

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

**REVIEW REPORT AND CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE THREE  
MONTHS PERIOD ENDED  
31 MARCH 2019  
(IFRS)**

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

## Consolidated financial statements – For the three months period ended 31 March 2019

<b>Contents</b>	<b>Page</b>
Review report.....	1
Consolidated balance sheet.....	2
Consolidated statement of profit or loss.....	3
Consolidated statement of comprehensive income.....	4
Consolidated statement of changes in equity.....	5
Consolidated cash flows statement.....	6
Notes to the consolidated financial statements.....	7 – 61



## Review report

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

### Introduction

We have reviewed the accompanying consolidated balance sheet of Edita Food Industries Company (S.A.E.) as at 31 March 2019 and the related Consolidated statements of Profit or loss, comprehensive income, changes in equity and cash flows for the three months period then ended, and notes comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

### Scope of review

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

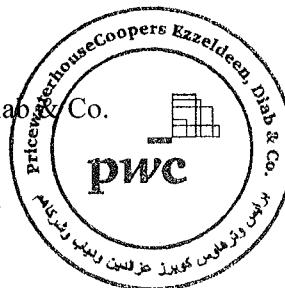
### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly in all material respects, the financial position of Edita Food Industries Company (S.A.E.) as at 31 March 2019, and of its financial performance and its cash flows for the three months period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

*PricewaterhouseCoopers*

PricewaterhouseCoopers Ezzeldeen, Diab & Co.  
Public, Accountants

8 May 2019  
Cairo



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

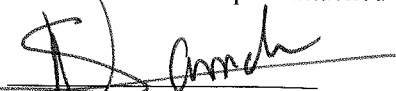
## Consolidated balance sheet "IFRS" - At 31 March 2019

(All amounts in Egyptian Pounds)

	Note	31 March 2019	31 December 2018
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,913,853,503	1,884,237,454
Right of use assets	6	38,821,358	-
Intangible assets	7	169,328,767	169,921,078
Prepayments on future investments in subsidiary	8	-	10,850,159
Secured payments for acquisition of non-controlling interest	24	55,297,782	-
<b>Total non-current assets</b>		<b>2,177,301,410</b>	<b>2,065,008,691</b>
<b>Current assets</b>			
Inventories	9	252,085,983	288,828,341
Trade and other receivables	11	149,810,049	128,179,325
Treasury bills	12	306,835,559	290,180,875
Cash and bank balances	13	92,104,754	63,579,745
<b>Total current assets</b>		<b>800,836,345</b>	<b>770,768,286</b>
<b>Total assets</b>		<b>2,978,137,755</b>	<b>2,835,776,977</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Term loans	14	431,842,107	495,564,577
Deferred tax liabilities	15	156,921,689	158,168,693
Employee benefit obligations	16	7,207,538	6,621,193
Lease liabilities	17	35,691,958	-
<b>Total non-current liabilities</b>		<b>631,663,292</b>	<b>660,354,463</b>
<b>Current liabilities</b>			
Trade and other payables	18	639,310,974	460,405,346
Current income tax liabilities	19	38,837,080	6,633,469
Current portion of term loans	14	199,586,829	211,049,595
Bank overdraft	20	7,972,758	19,126,567
Lease liabilities	17	3,226,911	-
Provisions	21	35,298,621	29,270,866
<b>Total current liabilities</b>		<b>924,233,173</b>	<b>726,485,843</b>
<b>Total liabilities</b>		<b>1,555,896,465</b>	<b>1,386,840,306</b>
<b>Equity</b>			
Share capital	22	145,072,580	145,072,580
Legal reserve	23	73,265,674	73,265,674
Cumulative translation reserve		(7,534)	16,103
Retained earnings		1,168,793,383	1,206,786,382
		<b>1,387,124,103</b>	<b>1,425,140,739</b>
Non-controlling interests	24	35,117,187	23,795,932
<b>Net equity</b>		<b>1,422,241,290</b>	<b>1,448,936,671</b>
<b>Total liabilities and equity</b>		<b>2,978,137,755</b>	<b>2,835,776,977</b>

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

Review auditor's report attached

  
Mr. Sameh Naguib  
Vice President - Finance

  
Eng. Hani Berzi  
Chairman

8 May 2019  
Giza

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

**Consolidated statement of profit or loss "IFRS"  
For the three months period ended 31 March 2019**

(All amounts in Egyptian Pounds)

	<u>Note</u>	<u>31 March 2019</u>	<u>31 March 2018</u>
Revenue		982,181,168	886,075,774
Cost of goods sold	31	<u>(634,914,691)</u>	<u>(606,008,916)</u>
<b>Gross profit</b>		<b>347,266,477</b>	<b>280,066,858</b>
Distribution cost	31	(115,155,826)	(108,862,655)
General and administrative expenses	31	(69,937,442)	(66,731,470)
Other income	25	5,041,002	3,220,069
Other losses - net	26	<u>(13,835,394)</u>	<u>(880,837)</u>
<b>Profit from operations</b>		<b><u>153,378,817</u></b>	<b><u>106,811,965</u></b>
Finance income	27	22,936,024	8,124,965
Finance cost	27	<u>(25,357,951)</u>	<u>(34,129,788)</u>
<b>Finance cost, net</b>		<b><u>(2,421,927)</u></b>	<b><u>(26,004,823)</u></b>
<b>Profit before income tax</b>		<b>150,956,890</b>	<b>80,807,142</b>
Income tax expense	28	<u>(36,632,168)</u>	<u>(19,937,258)</u>
<b>Net profit for the period</b>		<b><u>114,324,722</u></b>	<b><u>60,869,884</u></b>
<b>Net Profit is attributable to</b>			
Shareholders' equity		113,007,001	59,891,934
Non-controlling interest		<u>1,317,721</u>	<u>977,950</u>
<b>Net profit for the period</b>		<b><u>114,324,722</u></b>	<b><u>60,869,884</u></b>
<b>Earnings per share (expressed in EGP per share):</b>			
Basic earnings per share	30	0.16	0.08
Diluted earnings per share	30	<u>0.16</u>	<u>0.08</u>

The above consolidated statement 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 For the three months period ended 31 March 2019

(All amounts in Egyptian Pounds)

	<u>31 March 2019</u>	<u>31 March 2018</u>
<b>Profit for the period</b>	114,324,722	60,869,884
<b>Items that may be reclassified to profit or loss</b>		
Exchange differences on translation of foreign operation	<u>(23,637)</u>	<u>26,219</u>
<b>Total comprehensive income for the period</b>	<u><b>114,301,085</b></u>	<u><b>60,896,103</b></u>
<b>Total comprehensive income is attributable to</b>		
Owners of the parent	112,983,364	59,918,153
Non-controlling interest	<u>1,317,721</u>	<u>977,950</u>
<b>Total comprehensive income for the period</b>	<u><b>114,301,085</b></u>	<u><b>60,896,103</b></u>

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

## EDITA FOOD INDUSTRIES

### Consolidated statement of For the three months period

(All amounts in Egyptian

	Total Owners' Equity						
	Paid up capital	Legal reserve	Foreign currency translation reserve	Retained earnings	Total shareholders	Non-controlling interest	Total owners' equity
<b>Balance at 1 January 2018</b>	145,072,580	56,474,533	(205,502)	1,007,084,734	1,208,426,345	21,800,103	1,230,226,448
Net profit for the period	-	-	-	59,891,934	59,891,934	977,950	60,869,884
Other comprehensive income for the period	-	-	26,219	-	26,219	-	26,219
<b>Total other comprehensive income for the period</b>	-	-	26,219	59,891,934	59,918,153	977,950	60,896,103
Declared dividends distribution for 2017	-	-	-	(85,000,000)	(85,000,000)	-	(85,000,000)
<b>Balance at 31 March 2018</b>	145,072,580	56,474,533	(179,283)	981,976,668	1,183,344,498	22,778,053	1,206,122,551
<b>Balance at 1 January 2019</b>	145,072,580	73,265,674	16,103	1,206,786,382	1,425,140,739	23,795,932	1,448,936,671
Net profit for the period	-	-	-	113,007,001	113,007,001	1,317,721	114,324,722
Other comprehensive income for the period	-	-	(23,637)	-	(23,637)	-	(23,637)
Non-controlling interest share in establishment of subsidiary	-	-	-	-	-	10,003,534	10,003,534
<b>Total other comprehensive income for the period</b>	-	-	(23,637)	113,007,001	112,983,364	11,321,255	124,304,619
Declared dividends distribution for 2018	-	-	-	(151,000,000)	(151,000,000)	-	(151,000,000)
<b>Balance at 31 March 2019</b>	145,072,580	73,265,674	(7,534)	1,168,793,383	1,387,124,103	35,117,187	1,422,241,290

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

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

### Consolidated statement of cash flows For the three months period ended 31 March 2019

(All amounts in Egyptian Pounds)

	<u>Notes</u>	<u>31 March 2019</u>	<u>31 March 2018</u>
<b><u>Cash flows from operating activities</u></b>			
Cash inflow / (outflow) operations	32	237,993,853	113,288,042
Interest paid		(23,521,320)	(32,952,607)
Income tax paid		(5,675,561)	-
<b>Net cash inflow operating activities</b>		<b><u>208,796,972</u></b>	<b><u>80,335,435</u></b>
<b><u>Cash flows from investing activities</u></b>			
Purchase of property, plant and equipment	5	(65,752,849)	(17,134,873)
Acquired cash from establishment of subsidiary		10,850,159	-
Secured payments for acquisition of non-controlling interest		(55,297,782)	-
Proceeds from sale of property, plant and equipment		150,031	1,255,875
Interest received		358,308	4,778,606
Payment for purchase of treasury bills		-	(54,536,025)
Proceeds from sale of treasury bills		297,450,000	49,495,860
<b>Net cash inflow / (outflow) investing activities</b>		<b><u>187,757,867</u></b>	<b><u>(16,140,557)</u></b>
<b><u>Cash flows from financing activities</u></b>			
Repayment of borrowings		(65,872,186)	(29,117,966)
Proceeds from borrowings		-	10,671,792
Proceeds from non-controlling interest on the establishment of subsidiary		10,003,534	-
<b>Net cash outflow financing activities</b>		<b><u>(55,868,652)</u></b>	<b><u>(18,446,174)</u></b>
<b>Net increase in cash and cash equivalents</b>		<b>340,686,187</b>	<b>45,748,704</b>
Cash and cash equivalents at beginning of the Period		44,453,178	(60,130,339)
Effects of exchange rate on cash and cash equivalents		(23,637)	26,219
<b>Cash and cash equivalents at end of the Period</b>	13	<b><u>385,115,728</u></b>	<b><u>(14,355,416)</u></b>
		<b><u>31 March 2019</u></b>	<b><u>31 March 2018</u></b>
<b><u>Non-cash transaction</u></b>			
Dividends declared not yet settled		151,000,000	-

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 For the three months period ended 31 March 2019**

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

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

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

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

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

The main shareholders are Quantum Investment BV which owns 41.815% of the Company's share capital and the Bank of New York Mellon "depository bank for shares traded in London Stock Exchange" which manages 20.704% of the Company share capital and Exoder participation, "Exoder Limited", domiciled in Cyprus which owns 13.065% of the Company's share capital and Kingsway Fund Frontier Consumer Franchises which owns 4.362% of Company's share capital and other shareholders owning 20.054% of company's share capital.

These consolidated financial statements have been approved by Chairman and Managing Director on 8 May 2019.

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

#### **Digma for Trading:**

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

#### **Edita Confectionery Industries:**

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

#### **Edita participation limited:**

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

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### General information (continued)

##### Edita Food Industries Morocco:

The company's main purpose is to build and operate a factory for production, sales and distribution of cakes, pastry, wafer and other confectionary products. Edita Morocco incorporated in 2018, with 51% majority stake owned by Edita Food Industries (S.A.E.).

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
		31 March 2019	31 December 2018	31 March 2019	31 December 2018
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 %	-	-
Edita Food Industries Morocco	Morocco	51 %	-	49 %	-

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

Name of subsidiary	Total Assets 2019	Total Equity 2019	Total Sales 2019	Net Profit/ (loss) 2019
Digma for trading	332,962,049	250,701,021	899,239,318	7,797,673
Edita Confectionery Industries	197,826,474	112,506,708	40,528,882	6,458,274
Edita participation limited	17,635,841	(2,272,637)	-	(70,720)
Edita Food Industries Morocco	20,519,317	20,134,901	-	(280,474)

Name of subsidiary	Total Assets 2018	Total Equity 2018	Total Sales 2018	Net Profit/ (loss) 2018
Digma for trading	341,658,690	266,115,095	824,271,059	16,386,395
Edita Confectionery Industries	175,885,634	101,273,618	36,680,022	4,240,366
Edita participation limited	142,104	(306,544)	-	(34,402)

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

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

### **Notes to the consolidated financial statements For the three months period ended 31 March 2019**

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

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#### **2. Summary of significant accounting policies**

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

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

###### **I. Compliance with IFRS**

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

###### **II. Historical cost convention**

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

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

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

###### **IFRIC 23 ‘Uncertainty over income tax treatments’**

The Interpretation clarifies the application of recognition and measurement requirements in IAS 12 ‘Income Taxes’ when there is uncertainty over income tax treatments. The Group has assessed the impact of IFRIC 23, which will not be material to the financial statements of the Group upon adoption in 2019.

###### **IFRS 16 ‘Leases’**

IFRS 16 replaced IAS 17 Leases, the former lease accounting standard became effective on 1 January 2019. Under the new lease standard assets leased by the Company are being recognized on the statement of financial position of the Company with a corresponding liability.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### Basis of preparation (continued)

In 2018, the Group has performed a detailed impact assessment of IFRS 16 and the impact on its adoption was as follows:

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

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

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

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#### **Basis of preparation (continued)**

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

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

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

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

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

#### Transition

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

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

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

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

#### Significant judgements upon adoption IFRS 16

IFRS 16 requires the Company to assess the lease term as the non-cancellable lease term in line with the lease contract together with the period for which the Company has termination options for which the Company is reasonably certain not to exercise those termination options.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### Basis of preparation (continued)

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

In assessing the lease term for the adoption of IFRS 16, the Company concluded that these cancelable future lease periods should be included within the lease term, which represents an increase to the future lease payments used in determining the lease liability upon initial recognition. The reasonably certain period used to determine the lease term is based on facts and circumstances related to the underlying leased asset and lease contracts.

The following table reconciles the Company's operating lease commitments as of 31 December 2018, to the lease liabilities recognized upon initial application of IFRS 16 on 1 January 2019.

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

#### 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.

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

### **Notes to the consolidated financial statements For the three months period ended 31 March 2019**

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

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#### **Basis of preparation (continued)**

##### **2. Associates**

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

##### **3. Equity method**

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

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

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

##### **4. Changes in ownership interests**

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

#### **C. Principles of consolidation and equity accounting**

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

#### **D. Segment reporting**

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

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

(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

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

##### (2) Transactions and balances

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

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

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

##### (3) Group companies

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

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) All resulting exchange differences are recognized in other comprehensive income.  
On consolidation, exchange differences arising from translation of the net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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



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

### **Notes to the consolidated financial statements For the three months period ended 31 March 2019**

(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.

##### **Sales of goods – wholesale**

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

The products is often sold with retrospective volume discounts based on aggregate sales over a 3 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, based on actual volume, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with market practice. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### **G. Interest income**

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

#### **H. Dividend income**

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

#### **I. Export subsidy**

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

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

### **Notes to the consolidated financial statements For the three months period ended 31 March 2019**

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

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#### **J. Income tax**

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

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

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

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

### **Notes to the consolidated financial statements For the three months period ended 31 March 2019**

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

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#### **K. Leases**

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

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

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

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

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

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

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

#### **L. Business combinations**

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

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

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

### **Notes to the consolidated financial statements For the three months period ended 31 March 2019**

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

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#### **Business combinations (continued)**

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

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

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

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

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

#### **M. Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### **N. Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown in current liabilities in the balance sheet.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

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#### O. Trade receivables

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

#### P. Inventories

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

#### Q. Financial assets under IFRS 9

##### (1) Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

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

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

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

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

##### (2) Measurement

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

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

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#### Financial assets under IFRS 9 (continued)

##### Debt instruments – treasury bills

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

#### (3) Impairment

From 1 January 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

#### R. Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statements of Profit or loss during the financial year in which they are incurred.

Land is not depreciated.

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

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

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

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

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

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

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

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

#### S. Intangible assets

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

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

#### Computer software

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

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

#### T. Trade and other payables

These amounts 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.

#### U. Borrowing

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

#### Established fees "transaction cost"

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

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

### **Notes to the consolidated financial statements For the three months period ended 31 March 2019**

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

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#### **Borrowing (continued)**

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

Borrowing are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### **V. Borrowing costs**

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

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

#### **W. Provisions**

Provisions are recognized when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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

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

#### **X. Employee benefits**

##### **(1) Short-term obligations**

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



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

### **Notes to the consolidated financial statements For the three months period ended 31 March 2019**

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

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#### **Employee benefits (continued)**

##### **(2) Post-employment obligation**

###### **Pension obligations**

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

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

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

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

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

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

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

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

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

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

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

### **Notes to the consolidated financial statements For the three months period ended 31 March 2019**

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

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#### **Employee benefits (continued)**

##### **(4) Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer and in accordance with labour law. Falling due more than 12 months after the end of the reporting period are discounted to present value.

#### **Y. Contributed equity**

Ordinary shares are classified as equity.

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

#### **Z. Dividends**

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

#### **AA. Earnings per share**

##### **(1) Basic earnings per share**

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

##### **(2) Diluted earnings per share**

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

#### **BB. Comparative figures**

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

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### 3. Financial risk management

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

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

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

#### (A) Market risk

##### (i) Foreign exchange risk

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

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

##### Exposure

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

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### Financial risk management (continued)

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

	Assets	Liabilities	Net 31 March 2019	Net 31 December 2018
Euros	11,673,769	(73,579,389)	<b>(61,905,620)</b>	<b>(63,155,160)</b>
United States Dollars	48,598,291	(207,619,575)	<b>(159,021,284)</b>	<b>(249,598,178)</b>

#### 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:

	31 March 2019	31 March 2018
<b>Amounts recognised in profit or loss</b>		
Net foreign exchange gain / (loss) included in finance cost and other gain or losses	9,456,769	(1,719,054)
	<b>9,456,769</b>	<b>(1,719,054)</b>
<b>Net losses recognised in other comprehensive income</b>		
Foreign currency translation reserve	(23,637)	26,219
	<b>(23,637)</b>	<b>26,219</b>

#### Sensitivity analysis

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

#### *Euro/EGP*

At 31 March 2019, if the Egyptian Pounds had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the period would have been LE 6,190,562 (31 December 2018: LE 6,315,516) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

#### *USD/EGP*

At 31 March 2019, if the Egyptian Pounds had weakened / strengthened by 10% against the US Dollars with all other variables held constant, post tax profit for the period would have been LE 15,902,128 (31 December 2018: LE 24,959,818) higher / lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets and liabilities.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

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#### Financial risk management (continued)

##### (ii) Price risk

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

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

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

At 31 March 2019, if interest rates on Egyptian pound –denominated net interest bearing liabilities had been 1% higher/lower with all other variables held constant, post-tax profit for the period would have been LE 6,394,017 (31 December 2018: LE 7,257,407) lower/higher interest expense on floating rate borrowings.

Borrowings at the balance sheet date with variable interest rate amounted to LE 631,428,936 (31 December 2018: LE 706,614,172).

Overdraft at the balance sheet on 31 March 2019 amounted to LE 7,972,758 (31 December 2018: LE 19,126,567).

#### (B) Credit risk

##### (i) Risk management

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

##### (ii) Security

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

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

##### (iii) Credit quality

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

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

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

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### Financial risk management (continued)

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

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

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

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

#### Trade receivables

Counter parties without external credit rating:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Trade and notes receivables	36,651,544	48,311,880
<b>Total</b>	<b><u>36,651,544</u></b>	<b><u>48,311,880</u></b>

Outstanding trade receivables are current and not impaired

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Less than 30 days	19,086,716	26,874,692
From 31 to 60 days	16,085,840	13,322,554
From 61 to 90 days	1,308,035	8,114,634
More than 90 days	170,953	-
	<b><u>36,651,544</u></b>	<b><u>48,311,880</u></b>

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
At 1 January	20,556	20,556
Receivables written off during the year as uncollectible	-	-
	<b><u>20,556</u></b>	<b><u>20,556</u></b>

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

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

All current accounts and deposits are held at banks subject to the supervision of the central bank of Egypt.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### Financial risk management (continued)

##### (C) Liquidity risk

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

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

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 March 2018 based on contractual payment dates and current interest rates.

At 31 March 2019	Between			
	Less than 6 month	6 month & 1 year	Between 1 & 2 years	More than 2 years
Borrowings	95,565,398	95,579,867	170,718,870	261,123,237
Future interest payments	41,119,490	34,978,019	51,602,342	45,456,612
Trade and other payables	464,785,423	-	-	-
Bank overdraft	7,972,758	-	-	-
Notes payable	130,399,267	-	-	-
Lease liability	1,452,767	1,774,144	4,770,533	30,921,425
<b>Total</b>	<b>741,295,103</b>	<b>132,332,030</b>	<b>227,091,745</b>	<b>337,501,274</b>
<b>At 31 December 2018</b>				
Borrowings	94,507,002	108,250,441	187,050,382	308,514,195
Future interest payments	49,055,203	40,061,651	61,135,771	61,288,204
Trade and other payables	294,885,007	-	-	-
Bank overdraft	19,126,567	-	-	-
Notes payable	99,686,739	267,721	-	-
<b>Total</b>	<b>557,260,518</b>	<b>148,579,813</b>	<b>248,186,153</b>	<b>369,802,399</b>

The amount of unused credit facility is EGP 1,213,213 as of 31 March 2019, also the Group will have future interest payments related to borrowings amounting to EGP 173,156,463 (31 December 2018: LE 211,540,829).

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### Financial risk management (continued)

##### (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.

	<b>31 March 2019</b>	<b>31 December 2018</b>
Total borrowings	631,428,936	706,614,172
Bank overdraft	7,972,758	19,126,567
<b>Total borrowings and loans</b>	<b>639,401,694</b>	<b>725,740,739</b>
Less: Cash and bank balances	(92,104,754)	(63,579,745)
<b>Net debt</b>	<b>547,296,940</b>	<b>662,160,994</b>
Total equity	1,422,241,290	1,448,936,671
<b>Total capital</b>	<b>1,969,538,230</b>	<b>2,111,097,665</b>
<b>Gearing ratio</b>	<b>28%</b>	<b>31%</b>

The decrease in the gearing ratio mainly results from the settlement of loans instalments and overdrafts, and achieving net profit in 2019.

##### 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.
- Current ratio shall not be less than 1

As of 31 March 2019, the Group was in compliance with the debt covenants.

##### (2) Fair value estimation

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



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

### **Notes to the consolidated financial statements For the three months period ended 31 March 2019**

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

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

##### **1. Critical accounting estimates and assumptions**

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

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

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

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

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

##### **Employee benefit retirement obligation**

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

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

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

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

##### **Revenue recognition**

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

##### **Determining the lease term**

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

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

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

**Notes to the consolidated financial statements  
For the three months period ended 31 March 2019**

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

**5. Property, plant and equipment**

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
<b>At 1 January 2017</b>								
Cost	120,908,260	881,187,062	1,057,570,462	161,934,695	100,478,878	86,871,590	43,152,742	2,452,103,689
Accumulated depreciation	-	(94,854,984)	(239,238,823)	(82,720,305)	(52,317,066)	(55,362,985)	-	(524,494,163)
<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>31,508,605</b>	<b>43,152,742</b>	<b>1,927,609,526</b>
<b>Year ended 31 December 2018</b>								
Opening net book amount	120,908,260	786,332,078	818,331,639	79,214,390	48,161,812	31,508,605	43,152,742	1,927,609,526
Additions	-	-	5,432,630	30,550,100	9,214,424	6,833,293	45,145,752	97,176,199
Depreciation charge	-	(35,429,474)	(52,450,786)	(22,646,852)	(15,645,831)	(13,327,846)	-	(139,500,789)
Accumulated depreciation of disposals	-	-	466,675	10,573,628	758,075	1,288,135	-	13,086,513
Disposals	-	-	(466,675)	(11,586,168)	(758,075)	(1,323,077)	-	(14,133,995)
Transfers from projects under construction	-	42,701,115	15,996,627	-	5,557,650	850,968	(65,106,360)	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>793,603,719</b>	<b>787,310,110</b>	<b>86,105,098</b>	<b>47,288,055</b>	<b>25,830,078</b>	<b>23,192,134</b>	<b>1,884,237,454</b>
<b>At 31 December 2018</b>								
Cost	120,908,260	923,888,177	1,078,533,044	180,898,627	114,492,877	93,232,774	23,192,134	2,535,145,893
Accumulated depreciation	-	(130,284,458)	(291,222,934)	(94,793,529)	(67,204,822)	(67,402,696)	-	(650,908,439)
<b>Net book amount</b>	<b>120,908,260</b>	<b>793,603,719</b>	<b>787,310,110</b>	<b>86,105,098</b>	<b>47,288,055</b>	<b>25,830,078</b>	<b>23,192,134</b>	<b>1,884,237,454</b>
<b>Year ended 31 March 2019</b>								
Opening net book amount	120,908,260	793,603,719	787,310,110	86,105,098	47,288,055	25,830,078	23,192,134	1,884,237,454
Additions	-	-	343,440	26,901,754	1,677,226	900,863	35,929,565	65,752,848
Depreciation charge	-	(9,148,283)	(13,291,859)	(6,177,623)	(4,199,256)	(3,210,025)	-	(36,027,046)
Accumulated depreciation of disposals	-	-	-	338,477	-	-	-	338,477
Disposals	-	-	-	(448,230)	-	-	-	(448,230)
Transfers from Projects under construction	-	-	-	-	-	-	-	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>784,455,436</b>	<b>774,361,691</b>	<b>106,719,476</b>	<b>44,766,025</b>	<b>23,520,916</b>	<b>59,121,699</b>	<b>1,913,853,503</b>
<b>At 31 March 2019</b>								
Cost	120,908,260	923,888,177	1,078,876,484	207,352,151	116,170,103	94,133,637	59,121,699	2,600,450,511
Accumulated depreciation	-	(139,432,741)	(304,514,793)	(100,632,675)	(71,404,078)	(70,612,721)	-	(686,597,008)
<b>Net book amount</b>	<b>120,908,260</b>	<b>784,455,436</b>	<b>774,361,691</b>	<b>106,719,476</b>	<b>44,766,025</b>	<b>23,520,916</b>	<b>59,121,699</b>	<b>1,913,853,503</b>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

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

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Charged to cost of sales	25,380,844	98,571,143
Charged to distribution costs	6,192,305	23,996,918
Charged to administrative expenses	4,453,897	16,932,728
	<u><b>36,027,046</b></u>	<u><b>139,500,789</b></u>

#### The projects under construction represent:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Buildings	16,673,761	15,037,717
Machinery & equipment	41,850,799	7,916,795
Tools & equipment	242,162	192,345
Technical and other installations	354,977	45,277
	<u><b>59,121,699</b></u>	<u><b>23,192,134</b></u>

#### 6. Right of use assets

	<u>Right of use assets</u>
<b>Balance on initial adoption of IFRS 16</b>	32,144,016
Additions during the period	7,383,183
Depreciation expenses	(705,841)
<b>Balance as of 31 March 2019</b>	<u><b>38,821,358</b></u>

Right of use assets represent properties rented by the group.

#### 7. Intangible assets

	<u>31 March 2019</u>			
	<u>Trademark (A)</u>	<u>Know how (B)</u>	<u>Software</u>	<u>Total</u>
<b>Cost</b>	131,480,647	31,430,995	9,345,914	<b>172,257,556</b>
Accumulated amortisation	-	-	(2,928,789)	<b>(2,928,789)</b>
<b>Balance as of</b>	<u><b>131,480,647</b></u>	<u><b>31,430,995</b></u>	<u><b>6,417,125</b></u>	<u><b>169,328,767</b></u>
	<u>31 December 2018</u>			
	<u>Trademark (A)</u>	<u>Know how (B)</u>	<u>Software</u>	<u>Total</u>
Cost	131,480,647	31,430,995	9,345,914	<b>172,257,556</b>
Accumulated amortisation	-	-	(2,336,478)	<b>(2,336,478)</b>
<b>Balance as of</b>	<u><b>131,480,647</b></u>	<u><b>31,430,995</b></u>	<u><b>7,009,436</b></u>	<u><b>169,921,078</b></u>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### Intangible assets (continued)

##### A. Trademark

	<b>Trade Mark (HOHOS, Twinkies &amp; Tiger Tail)</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>
<b>Cost</b>		
Opening Balance	131,480,647	131,480,647
<b>Balance as of</b>	<b>131,480,647</b>	<b>131,480,647</b>

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

	<b>Know How</b>	
	<b>31 March 2019</b>	<b>31 December 2018</b>
<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>
	<b>31 March 2019</b>	<b>31 December 2018</b>
<b>Accumulated amortization</b>		
Opening Balance	31,430,995	31,430,995
Amortization expense during the year	-	-
<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.

##### 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.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### Intangible assets (continued)

##### 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 forecasts included in industry reports specific to the industry where CGU operates.

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

Assumptions used by the Group when testing the impairment of intangible assets as of 31 December 2018 as follows:

Average gross margin	31%
Sales growth rate	15%
Pre-tax discount rate	26%
Growth rate	3%

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

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

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

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### Intangible assets (continued)

##### Sensitivity of recoverable amounts

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

The discount rate in the forecast period has been estimated to be 26%. If all other assumptions kept the same, and the discount rate is 40% would give a value in use exceed the current carrying amount.

At 31 December 2018, if the gross profit rate had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make an impairment.

#### 8. Prepayments on future investments in subsidiary

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

#### 9. Inventories

	<u>31 March 2019</u>	<u>31 December 2018</u>
Raw and packaging materials	149,805,198	187,074,081
Spare parts	45,647,048	45,942,680
Finished goods	40,881,501	43,280,500
Consumables	5,461,782	5,293,740
Work in process	13,579,993	11,684,556
<b>Total</b>	<b>255,375,522</b>	<b>293,275,557</b>
Less: allowance for decline in value	(3,289,539)	(4,447,216)
<b>Net</b>	<b>252,085,983</b>	<b>288,828,341</b>

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

During the period ended 31 March 2019, there has been a slow moving and obsolete inventory amounted to LE 191,179 (31 March 2018: LE 275,925) (Note 25) and the cost of write down amounted to LE 1,348,856 (31 March 2018: LE 611,482).

The cost of inventory recognized as an expense and included in cost of sales amounted to LE 488,134,990 during the period ended 31 March 2019 (31 March 2018: LE 484,455,259).

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### 10. Financial instruments by category

The Group holds the following financial instruments:

	<u>31 March 2019</u>	<u>31 December 2018</u>
<b>Financial assets at amortised cost</b>		
Trade and other receivables (excluding non-financial assets)* (Note 11)	52,318,648	63,605,689
Cash and bank balances (Note 13)	92,104,754	63,579,745
Treasury bills (Note 12)	306,835,559	290,180,875
<b>Total</b>	<u><b>451,258,961</b></u>	<u><b>417,366,309</b></u>
	<u>31 March 2019</u>	<u>31 December 2018</u>
<b>Financial liabilities at amortised cost</b>		
Borrowings (Note 14)	631,428,936	706,614,172
Trade and other payables (excluding non-financial liabilities)* (Note 18)	595,184,690	394,839,467
Bank overdraft (Note 20)	7,972,758	19,126,567
Lease liabilities (Note 17)	38,918,869	-
<b>Total</b>	<u><b>1,273,505,253</b></u>	<u><b>1,120,580,206</b></u>

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

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

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

#### 11. Trade and other receivables

	<u>31 March 2019</u>	<u>31 December 2018</u>
Trade receivables	29,843,850	45,439,750
Notes receivable	2,237,547	2,872,130
Due from related parties	4,570,147	-
<b>Total</b>	<u><b>36,651,544</b></u>	<u><b>48,311,880</b></u>
Less: Provision for impairment of trade receivables	(20,556)	(20,556)
	<u><b>36,630,988</b></u>	<u><b>48,291,324</b></u>
Advances to suppliers	52,438,648	39,866,322
Prepaid expenses	16,849,666	8,813,890
Deposits with others	12,791,569	12,326,569
Other current assets	2,588,239	2,537,032
Value added tax – receivables	28,203,087	15,893,424
Letters of credit	138,994	228,366
Employee loans	168,858	222,398
<b>Total</b>	<u><b>149,810,049</b></u>	<u><b>128,179,325</b></u>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### Trade and other receivables (continued)

##### Classification of trade receivables

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

##### Other receivables

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

##### Impairment of trade receivables

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

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

#### 12. Treasury bills

	<u>31 March 2019</u>	<u>31 December 2018</u>
Treasury bills par value	314,350,000	297,450,000
Unearned interest	(20,635,392)	(41,755,105)
<b>Amount of treasury bills paid</b>	<b>293,714,608</b>	<b>255,694,895</b>
Interest income recognized to profit or loss	13,120,951	34,485,980
<b>Treasury bills balance</b>	<b><u>306,835,559</u></b>	<b><u>290,180,875</u></b>

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

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



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

### **Notes to the consolidated financial statements For the three months period ended 31 March 2019**

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

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#### **Treasury bills (continued)**

Below are details of purchased treasury bills during the year:

The Company purchased Egyptian treasury bills on 3 April 2018 with par value amounted LE 11,250,000 with an annual interest of 16.85%. These treasury bills were due in 1 January 2019. The total recognized interest income amounted to LE 4,613

The Company purchased Egyptian treasury bills on 3 April 2018 with par value amounted LE 11,250,000 with an annual interest of 16.90%. These treasury bills were due in 1 January 2019. The total recognized interest income amounted to LE 4,625.

The Company purchased Egyptian treasury bills on 3 April 2018 with par value amounted LE 11,250,000 with an annual interest of 16.95%. These treasury bills were due in 1 January 2019. The total recognized interest income amounted to LE 4,636

The Company purchased Egyptian treasury bills on 24 April 2018 with par value amounted LE 10,000,000 with an annual interest of 17.43%. These treasury bills were due in 15 January 2019. The total recognized interest income amounted to LE 63,558.

The Company purchased Egyptian treasury bills on 24 April 2018 with par value amounted LE 10,000,000 with an annual interest of 17.45%. These treasury bills were due in 15 January 2019. The total recognized interest income amounted to LE 63,620

The Company purchased Egyptian treasury bills on 23 May 2018 with par value amounted LE 102,000,000 with an annual interest of 18.84%. These treasury bills were due in 12 February 2019. The total recognized interest income amounted to LE 1,991,575.

The Company purchased Egyptian treasury bills on 14 November 2018 with par value amounted LE 7,325,000 with an annual interest of 19.37%. These treasury bills were due in 12 February 2019. The total recognized interest income amounted to LE 159,517

The Company purchased Egyptian treasury bills on 21 November 2018 with par value amounted LE 5,200,000 with an annual interest of 19.31%. These treasury bills were due in 12 February 2019. The total recognized interest income amounted to LE 113,309.

The Company purchased Egyptian treasury bills on 22 November 2018 with par value amounted LE 5,200,000 with an annual interest of 19.31%. These treasury bills were due in 12 February 2019. The total recognized interest income amounted to LE 113,382

The Company purchased Egyptian treasury bills on 4 December 2018 with par value amounted LE 10,475,000 with an annual interest of 19.30%. These treasury bills were due in 5 March 2019. The total recognized interest income amounted to LE 338,220

The Company purchased Egyptian treasury bills on 11 December 2018 with par value amounted LE 10,000,000 with an annual interest of 19.49%. These treasury bills were due in 12 March 2019. The total recognized interest income amounted to LE 361,553

The Company purchased Egyptian treasury bills on 11 December 2018 with par value amounted LE 10,000,000 with an annual interest of 19.54%. These treasury bills were due in 12 March 2019. The total recognized interest income amounted to LE 362,412

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

### **Notes to the consolidated financial statements For the three months period ended 31 March 2019**

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

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#### **Treasury bills (continued)**

The Company purchased Egyptian treasury bills on 11 December 2018 with par value amounted LE 10,000,000 with an annual interest of 19.59%. These treasury bills were due in 12 March 2019. The total recognized interest income amounted to LE 363,348.

The Company purchased Egyptian treasury bills on 11 December 2018 with par value amounted LE 10,000,000 with an annual interest of 19.44%. These treasury bills were due in 12 March 2019. The total recognized interest income amounted to LE 360,696.

The Company purchased Egyptian treasury bills on 18 December 2018 with par value amounted LE 21,000,000 with an annual interest of 19.84%. These treasury bills were due in 19 March 2019. The total recognized interest income amounted to LE 848,340.

The Company purchased Egyptian treasury bills on 18 December 2018 with par value amounted LE 31,500,000 with an annual interest of 19.78%. These treasury bills were due in 19 March 2019. The total recognized interest income amounted to LE 1,269,000.

The Company purchased Egyptian treasury bills on 18 December 2018 with par value amounted LE 21,000,000 with an annual interest of 19.80%. These treasury bills were due in 19 March 2019. The total recognized interest income amounted to LE 846,720.

The Company purchased Egyptian treasury bills on 1 January 2019 with par value amounted LE 10,000,000 with an annual interest of 19.72%. These treasury bills are due in 2 April 2019. The total recognized interest income amounted to LE 458,301.

The Company purchased Egyptian treasury bills on 13 January 2019 with par value amounted LE 27,150,000 with an annual interest of 18.73%. These treasury bills are due in 9 April 2019. The total recognized interest income amounted to LE 1,027,530.

The Company purchased Egyptian treasury bills on 15 January 2019 with par value amounted LE 18,775,000 with an annual interest of 18.73%. These treasury bills are due in 9 April 2019. The total recognized interest income amounted to LE 692,663.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 12,000,000 with an annual interest of 18.19%. These treasury bills are due in 14 May 2019. The total recognized interest income amounted to LE 268,861.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 7,500,000 with an annual interest of 18.30%. These treasury bills are due in 14 May 2019. The total recognized interest income amounted to LE 169,006.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 15,000,000 with an annual interest of 18.20%. These treasury bills are due in 14 May 2019. The total recognized interest income amounted to LE 336,308.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 20,000,000 with an annual interest of 18.22%. These treasury bills are due in 14 May 2019. The total recognized interest income amounted to LE 448,824.

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

### **Notes to the consolidated financial statements For the three months period ended 31 March 2019**

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

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#### **Treasury bills (continued)**

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 25,000,000 with an annual interest of 18.24%. These treasury bills are due in 14 May 2019. The total recognized interest income amounted to LE 561,676.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 30,000,000 with an annual interest of 18.26%. These treasury bills are due in 14 May 2019. The total recognized interest income amounted to LE 674,631.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 10,500,000 with an annual interest of 18.30%. These treasury bills are due in 14 May 2019. The total recognized interest income amounted to LE 236,610.

The Company purchased Egyptian treasury bills on 6 March 2019 with par value amounted LE 11,475,000 with an annual interest of 17.39%. These treasury bills are due in 4 June 2019. The total recognized interest income amounted to LE 131,070.

The Company purchased Egyptian treasury bills on 12 March 2019 with par value amounted LE 26,950,000 with an annual interest of 17.35%. These treasury bills are due in 11 June 2019. The total recognized interest income amounted to LE 233,292.

The Company purchased Egyptian treasury bills on 12 March 2019 with par value amounted LE 20,000,000 with an annual interest of 17.35%. These treasury bills are due in 11 June 2019. The total recognized interest income amounted to LE 173,130.

The Company purchased Egyptian treasury bills on 19 March 2019 with par value amounted LE 20,000,000 with an annual interest of 17.50%. These treasury bills are due in 18 June 2019. The total recognized interest income amounted to LE 110,268

The Company purchased Egyptian treasury bills on 19 March 2019 with par value amounted LE 30,000,000 with an annual interest of 17.48%. These treasury bills are due in 18 June 2019. The total recognized interest income amounted to LE 165,204.

The Company purchased Egyptian treasury bills on 19 March 2019 with par value amounted LE 9,525,000 with an annual interest of 17.52%. These treasury bills are due in 18 June 2019. The total recognized interest income amounted to LE 52,565.

The Company purchased Egyptian treasury bills on 19 March 2019 with par value amounted LE 20,475,000 with an annual interest of 17.34%. These treasury bills are due in 18 June 2019. The total recognized interest income amounted to LE 111,888.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### 13. Cash and cash equivalents

	<u>31 March 2019</u>	<u>31 December 2018</u>
Bank deposits – EGP	37,000	37,000
Bank deposits – USD	22,858,200	-
Cash at banks and on hand	69,209,554	63,542,745
<b>Cash and bank balances (excluding bank overdrafts)</b>	<b><u>92,104,754</u></b>	<b><u>63,579,745</u></b>

The average interest rate on local currency time deposits as of 31 March 2019 is 11.5 % (31 December 2018: 12.5 %) And the average interest rate on USD time deposits is 2.25%

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

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Cash and bank balances	92,104,754	63,579,745
Treasury bills with maturities of 3 months or less	300,983,732	135,136,321
Bank overdraft (Note 19)	(7,972,758)	(19,126,567)
<b>Total</b>	<b><u>385,115,728</u></b>	<b><u>179,589,499</u></b>

#### 14. Loans

	<u>31 March 2019</u>			<u>31 December 2018</u>		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Loans	199,586,829	431,842,107	631,428,936	211,049,595	495,564,577	706,614,172
	<b><u>199,586,829</u></b>	<b><u>431,842,107</u></b>	<b><u>631,428,936</u></b>	<b><u>211,049,595</u></b>	<b><u>495,564,577</u></b>	<b><u>706,614,172</u></b>

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Balance due within 1 year	191,145,265	202,757,443
Accrued interest	8,441,564	8,292,152
	<b><u>199,586,829</u></b>	<b><u>211,049,595</u></b>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### Loans (continued)

##### (1) Edita Food Industries Company

	31 March 2019			31 December 2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	-	-	-	9,447,260	-	9,447,260
Second loan	42,664,968	20,440,805	63,105,773	45,226,910	30,451,671	75,678,581
Third loan	23,103,625	36,000,000	59,103,625	20,587,500	36,000,000	56,587,500
Fourth loan	40,313,046	97,520,667	137,833,713	41,154,405	99,448,641	140,603,046
Fifth loan	60,508,282	211,250,857	271,759,139	60,986,236	245,006,121	305,992,357
Sixth loan	14,411,441	21,584,785	35,996,226	14,787,355	29,574,710	44,362,065
Seventh loan	10,540,911	21,044,993	31,585,904	10,833,374	27,083,434	37,916,808
<b>Total</b>	<b>191,542,273</b>	<b>407,842,107</b>	<b>599,384,380</b>	<b>203,023,040</b>	<b>467,564,577</b>	<b>670,587,617</b>

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

	31 March 2019	31 December 2018
Balance due within 1 year	183,145,265	194,757,443
Accrued interest	8,397,008	8,265,597
<b>Total</b>	<b>191,542,273</b>	<b>203,023,040</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. As of 31 March 2019, the loan was paid in full

**Interest:**

The interest rate is 1 % above lending 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. The loan outstanding balance at 31 March 2019 after payment of due instalments amounted to LE 28,952,347 and USD 1,862,496 in addition to accrued interests.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 28,952,355 on 3 equal semi-annual instalments; each instalment is amounted to LE 9,650,785 In addition. The company is obligated to pay 1,862,496 USD on 3 equal semi-annual instalments; each instalment is amounted to 620,832 USD. The first EGP & USD instalment is due on July 2019 and the last on July 2020.

**Interest:**

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

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

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#### Loans (continued)

**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. The loan outstanding balance at 31 March 2019 amounted to LE 54,000,000 in addition to accrued interests.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 54,000,000 on 6 equal semi-annual instalments; each instalment is amounted to LE 9,000,000. The first instalment is due in April 2019 and the last in October 2021.

**Interest:**

The interest rate is 1 % above lending rate of Central Bank of Egypt.

**Fair value:**

Fair value is approximately equal to book value

- **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 202,234,888. The loan outstanding balance at 31 March 2019 amounted to LE 55,647,100 and USD 4,653,730 in addition accrued interests.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay EGP 55,647,100 / USD 4,653,730 on 7 equal semi-annual instalments; each instalment is amounted to EGP 7,949,586 / USD 664,819 the first instalment is due on April 2019 and the last on 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 4.5% above the Libor rate 1 month.

**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 outstanding balance is LE 189,643,659 plus 2,809,565 Euro, plus 1,556,109 USD on 31 March 2019 in addition to accrued interest.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

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#### Loans (continued)

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

Edita Food Industries S.A.E. is obligated to Pay LE 189,643,659, 2,809,565 Euro, and 1,556,109 USD on 9 equal semi-annual instalments; each instalment is amounted to LE 21,071,518 and 312,174 Euro and 172,901 USD the first instalment is due on September 2019 and the last on September 2023.

##### **Interest:**

The interest rate is 0.5% above mid corridor rate of Central Bank of Egypt and average 4% for USD and Euro.

##### **Fair value:**

Fair value is approximately equal to book value.

- **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 into a term loan. The loan outstanding balance at 31 March 2019 after payment of due instalments amounting to LE 6,196,514 and USD 1,713,356 in addition to accrued interests.

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

Edita Food Industries S.A.E. is obligated to Pay LE 6,196,514 on 5 equal semi-annual instalments; each instalment is amounted to LE 1,239,303 In addition to accrued interest. The company is obligated to pay USD 1,713,356 on 5 equal semi-annual instalments; each instalment is amounted to USD 342,671. The next instalment is due on August 2019 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 3 months.

##### **Fair value:**

Fair value is approximately equal to book value.

- **Seventh loan:**

On June 2018, the Company signed an agreement with one of the Egyptian banks to transfer an overdraft facility balance amounting to LE 4,827,611 and USD 2,143,980 into a term loan at 30 June 2018 in addition to accrued interests.

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

Edita Food Industries S.A.E. is obligated to Pay LE 3,620,708 on 6 equal semi-annual instalments; each instalment is amounted to LE 603,451 In addition to accrued interest. The company is obligated to pay USD 1,607,985 on 6 equal semi-annual instalments; each instalment is amounted to USD 267,998. The next instalment is due on September 2019 and the last on 31 March 2022.

##### **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.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### Loans (continued)

##### (2) Edita Confectionery Industries Company

	31 March 2019			31 December 2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	8,044,556	24,000,000	<b>32,044,556</b>	8,026,555	28,000,000	<b>36,026,555</b>
	<b>8,044,556</b>	<b>24,000,000</b>	<b>32,044,556</b>	<b>8,026,555</b>	<b>28,000,000</b>	<b>36,026,555</b>

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

	31 March 2019	31 December 2018
Balance due within 1 year	8,000,000	8,000,000
Accrued interest	44,556	26,555
	<b>8,044,556</b>	<b>8,026,555</b>

The 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 loan outstanding balance at 31 March 2019 after payment of due instalments amounted to LE 32,000,000 in addition to accrued interests.

#### Terms of payments:

Edita Confectionery Industries S.A.E. is obligated to Pay LE 32,000,000 on 8 equal semi-annual instalments; the next instalment come due on June 2019 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 - For the three months period ended 31 March 2019**

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

**15. Deferred tax liability**

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

	Acquiring Digma Company for Trading			Unrealized foreign exchange loss	Net deferred tax liabilities	
	Fixed assets	Other provisions			31 March 2019	31 December 2018
<b>A. Deferred tax assets</b>						
Balance at 1 January	-	2,145,612		5,676,827	7,822,439	24,189,086
Charged to statement of profit or loss	-	1,546,364		-	1,546,364	(16,366,647)
<b>Ending balance as of 31 December</b>	-	<b>3,691,976</b>		<b>5,676,827</b>	<b>9,368,803</b>	<b>7,822,439</b>
<b>B. Deferred tax liabilities</b>						
Balance at 1 January	(162,896,180)		(3,094,952)	-	(165,991,132)	(154,141,487)
Charged to statement of profit or loss	(359,466)		60,106	-	(299,360)	(11,849,645)
<b>Ending balance as of 31 December</b>	<b>(163,255,646)</b>		<b>(3,034,846)</b>	-	<b>(166,290,492)</b>	<b>(165,991,132)</b>
<b>Net deferred tax liabilities</b>	<b>(163,255,646)</b>	<b>3,691,976</b>	<b>3,691,976</b>	<b>5,676,827</b>	<b>(158,528,159)</b>	<b>(158,168,693)</b>
Balance at 1 January	(162,896,180)		(3,094,952)	5,676,827	(158,168,693)	(129,952,401)
Charged to statement of profit or loss (Note 27)	(359,466)		60,106	-	1,247,004	(28,216,292)
<b>Ending Balance as of 31 December</b>	<b>(163,255,646)</b>	<b>3,691,976</b>	<b>3,691,976</b>	<b>5,676,827</b>	<b>(156,921,689)</b>	<b>(158,168,693)</b>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### 16. 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>31 March 2019</u>	<u>31 December 2018</u>
Discount rate	15%	15%
Average salary increase rate	10%	10%
Turnover rate	35%	35%
Life table	49-52	49-52

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Present value of obligations	7,207,538	6,621,193
<b>Liability at the balance sheet</b>	<b><u>7,207,538</u></b>	<b><u>6,621,193</u></b>

Movement in the liability recognized in the balance sheet:

	<u>31 March 2019</u>	<u>31 December 2018</u>
Balance at beginning of the year	6,621,193	4,761,965
Charged during the year	1,064,496	3,304,046
Paid during the year	(478,151)	(1,444,818)
<b>Balance at end of the year</b>	<b><u>7,207,538</u></b>	<b><u>6,621,193</u></b>

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

	<u>31 March 2019</u>	<u>31 December 2018</u>
Interest expenses	248,295	714,295
Current service cost	816,201	2,589,751
<b>Total</b>	<b><u>1,064,496</u></b>	<b><u>3,304,046</u></b>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### 17. Lease liability

	<b>31 March 2019</b>
<b>Commitments in relation to leases are payable as follows:</b>	
Within one year	9,656,683
Later than one year	45,286,395
Later than five years	14,472,221
<b>Minimum lease payments</b>	<b>69,415,299</b>
Discount Rate	17.5%
<b>The present value of lease liabilities is as follows:</b>	
Within one year	3,226,911
Later than one year	25,799,340
Later than five years	9,892,618
<b>Present Value of Minimum Lease Payments</b>	<b>38,918,869</b>

#### 18. Trade and other payables

	<b>31 March 2019</b>	<b>31 December 2018</b>
Trade payables	148,611,700	161,860,602
Accrued expenses	141,800,600	108,760,482
Notes payable	130,399,267	99,954,460
Other credit balances	14,016,315	14,235,281
Taxes payable	30,764,912	42,234,785
Social insurance	6,354,648	5,071,344
Dividends payable	154,228,642	3,228,642
Contract liabilities – accrued rebates	6,128,166	6,800,000
Advances from customers	7,006,724	18,259,750
<b>Total</b>	<b>639,310,974</b>	<b>460,405,346</b>

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

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### 19. Current income tax liabilities

	<u>31 March 2019</u>	<u>31 December 2018</u>
Balance at 1 January	6,633,469	-
Reversal of Income tax for prior year	-	-
Income tax paid during the year	-	(5,405,273)
Withholding tax receivable	(5,675,561)	(9,433,362)
Income tax for the year (Note 27)	37,879,172	79,464,788
Corporate income tax – advance payments	-	(55,862,730)
Accrued interest – advance payments (Note 26)	-	(2,129,954)
<b>Balance at end of year</b>	<b><u>38,837,080</u></b>	<b><u>6,633,469</u></b>

#### 20. Bank overdraft

	<u>31 March 2019</u>	<u>31 December 2018</u>
Bank overdraft	7,972,758	19,126,567
<b>Total</b>	<b><u>7,972,758</u></b>	<b><u>19,126,567</u></b>

Bank overdraft is an integral part of the Company's cash management to finance its working capital. The average interest rate for bank overdraft was 16.30% as of 31 March 2019 (31 December 2018: 17.17%).

#### 21. Provisions

	<u>Other provisions</u>	
	<u>31 March 2019</u>	<u>31 December 2018</u>
Balance at 1 January	29,270,866	20,910,445
Additions during the year (Note 25)	8,451,180	12,828,759
Utilized during the year	(2,252,995)	(4,277,817)
Provision no longer required	(170,430)	(190,521)
<b>Balance at end of year</b>	<b><u>35,298,621</u></b>	<b><u>29,270,866</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.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### 22. Share capital

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

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

<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>362,681,450</b>	<b>72,536,290</b>	<b>100%</b>

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

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

<u>Shareholders</u>	<u>No. of shares</u>	<u>Shares value</u>	<u>Percentage of ownership</u>
Quantum Investment BV	303,308,300	60,661,660	41.815%
The Bank of New York Mellon "depository bank for shares traded in London Stock Exchange"	150,179,390	30,035,878	20.704%
Exoder Ltd.	94,769,464	18,953,893	13.065%
Kingsway Fund Frontier Consumer Franchises	31,639,252	6,327,850	4.362%
Others (Public stocks)	145,466,494	29,093,299	20.054%
	<b>725,362,900</b>	<b>145,072,580</b>	<b>100%</b>

#### 23. Legal reserve

In accordance with Companies Law No. 159 of 1981 and the Company's Articles of Association, 5% of annual net profit is transferred to the legal reserve. 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.

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### 24. Non-controlling interest

##### Transaction with non-controlling interest

On 6 March 2019, the company signed an official agreement with Confindel LTD for the acquisition of 2,279,287 shares (22.27%) which is their total ownership in Edita Confectionary Industries. The amounts secured on future acquisition equals EGP 55,297,782. The acquisition will be completed 3 months after the date of the signing of the agreement.

	share capital	Legal reserves	Revaluation assets reserve	(Accumulated losses)/retained earning	31 March 2019	Total 31 December 2018
<b>Balance at 1 January</b>	22,823,330	593,605	38,162	340,835	<b>23,795,932</b>	<b>21,800,103</b>
Non-controlling share in profit of subsidiaries	-	-	-	1,317,721	<b>1,317,721</b>	<b>2,157,644</b>
<b>Total comprehensive income for the year</b>	-	-	-	<b>1,317,721</b>	<b>1,317,721</b>	<b>2,157,644</b>
Non-controlling interest share in establishment of subsidiary	10,003,534	-	-	-	<b>10,003,534</b>	-
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	-	-	<b>(161,815)</b>
Transfer to legal reserve	-	-	-	-	-	-
<b>Balance at end of year</b>	<b>32,826,864</b>	<b>593,605</b>	<b>38,162</b>	<b>1,658,556</b>	<b>35,117,187</b>	<b>23,795,932</b>

#### 25. Other income

	31 March 2019	31 March 2018
Export incentive	4,144,938	2,762,682
Other income	896,064	457,387
<b>Net</b>	<b>5,041,002</b>	<b>3,220,069</b>

#### 26. Other losses, net

	31 March 2019	31 March 2018
Provisions	(8,451,180)	(750,000)
Provision for slow moving inventory	(191,179)	(275,925)
Provision for employee benefit obligation	(1,064,496)	(474,075)
Gain on sale of property , plant and equipment	40,278	619,163
Provisions no longer required	170,430	-
Solidarity contribution	(4,339,247)	-
<b>Net</b>	<b>(13,835,394)</b>	<b>(880,837)</b>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### 27. Finance cost - net

	<u>31 March 2019</u>	<u>31 March 2018</u>
<b>Finance income</b>		
Interest income	13,479,255	8,124,965
Foreign exchange (Gain)	9,456,769	-
	<u>22,936,024</u>	<u>8,124,965</u>
<b>Finance expense</b>		
Interest expenses	(23,670,732)	(32,410,734)
Foreign exchange (Loss)	-	(1,719,054)
Finance lease interest expenses	(1,687,219)	-
	<u>(25,357,951)</u>	<u>(34,129,788)</u>
<b>Net</b>	<u>(2,421,927)</u>	<u>(26,004,823)</u>

#### 28. Income tax expense

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

	<u>31 March 2019</u>	<u>31 March 2018</u>
Income tax for the period	37,879,172	6,342,341
Deferred tax expense	359,466	13,594,917
Deferred tax income	(1,606,470)	-
<b>Total</b>	<u>36,632,168</u>	<u>19,937,258</u>
Profit before tax	<u>150,956,890</u>	<u>80,807,142</u>
Tax calculated based on applicable tax rates	33,965,300	18,181,607
	<u>33,965,300</u>	<u>18,181,607</u>
Tax effect of non- deductible expenses	4,169,398	2,672,405
Tax losses for which no deferred income tax asset was recognized	(1,502,530)	(916,754)
<b>Income tax expense</b>	<u>36,632,168</u>	<u>19,937,258</u>

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

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### 29. Revenue from contracts with customers

##### A. Disaggregation of revenue from contracts with costumers

The Group derives revenue from the transfer of goods at a point in time. The Group disaggregate revenue by products line as disclosed in note (34) segment reporting.

##### B. The Group has recognised the following contracts' liabilities

	<b>31 March 2019</b>	<b>31 December 2018</b>
Contract liabilities – accrued rebates	6,128,166	6,800,000
Contract liabilities – advances from customers	7,006,724	18,259,750
<b>Total contract liabilities</b>	<b>13,134,890</b>	<b>25,059,750</b>

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

#### 30. Earnings per share

##### Basic

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

	<b>31 March 2019</b>	<b>31 March 2018</b>
<b>Profit attributed to owners of the parent</b>	<b>113,007,001</b>	<b>59,891,934</b>
<b>Weighted average number of ordinary shares in issue</b>		
Ordinary shares	725,362,900	725,362,900
	<b>725,362,900</b>	<b>725,362,900</b>
<b>Basic earnings per share</b>	<b>0.16</b>	<b>0.08</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 For the three months period ended 31 March 2019

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

#### 31. Expenses by nature

	31 March 2019	31 March 2018
Cost of goods sold	634,914,691	606,008,916
Distribution cost	115,155,826	108,862,655
General and administrative expenses	69,937,442	66,731,470
	<b>820,007,959</b>	<b>781,603,041</b>
Raw materials used	488,134,990	484,455,259
Salaries and wages	124,477,504	108,104,854
Advertising and marketing	38,211,987	43,658,183
Depreciation & Amortization	37,325,198	34,837,145
Other Expenses	23,497,594	22,280,058
Employee benefits	20,995,686	23,669,282
Employees Profit share	10,507,335	8,568,887
Gas, oil, water and electricity	22,376,018	16,670,044
Vehicle expense	10,691,342	8,667,875
Rent	14,416,769	11,296,861
Transportation expenses	11,481,485	7,299,267
Maintenance	10,112,542	5,319,114
Consumable materials	5,672,220	4,966,337
Purchases – goods for resale	2,107,289	1,809,875
	<b>820,007,959</b>	<b>781,603,041</b>

#### 32. Cash generated from operations

	31 March 2019	31 March 2018
Profit for the period before tax	150,956,890	80,807,142
<b>Adjustments for:</b>		
Additions to provision	8,451,180	1,224,075
Provisions no longer required	(170,430)	-
Provision for employee benefit obligation	1,064,496	-
Interest expense	23,670,732	32,410,734
Interest income	(13,479,255)	(8,124,965)
Depreciation of property, plant and equipment	36,732,880	34,837,145
Amortization of intangible assets	592,321	-
Interest expenses – Leased assets	1,687,219	-
Provision for slow moving and obsolete inventory	191,179	275,925
Gain on disposal of property, plant and equipment	(40,278)	(619,163)
Finance lease adjustment	(2,295,557)	-
Foreign exchange (gain)/loss	(9,462,461)	-
	<b>197,898,916</b>	<b>140,810,893</b>
<b>Change in working capital</b>		
Inventories	37,900,035	41,484,734
Trade and other receivables	(21,630,724)	(19,534,297)
Trade payables and other credit balances	27,905,628	(48,302,645)
Provisions used	(3,601,851)	(1,170,643)
Payment of Employee Benefits Obligation	(478,151)	-
<b>Cash generated from operations</b>	<b>237,993,853</b>	<b>113,288,042</b>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### Cash generated from operations (continued)

##### Net debt reconciliation

	<u>31 March 2019</u>	<u>31 December 2018</u>
Cash and cash equivalent	92,104,754	179,589,499
Borrowings – repayable within one year	(199,586,829)	(211,049,595)
Borrowing – repayable within after one year	(431,842,107)	(495,564,577)
<b>Total</b>	<b><u>(539,324,182)</u></b>	<b><u>(527,024,673)</u></b>

	<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 2019	179,589,499	(211,049,595)	(495,564,577)	(527,024,673)
Cash flows	(87,461,108)	8,600,583	57,122,192	(21,738,333)
Foreign exchange adjustment	(23,637)	2,862,183	6,600,278	9,438,824
<b>Net debt as at 31 March 2019</b>	<b><u>92,104,754</u></b>	<b><u>(199,586,829)</u></b>	<b><u>(431,842,107)</u></b>	<b><u>(539,324,182)</u></b>

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

	<u>31 March 2019</u>	<u>31 March 2018</u>
Net book amount	109,753	636,712
Gain on disposal of property, plant and equipment	40,278	619,163
<b>Proceeds from disposal of property, plant and equipment</b>	<b><u>150,031</u></b>	<b><u>1,255,875</u></b>

### 33. Related parties

The Group entered into several transactions with companies and entities that are included within the definition of related parties, as stated in IAS 24, "Disclosure of related parties". The related parties comprise the Group's board of directors, their entities, companies under common control, and/ or joint management and control, and their partners and employees of senior management. The partners of joint arrangement and non-controlling interest are considered by the Group as related parties. The management decides the terms and conditions of transactions and services provided from/ to related parties, as well as other expenses.

#### **Key management compensation**

During the year ended 31 March 2019, the group paid an amount of LE 26,829,085 as benefits to the key management members (31 March 2018: LE 23,977,063).

	<u>31 March 2019</u>		<u>31 March 2018</u>	
	<u>Non-executive / independent board members</u>	<u>Key management personnel</u>	<u>Non-executive / independent board members</u>	<u>Key management personnel</u>
Salaries and compensation	675,000	25,059,275	2,250,000	20,715,407
Allowances	785,000	188,850	597,333	305,967
Other benefit	-	120,960	-	108,356

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

### **Notes to the consolidated financial statements For the three months period ended 31 March 2019**

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

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#### **34. Tax position**

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

##### **Edita Food Industries Company**

###### **a) Corporate tax**

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

###### **b) Payroll tax**

- The payroll tax inspection was performed till 31 December 2014 and company paid tax due.
- As for the years 2015 till 2018 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 years 2016 till 2018 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 2013 and company paid tax due.
- Years from 2014 till 2018 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 year from the Company's inception until year 2014 and the tax resulting from the tax inspection were settled and paid to the Tax Authority.
- For the years from 2015 to 2018 Company submits its tax returns on due dates according to law No, 91 for the year 2005.

###### **b) Payroll tax**

- The tax inspection was performed until 31 December 2012 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- For the years from 2013 to 2018 the Company submitted its quarter tax returns to Tax Authority on due dates.

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

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

**For the three months period ended 31 March 2019**

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

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#### **Tax Position (continued)**

##### **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 2016-2018 the Company submits its monthly sales tax return on due date

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

- The tax inspection was performed for the year from the Company's inception until 31 December 2016 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority
- For the years 2017 and 2018 the Company paid the tax due.

#### **Edita Confectionary Industries Company**

##### **a) Corporate tax**

- The Company is subject to the corporate income tax according to tax Law No. 91 of 2005 and adjustments.
- The corporate tax inspection was performed for the years from 2009 till 2014 and the company has not informed with any results yet.
- The company hasn't been inspected from year 2015 to year 2018 and the Company submitted its tax returns to Tax Authority on due dates.

##### **b) Payroll Tax**

- The payroll tax inspection was performed for the years from 2009 till 2012 and the tax due was paid to the Tax Authority.
- The company hasn't been inspected for the year from 2013 till 2018.

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

- The tax inspection was performed for the year 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 year from 2016 till 2018 and the Company submits its monthly sales tax return on due date.

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

- The stamp tax inspection was performed from 2009 till 2014 and the tax due was paid to the Tax Authority.
- The Company has not been inspected for the year from 2015 till 2018.

#### **Contingent liability**

##### **(1) Edita Food Industries Company**

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

The Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities amounted to LE 35,560,015 as at 31 March 2019 (31 December 2018: LE 75,016,958).

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

### **Notes to the consolidated financial statements For the three months period ended 31 March 2019**

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

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#### **Tax position (continued)**

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

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

At 31 March 2018, the Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities. amounted to LE Nil as at 31 March 2019 (31 December 2018: LE 1,537,277).

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

At 31 March 2018, the Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities amounted to LE 5,461,467 as at 31 March 2019 (31 December 2018: LE 1,617,068).

#### **35. Commitments**

##### **Capital commitments**

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

The group has capital commitments in respect to the establishment of the new investment in Morocco of MAD 17,212,500.

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

**Notes to the consolidated financial statements  
For the three months period ended 31 March 2019**

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

**36. Segment reporting**

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

Segment	Brand	Product	Candy			Candy			Other			Total			
			31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	
Cake	Tiger tail, Twinkies, Todo and HOHOS	Traditional rolled filled and layered cake as well as brownies and packaged donut													
Croissants	Molto	Sweet and savoury croissants and strudels													
Rusks	Bake Rolz, Bake Stix	Baked wheat salty snack													
Wafer	Freska	Filled wafers													
Candy	Mimix	Hard, soft and jelly candy and lollipops													

(Amounts presented to the nearest thousands EGP)

**Operating profit reconciles to net profit as follows:**

	31 March 2019	31 March 2018
<b>Operating profit</b>	<b>153,379</b>	<b>106,812</b>
Finance cost	(25,358)	(34,130)
Finance income	22,936	8,125
Income tax	(36,632)	(19,937)
<b>Net profit</b>	<b>114,325</b>	<b>60,870</b>

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

### Notes to the consolidated financial statements For the three months period ended 31 March 2019

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

#### Segment reporting (continued)

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

- Management has determined the operating segments based on the information reviewed by the chief operating decision makers of the group who is the chief executive officer for the purpose of allocating and assessing resources.
- The chief operating decision makers consider the business from products perspective. Although Rusks, Wafer, and Candy do not meet the quantitative threshold required by IFRS 8 for reportable segments, management has concluded that these segments should be reported as it is closely monitored by the chief operating decision makers as it is expected to materially contribute to the Group revenue in the future.
- The chief operating decision makers assesses the performance of the operating segments based on their operating profit.
- There were no inter-segment sales made during the year.
- Finance income and finance cost are not allocated to segments, as this type of activity is driven by the central treasury function which manage the cash position of the group.

#### 37. Earnings before interest, taxes, depreciation and amortization

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

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

	<u>31 March 2019</u>	<u>31 March 2018</u>
Net profit for the period	114,324,722	60,869,884
Income tax	36,632,168	19,937,258
Debit interest	25,357,951	32,410,734
Credit interest	(13,479,255)	(8,124,965)
Gain on sale of property, plant and equipment	(40,278)	(619,163)
Foreign exchange (gains) / losses	(9,456,769)	1,719,054
Donation	-	-
Other provision addition	1,000,000	2,591,753
Depreciation & Amortization	37,325,198	34,837,145
Solidarity Contribution	4,339,247	
<b>Total</b>	<u><b>196,002,984</b></u>	<u><b>143,621,700</b></u>