

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

**REVIEW REPORT AND CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS FOR THE THREE  
MONTHS PERIOD ENDED 31 MARCH 2018  
“IFRS”**

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

**Consolidated interim financial statements “IFRS”  
For the three months period ended 31 March 2018**

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## Review report

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

### Introduction

We have reviewed the accompanying consolidated balance sheet of Edita Food Industries Company (S.A.E.) and its Subsidiaries (the Group) as at 31 March 2018 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 Financial Reporting Standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

### Scope of review

We conducted our review in accordance with 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 Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### 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 the Group as at 31 March 2018, and of its financial performance and its cash flows for the three months period then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers*  
PricewaterhouseCoopers



14 May 2018  
Cairo

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

**Consolidated balance sheet "IFRS" - At 31 March 2018**

(All amounts in Egyptian Pounds)

	Note	31 March 2018	31 December 2017
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,918,616,456	1,936,955,440
Intangible assets	6	162,911,642	162,911,642
<b>Total non-current assets</b>		<b>2,081,528,098</b>	<b>2,099,867,082</b>
<b>Current assets</b>			
Inventories	7	254,862,256	296,011,433
Trade and other receivables	8	110,049,358	96,857,419
Treasury bills	9	188,975,361	180,588,821
Cash and cash equivalents (excluding bank overdrafts)	10	64,831,786	35,991,510
<b>Total current assets</b>		<b>618,718,761</b>	<b>609,449,183</b>
<b>Total assets</b>		<b>2,700,246,859</b>	<b>2,709,316,265</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term loans	11	575,296,094	648,432,586
Deferred tax liabilities	12	143,547,318	129,952,401
Employee benefit obligations	13	5,236,040	4,761,965
<b>Total non-current liabilities</b>		<b>724,079,452</b>	<b>783,146,952</b>
<b>Current liabilities</b>			
Trade and other payables	14	437,096,282	400,398,928
Current income tax liabilities	15	-	-
Current portion of long-term loans	11	232,660,088	178,511,643
Bank overdraft	16	79,187,202	96,121,849
Provisions	17	21,101,284	20,910,445
<b>Total current liabilities</b>		<b>770,044,856</b>	<b>695,942,865</b>
<b>Total liabilities</b>		<b>1,494,124,308</b>	<b>1,479,089,817</b>
<b>Net assets</b>		<b>1,206,122,551</b>	<b>1,230,226,448</b>
<b>Equity</b>			
Share capital	18	145,072,580	145,072,580
Legal reserve	19	56,474,533	56,474,533
Foreign currency translation reserve		(179,283)	(205,502)
Retained earnings		981,976,668	1,007,084,734
<b>Capital and reserves attributable to owners of Edita Food Industries</b>		<b>1,183,344,498</b>	<b>1,208,426,345</b>
Non-controlling interests	20	22,778,053	21,800,103
<b>Total equity</b>		<b>1,206,122,551</b>	<b>1,230,226,448</b>

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

Review report attached

  
**Mr. Sameh Naguib**  
**Vice President - Finance**

  
**Eng. Hani Berzi**  
**Chairman**

Giza on 14 May 2018

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

**Consolidated statement of profit or loss "IFRS"  
For the three months period ended 31 March 2018**

(All amounts in Egyptian Pounds)

	<u>Note</u>	<u>31 March 2018</u>	<u>31 March 2017</u>
Revenue		886,075,774	642,446,150
Cost of goods sold	26	<u>(606,008,916)</u>	<u>(422,603,429)</u>
<b>Gross profit</b>		<b>280,066,858</b>	<b>219,842,721</b>
Distribution cost	26	(108,862,655)	(106,182,163)
General and administrative expenses	26	(66,731,470)	(48,850,789)
Other income	21	3,220,069	3,875,251
Other losses - net	22	<u>(880,837)</u>	<u>(737,019)</u>
<b>Profit from operations</b>		<b><u>106,811,965</u></b>	<b><u>67,948,001</u></b>
Finance income	23	8,124,965	9,887,711
Finance cost	23	<u>(34,129,788)</u>	<u>(27,025,057)</u>
<b>Finance (cost) income, net</b>		<b><u>(26,004,823)</u></b>	<b><u>(17,137,346)</u></b>
<b>Profit before income tax</b>		<b>80,807,142</b>	<b>50,810,655</b>
Income tax expense	24	<u>(19,937,258)</u>	<u>(10,457,388)</u>
<b>Net profit for the period</b>		<b><u>60,869,884</u></b>	<b><u>40,353,267</u></b>
<b>Net Profit is attributable to</b>			
Shareholders' equity		59,891,934	38,196,024
Non-controlling interest		<u>977,950</u>	<u>2,157,243</u>
<b>Net profit for the period</b>		<b><u>60,869,884</u></b>	<b><u>40,353,267</u></b>
<b>Earnings per share (expressed in EGP per share):</b>			
Basic earnings per share	25	0.08	0.05
Diluted earnings per share	25	<u>0.08</u>	<u>0.05</u>

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



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

**Consolidated statement of changes in equity  
For the three months period ended 31 March 2018**

(All amounts in Egyptian Pounds)

	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 2017</b>	145,072,580	48,745,291	(162,824)	919,722,773	1,113,377,820	14,983,768	1,128,361,588
Net profit for the period	-	-	-	38,196,024	38,196,024	2,157,243	40,353,267
Other comprehensive income for the period	-	-	(40,783)	-	(40,783)	-	(40,783)
<b>Total other comprehensive income for the period</b>	-	-	(40,783)	38,196,024	38,155,241	2,157,243	40,312,484
Dividends distribution for 2016	-	-	-	(110,046,391)	(110,046,391)	-	(110,046,391)
<b>Balance at 31 March 2017</b>	<b>145,072,580</b>	<b>48,745,291</b>	<b>(203,607)</b>	<b>847,872,406</b>	<b>1,041,486,670</b>	<b>17,141,011</b>	<b>1,058,627,681</b>
<b>Balance at 1 January 2018</b>	<b>145,072,580</b>	<b>56,474,533</b>	<b>(205,502)</b>	<b>1,007,084,734</b>	<b>1,208,426,345</b>	<b>21,800,103</b>	<b>1,230,226,448</b>
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>	<b>145,072,580</b>	<b>56,474,533</b>	<b>(179,283)</b>	<b>981,976,668</b>	<b>1,183,344,498</b>	<b>22,778,053</b>	<b>1,206,122,551</b>

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

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

**Consolidated statement of cash flows  
For the three months period ended 31 March 2018**

(All amounts in Egyptian Pounds)

	<u>Notes</u>	<u>31 March 2018</u>	<u>31 March 2017</u>
<b><u>Cash flows from operating activities</u></b>			
Cash inflow / (outflow) operations	27	113,288,042	140,494,049
Interest paid		(32,952,607)	(25,345,053)
Income tax paid		-	(2,222,932)
<b>Net cash inflow operating activities</b>		<b><u>80,335,435</u></b>	<b><u>112,926,064</u></b>
<b><u>Cash flows from investing activities</u></b>			
Purchase of property, plant and equipment	5	(17,134,873)	(192,195,806)
Proceeds from sale of property, plant and equipment		1,255,875	1,116,470
Interest received		4,778,606	10,265,304
Payment for purchase of treasury bills		(54,536,025)	(179,497,180)
Proceeds from sale of treasury bills		49,495,860	189,574,320
<b>Net cash outflow investing activities</b>		<b><u>(16,140,557)</u></b>	<b><u>(170,736,892)</u></b>
<b><u>Cash flows from financing activities</u></b>			
Repayment of borrowings		(29,117,966)	(102,632,535)
Proceeds from borrowings		10,671,792	146,993,341
<b>Net cash (outflow) / inflow financing activities</b>		<b><u>(18,446,174)</u></b>	<b><u>44,360,806</u></b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>45,748,704</b>	<b>(13,450,022)</b>
Cash and cash equivalents at beginning of the Period		(60,130,339)	(150,008,352)
Effects of exchange rate on cash and cash equivalents		26,219	(40,783)
<b>Cash and cash equivalents at end of the Period</b>	10	<b><u>(14,355,416)</u></b>	<b><u>(163,499,157)</u></b>

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



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

### **Notes to the consolidated interim financial statements “IFRS” For the three months period ended 31 March 2018**

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

These consolidated financial statements have been approved by by Chairman and Managing Director on 14 May 2018.

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

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

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

The group's principal subsidiaries at 31 December 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

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

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

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

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

#### **Edita 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.)

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

#### General information (continued)

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
		2018	2017	2018	2017
Digma for trading	Egypt	99.8 %	99.8 %	0.2 %	0.2 %
Edita Confectionery Industries	Egypt	77.71 %	77.71 %	22.29 %	22.29 %
Edita participation limited	Cyprus	100 %	100 %	-	-

#### Financial information about the subsidiaries of the group as at 31 March 2018 and 31 March 2017

Name of subsidiary	Total Assets	Total Equity	Total Sales	Net Profit/ (loss)
	2018	2018	2018	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)

Name of subsidiary	Total Assets	Total Equity	Total Sales	Net Profit/ (loss)
	2017	2017	2017	2017
Digma for trading	292,602,163	198,068,787	595,219,485	10,354,497
Edita Confectionery Industries	175,365,355	76,672,161	35,245,414	9,585,170
Edita participation limited	163,466	(182,007)	-	-

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

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Interim 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.

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

### Notes to the consolidated interim financial statements “IFRS” For the three months period ended 31 March 2018

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

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#### Basis of preparation (continued)

#### III. New standards adopted by the group from 1 January 2018

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the group’s financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

##### (A) IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

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

	<b>IFRS 9 Financial instruments</b>
<b>Classification and measurement of financial assets and financial liabilities</b>	<p>IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.</p> <p>The adoption of IFRS 9 has not had a significant effect on the Group’s accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.</p> <p>Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.</p> <p>According to the Group’s business model trade receivable, treasury bills and other debit balances will be classified as financial asset at amortised cost.</p> <p>All of the group’s investments in debt instruments that are currently classified as held to maturity will satisfy the conditions for classification at amortized cost under IFRS 9 and hence there will be no change to the accounting for these assets. Accordingly, the group does not expect the new guidance to affect the classification and measurement of these financial assets.</p> <p>The group does not have investments in equity instruments.</p> <p>There will be no impact on the group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. Also group's financial liabilities have not been restructured or modified.</p>

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

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

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#### IFRS 9 Financial instruments

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##### Impairment of financial assets

The group has three types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Balances with banks
- Trade receivables and other debit balances
- Financial assets at amortized cost

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed below.

While balances with banks are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

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#### Trade receivables and other debit balances

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

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

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#### Financial asset at amortized cost- treasury bills

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

- It is issued and guaranteed by government of Egypt.
- 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.

#### (B) IFRS 15 Revenue from Contracts with Customers

The effect of initially applying these standards is mainly attributed to the Presentation of contract assets and contract liabilities in the balance sheet – IFRS15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This has resulted in reclassifications in relation to variable consideration for customers' rebates to be classified as contract liabilities under IFRS 15 rather than accrued expenses as in the case under IAS 18.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's sale of goods are set out below.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

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

**Notes to the consolidated interim financial statements “IFRS”  
For the three months period ended 31 March 2018**

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

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**Basis of preparation (continued)**

<b>Revenue from sale of goods</b>	<b><u>IFRS 15 revenue recognition policy</u></b>	<b><u>Nature of change in accounting policy</u></b>
	<p>Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated and revenue is recognised at that point in time. Invoices are usually payable within 60 days. discounts are provided for early payments , cash incentives are paid to Wholesalers based on target.</p> <p>The group permit the customer to return an item, under IFRS 15 revenue is recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized is adjusted for :</p> <ul style="list-style-type: none"><li>- Expected returns: which are estimated based on the historical data for specific products based on expiry dates. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered. In such circumstances, a refund liability and a right to recover returned goods asset are recognized.</li><li>- Wholesalers rebates: which are estimated based on sales volume made to wholesalers, in such circumstances, contact liability is recognized.</li></ul>	<p>Under IAS 18, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provided that all other criteria for revenue recognition were met. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of returns could be made.</p> <p>For those contracts for which the Group was unable to make a reasonable estimate of returns, revenue is recognized sooner under IFRS 15 than under IAS 18.</p> <p>The impact of these changes on items other than revenue is a decrease in the refund liability, which is included in trade and other payables. In addition, there is a new asset for the right to recover returned goods, which is presented as part of inventory.</p>

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

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

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#### Basis of preparation (continued)

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2018 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

	<b>IFRS 16 Leases</b>
<b>Nature of change</b>	IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
<b>Impact</b>	The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of lease term and the different treatment of extension and termination option. It is therefore not yet possible to estimate the amount of right of use assets and lease liabilities that will have to be recognized on adoption of the new standards and how this may affect, the Group's profit or loss and classification of cash flows going forward.
<b>Mandatory application date/ Date of adoption by group</b>	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### 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.

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

### **Notes to the consolidated interim financial statements “IFRS” For the three months period ended 31 March 2018**

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

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#### **Basis of consolidation (continued)**

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

#### **2. Associates**

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

#### **3. Joint arrangement**

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Group doesn't have any joint operations or joint ventures.

#### **4. 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.

#### **5. 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.

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

### **Notes to the consolidated interim financial statements “IFRS” For the three months period ended 31 March 2018**

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

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

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

#### **D. Segment Reporting**

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

#### **E. Foreign currency translation**

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

Items included in the financial statements each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Egyptian Pound (EGP), which is Edita food industries functional and presentation currency.

##### **(2) Transactions and balances**

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

Foreign exchange gains and losses 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 available-for-sale financial assets are recognised in other comprehensive income.



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

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

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#### Foreign currency translation (continued)

##### (3) Group companies

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

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from translation of the net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

#### F. Revenue recognition

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

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

##### (1) Sales of goods – whole sale

Sales are recognised 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.

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### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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#### Revenue recognition (continued)

The products is often sold with retrospective volume discounts based on aggregate sales over a 3 months period. Revenue from these sales is recognised 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, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised 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 refund liability and a right to recover returned goods asset are recognized for Returned goods

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### (2) Interest income

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

#### (3) Dividend income

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

#### (4) Export subsidy

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

#### G. Income tax

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

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

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.

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

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

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

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

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

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

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

#### **H. Leases**

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

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

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#### **I. Business combinations**

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

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

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

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

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

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

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

#### **J. 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.

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#### **K. 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.

#### **L. 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.

#### **M. 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..

#### **N. Non-current assets (or disposal groups) held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

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

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

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#### **Non-current assets (or disposal groups) held for sale and discontinued operations (continued)**

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

#### **O. Financial assets**

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

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

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

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

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

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

##### **(2) Measurement**

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

##### **Debt instruments – treasury bills**

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. According to the group business model the group subsequently measure debt instruments at amortised cost for Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised 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.

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#### Financial assets (continued)

##### (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 recognised from initial recognition of the receivables.

#### P. 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.

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#### **Q. Intangible assets**

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

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

#### **R. 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.

#### **S. Loans**

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

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

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

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



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#### **T. 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.

#### **U. 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.

#### **V. Employee benefits**

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

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

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

Pension obligations

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

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

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### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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#### Employee benefits (continued)

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

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

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 contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

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

#### (4) Termination benefits

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

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

### **Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018**

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#### **W. 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.

#### **X. 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.

#### **Y. 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.

#### **Z. 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.)

### Notes to the consolidated interim financial statements “IFRS” For the three months period ended 31 March 2018

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#### 3. Financial risk management

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

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

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognized financial assets and liabilities not denominated in Egyptian pounds	Cash flow forecasting Sensitivity analysis	by local banks that the Company deals with in official rates and the rest from its exports in US Dollars
Market risk – interest rate	Long-term Loans at variable rates	Sensitivity analysis	Interest rate incremental to deposits rate
Market risk – security prices	No investment in a quoted equity securities	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:

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#### Financial risk management (continued)

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

	Assets	Liabilities	Net 31 March 2018	Net 31 December 2017
Euros	7,662,000	(96,466,141)	<b>(88,804,141)</b>	<b>(102,830,346)</b>
United States Dollars	33,942,984	(229,699,006)	<b>(195,756,022)</b>	<b>(250,578,630)</b>

#### Amounts recognised in profit or loss

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

	31 March 2018	31 March 2017
<b>Amounts recognised in profit or loss</b>		
Net foreign exchange loss included in finance cost	(1,719,054)	(4,227,129)
	<b>(1,719,054)</b>	<b>(4,227,129)</b>
<b>Net losses recognised in other comprehensive income</b>		
Foreign currency translation reserve	26,219	(40,783)
	<b>26,219</b>	<b>(40,783)</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 got the year components arises from contracts designated financial liabilities.

#### *Euro/EGP*

At 31 March 2018, 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 8,880,414 (31 December 2017: LE 10,283,034) 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 2018, 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 19,575,602 (31 December 2017: LE 25,057,863) higher / lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets and liabilities.

#### (ii) Price risk

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

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### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

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#### Financial risk management (continued)

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

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

At 31 March 2018, if interest rates on Egyptian pound -denominated net interest bearing liabilities had been 0.1% higher/lower with all other variables held constant, post-tax profit for the period would have been LE 15,968,581 (31 December 2017: LE 18,461,321) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Borrowings at the balance sheet date with variable interest rate amounted to LE 807,956,182 (31 December 2017: LE 826,944,229).

Overdraft at the balance sheet on 31 March 2018 amounted to LE 79,187,202 (31 December 2017: LE 96,121,849).

#### (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 which have a high independent rating with a good reputation.

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

##### (iii) Credit quality

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

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

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

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

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### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

#### Financial risk management (continued)

##### Trade receivables

Counter parties without external credit rating:

	<u>31 March 2018</u>	<u>31 December 2017</u>
Trade and notes receivables	21,819,760	16,654,958
<b>Total</b>	<b><u>21,819,760</u></b>	<b><u>16,654,958</u></b>

Outstanding trade receivables are current and not impaired

Cash at bank and short-term bank deposits:

	<u>31 March 2018</u>	<u>31 December 2017</u>
AA	35,312,984	20,694,025
A	15,005,203	665,794
BB	400,218	12,024
B	366,928	648,307
<b>Total</b>	<b><u>51,085,333</u></b>	<b><u>22,020,150</u></b>

We had excluded the cash on hand.

The table below summarizes the maturities of the Company's trade receivables at 31 March 2018 and 31 December 2017:

	<u>31 March 2018</u>	<u>31 December 2017</u>
Less than 30 days	15,325,555	10,009,420
From 31 to 60 days	5,948,266	5,506,423
From 61 to 90 days	544,403	1,139,115
From 91 to 120 days	1,536	-
	<b><u>21,819,760</u></b>	<b><u>16,654,958</u></b>

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

	<u>31 March 2018</u>	<u>31 December 2017</u>
At 1 January	20,556	20,556
Receivables written off during the period / 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.

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### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

(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 as we had excluded the taxes payable, advances from customers and social insurance:

<b>At 31 March 2018</b>	<b>Less than 6 month</b>	<b>Between 6 month &amp; 1 year</b>	<b>Between 1 &amp; 2 years</b>	<b>More than 2 years</b>
Borrowings	110,142,460	110,214,433	180,901,424	394,394,670
Future interest payments	55,812,215	47,614,234	75,317,540	97,914,386
Trade and other payables	338,338,153	-	-	-
Bank overdraft	79,187,202	-	-	-
Notes payable	51,726,141	-	-	-
<b>Total</b>	<b>635,206,171</b>	<b>157,828,667</b>	<b>256,218,964</b>	<b>492,309,056</b>
<b>At 31 December 2017</b>				
Borrowings	63,792,488	101,874,105	188,051,167	460,381,419
Future interest payments	15,616,736	66,364,203	90,853,466	129,113,118
Trade and other payables	293,547,552	-	-	-
Bank overdraft	96,121,849	-	-	-
Notes payable	71,264,212	-	-	-
<b>Total</b>	<b>540,342,837</b>	<b>168,238,308</b>	<b>278,904,633</b>	<b>589,494,537</b>

The unused amount of borrowings is amounted to EGP 521,182,798 as of 31 March 2018, also the Group will have future interest payments related to borrowings amounting to LE 276,658,375 (31 December 2017: LE 301,947,523).



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### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

(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, long-term notes payables and bank overdraft less cash and cash equivalents. Total capital is calculated as equity, plus net debts.

	<u>31 March 2018</u>	<u>31 December 2017</u>
Total borrowings	807,956,182	826,944,229
Bank overdraft	79,187,202	96,121,849
<b>Total borrowings and loans</b>	<b>887,143,384</b>	<b>923,066,078</b>
Less: Cash and cash equivalents	(64,831,786)	(35,991,510)
<b>Net debt</b>	<b>822,311,598</b>	<b>887,074,568</b>
Total equity	1,206,122,551	1,230,226,448
<b>Total capital</b>	<b>2,028,434,149</b>	<b>2,117,301,016</b>
<b>Gearing ratio</b>	<b>41%</b>	<b>42%</b>

The decrease in net debt to total capital is mainly due to the decrease in borrowing and overdraft.

##### Loan covenants

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

- The debt to equity ratio must be not more than 1:1.
- Debt service ratio shall not fall below 1.25.
- Leverage ratio shall not exceed 1.5:1.

As of 31 March 2018, the Group was in compliance with the debt covenants.

##### (2) Fair value measurement

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.)

### Notes to the consolidated interim financial statements “IFRS” For the three months period ended 31 March 2018

(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 has suffered any impairment on an annual basis.

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

##### **Income tax**

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

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

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

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**Notes to the consolidated interim financial statements "IFRS"  
For the three months period ended 31 March 2018**

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**5. Property, plant and equipment**

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
<b>At 31 December 2016</b>								
Cost	120,908,260	492,615,644	825,855,967	144,132,505	79,700,950	70,220,650	163,072,967	1,896,506,943
Accumulated depreciation	-	(75,002,282)	(196,232,866)	(68,646,679)	(40,311,934)	(41,851,939)	-	(422,045,700)
<b>Net book amount</b>	<b>120,908,260</b>	<b>417,613,362</b>	<b>629,623,101</b>	<b>75,485,826</b>	<b>39,389,016</b>	<b>28,368,711</b>	<b>163,072,967</b>	<b>1,474,461,243</b>
<b>Year ended 31 December 2017</b>								
Opening net book amount	120,908,260	417,613,362	629,623,101	75,485,826	39,389,016	28,368,711	163,072,967	1,474,461,243
Additions	-	-	26,048,433	25,224,480	6,313,111	8,128,993	507,213,414	572,928,431
Depreciation charge	-	(19,852,702)	(43,005,957)	(20,400,521)	(12,208,114)	(13,827,915)	-	(109,295,209)
Disposal Depreciation	-	-	-	6,326,895	202,982	316,869	-	6,846,746
Disposals	-	-	-	(7,422,290)	(204,073)	(359,408)	-	(7,985,771)
Transfers from Projects under construction	-	388,571,418	205,666,062	-	14,668,890	18,227,269	(627,133,639)	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>786,332,078</b>	<b>818,331,639</b>	<b>79,214,390</b>	<b>48,161,812</b>	<b>40,854,519</b>	<b>43,152,742</b>	<b>1,936,955,440</b>
<b>At 31 December 2017</b>								
Cost	120,908,260	881,187,062	1,057,570,462	161,934,695	100,478,878	96,217,504	43,152,742	2,461,449,603
Accumulated depreciation	-	(94,854,984)	(239,238,823)	(82,720,305)	(52,317,066)	(55,362,985)	-	(524,494,163)
<b>Net book amount at 31 December 2017</b>	<b>120,908,260</b>	<b>786,332,078</b>	<b>818,331,639</b>	<b>79,214,390</b>	<b>48,161,812</b>	<b>40,854,519</b>	<b>43,152,742</b>	<b>1,936,955,440</b>
<b>Year ended 31 March 2018</b>								
Opening net book amount	120,908,260	786,332,078	818,331,639	79,214,390	48,161,812	40,854,519	43,152,742	1,936,955,440
Additions	-	-	284,798	11,642,700	1,029,058	2,379,938	1,798,379	17,134,873
Depreciation charge	-	(8,719,031)	(13,028,032)	(5,323,656)	(3,780,075)	(3,986,351)	-	(34,837,145)
Disposal Depreciation	-	-	-	1,223,539	-	733,490	-	1,957,029
Disposals	-	-	-	(1,836,100)	-	(757,641)	-	(2,593,741)
Transfers from Projects under construction	-	7,216,064	3,210,626	-	823,707	70,583	(11,320,980)	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>784,829,111</b>	<b>808,799,031</b>	<b>84,920,873</b>	<b>46,234,502</b>	<b>39,294,538</b>	<b>33,630,141</b>	<b>1,918,616,456</b>
<b>At 31 March 2018</b>								
Cost	120,908,260	888,403,126	1,061,065,886	171,741,295	102,331,643	97,910,384	33,630,141	2,475,990,735
Accumulated depreciation	-	(103,574,015)	(252,266,855)	(86,820,422)	(56,097,141)	(58,615,846)	-	(557,374,279)
<b>Net book amount at 31 March 2018</b>	<b>120,908,260</b>	<b>784,829,111</b>	<b>808,799,031</b>	<b>84,920,873</b>	<b>46,234,502</b>	<b>39,294,538</b>	<b>33,630,141</b>	<b>1,918,616,456</b>

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### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

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

	<u>31 March 2018</u>	<u>31 December 2017</u>
<b>Allocation of the borrowing cost on Qualified Assets</b>		
Projects under construction - Buildings	-	33,213,482
Projects under construction - Machinery	-	3,960,580
<b>Total</b>	<u>-</u>	<u>37,174,062</u>

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

	<u>31 March 2018</u>	<u>31 December 2017</u>
Charged to cost of sales	24,302,518	70,367,515
Charged to distribution costs	5,705,878	21,583,001
Charged to administrative expenses	4,828,749	17,344,693
	<u>34,837,145</u>	<u>109,295,209</u>

The project under construction represent:

	<u>31 March 2018</u>	<u>31 December 2017</u>
Buildings	23,486,243	29,846,501
Machinery & equipment	9,950,426	12,318,194
Tools & equipment	170,187	917,463
Technical and other installations	23,285	70,584
	<u>33,630,141</u>	<u>43,152,742</u>

#### 6. Intangible assets

	<u>Net Book Value</u>	
	<u>31 March 2018</u>	<u>31 December 2017</u>
A- Trademark	131,480,647	131,480,647
B- Know how	31,430,995	31,430,995
<b>Balance as of</b>	<u>162,911,642</u>	<u>162,911,642</u>

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**Intangible assets (continued)**

**A. Trademarks**

	<b>Trade Mark (HOHOS, Twinkies &amp; Tiger Tail)</b>	
	<b>31 March 2018</b>	<b>31 December 2017</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 time, and on the 16<sup>th</sup> of April 2015 the Company had signed a new contract for the expanding the scope of the rights to the trademarks (Hohos, Twinkies, and Tiger Tail) to include Algeria, Bahrain,, Iraq,, Kuwait, , Lebanon, Morocco, Oman, Qatar, Kingdom of Saudi Arabia, Syria, Tunisia, United Arab Emirates and this trademarks have infinite useful lives, and the this is against USD 8 Million equivalent to EGP 62,861,989.

**B. Know how**

	<b>Know How</b>	
	<b>31 March 2018</b>	<b>31 December 2017</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>Accumulated Amortization</b>	<b>31 March 2018</b>	<b>31 December 2017</b>
Opening Balance	31,430,995	31,430,995
Amortization expense during the period / 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<sup>th</sup> of 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.

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### Notes to the consolidated interim financial statements “IFRS” For the three months period ended 31 March 2018

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

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#### 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 for casts included in industry reports specific to the industry which each CGU operates.

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

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

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

The Group test the impairment of intangible assets depending on financial, operational, marketing position in the prior years, and its expectation for the market in the future by preparing a business plan using the growth rate and the discount rate prevailing. At the statement of financial position date, the carrying value of the intangible assets is not less than its recoverable amount.

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

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

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

At 31 December 2017, if the gross profit percentage 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.

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### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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#### 7. Inventories

	<u>31 March 2018</u>	<u>31 December 2017</u>
Raw and packaging materials	159,838,213	199,701,698
Spare parts	41,414,112	39,580,849
Finished goods	42,186,725	46,095,781
Consumables	4,823,391	5,089,825
Work in process	7,446,374	6,725,396
<b>Total</b>	<b>255,708,815</b>	<b>297,193,549</b>
Less: provision for slow moving and obsolete inventory	(846,559)	(1,182,116)
<b>Net</b>	<b>254,862,256</b>	<b>296,011,433</b>

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

During the period ended 31 March 2018, there has been a slow moving and obsolete inventory addition amounted to LE 275,925 (31 March 2017: LE 369,250) (Note 22) and utilized amounted to LE 611,482 (31 March 2017: LE 115,718).

The cost of inventory recognized as an expense and included in cost of sales amounted to LE 486,265,134 during the year ended 31 March 2018 (31 March 2017: LE 327,639,708).

#### 8. Trade and other receivables

	<u>31 March 2018</u>	<u>31 December 2017</u>
Trade receivables	20,387,981	15,856,789
Notes receivable	1,431,779	798,169
<b>Total</b>	<b>21,819,760</b>	<b>16,654,958</b>
Less: Provision for impairment of trade receivables	(20,556)	(20,556)
	<b>21,799,204</b>	<b>16,634,402</b>
Advances to suppliers	27,512,390	22,984,151
Tax authority – Corporate tax prepayments	23,133,585	27,928,869
Prepaid expenses	17,859,936	8,636,065
Deposits with others	10,123,544	10,057,786
Other debit balances	9,366,110	10,115,307
Letters of credit	120,499	328,459
Employee loans	134,090	172,380
Accrued revenues	-	-
<b>Total</b>	<b>110,049,358</b>	<b>96,857,419</b>

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### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

#### 9. Treasury bills

	<u>31 March 2018</u>	<u>31 December 2017</u>
Treasury bills par value	198,000,000	190,500,000
Unearned interest	(16,875,154)	(18,464,355)
<b>Amount of treasury bills paid</b>	<b>181,124,846</b>	<b>172,035,645</b>
Interest income recognized to profit or loss	7,850,515	8,553,176
<b>Treasury bills balance</b>	<b>188,975,361</b>	<b>180,588,821</b>

The Company purchased Egyptian treasury bills on 17<sup>th</sup> of September 2017 with par value amounted LE 90,000,000 with an annual interest of 18.55%. These treasury bills are due in 22<sup>nd</sup> of May 2018. The total recognized interest income amounted to LE 7,924,500.

The Company purchased Egyptian treasury bills on 4<sup>th</sup> of October 2017 with par value amounted LE 30,000,000 with an annual interest of 18.40%. These treasury bills are due in 3<sup>rd</sup> of April 2018. The total recognized interest income amounted to LE 2,466,725.

The Company purchased Egyptian treasury bills on 24<sup>th</sup> of October 2017 with par value amounted LE 16,500,000 with an annual interest of 18.8%. These treasury bills are due in 24<sup>th</sup> of April 2018. The total recognized interest income amounted to LE 1,227,725.

The Company purchased Egyptian treasury bills on 20<sup>th</sup> of September 2017 with par value amounted LE 54,000,000 with an annual interest of 18.35%. These treasury bills are due in 20<sup>th</sup> of March 2018. The total recognized interest income amounted to LE 4,504,140.

The Company purchased Egyptian treasury bills on 20<sup>th</sup> of March 2018 with par value amounted LE 11,250,000 with an annual interest of 17.05%. These treasury bills are due in 18<sup>th</sup> of December 2018. The total recognized interest income amounted to LE 51,268.

The Company purchased Egyptian treasury bills on 20<sup>th</sup> of March 2018 with par value amounted LE 11,250,000 with an annual interest of 17.06%. These treasury bills are due in 18<sup>th</sup> of December 2018. The total recognized interest income amounted to LE 51,295.

The Company purchased Egyptian treasury bills on 20<sup>th</sup> of March 2018 with par value amounted LE 11,250,000 with an annual interest of 17.07%. These treasury bills are due in 18<sup>th</sup> of December 2018. The total recognized interest income amounted to LE 51,322.

The Company purchased Egyptian treasury bills on 20<sup>th</sup> of March 2018 with par value amounted LE 11,250,000 with an annual interest of 17.08%. These treasury bills are due in 18<sup>th</sup> of December 2018. The total recognized interest income amounted to LE 51,349.

The Company purchased Egyptian treasury bills on 20<sup>th</sup> of March 2018 with par value amounted LE 11,250,000 with an annual interest of 17.09%. These treasury bills are due in 18<sup>th</sup> of December 2018. The total recognized interest income amounted to LE 51,377.

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

The Company purchased Egyptian treasury bills on 20<sup>th</sup> of March 2018 with par value amounted LE 5,250,000 with an annual interest of 17.10%. These treasury bills are due in 18<sup>th</sup> of December 2018. The total recognized interest income amounted to LE 23,988.



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

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

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

	<u>31 March 2018</u>	<u>31 December 2017</u>
Bank deposits	60,840	60,840
Cash at banks and on hand	64,770,946	35,930,670
<b>Cash and cash equivalents (excluding bank overdrafts)</b>	<b><u>64,831,786</u></b>	<b><u>35,991,510</u></b>

The average interest rate on local currency time deposits during 2018 is 15 % (2017: 12.5%).

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

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

	<u>31 March 2018</u>	<u>31 December 2017</u>
Cash and cash equivalents	64,831,786	35,991,510
Bank overdraft (Note 16)	(79,187,202)	(96,121,849)
<b>Total</b>	<b><u>(14,355,416)</u></b>	<b><u>(60,130,339)</u></b>

#### 11. Loans

	<u>31 March 2018</u>			<u>31 December 2017</u>		
	<u>Short-term portion</u>	<u>Long-term portion</u>	<u>Total</u>	<u>Short-term portion</u>	<u>Long-term portion</u>	<u>Total</u>
Loans	232,660,088	575,296,094	<b>807,956,182</b>	178,511,643	648,432,586	<b>826,944,229</b>
	<b><u>232,660,088</u></b>	<b><u>575,296,094</u></b>	<b><u>807,956,182</u></b>	<b><u>178,511,643</u></b>	<b><u>648,432,586</u></b>	<b><u>826,944,229</u></b>

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

	<u>31 March 2018</u>	<u>31 December 2017</u>
Balance due within 1 year	220,356,893	165,666,575
Accrued interest	12,303,195	12,845,068
	<b><u>232,660,088</u></b>	<b><u>178,511,643</u></b>

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

**Notes to the consolidated interim financial statements "IFRS"  
For the three months period ended 31 March 2018**

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

**Loans (continued)**

**(1) Edita Food Industries Company**

	31 March 2018			31 December 2017		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	18,073,722	-	<b>18,073,722</b>	19,814,921	8,749,985	<b>28,564,906</b>
Second loan	44,220,388	61,918,564	<b>106,138,952</b>	36,326,157	82,781,630	<b>119,107,787</b>
Third loan	25,091,500	54,000,000	<b>79,091,500</b>	21,444,500	54,000,000	<b>75,444,500</b>
Fourth loan	54,855,744	123,081,675	<b>177,937,419</b>	40,021,961	138,388,250	<b>178,410,211</b>
Fifth loan	59,501,503	267,772,941	<b>327,274,444</b>	29,137,221	288,500,200	<b>317,637,421</b>
Sixth loan	15,020,713	36,522,914	<b>51,543,627</b>	14,744,858	44,012,521	<b>58,757,379</b>
	<b>216,763,570</b>	<b>543,296,094</b>	<b>760,059,664</b>	<b>161,489,618</b>	<b>616,432,586</b>	<b>777,922,204</b>

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

	31 March 2018	31 December 2017
Balance due within 1 year	205,263,513	148,906,527
Accrued interest	11,500,057	12,583,091
<b>Total</b>	<b>216,763,570</b>	<b>161,489,618</b>

• **First loan:**

This first loan is provided by one of the Egyptian banks in January 2014 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000 and the total withdrawal amount is LE 70,000,000 on 31 March 2018 in addition to accrued interest. The loan outstanding balance at 31 March 2018 after payment of due installments amounted to 17,499,990 in addition accrued interests.

**Terms of payments:**

Edita Food Industries S.A.E. (borrower) is obligated to Pay LE 17,500,000 on 2 equal semi-annual instalments; each instalment is amounted to LE 8,750,000. The first installment is due on 22 August 2018 and the last on 1 February 2019.

**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 and the total withdrawal amount is LE 86,857,057 plus 5,587,500 USD on 31 March 2018. The loan outstanding balance at 31 March 2018 after payment of due installments amounted to LE 48,253,916 and USD 3,104,164 in addition accrued interests.

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

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

(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 48,253,916 on 5 equal semi-annual installments; each installment is amounted to LE 9,650,785 In addition. The company is obligated to pay 3,104,164 USD on 5 equal semi-annual installments; each installment is amounted to 620,834 USD.

The first installment is due on July 2018 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.

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

Fair value is approximately equal to book value.

- **Third loan:**

This third loan is provided by one of the Egyptian banks on April 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 90,000,000 and the total withdrawal amount is LE 90,000,000. The loan outstanding balance at 31 March 2018 amounted to LE 72,000,000 in addition accrued interests.

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

Edita Food Industries S.A.E. is obligated to Pay LE 72,000,000 on 8 equal semi-annual installments; each installment is amounted to LE 9,000,000. The first installment is due on 9 April 2018 and the last on 9 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 and the total withdrawal amount is LE 71,546,269 plus 5,983,368 USD on 31 March 2018 in addition to accrued interest. The bank committed to translate the foreign Currency to Egyptian pound as the company in not obligated to pay the loan back in foreign currency.

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

Edita Food Industries S.A.E. is obligated to Pay LE 202,234,888 on 11 equal semi-annual instalments; each instalment is amounted to LE 19,716,875 the first instalment is due on 19 April 2018 and the last on 19 April 2022. Total loan value and accrued interest to be paid to the bank in local currency without any obligation on the Company to pay foreign currency.

##### **Interest:**

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

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

Fair value is approximately equal to book value.

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

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

#### Loans (continued)

- **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 170,000,000 and 6,000,000 Euro. The total withdrawal amount is LE 231,786,694 plus 3,433,913 Euro, plus 1,159,250 USD on 31 March 2018 in addition to accrued interest.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 170,000,000 and 6,000,000 Euro and 1,159,250 USD on 11 equal semi-annual instalments; each instalment is amounted to LE 15,454,500 and 312,174 Euro and 105,387 USD the first instalment is due on September 2018 and the last on September 2023.

**Interest:**

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

**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 to a term loan.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 9,914,422 on 8 equal semi-annual installments; each installment is amounted to LE 1,239,303 In addition to accrued interest. The company is obligated to pay 2,471,370 USD on 8 equal semi-annual installments; each installment is amounted to 308,921 USD. The first installment is due on 31 August 2018 and the last on August 2021.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

#### (1) Digma for Trading Company

	31 March 2018			31 December 2017		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	-	-	-	1,782,454	-	1,782,454
Second loan	7,210,963	-	7,210,963	7,217,071	-	7,217,071
<b>Total</b>	<b>7,210,963</b>	<b>-</b>	<b>7,210,963</b>	<b>8,999,525</b>	<b>-</b>	<b>8,999,525</b>

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

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

#### Loans (continued)

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

	<u>31 March 2018</u>	<u>31 December 2017</u>
Balance due within 1 year	7,093,381	8,760,048
Accrued interest	117,582	239,477
	<u>7,210,963</u>	<u>8,999,525</u>

- **The Second loan**

The second loan is provided by one of the Egyptian banks on 07 September 2015 based on a cross guarantee issued from Edita Food Industries Company S.A.E. amounted to LE 26,000,000 and the total withdrawal amount is LE 7,093,381 in addition to accrued interest,

**Terms of payments:**

Digma Trading Company S.A.E. is obligated to pay LE 7,093,381 on 2 semi-annual instalments, instalment is amounted to LE 3,473,509 and the last instalment amounted to LE 3,619,872 and the instalments come due after 6 months from the date the loan was issued to the company. The first instalment is due on April 2018 and the last on October 2018.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

#### (2) Edita Confectionery Industries Company

	<u>31 March 2018</u>			<u>31 December 2017</u>		
	<u>Short-term portion</u>	<u>Long-term portion</u>	<u>Total</u>	<u>Short-term portion</u>	<u>Long-term portion</u>	<u>Total</u>
First loan	8,685,556	32,000,000	<u>40,685,556</u>	8,022,500	32,000,000	<u>40,022,500</u>
	<u>8,685,556</u>	<u>32,000,000</u>	<u>40,685,556</u>	<u>8,022,500</u>	<u>32,000,000</u>	<u>40,022,500</u>

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

	<u>31 March 2018</u>	<u>31 December 2017</u>
Balance due within 1 year	8,000,000	8,000,000
Accrued interest	685,556	22,500
	<u>8,685,556</u>	<u>8,022,500</u>

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 total withdrawal amount is LE 40,000,000 on 31 March 2018 in addition to accrued interest.

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

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

#### Loans (continued)

##### Terms of payments:

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

##### Interest:

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

##### Fair value:

Fair value is approximately equal to book value.

#### 12. Deferred tax liability

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

	Fixed assets depreciation	Acquiring Digma Company for Trading	Unrealized foreign exchange loss	Carry forward taxable losses	Net deferred tax liabilities	
					31 March 2018	31 December 2017
<b>A. <u>Deferred tax assets</u></b>						
Balance at 1 January	-	-	9,268,582	14,920,504	24,189,086	33,608,041
Charged to statement of profit or loss	-	-	-	(11,821,972)	(11,821,972)	(9,418,955)
<b>Ending balance as of</b>	<b>0</b>	<b>0</b>	<b>9,268,582</b>	<b>3,098,532</b>	<b>12,367,114</b>	<b>24,189,086</b>
<b>B. <u>Deferred tax liabilities</u></b>						
Balance at 1 January	(150,806,115)	(3,335,372)	-	-	(154,141,487)	(120,100,675)
Charged to statement of profit or loss	(1,833,051)	60,106	-	-	(1,772,945)	(34,040,812)
<b>Ending balance as of</b>	<b>(152,639,166)</b>	<b>(3,275,266)</b>	<b>-</b>	<b>-</b>	<b>(155,914,432)</b>	<b>(154,141,487)</b>
<b>Net deferred tax liabilities</b>	<b>(152,639,166)</b>	<b>(3,275,266)</b>	<b>9,268,582</b>	<b>3,098,532</b>	<b>(143,547,318)</b>	<b>(129,952,401)</b>
<b>Balance at 1 January</b>	<b>(150,806,115)</b>	<b>(3,335,372)</b>	<b>9,268,582</b>	<b>14,920,504</b>	<b>(129,952,401)</b>	<b>(86,492,634)</b>
<b>Charged to statement of profit or loss</b>	<b>(1,833,051)</b>	<b>60,106</b>	<b>-</b>	<b>(11,821,972)</b>	<b>(13,594,917)</b>	<b>(43,459,767)</b>
<b>Ending Balance as of</b>	<b>(152,639,166)</b>	<b>(3,275,266)</b>	<b>9,268,582</b>	<b>3,098,532</b>	<b>(143,547,318)</b>	<b>(129,952,401)</b>

According to the tax system in Egypt, the tax losses belongs to Edita confectionary Industries company may be changed during the tax inspection by the tax authority. Accordingly, the management did not recognize deferred tax assets except the tax losses recognized in the financial period ended as of 31 March 2018.

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

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

#### 13. Employee Benefit obligations

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

	<b>31 March 2018</b>	<b>31 December 2017</b>
Discount rate	15%	15%
Average salary increase rate	10%	10%
Turnover rate	35%	35%
Life table	49-52	49-52

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

	<b>31 March 2018</b>	<b>31 December 2017</b>
Present value of obligations	5,236,040	4,761,965
<b>Liability at the statement of financial position date</b>	<b>5,236,040</b>	<b>4,761,965</b>

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

	<b>31 March 2018</b>	<b>31 December 2017</b>
Balance at beginning of the period / year	4,761,965	1,945,034
Charged during the period / year	474,075	2,840,957
Paid during the period	-	(24,026)
<b>Balance at end of the period</b>	<b>5,236,040</b>	<b>4,761,965</b>

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

	<b>31 March 2018</b>	<b>31 December 2017</b>
<b>Present cost of the service</b>		
Interest expenses	178,574	272,305
Current service cost	295,501	2,568,652
<b>Total</b>	<b>474,075</b>	<b>2,840,957</b>

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

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

#### 14. Trade and other payables

	<u>31 March 2018</u>	<u>31 December 2017</u>
Trade payables	132,635,530	188,822,395
Accrued expenses	71,541,550	60,144,110
Notes payable	51,726,141	71,264,212
Other credit balances	43,931,446	41,627,652
Taxes payable	32,735,339	30,891,539
Social insurance	5,206,923	3,006,735
Dividends payable	87,953,395	2,953,395
Advances from customers	9,089,726	1,688,890
Contract liabilities	2,276,232	-
<b>Total</b>	<b><u>437,096,282</u></b>	<b><u>400,398,928</u></b>

#### 15. Current income tax liabilities

	<u>31 March 2018</u>	<u>31 December 2017</u>
Balance at 1 January	-	1,233,553
Reversal of Income tax for period / year	-	(6,315,986)
Income tax paid during the period	-	(1,233,553)
Withholding tax receivable	(1,340,130)	(8,545,909)
Income tax for the period	6,342,341	22,698,108
Corporate income tax – advance payments	(5,002,211)	(4,157,219)
Accrued interest – advance payments	-	(3,678,994)
<b>Balance at end of period / year</b>	<b><u>-</u></b>	<b><u>-</u></b>

#### 16. Bank overdraft

	<u>31 March 2018</u>	<u>31 December 2017</u>
Bank overdraft (Note 10)	79,187,202	96,121,849
<b>Total</b>	<b><u>79,187,202</u></b>	<b><u>96,121,849</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 as of 31 March 2018 is 18.21 % (31 December 2017: 20.06%).



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

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

#### 17. Provisions

	Other provisions	
	31 March 2018	31 December 2017
Balance at 1 January	20,910,445	19,166,385
Additions during the period / year	750,000	15,692,814
Utilized during the period / year	(559,161)	(13,874,798)
Provision no longer required	-	(73,956)
<b>Balance at end of period / year</b>	<b>21,101,284</b>	<b>20,910,445</b>

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

#### 18. Share capital

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

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

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

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

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

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

#### Share capital (continued)

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

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

#### 19. Legal reserve

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

#### 20. Non-controlling interest

	Paid up capital	Legal reserves	Revaluation		Total	
			assets reserve	Accumulated losses	31 March 2018	31 December 2017
<b>Balance at 1 January</b>	<b>22,823,330</b>	<b>593,605</b>	<b>38,162</b>	<b>(1,654,994)</b>	<b>21,800,103</b>	<b>14,983,768</b>
Non-controlling share in profit of subsidiaries	-	-	-	977,950	977,950	6,816,335
<b>Total comprehensive income for the year</b>	-	-	-	<b>977,950</b>	<b>977,950</b>	<b>6,816,335</b>
<b>Shareholders transactions</b>						
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	-	-	-
Non-controlling interest share in capital increase of subsidiary	-	-	-	-	-	-
<b>Shareholders transactions</b>	-	-	-	-	-	-
<b>Balance at</b>	<b>22,823,330</b>	<b>593,605</b>	<b>38,162</b>	<b>(677,044)</b>	<b>22,778,053</b>	<b>21,800,103</b>

**EDITA FOOD INDUSTRIES (S.A.E.)****Notes to the consolidated interim financial statements "IFRS"  
For the three months period ended 31 March 2018**

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

**21. Other income**

	<u>31 March 2018</u>	<u>31 March 2017</u>
Export incentive	457,387	2,675,343
Gain from sale of production waste	2,633,605	1,057,424
Other income	129,077	142,484
<b>Net</b>	<b><u>3,220,069</u></b>	<b><u>3,875,251</u></b>

**22. Other (losses) / gains , net**

	<u>31 March 2018</u>	<u>31 March 2017</u>
Provisions	(750,000)	(750,000)
Provision for slow moving inventory	(275,925)	(369,250)
Provision for employee benefit obligation	(474,075)	(250,000)
Gain on sale of property , plant and equipment	619,163	632,231
<b>Net</b>	<b><u>(880,837)</u></b>	<b><u>(737,019)</u></b>

**23. Finance cost - net**

	<u>31 March 2018</u>	<u>31 March 2017</u>
<b>Finance income</b>		
Interest income	8,124,965	9,887,711
	<b><u>8,124,965</u></b>	<b><u>9,887,711</u></b>
<b>Finance expense</b>		
Interest expenses	(32,410,734)	(22,797,928)
Foreign exchange (Loss)	(1,719,054)	(4,227,129)
	<b><u>(34,129,788)</u></b>	<b><u>(27,025,057)</u></b>
<b>Net</b>	<b><u>(26,004,823)</u></b>	<b><u>(17,137,346)</u></b>

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

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

#### 24. Income tax expense

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

	<u>31 March 2018</u>	<u>31 March 2017</u>
Income tax for the period	6,342,341	3,264,713
Deferred tax expense	13,594,917	7,192,675
<b>Total</b>	<b><u>19,937,258</u></b>	<b><u>10,457,388</u></b>
Profit before tax	<u>80,807,142</u>	<b><u>50,810,655</u></b>
Tax calculated based on applicable tax rates	<u>18,181,607</u>	<u>11,432,397</u>
	<b><u>18,181,607</u></b>	<b><u>11,432,397</u></b>
Tax effect of non- deductible expenses	2,672,405	168,750
Tax effect of non-taxable revenues	-	(1,143,759)
Tax losses for which no deferred income tax asset was recognized	<u>(916,754)</u>	<u>-</u>
<b>Income tax expense</b>	<b><u>19,937,258</u></b>	<b><u>10,457,388</u></b>

#### 25. Earnings per share

##### Basic

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

	<u>31 March 2018</u>	<u>31 March 2017</u>
<b>Profit attributed to owners of the parent</b>	<b><u>59,891,934</u></b>	<b><u>38,196,024</u></b>
<b>Weighted average number of ordinary shares in issue</b>		
Ordinary shares	<u>725,362,900</u>	<u>725,362,900</u>
	<b><u>725,362,900</u></b>	<b><u>725,362,900</u></b>
<b>Basic earnings per share</b>	<b><u>0.08</u></b>	<b><u>0.05</u></b>

##### Diluted

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

**EDITA FOOD INDUSTRIES (S.A.E.)****Notes to the consolidated interim financial statements "IFRS"  
For the three months period ended 31 March 2018**

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

**26. Consolidated expenses by nature**

	<u>31 March 2018</u>	<u>31 March 2017</u>
Cost of goods sold	606,008,916	422,603,429
Distribution cost	108,862,655	106,182,163
General and administrative expenses	66,731,470	48,850,789
	<u><b>781,603,041</b></u>	<u><b>577,636,381</b></u>
Raw materials used	484,455,259	303,897,145
Salaries and wages	108,104,854	93,208,372
Advertising and marketing	43,658,183	55,348,108
Depreciation	34,837,145	26,416,451
Other Expenses	22,280,058	12,808,434
Employee benefits	23,669,282	14,480,745
Employees Profit share	8,568,887	7,484,789
Gas, oil, water and electricity	16,670,044	12,060,905
Vehicle expense	8,667,875	6,534,379
Rent	11,296,861	7,045,312
Transportation expenses	7,299,267	5,001,912
Maintenance	5,319,114	5,164,732
Consumable materials	4,966,337	3,098,319
Purchases – goods for resale	1,809,875	23,742,563
Collection commission	-	1,344,215
	<u><b>781,603,041</b></u>	<u><b>577,636,381</b></u>

**27. Cash generated from operations**

	<u>31 March 2018</u>	<u>31 March 2017</u>
Profit for the period before tax	80,807,142	50,810,655
<b>Adjustments for:</b>		
Additions to provision	1,224,075	1,000,000
Interest on lands' installments	-	-
Interest expense	32,410,734	22,797,928
Interest income	(8,124,965)	(9,887,711)
Depreciation of property, plant and equipment	34,837,145	26,416,451
Provision for slow moving and obsolete inventory	275,925	369,250
Gain on disposal of property, plant and equipment	(619,163)	(632,231)
	<u><b>140,810,893</b></u>	<u><b>90,874,342</b></u>
<b>Change in working capital</b>		
Inventories	41,484,734	10,027,075
Trade and other receivables	(19,534,297)	34,180,276
Trade payables and other credit balances	(48,302,645)	6,213,869
Provisions used	(1,170,643)	(801,513)
<b>Cash generated from operations</b>	<u><b>113,288,042</b></u>	<u><b>140,494,049</b></u>

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

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

#### Cash generated from operations (continued)

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

	<u>31 March 2018</u>	<u>31 March 2017</u>
Net book amount	636,712	484,239
Gain on disposal of property, plant and equipment	619,163	632,231
<b>Proceeds from disposal of property, plant and equipment</b>	<b><u>1,255,875</u></b>	<b><u>1,116,470</u></b>

#### 28. Key management compensation

During the period ended 31 March 2018, the group paid an amount of LE 21,082,664 as salaries to the key management members (31 March 2017: LE 19,768,627).

#### 29. 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 2010 and all due tax amounts paid.

For the years 2011-2012 the tax inspection was performed and the difference was sent to internal committee.

For the years 2013-2017 the Company is submitting 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 2013 and company paid tax due.
- As for the years 2014 and 2017 the tax inspection has not been performed and the company is submitting the quarterly tax return on due time to the Tax Authority.

###### c) Sales tax

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

###### d) Stamp duty tax

- The stamp duty tax inspection was performed till 2009 and company paid tax due.
- Years from 2010 till 2017 tax inspection has not been performed.

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

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

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#### Contingent liabilities (continued)

##### Digma for Trading Company

###### a) Corporate tax

The Company is subject to the corporate income tax according to tax law Law No, 91 of 2005 and amendments.

- The tax inspection was performed by the Tax Authority for the year from the Company's inception until year 2009 and the tax resulting from the tax inspection were settled and paid to the Tax Authority.
- For the years from 2010 to 2014 the tax inspection was performed and the difference was sent to internal committee.
- For the years from 2015 to 2017 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 2017 the Company submitted its quarter tax returns to Tax Authority on due dates.

###### c) Sales tax

- The tax inspection was performed until 31 December 2015 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The years 2016-2017 the Company submits its monthly sales tax return on due date.

###### d) Stamp tax

- The tax inspection was performed for the year from the Company's inception until 31 December 2008 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The tax inspection was performed for the years from 2009 to 2014 and the difference were sent to internal committee to study.
- For the years from 2015 to 2017 the Company paid the tax due.

##### Edita Confectionary Industries Company

###### a) Corporate tax

- The Company is subject to the corporate income tax according to tax law Law No. 91 of 2005 and 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 2017 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 2017.

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

### Notes to the consolidated interim financial statements "IFRS" For the three months period ended 31 March 2018

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

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#### Contingent Liabilities (continued)

##### 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 2017 and the Company submits its monthly sales tax return on due date.

##### d) Stamp Tax

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

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

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

The Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities. The uncovered portion of the letter of guarantee and letters of credit granted to the Company arising from ordinary course of business amounted to LE 37,453,365 as at 31 March 2018 (December 2017: LE 97,075,842).

##### (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. The uncovered portion of the letter of guarantee and letters of credit granted to the Company arising from ordinary course of business amounted to LE 1,311,778 as at 31 March 2018 (December 2017 : LE 1,295,821).

##### (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. The uncovered portion of the letter of guarantee and letters of credit granted to the Company arising from ordinary course of business at 31 March 2018 amounted to LE 1,936,757 (31 December 2017: LE 1,275,831)



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

**Notes to the consolidated interim financial statements “IFRS”  
For the three months period ended 31 March 2018**

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

**30. Financial instruments by category**

	<b>31 March 2018</b>	
	<b>Financial assets at amortised cost</b>	<b>Total</b>
<b>Assets as per balance sheet</b>		
Trade and other receivables (excluding non-financial assets)*	41,543,447	41,543,447
Cash and cash equivalents	64,831,786	64,831,786
Treasury bills	188,975,361	188,975,361
<b>Total</b>	<b>295,350,594</b>	<b>295,350,594</b>
	<b>31 March 2018</b>	
	<b>Other financial liabilities and amortised costs</b>	<b>Total</b>
<b>Liabilities as per balance sheet</b>		
Borrowings	807,956,182	807,956,182
Trade and other payables (excluding non-financial liabilities)**	390,064,294	390,064,294
Bank overdraft	79,187,202	79,187,202
<b>Total</b>	<b>1,277,207,678</b>	<b>1,277,207,678</b>
	<b>31 December 2017</b>	
	<b>Financial assets at amortised cost</b>	<b>Total</b>
<b>Assets as per balance sheet</b>		
Trade and other receivables (excluding non-financial assets)*	37,308,334	37,308,334
Cash and cash equivalents	35,991,510	35,991,510
Treasury bills	180,588,821	180,588,821
<b>Total</b>	<b>253,888,665</b>	<b>253,888,665</b>
	<b>31 December 2017</b>	
	<b>Other financial liabilities at amortised costs</b>	<b>Total</b>
<b>Liabilities as per balance sheet</b>		
Borrowings*	826,944,229	826,944,229
Trade and other payables (excluding non-financial liabilities)	364,811,764	364,811,764
Bank overdraft	96,121,849	96,121,849
<b>Total</b>	<b>1,287,877,842</b>	<b>1,287,877,842</b>

\* At the Balance sheet date, the carrying value of all financial assets and liabilities approximates the fair value due to its short maturity. The carrying amount of long-term borrowings also approximates the fair value as the loans carries variable interest rate.

\*\*Trade and other receivables presented above excludes prepaid expenses, advances to suppliers and taxes.

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

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

**Notes to the consolidated financial statements “IFRS”  
For the three months period ended 31 March 2018**

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

**31. Segment reporting**

(Amounts presented to the nearest thousands EGP)

	Cake		Croissant		Bake		Friska		Mimix		Other		Total	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Revenue	435,989	351,104	268,651	146,464	70,122	66,116	68,243	38,602	40,098	40,147	2,973	13	886,076	642,446
<b>Gross profit</b>	155,654	128,097	72,490	39,963	19,372	20,376	21,024	15,656	10,361	15,748	1,166	3	280,067	219,843
Profit from operations.	83,302	53,537	4,379	8,064	7,203	(3,224)	7,158	517	4,073	9,052	697	1	106,812	67,947
Debit interest	(16,794)	(14,770)	(10,348)	(6,161)	(2,701)	(2,781)	(2,629)	(1,624)	(1,545)	(1,689)	(114)	-	(34,130)	(27,025)
Credit interest	3,998	5,404	2,463	2,254	643	1,018	626	594	368	618	27	-	8,125	9,888
Income tax	(16,673)	(8,025)	-	(1,096)	(1,217)	-	(1,219)	(35)	(685)	(1,301)	(144)	-	(19,937)	(10,457)
<b>Net profit</b>	<b>53,834</b>	<b>36,146</b>	<b>(3,505)</b>	<b>3,061</b>	<b>3,928</b>	<b>(4,987)</b>	<b>3,936</b>	<b>(548)</b>	<b>2,211</b>	<b>6,680</b>	<b>468</b>	<b>1</b>	<b>60,870</b>	<b>40,353</b>

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

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

**Notes to the consolidated financial statements “IFRS”  
For the three months period ended 31 March 2018**

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

**32. Earnings before interest , taxes , depreciation & amortization :**

The information disclosed in the table below represents the earnings before interest , taxes , depreciation & amortization according to the internal reports prepared by the group’s management , and the earnings before interest , taxes , depreciation & amortization for the periods 31 March 2018 & 31 March 2017 were as follows :

	<u>31 March 2018</u>	<u>31 March 2017</u>
Net profit for the period	60,869,884	40,353,267
Income tax	19,937,258	10,457,388
Debit interest	32,410,734	22,797,928
Credit interest	(8,124,965)	(9,887,711)
Gain on sale of property, plant and equipment	(619,163)	(632,231)
Foreign exchange losses	1,719,054	4,227,129
Donation	-	-
Other provision addition	2,591,753	750,000
Depreciation of property , plant and equipment	34,837,145	26,416,451
Amortization of intangible assets	-	-
<b>Total</b>	<u><b>143,621,700</b></u>	<u><b>94,482,221</b></u>