

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

**REVIEW REPORT AND INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE NINE MONTHS  
PERIOD ENDED 30 SEPTEMBER 2019**

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

## Consolidated financial statements

For the nine months period ended 30 September 2019

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



## Review report

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

### Introduction

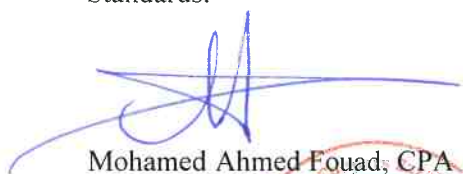
We have reviewed the accompanying consolidated statement of financial position of Edita Food Industries (S.A.E.) as at 30 September 2019 and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine months period then ended, and notes comprising 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.

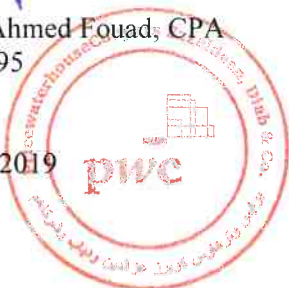
### Conclusion

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 September 2019, and of its financial performance and its cash flows for the nine months period then ended in accordance with Egyptian Accounting Standards.



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

30 October 2019  
Cairo



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

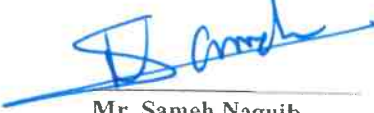
## Consolidated statement of financial position - As of 30 September 2019

(All amounts in Egyptian Pounds)

	Note	30 September 2019	31 December 2018
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,911,585,750	1,884,237,454
Intangible assets	6	168,432,606	169,921,078
Prepayments on future investment in subsidiary	7	-	10,850,159
<b>Total non-current assets</b>		<b>2,080,018,356</b>	<b>2,065,008,691</b>
<b>Current assets</b>			
Inventories	8	276,362,473	288,828,341
Trade and other receivables	10	168,181,771	128,179,325
Treasury bills	11	406,976,118	290,180,875
Cash and bank balances	12	166,136,082	63,579,745
<b>Total current assets</b>		<b>1,017,656,444</b>	<b>770,768,286</b>
<b>Total assets</b>		<b>3,097,674,800</b>	<b>2,835,776,977</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Paid up capital	13	145,072,580	145,072,580
Legal reserve	14	73,265,674	73,265,674
Cumulative translation reserve		455,627	16,103
Transactions with non-controlling interest	15	(32,132,098)	-
Retained earnings		1,342,655,970	1,239,654,874
		<b>1,529,317,753</b>	<b>1,458,009,231</b>
Non-controlling interest	15	5,883,082	23,829,451
<b>Net equity</b>		<b>1,535,200,835</b>	<b>1,481,838,682</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Term loans	16	498,424,968	495,564,577
Employee benefit obligations	17	8,846,566	6,621,193
Deferred income tax liabilities	18	158,454,584	158,168,693
<b>Total non-current liabilities</b>		<b>665,726,118</b>	<b>660,354,463</b>
<b>Current liabilities</b>			
Provisions	19	37,537,869	29,270,866
Bank overdraft	20	162,357,522	19,126,567
Trade and other payables	21	459,538,144	427,503,335
Current portion of term loans	16	193,711,125	211,049,595
Current income tax liabilities	22	43,603,187	6,633,469
<b>Total current liabilities</b>		<b>896,747,847</b>	<b>693,583,832</b>
<b>Total equity and liabilities</b>		<b>3,097,674,800</b>	<b>2,835,776,977</b>

- The accompanying notes on pages 7 to 61 form an integral part of these consolidated financial statements.

- Review report attached

  
**Mr. Sameh Naguib**  
Vice President - Finance  
30 October 2019  
Giza

  
**Eng. Hani Berzi**  
Chairman

**EDITA FOOD INDUSTRIES (S.A.E)**
**Consolidated statement of profit or loss**
**For the nine months period ended 30 September 2019**
**(All amounts in Egyptian Pounds)**

	Note	The nine months period ended 30 September		The three months period ended 30 September	
		2019	2018	2019	2018
Revenue		2,933,383,080	2,692,305,096	1,088,361,520	1,017,020,746
Cost of sales	28	<u>(1,898,572,600)</u>	<u>(1,860,995,948)</u>	<u>(698,552,235)</u>	<u>(693,734,908)</u>
<b>Gross profit</b>		<b>1,034,810,480</b>	<b>831,309,148</b>	<b>389,809,285</b>	<b>323,285,838</b>
Other income	23	8,209,199	10,780,380	501,739	2,917,625
Distribution cost	28	<u>(422,245,317)</u>	<u>(305,073,788)</u>	<u>(153,371,684)</u>	<u>(95,260,199)</u>
General and administrative expenses	28	<u>(210,331,516)</u>	<u>(198,779,180)</u>	<u>(74,361,669)</u>	<u>(76,268,559)</u>
Other losses -Net	24	<u>(30,661,880)</u>	<u>(4,703,240)</u>	<u>(9,863,799)</u>	<u>(2,518,353)</u>
<b>Profit from operations</b>		<b>379,780,966</b>	<b>333,533,320</b>	<b>152,713,872</b>	<b>152,156,352</b>
Finance cost - Net	25	<u>(9,460,675)</u>	<u>(72,760,873)</u>	<u>(2,725,662)</u>	<u>(23,659,132)</u>
<b>Profit before income tax</b>		<b>370,320,291</b>	<b>260,772,447</b>	<b>149,988,210</b>	<b>128,497,220</b>
Income tax expenses	26	<u>(85,089,471)</u>	<u>(60,362,614)</u>	<u>(32,594,395)</u>	<u>(30,824,057)</u>
<b>Net profit for the period</b>		<b><u>285,230,820</u></b>	<b><u>200,409,833</u></b>	<b><u>117,393,815</u></b>	<b><u>97,673,163</u></b>
<b>Profit is attributable to</b>					
Owners of the parent		289,636,096	198,606,936	117,178,220	97,119,822
Non-controlling interest		<u>(4,405,276)</u>	<u>1,802,897</u>	<u>215,595</u>	<u>553,341</u>
<b>Net profit for the period</b>		<b><u>285,230,820</u></b>	<b><u>200,409,833</u></b>	<b><u>117,393,815</u></b>	<b><u>97,673,163</u></b>
Basic earnings per share	27	0.40	0.27	0.16	0.13

- The accompanying notes on pages 7 to 61 form an integral part of these consolidated financial statements.

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

**Consolidated statement of comprehensive income**  
**For the nine months period ended 30 September 2019**

(All amounts in Egyptian Pounds)

	The nine months period ended 30 September		The three months period ended 30 September	
	2019	2018	2019	2018
<b>Profit for the period</b>	285,230,820	200,409,833	117,393,815	97,673,163
<b>Other comprehensive income</b>				
Exchange differences on translation of foreign operation	60,582	206,884	446,148	172,702
<b>Total comprehensive income for the period</b>	<b>285,291,402</b>	<b>200,616,717</b>	<b>117,839,963</b>	<b>97,845,865</b>
<b>Attributable to</b>				
Owners of the parent	290,075,620	198,813,820	117,624,368	97,292,525
Non-controlling interest	(4,784,218)	1,802,897	215,595	553,340
<b>Total comprehensive income for the period</b>	<b>285,291,402</b>	<b>200,616,717</b>	<b>117,839,963</b>	<b>97,845,865</b>

- The accompanying notes on pages 7 to 61 form an integral part of these consolidated financial statements.

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

**Consolidated statement of changes in equity  
For the nine months period ended 30 September 2019**

(All amounts in Egyptian Pounds)

	Share capital	Legal reserve	Foreign currency translation reserve	Transactions with non-controlling interest	Retained earnings	Total Owners of the parent	Non-controlling interest	Total owners' equity
<b>Balance at 1 January 2018</b>	145,072,580	56,474,533	(205,502)	-	1,037,011,613	1,238,353,224	21,812,378	1,260,165,602
<b>Change of equity in 2018</b>								
Net Profit for the period	-	-	-	-	198,606,936	198,606,936	1,802,897	200,409,833
Currency translation differences	-	-	206,884	-	-	206,884	-	206,884
<b>Total comprehensive income for the period</b>	-	-	206,884	-	198,606,936	198,813,820	1,802,897	200,616,717
<b>Shareholders transactions</b>								
Dividends distribution for 2017	-	-	-	-	(115,282,540)	(115,282,540)	-	(115,282,540)
Total shareholders transactions	-	-	-	-	(115,282,540)	(115,282,540)	-	(115,282,540)
<b>Balance at 30 September 2018</b>	145,072,580	56,474,533	1,382	-	1,120,336,009	1,321,884,504	23,615,275	1,345,499,779
<b>Balance at 1 January 2019</b>	145,072,580	73,265,674	16,103	-	1,239,654,874	1,458,009,231	23,829,451	1,481,838,682
<b>Change of equity in 2019</b>								
Net Profit for the period	-	-	-	-	289,636,096	289,636,096	(4,405,276)	285,230,820
Currency translation differences	-	-	439,524	-	-	439,524	(378,942)	60,582
<b>Total comprehensive income for the period</b>	-	-	439,524	-	289,636,096	290,075,620	(4,784,218)	285,291,402
<b>Shareholders transactions</b>								
Non-controlling interest share in purchase of subsidiary	-	-	-	(32,132,098)	-	(32,132,098)	(23,165,685)	(55,297,783)
Non-controlling interest share in establishment of subsidiary	-	-	-	-	-	-	10,003,534	10,003,534
Dividends distribution for 2018	-	-	-	-	(186,635,000)	(186,635,000)	-	(186,635,000)
<b>Balance at 30 September 2019</b>	145,072,580	73,265,674	455,627	(32,132,098)	1,342,655,970	1,529,317,753	5,883,082	1,535,200,835

- The accompanying notes on pages 7 to 61 form an integral part of these consolidated financial statements.

# EDITA FOOD INDUSTRIES (S.A.E)

## Consolidated statement of cash flows

For the nine months period ended 30 September 2019

(All amounts in Egyptian Pounds)

	Notes	30 September 2019	30 September 2018
<b>Cash flows from operating activities</b>			
Profit for the period before income tax		370,320,291	260,772,447
<b>Adjustments for:</b>			
Provisions	24	15,447,158	2,454,339
Provisions no longer required	24	(198,238)	(8,109)
Provision for employee benefit obligation	24	3,193,488	1,422,226
Interest expense	25	79,583,543	97,513,426
Interest income	25	(42,891,423)	(25,939,582)
Interest income - corporate tax advances	25	(367,767)	-
Depreciation of property, plant and equipment	5	110,794,718	105,601,828
Amortization of intangible assets		1,734,092	-
Provision of slow moving inventory	24	1,048,199	1,827,775
Gain on disposal of property, plant and equipment	24	(1,772,064)	(992,991)
		<b>536,891,997</b>	<b>442,651,359</b>
Inventories		14,747,289	23,695,081
Trade and other receivables		(40,002,446)	(27,371,891)
Trade and other payables		33,629,587	45,062,604
Provisions used		(10,311,537)	(3,848,065)
Payments of employee benefit obligations		(968,115)	(366,828)
Dividends paid to Company's employees		(37,229,778)	(30,007,293)
<b>Cash inflow from operating activities</b>		<b>496,756,997</b>	<b>449,814,967</b>
Interest paid		(78,419,106)	(100,076,321)
Income tax paid		(47,466,095)	(30,102,551)
<b>Net cash inflow from operating activities</b>		<b>370,871,796</b>	<b>319,636,095</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(138,881,834)	(66,905,183)
Payment for intangible assets		(245,620)	-
Proceeds from sale of property, plant and equipment		2,510,884	1,908,614
Cash acquired on establishment of subsidiary		10,850,159	-
Interest received		1,661,360	19,677,740
Payment for purchase of treasury bills		(958,533,812)	(191,969,753)
Proceeds from sale of treasury bills		944,600,000	172,035,645
<b>Net cash outflow from investing activities</b>		<b>(138,038,863)</b>	<b>(65,252,937)</b>
<b>Cash flows from financing activities</b>			
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		(196,794,517)	(138,161,351)
Proceeds from borrowings		181,152,000	59,518,306
<b>Net cash inflow financing activities</b>		<b>(211,936,766)</b>	<b>(163,643,045)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>20,896,167</b>	<b>90,740,113</b>
Cash and cash equivalents at beginning of the period		179,589,499	(60,130,339)
Effect of exchange rate on cash and cash equivalents		60,582	206,884
<b>Cash and cash equivalents at end of the period</b>	12	<b>200,546,248</b>	<b>30,816,658</b>

- The accompanying notes on pages 7 to 61 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 nine months period ended 30 September 2019**

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

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

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

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

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

The main shareholders are Quantum Investment BV which owns 41.815% of the Company's share capital and the Bank of New York Mellon "depository bank for shares traded in London Stock Exchange" which manages 12.939% of the Company share capital and Kingsway Fund Frontier Consumer Franchises which owns 11.131% of Company's share capital and other shareholders owning 34.115% of company's share capital.

These interim consolidated financial statements have been approved by Chairman and Managing Director on 30 October 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 September 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 nine months period ended 30 September 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 September 2019	31 December 2018	30 September 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 September 2019 and 30 September 2018

Name of subsidiary	Total Assets 30 September 2019	Total Equity 30 September 2019	Total Sales 30 September 2019	Net Profit / (loss) 30 September 2019
	2019	2019	2019	2019
Digma for trading	336,673,898	271,313,118	2,699,329,353	29,481,369
Edita Confectionery Industries	205,601,694	117,789,517	105,793,260	11,741,083
Edita participation limited	43,440,369	(3,540,665)	-	(1,338,747)
Edita Food Industries Morocco	15,613,726	11,299,882	-	(9,115,493)

Name of subsidiary	Total Assets 30 September 2018	Total Equity 30 September 2018	Total Sales 30 September 2018	Net Profit/ (loss) 30 September 2018
	2018	2018	2018	2018
Digma for trading	358,504,816	303,161,388	2,470,743,769	55,489,522
Edita Confectionery Industries	176,708,595	104,623,724	107,678,917	7,590,472
Edita participation limited	13,837,533	(1,441,905)	-	(1,171,423)

#### 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 nine months period ended 30 September 2019**

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

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#### **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 acquire 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 nine months period ended 30 September 2019**

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

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#### **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 nine months period ended 30 September 2019

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

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#### 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 nine months period ended 30 September 2019**

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

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#### **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**

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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#### **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.

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

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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#### **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**

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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#### **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**

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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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.

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

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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#### **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**

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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#### **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.

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

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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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.

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

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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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.

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

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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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.

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

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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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.



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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### 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 September 2019	30 September 2018
<b>Amounts recognised in profit or loss</b>		
Net foreign exchange (loss) included in finance cost	26,863,678	(1,187,029)
<b>Net income / (losses) recognised in other comprehensive income</b>		
Foreign currency translation reserve – net of tax	60,582	206,884

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

	30 September 2019			31 December 2018
	Assets	Liabilities	Net	Net
Euros	24,394,934	(26,921,195)	(2,526,261)	(63,155,160)
US Dollars	633,653,016	(1,024,531,046)	(390,878,030)	(249,598,178)

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

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#### 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 September 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 252,626 (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 September 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 39,087,803 (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 September 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 8,544,936 (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 692,136,093 (31 December 2018: LE 706,614,172)

Overdraft at the balance sheet on 30 September 2019 amounted to LE 162,357,522 (31 December 2018: LE 19,126,567)

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### 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 September 2019	31 December 2018
Trade and notes receivables	47,617,030	48,311,880
<b>Total</b>	<b>47,617,030</b>	<b>48,311,880</b>

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.

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### 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 September 2019 based on contractual payment dates and current interest rates as we had excluded the taxes payable, advances from customers and social insurance:

At 30 September 2019	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
Loans	94,244,664	90,009,871	158,569,384	339,855,584
Future interest payments	34,236,884	28,796,319	43,682,882	47,036,210
Trade and other payables	336,358,629	-	-	-
Bank overdraft	162,357,522	-	-	-
Notes payable	74,226,037	-	-	-
<b>Total</b>	<b>701,423,736</b>	<b>118,806,190</b>	<b>202,252,266</b>	<b>386,891,794</b>
<b>At 31 December 2018</b>				
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	-	-
<b>Total</b>	<b>524,358,504</b>	<b>148,579,813</b>	<b>248,186,153</b>	<b>369,802,399</b>

The amount of unused credit facility is USD 8.9M as of 30 September 2019 (31 December 2018: EGP 8,000,000) also the Company will have future interest payments related to Loans amounted to LE 153,752,295 (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.

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### Financial risk management (continued)

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

	30 September 2019	31 December 2018
Total Loans	692,136,093	706,614,172
Bank Overdraft	162,357,522	19,126,567
<b>Total Loans and overdraft</b>	<b>854,493,615</b>	<b>725,740,739</b>
Less: Cash and bank balances	(166,136,082)	(63,579,745)
<b>Net debt</b>	<b>688,357,533</b>	<b>662,160,994</b>
Total equity	1,535,200,835	1,481,838,682
<b>Total capital</b>	<b>2,223,558,368</b>	<b>2,143,999,676</b>
<b>Gearing ratio</b>	<b>31%</b>	<b>31%</b>

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

#### Loan covenants

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

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

As of 30 September 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.

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

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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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.

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

## Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

### 5. Property, plant and equipment

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
<b>At 1 January 2018</b>								
Cost	120,908,260	881,187,062	1,057,570,462	161,934,695	100,478,878	86,871,590	43,152,742	2,452,103,689
Accumulated depreciation	-	(94,854,984)	(239,238,823)	(82,720,305)	(52,317,066)	(55,362,985)	-	(524,494,163)
<b>Net book amount</b>	<b>120,908,260</b>	<b>786,332,078</b>	<b>818,331,639</b>	<b>79,214,390</b>	<b>48,161,812</b>	<b>31,508,605</b>	<b>43,152,742</b>	<b>1,927,609,526</b>
<b>Year ended 31 December 2018</b>								
Opening net book amount	120,908,260	786,332,078	818,331,639	79,214,390	48,161,812	31,508,605	43,152,742	1,927,609,526
Additions	-	-	5,432,630	30,550,100	9,214,424	6,833,293	45,145,752	97,176,199
Depreciation charge	-	(35,429,474)	(52,450,786)	(22,646,852)	(15,645,831)	(13,327,846)	-	(139,500,789)
Accumulated depreciation of disposals	-	-	466,675	10,573,628	758,075	1,288,135	-	13,086,513
Disposals	-	-	(466,675)	(11,586,168)	(758,075)	(1,323,077)	-	(14,133,995)
Transfers from projects under construction	-	42,701,115	15,996,627	-	5,557,650	850,968	(65,106,360)	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>793,603,719</b>	<b>787,310,110</b>	<b>86,105,098</b>	<b>47,288,055</b>	<b>25,830,078</b>	<b>23,192,134</b>	<b>1,884,237,454</b>
<b>At 31 December 2018</b>								
Cost	120,908,260	923,888,177	1,078,533,044	180,898,627	114,492,877	93,232,774	23,192,134	2,535,145,893
Accumulated depreciation	-	(130,284,458)	(291,222,934)	(94,793,529)	(67,204,822)	(67,402,696)	-	(650,908,439)
<b>Net book amount</b>	<b>120,908,260</b>	<b>793,603,719</b>	<b>787,310,110</b>	<b>86,105,098</b>	<b>47,288,055</b>	<b>25,830,078</b>	<b>23,192,134</b>	<b>1,884,237,454</b>
<b>Period ended 30 September 2019</b>								
Opening net book amount	120,908,260	793,603,719	787,310,110	86,105,098	47,288,055	25,830,078	23,192,134	1,884,237,454
Additions	-	-	965,980	46,845,288	10,168,271	4,341,585	76,560,710	138,881,834
Depreciation charge	-	(27,558,892)	(40,444,085)	(20,353,146)	(13,089,291)	(9,349,304)	-	(110,794,718)
Accumulated depreciation of disposals	-	-	-	2,592,950	8,600	10,494	-	2,612,044
Disposals	-	-	-	(3,331,770)	(8,600)	(10,494)	-	(3,350,864)
Transfers from Projects under construction	-	12,656,570	42,914,865	-	2,499,298	2,981,912	(61,052,645)	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>778,701,397</b>	<b>790,746,870</b>	<b>111,858,420</b>	<b>46,866,333</b>	<b>23,804,271</b>	<b>38,700,199</b>	<b>1,911,585,750</b>
<b>At 30 September 2019</b>								
Cost	120,908,260	936,544,747	1,122,413,889	224,412,145	127,151,846	100,545,777	38,700,199	2,670,676,863
Accumulated depreciation	-	(157,843,350)	(331,667,019)	(112,553,725)	(80,285,513)	(76,741,506)	-	(759,091,113)
<b>Net book amount at 30 September 2019</b>	<b>120,908,260</b>	<b>778,701,397</b>	<b>790,746,870</b>	<b>111,858,420</b>	<b>46,866,333</b>	<b>23,804,271</b>	<b>38,700,199</b>	<b>1,911,585,750</b>

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

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

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

	30 September 2019	31 December 2018
Charged to cost of sales	77,342,768	98,571,143
Charged to distribution costs	19,570,845	23,996,918
Charged to administrative expenses	13,881,105	16,932,728
	<b>110,794,718</b>	<b>139,500,789</b>

The project under construction represents the following Categories:

	30 September 2019	31 December 2018
Buildings	17,939,388	15,037,717
Machinery and equipment	13,321,117	7,916,795
Tools and equipment	6,317,760	192,345
Technical and other installations	1,121,934	45,277
	<b>38,700,199</b>	<b>23,192,134</b>

#### Cash flow statement

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

	30 September 2019	30 September 2018
Net book value of the assets disposed	738,820	915,623
Gain on sale of property , plant and equipment (Note 22)	1,772,064	992,991
	<b>2,510,884</b>	<b>1,908,614</b>

#### 6. Intangible assets

30 September 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	-	-	(4,070,570)	(4,070,570)
Balance as of	<b>131,480,647</b>	<b>31,430,995</b>	<b>5,520,964</b>	<b>168,432,606</b>
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	<b>131,480,647</b>	<b>31,430,995</b>	<b>7,009,436</b>	<b>169,921,078</b>



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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### Intangible assets (continued)

##### A. Trademark

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

The intangible assets in the amount of ten million US Dollars equivalent to LE 68,618,658 paid against buying all the rights to the trademarks (HOHOS, Twinkies & Tiger Tail) and the consequences of this acquisition of the trademark in the countries of Egypt, Jordan, Libya and Palestine these rights do not have a definite time, and on the 16<sup>th</sup> of April 2015 the 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 September 2019	31 December 2018
<b>Cost</b>		
Opening balance	31,430,995	31,430,995
<b>Balance as of</b>	<b>31,430,995</b>	<b>31,430,995</b>

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 September 2019	31 December 2018
<b>Cost</b>		
Opening balance	7,009,436	9,345,914
Additions	245,620	-
Amortization expense for the period	(1,734,092)	(2,336,478)
<b>Balance as of</b>	<b>5,520,964</b>	<b>7,009,436</b>

##### 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.

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### 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.

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### Intangible assets (continued)

##### Sensitivity of recoverable amounts

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

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

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

#### 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 September 2019	31 December 2018
Raw and packaging materials	190,309,240	187,074,081
Finished goods	28,557,600	43,280,500
Spare parts	43,128,130	45,942,680
Work in process	9,850,218	11,684,556
Consumables	6,683,080	5,293,740
<b>Total</b>	<b>278,528,268</b>	<b>293,275,557</b>
Less: allowance for decline in value	(2,165,795)	(4,447,216)
<b>Net</b>	<b>276,362,473</b>	<b>288,828,341</b>

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

During the period ended 30 September 2019, there has been a slow moving and obsolete inventory amounted to LE 1,048,199 (30 September 2018: LE 1,827,775) (Note 24) and the cost of write down amounted to LE 3,329,620 (30 September 2018: LE 668,845).

The cost of inventory recognized as an expense and included in cost of sales amounted to LE 1,467,630,546 during the period ended 30 September 2019 (30 September 2018: LE 1,472,151,853).

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### 9. Financial instrument by category

The group holds the following financial instruments:

	30 September 2019	31 December 2018
<b>Financial assets at amortised cost</b>		
Trade and other receivables (non-financial assets)*	65,760,415	63,605,689
Cash and bank balances	166,136,082	63,579,745
Treasury bills	406,976,118	290,180,875
<b>Total</b>	<b>638,872,615</b>	<b>417,366,309</b>
	30 September 2019	31 December 2018
<b>Financial liabilities at amortised cost</b>		
Loans	692,136,093	706,614,172
Trade and other payables (excluding non-financial liabilities)*	408,063,651	361,937,453
Bank overdraft	162,357,522	19,126,567
<b>Total</b>	<b>1,262,557,266</b>	<b>1,087,678,192</b>

At the Balance sheet date, the carrying value of all short-term financial assets and liabilities approximates the fair value. Long-term borrowings also 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 September 2019	31 December 2018
Trade receivables	46,788,450	45,439,750
Notes receivable	828,580	2,872,130
<b>Total</b>	<b>47,617,030</b>	<b>48,311,880</b>
Less: Provision for impairment of trade receivables	(20,556)	(20,556)
	<b>47,596,474</b>	<b>48,291,324</b>
Advances to suppliers	43,613,539	39,866,322
Prepaid expenses	22,408,990	8,813,890
Deposits with others	14,075,554	12,326,569
Other current assets	3,406,483	2,537,032
Value added tax – receivables	36,398,827	15,893,424
Letters of credit	463,108	228,366
Employee loans	218,796	222,398
<b>Total</b>	<b>168,181,771</b>	<b>128,179,325</b>

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### 11. Treasury bills

	30 September 2019	31 December 2018
Treasury bills par value	432,150,000	297,450,000
Unearned interest	(59,134,821)	(41,755,105)
<b>Amount of treasury bills paid</b>	<b>373,015,179</b>	<b>255,694,895</b>
Interest income recognized to profit or loss	33,960,939	34,485,980
<b>Treasury bills balance</b>	<b>406,976,118</b>	<b>290,180,875</b>

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 775,783.

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

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

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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

The Company purchased Egyptian treasury bills on 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 were due in 2 July 2019. The total recognized interest income amounted to LE 414,600.

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 were due in 2 July 2019. The total recognized interest income amounted to LE 104,225.

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 were due in 2 July 2019. The total recognized interest income amounted to LE 187,110.

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 were due in 9 July 2019. The total recognized interest income amounted to LE 840,200.

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 were due in 9 July 2019. The total recognized interest income amounted to LE 631,500.

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

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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

The Company purchased Egyptian treasury bills on 9 April 2019 with par value amounted LE 10,000,000 with an annual interest of 17.65%. These treasury bills were due in 9 July 2019. The total recognized interest income amounted to LE 421,500.

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 were due in 13 August 2019. The total recognized interest income amounted to LE 503,280.

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 were due in 13 August 2019. The total recognized interest income amounted to LE 1,254,900.

The Company purchased Egyptian treasury bills on 14 May 2019 with par value amounted LE 9,000,000 with an annual interest of 17.58%. These treasury bills were due in 13 August 2019. The total recognized interest income amounted to LE 377,910.

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 were due in 13 August 2019. The total recognized interest income amounted to LE 1,046,250.

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 were due in 13 August 2019. The total recognized interest income amounted to LE 837,400.

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 were due in 13 August 2019. The total recognized interest income amounted to LE 628,800.

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 were due in 13 August 2019. The total recognized interest income amounted to LE 628,500.

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 were due in 3 September 2019. The total recognized interest income amounted to LE 105,725.

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 were due in 3 September 2019. The total recognized interest income amounted to LE 211,200.

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 were due in 3 September 2019. The total recognized interest income amounted to LE 211,000.

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 were due in 10 September 2019. The total recognized interest income amounted to LE 338,480.

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

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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

The Company purchased Egyptian treasury bills on 11 June 2019 with par value amounted LE 10,000,000 with an annual interest of 17.70%. These treasury bills were due in 10 September 2019. The total recognized interest income amounted to LE 422,600.

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 were due in 10 September 2019. The total recognized interest income amounted to LE 548,860.

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 were due in 10 September 2019. The total recognized interest income amounted to LE 717,400.

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 were due in 17 September 2019. The total recognized interest income amounted to LE 1,055,000.

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 were due in 17 September 2019. The total recognized interest income amounted to LE 844,800.

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 were due in 17 September 2019. The total recognized interest income amounted to LE 633,900.

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 were due in 17 September 2019. The total recognized interest income amounted to LE 583,878.

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 were due in 17 September 2019. The total recognized interest income amounted to LE 232,705.

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 were due in 24 September 2019. The total recognized interest income amounted to LE 211,800.

The Company purchased Egyptian treasury bills on 02 July 2019 with par value amounted LE 5,100,000 with an annual interest of 17.77%. These treasury bills were due in 01 October 2019. The total recognized interest income amounted to LE 213,965.

The Company purchased Egyptian treasury bills on 02 July 2019 with par value amounted LE 3,100,000 with an annual interest of 17.79%. These treasury bills were due in 01 October 2019. The total recognized interest income amounted to LE 130,210.

The Company purchased Egyptian treasury bills on 02 July 2019 with par value amounted LE 2,100,000 with an annual interest of 17.80%. These treasury bills were due in 01 October 2019. The total recognized interest income amounted to LE 88,248.



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

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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

The Company purchased Egyptian treasury bills on 02 July 2019 with par value amounted LE 2,600,000 with an annual interest of 17.79%. These treasury bills were due in 01 October 2019. The total recognized interest income amounted to LE 109,209.

The Company purchased Egyptian treasury bills on 02 July 2019 with par value amounted LE 4,600,000 with an annual interest of 17.77%. These treasury bills were due in 01 October 2019. The total recognized interest income amounted to LE 192,988.

The Company purchased Egyptian treasury bills on 09 July 2019 with par value amounted LE 13,000,000 with an annual interest of 17.90%. These treasury bills were due in 08 October 2019. The total recognized interest income amounted to LE 506,537.

The Company purchased Egyptian treasury bills on 09 July 2019 with par value amounted LE 13,000,000 with an annual interest of 17.92%. These treasury bills were due in 08 October 2019. The total recognized interest income amounted to LE 507,130.

The Company purchased Egyptian treasury bills on 09 July 2019 with par value amounted LE 10,000,000 with an annual interest of 17.93%. These treasury bills were due in 08 October 2019. The total recognized interest income amounted to LE 390,282.

The Company purchased Egyptian treasury bills on 16 July 2019 with par value amounted LE 5,000,000 with an annual interest of 17.83%. These treasury bills were due in 15 October 2019. The total recognized interest income amounted to LE 177,723.

The Company purchased Egyptian treasury bills on 16 July 2019 with par value amounted LE 5,000,000 with an annual interest of 17.81%. These treasury bills were due in 15 October 2019. The total recognized interest income amounted to LE 177,556.

The Company purchased Egyptian treasury bills on 13 August 2019 with par value amounted LE 6,000,000 with an annual interest of 17.93%. These treasury bills are due in 12 November 2019. The total recognized interest income amounted to LE 135,423.

The Company purchased Egyptian treasury bills on 13 August 2019 with par value amounted LE 20,000,000 with an annual interest of 17.90%. These treasury bills are due in 12 November 2019. The total recognized interest income amounted to LE 450,673.

The Company purchased Egyptian treasury bills on 13 August 2019 with par value amounted LE 5,000,000 with an annual interest of 17.92%. These treasury bills are due in 12 November 2019. The total recognized interest income amounted to LE 112,800.

The Company purchased Egyptian treasury bills on 13 August 2019 with par value amounted LE 5,000,000 with an annual interest of 17.93%. These treasury bills are due in 12 November 2019. The total recognized interest income amounted to LE 112,853.

The Company purchased Egyptian treasury bills on 13 August 2019 with par value amounted LE 25,000,000 with an annual interest of 17.91%. These treasury bills are due in 12 November 2019. The total recognized interest income amounted to LE 563,604.

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

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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

The Company purchased Egyptian treasury bills on 13 August 2019 with par value amounted LE 25,000,000 with an annual interest of 17.93%. These treasury bills are due in 12 November 2019. The total recognized interest income amounted to LE 564,264.

The Company purchased Egyptian treasury bills on 13 August 2019 with par value amounted LE 10,000,000 with an annual interest of 17.94%. These treasury bills are due in 12 November 2019. The total recognized interest income amounted to LE 225,811.

The Company purchased Egyptian treasury bills on 13 August 2019 with par value amounted LE 25,000,000 with an annual interest of 17.92%. These treasury bills are due in 12 November 2019. The total recognized interest income amounted to LE 564,000.

The Company purchased Egyptian treasury bills on 13 August 2019 with par value amounted LE 6,000,000 with an annual interest of 17.92%. These treasury bills are due in 12 November 2019. The total recognized interest income amounted to LE 135,360.

The Company purchased Egyptian treasury bills on 3 September 2019 with par value amounted LE 5,000,000 with an annual interest of 16.49%. These treasury bills are due in 3 December 2019. The total recognized interest income amounted to LE 58,584.

The Company purchased Egyptian treasury bills on 3 September 2019 with par value amounted LE 5,000,000 with an annual interest of 16.53%. These treasury bills are due in 3 December 2019. The total recognized interest income amounted to LE 58,717.

The Company purchased Egyptian treasury bills on 3 September 2019 with par value amounted LE 5,000,000 with an annual interest of 16.57%. These treasury bills are due in 3 December 2019. The total recognized interest income amounted to LE 58,851.

The Company purchased Egyptian treasury bills on 10 September 2019 with par value amounted LE 10,000,000 with an annual interest of 16.50%. These treasury bills are due in 2 June 2020. The total recognized interest income amounted to LE 80,707.

The Company purchased Egyptian treasury bills on 10 September 2019 with par value amounted LE 10,000,000 with an annual interest of 16.52%. These treasury bills are due in 2 June 2020. The total recognized interest income amounted to LE 80,797.

The Company purchased Egyptian treasury bills on 10 September 2019 with par value amounted LE 20,000,000 with an annual interest of 16.45%. These treasury bills are due in 2 June 2020. The total recognized interest income amounted to LE 160,977.

The Company purchased Egyptian treasury bills on 10 September 2019 with par value amounted LE 20,000,000 with an annual interest of 16.48%. These treasury bills are due in 2 June 2020. The total recognized interest income amounted to LE 161,233.

The Company purchased Egyptian treasury bills on 10 September 2019 with par value amounted LE 10,000,000 with an annual interest of 16.55%. These treasury bills are due in 2 June 2020. The total recognized interest income amounted to LE 80,925.

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### Treasury bills (continued)

The Company purchased Egyptian treasury bills on 18 September 2019 with par value amounted LE 66,650,000 with an annual interest of 15.29%. These treasury bills are due in 9 June 2020. The total recognized interest income amounted to LE 301,570.

The Company purchased Egyptian treasury bills on 24 September 2019 with par value amounted LE 25,000,000 with an annual interest of 15.05%. These treasury bills are due in 16 June 2020. The total recognized interest income amounted to LE 55,737.

The Company purchased Egyptian treasury bills on 24 September 2019 with par value amounted LE 25,000,000 with an annual interest of 14.95%. These treasury bills are due in 16 June 2020. The total recognized interest income amounted to LE 55,405.

The Company purchased Egyptian treasury bills on 24 September 2019 with par value amounted LE 25,000,000 with an annual interest of 15%. These treasury bills are due in 16 June 2020. The total recognized interest income amounted to LE 55,568.

The Company purchased Egyptian treasury bills on 24 September 2019 with par value amounted LE 15,000,000 with an annual interest of 15.05%. These treasury bills are due in 16 June 2020. The total recognized interest income amounted to LE 33,442.

#### 12. Cash and bank balances

	30 September 2019	31 December 2018
Bank deposits	-	37,000
Cash at banks and on hand	166,136,082	63,542,745
<b>Cash and bank balances (excluding bank overdrafts)</b>	<b>166,136,082</b>	<b>63,579,745</b>

The average interest rate on local currency time deposits was 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 September 2019	31 December 2018
Cash and bank balances	166,136,082	63,579,745
Treasury bills with maturities of 3 months or less	196,767,688	135,136,321
Bank overdraft (Note 20)	(162,357,522)	(19,126,567)
<b>Total</b>	<b>200,546,248</b>	<b>179,589,499</b>

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

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

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.

The issued capital amounted to LE 145,072,580 (par value LE 0.2 per share) is distributed as follows as of 30 September 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"	93,857,010	18,771,402	12.939%
Kingsway Fund Frontier Consumer Franchises	80,741,242	16,148,248	11.131%
Others (Public stocks)	247,456,348	49,491,270	34.115%
	<b>725,362,900</b>	<b>145,072,580</b>	<b>100%</b>

#### 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.

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

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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#### **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:

	<b>30 September 2019</b>
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	<b>(32,132,098)</b>

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

## **Notes to the consolidated financial statements For the nine months period ended 30 September 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	Currency translation differences	Accumulated losses	30 September 2019	31 December 2018
<b>Balance at 1 January</b>	22,823,330	593,605	38,162	-	374,354	23,829,451	21,812,378
Non-controlling share in profit of subsidiaries	-	-	-	-	(4,405,276)	(4,405,276)	2,178,888
<b>Total comprehensive income for the year</b>	-	-	-	-	(4,405,276)	(4,405,276)	2,178,888
<b>Shareholders transactions</b>							
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	-	-	-	(161,815)
Currency translation differences	-	-	-	(378,942)	-	(378,942)	-
Purchase of non-controlling interest share in 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	-	-	-	-	-	-	-
<b>Shareholders transactions</b>	(12,789,336)	-	-	(378,942)	(372,815)	(13,541,093)	(161,815)
<b>Balance at period end</b>	10,033,994	593,605	38,162	(378,942)	(4,403,737)	5,883,082	23,829,451

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

## Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

### 16. Loans

	30 September 2019			31 December 2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Loans	193,711,125	498,424,968	692,136,093	211,049,595	495,564,577	706,614,172
	<u>193,711,125</u>	<u>498,424,968</u>	<u>692,136,093</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 September 2019	31 December 2018
Balance due within 1 year	184,254,535	202,757,443
Accrued interest	9,456,590	8,292,152
	<u>193,711,125</u>	<u>211,049,595</u>

#### (1) Edita Food Industries Company

	30 September 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	40,696,372	-	40,696,372	45,226,910	30,451,671	75,678,581
Third loan	22,066,500	27,000,000	49,066,500	20,587,500	36,000,000	56,587,500
Fourth loan	38,816,862	75,197,703	114,014,565	41,154,405	99,448,641	140,603,046
Fifth loan	57,071,978	170,769,319	227,841,297	60,986,236	245,006,121	305,992,357
Sixth loan	11,193,312	11,184,788	22,378,100	14,787,355	29,574,710	44,362,065
Seventh loan	13,285,896	13,121,158	26,407,054	10,833,374	27,083,434	37,916,808
Eighth loan	1,774,763	141,984,000	143,758,763	-	-	-
<b>Total</b>	<b>184,905,683</b>	<b>439,256,968</b>	<b>624,162,651</b>	<b>203,023,040</b>	<b>467,564,577</b>	<b>670,587,617</b>

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

	30 September 2019	31 December 2018
Balance due within 1 year	176,264,728	194,757,443
Accrued interest	8,640,955	8,265,597
<b>Total</b>	<b>184,905,683</b>	<b>203,023,040</b>

- 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 September 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.

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

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#### Loans (continued)

- **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 September 2019 after payment of due instalment amounted to LE 19,301,562 and USD 1,241,662 in addition to accrued interests.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 19,301,562 on 2 equal semi-annual instalment; each instalment is amounted to LE 9,650,785 In addition. The company is obligated to pay 1,241,662 USD on 2 semi-annual instalments amounting to USD 620,831 each. The first EGP & USD instalment is due on January 2020 and the last on July 2020.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

- **Third loan:**

This 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 September 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 September 2019 amounted to LE 47,697,513 and USD 3,988,912 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.



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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

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#### Loans (continued)

**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 160,000,000, plus 4,147,820 USD on 30 September 2019 in addition to accrued interest.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 160,000,000, and 4,147,820 USD on 8 equal semi-annual instalments; each instalment is amounted to LE 20,000,000 and 518,478 USD the first instalment is due on March 2020 and the last on September 2023.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

- **Sixth loan:**

On November 2017, the Company signed an agreement with 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 September 2019 after payment of due instalments amounts to LE Nil and USD 1,370,685 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 1,370,685 on 4 equal semi-annual instalment; each instalment is amounted to USD 342,671. The next instalment is due on February 2020 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 September 2018 in addition to accrued interests.

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### Loans (continued)

##### 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 was due in October 2019 and the last on 30 September 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.

#### • 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 8,700,000 as of 30 September 2019.

##### Terms of payments:

The company is obligated to pay USD 8,700,000 on 10 equal semi-annual instalments; each instalment amounts to USD 870,000. 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 September 2019			31 December 2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	8,054,556	20,000,000	28,054,556	8,026,555	28,000,000	36,026,555
	<u>8,054,556</u>	<u>20,000,000</u>	<u>28,054,556</u>	<u>8,026,555</u>	<u>28,000,000</u>	<u>36,026,555</u>

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

	30 September 2019	31 December 2018
Balance due within 1 year	8,000,000	8,000,000
Accrued interest	54,556	26,555
	<u>8,054,556</u>	<u>8,026,555</u>

#### • First loan:

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 September 2019 after payment of due instalments amounted to LE 28,000,000 in addition to accrued interests.

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### Loans (continued)

##### Terms of payments:

Edita Confectionary Industries S.A.E. is obligated to Pay LE 28,000,000 on 7 equal semi-annual instalments; the next instalment is due on 31<sup>st</sup> of December 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.

#### (3) Edita Participation Limited

	30 September 2019			31 December 2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	750,886	39,168,000	39,918,886	-	-	-
	<b>750,886</b>	<b>39,168,000</b>	<b>39,918,886</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	30 September 2019	31 December 2018
Balance due within 1 year	-	-
Accrued interest	750,886	-
	<b>750,886</b>	<b>-</b>

##### 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 September 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.

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### 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 September 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 September 2019	31 December 2018
Present value of obligations	8,846,566	6,621,193
<b>Liability at the statement of financial position</b>	<b>8,846,566</b>	<b>6,621,193</b>

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

	30 September 2019	31 December 2018
Balance at beginning of the year	6,621,193	4,761,965
Charged during the year (Note 24)	3,193,488	3,304,046
Paid during the year	(968,115)	(1,444,818)
<b>Balance at 31 December</b>	<b>8,846,566</b>	<b>6,621,193</b>

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

	30 September 2019	31 December 2018
Interest expenses	744,884	714,295
Current service cost	2,448,604	2,589,751
<b>Total</b>	<b>3,193,488</b>	<b>3,304,046</b>

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

**Notes to the consolidated financial statements  
For the nine months period ended 30 September 2019**

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

**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			Unrealized		Net deferred tax liabilities	
	Fixed assets	Trading	Other provisions	Carry forward tax losses	foreign exchange loss	30 September 2019	31 December 2018
<b>Deferred tax assets</b>							
Balance at 1 January	-	-	2,145,612	-	5,676,827	7,822,439	24,189,086
Charged to statement of profit or loss	-	-	3,687,238	4,286,616	(2,207,252)	5,766,602	(16,366,647)
<b>Ending balance</b>	-	-	<b>5,832,850</b>	<b>4,286,616</b>	<b>3,469,575</b>	<b>13,589,041</b>	<b>7,822,439</b>
<b>Deferred tax liabilities</b>							
Balance at 1 January	(162,896,180)	(3,094,952)	-	-	-	(165,991,132)	(154,141,487)
Charged to statement of profit or loss	(6,232,811)	180,318	-	-	-	(6,052,493)	(11,849,645)
<b>Ending balance</b>	<b>(169,128,991)</b>	<b>(2,914,634)</b>	-	-	-	<b>(172,043,625)</b>	<b>(165,991,132)</b>
<b>Net deferred tax liabilities</b>	<b>(169,128,991)</b>	<b>(2,914,634)</b>	<b>5,832,850</b>	<b>4,286,616</b>	<b>3,469,575</b>	<b>(158,454,584)</b>	<b>(158,168,693)</b>
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)	(6,232,811)	180,318	3,687,238	4,286,616	(2,207,252)	(285,891)	(28,216,292)
<b>Ending balance</b>	<b>(169,128,991)</b>	<b>(2,914,634)</b>	<b>5,832,850</b>	<b>4,286,616</b>	<b>3,469,575</b>	<b>(158,454,584)</b>	<b>(158,168,693)</b>

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### 19. Provision

	Other provisions	
	30 September 2019	31 December 2018
Balance at 1 January	29,270,866	20,910,445
Additions during the year (Note 24)	15,447,158	12,828,759
Utilized during the period / year	(6,981,917)	(4,277,817)
Provision no longer required	(198,238)	(190,521)
<b>Ending Balance as of</b>	<b>37,537,869</b>	<b>29,270,866</b>

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 September 2019	31 December 2018
Bank overdraft	162,357,522	19,126,567
<b>Total</b>	<b>162,357,522</b>	<b>19,126,567</b>

Bank overdraft is an integral part of the Company's cash management to finance its working capital. The average interest rate for bank overdraft was 15.81% as of 30 September 2019 (31 December 2018: 17.17%).

#### 21. Trade and other payables

	30 September 2019	31 December 2018
Trade payables	202,519,458	161,860,602
Notes payable	74,226,037	99,954,460
Taxes payable	39,076,634	42,234,785
Accrued expenses	94,417,472	65,713,285
Deposits from others	16,736,630	16,945,186
Other credit balances	18,530,189	14,235,281
Social insurance	6,540,728	5,071,344
Dividends payable	1,633,864	3,228,642
Advances from customers	5,857,132	18,259,750
<b>Total</b>	<b>459,538,144</b>	<b>427,503,335</b>

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

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### 22. Current income tax liabilities

	30 September 2019	31 December 2018
Balance at 1 January	6,633,469	-
Income tax paid during the period / year	(10,123,800)	(5,405,273)
Withholding tax receivable	(14,263,095)	(9,433,362)
Income tax for the period / year (Note 26)	84,803,580	79,464,788
Corporate income tax – advance payments	(23,079,200)	(55,862,730)
Accrued interest – advance payments (Note 25)	(367,767)	(2,129,954)
<b>Balance at</b>	<b>43,603,187</b>	<b>6,633,469</b>

#### 23. Other income

	30 September 2019	30 September 2018
Export subsidies	4,193,021	2,738,298
Other income	4,016,178	8,042,082
<b>Total</b>	<b>8,209,199</b>	<b>10,780,380</b>

#### 24. Other losses – Net

	30 September 2019	30 September 2018
Provisions	(15,447,158)	(2,454,339)
Provisions no longer required	198,238	8,109
Provision for slow moving inventory	(1,048,199)	(1,827,775)
Provision for employee benefit obligation	(3,193,488)	(1,422,226)
Gain on sale of property , plant and equipment	1,772,064	992,991
Solidarity contribution	(12,943,337)	-
<b>Net</b>	<b>(30,661,880)</b>	<b>(4,703,240)</b>

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### 25. Finance cost - net

	30 September 2019	30 September 2018
<b>Finance income</b>		
Interest income	42,891,423	25,939,582
Interest income – corporate tax advance	367,767	-
Foreign exchange gain	26,863,678	
	<b>70,122,868</b>	<b>25,939,582</b>
<b>Finance cost</b>		
Interest expenses	(79,583,543)	(97,513,426)
Foreign exchange loss	-	(1,187,029)
	<b>(79,583,543)</b>	<b>(98,700,455)</b>
<b>Finance cost – Net</b>	<b>(9,460,675)</b>	<b>(72,760,873)</b>

#### 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 September 2019	30 September 2018
Income tax for the period	84,803,580	35,945,794
Deferred tax	285,891	24,416,820
<b>Total</b>	<b>85,089,471</b>	<b>60,362,614</b>
<b>Profit before tax</b>	<b>370,320,291</b>	<b>260,772,447</b>
Tax calculated based on applicable tax rates	83,322,065	58,673,800
Tax effect of non- deductible expenses	1,468,691	3,082,097
Tax losses for which no deferred income tax asset was recognized	-	(1,393,283)
Tax effect of non-taxable revenues	298,715	-
<b>Income tax</b>	<b>85,089,471</b>	<b>60,362,614</b>

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



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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### 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 September 2019	30 September 2018
<b>Profit attributed to owners of the parent</b>	<b>289,636,096</b>	<b>198,606,936</b>
Weighted average number of ordinary shares in issue	725,362,900	725,362,900
<b>Basic earnings per share</b>	<b>0.40</b>	<b>0.27</b>

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 September 2019	30 September 2018
Cost of sales	1,898,572,600	1,860,995,948
Distribution cost	422,245,317	305,073,788
General and administrative expenses	210,331,516	198,779,180
	<b>2,531,149,433</b>	<b>2,364,848,916</b>
Raw materials used	1,467,630,546	1,472,151,853
Salaries and wages	342,573,660	295,958,084
Advertising and marketing	189,055,901	128,166,757
Depreciation and amortization	112,528,810	105,601,829
Purchases – goods for resale	3,376,080	6,409,694
Employee benefits	66,742,752	63,444,289
Other Expenses	70,066,080	72,534,340
Gas, oil, water and electricity	68,486,200	57,007,594
Company share in social insurance	39,390,192	32,329,241
Rent	53,763,924	38,351,341
Vehicle expenses	32,335,634	26,739,769
Transportation expenses	35,279,275	27,679,988
Maintenance	31,360,736	21,837,991
Consumable materials	18,559,643	16,636,146
<b>Total cost of sales, distribution costs and administrative expenses</b>	<b>2,531,149,433</b>	<b>2,364,848,916</b>

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### 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 September 2019, the group paid an amount of LE 81,210,821 as benefits to the key management members (30 September 2018: LE 68,281,772).

	30 September 2019		30 September 2018	
	Non-executive / independent board members	Key management personnel	Non-executive / independent board members	Key management personnel
Salaries and compensation	2,025,000	75,758,502	1,720,000	62,435,643
Allowances	2,435,000	603,365	2,919,333	927,567
Other benefit	-	388,954	-	279,229

## Notes to the consolidated financial statements - For the nine months period ended 30 September 2019

### 30. Segment reporting

[illegible]

30 September 2019	30 September 2018
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Finance cost	(79,584)	(98,700)
Finance income	70,123	25,940
Income tax	(85,089)	(60,363)
<b>Net profit</b>	<b>285,231</b>	<b>200,410</b>

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

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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#### **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 61,781,327 as at 30 September 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 September 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 September 2019 (31 December 2018: LE 1,537,277).

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

At 30 September 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 September 2019 amounted to LE 1,476,056 (31 December 2018: LE 1,617,068).

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

### Notes to the consolidated financial statements For the nine months period ended 30 September 2019

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

#### 32. Commitments

##### A) Capital commitments

The Group has capital commitments as of 30 September 2019 of EGP 5.9 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 September 2019	31 December 2018
Within one year	12,049,951	8,324,060
Later than one year but not later than five years	47,954,379	38,734,679
Later than five years	63,129,130	5,814,761
	<b>123,133,460</b>	<b>52,873,500</b>

#### 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.

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

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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#### **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 been performed and the difference was transferred to an internal committee.

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

- The stamp duty tax inspection was performed till 2013 and company paid tax due.
- Years from 2014 till 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 objected the estimated tax amount. And the company is in the process of reinspection.
- The company hasn't been inspected for the years from 2015 to 2018 and the Company submitted its tax returns to Tax Authority on due dates.

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

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

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

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2019**

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

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

##### **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.