

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

**REVIEW REPORT AND CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS FOR THE NINE MONTHS  
PERIOD ENDED 30 SEPTEMBER 2016**

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

### **Consolidated Interim financial statements For Nine the months period ended 30 September 2016**

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## Review report

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

### Introduction

We have reviewed the accompanying consolidated statement of financial position of Edita Food Industries (S.A.E.) and its Subsidiaries "The Group" as of 30 September 2016 and the related Consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the Nine months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our limited review.

### Scope of limited review

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

### Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements is not prepared in all material respects, the financial position of the group as at 30 September 2016, and of its financial performance and its cash flows for the Nine months' period then ended in accordance with Egyptian Accounting Standards.

Ahmed Gamal Al-Atrees

R.A.A. 8784

E.F.S.A. 136

Mansour & Co. PricewaterhouseCoopers



9 November 2016  
Cairo

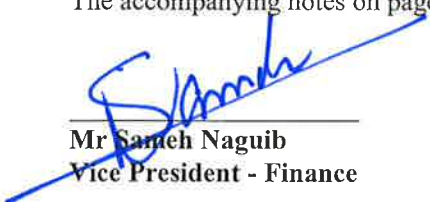
# EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES

## Consolidated statement of financial position - As of 30 September 2016

(All amounts in Egyptian Pounds)

|  | Note | 30 September<br>2016 | 31 December<br>2015  |
|--|------|----------------------|----------------------|
| <b>Assets</b>  |      |                      |                      |
| <b>Non-current assets</b>                                |      |                      |                      |
| Property, plant and equipment                            | 5    | 1,427,827,636        | 1,299,529,732        |
| Intangible Assets  | 6    | 161,025,782          | 161,968,712          |
| <b>Total non-current assets</b>                          |      | <b>1,588,853,418</b> | <b>1,461,498,444</b> |
| <b>Current assets</b>                                    |      |                      |                      |
| Inventories  | 7    | 156,380,320          | 140,297,471          |
| Trade and other receivables                              | 8    | 118,018,424          | 67,843,179           |
| Treasury bills   | 9    | 140,104,233          | 149,591,114          |
| Cash and cash equivalents (excluding bank overdrafts)    | 10   | 198,024,728          | 313,344,052          |
| <b>Total current assets</b>                              |      | <b>612,527,705</b>   | <b>671,075,816</b>   |
| <b>Total assets</b>                                      |      | <b>2,201,381,123</b> | <b>2,132,574,260</b> |
| <b>Equity and liabilities</b>                            |      |                      |                      |
| <b>Equity attributable to owners of the parent</b>       |      |                      |                      |
| Paid up capital  | 11   | 145,072,580          | 72,536,290           |
| Legal reserve  | 12   | 38,947,275           | 38,947,275           |
| Foreign currency translation reserve                     |      | (17,036)             | 5,568                |
| Retained earnings  |      | 1,018,252,386        | 1,057,715,965        |
| <b>Total equity attributable to owners of the parent</b> |      | <b>1,202,255,205</b> | <b>1,169,205,098</b> |
| Non-controlling interest                                 | 13   | 18,085,925           | 5,617,437            |
| <b>Total equity</b>                                      |      | <b>1,220,341,130</b> | <b>1,174,822,535</b> |
| <b>Liabilities</b>                                       |      |                      |                      |
| <b>Non-current liabilities</b>                           |      |                      |                      |
| Long-term loans  | 14   | 393,480,087          | 346,217,286          |
| Employee benefit obligations                             | 16   | 2,102,663            | 2,533,203            |
| Deferred income tax liabilities                          | 17   | 108,828,837          | 94,536,302           |
| <b>Total non-current liabilities</b>                     |      | <b>504,411,587</b>   | <b>443,286,791</b>   |
| <b>Current liabilities</b>                               |      |                      |                      |
| Provisions   | 18   | 29,131,897           | 16,000,854           |
| Bank overdraft   | 19   | 105,296,445          | 73,698,428           |
| Trade and other payables                                 | 20   | 238,388,491          | 255,248,981          |
| Current portion of long-term liabilities                 | 21   | 103,811,573          | 145,235,152          |
| Current income tax liabilities                           | 22   | -                    | 24,281,519           |
| <b>Total current liabilities</b>                         |      | <b>476,628,406</b>   | <b>514,464,934</b>   |
| <b>Total equity and liabilities</b>                      |      | <b>2,201,381,123</b> | <b>2,132,574,260</b> |

The accompanying notes on pages 7 to 47 form an integral part of these consolidated interim financial statements.

  
Mr. Sameh Naguib  
Vice President - Finance

  
Eng. Hani Berzi  
Chairman

Giza 9 November 2016  
Review report attached

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

## Consolidated statement of profit or loss For the nine months period ended 30 September 2016

(All amounts in Egyptian Pounds)

|                                  | Note | The Nine months period ended<br>30 September |                    | The three months period ended<br>30 September |                    |
|----------------------------------|------|--|--------------------|---|--------------------|
|                                  |      | 2016   | 2015               | 2016  | 2015               |
| Revenue                          |      | 1,681,266,706                                | 1,579,137,612      | 612,960,178                                   | 535,420,285        |
| Cost of sales                    | 28   | (1,063,945,728)                              | (976,689,531)      | (408,618,619)                                 | (337,635,109)      |
| <b>Gross profit</b>              |      | <b>617,320,978</b>                           | <b>602,448,081</b> | <b>204,341,559</b>                            | <b>197,785,176</b> |
| Other income                     | 23   | 8,087,041                                    | 4,932,822          | 1,120,414                                     | 1,445,461          |
| Distribution cost                | 28   | (213,939,909)                                | (199,617,152)      | (55,524,293)                                  | (71,848,083)       |
| Administrative expenses          | 28   | (122,588,046)                                | (112,828,717)      | (37,339,175)                                  | (38,560,288)       |
| Other gains / (losses) - Net     | 24   | (89,237,013)                                 | (344,029)          | (35,259,221)                                  | (5,333,737)        |
| Finance cost - Net               | 25   | (17,493,573)                                 | (4,800,277)        | (7,632,964)                                   | (3,597,951)        |
| <b>Profit before income tax</b>  |      | <b>182,149,478</b>                           | <b>289,790,728</b> | <b>69,706,320</b>                             | <b>79,890,578</b>  |
| Income tax expense / income      | 26   | (43,133,086)                                 | (55,865,349)       | (17,950,982)                                  | 5,775,951          |
| <b>Net profit for the period</b> |      | <b>139,016,392</b>                           | <b>233,925,379</b> | <b>51,755,338</b>                             | <b>85,666,529</b>  |
| <b>Profit is attributable to</b> |      |  |                    |   |                    |
| Owners of the parent             |      | 137,100,234                                  | 231,562,752        | 51,677,799                                    | 84,810,890         |
| Non-controlling interest         |      | 1,916,158                                    | 2,362,627          | 77,539  | 855,639            |
| <b>Net profit for the period</b> |      | <b>139,016,392</b>                           | <b>233,925,379</b> | <b>51,755,338</b>                             | <b>85,666,529</b>  |
| Basic earnings per share         | 27   | 0.19   | 0.32               | 0.07  | 0.12               |
| Diluted earnings per share       | 27   | 0.19   | 0.32               | 0.07  | 0.12               |

The accompanying notes on pages 7 to 47 form an integral part of these consolidated interim financial statements.

**EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES****Consolidated statement of comprehensive income  
For the Nine months period ended 30 September 2016****(All amounts in Egyptian Pounds)**

|  | <b>The nine months period ended<br/>30 September</b> |                    | <b>The three months period ended<br/>30 September</b> |                   |
|--|--|--------------------|---|-------------------|
|  | <b>2016</b>  | <b>2015</b>        | <b>2016</b>   | <b>2015</b>       |
| <b>Net profit for the period</b>                     | 139,016,392  | 233,925,379        | 51,755,338  | 85,666,529        |
| <b>Other comprehensive income</b>                    |  |                    |   |                   |
| Currency translation differences                     | (22,604)   | (1,092)            | (2,711)   | (2,970)           |
| Assets revaluation surplus                           | -  | (1,803)            | -   | (603)             |
| <b>Total comprehensive income<br/>for the period</b> | <b>138,993,788</b>                                   | <b>233,922,484</b> | <b>51,752,627</b>                                     | <b>85,662,956</b> |
| <b>Attributable to</b>                               |  |                    |   |                   |
| Owners of the parent                                 | 137,077,630  | 231,559,857        | 51,675,088  | 84,807,317        |
| Non-controlling interest                             | 1,916,158  | 2,362,627          | 77,539  | 855,639           |
| <b>Total comprehensive income<br/>for the period</b> | <b>138,993,788</b>                                   | <b>233,922,484</b> | <b>51,752,627</b>                                     | <b>85,662,956</b> |

The accompanying notes on pages 7 to 47 form an integral part of these consolidated interim financial statements.

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

## **Consolidated statement of changes in equity For the Nine months period ended 30 September 2016**

(All amounts in Egyptian Pounds)

|  | Share capital | Legal reserve | Foreign<br>currency<br>translation<br>reserve | Retained<br>earnings | Total Owners of<br>the parent | Non-<br>controlling<br>interest | Total owners'<br>equity |
|--|---------------|---------------|---|----------------------|-------------------------------|---------------------------------|-------------------------|
| <b>Balance at 31 December 2014 and 1 January 2015</b>            | 72,536,290    | 31,103,903    | 3,501   | 720,134,419          | 823,778,113                   | 1,966,793                       | 825,744,906             |
| Net Profit for the period  | -             | -             | -   | 231,562,752          | 231,562,752                   | 2,362,627                       | 233,925,379             |
| Currency translation differences                                 | -             | -             | (1,092)                                       | -                    | (1,092)                       | -                               | (1,092)                 |
| Assets revaluation reserve                                       | -             | -             | -   | -                    | -                             | (1,803)                         | (1,803)                 |
| <b>Total comprehensive income for the period</b>                 | -             | -             | (1,092)                                       | 231,562,752          | 231,561,660                   | 2,360,824                       | 233,922,484             |
| Dividends distribution for 2014                                  | -             | -             | -   | (21,830,671)         | (21,830,671)                  | -                               | (21,830,671)            |
| <b>Balance at 30 September 2015</b>                              | 72,536,290    | 31,103,903    | 2,409   | 929,866,500          | 1,033,509,102                 | 4,327,617                       | 1,037,836,719           |
| <b>Balance at 31 December 2015 and 1 January 2016</b>            | 72,536,290    | 38,947,275    | 5,568   | 1,057,715,965        | 1,169,205,098                 | 5,617,437                       | 1,174,822,535           |
| Net Profit for the period  | -             | -             | -   | 137,100,234          | 137,100,234                   | 1,916,158                       | 139,016,392             |
| Currency translation differences                                 | -             | -             | (22,604)                                      | -                    | (22,604)                      | -                               | (22,604)                |
| <b>Total comprehensive income for the period</b>                 | -             | -             | (22,604)                                      | 137,100,234          | 137,077,630                   | 1,916,158                       | 138,993,788             |
| Bonus share, capital increase                                    | 72,536,290    | -             | -   | (72,536,290)         | -                             | -                               | -                       |
| Non controlling interest share in capital increase of subsidiary | -             | -             | -   | -                    | -                             | 10,552,330                      | 10,552,330              |
| Dividends distribution for 2015                                  | -             | -             | -   | (104,027,523)        | (104,027,523)                 | -                               | (104,027,523)           |
| <b>Balance at 30 September 2016</b>                              | 145,072,580   | 38,947,275    | (17,036)                                      | 1,018,252,386        | 1,202,255,205                 | 18,085,925                      | 1,220,341,130           |

The accompanying notes on pages 7 to 47 form an integral part of these consolidated interim financial statements.

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

## Consolidated statement of cash flows

For the Nine months period ended 30 September 2016

(All amounts in Egyptian Pounds)

|  | Notes | 30 September<br>2016 | 30 September<br>2015 |
|--|-------|----------------------|----------------------|
| <b><u>Cash flows from operating activities</u></b>           |       |                      |                      |
| Profit for the period before income tax                      |       | 182,149,478          | 289,790,728          |
| <b>Adjustments for:</b>                                      |       |                      |                      |
| Provisions   | 24    | 15,937,503           | 4,239,092            |
| Interest on lands' installments                              | 25    | 531,405              | 848,489              |
| Interest expense   | 25    | 38,669,520           | 23,480,101           |
| Interest income  | 25    | (21,207,152)         | (19,362,313)         |
| Interest income - corporate tax advances                     | 25    | (500,200)            | (166,000)            |
| Depreciation of property, plant and equipment                | 5     | 71,633,455           | 56,221,480           |
| Amortization of Intangible assets                            | 6     | 942,930              | 628,620              |
| Provision of slow moving inventory                           | 24    | 1,240,004            | -                    |
| Gain on disposal of property, plant and equipment            |       | (969,747)            | (7,698,600)          |
|  |       | <b>288,427,196</b>   | <b>347,981,597</b>   |
| Inventories  |       | (17,322,853)         | (23,034,547)         |
| Trade and other receivables                                  |       | (36,630,256)         | (29,713,599)         |
| Trade and other payables                                     |       | (15,481,380)         | 37,535,164           |
| Provisions used  |       | (2,806,460)          | (380,417)            |
| Payments of employee benefit obligations                     |       | (430,540)            | -                    |
| Dividends paid to Company's employees                        |       | (22,826,011)         | (21,710,487)         |
| <b>Cash inflow from operating activities</b>                 |       | <b>192,929,696</b>   | <b>310,677,711</b>   |
| Interest paid  |       | (42,010,094)         | (23,480,101)         |
| Income tax paid  |       | (66,166,859)         | (118,073,367)        |
| <b>Net cash inflow from operating activities</b>             |       | <b>84,752,743</b>    | <b>169,124,243</b>   |
| <b><u>Cash flows from investing activities</u></b>           |       |                      |                      |
| Payment for property, plant and equipment                    |       | (201,385,528)        | (230,312,462)        |
| Purchase of intangible asset                                 |       | -                    | (94,292,984)         |
| Proceeds from sale of property, plant and equipment          |       | 2,423,916            | 8,585,795            |
| Interest received  |       | 21,960,663           | 20,827,007           |
| Payment for purchase of treasury bills                       |       | (137,910,890)        | (147,075,678)        |
| Proceeds from sale of treasury bills                         |       | 146,644,260          | 103,492,933          |
| <b>Net cash outflow from investing activities</b>            |       | <b>(168,267,579)</b> | <b>(338,775,389)</b> |
| <b><u>Cash flows from financing activities</u></b>           |       |                      |                      |
| Proceeds from Non controlling interest                       |       | 10,552,330           | -                    |
| Dividends paid to Company's shareholders                     |       | (82,580,622)         | -                    |
| Notes Payable Payment  |       | (10,546,825)         | (9,985,990)          |
| Repayments of borrowings                                     |       | (194,173,722)        | (73,504,993)         |
| Proceeds from borrowings                                     |       | 213,368,938          | 238,039,234          |
| <b>Net cash (outflow) / inflow from financing activities</b> |       | <b>(63,379,901)</b>  | <b>154,548,251</b>   |
| <b>Net decrease in cash and cash equivalents</b>             |       | <b>(146,894,737)</b> | <b>(15,102,895)</b>  |
| Cash and cash equivalents at beginning of the period         |       | 239,645,624          | 172,883,255          |
| Effect of exchange rate on cash and cash equivalents         |       | (22,604)             | -                    |
| <b>Cash and cash equivalents at end of the period</b>        | 10    | <b>92,728,283</b>    | <b>157,780,360</b>   |

The accompanying notes on pages 7 to 47 form an integral part of these consolidated interim financial statements.



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

### **Notes to the consolidated interim financial statements For the Nine months period ended 30 September 2016**

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

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

Edita Food Industries S.A.E. was established on 9 July 1996, under the investment Law No. 230 of 1989 and the money market Law No. 95 of 1992 and is registered in the commercial register under number 692 Cairo.

The Company is located in Sheikh Zayed city- Central Pivot, Giza

The Company and its subsidiaries (the Group) provides manufacturing, producing and packing of all food products, juices, jams, readymade food, dry goods, cakes, pastry, dairy products, meat, vegetables, fruits, chocolate, vegetarian products and other food products with all necessary ingredients.

The main shareholders are BERCO Limited which owns 41.815% of the Company's share capital and the Bank of New York Mellon which owns 25.59% of the Company share capital and Exoder participation, "Exoder Limited", domiciled in Cyprus which owns 12.975% of the Company's share capital and Africa Samba B.V. which owns 7.5% of Company's share capital and other shareholders owning 12.12% of company's share capital.

These consolidated interim financial statements have been approved by the Chairman and Managing Director on 9 November 2016.

#### **2. Accounting policies**

The principal accounting policies adopted in the preparation of these consolidated interim financial statements are set out below; these policies have been applied consistently, unless otherwise stated.

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

The consolidated interim financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) and applicable laws and regulations. The consolidated interim financial statements have been prepared under the historical cost convention.

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

Egyptian Accounting Standards (EAS) requires management to consider the most recent pronouncements of other standards-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the requirements in EASs dealing with similar and related issues and the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the framework when there is no Egyptian Accounting Standards (EAS), or legal requirements that explain the treatment of specific balances and transactions.

The treatment of balances and transactions that had not been considered in Egyptian Accounting Standards (EAS) is subject to the International Financial Reporting Standards (IFRS), till the issuance of Egyptian accounting standards considering the treatments of such balances and transactions.

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

### **Notes to the consolidated interim financial statements For the Nine months period ended 30 September 2016**

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

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#### **B. Basis of consolidation**

##### **1. Subsidiaries**

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

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

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

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of profit or loss

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of the assets transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

##### **2. Transactions and non-controlling interests**

The Group recognises the transactions with non-controlling interest, which will not result in losing control, in the shareholder's equity. The difference between the fair value of the consideration paid and the carrying value of the subsidiary which related to the purchasing shares recorded in the equity. Also, the group recognize gains and losses from sales to non-controlling interest in the equity.

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

### **Notes to the consolidated interim financial statements For the Nine months period ended 30 September 2016**

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

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

##### **3. Associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

#### **C. Foreign currency translation**

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

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

The consolidated financial statements are presented in Egyptian Pounds, which is the group's presentation currency.

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

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

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

### **Notes to the consolidated interim financial statements For the Nine months period ended 30 September 2016**

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

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#### **Foreign currency translation (Continued)**

##### **(3) Group companies**

The results and financial position of all the Group entities that have a functional and presentation currency different from the functional and presentation currency for the consolidated financial statements (none of these currencies are related to hyper inflationary economic) which translated as follows:

- (a) Monetary assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each statement of profit or loss are translated at average exchange rates during the Period (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).
- (c) All resulting translation exchange differences are recognised in the statement of other comprehensive income.

#### **D. Property, plant and equipment**

All property, plant, and equipment are stated at historical cost less accumulated depreciation. Historical cost includes all costs associated with acquiring the asset and bringing it to a ready-for-use condition.

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

Estimated useful lives of assets are as follows:

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

Salvage value and useful lives are reviewed and changed if necessary.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the asset and are recognized as other income or other expenses within the statement of profit or loss.

Repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset or the estimated useful life of the renovation, whichever is less.

Projects in progress are carried at cost, less any recognized impairment loss. Cost includes all costs associated with acquiring the asset and bringing it to a ready-for-use condition. Depreciation for these assets, determined on the same basis as other comparable property, plant and equipment, commences when the assets are ready for their intended use.

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

### **Notes to the consolidated interim financial statements For the Nine months period ended 30 September 2016**

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

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#### **E. Intangible assets**

Intangible assets (Trademarks) 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 is recognized as an intangible asset as the license is perpetual, irrevocable and exclusive including the trademark in the territory in connection with the cake products, the brand has an established presence in the territory in which it is licensed to operate for over 23 years in addition the group has a strong historic financial track record and forecasts continued growth also, the knowhow and perpetual license not exposed to typical obsolescence as it relates to a food stuff. The brand remain popular in the Middle East and the group does not foresee any decline in the foreseeable future)

Intangible assets (know how) have finite useful life and is carried at cost less accumulated amortization. Amortization of intangible assets which have finite useful lives is calculated using the straight line method, know how is amortized over 25 years, the group's management put into consideration the following factors in determining the useful lives of the intangible assets that have finite useful lives:

- The expected usage of the asset by the entity and whether the asset could be managed efficiently by another management team;
- Typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way;
- Technical, technological, commercial or other types of obsolescence;
- The stability of the industry in which the asset operates and changes in the market demand for the products or services output from the asset;
- The level of maintenance expenditure required to obtain the expected future economic benefits from the asset and the entity's ability and intention to reach such a level;
- The period of control over the asset and legal or similar limits on the use of the asset, such as the expiry dates of related leases; and
- Whether the useful life of the asset is dependent on the useful life of other assets of the entity.

#### **F. Impairment of non-financial assets**

##### **(1) Non-financial assets have an indefinite useful life**

Intangible assets that have an indefinite useful life (Intangible assets – Trademarks) are not subject to amortisation and are tested annually for impairment. 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 each reporting date.

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

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#### **Impairment of non-financial assets (continued)**

##### **(2) Non-financial assets have useful life**

Fixed assets and other non-financial assets that have useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may be not recoverable.

The impairment loss is recognized in the statement profit or loss for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell the asset or the amount estimated to be recovered from using it, for the purpose of assessing the impairment assets are grouped at its lowest level of separate cash flows.

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

#### **G. Inventories**

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

#### **H. Financial assets**

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

The group classifies its financial assets in the following categories, loans and receivables, and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held to maturity, reevaluate this designation at the end of each reporting period.

##### **(a) Loans and receivables**

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

##### **(b) Held to maturity investments**

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

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

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

### **Notes to the consolidated interim financial statements For the Nine months period ended 30 September 2016**

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

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#### **Financial assets (continued)**

##### **(2) Recognition and derecognition**

Financial assets are recognised on trade-date, the date on which the group commits to the contractual provision of the financial assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

##### **(3) Measurement**

At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset except financial asset at fair value through profit or loss where transaction costs are recognised in the statement of profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Interest on held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

##### **(4) Impairment**

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

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

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

#### **I. Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

### **Notes to the consolidated interim financial statements For the Nine months period ended 30 September 2016**

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

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#### **Trade and other receivables (continued)**

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss when a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'in the statement of profit or loss.

#### **J. Cash and cash equivalents**

In the consolidated 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 statement of financial position, bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

#### **K. Share capital**

Ordinary shares are classified as equity.

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

#### **L. Borrowings**

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. The amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

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

#### **M. Current and deferred income tax**

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



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

### **Notes to the consolidated interim financial statements For the Nine months period ended 30 September 2016**

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

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#### **Current and deferred income tax (continued)**

Deferred income tax 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. However, the deferred income tax is 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 assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### **N. Employee benefits**

##### **(1) Pension obligations**

A defined contribution plan is a pension plan under which the group pays fixed contribution when the conditions illustrated in the group's policy is met. The group has no legal obligation to pay further contributions to its employees which is related to employee service in the current and prior periods. A defined benefit plan is a pension plan of the staff.

##### **(2) Defined benefit pension plans**

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

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

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

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

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

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

### **Notes to the consolidated interim financial statements For the Nine months period ended 30 September 2016**

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

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

##### **(3) Profit sharing**

The employees have the right of 10% of the declared cash dividends as profit sharing. In accordance with the rules applied by the board of directors and approved by the general assembly. Such profit sharing should not exceed the total annual payroll.

#### **O. Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

#### **P. Trade payables**

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

#### **Q. Revenue recognition**

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### **(1) Sales of goods**

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

No element of financing is deemed present as the sales are made with a short credit term.

##### **(2) Interest income**

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

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

### **Notes to the consolidated interim financial statements For the Nine months period ended 30 September 2016**

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

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#### **Revenue recognition (continued)**

**(3) Dividend income**

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

**(4) Government incentive on export sales**

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

#### **R. Dividend Distribution**

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

#### **S. Operating lease**

Leases where the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line period of the lease.

#### **T. Operating Segements**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

#### **U. Comparative figures**

Where necessary, corresponding 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 interim financial statements For the Nine months period ended 30 September 2016

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

#### 3. Financial risk management

##### (1) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's efforts are addressed to minimize potential adverse effects of such risks on the Group's financial performance. The Group does not use derivative financial instruments to hedge certain risk exposures.

##### (A) Market risk

##### Foreign currency exchange 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 group deals with in official rates and the rest from its exports in US Dollars

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

|   | 30 September<br>2016 | 31 December<br>2015 |
|---|----------------------|---------------------|
| <b>Amounts recognised in profit or loss</b>   |                      |                     |
| Net foreign exchange (loss) / gain included in other income/other expenses net of tax | (55,433,195)         | 1,095,862           |
|   | <u>(55,433,195)</u>  | <u>1,095,862</u>    |
| <b>Net gains recognised in other comprehensive income</b>                             |                      |                     |
| Foreign currency translation reserve net of tax                                       | (22,604)             | 2,067               |
|   | <u>(22,604)</u>      | <u>2,067</u>        |

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

|            | Assets     | Liabilities   | Net<br>30 September<br>2016 | Net<br>31 December<br>2015 |
|------------|------------|---------------|-----------------------------|----------------------------|
| Euros      | 14,450,156 | (146,242,115) | (131,791,959)               | (186,657,909)              |
| US Dollars | 18,295,903 | (66,995,708)  | (48,699,805)                | (34,730,182)               |

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### **Notes to the consolidated interim financial statements For the Nine months period ended 30 September 2016**

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

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#### **Financial risk management (continued)**

At 30 September 2016, 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 13,179,195 (2015: LE 18,665,791) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

At 30 September 2016, 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 4,869,980 (2015: LE 3,473,018) higher / lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets and liabilities.

On 3 November 2016, the central bank of Egypt announced the floating of the Egyptian pound and raised the overnight interest rates on lending and deposits by 3%. Accordingly, the official exchange rates of the foreign currencies against the Egyptian pound shall be determined in the local banks based on the market's supply and demand rather than a binding rate imposed by the central bank.

As a result of the Egyptian pound floating, the US dollar at the date of issuing these financial statements is traded at local banks between 16 to 17 Egyptian pounds.

This devaluation of the Egyptian pound has no effect on the financial figures as of 30 September 2016 which had been prepared using the spot rate of USD as of 30 September which was equivalent to 8.88 EGP.

#### **(ii) Price risk**

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

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

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

At 30 September 2016, if interest rates on Egyptian pound -denominated net interest bearing liabilities had been 0.1% higher/lower with all other variables held constant, post-tax profit for the Period would have been LE 497,292 (2015: LE 342,889) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Borrowings at the statement of financial position date with variable interest rate amounted to LE 497,291,660 (31 December 2015: LE 480,905,613).

Overdraft at the statement of financial position on 30 September 2016 amounted to LE 105,296,445 (31 December 2015: LE 73,698,428).

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

### Notes to the consolidated interim financial statements For the Nine months period ended 30 September 2016

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

#### Financial risk management (continued)

##### (B) Credit risk

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

For banks and financial institutions, the Group is dealing with the banks which have a high independent rating with a good reputation.

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

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

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

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

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

##### Trade receivables

Counter parties without external credit rating:

|               | 30 September<br>2016 | 31 December<br>2015 |
|---------------|----------------------|---------------------|
| Other parties | 13,042,922           | 6,387,918           |
| <b>Total</b>  | <b>13,042,922</b>    | <b>6,387,918</b>    |

Cash at bank and short-term bank deposits:

|              | 30 September<br>2016 | 31 December<br>2015 |
|--------------|----------------------|---------------------|
| AA           | 268,851              | 823,278             |
| A            | 69,189,994           | 156,075,388         |
| BBB          | 103,361,614          | 137,853,764         |
| B            | 1,612,716            | 1,201,037           |
| <b>Total</b> | <b>174,433,175</b>   | <b>295,953,467</b>  |

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

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#### Financial risk management (continued)

##### (C) Liquidity risk

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

The table below summarizes the maturities of the Group's undiscounted financial liabilities at 30 September 2016 based on contractual payment dates and current interest rates as we had excluded the taxes payable, advances from customers and social insurance:

| At 30 September 2016       | Less than<br>6 month | Between<br>6 month &<br>1 year | Between<br>1 & 2 years | More than<br>2 years |
|----------------------------|----------------------|--------------------------------|------------------------|----------------------|
| Borrowings                 | 44,888,378           | 62,542,995                     | 105,643,983            | 284,216,304          |
| Future interest payments   | 6,783,734            | 21,776,057                     | 45,839,671             | 40,347,447           |
| Trade and other payables   | 163,218,759          | -                              | -                      | -                    |
| Bank overdraft             | 105,296,445          | -                              | -                      | -                    |
| Notes payable              | 58,971,182           | -                              | -                      | -                    |
| <b>Total</b>               | <b>379,158,498</b>   | <b>84,319,052</b>              | <b>151,483,654</b>     | <b>324,563,751</b>   |
| <b>At 31 December 2015</b> |                      |                                |                        |                      |
| Borrowings                 | 63,735,176           | 70,953,151                     | 97,684,524             | 248,532,762          |
| Future interest payments   | 2,578,269            | 3,240,990                      | 6,307,605              | 15,705,858           |
| Trade and other payables   | 199,550,963          | -                              | -                      | -                    |
| Bank overdraft             | 73,698,428           | -                              | -                      | -                    |
| Notes payable              | 45,087,494           | 10,546,825                     | -                      | -                    |
| <b>Total</b>               | <b>384,650,330</b>   | <b>84,740,966</b>              | <b>103,992,129</b>     | <b>264,238,620</b>   |

The unused amount of borrowings is amounted to EGP 250,964,090 as of 30 September 2016, also the Group will have future interest payments related to borrowings amounting to LE 114,746,909 (31 December 2015: LE 27,832,722).

##### i. 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 interim financial statements For the Nine months period ended 30 September 2016

(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 loan represents all loans and borrowings, and long-term notes payables less cash and cash equivalents. Total capital is calculated as equity, plus net debts.

The gearing ratio at 30 September 2016 and 31 December 2015 were as follows:

|  | 30 September<br>2016 | 31 December<br>2015  |
|--|----------------------|----------------------|
| Total borrowings and long term notes payable | 497,291,660          | 491,452,438          |
| Bank Overdraft                               | 105,296,445          | 73,698,428           |
| <b>Total borrowings and loans</b>            | <b>602,588,105</b>   | <b>565,150,866</b>   |
| Less: Cash and cash equivalents              | (198,024,728)        | (313,344,052)        |
| <b>Net debt</b>                              | <b>404,563,377</b>   | <b>251,806,814</b>   |
| Total equity                                 | 1,220,341,130        | 1,174,822,535        |
| <b>Total capital</b>                         | <b>1,624,904,507</b> | <b>1,426,629,349</b> |
| <br><b>Gearing ratio</b>                     | <br><b>25 %</b>      | <br><b>18 %</b>      |

The increase in net debt to total capital is due to the decrease in cash and cash equivalents and increase in total borrowings and loans.

#### 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

#### ii. Fair value estimation

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



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

### **Notes to the consolidated interim financial statements For the Nine months period ended 30 September 2016**

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

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

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

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

##### **Fixed assets useful lives**

Fixed assets are depreciated based on useful lives and estimated residual values of each asset which is determined in accordance with the Group's policy and in the light of the technical study prepared for each asset separately by the group's technical resources. In order on conformity with Egyptian accounting standards, the management will regularly reviews residual value and useful lives of assets and modified periodically.

##### **Intangible assets impairment (Trade Mark)**

The Group estimates the useful life of the trademark to be indefinite useful life based on trademark agreement which give the Group the license with perpetual, irrevocable and exclusive including the knowhow in the territory in connection with the HOHOS, Twinkies and Tiger tail products, accordingly, the Group's management annually test the impairment of intangible assets (Trade Mark), that have an indefinite useful life based on the financial and operational performance in previous years and the management expectation for the market developments in the future by preparing a business plan by using the growth rate and the discount rate prevailing

##### **Intangible assets useful life (Knowhow)**

The Group estimates the useful life of the knowhow to be 25 years based on the Group's useful life which is upon the management's expectation and intention

##### **Inventory provision**

The group forms a provision for obsolete and slow moving items based on periodic reports related to the expiry and the quality of inventory.

##### **Impairment of trade and other receivables**

The evaluation of the impairment value in accounts and notes receivables is made through monitoring aging of the receivable. The Group management is studying the credit position and the customers' ability to pay their debts falling due within the credit limits granted to them. Impairment is recorded at values of the due amounts on the customers where the Group management determine that their credit position does not allow them to settle their liabilities.

##### **Income tax**

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

##### **2. The general personal judgments for implementation of the group accounting policies**

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

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

## **Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016**

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

### **5. Property, plant and equipment**

|  | Land               | Buildings          | Machinery & equipment | Vehicles          | Tools & equipment | Furniture & office equipment | Projects under construction | Total                |
|--|--------------------|--------------------|-----------------------|-------------------|-------------------|------------------------------|-----------------------------|----------------------|
| <b>At 1 January 2015</b>                   |                    |                    |                       |                   |                   |                              |                             |                      |
| Cost                                       | 62,226,931         | 358,756,888        | 467,724,860           | 130,514,617       | 39,346,149        | 46,442,136                   | 197,420,789                 | 1,302,432,370        |
| Accumulated depreciation                   | -                  | (42,535,772)       | (132,481,461)         | (63,583,055)      | (22,910,791)      | (25,051,641)                 | -                           | (286,562,720)        |
| <b>Net book amount</b>                     | <b>62,226,931</b>  | <b>316,221,116</b> | <b>335,243,399</b>    | <b>66,931,562</b> | <b>16,435,358</b> | <b>21,390,495</b>            | <b>197,420,789</b>          | <b>1,015,869,650</b> |
| <b>Year ended 31 December 2015</b>         |                    |                    |                       |                   |                   |                              |                             |                      |
| Opening net book amount                    | 62,226,931         | 316,221,116        | 335,243,399           | 66,931,562        | 16,435,358        | 21,390,495                   | 197,420,789                 | 1,015,869,650        |
| Additions                                  | 44,487,197         | 94,541             | 17,057,231            | 36,072,030        | 7,893,495         | 15,670,686                   | 240,492,430                 | 361,767,610          |
| Depreciation charge                        | -                  | (13,706,638)       | (28,914,338)          | (17,301,950)      | (7,678,036)       | (9,165,525)                  | -                           | (76,766,487)         |
| Disposal Depreciation                      | -                  | -                  | 200,543               | 26,531,920        | 519,333           | 2,869,226                    | -                           | 30,121,022           |
| Disposals                                  | -                  | (75,478)           | (322,961)             | (27,647,439)      | (528,669)         | (2,887,516)                  | -                           | (31,462,063)         |
| Transfers from Projects under construction | -                  | 119,313,063        | 151,186,774           | -                 | 11,206,129        | 198,924                      | (281,904,890)               | -                    |
| <b>Closing net book amount</b>             | <b>106,714,128</b> | <b>421,846,604</b> | <b>474,450,648</b>    | <b>84,586,123</b> | <b>27,847,610</b> | <b>28,076,290</b>            | <b>156,008,329</b>          | <b>1,299,529,732</b> |
| <b>At 31 December 2015</b>                 |                    |                    |                       |                   |                   |                              |                             |                      |
| Cost                                       | 106,714,128        | 478,089,014        | 635,645,904           | 138,939,208       | 57,917,104        | 59,424,230                   | 156,008,329                 | 1,632,737,917        |
| Accumulated depreciation                   | -                  | (56,242,410)       | (161,195,256)         | (54,353,085)      | (30,069,494)      | (31,347,940)                 | -                           | (333,208,185)        |
| <b>Net book amount</b>                     | <b>106,714,128</b> | <b>421,846,604</b> | <b>474,450,648</b>    | <b>84,586,123</b> | <b>27,847,610</b> | <b>28,076,290</b>            | <b>156,008,329</b>          | <b>1,299,529,732</b> |
| <b>Period ended 30 September 2016</b>      |                    |                    |                       |                   |                   |                              |                             |                      |
| Opening net book amount                    | 106,714,128        | 421,846,604        | 474,450,648           | 84,586,123        | 27,847,610        | 28,076,290                   | 156,008,329                 | 1,299,529,732        |
| Additions                                  | 14,194,132         | -                  | 13,798,074            | 9,788,258         | 6,642,985         | 7,631,818                    | 149,330,261                 | 201,385,528          |
| Depreciation charge                        | -                  | (13,986,976)       | (26,949,761)          | (14,041,537)      | (7,931,892)       | (8,723,289)                  | -                           | (71,633,455)         |
| Disposal Depreciation                      | -                  | -                  | 1,480,969             | 1,456,751         | 666,316           | 74,078                       | -                           | 3,678,114            |
| Disposals                                  | -                  | -                  | (2,454,633)           | (1,909,080)       | (676,187)         | (92,383)                     | -                           | (5,132,283)          |
| Transfers from Projects under construction | -                  | 14,526,630         | 124,968,577           | -                 | 10,148,855        | 1,923,504                    | (151,567,566)               | -                    |
| <b>Closing net book amount</b>             | <b>120,908,260</b> | <b>422,386,258</b> | <b>585,293,874</b>    | <b>79,880,515</b> | <b>36,697,687</b> | <b>28,890,018</b>            | <b>153,771,024</b>          | <b>1,427,827,636</b> |
| <b>At 30 September 2016</b>                |                    |                    |                       |                   |                   |                              |                             |                      |
| Cost                                       | 120,908,260        | 492,615,644        | 771,957,922           | 146,818,386       | 74,032,757        | 68,887,169                   | 153,771,024                 | 1,828,991,162        |
| Accumulated depreciation                   | -                  | (70,229,386)       | (186,664,048)         | (66,937,871)      | (37,335,070)      | (39,997,151)                 | -                           | (401,163,526)        |
| <b>Net book amount</b>                     | <b>120,908,260</b> | <b>422,386,258</b> | <b>585,293,874</b>    | <b>79,880,515</b> | <b>36,697,687</b> | <b>28,890,018</b>            | <b>153,771,024</b>          | <b>1,427,827,636</b> |

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

### Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016

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

#### 6. Intangible assets

|   | Net Book Value       |                     |
|---|----------------------|---------------------|
|   | 30 September<br>2016 | 31 December<br>2015 |
| A- Intangible assets which have indefinite useful lives | 131,480,647          | 131,480,647         |
| B- intangible assets which have finite useful lives     | 29,545,135           | 30,488,065          |
| <b>Balance as of</b>                                    | <b>161,025,782</b>   | <b>161,968,712</b>  |

#### A. Intangible assets which have indefinite useful lives - Trademarks (HOHOS, Twinkies & Tiger Tail)

|                                    | Trade Mark<br>(HOHOS, Twinkies & Tiger Tail) |                     |
|------------------------------------|--|---------------------|
|                                    | 30 September<br>2016                         | 31 December<br>2015 |
| <b>Cost</b>                        |  |                     |
| Opening Balance                    | 131,480,647                                  | 68,618,658          |
| Additions during the period / year | -  | 62,861,989          |
| <b>Balance as of</b>               | <b>131,480,647</b>                           | <b>131,480,647</b>  |

#### B. Intangible assets which have definite useful lives – Know how

|   | Know How             |                     |
|---|----------------------|---------------------|
|   | 30 September<br>2016 | 31 December<br>2015 |
| <b>Cost</b>                                       |                      |                     |
| Opening Balance                                   | 31,430,995           | -                   |
| Additions during the period / year                | -                    | 31,430,995          |
| <b>Balance as of</b>                              | <b>31,430,995</b>    | <b>31,430,995</b>   |
| <b>Accumulated Amortization</b>                   |                      |                     |
| Opening Balance                                   | (942,930)            | -                   |
| Amortization expense during the period / year     | (942,930)            | (942,930)           |
| <b>Balance as of</b>                              | <b>(1,885,860)</b>   | <b>(942,930)</b>    |
| <b>Net book value for know how</b>                | <b>29,545,135</b>    | <b>30,488,065</b>   |
| <b>Net book value for intangible assets (A+B)</b> | <b>161,025,782</b>   | <b>161,968,712</b>  |

#### Intangible assets which have indefinite useful lives - Trademarks (HOHOS, Twinkies & Tiger Tail)

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

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

### Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016

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

#### Intangible assets (continued)

Assumptions used by the group when testing the impairment of intangible assets as of 31 December 2015 as follows:

|                      |     |
|----------------------|-----|
| Average gross profit | 34% |
| Discount rate        | 19% |
| Growth rate          | 3%  |

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

#### C. intangible assets which have definite useful lives – Know how

On the 16<sup>th</sup> of April 2015 the Company had signed a “License and Technical Assistance Agreement” with the owner of the know how with purpose to acquire the license, knowhow 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.

#### 7. Inventories

|  | 30 September<br>2016 | 31 December<br>2015 |
|--|----------------------|---------------------|
| Raw and packaging materials                              | 111,694,547          | 96,827,316          |
| Spare parts  | 24,997,538           | 26,436,664          |
| Finished goods   | 9,592,604            | 10,177,972          |
| Consumables  | 7,040,166            | 5,887,149           |
| Work in process  | 3,998,787            | 1,935,464           |
| <b>Total</b>   | <b>157,323,642</b>   | <b>141,264,565</b>  |
| Less: provision for slow moving and obsolete inventory** | (943,322)            | (967,094)           |
| <b>Net</b>   | <b>156,380,320</b>   | <b>140,297,471</b>  |

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

During the period ended 30 September 2016, there has been a slow moving and obsolete inventory addition amounted to LE 1,240,004 (30 September 2015 : LE Nil ) (Note 24) and utilized amounted to LE 1,263,776 (30 September 2015 : LE Nil).

The cost of inventory recognized as an expense and included in cost of sales amounted to LE 809,874,056 during the nine months ended 30 September 2016 (30 September 2015: LE 755,662,566).

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

### Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016

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

#### 8. Trade and other receivables

|   | 30 September<br>2016 | 31 December<br>2015 |
|---|----------------------|---------------------|
| Trade receivables                                       | 13,042,922           | 6,387,918           |
| Notes receivables                                       | 1,432,844            | 704,561             |
| <b>Total</b>  | <b>14,475,766</b>    | <b>7,092,479</b>    |
| Provision for impairment of trade and notes receivables | (20,556)             | (20,556)            |
| <b>Net trade and notes receivable</b>                   | <b>14,455,210</b>    | <b>7,071,923</b>    |
| Advances to suppliers                                   | 63,226,494           | 43,539,492          |
| Tax authority – Corporate tax prepayments               | 13,544,989           | -                   |
| Prepaid expenses  | 12,839,908           | 4,708,186           |
| Other debit balances                                    | 7,594,178            | 9,861,458           |
| Deposits with others                                    | 5,633,791            | 2,106,229           |
| Letters of credit                                       | 508,672              | 431,169             |
| Employee loans  | 144,117              | 77,787              |
| Accrued revenues  | 71,065               | 46,935              |
| <b>Total</b>  | <b>118,018,424</b>   | <b>67,843,179</b>   |

#### 9. Treasury bills

|  | 30 September<br>2016 | 31 December<br>2015 |
|--|----------------------|---------------------|
| Treasury bills par value                     | 141,575,000          | 151,475,000         |
| Unearned interest                            | (3,664,110)          | (4,830,740)         |
| <b>Amount of treasury bills paid</b>         | <b>137,910,890</b>   | <b>146,644,260</b>  |
| Interest income recognized to profit or loss | 2,193,343            | 2,946,854           |
| <b>Treasury bills balance</b>                | <b>140,104,233</b>   | <b>149,591,114</b>  |

The Group purchased Egyptian treasury bills on 12<sup>th</sup> of July 2016 with par value amounted LE 32,750,000 with an annual interest of 10%. These treasury bills are due in 11<sup>th</sup> of October 2016. The total recognized interest income amounted to LE 700,490.

The Group purchased Egyptian treasury bills on 12<sup>th</sup> of July 2016 with par value of LE 35,825,000 with an annual interest of 10%. These treasury bills are due on 11<sup>th</sup> of October 2016. The total recognized interest income amounted to LE 766,261.

The Group purchased Egyptian treasury bills on 23<sup>rd</sup> of August 2016 with par value of LE 53,000,000 with an annual interest of 10.1%. These treasury bills are due on 22<sup>nd</sup> of November 2016. The total recognized interest income amounted to LE 543,559.

The Group purchased Egyptian treasury bills on 6<sup>th</sup> of September 2016 with par value amounted LE 20,000,000 with an annual interest of 14.42%. These treasury bills are due in 6<sup>th</sup> of December 2016. The total recognized interest income amounted to LE 183,033.

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

### Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016

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

#### 10. Cash and cash equivalents

|               | 30 September<br>2016 | 31 December<br>2015 |
|---------------|----------------------|---------------------|
| Bank deposits | 140,360,840          | 260,360,840         |
| Cash at banks | 34,072,335           | 35,592,627          |
| Cash on hand  | 23,591,553           | 17,390,585          |
| <b>Total</b>  | <b>198,024,728</b>   | <b>313,344,052</b>  |

The average interest rate on local currency time deposits as of 30 September 2016 is 9.25% (2015: 7.5%).

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

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

|                          | 30 September<br>2016 | 31 December<br>2015 |
|--------------------------|----------------------|---------------------|
| Cash and banks balances  | 198,024,728          | 313,344,052         |
| Bank overdraft (Note 19) | (105,296,445)        | (73,698,428)        |
| <b>Total</b>             | <b>92,728,283</b>    | <b>239,645,624</b>  |

#### 11. 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 by LE 72,536,290 presented in 362,681,450 share (par value LE 0.2 per share) distributed as follow:

|                          | No. of<br>shares   | Shares<br>value   | Percentage of<br>ownership |
|--------------------------|--------------------|-------------------|----------------------------|
| BERCO Ltd.               | 151,654,150        | 30,330,830        | 41.815%                    |
| EXODER Ltd.              | 101,458,950        | 20,291,790        | 27.975%                    |
| Africa Samba Corporative | 108,804,450        | 21,760,890        | 30.000%                    |
| Others                   | 763,900            | 152,780           | 0.210%                     |
|                          | <b>362,681,450</b> | <b>72,536,290</b> | <b>100%</b>                |

Edita Food Industries' shares started trading on April 2, 2015 on the Egyptian Stock Exchange (EFID.CA) and in GDRs on the London Stock Exchange (EFIDq.L) with strong trading reflecting the Company's robust performance. The secondary offering was of 30% of Edita's share capital with the offer being 85% directed to institutional buyers (both local shares and GDRs) and 15% of the offering directed to local retail investors. The institutional portion was 13.4x oversubscribed and the retail portion was 4.5x oversubscribed. At the start of trading, of the total 108,804,435 shares being offered 65,125,189 were allocated to the GDR program.

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

### Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016

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

#### Share capital (continued)

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

The issued capital amounted to 725,362,900 share (par value LE 0.2 per share) will be distributed as follows:

| Shareholders                | No. of shares      | Shares value       | Percentage of ownership |
|-----------------------------|--------------------|--------------------|-------------------------|
| BERCO Ltd.                  | 303,308,300        | 60,661,660         | 41.815%                 |
| THE BANK OF NEW YORK MELLON | 185,631,920        | 37,126,384         | 25.59%                  |
| EXODER Ltd.                 | 94,113,464         | 18,822,693         | 12.975%                 |
| Africa Samba B.V.           | 54,402,234         | 10,880,447         | 7.500%                  |
| Others (Public stocks)      | 87,906,982         | 17,581,396         | 12.12%                  |
|                             | <b>725,362,900</b> | <b>145,072,580</b> | <b>100%</b>             |

#### 12. Legal reserve

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

#### 13. Non-controlling interest

|   | Paid up capital   | Legal reserves | Revaluation assets reserve | Accumulated losses | Total<br>30 September 2016 | 31 December 2015 |
|---|-------------------|----------------|----------------------------|--------------------|----------------------------|------------------|
| Balance at 1 January                          | 12,271,000        | 5,000          | 38,162                     | (6,696,725)        | 5,617,437                  | 1,966,793        |
| Capital Increase                              | 10,552,330        | -              | -                          | -                  | 10,552,330                 | -                |
| Non-controlling share in gain of subsidiaries | -                 | -              | -                          | 1,916,158          | 1,916,158                  | 3,653,048        |
| Asset revaluation reserve                     | -                 | -              | -                          | -                  | -                          | (2,404)          |
| <b>Balance at</b>                             | <b>22,823,330</b> | <b>5,000</b>   | <b>38,162</b>              | <b>(4,780,567)</b> | <b>18,085,925</b>          | <b>5,617,437</b> |

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

## Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016

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

### 14. Borrowings

|       | 30 September 2016     |                      |                    | 31 December 2015      |                      |                    |
|-------|-----------------------|----------------------|--------------------|-----------------------|----------------------|--------------------|
|       | Short-term<br>portion | Long-term<br>portion | Total              | Short-term<br>portion | Long-term<br>portion | Total              |
| Loans | 103,811,573           | 393,480,087          | 497,291,660        | 134,688,327           | 346,217,286          | 480,905,613        |
|       | <b>103,811,573</b>    | <b>393,480,087</b>   | <b>497,291,660</b> | <b>134,688,327</b>    | <b>346,217,286</b>   | <b>480,905,613</b> |

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

|                           | 30 September<br>2016 | 31 December<br>2015 |
|---------------------------|----------------------|---------------------|
| Balance due within 1 year | 92,388,985           | 120,456,761         |
| Accrued interest          | 11,422,588           | 14,231,566          |
|                           | <b>103,811,573</b>   | <b>134,688,327</b>  |

### Edita Food Industries Company

|              | 30 September 2016     |                      |                    | 31 December 2015      |                      |                    |
|--------------|-----------------------|----------------------|--------------------|-----------------------|----------------------|--------------------|
|              | Short-term<br>portion | Long-term<br>portion | Total              | Short-term<br>portion | Long-term<br>portion | Total              |
| First loan   | -                     | -                    | -                  | 13,057,767            | -                    | 13,057,767         |
| Second loan  | -                     | -                    | -                  | 12,645,613            | -                    | 12,645,613         |
| Third loan   | -                     | -                    | -                  | 11,830,743            | -                    | 11,830,743         |
| Fourth loan  | 18,593,446            | 26,249,975           | 44,843,421         | 20,558,670            | 43,749,965           | 64,308,635         |
| Fifth loan   | 33,357,487            | 90,982,702           | 124,340,189        | 34,408,847            | 115,311,417          | 149,720,264        |
| Sixth loan   | 15,220,000            | 81,000,000           | 96,220,000         | 20,438,125            | 72,000,000           | 92,438,125         |
| Seventh loan | 15,590,786            | 125,311,740          | 140,902,526        | 162,383               | 89,431,939           | 89,594,322         |
| Eighth loan  | 486,227               | 57,409,400           | 57,895,627         | -                     | -                    | -                  |
|              | <b>83,247,946</b>     | <b>380,953,817</b>   | <b>464,201,763</b> | <b>113,102,148</b>    | <b>320,493,321</b>   | <b>433,595,469</b> |

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

|                           | 30 September<br>2016 | 31 December<br>2015 |
|---------------------------|----------------------|---------------------|
| Balance due within 1 year | 72,282,583           | 100,161,521         |
| Accrued interest          | 10,965,363           | 12,940,627          |
| <b>Total</b>              | <b>83,247,946</b>    | <b>113,102,148</b>  |

- First loan**

This first loan is provided by one of the Egyptian banks in August 2011 based on a cross guarantee issued from Digma Trading Company with an amount of LE 100,000,000 and the total withdrawal amount is LE 100,000,000 in addition to accrued interest. The company paid the last due installments amounted to 12,500,000 in addition accrued interests on 1 February 2016.



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

### Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016

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

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#### Borrowings (continued)

- **Second loan:**

This second loan is provided by one of the Egyptian banks in August 2012 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000 and the total withdrawal amount is LE 70,000,000 in addition to the accrued interest. The company paid the last due installments amounted to 11,666,667 in addition accrued interests on 6 June 2016

- **Third loan:**

This third loan is provided by one of the Egyptian banks in May 2013 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000 and the total withdrawal amount is LE 70,000,000 in addition to the accrued interest. The company paid the last due installments amounted to 11,667,000 in addition accrued interests on 18 May 2016.

- **Fourth loan:**

This fourth loan is provided by one of the Egyptian banks in January 2014 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000 and the total withdrawal amount is LE 61,250,000 on 30 September 2016 in addition to accrued interest. The loan outstanding balance at 30 September 2016 after payment of due installments amounted to 43,750,000 in addition accrued interests.

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

Edita Food Industries S.A.E. is obligated to Pay LE 43,750,000 on 5 equal semi-annual instalments; each instalment is amounted to LE 8,750,000. The first installment is due on 22 February 2017 and the last on 22 February 2019.

#### **Interest:**

The interest rate is 2% above mid corridor rate of central bank of Egypt.

#### **Fair value:**

Fair value is approximately equal to book value.

- **Fifth loan:**

This fifth loan is provided by one of the Egyptian banks on September 2014 based on a cross guarantee issued from Digma Trading Company amounted to LE 185,000,000 and the total withdrawal amount is LE 86,857,057 plus 5,587,500 USD on 30 September 2016. The loan outstanding balance at 30 September 2016 after payment of due installments amounted to LE 77,206,280 plus 4,966,666 USD in addition accrued interests.

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

Edita Food Industries S.A.E. is obligated to Pay LE 77,206,280 on 8 equal semi-annual installments; each installment is amounted to LE 9,650,785 In addition. The company is obligated to pay 4,966,666 USD on 8 equal semi-annual installments; each installment is amounted to 620,834 USD.

The first installment is due on January 2017 and the last on July 2020.

#### **Interest:**

The interest rate is 1.25% above mid corridor rate of Central Bank of Egypt and 2.5% above the Euro Libor rate.

#### **Fair value:**

Fair value is approximately equal to book value.

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

### Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016

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

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#### Borrowings (continued)

- **Sixth loan:**

This sixth loan is provided by one of the Egyptian banks on April 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 90,000,000 and the total withdrawal amount is LE 90,000,000 in addition to accrued interest. The loan outstanding balance at 30 September 2016 after payment of due installments amounted to 81,000,000 in addition accrued interests.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 81,000,000 on 9 equal semi-annual installments; each installment is amounted to LE 9,000,000. The first installment is due on 9 April 2017 and the last on 9 April 2021.

**Interest:**

The interest rate is 1.25% above mid corridor rate of Central Bank of Egypt.

**Fair value:**

Fair value is approximately equal to book value.

- **Seventh loan:**

This seventh loan is provided by one of the Egyptian banks on September 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 170,000,000 and the total withdrawal amount is LE 75,273,404 plus 6,405,612 Euro plus 60,214 USD plus 90,208 GBP on 30 September 2016 in addition to accrued interest. The bank committed to translate the foreign Currency to Egyptian pound as the company is not obligated to pay the loan back in foreign currency.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 170,000,000 on 11 equal semi-annual instalments; each instalment is amounted to LE 15,455,000, except for the last instalment amounted to LE 15,450,000 the first instalment is due on 19 April 2017 and the last on 18 April 2022. Total loan value and accrued interest to be paid to the bank in local currency without any obligation on the Company to pay foreign currency.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

- **Eighth loan:**

This eighth loan is provided by one of the Egyptian banks on September 2016 based on a cross guarantee issued from Digma Trading Company amounted to LE 170,000,000 and 6,000,000 Euro. The total withdrawal amount is LE 54,915,000 plus 250,000 Euro on 30 September 2016 in addition to accrued interest.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 170,000,000 and 6,000,000 Euro on 11 equal semi-annual instalments; each instalment is amounted to LE 15,454,500 and 545,455 Euro the first instalment is due on September 2018 and the last on September 2023.

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

### Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016

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

#### Borrowings (continued)

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

#### (2) Digma for Trading Company

|              | 30 September 2016     |                      |                   | 31 December 2015      |                      |                   |
|--------------|-----------------------|----------------------|-------------------|-----------------------|----------------------|-------------------|
|              | Short-term<br>portion | Long-term<br>portion | Total             | Short-term<br>portion | Long-term<br>portion | Total             |
| First loan   | 3,458,939             | -                    | 3,458,939         | 3,733,704             | 3,333,334            | 7,067,038         |
| Second loan  | 3,357,224             | 1,666,666            | 5,023,890         | 3,637,597             | 5,000,000            | 8,637,597         |
| Third loan   | 7,448,651             | 10,859,604           | 18,308,255        | 7,620,274             | 14,290,631           | 21,910,905        |
| <b>Total</b> | <b>14,264,814</b>     | <b>12,526,270</b>    | <b>26,791,084</b> | <b>14,991,575</b>     | <b>22,623,965</b>    | <b>37,615,540</b> |

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

|                           | 30 September<br>2016 | 31 December<br>2015 |
|---------------------------|----------------------|---------------------|
| Balance due within 1 year | 13,906,402           | 14,095,240          |
| Accrued interest          | 358,412              | 896,335             |
|                           | <b>14,264,814</b>    | <b>14,991,575</b>   |

- The First loan**

The First loan is provided by one of the Egyptian banks in December 2013 based on a cross guarantee issued from Edita Food Industries Company S.A.E. amounted to LE 10,000,000 and the total withdrawal amount is LE 10,000,000 in addition to accrued interest,

**Terms of payments:**

Digma Trading Company S.A.E. is obligated to pay LE 3,333,334 on 2 equal semi-annual instalment, each instalment is amounted to LE 1,666,667 and the instalments come due after 12 months from the date the loan was issued to the company. The next instalments is due on 1 January 2017 and the last on 15 July 2017.

**Interest:**

The interest rate is 2% above mid corridor rate of central bank of Egypt.

**Fair value:**

Fair value is approximately equal to book value.

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

### Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016

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

#### Borrowings (continued)

- **The Second loan**

The second loan is provided by one of the Egyptian banks on 20 August 2014 based on a cross guarantee issued from Edita Food Industries Company S.A.E. amounted to LE 10,000,000 and the total withdrawal amount is LE 10,000,000 in addition to accrued interest,

**Terms of payments:**

Digma Trading Company S.A.E. is obligated to pay LE 5,000,000 on 3 equal semi-annual instalments, each instalment is amounted to LE 1,666,667 and the instalments come due after 12 months from the date the loan was issued to the company. The first instalment is due on 20 February 2017 and the last on 20 February 2018.

**Interest:**

The interest rate is 2% above mid corridor rate of central bank of Egypt,

**Fair value:**

Fair value is approximately equal to book value.

- **The Third loan**

The third loan is provided by one of the Egyptian banks on 07 September 2015 based on a cross guarantee issued from Edita Food Industries Company S.A.E. amounted to LE 26,000,000 and the total withdrawal amount is LE 25,339,072 in addition to accrued interest,

**Terms of payments:**

Digma Trading Company S.A.E. is obligated to pay LE 18,099,338 on 5 equal semi-annual instalments, each instalment is amounted to LE 3,619,867 and the instalments come due after 6 months from the date the loan was issued to the company. The first instalment is due on October 2016 and the last on October 2018.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

#### (3) Edita Confectionery Industries Company

|      | 30 September 2016     |                      |           | 31 December 2015      |                      |           |
|------|-----------------------|----------------------|-----------|-----------------------|----------------------|-----------|
|      | Short-term<br>portion | Long-term<br>portion | Total     | Short-term<br>portion | Long-term<br>portion | Total     |
| loan | 6,298,813             | -                    | 6,298,813 | 6,594,604             | 3,100,000            | 9,694,604 |
|      | 6,298,813             | -                    | 6,298,813 | 6,594,604             | 3,100,000            | 9,694,604 |

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

### Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016

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

#### Borrowings (continued)

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

|                           | 30<br>September<br>2016 | 31 December<br>2015 |
|---------------------------|-------------------------|---------------------|
| Balance due within 1 year | 6,200,000               | 6,200,000           |
| Accrued interest          | 98,813                  | 394,604             |
|                           | <b>6,298,813</b>        | <b>6,594,604</b>    |

This loan is provided by one of the Egyptian banks based on a cross guarantee issued from Edita Food Industries Company amounted to LE 31,000,000.

#### Terms of payments:

Edita Confectionary Industries S.A.E. is obligated to pay LE 31,000,000 on 10 equal semi-annual instalments (each instalment is amounted to LE 3,100,000) and the instalments come due after 6 months from the first withdrawal, the next instalment due on October 2016 and the last on 17 April 2017.

#### Interest:

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

#### Fair value:

Fair value is approximately equal to book value.

#### 15. Long-term notes payable

The long-term loan represents the total installment for the land purchased from Urban Communities Authority – Shiekh Zayed City as the last installment has been paid on September 2016.

|                               | 30 September 2016 |               | 31 December 2015  |                   |
|-------------------------------|-------------------|---------------|-------------------|-------------------|
|                               | Notes payable     | Present value | Notes payable     | Present value     |
| Short-term notes payables     |                   |               |                   |                   |
| Less than one year ( Note 21) | -                 | -             | 10,546,825        | 10,546,825        |
| Total short-term liabilities  | -                 | -             | <b>10,546,825</b> | <b>10,546,825</b> |

The total accrued interest on the loan for the period ended at 30 September 2016 amounting to LE 531,405 (30 September 2015: LE 848,489) has been charged on the statement of profit or loss as a finance cost (Note 25).

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

### Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016

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

#### 16. Employee Benefit obligations

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

|                              | <u>30 September<br/>2016</u> | <u>31 December<br/>2015</u> |
|------------------------------|------------------------------|-----------------------------|
| Discount rate                | 10%                          | 10%                         |
| Average salary increase rate | 7%                           | 7%                          |
| Turnover rate                | 25%                          | 25%                         |
| Life table                   | 49-52                        | 49-52                       |

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

|   | <u>30 September<br/>2016</u> | <u>31 December<br/>2015</u> |
|---|------------------------------|-----------------------------|
| Present value of obligations                            | 2,102,663                    | 2,533,203                   |
| <b>Liability at the statement of financial position</b> | <b>2,102,663</b>             | <b>2,533,203</b>            |

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

|  | <u>30 September<br/>2016</u> | <u>31 December<br/>2015</u> |
|--|------------------------------|-----------------------------|
| Balance at beginning of the period / year  | 2,533,203                    | -                           |
| Additions during the period / year         | -                            | 2,533,203                   |
| Paid during the period / year              | (430,540)                    | -                           |
| <b>Balance at end of the period / year</b> | <b>2,102,663</b>             | <b>2,533,203</b>            |

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

|                                    | <u>30 September<br/>2016</u> | <u>31 December<br/>2015</u> |
|------------------------------------|------------------------------|-----------------------------|
| <b>Present cost of the service</b> |                              |                             |
| Accrued service cost               | -                            | 2,533,203                   |
| <b>Total</b>                       | <b>-</b>                     | <b>2,533,203</b>            |

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

### Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016

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

#### 17. Deferred income tax liability

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

|   | Property, plant<br>& equipment | Acquiring Digma<br>Company for<br>Trading | Total              |
|---|--------------------------------|---|--------------------|
| Balance at 1 January 2015                                 | 75,367,533                     | 4,056,641                                 | 79,424,174         |
| Charge to the statement of profit or loss                 | 15,352,551                     | (240,423)                                 | 15,112,128         |
| <b>Balance at 31 December 2015 and<br/>1 January 2016</b> | <b>90,720,084</b>              | <b>3,816,218</b>                          | <b>94,536,302</b>  |
| Charged to the statement of profit or loss                | 14,472,853                     | (180,318)                                 | 14,292,535         |
| <b>Balance at 30 September 2016</b>                       | <b>105,192,937</b>             | <b>3,635,900</b>                          | <b>108,828,837</b> |

According to the tax system in Egypt, the tax losses may be changed during the tax inspection by the tax authority. Accordingly, the management did not recognize deferred tax assets except the tax profit recognized in the financial period ended as of 30 September 2016.

#### 18. Provisions

|  | Other provisions     |                     |
|--|----------------------|---------------------|
|  | 30 September<br>2016 | 31 December<br>2015 |
| Balance at 1 January                         | 16,000,854           | 10,916,700          |
| Additions during the period / year (Note 24) | 15,937,503           | 5,489,092           |
| Utilized during the period / year            | (2,806,460)          | (404,938)           |
| <b>Balance at</b>                            | <b>29,131,897</b>    | <b>16,000,854</b>   |

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

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

### Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016

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

#### 19. Bank overdraft

|                | 30 September<br>2016 | 31 December<br>2015 |
|----------------|----------------------|---------------------|
| Bank overdraft | 105,296,445          | 73,698,428          |
| <b>Total</b>   | <b>105,296,445</b>   | <b>73,698,428</b>   |

Bank overdraft is an integral part of the group's cash management. Bank overdraft is secured against guarantees by cross guarantees from the group of shareholders. The effective interest rate for bank overdraft was 12.75 % as of 30 September 2016 (31 December 2015: 11.25%).

#### 20. Trade and other payables

|                         | 30 September<br>2016 | 31 December<br>2015 |
|-------------------------|----------------------|---------------------|
| Trade payables          | 124,256,171          | 152,325,852         |
| Notes payable           | 58,971,182           | 45,087,494          |
| Accrued expenses        | 25,656,275           | 37,131,266          |
| Taxes payable           | 14,878,750           | 7,952,953           |
| Other credit balances   | 11,467,763           | 8,639,617           |
| Social insurance        | 75,118               | 75,118              |
| Advances from customers | 1,244,682            | 2,582,453           |
| Dividends payable       | 1,838,550            | 1,454,228           |
| <b>Total</b>            | <b>238,388,491</b>   | <b>255,248,981</b>  |

#### 21. Current portion of long-term liabilities

|  | 30 September<br>2016 | 31 December<br>2015 |
|--|----------------------|---------------------|
| Short-term loans (Note 14)                           | 103,811,573          | 134,688,327         |
| Current portion at long-term notes payable (Note 15) | -                    | 10,546,825          |
| <b>Total</b>   | <b>103,811,573</b>   | <b>145,235,152</b>  |



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

### Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016

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

#### 22. Current income tax liabilities

|  | 30 September<br>2016 | 31 December<br>2015 |
|--|----------------------|---------------------|
| Balance at 1 January                       | 24,281,519           | 81,588,139          |
| Income tax paid during the period / year   | (24,015,547)         | (81,088,673)        |
| Withholding tax receivable                 | (3,111,312)          | (3,789,924)         |
| Income tax for the period / year (Note 26) | 28,840,551           | 80,743,540          |
| Corporate income tax – advance payments    | (25,495,011)         | (50,850,000)        |
| Accrued interest – advance payments        | (500,200)            | (1,821,563)         |
| Tax adjustments                            | -                    | (500,000)           |
| <b>Balance at</b>                          | <b>-</b>             | <b>24,281,519</b>   |

#### 23. Other income

|                                    | 30 September<br>2016 | 30 September<br>2015 |
|------------------------------------|----------------------|----------------------|
| Gain from sale of production waste | 3,539,661            | 4,121,704            |
| Export incentive                   | 3,250,926            | -                    |
| Other income                       | 1,296,454            | 811,118              |
| <b>Total</b>                       | <b>8,087,041</b>     | <b>4,932,822</b>     |

#### 24. Other gains / (losses) – Net

|  | 30 September<br>2016 | 30 September<br>2015 |
|--|----------------------|----------------------|
| Foreign exchange Loss                          | (71,526,703)         | (3,803,537)          |
| Provisions (Note 18)                           | (15,937,503)         | (4,239,092)          |
| Other expenses                                 | (1,502,550)          | -                    |
| Provision for slow moving inventory (Note7)    | (1,240,004)          | -                    |
| Gain on sale of property , plant and equipment | 969,747              | 7,698,600            |
| <b>Other gains / (losses) – Net</b>            | <b>(89,237,013)</b>  | <b>(344,029)</b>     |

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

### Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016

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

#### 25. Finance cost, net

|   | 30 September<br>2016 | 30 September<br>2015 |
|---|----------------------|----------------------|
| <b>Finance income</b>                   |                      |                      |
| Interest income                         | 21,207,152           | 19,362,313           |
| Interest income – Corporate tax advance | 500,200              | 166,000              |
|   | <b>21,707,352</b>    | <b>19,528,313</b>    |
| <b>Finance cost</b>                     |                      |                      |
| Interest on land's instalments          | (531,405)            | (848,489)            |
| Interest expenses                       | (38,669,520)         | (23,480,101)         |
|   | <b>(39,200,925)</b>  | <b>(24,328,590)</b>  |
| <b>Finance cost – net</b>               | <b>(17,493,573)</b>  | <b>(4,800,277)</b>   |

#### 26. Income tax expense

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

|  | 30 September<br>2016 | 30 September<br>2015 |
|--|----------------------|----------------------|
| Income tax for the period (Note 22)            | 28,840,551           | 50,413,561           |
| Deferred tax liabilities ( Note 17)            | 14,292,535           | 5,451,788            |
| <b>Total</b>                                   | <b>43,133,086</b>    | <b>55,865,349</b>    |
| <b>Profit for the period before tax</b>        | <b>182,149,478</b>   | <b>289,790,728</b>   |
| Tax calculated based on applicable tax rates   | 40,983,633           | 65,202,914           |
|  | <b>40,983,633</b>    | <b>65,202,914</b>    |
| Tax effect of non- deductible expenses         | 3,864,939            | 941,078              |
| Adjustments resulted from changes in tax rates | -                    | (10,278,643)         |
| Tax effect of non-taxable revenues             | (1,715,486)          | -                    |
| <b>Income tax expense</b>                      | <b>43,133,086</b>    | <b>55,865,349</b>    |

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

### Notes to the interim consolidated financial statements For the Nine months ended 30 September 2016

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

#### 27. Earnings per share

##### Basic

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

|   | 30 September<br>2016 | 30 September<br>2015 |
|---|----------------------|----------------------|
| Profit attributed to owners of the parent           | 139,016,392          | 233,925,379          |
| Weighted average number of ordinary shares in issue | 725,362,900          | 725,362,900          |
| Ordinary shares                                     |                      |                      |
| Basic earnings per share                            | 0.19                 | 0.32                 |

##### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The group does not have any categories of dilutive potential ordinary shares on 30 September 2016 and 30 September 2015, hence the diluted earnings per share is the same as the basic earnings per share.

#### 28. Consolidated expenses by nature

|                                   | 30 September<br>2016 | 30 September<br>2015 |
|-----------------------------------|----------------------|----------------------|
| Cost of sales                     | 1,063,945,728        | 976,689,531          |
| Distribution cost                 | 213,939,909          | 199,617,152          |
| Administrative expenses           | 122,588,046          | 112,828,717          |
|                                   | <b>1,400,473,683</b> | <b>1,289,135,400</b> |
| Raw materials used                | 826,219,242          | 772,191,988          |
| Salaries and wages                | 247,321,160          | 240,549,643          |
| Advertising and marketing         | 82,733,051           | 78,282,576           |
| Depreciation                      | 71,633,455           | 56,221,480           |
| Gas, oil, water and electricity   | 33,192,080           | 28,058,793           |
| Other Expenses                    | 31,820,071           | 25,829,493           |
| Employee benefits                 | 31,741,230           | 24,762,527           |
| Rent                              | 26,996,029           | 23,482,189           |
| Transportation expenses           | 14,540,775           | 15,288,975           |
| Maintenance                       | 14,149,785           | 14,704,836           |
| Vehicle expense                   | 13,944,899           | 14,179,352           |
| Consumable materials              | 8,063,330            | 7,146,550            |
| Purchases – goods for resale      | 7,548,781            | 3,075,394            |
| Collection commission             | 4,479,806            | -                    |
| Royalty                           | 1,492,245            | 1,263,169            |
| Amortization of intangible assets | 942,930              | 628,620              |
| Change in inventory               | (16,345,186)         | (16,530,185)         |
|                                   | <b>1,400,473,683</b> | <b>1,289,135,400</b> |

**Notes to the consolidated financial statements - For the Nine months ended 30 September 2016**  
(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

(Amounts presented to the nearest thousands EGP)

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

### **Notes to the consolidated financial statements - For the Nine months ended 30 September 2016**

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

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#### **30. Related party transactions**

The following transactions were carried out with related parties:

##### **1. Chipita Participation Company**

Chipita Participation collects 0.5% of the net Bake Rolls and Molto Crossiont monthly sales as royalty with a maximum limit of Euro 150,000 annually for the knowhow of Chipita International Company.

The royalty paid during the period ended September 2016 amounted to LE 1,104,387 (30 September 2015: LE 723,299) Chipita Participation is considered a related party as it owns Exoder Ltd. Company that in turn owns 12.975% of Edita Food Industries S.A.E. shares.

##### **2. Key management compensation**

During the period ended 30 September 2016 the group paid an amount of LE 45,480,550 as salaries to the key management members (30 September 2015: LE 44,439,400).

#### **31. 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 company as of the date of the financial statements preparation

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

###### **Corporate tax**

- The company is tax exempted for a period of 10 years ending 31 December 2007 in accordance with Law No. 230 of 1989 and Law No. 59 of 1979 related to New Urban Communities. The exemption period was determined to start from the fiscal year beginning on 1 January 1998. The company submits its tax returns on its legal period.
- The tax inspection was performed for the period from the company's inception till 31 December 2010 and all due tax amounts paid.
- For the years 2011-2015 the Company is submitting the tax return according to law No. 91 of 2005 in its legal period and has not been inspected yet.

###### **Payroll tax**

- The payroll tax inspection was performed till 31 December 2013 and company paid tax due.
- As for the years 2014 and 2015 the tax inspection has not been performed and the company is submitting the quarterly tax return on due time to the Tax Authority.

###### **Sales tax**

- The sales tax inspection was performed till 31 December 2014 and tax due was paid.
- For the years 2015 and 2016 the tax inspection has not been performed and the monthly tax return were submitted on due time.

###### **Stamp duty tax**

- The stamp duty tax inspection was performed till 2009 and company paid tax due.
- Years from 2010 till 2015 tax inspection have not been performed.

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

### **Notes to the consolidated financial statements - For the Nine months ended 30 September 2016**

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

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

##### **Digma for Trading Company**

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

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

- The tax inspection was performed by the Tax Authority for the period from the Company's inception until year 2011 and the tax resulting from the tax inspection were settled and paid to the Tax Authority.
- For the years from 2012 to 2015 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 2015 the Company submitted its quarter tax returns to Tax Authority on due dates.

###### **c) Sales tax**

- The tax inspection was performed until 31 December 2014 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The years 2015-2016 the Company submits its monthly sales tax return on due date.

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

- The tax inspection was performed for the period from the Company's inception until 31 December 2008 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The tax inspection was performed for the years from 2009 to 2012 and the difference were sent to internal committee to study.
- For the years from 2013 to 2015 the Company paid the tax due.

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

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

- The Company is subject to the corporate income tax according to tax law Law No. 91 of 2005 and adjustments.
- The company's books have not been inspected yet until the financial statements date for corporate tax.

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

- The payroll tax inspection was performed from inception till 2012 and the company is waiting for the tax claims.
- The company hasn't been inspected for the year from 2013 till 2015.

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

- The tax inspection was performed for the period from the Company's inception until 2013 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.

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

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

- The stamp tax inspection was performed from 2009 till 2012 and the tax due was paid to the Tax Authority.
- The Company hasn't been inspected for the year from 2013 till 2015.

#### **32. Contingent Liabilities**

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

The Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities. The uncovered portion of the letter of guarantee and letters of credit granted to the Company arising from ordinary course of business amounted to LE 5,688,625 as at 30 September 2016 (31 December 2015: LE 22,185,404).

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

The Company guarantees Edita Food Industries against third parties in borrowing from one of Egyptian Bank.

At 30 September 2016, the Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities. The uncovered portion of the letter of guarantee and letters of credit granted to the Company arising from ordinary course of business amounted to Nil (31 December 2015: LE 913,869).

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

At 30 September 2016 the Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities. The uncovered portion of the letter of guarantee and letters of credit granted to the Company arising from ordinary course of business at 30 September 2016 amounted to LE Nil (31 December 2015: LE 1,220,616)

#### **33. Capital Commitments**

The group has capital commitments as of 30 September 2016 amounted to LE 105,985,426 in respect of the construction of a new factory for Edita Food Industries.

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

## Notes to the consolidated financial statements - For the Nine months ended 30 September 2016

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

### 34. Financial instrument by category

|  |  | 30 September 2016                              |                    |
|--|--|--|--------------------|
|  |  | Loans & receivables                            | Total              |
| <b>Assets as per statement of financial position</b>           |  |  |                    |
| Trade and other receivables (excluding prepayments)*           |  | 105,178,516                                    | 105,178,516        |
| Cash and cash equivalents                                      |  | 198,024,728                                    | 198,024,728        |
| Treasury bills   |  | 140,104,233                                    | 140,104,233        |
| <b>Total</b>   |  | <b>443,307,477</b>                             | <b>443,307,477</b> |
|  |  | 30 September 2016                              |                    |
|  |  | Other financial liabilities at amortised costs | Total              |
| <b>Liabilities as per statement of financial position</b>      |  |  |                    |
| Borrowings*  |  | 497,291,660                                    | 497,291,660        |
| Trade and other payables (excluding non-financial liabilities) |  | 222,189,941                                    | 222,189,941        |
| Bank overdraft   |  | 105,296,445                                    | 105,296,445        |
| <b>Total</b>   |  | <b>824,778,046</b>                             | <b>824,778,046</b> |
|  |  | 31 December 2015                               |                    |
|  |  | Loans & receivables                            | Total              |
| <b>Assets as per statement of financial position</b>           |  |  |                    |
| Trade and other receivables (excluding prepayments)*           |  | 63,134,993                                     | 63,134,993         |
| Cash and cash equivalents                                      |  | 313,344,052                                    | 313,344,052        |
| Treasury bills   |  | 149,591,114                                    | 149,591,114        |
| <b>Total</b>   |  | <b>526,070,159</b>                             | <b>526,070,159</b> |
|  |  | 31 December 2015                               |                    |
|  |  | Other financial liabilities at amortised costs | Total              |
| <b>Liabilities as per statement of financial position</b>      |  |  |                    |
| Borrowings*  |  | 491,452,438                                    | 491,452,438        |
| Trade and other payables (excluding non-financial liabilities) |  | 244,638,457                                    | 244,638,457        |
| Bank overdraft   |  | 73,698,428                                     | 73,698,428         |
| <b>Total</b>   |  | <b>809,789,323</b>                             | <b>809,789,323</b> |

\* At the Statement of financial position date, the carrying value of all short-term financial assets and liabilities approximates the fair value and management made the assessment by using level II approaches by relying significantly on observable data. Long-term borrowings also approximate the fair value as the management uses a variable interest rate above the mid corridor rate.

Trade and other receivables presented above excludes prepaid expenses

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



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

### **Notes to the consolidated financial statements - For the Nine months ended 30 September 2016**

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

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#### **35. Subsequent events after financial statement date**

On 3 November 2016, the central bank of Egypt announced the floating of the Egyptian pound and raised the overnight interest rates on lending and deposits by 3%. Accordingly, the official exchange rates of the foreign currencies against the Egyptian pound shall be determined in the local banks based on the market's supply and demand rather than a binding rate imposed by the central bank.

As a result of the Egyptian pound floating, the US dollar at the date of issuing these financial statements is traded at local banks between 16 to 17 Egyptian pounds.

This devaluation of the Egyptian pound has no effect on the financial figures as of 30 September 2016 which had been prepared using the spot rate of USD as of 30 September which was equivalent to 8.88 EGP.