136)

Name of subsidiary	Total Assets 2016	Total Equity 2016	Total Sales 2016	Net Profit/ (loss)
				2016
Digma for trading	284,033,086	187,741,292	2,322,059,255	105,419,276
Edita Confectionery Industries	173,523,440	67,086,992	92,886,054	(5,115,348)
Edita participation limited	163,466	(182,007)	-	(54,920)

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).

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

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#### Basis of preparation (continued)

##### II. Historical cost convention

These financial statements have been prepared under the historical cost basis.

##### III. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

<b>Title of standard</b>	<b>IFRS 9 financial instruments</b>
Nature of change	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	The group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

All of the group's debt instruments that are currently classified as held to maturity will satisfy the conditions for classification at amortized cost under IFRS 9 and hence there will be no change to the accounting for these assets. Accordingly, the group does not expect the new guidance to affect the classification and measurement of these financial assets.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the group expects an immaterial increase in the loss allowance for trade debtors as most of the trade receivables are current and not past due with no history of default and also the group expect immaterial increase in loss allowance in relation to debt investments held at amortized cost since these investments represent purchased government treasury bills with a high credit rating and short maturity.

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

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#### Basis of preparation (continued)

<b>Title of standard</b>	<b>IFRS 9 financial instruments</b>
	The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.
Date of adoption by group	Must be applied for financial years commencing on or after 1 January 2018. The group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated,
<b>Title of standard</b>	<b>IFRS 15 Revenue from Contracts with Customers</b>
Nature of change	<p>The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.</p> <p>The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p>
Impact	<p>Management has assessed the effects of applying the new standard on the group's financial statements and has identified the following areas that will be affected:</p> <p>Presentation of contract assets and contract liabilities in the balance sheet – IFRS15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 January 2018 for the contract liabilities in relation to expected volume discounts, rights to return and rebates.</p>
Date of adoption by group	Mandatory for financial years commencing on or after 1 January 2018. The group intends to adopt the standard using the modified retrospective approach and there will be no impact on retained earnings from the reclassification of contract liability as of 1 January 2018 and comparatives will not be restated.



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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

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#### Basis of preparation (continued)

Title of standard	IFRS 16 Leasing
Nature of change	<p>IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.</p>
Impact	<p>The accounting for lessors will not significantly change.</p> <p>The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of EGP 41,025,817, see note 30.</p> <p>The group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the group's profit or loss and classification of cash flows going forward.</p>
Mandatory application date/ Date of adoption by group	<p>Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.</p>

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

### **Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017**

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

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#### **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. 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 operating decision-maker. 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.

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

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#### E. Foreign currency translation

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

Items included in the financial statements each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Egyptian Pound (EGP), which is Edita food industries functional and 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 are presented in the statement of profit or loss on a net basis within finance costs.

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 available-for-sale financial assets are recognised in 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.

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

### **Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017**

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

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#### **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.

##### **(1) Sales of goods – whole sale**

Sales of goods are recognized when group has delivered products to the wholesaler, 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 does not occur until the products have been shipped to the specified location, the risks of obsolescence 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.

##### **(2) 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. Interest income on impaired receivables is recognized using the original effective interest rate.

##### **(3) Dividend income**

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

##### **(4) 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 when received in cash after meeting all required criteria.

#### **G. 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.

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

### **Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017**

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

#### **Income tax (continued)**

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.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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.

#### **H. Leases**

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the 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 property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statements of Profit or loss on a straight-line basis over the period of the lease.

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

### **Notes to the consolidated financial statements "IFRS"**

**For the year ended 31 December 2017**

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

#### **I. 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.

#### **J. 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 nine 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.

#### **K. 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.

#### **L. 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.

#### **M. Financial assets**

##### **(1) Classification**

The group classifies its financial assets in the following categories,

- loans and receivables, and
- Held to maturity (treasury bills).

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held to maturity, re-evaluates this designation at the end of each reporting period.

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

### **Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017**

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

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#### **Financial assets (continued)**

##### **(2) Reclassification**

Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

##### **(3) Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

##### **(4) 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, transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Interest on held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

##### **(5) Impairment**

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

##### **Assets carried at amortised cost**

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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#### Financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

#### N. 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.

#### O. 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 nineteenth. 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.



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

### **Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017**

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#### **P. Trade and other payables**

These amounts represents 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.

#### **Q. Loans**

Loans are recognized initially at fair value, net of transaction costs incurred. Loans are subsequently carried 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.

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.

Loans 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.

#### **R. 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.

Capitalization of borrowing costs includes capitalizing foreign exchange differences relating to borrowings to the extent that they are regarded as an adjustment to interest costs. The gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity borrowed funds in its functional currency, and borrowing costs actually incurred on foreign currency borrowings.

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.

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

### **Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017**

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#### **S. 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.

#### **T. Employees 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 net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

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.

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

### **Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017**

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#### **Employees benefits (continued)**

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 ninety, 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 contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary 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. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### **(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.

#### **U. 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.

#### **V. 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.

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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#### W. 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.

#### X. 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 Loans at variable rates	Sensitivity analysis	Interest rate incremental to deposits rate
Market risk – security prices	No investment in a quoted equity securities	Sensitivity analysis	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

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### Financial risk management (continued)

##### (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 period, expressed in Egyptian pounds, was as follows:

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

	Assets	Liabilities	Net 31 December 2017	Net 31 December 2016
Euros	258,857	(103,089,203)	(102,830,346)	(256,648,709)
United States Dollars	7,664,410	(258,243,040)	(250,578,630)	(159,103,773)

###### 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:

	2017	2016
<b>Amounts recognised in profit or loss</b>		
Net foreign exchange loss included in finance cost and other gain or losses	(15,260,198)	(298,512,229)
	<b>(15,260,198)</b>	<b>(298,512,229)</b>
<b>Net losses recognised in other comprehensive income</b>		
Foreign currency translation reserve	(42,678)	(168,392)
	<b>(42,678)</b>	<b>(168,392)</b>

###### Sensitivity analysis

As shown in the table above, the group is primarily exposed to changes in Euro/EGP and USD/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.

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

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#### Financial risk management (continued)

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

At 31 December 2017, if the Egyptian Pounds had strengthened / weakened by 10% against the Euro with all other variables held constant, Profit for the year would have been LE 10,283,034 (31 December 2016: LE 25,664,871) 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 2017, if the Egyptian Pounds had strengthened / weakened by 10% against the US Dollars with all other variables held constant, profit for the year would have been LE 25,057,863 (31 December 2016: LE 15,910,377) 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 a 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 time deposits which are renewed with the applicable interest rate at the time of renewal. Borrowings measured at amortized cost with fixed rates do not expose the company to fair value interest rate risk.

At 31 December 2017, if interest rates on Egyptian pound -denominated net interest bearing liabilities had been 2% higher/lower with all other variables held constant, before-tax profit for the year would have been LE 18,461,321 (31 December 2016: LE 18,290,640) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Borrowings at the balance sheet date with variable interest rate amounted to LE 826,944,229 (31 December 2016: LE 674,058,091).

Overdraft at the balance sheet on 31 December 2017 amounted to LE 96,121,849 (31 December 2016: LE 240,473,897).

#### **(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

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### Financial risk management (continued)

##### (ii) Security

For banks and financial institutions, the Group is dealing with the banks which have a high independent rating with a good reputation.

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

##### (iii) Credit quality

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

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties except for the impairment of accounts receivables presented in (Note 8).

The maximum exposure to credit risk is the amount of receivables as well as the cash and cash equivalents 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.

#### Trade receivables

Counter parties without external credit rating:

	<u>2017</u>	<u>2016</u>
Trade and notes receivables	16,654,958	32,249,179
<b>Total</b>	<b><u>16,654,958</u></b>	<b><u>32,249,179</u></b>

Outstanding trade receivables are current and not impaired.

Cash at bank and short-term bank deposits:

	<u>2017</u>	<u>2016</u>
AA	20,694,025	78,888,032
A	665,794	6,350,075
BB	12,024	-
B	648,307	2,610,544
<b>Total</b>	<b><u>22,020,150</u></b>	<b><u>87,848,651</u></b>

We had excluded the cash on hand.

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### Financial risk management (continued)

The table below summarizes the maturities of the Company's trade receivables at 31 December 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Less than 30 days	10,009,420	22,961,936
From 31 to 60 days	5,506,423	7,354,413
From 61 to 90 days	1,139,115	369,120
From 91 to 120 days	-	33,499
	<u>16,654,958</u>	<u>30,718,968</u>

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

	<u>2017</u>	<u>2016</u>
At 1 January	20,556	20,556
Receivables written off during the year as uncollectible	-	-
	<u>20,556</u>	<u>20,556</u>

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.

#### (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. At the end of the reporting period the group held deposits at call of EGP 60,840 (2016 – EGP 59,960,840) that are expected to readily generate cash inflows for managing liquidity risk. 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.



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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### Financial risk management (continued)

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 December 2017 based on contractual payment dates and current interest rates as we had excluded the taxes payable, advances from customers and social insurance:

<b>At 31 December 2017</b>	<b>Less than 6 month</b>	<b>Between 6 month &amp; 1 year</b>	<b>Between 1 &amp; 2 years</b>	<b>More than 2 years</b>
Borrowings	63,792,488	101,874,105	188,051,167	460,381,419
Future interest payments	15,616,736	66,364,203	90,853,466	129,113,118
Trade and other payables	293,547,552	-	-	-
Bank overdraft	96,121,849	-	-	-
Notes payable	71,264,212	-	-	-
<b>Total</b>	<b>540,342,837</b>	<b>168,238,308</b>	<b>278,904,633</b>	<b>589,494,537</b>
<b>At 31 December 2016</b>				
Borrowings	67,018,131	63,918,131	148,571,413	379,254,344
Future interest payments	31,030,158	35,601,580	59,198,436	71,312,725
Trade and other payables	214,746,773	-	-	-
Bank overdraft	240,473,897	-	-	-
Notes payable	32,925,768	-	-	-
<b>Total</b>	<b>586,194,727</b>	<b>99,519,711</b>	<b>207,769,849</b>	<b>450,567,069</b>

The unused amount of borrowings is amounted to EGP 31,697,509 as of 31 December 2017, also the Group will have future interest payments related to borrowings amounting to LE 301,947,523 (31 December 2016: LE 197,142,899).

#### (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.

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.

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### Financial risk management (continued)

	<u>2017</u>	<u>2016</u>
Total borrowings	826,944,229	674,058,091
Bank overdraft	96,121,849	240,473,897
<b>Total borrowings and loans</b>	<b>923,066,078</b>	<b>914,531,988</b>
Less: Cash and cash equivalents	(35,991,510)	(90,465,545)
<b>Net debt</b>	<b>887,074,568</b>	<b>824,066,443</b>
Total equity	1,230,226,448	1,128,361,588
<b>Total capital</b>	<b>2,117,301,016</b>	<b>1,952,428,031</b>
<b>Gearing ratio</b>	<b>42%</b>	<b>42%</b>

#### 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 1.25.
- Leverage ratio shall not exceed 1.5:1.

As of 31 December 2017, 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:

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

### **Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017**

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

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#### **Critical accounting estimates and judgments (continued)**

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

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

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

##### **Income tax**

The Group is subject to corporate income tax. The Group estimates the income tax provision by using the advice of an expert. In case there are differences between the final and preliminary results, these differences will affect the income tax provision in these years.

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

In general the application of the Group's accounting policies does not require from management the use of personal judgment (except relating to critical accounting estimate and judgments "Note 4-1" which might have a major impact on the value recognized at the financial statement.

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

**Notes to the consolidated financial statements "IFRS"  
For the year ended 31 December 2017**

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**5. Property, plant and equipment**

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
<b>At 1 January 2016</b>								
Cost	106,714,128	478,089,014	635,645,904	138,939,208	57,917,104	59,424,230	156,008,329	1,632,737,917
Accumulated depreciation	-	(56,242,410)	(161,195,256)	(54,353,085)	(30,069,494)	(31,347,940)	-	(333,208,185)
<b>Net book amount</b>	<b>106,714,128</b>	<b>421,846,604</b>	<b>474,450,648</b>	<b>84,586,123</b>	<b>27,847,610</b>	<b>28,076,290</b>	<b>156,008,329</b>	<b>1,299,529,732</b>
<b>Year ended 31 December 2016</b>								
Opening net book amount	106,714,128	421,846,604	474,450,648	84,586,123	27,847,610	28,076,290	156,008,329	1,299,529,732
Additions	14,194,132	-	14,874,049	10,906,147	10,323,755	10,240,089	213,607,854	274,146,026
Depreciation charge	-	(18,759,872)	(36,518,579)	(18,773,364)	(11,068,526)	(11,841,474)	-	(96,961,815)
Disposal depreciation	-	-	1,480,969	4,479,770	826,086	1,337,475	-	8,124,300
Disposals	-	-	(2,454,633)	(5,712,850)	(842,344)	(1,367,173)	-	(10,377,000)
Transfers from projects under construction	-	14,526,630	177,790,647	-	12,302,435	1,923,504	(206,543,216)	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>417,613,362</b>	<b>629,623,101</b>	<b>75,485,826</b>	<b>39,389,016</b>	<b>28,368,711</b>	<b>163,072,967</b>	<b>1,474,461,243</b>
<b>At 31 December 2016</b>								
Cost	120,908,260	492,615,644	825,855,967	144,132,505	79,700,950	70,220,650	163,072,967	1,896,506,943
Accumulated depreciation	-	(75,002,282)	(196,232,866)	(68,646,679)	(40,311,934)	(41,851,939)	-	(422,045,700)
<b>Net book amount</b>	<b>120,908,260</b>	<b>417,613,362</b>	<b>629,623,101</b>	<b>75,485,826</b>	<b>39,389,016</b>	<b>28,368,711</b>	<b>163,072,967</b>	<b>1,474,461,243</b>
<b>Year ended 31 December 2017</b>								
Opening net book amount	120,908,260	417,613,362	629,623,101	75,485,826	39,389,016	28,368,711	163,072,967	1,474,461,243
Additions	-	-	26,048,433	25,224,480	6,313,111	8,128,993	507,213,414	572,928,431
Depreciation charge	-	(19,852,702)	(43,005,957)	(20,400,521)	(12,208,114)	(13,827,915)	-	(109,295,209)
Disposal depreciation	-	-	-	6,326,895	202,982	316,869	-	6,846,746
Disposals	-	-	-	(7,422,290)	(204,073)	(359,408)	-	(7,985,771)
Transfers from Projects under construction	-	388,571,418	205,666,062	-	14,668,890	18,227,269	(627,133,639)	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>786,332,078</b>	<b>818,331,639</b>	<b>79,214,390</b>	<b>48,161,812</b>	<b>40,854,519</b>	<b>43,152,742</b>	<b>1,936,955,440</b>
<b>At 31 December 2017</b>								
Cost	120,908,260	881,187,062	1,057,570,462	161,934,695	100,478,878	96,217,504	43,152,742	2,461,449,603
Accumulated depreciation	-	(94,854,984)	(239,238,823)	(82,720,305)	(52,317,066)	(55,362,985)	-	(524,494,163)
<b>Net book amount</b>	<b>120,908,260</b>	<b>786,332,078</b>	<b>818,331,639</b>	<b>79,214,390</b>	<b>48,161,812</b>	<b>40,854,519</b>	<b>43,152,742</b>	<b>1,936,955,440</b>

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### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

During the year ended 31 December 2017, the Group has capitalized borrowings costs amounting to LE 37,174,062 (31 December 2016: LE 4,872,184) on qualified assets. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the interest rate applicable to the group's specific borrowings during the year is 21%.

	2017	2016
<b>Allocation of the borrowing cost on Qualified Assets</b>		
Projects under construction - Buildings	33,213,482	3,234,209
Projects under construction - Machinery	3,960,580	1,637,975
<b>Total</b>	<b>37,174,062</b>	<b>4,872,184</b>

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

	2017	2016
Charged to cost of sales	70,367,515	61,553,299
Charged to distribution costs	21,583,001	19,326,211
Charged to administrative expenses	17,344,693	16,082,305
	<b>109,295,209</b>	<b>96,961,815</b>

#### The project under construction represent:

	2017	2016
Buildings	29,846,501	134,067,710
Machinery & equipment	12,318,194	10,909,915
Tools & equipment	917,463	2,575,700
Technical and other installations	70,584	15,519,642
	<b>43,152,742</b>	<b>163,072,967</b>

#### 6. Intangible assets

	Net Book Value	
	2017	2016
A- Trademark	131,480,647	131,480,647
B- Know how	31,430,995	31,430,995
<b>Balance as of</b>	<b>162,911,642</b>	<b>162,911,642</b>

##### A. Trademark

	Trade Mark (HOHOS, Twinkies & Tiger Tail)	
	2017	2016
<b>Cost</b>		
Opening Balance	131,480,647	131,480,647
<b>Balance as of</b>	<b>131,480,647</b>	<b>131,480,647</b>

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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#### Intangible assets (continued)

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, and on the 16<sup>th</sup> 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	
	2017	2016
<b>Cost</b>		
Opening balance	31,430,995	31,430,995
<b>Balance as of</b>	<b>31,430,995</b>	<b>31,430,995</b>
	2017	2016
<b>Accumulated amortization</b>		
Opening Balance	31,430,995	(942,930)
Amortization expense during the year	-	942,930
<b>Balance as of</b>	<b>-</b>	<b>-</b>
<b>Net book value for know how</b>	<b>31,430,995</b>	<b>31,430,995</b>

On the 16 April 2015 the Group had signed a "License and Technical Assistance Agreement" with the owner of the know how with purpose to acquire the license, know how and technical assistance for 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.

#### Impact of change in accounting policy in 31 December 2016

- The accounting policy of intangible asset "Know how" have been changed during the year 2016 from intangible assets with finite useful lives, amortized over the company life span (25 years) and measured at cost less amortization in the separate financial statements to indefinite life intangible assets measured at cost in the separate financial statements, and to be tested for impairment annually.
- Intangible asset "Know how" have been recognized in the separate financial statements for the year ended 31 December 2015, as a finite life intangible assets, based on significant incompleteness of its related production lines and that these new products is considered have new trade mark in the market and no actual marketing testing for these products took place at the separate financial statements date.
- Later during 2016, these production lines completed and genuine marketing for these products have been started. This provides the company's management with the ability to establish assumptions on developing the market in the future.

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

### Notes to the consolidated financial statements "IFRS"

For the year ended 31 December 2017

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

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#### Intangible assets (continued)

- For the purpose of uniting the accounting policy for all intangible assets and to provide reliable and more relevant information, the company's management changed the know how accounting policy from cost less amortisation based on finite useful live determined on 25 years to indefinite useful live measured at cost to be tested for impairment annually, considering the ability to establish reliable assumptions of future sales.
- The retrospective application of change in accounting policy resulted is adjustment of EGP 942,930 represents the amortization of 2015 fiscal year. Management concluded to recognize such adjustment in statement of profit or loss for the year ended 31 December 2016, as the resulting adjustment from changing the accounting policy has an immaterial impact on 2016 retained earnings opening balance, net profit for the year, basic and diluted earnings per share and comparative figures for the year ended 31 December 2016.

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

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

#### D. Recoverable amount of cake segment

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

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

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

Assumptions used by the Group when testing the impairment of intangible assets as of 31 December 2017 as follows:

Average gross profit	33%
Discount rate	26%
Growth rate	3%

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 not less than its recoverable amount.

#### **Sensitivity of recoverable amounts**

At 31 December 2017, if the discount 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.

At 31 December 2017, if the growth 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.

At 31 December 2017, if the gross profit rate had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make an impairment.

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### 7. Inventories

	<u>2017</u>	<u>2016</u>
Raw and packaging materials	199,701,698	250,308,760
Spare parts	39,580,849	26,269,668
Finished goods	46,095,781	25,381,892
Consumables	5,089,825	9,849,632
Work in process	6,725,396	6,881,927
<b>Total</b>	<b>297,193,549</b>	<b>318,691,879</b>
Less: provision for slow moving and obsolete inventory	(1,182,116)	(263,320)
<b>Net</b>	<b>296,011,433</b>	<b>318,428,559</b>

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

During the year ended 31 December 2017, there has been a slow moving and obsolete inventory addition amounted to LE 1,476,000 (2016: LE 595,504) (Note 22) and utilized amounted to LE 557,204 (2016: LE 1,299,278).

The cost of inventory recognized as an expense and included in cost of sales amounted to LE 1,665,961,162 during the year ended 31 December 2017 (2016: LE 1,249,637,425).

#### 8. Trade and other receivables

	<u>2017</u>	<u>2016</u>
Trade receivables	15,856,789	30,718,968
Notes receivable	798,169	1,530,211
<b>Total</b>	<b>16,654,958</b>	<b>32,249,179</b>
Less: Provision for impairment of trade receivables	(20,556)	(20,556)
	<b>16,634,402</b>	<b>32,228,623</b>
Advances to suppliers	22,984,151	138,088,609
Tax authority – Corporate tax prepayments	27,928,869	-
Prepaid expenses	8,636,065	12,477,604
Deposits with others	10,057,786	5,678,541
Other debit balances	10,115,307	7,419,676
Letters of credit	328,459	581,818
Employee loans	172,380	128,524
Accrued revenues	-	65,079
<b>Total</b>	<b>96,857,419</b>	<b>196,668,474</b>



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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### 9. Treasury bills

	<u>2017</u>	<u>2016</u>
Treasury bills par value	190,500,000	198,000,000
Unearned interest	(18,464,355)	(8,425,680)
<b>Amount of treasury bills paid</b>	<b>172,035,645</b>	<b>189,574,320</b>
Interest income recognized to profit or loss	8,553,176	2,570,508
<b>Treasury bills balance</b>	<b><u>180,588,821</u></b>	<b><u>192,144,828</u></b>

The Group purchased Egyptian treasury bills on 17<sup>th</sup> of September 2017 with par value amounted LE 90,000,000 with an annual interest of 18.55%. These treasury bills are due in 22 of May 2018. The total recognized interest income amounted to LE 4,267,038.

The Group purchased Egyptian treasury bills on 20<sup>th</sup> of September 2017 with par value amounted LE 54,000,000 with an annual interest of 18.35%. These treasury bills are due in 20<sup>th</sup> of March 2018. The total recognized interest income amounted to LE 2,538,245.

The Group purchased Egyptian treasury bills on 4<sup>th</sup> of October 2017 with par value amounted LE 30,000,000 with an annual interest of 18.40%. These treasury bills are due in 3<sup>rd</sup> of April 2018. The total recognized interest income amounted to LE 1,219,505.

The Group purchased Egyptian treasury bills on 24<sup>th</sup> of October 2017 with par value amounted LE 16,500,000 with an annual interest of 18.80%. These treasury bills are due in 24<sup>th</sup> of April 2018. The total recognized interest income amounted to LE 528,388.

#### 10. Cash and cash equivalents (excluding bank overdrafts)

	<u>2017</u>	<u>2016</u>
Bank deposits	60,840	59,960,840
Cash at banks and on hand	35,930,670	30,504,705
<b>Cash and cash equivalents (excluding bank overdrafts)</b>	<b><u>35,991,510</u></b>	<b><u>90,465,545</u></b>

The average interest rate on local currency time deposits as of 31 December 2017 is 15% (2016: 12.5 %).

Bank deposits are having maturity year of less than 3 months from date of the deposit.

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

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	35,991,510	90,465,545
Bank overdraft (Note 16)	(96,121,849)	(240,473,897)
<b>Total</b>	<b><u>(60,130,339)</u></b>	<b><u>(150,008,352)</u></b>

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### 11. Loans

	2017			2016		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Loans	178,511,643	648,432,586	826,944,229	146,232,334	527,825,757	674,058,091
	<b>178,511,643</b>	<b>648,432,586</b>	<b>826,944,229</b>	<b>146,232,334</b>	<b>527,825,757</b>	<b>674,058,091</b>

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

	2017	2016
Balance due within 1 year	165,666,575	130,936,262
Accrued interest	12,845,068	15,296,072
	<b>178,511,643</b>	<b>146,232,334</b>

#### (1) Edita Food Industries Company

	2017			2016		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	19,814,921	8,749,985	28,564,906	20,464,972	26,250,000	46,714,972
Second loan	36,326,157	82,781,630	119,107,787	49,286,230	125,885,836	175,172,066
Third loan	21,444,500	54,000,000	75,444,500	21,486,364	72,000,000	93,486,364
Fourth loan	40,021,961	138,388,250	178,410,211	36,811,734	164,105,235	200,916,969
Fifth loan	29,137,221	288,500,200	317,637,421	237,842	130,829,986	131,067,828
Sixth loan	14,744,858	44,012,521	58,757,379	-	-	-
<b>Total</b>	<b>161,489,618</b>	<b>616,432,586</b>	<b>777,922,204</b>	<b>128,287,142</b>	<b>519,071,057</b>	<b>647,358,199</b>

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

	2017	2016
Balance due within 1 year	148,906,527	113,929,860
Accrued interest	12,583,091	14,357,282
<b>Total</b>	<b>161,489,618</b>	<b>128,287,142</b>

#### • First loan

This first loan is provided by one of the Egyptian banks in January 2014 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000 and the total withdrawal amount is LE 70,000,000 on 31 December 2017 in addition to accrued interest. The loan outstanding balance at 31 December 2017 after payment of due instalments amounted to 26,249,985 in addition to accrued interests.

#### **Terms of payments:**

Edita Food Industries S.A.E. (borrower) is obligated to Pay LE 26,249,985 on 3 semi-annual instalments; each instalment is amounted to LE 8,750,000 except for the last instalment amounted to 8,749,985. The first installment is due on 22 February 2018 and the last on 22 February 2019.

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

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#### Loans (continued)

**Interest:**

The interest rate is 2 % above mid corridor rate of central bank of Egypt.

**Fair value:**

Fair value is approximately equal to book value.

- **Second loan:**

This second loan is provided by one of the Egyptian banks on September 2014 based on a cross guarantee issued from Digma Trading Company amounted to LE 185,000,000 and the total withdrawal amount is LE 86,857,057 plus 5,587,500 USD on 31 December 2017. The loan outstanding balance at 31 December 2017 after payment of due installments amounted to LE 57,904,704 and USD 3,104,165 in addition to accrued interests.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 57,904,704 on 6 equal semi-annual installments; each installment is amounted to LE 9,650,784 In addition. The company is obligated to pay 3,104,165 USD on 5 equal semi-annual installments; each installment is amounted to 620,833 USD.

The EGP Loan The first installment is due on January 2018 and the last on July 2020.

The USD Loan The first installment is due on July 2018 and the last on July 2020.

**Interest:**

The interest rate is 1.25% above mid corridor rate of Central Bank of Egypt and 2.5% above the Libor rate.

**Fair value:**

Fair value is approximately equal to book value.

- **Third loan:**

This third loan is provided by one of the Egyptian banks on April 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 90,000,000 and the total withdrawal amount is LE 90,000,000. The loan outstanding balance at 31 December 2017 amounted to LE 72,000,000 in addition to accrued interests.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 72,000,000 on 8 equal semi-annual installments; each installment is amounted to LE 9,000,000. The first installment is due on April 2018 and the last on October 2021.

**Interest:**

The interest rate is 2% above mid corridor rate of Central Bank of Egypt.

**Fair value:**

Fair value is approximately equal to book value.

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

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#### Loans (continued)

- **Fourth loan:**

This fourth loan is provided by one of the Egyptian banks on September 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 313,571,315 and the total withdrawal amount is LE 102,456,269 plus 4,930,194 Euro plus 5,814,860 USD plus 90,208 GBP on 31 December 2017 in addition to accrued interest. The loan outstanding balance at 31 December 2017 after payment of due installments amounted to LE 71,546,269 plus 35,599 Euro plus 5,814,860 USD plus 90,208 GBP in addition to accrued interests.

The bank committed to translate the foreign Currency to Egyptian pound as the company is not obligated to pay the loan back in foreign currency.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 177,927,752 on 9 equal semi-annual instalments; each instalment is amounted to LE 19,769,750 the first instalment is due on 19 April 2018 and the last on 19 April 2022. Total loan value and accrued interest to be paid to the bank in local currency without any obligation on the Company to pay foreign currency.

**Interest:**

The interest rate is 1% above mid corridor rate of Central Bank of Egypt and 2.5% above the Euro Libor rate.

**Fair value:**

Fair value is approximately equal to book value.

- **Fifth loan:**

This fifth loan is provided by one of the Egyptian banks on September 2016 based on a cross guarantee issued from Digma Trading Company amounted to LE 220,000,000 and 6,000,000 Euro. The total withdrawal amount is LE 220,000,000 plus 3,585,750 Euro plus 1,159,250 USD on 31 December 2017 in addition to accrued interest.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 220,000,000 and 6,000,000 Euro on 11 equal semi-annual instalments; each instalment is amounted to LE 20,000,000 and 545,455 Euro the first instalment is due on September 2018 and the last on September 2023.

**Interest:**

The interest rate is 0.5% above mid corridor rate of Central Bank of Egypt and 4% above the Euro Libor rate and 5.54% above the USD Libor rate.

**Fair value:**

Fair value is approximately equal to book value.

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### Loans (continued)

- **Sixth loan:**

On November 2017, the Company signed an agreement with one of the Egyptian banks to transfer an overdraft facility balance amounting to LE 9,914,422 and USD 2,741,370 to a term loan.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 9,914,422 on 8 equal semi-annual installments; each installment is amounted to LE 1,239,303 In addition to accrued interest. The company is obligated to pay 2,741,370 USD on 8 equal semi-annual installments; each installment is amounted to 342,671 USD. The first installment is due on February 2018 and the last on August 2021.

**Interest:**

The interest rate is 1.5% above mid corridor rate of Central Bank of Egypt and 5% above the USD Libor rate.

**Fair value:**

Fair value is approximately equal to book value.

#### (2) Digma for Trading Company

	2017			2016		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	-	-	-	3,601,575	-	3,601,575
Second loan	1,782,454	-	1,782,454	3,555,141	1,666,666	5,221,807
Third loan	7,217,071	-	7,217,071	7,453,134	7,088,034	14,541,168
<b>Total</b>	<b>8,999,525</b>	<b>-</b>	<b>8,999,525</b>	<b>14,609,850</b>	<b>8,754,700</b>	<b>23,364,550</b>

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

	2017	2016
Balance due within 1 year	8,760,048	13,906,402
Accrued interest	239,477	703,448
	<b>8,999,525</b>	<b>14,609,850</b>

- **The First loan**

The First loan is provided by one of the Egyptian banks in December 2013 based on a cross guarantee issued from Edita Food Industries Company S,A,E. amounted to LE 10,000,000 and the total withdrawal amount is LE 10,000,000 in addition to accrued interest,

**Terms of payments:**

Digma Trading Company S.A.E. paid the last instalment on 15 July 2017 in addition to accrued interests.

**Interest:**

The interest rate is 2% above mid corridor rate of central bank of Egypt.

**Fair value:**

Fair value is approximately equal to book value.

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### Loans (continued)

- **The Second loan**

The second loan is provided by one of the Egyptian banks on 20 August 2014 based on a cross guarantee issued from Edita Food Industries Company S.A.E. amounted to LE 10,000,000 and the total withdrawal amount is LE 10,000,000 in addition to accrued interest,

**Terms of payments:**

Digma Trading Company S.A.E. is obligated to pay the last instalment amounted to LE 1,666,667 on 20 February 2018 in addition to accrued interest.

**Interest:**

The interest rate is 2% above mid corridor rate of central bank of Egypt,

**Fair value:**

Fair value is approximately equal to book value.

- **The Third loan**

The third loan is provided by one of the Egyptian banks on 07 September 2015 based on a cross guarantee issued from Edita Food Industries Company S.A.E. amounted to LE 26,000,000 and the total withdrawal amount is LE 25,339,072 in addition to accrued interest,

**Terms of payments:**

Digma Trading Company S.A.E. is obligated to pay LE 7,093,381 on 2 semi-annual instalments, instalment is amounted to LE 3,619,867 and the last instalment amounted to LE 3,473,514 and the instalments come due after 6 months from the date the loan was issued to the company. The first instalment is due on April 2018 and the last on October 2018.

**Interest:**

The interest rate is 1% above mid corridor rate of central bank of Egypt

**Fair value:**

Fair value is approximately equal to book value.

#### (3) Edita Confectionery Industries Company

	2017			2016		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	-	-	-	3,335,342	-	3,335,342
Second Loan	8,022,500	32,000,000	40,022,500	-	-	-
	<u>8,022,500</u>	<u>32,000,000</u>	<u>40,022,500</u>	<u>3,335,342</u>	<u>-</u>	<u>3,335,342</u>

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

	2017	2016
Balance due within 1 year	8,000,000	3,100,000
Accrued interest	22,500	235,342
	<u>8,022,500</u>	<u>3,335,342</u>

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

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#### Loans (continued)

- **First Loan:**

This loan is provided by one of the Egyptian banks based on a cross guarantee issued from Edita Food Industries Company amounted to LE 31,000,000.

**Terms of payments:**

Edita Confectionary Industries S.A.E. is obligated to pay LE 3,100,000 on 1 semi-annual instalment and the instalments come due after 6 months from the first withdrawal, the company paid the last instalment on 17 April 2017 in addition to accrued interests.

**Interest:**

The rate is 0.5% above central bank of Egypt mid corridor.

**Fair value:**

Fair value is approximately equal to book value.

- **Second Loan:**

This second loan is provided by one of the Egyptian banks on December 2017 based on a cross guarantee issued from Edita Food Industries Company amounted to LE 40,000,000. The total withdrawal amount is LE 40,000,000 on 31 December 2017 in addition to accrued interest.

**Terms of payments:**

Edita Confectionary Industries S.A.E. is obligated to Pay LE 40,000,000 on 10 equal semi-annual instalments; each instalment is amounted to LE 4,000,000 and the instalments come due after 6 months from the first withdrawal, the first instalment is due on June 2018 and the last on December 2022.

**Interest:**

The rate is 0.5% above central bank of Egypt mid corridor.

**Fair value:**

Fair value is approximately equal to book value.

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### 12. 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	Unrealized foreign exchange loss	Carry forward taxable losses	Net deferred tax liabilities	
					2017	2016
<b>A. Deferred tax assets</b>						
Balance at 1 January	-	-	33,608,041	-	33,608,041	-
Charged to statement of profit or loss	-	-	(24,339,459)	14,920,504	(9,418,955)	33,608,041
<b>Ending balance as of 31 December</b>	-	-	<b>9,268,582</b>	<b>14,920,504</b>	<b>24,189,086</b>	<b>33,608,041</b>
<b>B. Deferred tax liabilities</b>						
Balance at 1 January	(116,524,880)	(3,575,795)	-	-	(120,100,675)	(94,536,302)
Charged to statement of profit or loss	(34,281,235)	240,423	-	-	(34,040,812)	(25,564,373)
<b>Ending balance as of 31 December</b>	<b>(150,806,115)</b>	<b>(3,335,372)</b>	<b>-</b>	<b>-</b>	<b>(154,141,487)</b>	<b>(120,100,675)</b>
<b>Net deferred tax liabilities</b>	<b>(150,806,115)</b>	<b>(3,335,372)</b>	<b>9,268,582</b>	<b>14,920,504</b>	<b>(129,952,401)</b>	<b>(86,492,634)</b>
Balance at 1 January	(116,524,880)	(3,575,795)	33,608,041	-	(86,492,634)	(94,536,302)
Charged to statement of profit or loss (Note 26)	(34,281,235)	240,423	(24,339,459)	14,920,504	(43,459,767)	8,043,668
<b>Ending Balance as of 31 December</b>	<b>(150,806,115)</b>	<b>(3,335,372)</b>	<b>9,268,582</b>	<b>14,920,504</b>	<b>(129,952,401)</b>	<b>(86,492,634)</b>

According to the tax system in Egypt, the tax losses belongs to Edita confectionary Industries company may be changed during the tax inspection by the tax authority. Accordingly, the management did not recognize deferred tax assets except the tax losses recognized in the financial year ended as of 31 December 2017.



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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### 13. Employee 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:

	<u>2017</u>	<u>2016</u>
Discount rate	15%	14%
Average salary increase rate	10%	10%
Turnover rate	35%	25%
Life table	49-52	49-52

The amounts recognized at the balance sheet date are determined as follows:

	<u>2017</u>	<u>2016</u>
Present value of obligations	4,761,965	1,945,034
<b>Liability at the balance sheet</b>	<b>4,761,965</b>	<b>1,945,034</b>

Movement in the liability recognized in the balance sheet:

	<u>2017</u>	<u>2016</u>
Balance at beginning of the year	1,945,034	2,533,203
Charged during the year	2,840,957	-
Paid during the year	(24,026)	(588,169)
<b>Balance at end of the year</b>	<b>4,761,965</b>	<b>1,945,034</b>

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

	<u>2017</u>	<u>2016</u>
Interest expenses	272,305	-
Current service cost	2,568,652	-
<b>Total</b>	<b>2,840,957</b>	<b>-</b>

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### 14. Trade and other payables

	<u>2017</u>	<u>2016</u>
Trade payables	188,822,395	126,406,928
Accrued expenses*	60,144,110	72,047,650
Notes payable	71,264,212	32,925,768
Other credit balances	41,627,652	14,199,584
Taxes payable	30,891,539	33,240,605
Social insurance	3,006,735	75,118
Dividends payable	2,953,395	2,092,611
Advances from customers	1,688,890	2,360,845
<b>Total</b>	<b><u>400,398,928</u></b>	<b><u>283,349,109</u></b>

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

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

\* Accrued expense includes a cumulative amount of EGP 22,995,460 relating to employees' profit sharing for years from 2011 to 2015 which was not recorded in the consolidated financial statements for these years. This amount has been adjusted against the opening retained earnings as at 1 January 2016.

The consolidated balance sheet as at 1 January 2016 has not been presented in these consolidated financial statements because the impact of the cumulative amount relating to 2015 and prior years was not considered to be material in the context of the consolidated balance sheet as at 31 December 2015.

#### 15. Current income tax liabilities

	<u>2017</u>	<u>2016</u>
Balance at 1 January	1,233,553	24,281,519
Reversal of Income tax for prior year	(6,315,986)	-
Income tax paid during the year	(1,233,553)	(24,015,547)
Withholding tax receivable	(8,545,909)	(6,076,107)
Income tax for the year (Note 24)	22,698,108	52,932,503
Corporate income tax – advance payments (Note 23)	(4,157,219)	(42,965,000)
Accrued interest – advance payments	(3,678,994)	(2,923,815)
<b>Balance at end of year</b>	<b><u>-</u></b>	<b><u>1,233,553</u></b>

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### 16. Bank overdraft

	<u>2017</u>	<u>2016</u>
Bank overdraft	96,121,849	240,473,897
<b>Total</b>	<b><u>96,121,849</u></b>	<b><u>240,473,897</u></b>

Bank overdraft is an integral part of the group's cash management to finance its working capital. The average interest rate for bank overdraft was 20.06% as of 31 December 2017 (2016: 15.75%).

#### 17. Provisions

	<u>Other provisions</u>	
	<u>2017</u>	<u>2016</u>
Balance at 1 January	19,166,385	16,000,854
Additions during the year	15,692,814	5,800,730
Utilized during the year	(13,874,798)	(2,591,519)
Provision no longer required	(73,956)	(43,680)
<b>Balance at end of year</b>	<b><u>20,910,445</u></b>	<b><u>19,166,385</u></b>

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.

#### 18. 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:

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

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

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### Share capital (continued)

The issued capital amounted to LE 145,072,580 (par value LE 0.2 per share) is distributed as follows as of 31 December 2017:

Shareholders	No. of shares	Shares value	Percentage of ownership
Quantum Investment BV	239,369,757	47,873,951	33.000%
The Bank of New York Mellon "depository bank for shares traded in London Stock Exchange"	177,075,870	35,415,174	24.412%
Exoder Ltd.	94,769,464	18,953,893	13.065%
Berco Ltd.	63,938,543	12,787,709	8.815%
Others (Public stocks)	150,209,266	30,041,853	20.708%
	<b>725,362,900</b>	<b>145,072,580</b>	<b>100%</b>

#### 19. 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. Upon the recommendation of the Board of Directors, 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.

#### 20. Non-controlling interest

	share capital	Legal reserves	Revaluation assets	Accumulated reserve	Accumulated losses	Total	
						2017	2016
<b>Balance at 1 January</b>	<b>22,823,330</b>	<b>252,174</b>	<b>38,162</b>	<b>(8,129,898)</b>	<b>14,983,768</b>	<b>5,617,437</b>	
Non-controlling share in loss of subsidiaries	-	-	-	6,816,335	6,816,335	(929,372)	
<b>Total comprehensive income for the year</b>	-	-	-	6,816,335	6,816,335	(929,372)	
Issue of ordinary shares of a subsidiary	-	-	-	-	-	10,552,330	
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	-	-	(256,627)	
Transfer to legal reserve	-	341,431	-	(341,431)	-	-	
<b>Balance at end of year</b>	<b>22,823,330</b>	<b>593,605</b>	<b>38,162</b>	<b>(1,654,994)</b>	<b>21,800,103</b>	<b>14,983,768</b>	

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### 21. Other income

	<u>2017</u>	<u>2016</u>
Gain from sale of production waste	4,718,070	4,768,776
Other income	2,122,521	1,705,326
Export subsidies	5,174,722	3,250,926
Net	<u>12,015,313</u>	<u>9,725,028</u>

#### 22. Other losses, net

	<u>2017</u>	<u>2016</u>
Provision for slow moving inventory	(1,476,000)	(595,504)
Other Provisions	(15,692,814)	(5,800,730)
Provision for employee benefit obligation	(2,840,957)	-
Provision no longer required	73,956	43,680
Gain from sales of property, plant and equipment	4,431,442	3,905,164
Foreign exchange losses from operating activities	-	(37,540,451)
Net	<u>(15,504,373)</u>	<u>(39,987,841)</u>

#### 23. Finance cost - net

	<u>2017</u>	<u>2016</u>
<b>Finance income</b>		
Interest income	40,741,044	30,279,881
Interest income – corporate tax advance payment	3,678,994	2,923,815
	<u>44,420,038</u>	<u>33,203,696</u>
<b>Finance cost</b>		
Foreign exchange losses from financing activities	(15,260,198)	(260,971,778)
Interest expense	(101,861,932)	(57,364,682)
Interest on land's instalments	-	(531,405)
	<u>(117,122,130)</u>	<u>(318,867,865)</u>
<b>Finance cost - net</b>	<u>(72,702,092)</u>	<u>(285,664,169)</u>

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### 24. 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.

	<u>2017</u>	<u>2016</u>
Income tax for the year (Note 20)	22,698,108	52,932,503
Reversal of income tax from prior year	(6,315,986)	-
Deferred tax expense / (income) for the year (Note 12)	43,459,767	(8,043,668)
<b>Total</b>	<b><u>59,841,889</u></b>	<b><u>44,888,835</u></b>
Profit before tax	<u>271,795,815</u>	<u>92,328,100</u>
Tax calculated based on applicable tax rates	61,154,058	20,773,822
	<b><u>61,154,058</u></b>	<b><u>20,773,822</u></b>
Tax effect of non-deductible expenses	11,497,478	28,604,687
Tax effect of non-taxable revenues	-	(4,489,674)
Tax losses for which no deferred income tax asset was recognized	(12,809,647)	-
<b>Income tax expense</b>	<b><u>59,841,889</u></b>	<b><u>44,888,835</u></b>

#### 25. Earnings per share

##### Basic

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

	<u>2017</u>	<u>2016</u>
Profit attributed to owners of the parent	<u>205,137,591</u>	<u>48,368,637</u>
<b>Weighted average number of ordinary shares in issue</b>		
Ordinary shares	725,362,900	725,362,900
	<b><u>725,362,900</u></b>	<b><u>725,362,900</u></b>
<b>Basic earnings per share</b>	<b><u>0.28</u></b>	<b><u>0.07</u></b>

##### 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.

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### 26. Expenses by nature

	<u>2017</u>	<u>2016</u>
Cost of sales	2,098,454,009	1,604,647,951
Distribution cost	386,634,812	308,100,697
Administrative expenses	211,153,544	181,914,459
	<u><b>2,696,242,365</b></u>	<u><b>2,094,663,107</b></u>
Raw materials used	1,564,807,658	1,201,719,268
Salaries and wages	391,542,471	328,709,239
Advertising and marketing	164,939,716	118,750,550
Depreciation	109,295,209	96,961,815
Gas, water and electricity	60,579,579	50,207,622
Miscellaneous and other expense	62,120,000	58,029,327
Employee benefits	68,930,976	45,178,073
Rent	37,532,394	38,223,402
Profit share employee	31,090,131	26,000,000
Transportation expenses	30,687,825	19,895,559
Maintenance	23,824,082	21,151,087
Vehicle expense	29,653,377	19,649,326
Consumable materials	18,470,765	14,117,656
Collection commission	1,614,678	6,659,781
Purchases – goods for resale	101,153,504	47,918,157
Royalty	-	1,492,245
	<u><b>2,696,242,365</b></u>	<u><b>2,094,663,107</b></u>

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### 27. Cash generated from operations

	<u>2017</u>	<u>2016</u>
Profit for the year before income tax	271,795,815	92,328,100
<b>Adjustments for:</b>		
Provisions	15,692,814	5,800,730
Provision for employee benefit obligation	2,840,957	-
Interest on lands' installments	-	531,405
Interest expense	101,861,932	57,364,682
Interest income	(40,741,044)	(30,279,881)
Interest income – corporate tax payment	(3,678,994)	(2,923,815)
Depreciation of property, plant and equipment	109,295,209	96,961,815
Amortization of Intangible assets	-	(942,930)
Provision for slow moving inventory	1,476,000	595,504
Gain on disposal of property, plant and equipment	(4,431,442)	(3,905,164)
Provision no longer required	(73,956)	(43,680)
Foreign exchange losses	811,875	-
	<u>454,849,166</u>	<u>215,486,766</u>
<b>Change in working capital</b>		
Inventories	20,941,126	(178,726,592)
Trade and other receivables	127,739,924	(128,825,295)
Trade and other payables	138,084,740	4,832,653
Provisions used	(13,874,798)	(2,591,519)
Payments of employee benefit obligations	(24,026)	(588,169)
<b>Cash generated from operations</b>	<u>727,716,132</u>	<u>(90,412,156)</u>

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

	<u>2017</u>	<u>2016</u>
Net book amount	1,139,025	2,252,700
Profit of disposal of property, plant and equipment	4,431,442	3,905,164
<b>Proceeds from disposal of property, plant and equipment</b>	<u>5,570,467</u>	<u>6,157,864</u>

#### Net debt reconciliation

	<u>2017</u>	<u>2016</u>
Cash and cash equivalent	(60,138,339)	(150,008,352)
Borrowings – repayable within one year	(178,511,643)	(148,232,334)
Borrowing – repayable within after one year	(648,432,586)	(527,825,757)
<b>Total</b>	<u>(887,082,568)</u>	<u>(826,066,443)</u>

	<u>Cash and cash equivalent</u>	<u>Borrowing due within 1 year</u>	<u>Borrowing due after 1 year</u>	<u>Total</u>
Net debt as at 1 January 2017	(150,008,352)	(146,232,334)	(527,825,757)	<b>(824,066,443)</b>
Cash flows	89,878,013	(32,374,316)	(121,323,697)	<b>(63,820,000)</b>
Foreign exchange adjustment	-	95,007	716,868	<b>811,875</b>
<b>Net debt as at 31 December 2017</b>	<u>(60,130,339)</u>	<u>(178,511,643)</u>	<u>(648,432,586)</u>	<u>(887,074,568)</u>



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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

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#### 28. Related party transactions

The following transactions were carried out with related parties:

##### 1. Chipita Participation Company

Chipita Participation collects 0.5% of the net Bake Rolls and Molto Crossiont monthly sales as royalty with a maximum limit of Euro 150,000 annually for the know how of Chipita International Company.

The royalty during the year ended 31 December 2017 amounted to LE Nil due to contract termination (31 December 2016: LE 1,492,245) Chipita Participation is considered a related party as it owns Exoder Ltd. Company that in turn owns 13.065% of Edita Food Industries S.A.E. shares.

##### 2. Key management compensation

During the year ended 31 December 2017, the group paid an amount of LE 76,240,000 as benefits to the key management members (2016: LE 61,785,420).

#### 29. Contingent liabilities

##### a- Contingent Liabilities for banks

###### (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. The uncovered portion of the letter of guarantee and letters of credit granted to the Company arising from ordinary course of business amounted to LE 97,075,842 as at 31 December 2017 (31 December 2016: LE 50,700,499).

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

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

The Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities. The uncovered portion of the letter of guarantee and letters of credit granted to the Company arising from ordinary course of business amounted to LE 1,295,821 as at 31 December 2017 (31 December 2016 : LE 27,500).

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

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. The uncovered portion of the letter of guarantee and letters of credit granted to the Company arising from ordinary course of business at 31 December 2017 amounted to LE 1,275,831 (31 December 2016: LE 2,237,901).

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

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#### Contingent liabilities (continued)

##### b- Tax Position

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

#### Edita Food Industries Company

##### a. Corporate tax

- The company is tax exempted for a year 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 year was determined to start from the fiscal year beginning on 1 January 1998. The company submits its tax returns on its legal year.
- The tax inspection was performed for the year from the company's inception till 31 December 2010 and all due tax amounts paid.
- For the years 2011-2012 the tax inspection was performed and the difference was sent to internal committee.
- For the years 2013-2016 the Company is submitting the tax return according to law No. 91 of 2005 in its legal year and has not been inspected yet.

##### b. Payroll tax

- The payroll tax inspection was performed till 31 December 2013 and company paid tax due.
- As for the years 2014 and 2017 the tax inspection has not been performed and the company is submitting the quarterly tax return on due time to the Tax Authority.

##### c. Sales tax

- The sales tax inspection was performed till 31 December 2015 and tax due was paid.
- For the year 2016-2017 the tax inspection has not been performed and the monthly tax return were submitted on due time.

##### d. Stamp duty tax

- The stamp duty tax inspection was performed till 2009 and company paid tax due.
- Years from 2010 till 2017 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 No, 91 of 2005 and amendments.

- The tax inspection was performed by the Tax Authority for the years from the Company's inception until year 2009 and the tax resulting from the tax inspection were settled and paid to the Tax Authority.
- For the years from 2010 to 2013 the tax inspection was performed and the difference was sent to internal committee.
- For the year 2014, the tax inspection was performed and settled and paid to tax authority.
- For the years from 2015 and 2016 Company submits its tax return on due dates according to law No, 91 for the year 2005.

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

### **Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017**

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

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#### **Contingent liabilities (continued)**

##### **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 2017 the Company submitted its quarter tax returns to Tax Authority on due dates.

##### **c. 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 2016-2017 the Company submits its monthly sales tax return on due date.

##### **d. Stamp tax**

- The tax inspection was performed for the years from the Company's inception until 31 December 2008 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The tax inspection was performed for the years from 2009 to 2014 and the difference were sent to internal committee.
- For the years from 2015 and 2017 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 Law No. 91 of 2005 and amendments .
- The corporate tax inspection was performed for the years from 2009 till 2014 and the company has not informed with any results yet.
- The company hasn't been inspected for the years 2015 & 2016, 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 till 2012 and the tax due was paid to the Tax Authority.
- The company hasn't been inspected for the year from 2013 till 2017.

##### **c) Sales Tax**

- The tax inspection was performed for the years from the Company's inception until 2015 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 the years 2016 and 2017 and the Company submits its monthly sales tax return on due date.

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

- The stamp tax inspection was performed from 2009 till 2012 and the tax due was paid to the Tax Authority.
- For the years 2013 and 2014 the tax inspection was performed and the difference was sent to internal committee.
- The Company hasn't been inspected for the year from 2015 till 2017.

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### 30. Commitments

##### A) Capital comments

The Group has no capital commitments as of 31 December 2017 (2016: LE 32,978,630 in respect of the construction of a new factory for Edita Food Industries).

##### B) Operating lease commitments

The group leases warehouses under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalation clauses

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	<u>2017</u>	<u>2016</u>
Within one year	7,658,478	7,077,119
Later than one year but not later than five years	24,063,646	25,706,212
Later than five years	<u>9,303,693</u>	<u>15,319,604</u>
	<u><b>41,025,817</b></u>	<u><b>48,102,935</b></u>

#### 31. Financial instrument by category

	<u>31 December 2017</u>	
	<u>Loans &amp; receivables</u>	<u>Total</u>
<b>Assets as per balance sheet</b>		
Trade and other receivables (excluding non-financial assets)*	37,308,334	<b>37,308,334</b>
Cash and cash equivalents	35,991,510	<b>35,991,510</b>
Treasury bills	<u>180,588,821</u>	<u><b>180,588,821</b></u>
<b>Total</b>	<u><b>253,888,665</b></u>	<u><b>253,888,665</b></u>

	<u>31 December 2017</u>	
	<u>Other financial liabilities and amortised costs</u>	<u>Total</u>
<b>Liabilities as per balance sheet</b>		
Borrowings*	826,944,229	<b>826,944,229</b>
Trade and other payables (excluding non-financial liabilities)	364,811,764	<b>364,811,764</b>
Bank overdraft	<u>96,121,849</u>	<u><b>96,121,849</b></u>
<b>Total</b>	<u><b>1,287,877,842</b></u>	<u><b>1,287,877,842</b></u>

	<u>31 December 2016</u>	
	<u>Loans &amp; receivables</u>	<u>Total</u>
<b>Assets as per balance sheet</b>		
Trade and other receivables (excluding non-financial assets)*	46,102,261	<b>46,102,261</b>
Cash and cash equivalents	90,465,545	<b>90,465,545</b>
Treasury bills	<u>192,144,828</u>	<u><b>192,144,828</b></u>
<b>Total</b>	<u><b>328,712,634</b></u>	<u><b>328,712,634</b></u>

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### Financial instrument by category (continued)

	31 December 2016	
	<u>Other financial liabilities at amortised costs</u>	<u>Total</u>
<b>Liabilities as per balance sheet</b>		
Borrowings*	674,058,091	<b>674,058,091</b>
Trade and other payables (excluding non-financial liabilities)	247,672,541	<b>247,672,541</b>
Bank overdraft	240,473,897	<b>240,473,897</b>
<b>Total</b>	<b><u>1,162,204,529</u></b>	<b><u>1,162,204,529</u></b>

\* At the Balance sheet date, the carrying value of all short-term financial assets and liabilities approximates the fair value. Long-term borrowings also approximates the fair value as the loans bears a variable interest rate above the mid corridor rate.

Trade and other receivables presented above excludes prepaid expenses and advances to supplies.  
Trade and other payables presented above excludes taxes payables, advances from customers and social insurances.

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### 32. Segment reporting

(Amounts presented to the nearest thousands EGP)

	Cake		Croissant		Bake		Friska		Mimix		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	1,584,222	1,292,555	894,886	830,670	225,685	178,799	180,370	98,278	151,959	95,776	7,107	6,840	3,044,229	2,502,918
Gross profit	549,330	498,404	221,527	281,987	60,346	52,298	62,916	37,513	49,447	25,783	2,209	2,285	945,775	898,270
Operating profit	258,146	237,859	51,689	120,173	4,904	466	4,528	11,008	24,115	7,356	1,116	1,130	344,498	377,992
Finance cost	(60,951)	(164,670)	(34,429)	(105,826)	(8,683)	(22,779)	(6,939)	(12,520)	(5,846)	(12,202)	(274)	(871)	(117,122)	(318,868)
Finance income	23,116	17,146	13,058	11,020	3,293	2,372	2,632	1,304	2,217	1,271	104	91	44,420	33,204
Income tax	(46,136)	(27,833)	(8,356)	(14,367)	(578)	(357)	(576)	(1,354)	(3,997)	(845)	(199)	(133)	(59,842)	(44,889)
<b>Net profit</b>	<b>174,175</b>	<b>62,502</b>	<b>21,962</b>	<b>11,000</b>	<b>(1,064)</b>	<b>(20,298)</b>	<b>(355)</b>	<b>(1,562)</b>	<b>16,489</b>	<b>(4,420)</b>	<b>747</b>	<b>217</b>	<b>211,954</b>	<b>47,439</b>

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

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

### Notes to the consolidated financial statements "IFRS" For the year ended 31 December 2017

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

#### 33. Earnings before interest , taxes , depreciation & amortization

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 2017 & 31 December 2016 were as follows :

	<u>2017</u>	<u>2016</u>
Net profit for the period	211,953,926	47,439,265
Income tax	59,841,888	44,888,835
Debit interest (Land installments)	-	531,405
Debit interest	101,861,932	57,364,826
Credit interest	(44,420,038)	(33,203,840)
Gain on sale of property , plant and equipment	(4,431,443)	(3,905,164)
Foreign exchange losses	15,260,205	298,512,229
Donation	-	2,533,602
Other provision addition	15,000,512	11,652,851
Depreciation of property , plant and equipment	109,295,208	96,961,846
Amortization of intangible assets	-	(942,930)
<b>Total</b>	<b><u>464,362,190</u></b>	<b><u>521,832,925</u></b>