

**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
(IFRS)**

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

Consolidated financial statements

For the nine months period ended 30 September 2019

Contents	Page
Review report.....	1
Consolidated balance sheet	2
Consolidated statement of profit or loss.....	3
Consolidated statement of comprehensive income	4
Consolidated statement of changes in equity	5
Consolidated cash flows statement	6
Notes to the interim consolidated financial statements	7 – 66



Review report

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

Introduction

We have reviewed the accompanying consolidated balance sheet of Edita Food Industries Company (S.A.E.) as at 30 September 2019 and the related Consolidated statements of Profit or loss, comprehensive income, for the three months and nine months period then ended, and the related consolidated statement of change in equity and cash flows for the nine months period then ended, and notes comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". 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 International Standard on Review Engagements No. 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly in all material respects, the financial position of Edita Food Industries Company (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 International Accounting Standard 34 "Interim Financial Reporting".

Ashraf Mamdouh
R.A.A. 26231
F.R.A. 383

30 October 2019
Cairo



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

Consolidated balance sheet - At 30 September 2019

(All amounts in Egyptian Pounds)

	Note	30 September 2019	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	5	1,911,585,750	1,884,237,454
Right of use assets	6	69,926,701	-
Intangible assets	7	168,432,606	169,921,078
Prepayments on future investments in subsidiary	8	-	10,850,159
Total non-current assets		2,149,945,057	2,065,008,691
Current assets			
Inventories	9	276,362,473	288,828,341
Trade and other receivables	11	168,181,771	128,179,325
Treasury bills	12	406,976,118	290,180,875
Cash and bank balances	13	166,136,082	63,579,745
Total current assets		1,017,656,444	770,768,286
Total assets		3,167,601,501	2,835,776,977
Liabilities			
Non-current liabilities			
Term loans	14	498,424,968	495,564,577
Deferred tax liabilities	15	158,454,584	158,168,693
Employee benefit obligations	16	8,846,566	6,621,193
Lease liabilities	17	57,886,008	-
Total non-current liabilities		723,612,126	660,354,463
Current liabilities			
Trade and other payables	18	489,417,956	460,405,346
Current income tax liabilities	19	43,603,187	6,633,469
Current portion of term loans	14	193,711,125	211,049,595
Bank overdraft	20	162,357,522	19,126,567
Lease liabilities	17	12,049,951	-
Provisions	21	37,537,869	29,270,866
Total current liabilities		938,677,610	726,485,843
Total liabilities		1,662,289,736	1,386,840,306
Equity			
Share capital	22	145,072,580	145,072,580
Legal reserve	23	73,265,674	73,265,674
Cumulative translation reserve		455,627	16,103
Transactions with non-controlling interest	24	(32,132,098)	-
Retained earnings		1,312,795,679	1,206,786,382
Non-controlling interests	24	5,854,303	23,795,932
Net equity		1,505,311,765	1,448,936,671
Total liabilities and equity		3,167,601,501	2,835,776,977

- The accompanying notes on pages 7 to 66 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 "IFRS"
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	1,088,361,518	1,017,020,746
Cost of goods sold	31	(1,911,839,100)	(1,869,149,500)	(703,260,576)	(697,023,907)
Gross profit		1,021,543,980	823,155,596	385,100,942	319,996,839
Distribution cost	31	(425,017,174)	(313,553,175)	(153,800,693)	(97,401,051)
administrative expenses	31	(221,191,036)	(207,166,127)	(77,784,766)	(79,064,206)
Other income	25	8,209,199	10,780,380	501,739	2,917,625
Other losses - net	26	(30,661,880)	(4,703,240)	(9,863,799)	(2,518,354)
Profit from operations		352,883,089	308,513,434	144,153,423	143,930,853
Finance income	27	70,122,868	25,939,582	25,076,349	9,142,201
Finance cost	27	(85,307,725)	(98,700,455)	(30,010,819)	(32,801,334)
Finance cost, net		(15,184,857)	(72,760,873)	(4,934,470)	(23,659,133)
Profit before income tax		337,698,232	235,752,561	139,218,953	120,271,720
Income tax expense	28	(85,089,471)	(60,362,614)	(32,594,395)	(30,824,058)
Net profit for the period		252,608,761	175,389,947	106,624,558	89,447,662
Net Profit is attributable to					
Shareholders' equity		257,009,297	173,604,015	106,393,103	88,898,610
Non-controlling interest	24	(4,400,536)	1,785,932	231,455	549,052
Net profit for the period		252,608,761	175,389,947	106,624,558	89,447,662
Earnings per share (expressed in EGP per share):					
Basic earnings per share	30	0.35	0.24	0.15	0.12
Diluted earnings per share	30	0.35	0.24	0.15	0.12

- The accompanying notes on pages 7 to 66 form an integral part of these consolidated financial statements.

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

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
Profit for the period	252,608,761	175,389,947	106,624,558	89,447,662
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operation	60,582	206,884	446,148	172,704
Total comprehensive income for the period	252,669,343	175,596,831	107,070,706	89,620,366
Total comprehensive income is attributable to				
Owners of the parent	257,448,821	173,810,899	106,839,251	89,071,314
Non-controlling interest	(4,779,478)	1,785,932	231,455	549,052
Total comprehensive income for the period	252,669,343	175,596,831	107,070,706	89,620,366

- The accompanying notes on pages 7 to 66 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)

	Paid up capital	Legal reserve	Foreign currency translation reserve	Transactions with non-controlling interest	Retained earnings	Total Owners' Equity		
						Total shareholders	Non-controlling interest	Total owners' equity
Balance at 1 January 2018	145,072,580	56,474,533	(205,502)	-	1,007,084,734	1,208,426,345	21,800,103	1,230,226,448
Net profit for the period	-	-	-	-	173,604,015	173,604,015	1,785,932	175,389,947
Other comprehensive income for the period	-	-	206,884	-	-	206,884	-	206,884
Total other comprehensive income for the period	-	-	206,884	-	173,604,015	173,810,899	1,785,932	175,596,831
Declared dividends distribution for 2017	-	-	-	-	(85,000,000)	(85,000,000)	-	(85,000,000)
Balance at 30 September 2018	145,072,580	56,474,533	1,382	-	1,095,688,749	1,297,237,244	23,586,035	1,320,823,279
Balance at 1 January 2019	145,072,580	73,265,674	16,103	-	1,206,786,382	1,425,140,739	23,795,932	1,448,936,671
Net profit for the period	-	-	-	-	257,009,297	257,009,297	(4,400,536)	252,608,761
Other comprehensive income for the period	-	-	439,524	-	-	439,524	(378,942)	60,582
Total other comprehensive income for the period	-	-	439,524	-	257,009,297	257,448,821	(4,779,478)	252,669,343
Transactions with non-controlling interest	-	-	-	(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
Declared dividends distribution for 2017	-	-	-	-	(151,000,000)	(151,000,000)	-	(151,000,000)
Balance at 30 September 2019	145,072,580	73,265,674	455,627	(32,132,098)	1,312,795,679	1,499,457,462	5,854,303	1,505,311,765

- The accompanying notes on pages 7 to 66 form an integral part of these consolidated financial statements.

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

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
<u>Cash flows from operating activities</u>			
Cash inflow operations	32	496,612,320	449,814,967
Interest paid		(78,419,106)	(100,076,321)
Income tax paid		(47,466,095)	(30,102,551)
Net cash inflow operating activities		370,727,119	319,636,095
<u>Cash flows from investing activities</u>			
Payment for property, plant and equipment	5	(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		1,806,037	19,677,740
Payment for purchase of treasury bills		(958,533,812)	(191,969,753)
Proceeds from treasury bills		944,600,000	172,035,645
Net cash outflow investing activities		(137,894,186)	(65,252,937)
<u>Cash flows from financing activities</u>			
Dividends paid to 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	-
Proceeds from borrowings		181,152,000	59,518,306
Repayments of borrowings		(196,794,517)	(138,161,351)
Net cash outflow financing activities		(211,936,766)	(163,643,045)
Net Increase in cash and cash equivalents		20,896,167	90,740,113
Cash and cash equivalents at beginning of the period		179,589,499	(60,130,339)
Effects of exchange rate on cash and cash equivalents		60,582	206,884
Cash and cash equivalents at end of the period	13	200,546,248	30,816,658

- The accompanying notes on pages 7 to 66 form an integral part of these consolidated financial

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)

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.

Interim consolidated financial statements of the Group comprise financial statements of Edita Food Industries Company (S.A.E.) and its subsidiaries (together referred to as the "Group").

Edita Food Industries:

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

The group's principal subsidiaries at 30 September 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Digma for Trading:

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

Edita Confectionery Industries:

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

Edita participation limited:

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

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

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

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

General information (continued)

Edita Food Industries Morocco:

The company's main purpose is to build and operate a factory for production, sales and distribution of cakes, pastry, wafer and other confectionary products. Edita Morocco incorporated in 2019, with 51% majority stake owned by Edita Food Industries (S.A.E.).

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
		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 2019	Total Equity 2019	Total Sales 2019	Net Profit/ (loss) 2019
Digma for trading	336,673,898	264,088,328	2,699,329,353	21,237,344
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	11,342,979	-	(9,072,396)

Name of subsidiary	Total Assets 2018	Total Equity 2018	Total Sales 2018	Net Profit/ (loss) 2018
Digma for trading	358,504,816	296,738,937	2,470,743,769	47,010,137
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)

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

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

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

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

2. Summary of significant accounting policies

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

A. Basis of preparation

I. Compliance with IFRS

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

II. Historical cost convention

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

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

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

IFRIC 23 ‘Uncertainty over income tax treatments’

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

IFRS 16 ‘Leases’

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

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

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

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

Basis of preparation (continued)

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

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

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

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

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

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

Basis of preparation (continued)

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

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

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

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

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

Transition

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

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

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

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

Significant judgements upon adoption IFRS 16

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

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

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

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

Basis of preparation (continued)

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

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

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

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

B. Basis of consolidation

1. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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

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

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

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

Basis of preparation (continued)

2. Associates

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

3. Equity method

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

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

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

4. Changes in ownership interests

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

C. Principles of consolidation and equity accounting

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

D. Segment reporting

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

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

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

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

E. Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

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

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

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

(3) Group companies

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

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

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

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

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

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

F. Revenue recognition

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

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

Sales of goods – wholesale

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

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

G. Interest income

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

H. Dividend income

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

I. Export subsidy

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

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

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

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

J. Income tax

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

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

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

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

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

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

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

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

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

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

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

K. Leases

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

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

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

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

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

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

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

L. Business combinations

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

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

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

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

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

Business combinations (continued)

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

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

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

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

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

M. Impairment of assets

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

N. Cash and cash equivalents

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

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

Notes to the consolidated financial statements

For the nine months period ended 30 September 2019

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

O. Trade receivables

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

P. Inventories

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

Q. Financial assets under IFRS 9

(1) Classification

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

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

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

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

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

(2) Measurement

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

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

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

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

Financial assets under IFRS 9 (continued)

Debt instruments – treasury bills

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

(3) Impairment

From 1 January 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

R. Property, plant and equipment

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

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

Land is not depreciated.

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

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

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

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

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

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

Notes to the consolidated financial statements For the 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)

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

S. Intangible assets

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

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

Computer software

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

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

T. Trade and other payables

These amounts represent liabilities for goods or services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

U. Borrowing

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

Established fees "transaction cost"

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

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

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

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

Borrowing (continued)

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

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

V. Borrowing costs

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

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

W. Provisions

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

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

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

X. Employee benefits

(1) Short-term obligations

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

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

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

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

Employee benefits (continued)

(2) Post-employment obligation

Pension obligations

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

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

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

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

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

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

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

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

(3) Profit-sharing and bonus plans

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

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

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

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

Employee benefits (continued)

(4) Termination benefits

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

Y. Contributed equity

Ordinary shares are classified as equity.

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

Z. Dividends

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

AA. Earnings per share

(1) Basic earnings per share

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

(2) Diluted earnings per share

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

BB. Comparative figures

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

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

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

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

3. Financial risk management

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

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

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

(A) Market risk

(i) Foreign exchange risk

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

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

Exposure

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

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

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

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

Financial risk management (continued)

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

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

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:

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

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.

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)

(iii) Cash flow and fair value interest rate risk

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

At 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)

(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 11).

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

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

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

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 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
Total	47,617,030	48,311,880

Outstanding trade receivables are current and not impaired

The table below summarizes the maturities of the Company's trade receivables at 30 September 2019 and 31 December 2018:

	30 September 2019	31 December 2018
Less than 30 days	28,531,722	26,874,692
From 31 to 60 days	15,707,877	13,322,554
From 61 to 90 days	3,207,886	8,114,634
More than 90 days	169,545	-
	47,617,030	48,311,880

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

	30 September 2019	31 December 2018
At 1 January	20,556	20,556
Receivables written off during the year as uncollectible	-	-
	20,556	20,556

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

Cash at bank and short-term bank deposits:

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

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

Notes to the consolidated financial statements For the 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

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

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

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 30 September 2019 based on contractual payment dates and current interest rates.

At 30 September 2019	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
Borrowings	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	363,717,425			
Bank overdraft	162,357,522	-	-	-
Notes payable	74,226,037	-	-	-
Lease liability	5,900,449	6,149,502	12,701,116	98,382,393
Total	734,682,981	124,955,692	214,953,382	485,274,187
At 31 December 2018				
Borrowings	94,507,002	108,250,441	187,050,382	308,514,195
Future interest payments	49,055,203	40,061,651	61,135,771	61,288,204
Trade and other payables	294,885,007	-	-	-
Bank overdraft	19,126,567	-	-	-
Notes payable	99,686,739	267,721	-	-
Total	557,260,518	148,579,813	248,186,153	369,802,399

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).

(1) Capital management

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

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

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

	30 September 2019	31 December 2018
Total borrowings	692,136,093	706,614,172
Bank overdraft	162,357,522	19,126,567
Total borrowings and loans	854,493,615	725,740,739
Less: Cash and bank balances	(166,136,082)	(63,579,745)
Net debt	688,357,533	662,160,994
Total equity	1,505,311,765	1,448,936,671
Total capital	2,193,669,298	2,111,097,665
 Gearing ratio	 31%	 31%

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.

(2) Fair value estimation

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

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

Notes to the consolidated financial statements

For the nine months period ended 30 September 2019

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

4. Critical accounting estimates and judgments

1. Critical accounting estimates and assumptions

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

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

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

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

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

Employee benefit retirement obligation

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

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

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

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

Revenue recognition

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

Determining the lease term

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

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

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

Notes to the consolidated financial statements For the 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
At 1 January 2018								
Cost	120,908,260	881,187,062	1,057,570,462	161,934,695	100,478,878	86,871,590	43,152,742	2,452,103,689
Accumulated depreciation	-	(94,854,984)	(239,238,823)	(82,720,305)	(52,317,066)	(55,362,985)	-	(524,494,163)
Net book amount	120,908,260	786,332,078	818,331,639	79,214,390	48,161,812	31,508,605	43,152,742	1,927,609,526
Year ended 31 December 2018								
Opening net book amount	120,908,260	786,332,078	818,331,639	79,214,390	48,161,812	31,508,605	43,152,742	1,927,609,526
Additions	-	-	5,432,630	30,550,100	9,214,424	6,833,293	45,145,752	97,176,199
Depreciation charge	-	(35,429,474)	(52,450,786)	(22,646,852)	(15,645,831)	(13,327,846)	-	(139,500,789)
Accumulated depreciation of disposals	-	-	466,675	10,573,628	758,075	1,288,135	-	13,086,513
Disposals	-	-	(466,675)	(11,586,168)	(758,075)	(1,323,077)	-	(14,133,995)
Transfers from projects under construction	-	42,701,115	15,996,627	-	5,557,650	850,968	(65,106,360)	-
Closing net book amount	120,908,260	793,603,719	787,310,110	86,105,098	47,288,055	25,830,078	23,192,134	1,884,237,454
At 31 December 2018								
Cost	120,908,260	923,888,177	1,078,533,044	180,898,627	114,492,877	93,232,774	23,192,134	2,535,145,893
Accumulated depreciation	-	(130,284,458)	(291,222,934)	(94,793,529)	(67,204,822)	(67,402,696)	-	(650,908,439)
Net book amount	120,908,260	793,603,719	787,310,110	86,105,098	47,288,055	25,830,078	23,192,134	1,884,237,454
Year ended 30 September 2019								
Opening net book amount	120,908,260	793,603,719	787,310,110	86,105,098	47,288,055	25,830,078	23,192,134	1,884,237,454
Additions	-	-	965,980	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)	-
Closing net book amount	120,908,260	778,701,397	790,746,870	111,858,420	46,866,333	23,804,271	38,700,199	1,911,585,750
At 30 September 2019								
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)
Net book amount	120,908,260	778,701,397	790,746,870	111,858,420	46,866,333	23,804,271	38,700,199	1,911,585,750

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 are 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
	110,794,718	139,500,789

The projects under construction represent:

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

6. Right of use assets

	<u>Right of use assets</u>
Balance on initial adoption of IFRS 16	32,144,016
Additions during the period	39,486,444
Depreciation expenses	(1,703,759)
Balance as of 30 September 2019	69,926,701

Right of use assets represent properties rented by the group.

7. Intangible assets

	30 September 2019			
	Trademark (A)	Know how (B)	Software	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	131,480,647	31,430,995	5,520,964	168,432,606

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

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
Cost		
Opening Balance	131,480,647	131,480,647
Balance as of	131,480,647	131,480,647

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

B. Know how

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

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

C. Software

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

D. Impairment test for infinite life intangible assets

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

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 CGU operates.

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

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

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

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

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.

8. Prepayments on future investments in subsidiary

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

9. Inventories

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

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 26) 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)

10. Financial instruments by category

The Group holds the following financial instruments:

	30 September 2019	31 December 2018
Financial assets at amortised cost		
Trade and other receivables (excluding non-financial assets)* (Note 11)	65,760,415	63,605,689
Cash and bank balances (Note 13)	166,136,082	63,579,745
Treasury bills (Note 12)	406,976,118	290,180,875
Total	638,872,615	417,366,309
	30 September 2019	31 December 2018
Financial liabilities at amortised cost		
Borrowings (Note 14)	692,136,093	706,614,172
Trade and other payables (excluding non-financial liabilities)* (Note 18)	437,943,462	394,839,467
Bank overdraft (Note 20)	162,357,522	19,126,567
Lease liabilities (Note 17)	69,935,959	-
Total	1,362,373,036	1,120,580,206

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

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

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

11. Trade and other receivables

	30 September 2019	31 December 2018
Trade receivables	46,788,450	45,439,750
Notes receivable	828,580	2,872,130
Total	47,617,030	48,311,880
Less: Provision for impairment of trade receivables	(20,556)	(20,556)
	47,596,474	48,291,324
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
Total	168,181,771	128,179,325

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)

Trade and other receivables (continued)

Classification of trade receivables

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

Other receivables

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

Impairment of trade receivables

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

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

12. Treasury bills

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

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

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

Below are details of purchased treasury bills during the year:

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.

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 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

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.

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 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.

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.

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 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.

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.

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 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.

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.

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 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.

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.

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 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.

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.

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 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.

13. Cash and bank balances

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

The average interest rate on local currency time deposits was 31 December 2018: 12.5%

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

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

	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)
Total	200,546,248	179,589,499

14. 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
	193,711,125	498,424,968	692,136,093	211,049,595	495,564,577	706,614,172

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)

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
	193,711,125	211,049,595

(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	-	-	-
Total	184,905,683	439,256,968	624,162,651	203,023,040	467,564,577	670,587,617

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
Total	184,905,683	203,023,040

- First loan:**

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

- 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.

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 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 3,988,812 in addition accrued interests.

Terms of payments:

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

Interest:

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

Fair value:

Fair value is approximately equal to book value.

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)

- **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.

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.

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)

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
	8,054,556	20,000,000	28,054,556	8,026,555	28,000,000	36,026,555

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
	8,054,556	8,026,555

The company obtained a loan from a financial institution on December 2017 based on a cross guarantee issued from Edita Food Industries Company amounted to LE 40,000,000. The loan outstanding balance at 30 September 2019 after payment of due instalments amounted to LE 28,000,000 in addition to accrued interests.

Terms of payments:

Edita Confectionery Industries S.A.E. is obligated to Pay LE 28,000,000 on 7 equal semi-annual instalments; the next instalment is due on 31st 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

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)

(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	-	-	-
	750,886	39,168,000	39,918,886	-	-	-

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	-
	750,886	-

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)

15. Deferred tax liability

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

	Acquiring Digma Company for			Unrealized		Net deferred tax liabilities	
	Fixed assets	Trading	Other provisions	Carry forward tax losses	foreign exchange loss	30 September 2019	31 December 2018
A. Deferred tax assets							
Balance at 1 January	-	-	2,145,612	-	5,676,827	7,822,439	24,189,086
Charged to statement of profit or loss	-	-	3,687,238	4,286,616	(2,207,252)	5,766,602	(16,366,647)
Ending balance	-	-	5,832,850	4,286,616	3,469,575	13,589,041	7,822,439
B. Deferred tax liabilities							
Balance at 1 January	(162,896,180)	(3,094,952)	-	-	-	(165,991,132)	(154,141,487)
Charged to statement of profit or loss	(6,232,811)	180,318	-	-	-	(6,052,493)	(11,849,645)
Ending balance	(169,128,991)	(2,914,634)	-	-	-	(172,043,625)	(165,991,132)
Net deferred tax liabilities	(169,128,991)	(2,914,634)	5,832,850	4,286,616	3,469,575	(158,454,584)	(158,168,693)
Balance at 1 January	(162,896,180)	(3,094,952)	2,145,612	-	5,676,827	(158,168,693)	(129,952,401)
Charged to statement of profit or loss (Note 28)	(6,232,811)	180,318	3,687,238	4,286,616	(2,207,252)	(285,891)	(28,216,292)
Ending Balance as of 30 September	(169,128,991)	(2,914,634)	5,832,850	4,286,616	3,469,575	(158,454,584)	(158,168,693)

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. Employee Benefit obligations

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

	<u>30 September 2019</u>	<u>31 December 2018</u>
Discount rate	15%	15%
Average salary increase rate	10%	10%
Turnover rate	35%	35%
Life table	49-52	49-52

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

	<u>30 September 2019</u>	<u>31 December 2018</u>
Present value of obligations	8,846,566	6,621,193
Liability at the balance sheet	<u>8,846,566</u>	<u>6,621,193</u>

Movement in the liability recognized in the balance sheet:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Balance at beginning of the year	6,621,193	4,761,965
Charged during the year (Note 26)	3,193,488	3,304,046
Paid during the year	(968,115)	(1,444,818)
Balance at end of the year	<u>8,846,566</u>	<u>6,621,193</u>

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

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

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. Lease liability

	30 September 2019
Commitments in relation to leases are payable as follows:	
Within one year	12,049,951
Later than one year	47,954,379
Later than five years	63,129,130
Minimum lease payments	123,133,460
The present value of lease liabilities is as follows:	
Within one year	12,049,951
Later than one year	26,274,883
Later than five years	31,611,125
Present Value of Minimum Lease Payments	69,935,959

18. Trade and other payables

	30 September 2019	31 December 2018
Trade payables	202,385,496	161,860,602
Accrued expenses	133,416,827	108,760,482
Notes payable	74,226,037	99,954,460
Other credit balances	18,530,190	14,235,281
Taxes payable	39,076,634	42,234,785
Social insurance	6,540,728	5,071,344
Dividends payable	1,633,864	3,228,642
Contract liabilities – accrued rebates	7,751,048	6,800,000
Advances from customers	5,857,132	18,259,750
Total	489,417,956	460,405,346

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)

19. Current income tax liabilities

	30 September 2019	31 December 2018
Balance at 1 January	6,633,469	-
Income tax paid during the year	(10,123,800)	(5,405,273)
Withholding tax receivable	(14,263,095)	(9,433,362)
Income tax for the year (Note 28)	84,803,580	79,464,788
Corporate income tax – advance payments	(23,079,200)	(55,862,730)
Accrued interest – advance payments	(367,767)	(2,129,954)
Balance at end of year	43,603,187	6,633,469

20. Bank overdraft

	30 September 2019	31 December 2018
Bank overdraft	162,357,522	19,126,567
Total	162,357,522	19,126,567

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

21. Provisions

	Other provisions	
	30 September 2019	31 December 2018
Balance at 1 January	29,270,866	20,910,445
Additions during the year (Note 26)	15,447,158	12,828,759
Utilized during the year	(6,981,917)	(4,277,817)
Provision no longer required	(198,238)	(190,521)
Balance at end of year	37,537,869	29,270,866

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

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

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

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

22. Share capital

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

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

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

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

The issued capital amounted to LE 145,072,580 (par value LE 0.2 per share) is distributed as follows as of 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%
	725,362,900	145,072,580	100%

23. Legal reserve

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

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

Notes to the consolidated financial statements

For the nine months period ended 30 September 2019

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

24. Non-controlling interest

Transaction with non-controlling interest

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

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

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)

	share capital	Legal reserves	Revaluation assets	Currency translation differences	(Accumulated losses)/retained earnings	30 September 2019	31 December 2018
Balance at 1 January	22,823,330	593,605	38,162	-	340,835	23,795,932	21,800,103
Non-controlling share in profit of subsidiaries	-	-	-	-	(4,400,536)	(4,400,536)	2,157,644
Total comprehensive income for the year	-	-	-	-	(4,400,536)	(4,400,536)	2,157,644
Non-controlling interest share in establishment of subsidiary	10,003,534	-	-	-	-	10,003,534	-
Currency translation differences	-	-	-	(378,942)	-	(378,942)	-
Purchase of non-controlling interest share in subsidiary	(22,792,870)	-	-	-	(372,815)	(23,165,685)	-
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	-	-	-	(161,815)
Transfer to legal reserve	-	-	-	-	-	-	-
Balance at end of period	10,033,994	593,605	38,162	(378,942)	(4,432,516)	5,854,303	23,795,932

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. Other income

	30 September 2019	30 September 2018
Export incentive	4,193,021	2,738,298
Other income	4,016,178	8,042,082
Net	8,209,199	10,780,380

26. 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	(1,048,200)	(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	(12,943,336)	-
Net	(30,661,880)	(4,703,240)

27. Finance cost - net

	30 September 2019	30 September 2018
Finance income		
Interest income	43,036,101	25,939,582
Interest income – corporate tax advance payment	223,089	-
Foreign exchange gain	26,863,678	-
	70,122,868	25,939,582
Finance expense		
Interest expenses	(79,583,543)	(97,513,426)
Foreign exchange (Loss)	-	(1,187,029)
Finance lease interest expense	(5,724,182)	-
	(85,307,725)	(98,700,455)
Net	(15,184,857)	(72,760,873)

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)

28. Income tax expense

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

	30 September 2019	30 September 2018
Income tax for the period	84,803,580	35,945,794
Deferred tax expense	285,891	24,416,820
Total	85,089,471	60,362,614
Profit before tax	337,698,232	235,752,560
Tax calculated based on applicable tax rates	75,982,102	53,044,326
Tax losses for which no deferred income tax asset was recognized	8,808,654	(1,393,283)
Tax effect of non- deductible expenses		8,711,571
Tax effect of non-taxable revenues	298,715	-
Income tax expense	85,089,471	60,362,614

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

29. Revenue from contracts with customers

A. Disaggregation of revenue from contracts with costumers

The Group derives revenue from the transfer of goods at a point in time. The Group disaggregate revenue by products line as disclosed in note (37) segment reporting.

B. The Group has recognised the following contracts' liabilities

	30 September 2019	31 December 2018
Contract liabilities – accrued rebates	7,751,048	6,800,000
Contract liabilities – advances from customers	5,857,132	18,259,750
Total contract liabilities	13,608,180	25,059,750

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

30. Earnings per share

Basic

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

	30 September 2019	30 September 2018
Profit attributed to owners of the parent	257,009,297	173,604,015
Weighted average number of ordinary shares in issue		
Ordinary shares	725,362,900	725,362,900
	725,362,900	725,362,900
Basic earnings per share	0.35	0.24

Diluted

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

31. Expenses by nature

	30 September 2019	30 September 2018
Cost of goods sold	1,911,839,100	1,869,149,500
Distribution cost	425,017,174	313,553,175
General and administrative expenses	221,191,036	207,166,127
	2,558,047,310	2,389,868,802
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	114,232,569	105,601,829
Gas, oil, water and electricity	68,486,200	57,007,594
Other Expenses	70,066,080	72,534,338
Employee benefits	66,742,752	63,444,289
Rent	46,079,708	38,351,342
Profit share employee	32,878,331	25,019,887
Transportation expenses	35,279,275	27,679,988
Maintenance	31,360,736	21,837,991
Vehicle expense	32,335,634	26,739,769
Consumable materials	18,559,643	16,636,146
Purchases – goods for resale	3,376,083	6,409,694
Company share in social insurance	39,390,192	32,329,241
	2,558,047,310	2,389,868,802

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. Cash generated from operations

	30 September 2019	30 September 2018
Profit for the period before tax	337,698,232	235,752,560
Adjustments for:		
Provisions	15,447,158	2,454,339
Provision no longer required	(198,238)	(8,109)
Provision for employee benefit obligation	3,193,488	1,422,226
Interest expense	79,583,543	97,513,426
Interest expense – leased assets	5,724,182	
Interest income	(43,036,101)	(25,939,582)
Interest income – corporate tax payment	(367,767)	-
Depreciation of property, plant and equipment	112,498,477	105,601,828
Amortization of intangible assets	1,734,092	
Provision for slow moving and obsolete inventory	1,048,199	1,827,775
Gain on disposal of property, plant and equipment	(1,772,064)	(992,991)
Finance lease adjustment	(7,418,682)	
	504,134,519	417,631,472
Change in working capital		
Inventories	14,747,289	23,695,081
Trade and other receivables	(40,002,446)	(27,371,891)
Trade and other payables	29,012,610	40,075,198
Provisions used	(10,311,537)	(3,848,065)
Payments of employee benefit obligations	(968,115)	(366,828)
Cash generated from operations	496,612,320	449,814,967

Net debt reconciliation

	30 September 2019	31 December 2018
Cash and cash equivalent	200,546,248	179,589,499
Borrowings – repayable within one year	(193,711,125)	(211,049,595)
Borrowing – repayable within after one year	(498,424,967)	(495,564,577)
Total	(491,589,844)	(527,024,673)

	Cash and cash equivalent	Borrowing due within 1 year	Borrowing due after 1 year	Total
Net debt as at 1 January 2019	179,589,499	(211,049,595)	(495,564,577)	(527,024,673)
Cash flows	20,517,223	9,061,400	(22,458,183)	7,120,440
Foreign exchange adjustment	439,526	8,277,070	19,597,793	28,314,389
Net debt as at 30 September 2019	200,546,248	(193,711,125)	(498,424,967)	(491,589,844)

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)

Cash generated from operations (continued)

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

	30 September 2019	30 September 2018
Net book value	738,820	915,623
Gain on disposal of property, plant and equipment	1,772,064	992,991
Proceeds from disposal of property, plant and equipment	2,510,884	1,908,614

33. Related parties

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

Key management compensation

During the year ended 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

34. Tax position

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

Edita Food Industries Company

a) Corporate tax

- The company is tax exempted for a period of 10 years ending 31 December 2007 in accordance with Law No. 230 of 1989 and Law No. 59 of 1979 related to New Urban Communities. The exemption period was determined to start from the fiscal year beginning on 1 January 1998. The company submits its tax returns on its legal period.
- The tax inspection was performed for the period from the company's inception till 31 December 2012 and all due tax amounts paid.
- For the years 2013-2016; 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.

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)

Tax position (continued)

b) Payroll tax

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

c) 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.

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)

Tax position (continued)

b) Payroll Tax

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

c) VAT & Sales Tax

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

d) Stamp Tax

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

35. 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).

36. Commitments

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.

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)

Segment reporting (continued)

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

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

38. Earnings before interest, taxes, depreciation and amortization

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

The information disclosed in the table below represents the earnings before interest, taxes, depreciation & amortization according to the internal reports prepared by the group's management, and the earnings before interest, taxes, depreciation & amortization for the yearends 30 September 2019 & 30 September 2018 were as follows:

	30 September 2018	30 September 2018
Net profit for the period	252,608,761	175,389,947
Income tax	85,089,471	60,362,614
Debit interest	85,307,725	97,513,426
Credit interest	(43,259,190)	(25,939,582)
Gain on sale of property , plant and equipment	(1,772,064)	(992,991)
Foreign exchange (gains)/losses	(26,863,678)	1,187,029
Donation	500,000	930,000
Other provision addition	2,984,590	7,493,679
Depreciation of property , plant and equipment	114,232,569	105,601,828
Solidarity contribution	12,943,336	-
Total	481,771,520	421,545,950