

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

**REVIEW REPORT AND INTERIM CONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTHS
PERIOD ENDED 30 JUNE 2019**

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

Consolidated financial statements - For the six months period ended 30 June 2019

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Review report

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

Introduction

We have reviewed the accompanying consolidated statement of financial position of Edita Food Industries (S.A.E.) as at 30 June 2019 and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months period then ended, and notes comprising summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of review

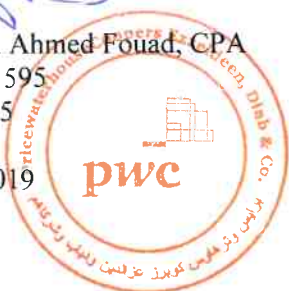
We conducted our review in accordance with Egyptian Standard on Review Engagements No. 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly in all material respects, the financial position of Edita Food Industries (S.A.E.) as at 30 June 2019, and of its financial performance and its cash flows for the Six months period then ended in accordance with Egyptian Accounting Standards.


Mohamed Ahmed Fouad, CPA
R.A.A. 11595
F.R.A. 235

30 July 2019
Cairo



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

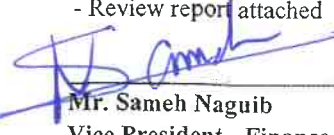
Consolidated statement of financial position - As of 30 June 2019

(All amounts in Egyptian Pounds)

	Note	30 June 2019	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	5	1,915,011,398	1,884,237,454
Intangible assets	6	169,041,299	169,921,078
Prepayments on future investment in subsidiary	7	-	10,850,159
Total non-current assets		2,084,052,697	2,065,008,691
Current assets			
Inventories	8	281,242,294	288,828,341
Trade and other receivables	10	158,421,712	128,179,325
Treasury bills	11	324,938,021	290,180,875
Cash and bank balances	12	178,260,017	63,579,745
Total current assets		942,862,044	770,768,286
Total assets		3,026,914,741	2,835,776,977
Equity and liabilities			
Equity attributable to owners of the parent			
Paid up capital	13	145,072,580	145,072,580
Legal reserve	14	73,265,674	73,265,674
Cumulative translation reserve		9,479	16,103
Transactions with non-controlling interest	15	(32,132,098)	-
Retained earnings		1,225,477,754	1,239,654,874
		1,411,693,389	1,458,009,231
Non-controlling interest	15	6,046,425	23,829,451
Net equity		1,417,739,814	1,481,838,682
Liabilities			
Non-current liabilities			
Term loans	16	482,822,627	495,564,577
Employee benefit obligations	17	8,272,034	6,621,193
Deferred income tax liabilities	18	160,143,955	158,168,693
Total non-current liabilities		651,238,616	660,354,463
Current liabilities			
Provisions	19	35,283,771	29,270,866
Bank overdraft	20	288,418,228	19,126,567
Trade and other payables	21	421,651,697	427,503,335
Current portion of term loans	16	187,124,768	211,049,595
Current income tax liabilities	22	25,457,847	6,633,469
Total current liabilities		957,936,311	693,583,832
Total equity and liabilities		3,026,914,741	2,835,776,977

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

- Review report attached


Mr. Sameh Naguib
Vice President - Finance


Eng. Hani Berzi
Chairman

30 July 2019
Giza

EDITA FOOD INDUSTRIES (S.A.E)
Consolidated statement of profit or loss - For the six months period ended 30 June 2019

(All amounts in Egyptian Pounds)

	Note	The six months period ended 30 June		The three months period ended 30 June	
		2019	2018	2019	2018
Revenue		1,845,021,560	1,675,284,350	862,840,392	789,208,576
Cost of sales	28	(1,200,020,365)	(1,167,261,041)	(569,218,614)	(562,827,677)
Gross profit		645,001,195	508,023,309	293,621,778	226,380,899
Other income	23	7,707,460	7,862,755	2,666,458	4,642,686
Distribution cost	28	(268,873,633)	(209,813,589)	(154,928,692)	(105,148,619)
General and administrative expenses	28	(135,969,847)	(122,510,623)	(69,626,196)	(58,574,803)
Other losses - net	24	(20,798,081)	(2,184,886)	(6,962,687)	(1,304,049)
Profit from operations		227,067,094	181,376,966	64,770,661	65,996,114
Finance cost - net	25	(6,735,013)	(49,101,740)	(6,000,305)	(23,096,917)
Profit before income tax		220,332,081	132,275,226	58,770,356	42,899,197
Income tax expense	26	(52,495,076)	(29,538,556)	(15,862,908)	(9,601,298)
Net profit for the period		167,837,005	102,736,670	42,907,448	33,297,899
Profit is attributable to					
Owners of the parent		172,457,880	101,487,114	48,851,387	33,034,689
Non-controlling interest		(4,620,875)	1,249,556	(5,943,939)	263,210
Net profit for the period		167,837,005	102,736,670	42,907,448	33,297,899
Basic earnings per share	27	0.24	0.14	0.07	0.05
Diluted earnings per share	27	0.24	0.14	0.07	0.05

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

EDITA FOOD INDUSTRIES (S.A.E)
Consolidated statement of comprehensive income - For the six months period ended 30 June 2019

(All amounts in Egyptian Pounds)

	The six months period ended 30 June		The three months period ended 30 June	
	2019	2018	2019	2018
Profit for the period	167,837,005	102,736,670	42,907,448	33,297,899
Other comprehensive (loss) / income				
Exchange differences on translation of foreign operation	(6,624)	34,180	17,013	7,961
Total comprehensive income for the period	167,830,381	102,770,850	42,924,461	33,305,860
Attributable to				
Owners of the parent	172,451,256	101,521,294	48,868,400	33,042,650
Non-controlling interest	(4,620,875)	1,249,556	(5,943,939)	263,210
Total comprehensive income for the period	167,830,381	102,770,850	42,924,461	33,305,860

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

EDITA FOOD INDUSTRIES (S.A.E)

Consolidated statement of changes in equity - For the six months period ended 30 June 2019

(All amounts in Egyptian Pounds)

	Share capital	Legal reserve	Cumulative translation reserve	Transactions with non-controlling interest	Retained earnings	Total Owners of the parent	Non-controlling interest	Total owners' equity
Balance at 1 January 2018	145,072,580	56,474,533	(205,502)	-	1,037,011,613	1,238,353,224	21,812,378	1,260,165,602
Change of equity in 2018								
Net Profit for the period	-	-	-	-	101,487,114	101,487,114	1,249,556	102,736,670
Currency translation differences	-	-	34,180	-	-	34,180	-	34,180
Total comprehensive income for the period	-	-	34,180	-	101,487,114	101,521,294	1,249,556	102,770,850
Shareholders transactions								
Declared dividends distribution for 2017	-	-	-	-	(115,282,540)	(115,282,540)	-	(115,282,540)
Balance at 30 June 2018	145,072,580	56,474,533	(171,322)	-	1,023,216,187	1,224,591,978	23,061,934	1,247,653,912
Balance at 1 January 2019	145,072,580	73,265,674	16,103	-	1,239,654,874	1,458,009,231	23,829,451	1,481,838,682
Change of equity in 2019								
Net Profit for the period	-	-	-	-	172,457,880	172,457,880	(4,620,875)	167,837,005
Currency translation differences	-	-	(6,624)	-	-	(6,624)	-	(6,624)
Total comprehensive income for the period	-	-	(6,624)	-	172,457,880	172,451,256	(4,620,875)	167,830,381
Shareholders transactions								
Non-controlling interest share in purchase of subsidiary (Note 15)	-	-	-	(32,132,098)	-	(32,132,098)	(23,165,685)	(55,297,783)
Non-controlling interest share in establishment of subsidiary (Note 15)	-	-	-	-	-	-	10,003,534	10,003,534
Declared dividends distribution for 2018	-	-	-	-	(186,635,000)	(186,635,000)	-	(186,635,000)
Balance at 30 June 2019	145,072,580	73,265,674	9,479	(32,132,098)	1,225,477,754	1,411,693,389	6,046,425	1,417,739,814

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

EDITA FOOD INDUSTRIES (S.A.E)

Consolidated statement of cash flows - For the six months period ended 30 June 2019

(All amounts in Egyptian Pounds)

	Notes	30 June 2019	30 June 2018
<u>Cash flows from operating activities</u>			
Profit for the period before income tax		220,332,081	132,275,226
Adjustments for:			
Provisions	24	11,177,653	1,500,000
Provisions no longer required	24	(182,830)	
Provision for employee benefit obligation	24	2,128,992	948,150
Interest expense	25	51,781,532	65,552,269
Interest income	25	(27,742,910)	(16,797,381)
Depreciation of property, plant and equipment	5	73,136,516	70,063,501
Amortization of Intangible assets	6	1,125,399	-
Provision of slow moving inventory	24	625,337	551,850
Gain on disposal of property, plant and equipment	24	(1,111,332)	(815,114)
		331,270,438	253,278,501
Inventories		10,151,246	52,206,062
Trade and other receivables		(30,242,387)	(11,978,895)
Trade and other payables		(4,256,860)	(88,188,302)
Provisions used		(8,172,454)	(1,762,883)
Payments of employee benefits obligation		(478,151)	
Dividends paid to Company's employees		(37,229,778)	(30,007,293)
Cash inflow from operating activities		261,042,054	173,547,190
Interest paid		(52,651,663)	(65,501,886)
Income tax paid		(31,695,439)	(19,779,970)
Net cash inflow from operating activities		176,694,952	88,265,334
<u>Cash flows from investing activities</u>			
Payment for property, plant and equipment		(104,459,646)	(33,820,262)
Payment for intangible assets		(245,620)	-
Proceeds from sale of property, plant and equipment		1,660,518	1,476,378
Cash acquired on establishment of subsidiary		10,850,159	-
Interest received		975,977	19,199,753
Payment for purchase of treasury bills		(300,983,733)	(191,969,753)
Proceeds from sale of treasury bills		611,800,000	172,035,645
Net cash inflow (outflow) from investing activities		219,597,655	(33,078,239)
<u>Cash flows from financing activities</u>			
Dividends paid to Company's shareholders		(151,000,000)	(85,000,000)
Payments to acquire non-controlling interest		(55,297,783)	-
Proceeds from non-controlling interest on the establishment of subsidiary		10,003,534	-
Repayments of borrowings		(138,032,646)	(67,107,236)
Proceeds from borrowings		102,236,000	54,958,932
Net cash outflow financing activities		(232,090,895)	(97,148,304)
Net Increase (decrease) in cash and cash equivalents		164,201,712	(41,961,209)
Cash and cash equivalents at beginning of the period		44,453,178	(60,130,339)
Effect of exchange rate on cash and cash equivalents		(6,624)	34,180
Cash and cash equivalents at end of the period	12	208,648,266	(102,057,368)

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

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

Notes to the consolidated financial statements - For the six months period ended 30 June 2019

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

1. General information

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

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

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

The main shareholders are Quantum Investment BV which owns 41.815% of the Company's share capital and the Bank of New York Mellon "depository bank for shares traded in London Stock Exchange" which manages 13.879% of the Company share capital and Exoder participation, "Exoder Limited", domiciled in Cyprus which owns 13.065% of the Company's share capital and Kingsway Fund Frontier Consumer Franchises which owns 4.483% of Company's share capital and other shareholders owning 26.758% of company's share capital.

These interim consolidated financial statements have been approved by Chairman and Managing Director on 30 July 2019.

2. 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 for all the years presented, unless otherwise stated.

A. Basis of preparation

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

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

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

Percentage of owner ship in subsidiaries

The group consists of the below companies as of 30 June 2019 and 31 December 2018 unless otherwise was noted and the percentage of the Group's share of the companies in is the direct ownership of the ordinary shares of the paid up capital only.

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

Notes to the consolidated financial statements - For the six months period ended 30 June 2019

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

Basis of preparation (continued)

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
		30 June 2019	31 December 2018	30 June 2019	31 December 2018
Digma for trading	Egypt	99.8%	99.8 %	0.2%	0.2 %
Edita Confectionery Industries	Egypt	99.98%	77.71 %	0.02%	22.29 %
Edita participation limited	Cyprus	100%	100 %	-	-
Edita Food Industries Morocco	Morocco	51%	-	49%	-

Financial information about the subsidiaries of the group as at 30 June 2019 and 30 June 2018

Name of subsidiary	Total Assets 30 June 2019	Total Equity 30 June 2019	Total Sales 30 June 2019	Net Profit / (loss)
				30 June 2019
Digma for trading	340,129,816	255,548,507	1,698,490,886	13,716,758
Edita Confectionery Industries	205,986,877	117,978,505	75,719,720	11,930,070
Edita participation limited	57,487,258	(3,055,789)	-	(853,872)
Edita Food Industries Morocco	16,949,634	10,924,162	-	(9,491,212)

Name of subsidiary	Total Assets 30 June 2018	Total Equity 30 June 2018	Total Sales 30 June 2018	Net Profit/ (loss)
				30 June 2018
Digma for trading	331,947,265	274,350,232	1,550,291,089	26,678,367
Edita Confectionery Industries	181,470,600	102,399,787	73,090,149	5,366,535
Edita participation limited	13,512,336	(1,358,156)	-	(1,086,014)

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

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

1- EAS No. (49) – “Leases”:

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

EAS No. (49) introduces a single lease accounting model for lease contracts. A lessee recognizes his right-of-use for assets and lease liability which represents his lease instalments liability. There are some exemptions for short-term lease contracts and assets lease contracts with low value.

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

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

Notes to the consolidated financial statements - For the six months period ended 30 June 2019

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

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

2- EAS No. (48) – “Revenue from contracts with customers”:

This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standards No. (1), (25), (26) and (40) should be adopted at the same time.

This standard established a comprehensive framework for determining how much and when revenues should be recognized. This standard replaces EAS No. (11) ‘revenues’ and EAS No. (8) ‘construction contracts’.

3- EAS No. (47) – “Financial instruments”:

This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standards No. (1), (25), (26) and (40) should be adopted at the same time.

The standard includes a new class of classification and impairment model for financial assets which reflects the business model in order to manage the assets and their cash flows through this business model.

EAS No. (47) replaced ‘incurred loss’ model in EAS No. (26) by ‘expected credit loss’ model.

C. Consolidation

i. Subsidiaries

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

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

1.1 Acquisition method

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

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

Acquisition-related costs are expensed as incurred.

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

Notes to the consolidated financial statements - For the six months period ended 30 June 2019

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

Consolidation (continued)

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

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

1.2 Changes in ownership interests in subsidiaries without change of control

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

1.3 Disposal of subsidiaries

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

1.4 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

1.5 Measurement period:

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

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

Notes to the consolidated financial statements - For the six months period ended 30 June 2019

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

Consolidation (continued)

ii. Associates

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

2.1 Equity accounting method

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

2.2 Changes in owner's equity

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

2.3 The losses of an associate:

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

2.4 Transactions with associates

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

2.5 Goodwill arisen from investments in associates

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

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

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

Notes to the consolidated financial statements - For the six months period ended 30 June 2019

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

D. Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

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

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

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

(3) Group companies

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

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

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

All resulting exchange differences are recognised in other comprehensive income.

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

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

Foreign currency translation (continued)

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

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

E. Property, plant and equipment

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

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

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

Estimated useful lives of assets are as follows:

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

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

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

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

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

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

F. Intangible assets

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

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

Computer software

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

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

G. Impairment of non-financial assets

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

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

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

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

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

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

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

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

H. Inventories

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

I. Financial assets

(1) Classification

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents' in the statement of financial position.

(b) Held to maturity financial assets

The group classifies financial assets as held-to-maturity if they are non-derivative financial assets and have fixed or determinable payments and fixed maturities and the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

(2) Initial recognition and measurement

Financial asset is recognised on trade-date, the date on which the group commits to the contractual provision of the financial assets.

At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

(3) Subsequent Measurement

Loans, receivables, and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method. Interest calculated is recognised in the statement of profit or loss as part of Finance cost- net.

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

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Financial assets (continued)

(4) Derecognition

A financial asset is derecognised the end period of validity of the contractual right to receive cash flows from the financial asset ends, or the Group has transferred the risks and rewards of ownership of the asset financial materially.

A financial asset is derecognized with the book value at the date of the derecognition, and are recognized profit / (loss) arisen from the derecognition is recognized in the statement of profit or loss in the gains / (loss) on investment

The gains / (loss) from derecognition of the financial asset is the difference between the book value at the date of disposal and the proceeds received from the financial asset de recognition in addition to the accumulated gain or loss previously included in other comprehensive income items.

J. Impairment of financial assets

Assets recognized and measured at amortized cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults to the group's assets.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

K. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. And the asset is impaired by the amount of the provision and the losses are recognised at the statement profit and loss and write off the doubtful debts from their associated provisions and recognize any subsequent recoveries as profit in the statement of profit or loss.

L. Cash and cash equivalents

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

M. Share capital

Ordinary shares are classified as equity.

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

N. Borrowings

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

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

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

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

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

O. Borrowings costs

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

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

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

P. Current and deferred income tax

The group recognizes the tax expense for the period, comprises current and deferred tax. in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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Current and deferred income tax (continued)

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

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

Q. Employee benefits

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

a. Pension obligations

Defined contribution plan

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

Defined benefit plan

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

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

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

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

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

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Employee benefits (continued)

b. Termination benefits

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

c. Profit-sharing and bonus plans

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

R. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Group recognizes the necessary commitments for restructuring and non-related activities of the Group in the provision for restructuring costs.

Contingent liability is a present obligation that arises from past events but is not recognized because it is not probable that an out flow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are only disclosed in the consolidated financial statement and not recognized.

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

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

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

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S. Contingent assets

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

T. Trade payables & other credit balances

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

U. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of sales tax, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, 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 amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(1) Sales of goods

Sales of goods are recognised when delivered products to the wholesalers, the wholesaler has full discretion over the price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been delivered either in the Group warehouse or in the wholesalers' locations depend on the agreements, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. And no element of financing is deemed present as the sales are made with a short credit term.

(2) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount.

(3) Dividend income

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

(4) Government incentive on export sales

The Group recognizes a subsidy against exporting some of its production and is calculated based on a percentage from the total exported goods. Export subsidy is recognized in the statement of profit or loss as other income.

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V. Dividend Distribution

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

W. Operating lease

Leases where 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 statement of profit or loss on a straight-line basis over the period of the lease.

X. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker for the group. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer for the holding company.

Y. Comparative figures

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

3. Financial risk management

(1) Financial risk factors

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

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

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Financial risk management (continued)

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

(A) Market risk

(i) Foreign currency exchange risk

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

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

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

	30 June 2019	30 June 2018
Amounts recognised in profit or loss		
Net foreign exchange gains / (loss) included in finance cost	17,303,609	(346,852)
	17,303,609	(346,852)
Net (Losses) / income recognised in other comprehensive income		
Foreign currency translation reserve – net of tax	(6,624)	34,180
	(6,624)	34,180

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

	30 June 2019			31 December 2018
	Assets	Liabilities	Net	Net
Euros	23,315,016	(75,223,234)	(51,908,218)	(63,155,160)
US Dollars	118,229,264	(294,912,203)	(176,682,939)	(249,598,178)

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

Financial risk management (continued)

Amounts recognised in profit or loss

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

Sensitivity analysis

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

Euro/EGP

At 30 June 2019, if the Egyptian Pounds had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the period would have been LE 5,190,822 (31 December 2018: LE 6,315,516) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

USD/EGP

At 30 June 2019, if the Egyptian Pounds had weakened / strengthened by 10% against the US Dollars with all other variables held constant, post tax profit for the period would have been LE 17,668,294 (31 December 2018: LE 24,959,818) higher / lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets and liabilities.

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

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

At 30 June 2019, if interest rates on Egyptian pound -denominated net interest bearing liabilities had been 1% higher/lower with all other variables held constant, post-tax profit for the period would have been LE 9,583,656 (31 December 2018: LE 7,257,407) lower/higher interest expense on floating rate borrowings.

Borrowings at the balance sheet date with variable interest rate amounted to LE 669,947,395 (31 December 2018: LE 706,614,172)

Overdraft at the balance sheet on 30 June 2019 amounted to LE 288,418,228 (31 December 2018: LE 19,126,567)

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Financial risk management (continued)

(B) Credit risk

(i) Risk management

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

(ii) Security

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

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

(iii) Credit quality

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

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

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

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

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

Trade receivables

Counter parties without external credit rating:

	30 June 2019	31 December 2018
Trade and notes receivables	31,711,748	48,311,880
Total	31,711,748	48,311,880

Outstanding trade receivables are current and not impaired.

Cash at bank and short-term bank deposits:

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

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Financial risk management (continued)

(C) Liquidity risk

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

The table below summarizes the maturities of the Group's undiscounted financial liabilities at 30 June 2019 based on contractual payment dates and current interest rates as we had excluded the taxes payable, advances from customers and social insurance:

		Between		
At 30 June 2019	Less than	6 month &	Between	More than
	6 month	1 year	1 & 2 years	2 years
Loans	88,467,634	91,235,113	172,637,879	310,184,748
Future interest payments	41,670,038	33,387,801	49,365,934	47,349,448
Trade and other payables	319,106,985	-	-	-
Bank overdraft	288,418,228	-	-	-
Notes payable	53,669,861	-	-	-
Total	791,332,746	124,622,914	222,003,813	357,534,196
At 31 December 2018				
Loans	94,507,002	108,250,441	187,050,382	308,514,195
Future interest payments	49,055,203	40,061,651	61,135,771	61,288,204
Trade and other payables	261,982,993	-	-	-
Bank overdraft	19,126,567	-	-	-
Notes payable	99,686,739	267,721	-	-
Total	524,358,504	148,579,813	248,186,153	369,802,399

The amount of unused credit facility is USD 13.9M and Euro 62k as of 30 June 2019 (31 December 2018: EGP 8,000,000) also the Company will have future interest payments related to Loans amounted to LE 171,773,221 (31 December 2018: EGP 211,540,829).

i. Capital risk management

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

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

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

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Financial risk management (continued)

The gearing ratio at 30 June 2019 and 31 December 2018 were as follows:

	30 June 2019	31 December 2018
Total Loans	669,947,395	706,614,172
Bank Overdraft	288,418,228	19,126,567
Total Loans and overdraft	958,365,623	725,740,739
Less: Cash and bank balances	(178,260,017)	(63,579,745)
Net debt	780,105,606	662,160,994
Total equity	1,417,739,814	1,481,838,682
Total capital	2,197,845,420	2,143,999,676
Gearing ratio	35%	31%

The increase in the gearing ratio mainly results from obtaining new overdraft facilities during the period.

Loan covenants

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

- The debt to equity ratio must be not more than 1:1.
- Debt service ratio shall not fall below 1.2.
- Leverage ratio shall not exceed 1.5:1.
- Current ratio shall not be less than 0.8
- Liabilities to Tangible Net Worth Ratio of not more than 1.5;
- Net Financial Debt to EBITDA Ratio of not more than 1.8;
- Adjusted PPE to Financial Debt Ratio of not less than 2.2; and
- Days Payable Ratio of not more than 75 days

As of 30 June 2019, the Group was in compliance with the debt covenants.

ii. Fair value estimation

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

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4. Critical accounting estimates and judgments

(A) Critical accounting estimates and assumptions

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

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

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

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

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

Employee benefit retirement obligation

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

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

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

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

Revenue recognition

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

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5. Property, plant and equipment

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
At 1 January 2018								
Cost	120,908,260	881,187,062	1,057,570,462	161,934,695	100,478,878	86,871,590	43,152,742	2,452,103,689
Accumulated depreciation	-	(94,854,984)	(239,238,823)	(82,720,305)	(52,317,066)	(55,362,985)	-	(524,494,163)
Net book amount	120,908,260	786,332,078	818,331,639	79,214,390	48,161,812	31,508,605	43,152,742	1,927,609,526
Year ended 31 December 2018								
Opening net book amount	120,908,260	786,332,078	818,331,639	79,214,390	48,161,812	31,508,605	43,152,742	1,927,609,526
Additions	-	-	5,432,630	30,550,100	9,214,424	6,833,293	45,145,752	97,176,199
Depreciation charge	-	(35,429,474)	(52,450,786)	(22,646,852)	(15,645,831)	(13,327,846)	-	(139,500,789)
Accumulated depreciation of disposals	-	-	466,675	10,573,628	758,075	1,288,135	-	13,086,513
Disposals	-	-	(466,675)	(11,586,168)	(758,075)	(1,323,077)	-	(14,133,995)
Transfers from projects under construction	-	42,701,115	15,996,627	-	5,557,650	850,968	(65,106,360)	-
Closing net book amount	120,908,260	793,603,719	787,310,110	86,105,098	47,288,055	25,830,078	23,192,134	1,884,237,454
At 31 December 2018								
Cost	120,908,260	923,888,177	1,078,533,044	180,898,627	114,492,877	93,232,774	23,192,134	2,535,145,893
Accumulated depreciation	-	(130,284,458)	(291,222,934)	(94,793,529)	(67,204,822)	(67,402,696)	-	(650,908,439)
Net book amount	120,908,260	793,603,719	787,310,110	86,105,098	47,288,055	25,830,078	23,192,134	1,884,237,454
Period ended 30 June 2019								
Opening net book amount	120,908,260	793,603,719	787,310,110	86,105,098	47,288,055	25,830,078	23,192,134	1,884,237,454
Additions	-	-	965,980	43,041,838	7,989,228	3,284,974	49,177,626	104,459,646
Depreciation charge	-	(18,295,696)	(26,825,843)	(13,113,505)	(8,539,503)	(6,361,969)	-	(73,136,516)
Accumulated depreciation of disposals	-	-	-	1,663,694	8,600	10,494	-	1,682,788
Disposals	-	-	-	(2,212,880)	(8,600)	(10,494)	-	(2,231,974)
Transfers from Projects under construction	-	11,633,150	36,009,540	-	539,134	262,668	(48,444,492)	-
Closing net book amount	120,908,260	786,941,173	797,459,787	115,484,245	47,276,914	23,015,751	23,925,268	1,915,011,398
At 30 June 2019								
Cost	120,908,260	935,521,327	1,115,508,564	221,727,585	123,012,639	96,769,922	23,925,268	2,637,373,565
Accumulated depreciation	-	(148,580,154)	(318,048,777)	(106,243,340)	(75,735,725)	(73,754,171)	-	(722,362,167)
Net book amount at 30 June 2019	120,908,260	786,941,173	797,459,787	115,484,245	47,276,914	23,015,751	23,925,268	1,915,011,398

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Property, plant and equipment (continued)

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

	30 June 2019	31 December 2018
Charged to cost of sales	51,136,577	98,571,143
Charged to distribution costs	12,813,589	23,996,918
Charged to administrative expenses	9,186,350	16,932,728
	73,136,516	139,500,789

The project under construction represents the following Categories:

	30 June 2019	31 December 2018
Buildings	9,608,072	15,037,717
Machinery and equipment	13,612,306	7,916,795
Tools and equipment	253,736	192,345
Technical and other installations	451,154	45,277
	23,925,268	23,192,134

Cash flow statement

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

	30 June 2019	30 June 2018
Net book value of the assets disposed	549,186	661,264
Gain on sale of property, plant and equipment (Note 24)	1,111,332	815,114
	1,660,518	1,476,378

6. Intangible assets

30 June 2019				
	Trademark (A)	Know how (B)	Software (C)	Total
Cost	131,480,647	31,430,995	9,345,914	172,257,556
Additions	-	-	245,620	245,620
Accumulated amortisation	-	-	(3,461,877)	(3,461,877)
Balance as of	131,480,647	31,430,995	6,129,657	169,041,299

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

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Intangible assets (continued)

A. Trademark

	Trade Mark (HOHOS, Twinkies & Tiger Tail)	
	30 June 2019	31 December 2018
Cost		
Opening Balance	131,480,647	131,480,647
Balance as of	131,480,647	131,480,647

The intangible assets in the amount of ten million US Dollars equivalent to LE 68,618,658 paid against buying all the rights to the trademarks (HOHOS, Twinkies & Tiger Tail) and the consequences of this acquisition of the trademark in the countries of Egypt, Jordan, Libya and Palestine these rights do not have a definite time, and on the 16th of April 2015 the Group had signed a new contract for the expanding the scope of the rights to the trademarks (Hohos, Twinkies, and Tiger Tail) to include Algeria, Bahrain, Iraq, Kuwait, Lebanon, Morocco, Oman, Qatar, Kingdom of Saudi Arabia, Syria, Tunisia, United Arab Emirates and this trademarks have infinite useful lives, and the this is against USD 8 Million equivalent to EGP 62,861,989.

B. Know how

	Know How	
	30 June 2019	31 December 2018
Cost		
Opening balance	31,430,995	31,430,995
Balance as of	31,430,995	31,430,995

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

C. Software

	Software	
	30 June 2019	31 December 2018
Cost		
Opening balance	7,009,436	9,345,914
Additions	245,620	-
Amortization expense for the period	(1,125,399)	(2,336,478)
Balance as of	6,129,657	7,009,436

D. Impairment test for infinite life intangible assets

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

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Intangible assets (continued)

E. Recoverable amount of cake segment

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

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

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

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

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

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

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

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

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Intangible assets (continued)

Sensitivity of recoverable amounts

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

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

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

7. Prepayments on future investment in subsidiary

On 14 March 2018, the company has signed a shareholder's agreement with Morocco's Dislog Group & Technicia middle east trading company for the purpose of establishing a new company in the Kingdom of Morocco, Edita Food Industries Morocco. The terms of the agreement stipulate that Edita will be the controlling owner of the new company with 51% stake. The company has paid an amount of EGP 10,850,159 which represent 25% of its share capital of the new company. The registration and establishment were finalized during the first quarter of the year 2019.

8. Inventories

	30 June 2019	31 December 2018
Raw and packaging materials	175,711,056	187,074,081
Finished goods	44,867,318	43,280,500
Spare parts	44,642,110	45,942,680
Work in process	11,622,660	11,684,556
Consumables	6,281,167	5,293,740
Total	283,124,311	293,275,557
Less: allowance for decline in value	(1,882,017)	(4,447,216)
Net	281,242,294	288,828,341

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

During the period ended 30 June 2019, there has been a slow moving and obsolete inventory amounted to LE 625,337 (30 June 2018: LE 551,850) (Note 24) and the cost of write down amounted to LE 3,190,536 (30 June 2018: LE 611,481).

The cost of inventory recognized as an expense and included in cost of sales amounted to LE 919,693,730 during the period ended 30 June 2019 (30 June 2018: LE 919,305,185).

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9. Financial instrument by category

The group holds the following financial instruments:

	30 June 2019	31 December 2018
Financial assets at amortised cost		
Trade and other receivables (non-financial assets)*	49,190,964	63,605,689
Cash and bank balances	178,260,017	63,579,745
Treasury bills	324,938,021	290,180,875
Total	552,389,002	417,366,309
	30 June 2019	31 December 2018
Financial liabilities at amortised cost		
Loans	669,947,395	706,614,172
Trade and other payables (excluding non-financial liabilities)*	372,776,846	361,937,453
Bank overdraft	288,418,228	19,126,567
Total	1,331,142,469	1,087,678,192

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

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

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

10. Trade and other receivables

	30 June 2019	31 December 2018
Trade receivables	30,118,640	45,439,750
Notes receivable	1,593,108	2,872,130
Total	31,711,748	48,311,880
Less: Provision for impairment of trade receivables	(20,556)	(20,556)
	31,691,192	48,291,324
Advances to suppliers	39,689,399	39,866,322
Prepaid expenses	38,631,076	8,813,890
Deposits with others	14,275,023	12,326,569
Other current assets	2,842,762	2,537,032
Value added tax – receivables	30,910,273	15,893,424
Letters of credit	283,309	228,366
Employee loans	98,678	222,398
Total	158,421,712	128,179,325

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11. Treasury bills

	30 June 2019	31 December 2018
Treasury bills par value	332,800,000	297,450,000
Unearned interest	(27,359,791)	(41,755,105)
Amount of treasury bills paid	305,440,209	255,694,895
Interest income recognized to profit or loss	19,497,812	34,485,980
Treasury bills balance	324,938,021	290,180,875

The Company purchased Egyptian treasury bills on 1 January 2019 with par value amounted LE 10,000,000 with an annual interest of 19.72%. These treasury bills were due in 2 April 2019. The total recognized interest income amounted to LE 468,600.

The Company purchased Egyptian treasury bills on 13 January 2019 with par value amounted LE 27,150,000 with an annual interest of 18.73%. These treasury bills were due in 9 April 2019. The total recognized interest income amounted to LE 1,147,630

The Company purchased Egyptian treasury bills on 15 January 2019 with par value amounted LE 18,775,000 with an annual interest of 18.73%. These treasury bills were due in 9 April 2019. The total recognized interest income amounted to LE 775,785.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 10,500,000 with an annual interest of 18.30%. These treasury bills were due in 14 May 2019. The total recognized interest income amounted to LE 458,115

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 30,000,000 with an annual interest of 18.26%. These treasury bills were due in 14 May 2019. The total recognized interest income amounted to LE 1,306,200.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 25,000,000 with an annual interest of 18.24%. These treasury bills were due in 14 May 2019. The total recognized interest income amounted to LE 1,087,500.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 20,000,000 with an annual interest of 18.22%. These treasury bills were due in 14 May 2019. The total recognized interest income amounted to LE 869,000.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 15,000,000 with an annual interest of 18.20%. These treasury bills were due in 14 May 2019. The total recognized interest income amounted to LE 651,150.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 12,000,000 with an annual interest of 18.19%. These treasury bills were due in 14 May 2019. The total recognized interest income amounted to LE 520,560.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 7,500,000 with an annual interest of 18.30%. These treasury bills were due in 14 May 2019. The total recognized interest income amounted to LE 327,225

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Treasury bills (continued)

The Company purchased Egyptian treasury bills on 6 March 2019 with par value amounted LE 11,475,000 with an annual interest of 17.39%. These treasury bills were due in 4 June 2019. The total recognized interest income amounted to LE 471,852.

The Company purchased Egyptian treasury bills on 12 March 2019 with par value amounted LE 20,000,000 with an annual interest of 17.35%. These treasury bills were due in 11 June 2019. The total recognized interest income amounted to LE 829,200.

The Company purchased Egyptian treasury bills on 12 March 2019 with par value amounted LE 26,950,000 with an annual interest of 17.35%. These treasury bills were due in 11 June 2019. The total recognized interest income amounted to LE 1,117,347.

The Company purchased Egyptian treasury bills on 19 March 2019 with par value amounted LE 20,475,000 with an annual interest of 17.34%. These treasury bills were due in 18 June 2019. The total recognized interest income amounted to LE 848,484

The Company purchased Egyptian treasury bills on 19 March 2019 with par value amounted LE 9,525,000 with an annual interest of 17.52%. These treasury bills were due in 18 June 2019. The total recognized interest income amounted to LE 398,621

The Company purchased Egyptian treasury bills on 19 March 2019 with par value amounted LE 30,000,000 with an annual interest of 17.48%. These treasury bills were due in 18 June 2019. The total recognized interest income amounted to LE 1,252,800.

The Company purchased Egyptian treasury bills on 19 March 2019 with par value amounted LE 20,000,000 with an annual interest of 17.50%. These treasury bills were due in 18 June 2019. The total recognized interest income amounted to LE 836,200.

The Company purchased Egyptian treasury bills on 2 April 2019 with par value amounted LE 10,000,000 with an annual interest of 17.35%. These treasury bills are due in 2 July 2019. The total recognized interest income amounted to LE 405,488.

The Company purchased Egyptian treasury bills on 2 April 2019 with par value amounted LE 2,500,000 with an annual interest of 17.45%. These treasury bills are due in 2 July 2019. The total recognized interest income amounted to LE 101,935.

The Company purchased Egyptian treasury bills on 2 April 2019 with par value amounted LE 4,500,000 with an annual interest of 17.40%. These treasury bills are due in 2 July 2019. The total recognized interest income amounted to LE 182,998.

The Company purchased Egyptian treasury bills on 9 April 2019 with par value amounted LE 20,000,000 with an annual interest of 17.59%. These treasury bills are due in 9 July 2019. The total recognized interest income amounted to LE 757,103.

The Company purchased Egyptian treasury bills on 9 April 2019 with par value amounted LE 15,000,000 with an annual interest of 17.63%. These treasury bills are due in 9 July 2019. The total recognized interest income amounted to LE 569,044.

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Treasury bills (continued)

The Company purchased Egyptian treasury bills on 9 April 2019 with par value amounted LE 10,000,000 with an annual interest of 17.58%. These treasury bills are due in 9 July 2019. The total recognized interest income amounted to LE 379,814.

The Company purchased Egyptian treasury bills on 14 May 2019 with par value amounted LE 12,000,000 with an annual interest of 17.56%. These treasury bills are due in 13 August 2019. The total recognized interest income amounted to LE 259,936.

The Company purchased Egyptian treasury bills on 14 May 2019 with par value amounted LE 30,000,000 with an annual interest of 17.51%. These treasury bills are due in 13 August 2019. The total recognized interest income amounted to LE 648,135.

The Company purchased Egyptian treasury bills on 14 May 2019 with par value amounted LE 9,000,000 with an annual interest of 17.65%. These treasury bills are due in 13 August 2019. The total recognized interest income amounted to LE 195,184.

The Company purchased Egyptian treasury bills on 14 May 2019 with par value amounted LE 25,000,000 with an annual interest of 17.52%. These treasury bills are due in 13 August 2019. The total recognized interest income amounted to LE 540,371.

The Company purchased Egyptian treasury bills on 14 May 2019 with par value amounted LE 20,000,000 with an annual interest of 17.53%. These treasury bills are due in 13 August 2019. The total recognized interest income amounted to LE 432,503.

The Company purchased Egyptian treasury bills on 14 May 2019 with par value amounted LE 15,000,000 with an annual interest of 17.55%. These treasury bills are due in 13 August 2019. The total recognized interest income amounted to LE 324,765.

The Company purchased Egyptian treasury bills on 14 May 2019 with par value amounted LE 15,000,000 with an annual interest of 17.54%. These treasury bills are due in 13 August 2019. The total recognized interest income amounted to LE 324,609.

The Company purchased Egyptian treasury bills on 4 June 2019 with par value amounted LE 2,500,000 with an annual interest of 17.71%. These treasury bills are due in 3 September 2019. The total recognized interest income amounted to LE 30,207.

The Company purchased Egyptian treasury bills on 4 June 2019 with par value amounted LE 5,000,000 with an annual interest of 17.69%. These treasury bills are due in 3 September 2019. The total recognized interest income amounted to LE 60,342.

The Company purchased Egyptian treasury bills on 4 June 2019 with par value amounted LE 5,000,000 with an annual interest of 17.67%. These treasury bills are due in 3 September 2019. The total recognized interest income amounted to LE 60,286.

The Company purchased Egyptian treasury bills on 11 June 2019 with par value amounted LE 8,000,000 with an annual interest of 17.72%. These treasury bills are due in 10 September 2019. The total recognized interest income amounted to LE 70,672.

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

Notes to the consolidated financial statements For the six months period ended 30 June 2019

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

Treasury bills (continued)

The Company purchased Egyptian treasury bills on 11 June 2019 with par value amounted LE 10,000,000 with an annual interest of 17.70%. These treasury bills are due in 10 September 2019. The total recognized interest income amounted to LE 88,235.

The Company purchased Egyptian treasury bills on 11 June 2019 with par value amounted LE 13,000,000 with an annual interest of 17.68%. These treasury bills are due in 10 September 2019. The total recognized interest income amounted to LE 114,597.

The Company purchased Egyptian treasury bills on 11 June 2019 with par value amounted LE 17,000,000 with an annual interest of 17.67%. These treasury bills are due in 10 September 2019. The total recognized interest income amounted to LE 149,787.

The Company purchased Egyptian treasury bills on 18 June 2019 with par value amounted LE 25,000,000 with an annual interest of 17.67%. These treasury bills are due in 17 September 2019. The total recognized interest income amounted to LE 139,121.

The Company purchased Egyptian treasury bills on 18 June 2019 with par value amounted LE 20,000,000 with an annual interest of 17.69%. These treasury bills are due in 17 September 2019. The total recognized interest income amounted to LE 111,402.

The Company purchased Egyptian treasury bills on 18 June 2019 with par value amounted LE 15,000,000 with an annual interest of 17.70%. These treasury bills are due in 17 September 2019. The total recognized interest income amounted to LE 83,591.

The Company purchased Egyptian treasury bills on 18 June 2019 with par value amounted LE 13,800,000 with an annual interest of 17.72%. These treasury bills are due in 17 September 2019. The total recognized interest income amounted to LE 76,995.

The Company purchased Egyptian treasury bills on 18 June 2019 with par value amounted LE 5,500,000 with an annual interest of 17.72%. These treasury bills are due in 17 September 2019. The total recognized interest income amounted to LE 12,786.

The Company purchased Egyptian treasury bills on 25 June 2019 with par value amounted LE 5,000,000 with an annual interest of 17.74%. These treasury bills are due in 17 September 2019. The total recognized interest income amounted to LE 11,637.

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

Notes to the consolidated financial statements For the six months period ended 30 June 2019

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

12. Cash and bank balances

	30 June 2019	31 December 2018
Bank deposits	37,000	37,000
Cash at banks and on hand	178,223,017	63,542,745
Cash and bank balances (excluding bank overdrafts)	178,260,017	63,579,745

During the year ended 30 June 2019, The average interest rate on local currency time deposits is 11.5% (31 December 2018: 12.5%).

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

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

	30 June 2019	31 December 2018
Cash and bank balances	178,260,017	63,579,745
Treasury bills with maturities of 3 months or less	318,806,477	135,136,321
Bank overdraft (Note 20)	(288,418,228)	(19,126,567)
Total	208,648,266	179,589,499

13. 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%
	362,681,450	72,536,290	100%

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

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

Notes to the consolidated financial statements For the six months period ended 30 June 2019

(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 30 June 2019:

Shareholders	No. of shares	Shares value	Percentage of ownership
Quantum Investment BV	303,308,300	60,661,660	41.815%
The Bank of New York Mellon "depository bank for shares traded in London Stock Exchange"	100,669,570	20,133,914	13.879%
Exoder Ltd.	94,769,464	18,953,893	13.065%
Kingsway Fund Frontier Consumer Franchises	32,519,302	6,503,860	4.483%
Others (Public stocks)	194,096,264	38,819,253	26.758%
	725,362,900	145,072,580	100%

14. Legal reserve

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

15. Non-controlling interest

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

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

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

Notes to the consolidated financial statements For the six months period ended 30 June 2019

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

Non-controlling interest (continued)

	Paid up capital	Legal reserves	Revaluation assets reserve	Accumulated losses	30 June 2019	Total 31 December 2018
Balance at 1 January	22,823,330	593,605	38,162	374,354	23,829,451	21,812,378
Non-controlling share in profit of subsidiaries	-	-	-	(4,620,875)	(4,620,875)	2,178,888
Total comprehensive income for the year	-	-	-	(4,620,875)	(4,620,875)	2,178,888
Shareholders transactions	-	-	-	-	-	-
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	-	-	(161,815)
Non-controlling interest share in purchase of subsidiary	(22,792,870)	-	-	(372,815)	(23,165,685)	-
Non-controlling interest share in establishment of subsidiary	10,003,534	-	-	-	10,003,534	-
Transfer to legal reserve	-	-	-	-	-	-
Shareholders transactions	(12,789,336)	-	-	(372,815)	(13,162,151)	(161,815)
Balance at period end	10,033,994	593,605	38,162	(4,619,336)	6,046,425	23,829,451

16. Loans

	30 June 2019			31 December 2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Loans	187,124,768	482,822,627	669,947,395	211,049,595	495,564,577	706,614,172
	<u>187,124,768</u>	<u>482,822,627</u>	<u>669,947,395</u>	<u>211,049,595</u>	<u>495,564,577</u>	<u>706,614,172</u>

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

	30 June 2019	31 December 2018
Balance due within 1 year	179,702,747	202,757,443
Accrued interest	7,422,021	8,292,152
	<u>187,124,768</u>	<u>211,049,595</u>

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

Notes to the consolidated financial statements For the six months period ended 30 June 2019

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

Loans (continued)

(1) Edita Food Industries Company

	30 June 2019			31 December 2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	-	-	-	9,447,260	-	9,447,260
Second loan	36,815,820	20,055,890	56,871,710	45,226,910	30,451,671	75,678,581
Third loan	20,086,000	27,000,000	47,086,000	20,587,500	36,000,000	56,587,500
Fourth loan	39,323,005	76,367,784	115,690,789	41,154,405	99,448,641	140,603,046
Fifth loan	57,839,484	201,966,891	259,806,375	60,986,236	245,006,121	305,992,357
Sixth loan	11,625,266	17,229,508	28,854,774	14,787,355	29,574,710	44,362,065
Seventh loan	8,998,562	17,966,554	26,965,116	10,833,374	27,083,434	37,916,808
Eighth loan	303,871	62,012,000	62,315,871	-	-	-
Total	174,992,009	422,598,627	597,590,635	203,023,040	467,564,577	670,587,617

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

	30 June 2019	31 December 2018
Balance due within 1 year	167,702,747	194,757,443
Accrued interest	7,289,261	8,265,597
Total	174,992,008	203,023,040

- First loan:**

This loan was provided by a financial institution in January 2014 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000. As of 30 June 2019, the loan was paid in full.

Interest:

The interest rate is 1 % above lending rate of central bank of Egypt.

Fair value:

Fair value is approximately equal to book value.

- Second loan:**

This loan was provided by a financial institution in September 2014 based on a cross guarantee issued from Digma Trading Company amounted to LE 185,000,000. The loan outstanding balance at 30 June 2019 after payment of due instalment amounted to LE 28,952,347 and USD 1,462,496 in addition to accrued interests.

Terms of payments:

Edita Food Industries S.A.E. is obligated to Pay LE 28,952,355 on 3 equal semi-annual instalment; each instalment is amounted to LE 9,650,785 In addition. The company is obligated to pay 1,462,496 USD on 3 semi-annual instalments; the first instalment equals USD 220,832 and the other instalments amounts to 620,832 USD. The first EGP & USD instalment is due on July 2019 and the last on July 2020.

Interest:

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

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

Notes to the consolidated financial statements For the six months period ended 30 June 2019

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

Loans (continued)

Fair value:

Fair value is approximately equal to book value.

- **Third loan:**

This loan was provided by a financial institution in April 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 90,000,000. The loan outstanding balance at 30 June 2019 amounted to LE 45,000,000 in addition to accrued interests.

Terms of payments:

Edita Food Industries S.A.E. is obligated to Pay LE 45,000,000 on 5 equal semi-annual instalment; each instalment is amounted to LE 9,000,000. The first instalment is due in October 2019 and the last in October 2021.

Interest:

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

Fair value:

Fair value is approximately equal to book value

- **Fourth loan:**

This loan was provided by a financial institution in September 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 202,234,888. The loan outstanding balance at 30 June 2019 amounted to LE 47,697,513 and USD 3,988,812 in addition accrued interests.

Terms of payments:

Edita Food Industries S.A.E. is obligated to Pay EGP 47,697,513 / USD 3,988,812 on 6 equal semi-annual instalments; each instalment is amounted to EGP 7,949,586 / USD 664,802 the first instalment is due on October 2019 and the last on April 2022. Total loan value and accrued interest to be paid to the bank in local currency without any obligation on the Company to pay foreign currency.

Interest:

The interest rate is 1% above mid corridor rate of Central Bank of Egypt and 4.5% above the Libor rate 1 month.

Fair value:

Fair value is approximately equal to book value.

- **Fifth loan:**

This loan was provided by a financial institution in September 2016 based on a cross guarantee issued from Digma Trading Company amounted to LE 220,000,000 and 6,000,000 Euro. The total outstanding balance is LE 180,000,000 plus 2,809,565 Euro, plus 1,556,109 USD on 30 June 2019 in addition to accrued interest.

Terms of payments:

Edita Food Industries S.A.E. is obligated to Pay LE 180,000,000, 2,809,565 Euro, and 1,556,109 USD on 9 equal semi-annual instalments; each instalment is amounted to LE 20,000,000 and 312,174 Euro and 172,901 USD the first instalment is due on September 2019 and the last on September 2023.

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

Loans (continued)

Interest:

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

Fair value:

Fair value is approximately equal to book value.

- **Sixth loan:**

On November 2017, the Company signed an agreement with a financial institution to transfer an overdraft facility balance amounting to LE 9,914,422 and USD 2,741,370 into a term loan. The loan outstanding balance at 30 June 2019 after payment of due instalments amounts to LE Nil and USD 1,713,356 in addition to accrued interests.

Terms of payments:

In June of 2019; Edita Food Industries S.A.E. has fully paid the EGP loan.

The company is obligated to pay USD 1,713,356 on 5 equal semi-annual instalment; each instalment is amounted to USD 342,671. The next instalment is due on August 2019 and the last on August 2021.

Interest:

The interest rate is 1.5% above mid corridor rate of Central Bank of Egypt and 5% above the USD Libor rate 3 months.

Fair value:

Fair value is approximately equal to book value.

- **Seventh loan:**

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

Terms of payments:

In June of 2019; Edita Food Industries S.A.E. has fully paid the EGP loan.

The company is obligated to pay USD 1,607,985 on 6 equal semi-annual instalments; each instalment is amounted to USD 267,998. The next instalment is due on September 2019 and the last on 30 June 2022.

Interest:

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

Fair value:

Fair value is approximately equal to book value.

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

Loans (continued)

- Eighth loan:**

On June 2019, the group signed an agreement with a financial institution to obtain a loan amounting to USD 20,000,000. The loan outstanding amounts for Edita Food Industries S.A.E. was USD 3,700,000 as of 30 June 2019.

Terms of payments:

The company is obligated to pay USD 3,700,000 on 10 equal semi-annual instalments; each instalment amounts to USD 370,000. The first instalment is due on May 2021 and the last on November 2025.

Interest:

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

Fair value:

Fair value is approximately equal to book value.

(2) Edita Confectionery Industries Company

	30 June 2019			31 December 2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	12,042,556	20,000,000	32,042,556	8,026,555	28,000,000	36,026,555
	12,042,556	20,000,000	32,042,556	8,026,555	28,000,000	36,026,555

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

	30 June 2019	31 December 2018
Balance due within 1 year	12,000,000	8,000,000
Accrued interest	42,556	26,555
	12,042,556	8,026,555

The company obtained a loan from a financial institution on December 2017 based on a cross guarantee issued from Edita Food Industries Company amounted to LE 40,000,000. The loan outstanding balance at 30 June 2019 after payment of due instalments amounted to LE 32,000,000 in addition to accrued interests.

Terms of payments:

Edita Confectionery Industries S.A.E. is obligated to Pay LE 32,000,000 on 8 equal semi-annual instalments; the next instalment was due on 1st of July 2019 and the last on December 2022.

Interest:

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

Fair value:

Fair value is approximately equal to book value.

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

Loans (continued)

(3) Edita Participation Limited

	30 June 2019			31 December 2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	90,204	40,224,000	40,314,204	-	-	-
	<u>90,204</u>	<u>40,224,000</u>	<u>40,314,204</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	30 June 2019	31 December 2018
Balance due within 1 year	-	-
Accrued interest	90,204	-
	<u>90,204</u>	<u>-</u>

First Loan:

On June 2019, the group signed an agreement with a financial institution to obtain a loan amounting to USD 20,000,000. The loan outstanding amounts for Edita Participation Limited was USD 2,400,000 as of 30 June 2019.

Terms of payments:

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

Interest:

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

Fair value:

Fair value is approximately equal to book value.

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17. Employee benefit obligations

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

	30 June 2019	31 December 2018
Discount rate	15%	15%
Average salary increase rate	10%	10%
Turnover rate	35%	35%
Life table	49-52	49-52

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

	30 June 2019	31 December 2018
Present value of obligations	8,272,034	6,621,193
Liability at the statement of financial position	8,272,034	6,621,193

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

	30 June 2019	31 December 2018
Balance at beginning of the year	6,621,193	4,761,965
Charged during the year (Note 24)	2,128,992	3,304,046
Paid during the year	(478,151)	(1,444,818)
Balance at 31 December	8,272,034	6,621,193

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

	30 June 2019	31 December 2018
Interest expenses	496,589	714,295
Current service cost	1,632,403	2,589,751
Total	2,128,992	3,304,046

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18. Deferred income tax liability

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

	Acquiring Digma Company for Trading			Unrealized foreign exchange loss		Net deferred tax liabilities	
	Fixed assets	Other provisions				30 June 2019	31 December 2018
.Deferred tax assets							
Balance at 1 January	-	-	2,145,612	5,676,827		7,822,439	24,189,086
Charged to statement of profit or loss	-	-	2,609,259	(1,132,890)		1,476,369	(16,366,647)
Ending balance as of	-	-	4,754,871	4,543,937		9,298,808	7,822,439
.Deferred tax liabilities							
Balance at 1 January	(162,896,180)	(3,094,952)	-	-		(165,991,132)	(154,141,487)
Charged to statement of profit or loss	(3,571,843)	120,212	-	-		(3,451,631)	(11,849,645)
Ending balance as of	166,468,023	(2,974,740)	-	-		(169,442,763)	(165,991,132)
Net deferred tax liabilities	166,468,023	(2,974,740)	4,754,871	4,543,937		(160,143,955)	(158,168,693)
Balance at 1 January	(162,896,180)	(3,094,952)	2,145,612	5,676,827		(158,168,693)	(129,952,401)
Charged to statement of profit or loss (Note 26)	(3,571,843)	120,212	2,609,259	(1,132,890)		(1,975,262)	(28,216,292)
Ending Balance as of	(166,468,023)	(2,974,740)	4,754,871	4,543,937		(160,143,955)	(158,168,693)

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

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

19. Provision

	Other provisions	
	30 June 2019	31 December 2018
Balance at 1 January	29,270,866	20,910,445
Additions during the year (Note 24)	11,177,653	12,828,759
Utilized during the period / year	(4,981,918)	(4,277,817)
Provision no longer required	(182,830)	(190,521)
Ending Balance as of	35,283,771	29,270,866

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

20. Bank overdraft

	30 June 2019	31 December 2018
Bank overdraft	288,418,228	19,126,567
Total	288,418,228	19,126,567

Bank overdraft is an integral part of the Company's cash management to finance its working capital. The average interest rate for bank overdraft was 15.97% as of 30 June 2019 (31 December 2018: 17.17%).

21. Trade and other payables

	30 June 2019	31 December 2018
Trade payables	197,706,271	161,860,602
Notes payable	53,669,861	99,954,460
Taxes payable	38,084,958	42,234,785
Accrued expenses	86,716,370	65,713,285
Deposits from others	16,456,559	16,945,186
Other credit balances	16,593,921	14,235,281
Social insurance	6,536,670	5,071,344
Dividends payable	1,633,864	3,228,642
Advances from customers	4,253,223	18,259,750
Total	421,651,697	427,503,335

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

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

Notes to the consolidated financial statements For the six months period ended 30 June 2019

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

22. Current income tax liabilities

	30 June 2019	31 December 2018
Balance at 1 January	6,633,469	-
Reversal of Income tax for prior year	-	-
Income tax paid during the period / year	(10,087,839)	(5,405,273)
Withholding tax receivable	(9,352,141)	(9,433,362)
Income tax for the period / year (Note 26)	50,519,814	79,464,788
Corporate income tax – advance payments	(12,255,456)	(55,862,730)
Accrued interest – advance payments (Note 25)	-	(2,129,954)
Balance at	25,457,847	6,633,469

23. Other income

	30 June 2019	30 June 2018
Export subsidies	4,193,021	2,738,298
Other income	3,514,439	5,124,457
Total	7,707,460	7,862,755

24. Other losses – Net

	30 June 2019	30 June 2018
Provisions	(11,177,653)	(1,500,000)
Provision for slow moving inventory	(625,337)	(551,850)
Provision for employee benefit obligation	(2,128,992)	(948,150)
Gain on sale of property, plant and equipment	1,111,332	815,114
Solidarity contribution	(8,160,261)	-
Provision no longer required	182,830	-
Net	(20,798,081)	(2,184,886)

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

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

25. Finance cost - net

	30 June 2019	30 June 2018
Finance income		
Interest income	27,742,910	16,797,381
Foreign exchange Gain	17,303,609	-
	45,046,519	16,797,381
Finance cost		
Interest expenses	(51,781,532)	(65,552,269)
Foreign exchange (Loss)	-	(346,852)
	(51,781,532)	(65,899,121)
Finance cost – Net	(6,735,013)	(49,101,740)

26. Income tax expense

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

	30 June 2019	30 June 2018
Income tax for the period	50,519,814	10,841,063
Deferred tax	1,975,262	18,697,493
Total	52,495,076	29,538,556
Profit before tax	220,332,081	132,275,225
Tax calculated based on applicable tax rates	49,574,718	29,761,926
Tax effect of non- deductible expenses	3,170,408	905,475
Tax losses for which no deferred income tax asset was recognized	-	(1,128,845)
Tax effect of non-taxable revenues	(250,050)	-
Income tax	52,495,076	29,538,556

The increase in the effective tax rate in 30 June 2019 is due to the increase in non-deductible expenses during the period.

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27. Earnings per share

Basic

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

	30 June 2019	30 June 2018
Profit attributed to owners of the parent	172,457,880	101,487,114
Weighted average number of ordinary shares in issue	725,362,900	725,362,900
Basic earnings per share	0.24	0.14

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

Diluted

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

28. Expenses by nature

	30 June 2019	30 June 2018
Cost of sales	1,200,020,365	1,167,261,041
Distribution cost	268,873,633	209,813,589
General and administrative expenses	135,969,847	122,510,623
	1,604,863,845	1,499,585,253
Raw materials used	919,693,730	919,305,185
Salaries and wages	225,766,802	196,543,383
Advertising and marketing	120,616,496	87,394,205
Depreciation & Amortization	74,261,915	70,063,501
Other Expenses	41,531,235	45,430,061
Employee benefits	42,931,016	42,919,949
Gas, oil, water and electricity	42,139,083	32,931,753
Vehicle expense	20,580,048	16,991,419
Rent	32,366,071	21,529,987
Transportation expenses	22,717,200	17,160,167
Maintenance	20,972,222	13,348,723
Consumable materials	11,682,700	10,074,102
Company share in social insurance	26,229,244	21,688,882
Purchases – goods for resale	3,376,083	4,203,936
	1,604,863,845	1,499,585,253

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29. Related parties

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

Key management compensation

During the year ended 30 June 2019, the group paid an amount of LE 29,155,235 as benefits to the key management members (30 June 2018: LE 24,981,074).

	30 June 2019		30 June 2018	
	Non-executive / independent board members	Key management personnel	Non-executive / independent board members	Key management personnel
Salaries and compensation	1,350,000	25,892,126	2,250,000	20,812,760
Allowances	1,610,000	182,150	1,493,333	315,300
Other benefit	-	120,959	-	109,681

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30. Segment reporting

Segment	Brand	Product														
Cake	Tiger tail, Twinkies, Todo and HOHOS	Traditional rolled filled and layered cake as well as brownies and packaged donut														
Croissants	Molto	Sweet and savoury croissants and strudels														
Rusks	Bake Rolz, Bake Stix	Baked wheat salty snack														
Wafer	Freska	Filled wafers														
Candy	Mimix	Hard, soft and jelly candy and lollipops														
(Amounts presented to the nearest thousands EGP)																
Sales	844,343	812,698	Cake		Croissant		Bake		Wafer		Candy		Other		Total	
			30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Gross profit	340,456	273,794	554,470	525,898	189,104	128,893	173,001	122,583	79,898	78,116	4,206	7,097	1,845,022	1,675,284	645,001	508,023
Operating profit	191,953	136,857	35,190	24,566	5,769	4,748	(10,399)	8,375	2,981	5,120	1,573	1,712	227,067	181,378	227,067	181,378

	30 June 2019	30 June 2018
Operating profit	227,067	181,378
Finance cost	(51,782)	(65,899)
Finance income	45,047	16,797
Income tax	(52,495)	(29,539)
Net profit	167,837	102,737

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Notes to the consolidated financial statements For the six months period ended 30 June 2019

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

Segment reporting (continued)

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

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

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

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

There were no inter-segment sales made during the year.

Finance income and finance cost are not allocated to segments, as this type of activity is driven by the central treasury function which manage the cash position of the group.

Operating profit exclude the effects of depreciation.

31. Contingent liability

(1) Edita Food Industries Company

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

The Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities amounted to LE 62,889,945 as at 30 June 2019 (31 December 2018: LE 75,016,958).

(2) Digma for Trading Company

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

At 30 June 2019, the Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities amounted to LE Nil as at 30 June 2019 (31 December 2018: LE 1,537,277).

(3) Edita Confectionary Industries Company

At 30 June 2019, the Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities at 30 June 2019 amounted to LE 4,645,398 (31 December 2018: LE 1,617,068).

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32. Commitments

A) Capital commitments

The Group has capital commitments as of 30 June 2019 of EGP 19 M (31 December 2018: 44.6 M) in respect of the capital expenditure.

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

B) Operating lease commitments

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

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

	30 June 2019	31 December 2018
Within one year	5,998,448	8,324,060
Later than one year but not later than five years	59,495,721	38,734,679
Later than five years	68,892,395	5,814,761
	134,386,564	52,873,500

33. Tax position

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

Edita Food Industries Company

a) Corporate tax

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

b) Payroll tax

- The payroll tax inspection was performed till 31 December 2014 and company paid tax due.
- As for the years 2015 till 2018 the tax inspection has not been performed and the company is submitting the quarterly tax return on due time to the Tax Authority.

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

Tax position (continued)

c) VAT & Sales tax

- The sales tax inspection was performed till 31 December 2015 and tax due was paid.
- For the years 2016 till 2018 the tax inspection has not been performed and the monthly tax return were submitted on due time.

d) Stamp duty tax

- The stamp duty tax inspection was performed till 2013 and company paid tax due.
- Years from 2014 till 2018 tax inspection has not been performed.

Digma for Trading Company

a) Corporate tax

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

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

b) Payroll tax

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

c) VAT & Sales tax

- The tax inspection was performed until 31 December 2015 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The years 2016-2018 the Company submits its monthly sales tax return on due date.

d) Stamp tax

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

Edita Confectionary Industries Company

a) Corporate tax

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

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

Tax position (continued)

b) Payroll Tax

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

c) VAT & Sales Tax

- The tax inspection was performed for the year from the Company's inception until 2015 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The company hasn't been inspected for the year from 2016 till 2018 and the Company submits its monthly sales tax return on due date.

d) Stamp Tax

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