

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

**INDEPENDENT AUDITOR'S REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2018  
(IFRS)**

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

### **Consolidated financial statements – For the year ended 31 December 2018**

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## **Independent auditor's report**

**To the shareholders of Edita Food Industries Company (S.A.E)**

**Report on the audit of the consolidated financial statements**

### **Our opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Edita Food Industries Company (S.A.E) ("the Company") and its subsidiaries (together "the Group") as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the prevailing Egyptian laws and regulations.

### **What we have audited**

The Group's consolidated financial statements comprise:

- the consolidated balance sheet at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the other ethical requirements that are relevant to our audit of the consolidated financial statements in Egypt. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.



## **The shareholders of Edita Food Industries Company (S.A.E)**

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### **Overview**

#### **Key Audit Matter**

- Valuation of trade mark intangible assets which have indefinite useful lives

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### ***Key audit matter***

#### ***How our audit addressed the key audit matter***

##### ***Valuation of trademark intangible assets which have indefinite useful lives***

The Group's balance sheet includes intangible assets amounting to EGP 162.9 million as at 31 December 2018 (2017: EGP 131.4 million), relating to the purchase of trademarks and knowhow on certain of its branded products (see Note 6 to the consolidated financial statements).

Under the Group's accounting policy, trademarks and knowhow are treated as having an indefinite useful life because the related licenses are perpetual, irrevocable and exclusive. They include the trademark in the territory in connection with specific cake product brands. Under accounting standards when intangible assets are assumed to have indefinite useful lives, and no amortisation is charged, management are required to perform an annual test to assess whether the carrying value of these trademarks has been impaired. Management have not identified any decline in the value in the

We obtained management's valuation analysis which is derived from the Board approved business plan. The most significant judgments relate to the discount rate applied together with the assumptions supporting the underlying forecast cash flows, in particular the terminal growth rate and the forecast combined operating ratios in the projection period and investment return assumptions.

We evaluated management's discounted cash flow forecasts and the process by which they were developed. We compared these forecasts to Board-approved business plans for consistency and also compared previous forecasts to actual results to assess the performance of the business and the accuracy of management forecasting. We confirmed that the key assumptions had been subject to oversight from the directors.



## **The shareholders of Edita Food Industries Company (S.A.E)**

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trademarks concerned and have assessed that no impairment is required.

The impairment test is based on management's view of the future cash flows to be generated from the trademarked brands concerned.

We focused on these intangible assets because of the amount of inherent uncertainty involved in estimating future product cash flows and also because of the potentially significant impact on the Group's reported income, its earnings per share and its asset carrying values of relatively small changes in the underlying assumptions.

With the assistance of our internal valuations specialists we tested the assumptions and methodologies used, in particular those relating to the discount rate and growth rates. To do this:

- We evaluated these assumptions with reference to those applied to valuations of similar companies.
- We compared the key assumptions to externally derived data where possible, including market expectations of investment return, projected economic growth and interest rates.
- We applied sensitivities in evaluating management assessment of the planned growth rate in cash flows and combined operating ratios.
- In testing the valuation model we checked the calculations for mathematical accuracy, and considered the sensitivity of the calculation by varying the assumptions and applying other values within a reasonably possible range.
- Assessed the adequacy of the Group's disclosure regarding the key assumptions, sensitivities and headroom as included in the accounting policies and in note 6 to the consolidated financial statements

### **Other information**

Management is responsible for the other information. The other information comprises the Board of Directors' annual report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## **The shareholders of Edita Food Industries Company (S.A.E)**

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### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and with the prevailing Egyptian laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



**The shareholders of Edita Food Industries Company (S.A.E)**

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Legal and regulatory requirements

*Mansour & Co. PricewaterhouseCoopers*

Mansour & Co. PricewaterhouseCoopers

26 February 2019

Cairo



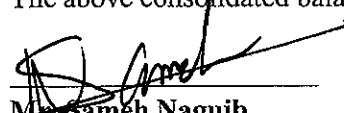
# EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES

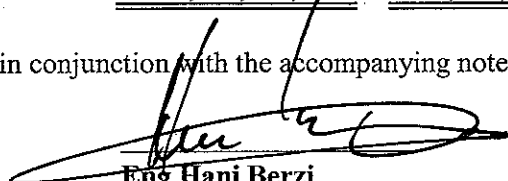
## Consolidated balance sheet "IFRS" - At 31 December 2018

(All amounts in Egyptian Pounds)

		As at 31 December	
	Note	2018	2017
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,884,237,454	1,927,609,526
Intangible assets	6	169,921,078	172,257,556
Prepayments on future investments in subsidiary	7	10,850,159	-
<b>Total non-current assets</b>		<b>2,065,008,691</b>	<b>2,099,867,082</b>
<b>Current assets</b>			
Inventories	8	288,828,341	296,011,433
Trade and other receivables	10	128,179,325	96,857,419
Treasury bills	11	290,180,875	180,588,821
Cash and bank balances	12	63,579,745	35,991,510
<b>Total current assets</b>		<b>770,768,286</b>	<b>609,449,183</b>
<b>Total assets</b>		<b>2,835,776,977</b>	<b>2,709,316,265</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Term loans	13	495,564,577	648,432,586
Deferred tax liabilities	14	158,168,693	129,952,401
Employee benefit obligations	15	6,621,193	4,761,965
<b>Total non-current liabilities</b>		<b>660,354,463</b>	<b>783,146,952</b>
<b>Current liabilities</b>			
Trade and other payables	16	460,405,346	400,398,928
Current income tax liabilities	17	6,633,469	-
Current portion of term loans	13	211,049,595	178,511,643
Bank overdraft	18	19,126,567	96,121,849
Provisions	19	29,270,866	20,910,445
<b>Total current liabilities</b>		<b>726,485,843</b>	<b>695,942,865</b>
<b>Total liabilities</b>		<b>1,386,840,306</b>	<b>1,479,089,817</b>
<b>Equity</b>			
Share capital	20	145,072,580	145,072,580
Legal reserve	21	73,265,674	56,474,533
Cumulative translation reserve		16,103	(205,502)
Retained earnings		1,206,786,382	1,007,084,734
		<b>1,425,140,739</b>	<b>1,208,426,345</b>
Non-controlling interests	22	23,795,932	21,800,103
<b>Net equity</b>		<b>1,448,936,671</b>	<b>1,230,226,448</b>
<b>Total liabilities and equity</b>		<b>2,835,776,977</b>	<b>2,709,316,265</b>

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

  
Mr. Sameh Naguib  
Vice President - Finance

  
Eng Hani Berzi  
Chairman

26 February 2019

Giza

Independent auditor's report attached



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

## Consolidated statement of profit or loss "IFRS"

For the year ended 31 December 2018

(All amounts in Egyptian Pounds)

		Year ended 31 December	
	Note	2018	2017
Revenue	27	3,776,424,133	3,044,229,332
Cost of sales	29	(2,565,067,553)	(2,098,454,009)
<b>Gross profit</b>		<b>1,211,356,580</b>	<b>945,775,323</b>
Distribution cost	29	(444,026,080)	(386,634,812)
Administrative expenses	29	(256,025,396)	(211,153,544)
Other income	23	7,729,678	12,015,313
Other losses - net	24	(23,687,522)	(15,504,373)
<b>Operating profit</b>		<b>495,347,260</b>	<b>344,497,907</b>
Finance income		38,314,043	44,420,038
Finance cost		(122,329,790)	(117,122,130)
<b>Finance cost - Net</b>	25	<b>(84,015,747)</b>	<b>(72,702,092)</b>
<b>Profit before income tax</b>		<b>411,331,513</b>	<b>271,795,815</b>
Income tax expense	26	(107,681,080)	(59,841,889)
<b>Net profit for the year</b>		<b>303,650,433</b>	<b>211,953,926</b>
<b>Profit is attributable to</b>			
Owners of the parent		301,492,789	205,137,591
Non-controlling interest		2,157,644	6,816,335
<b>Net profit for the year</b>		<b>303,650,433</b>	<b>211,953,926</b>
<b>Earnings per share (expressed in EGP per share):</b>			
Basic earnings per share	28	0.42	0.28
Diluted earnings per share	28	0.42	0.28

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

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

### **Consolidated statement of comprehensive income For the year ended 31 December 2018**

**(All amounts in Egyptian Pounds)**

	<b>Year ended 31 December 2018</b>	<b>2017</b>
Profit for the year	303,650,433	211,953,926
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit or loss</b>		
Exchange differences on translation of foreign operations	221,605	(42,678)
<b>Other comprehensive income / (loss) for the year - net of tax</b>	<b>221,605</b>	<b>(42,678)</b>
<b>Total comprehensive income for the year</b>	<b>303,872,038</b>	<b>211,911,248</b>
<b>Total comprehensive income is attributable to</b>		
Owners of the parent	301,714,394	205,094,913
Non-controlling interest	2,157,644	6,816,335
<b>Total comprehensive income for the year</b>	<b>303,872,038</b>	<b>211,911,248</b>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

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

Consolidated statement of changes in equity  
For the year ended 31 December 2018

(All amounts in Egyptian Pounds)

	Share capital	Legal reserve	Cumulative translation reserve	Retained earnings	Total Owners' Equity		
					Total owners of the parent	Non-controlling interest	Total owners' equity
<b>Balance at 1 January 2017</b>	<b>145,072,580</b>	<b>48,745,291</b>	<b>(162,824)</b>	<b>919,722,773</b>	<b>1,113,377,820</b>	<b>14,983,768</b>	<b>1,128,361,588</b>
Profit for the year	-	-	-	205,137,591	205,137,591	6,816,335	211,953,926
Other comprehensive income for the year	-	-	(42,678)	-	(42,678)	-	(42,678)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(42,678)</b>	<b>205,137,591</b>	<b>205,094,913</b>	<b>6,816,335</b>	<b>211,911,248</b>
Transactions with owners in their capacity as owners:							
Transfer to legal reserve	-	7,729,242	-	(7,729,242)	-	-	-
Dividends distribution for 2016	-	-	-	(110,046,388)	(110,046,388)	-	(110,046,388)
<b>Balance at 31 December 2017</b>	<b>145,072,580</b>	<b>56,474,533</b>	<b>(205,502)</b>	<b>1,007,084,734</b>	<b>1,208,426,345</b>	<b>21,800,103</b>	<b>1,230,226,448</b>
<b>Balance at 31 December 2017 and 1 January 2018</b>	<b>145,072,580</b>	<b>56,474,533</b>	<b>(205,502)</b>	<b>1,007,084,734</b>	<b>1,208,426,345</b>	<b>21,800,103</b>	<b>1,230,226,448</b>
Profit for the year	-	-	-	301,492,789	301,492,789	2,157,644	303,650,433
Other comprehensive income for the year	-	-	221,605	-	221,605	-	221,605
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>221,605</b>	<b>301,492,789</b>	<b>301,714,394</b>	<b>2,157,644</b>	<b>303,872,038</b>
Transactions with owners in their capacity as owners:							
Dividends distribution for 2017	-	-	-	(85,000,000)	(85,000,000)	(161,815)	(85,161,815)
Transfer to legal reserve	-	16,791,141	-	(16,791,141)	-	-	-
<b>Balance at 31 December 2018</b>	<b>145,072,580</b>	<b>73,265,674</b>	<b>16,103</b>	<b>1,206,786,382</b>	<b>1,425,140,739</b>	<b>23,795,932</b>	<b>1,448,936,671</b>

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

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

## Consolidated statement of cash flows For the year ended 31 December 2018

(All amounts in Egyptian Pounds)

	Notes	Year end 31 December 2018	2017
Cash generated from operations	30	646,067,861	727,716,132
Interest paid		(126,882,706)	(104,312,936)
Income tax paid		(42,772,496)	(62,646,410)
<b>Net cash inflow from operating activities</b>		<b>476,412,659</b>	<b>560,756,786</b>
<b><u>Cash flows from investing activities</u></b>			
Payment for purchase of property, plant and equipment	5	(97,176,199)	(572,928,431)
Proceeds from sale of property, plant and equipment		9,842,207	5,570,467
Prepayments on future investments in subsidiary		(10,850,159)	-
Interest received		26,892,398	34,758,376
Payment for purchase of treasury bills		(191,969,753)	(749,832,077)
Proceeds from sale of treasury bills on maturity		226,571,670	767,370,752
<b>Net cash outflow from investing activities</b>		<b>(36,689,836)</b>	<b>(515,060,913)</b>
<b><u>Cash flows from financing activities</u></b>			
Dividends paid to shareholders		(85,161,815)	(110,300,449)
Repayments of borrowings		(182,205,616)	(384,937,444)
Proceeds from borrowings		67,142,841	539,462,711
<b>Net cash (out flow) / inflow from financing activities</b>		<b>(200,224,590)</b>	<b>44,224,818</b>
<b>Net increase in cash and cash equivalents</b>		<b>239,498,233</b>	<b>89,920,691</b>
Cash and cash equivalents at beginning of the year		(60,130,339)	(150,008,352)
Effects of exchange rate on cash and cash equivalents		221,605	(42,678)
<b>Cash and cash equivalents at end of the year</b>	12	<b>179,589,499</b>	<b>(60,130,339)</b>

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

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

### **Notes to the consolidated financial statements - For the year ended 31 December 2018**

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

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

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

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

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

The main shareholders are Quantum Investment BV which owns 41.815% of the Company's share capital and the Bank of New York Mellon "depository bank for shares traded in London Stock Exchange" which manages 21.717% of the Company share capital and Exoder participation, "Exoder Limited", domiciled in Cyprus which owns 13.065% of the Company's share capital and Kingsway Fund Frontier Consumer Franchises which owns 4.362% of Company's share capital and the Genisis group trust which owns 1.579% of Company's share capital and other shareholders owning 17.462% of company's share capital.

These consolidated financial statements have been approved by Chairman and Managing Director on 26 February 2019.

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

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

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

The group's principal subsidiaries at 31 December 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

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

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

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

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

#### **Edita participation limited:**

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

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### General information (continued)

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

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

Name of subsidiary	Total Assets 2018	Total Equity 2018	Total Sales 2018	Net Profit/ (loss) 2018
Digma for trading	315,629,952	242,903,348	3,466,987,824	74,078,258
Edita Confectionery Industries	187,280,299	106,048,435	147,424,084	9,015,183
Edita participation limited	17,711,524	(2,201,917)	-	(1,931,436)

Name of subsidiary	Total Assets 2017	Total Equity 2017	Total Sales 2017	Net Profit/ (loss) 2017
Digma for trading	318,852,142	256,661,154	2,810,151,883	76,794,230
Edita Confectionery Industries	173,858,495	97,033,253	139,848,887	29,946,261
Edita participation limited	142,104	(272,144)	-	(90,136)

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

## 2. Summary of significant accounting policies

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

### A. Basis of preparation

#### I. Compliance with IFRS

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

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

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#### Basis of preparation (continued)

##### II. Historical cost convention

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

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

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

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

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

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

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

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

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#### IFRS 9 Financial instruments

The group does not have investments in equity instruments.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. Also, group's financial liabilities have not been restructured or modified.

#### Impairment of financial assets

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

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

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

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

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#### Trade receivables and other debit balances

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

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

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

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

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



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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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#### Basis of preparation (continued)

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

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

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

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

Revenue from sale of goods	<u>IFRS 15 revenue recognition policy</u>	<u>Nature of change in accounting policy</u>
	Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated and revenue is recognized at that point in time. Invoices are usually payable within 60 days. discounts are provided for early payments, cash incentives are paid to wholesalers based on target.	Under IAS 18, revenue for these contracts was recognized when a reasonable estimate of the returns could be made, provided that all other criteria for revenue recognition were met. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of returns could be made.
	The group permit the customer to return an item, under IFRS 15 revenue is recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized is adjusted for :	For those contracts for which the Group was unable to make a reasonable estimate of returns, revenue is recognized sooner under IFRS 15 than under IAS 18.
	- Expected returns: which are estimated based on the historical data for specific products based on expiry dates. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered. In such circumstances, a refund liability and a right to recover returned goods asset are recognized.	The impact of these changes on items other than revenue is a decrease in the refund liability, which is included in trade and other payables. In addition, there is a new asset for the right to recover returned goods, which is presented as part of inventory.
	- Wholesalers rebates: which are estimated based on sales volume made to wholesalers, in such circumstances, contact liability is recognized.	

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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#### Basis of preparation (continued)

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

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

	IFRS 16 Leases
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	<p>The group has reviewed all of the leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the group's operating leases.</p> <p>As at the reporting date, the group has non-cancellable operating lease commitments of 52,873,500 EGP, see note (33) of these commitments, approximately 303,095 EGP relate to short-term leases and 0 EGP to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.</p> <p>For the remaining lease commitments the group expects to recognise right-of-use assets of approximately 32,144,016 EGP on 1 January 2019, and lease liabilities of the same amount (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). Overall net assets remain unchanged, and net current assets will be 7,550,265 EGP lower due to the presentation of a portion of the liability as a current liability.</p> <p>The group expects that net profit after tax will decrease by approximately 1,090,035 EGP for 2019 as a result of adopting the new rules. Operating cash flows will increase and financing cash flows decrease by approximately 8,547,259 EGP as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.</p> <p>The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.</p>

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

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#### Basis of preparation (continued)

##### IFRS 16 Leases

<b>Mandatory application date/ Date of adoption by group</b>	The group will apply the standard from its mandatory adoption date of 1 January 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses)
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There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### B. Basis of consolidation

##### 1. Subsidiaries

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

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

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

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

##### 2. Associates

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

##### 3. Equity method

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

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

### **Notes to the consolidated financial statements - For the year ended 31 December 2018**

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#### **Basis of preparation (continued)**

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

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

#### **4. Changes in ownership interests**

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

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

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

#### **D. Segment reporting**

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

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

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

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

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

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

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

### **Notes to the consolidated financial statements - For the year ended 31 December 2018**

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

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#### **Foreign currency translation (continued)**

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

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

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

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

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

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

#### **F. Revenue recognition**

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

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

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

### **Notes to the consolidated financial statements - For the year ended 31 December 2018**

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

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

##### **Sales of goods – wholesale**

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

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

#### **G. Interest income**

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

#### **H. Dividend income**

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

#### **I. Export subsidy**

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

#### **J. Income tax**

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

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

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

### **Notes to the consolidated financial statements - For the year ended 31 December 2018**

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#### **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. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

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

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

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

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

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

#### **K. Leases**

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

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

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

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#### **L. Business combinations**

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

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

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

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

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

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

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

#### **M. Impairment of assets**

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



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

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#### **N. Cash and cash equivalents**

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

#### **O. Trade receivables**

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

#### **P. Inventories**

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

#### **Q. Financial assets under IAS 39 (for 2017 comparative figures)**

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

The group classifies its financial assets in the following categories,

- loans and receivables, and
- Held to maturity (treasury bills).

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, re-evaluates this designation at the end of each reporting period.

##### **(2) Reclassification**

Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

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#### **Financial assets under IAS 39 (for 2017 comparative figures) (continued)**

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

#### **(3) Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. 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.

#### **(4) Measurement**

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

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.

#### **(5) 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.

#### **Assets carried at amortised cost**

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in 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.

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

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#### **R. Financial assets under IFRS 9**

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

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

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

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

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

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

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

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

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

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

##### **(3) Impairment**

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

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

### **Notes to the consolidated financial statements - For the year ended 31 December 2018**

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

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

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

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

Land is not depreciated.

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

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

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

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

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

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

#### **T. Intangible assets**

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

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

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

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#### **Intangible assets (continued)**

##### **Computer software**

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

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

#### **U. Trade and other payables**

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

#### **V. Borrowing**

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

##### Established fees "transaction cost"

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

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

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

#### **W. Borrowing costs**

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

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

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

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#### **X. Provisions**

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

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

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

#### **Y. Employee benefits**

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

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

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

Pension obligations

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

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

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

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

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

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

### **Notes to the consolidated financial statements - For the year ended 31 December 2018**

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

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

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

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

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

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

#### **(4) Termination benefits**

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

#### **Z. Contributed equity**

Ordinary shares are classified as equity.

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

#### **AA. Dividends**

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

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### BB. Earnings per share

##### (1) Basic earnings per share

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

##### (2) Diluted earnings per share

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

#### CC. Comparative figures

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

### 3. Financial risk management

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

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

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



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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### Financial risk management (continued)

##### (A) Market risk

###### (i) Foreign exchange risk

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

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

###### Exposure

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

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

	Assets	Liabilities	Net 31 December 2018	Net 31 December 2017
Euros	23,477,138	(86,632,298)	(63,155,160)	(102,830,346)
United States Dollars	6,115,403	(255,713,581)	(249,598,178)	(250,578,630)

###### Amounts recognised in profit or loss

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

	2018	2017
<b>Amounts recognised in profit or loss</b>		
Net foreign exchange gain / (loss) included in finance cost and other gain or losses	234,041	(15,260,198)
	<b>234,041</b>	<b>(15,260,198)</b>
<b>Net losses recognised in other comprehensive income</b>		
Foreign currency translation reserve	221,605	(42,678)
	<b>221,605</b>	<b>(42,678)</b>

###### Sensitivity analysis

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

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

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

##### ***Euro/EGP***

At 31 December 2018, if the Egyptian Pounds had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the period would have been LE 6,315,516 (31 December 2017: LE 10,283,035) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

##### ***USD/EGP***

At 31 December 2018, if the Egyptian Pounds had weakened / strengthened by 10% against the US Dollars with all other variables held constant, post tax profit for the period would have been LE 24,959,818 (31 December 2017: LE 25,057,863) higher / lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets and liabilities.

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

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

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

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

At 31 December 2018, if interest rates on Egyptian pound -denominated net interest bearing liabilities had been 1% higher/lower with all other variables held constant, post-tax profit for the period would have been LE 7,257,407 (31 December 2017: LE 9,230,660) lower/higher interest expense on floating rate borrowings.

Borrowings at the balance sheet date with variable interest rate amounted to LE 706,614,172 (31 December 2017: LE 826,944,229)

Overdraft at the balance sheet on 31 December 2018 amounted to LE 19,126,567 (31 December 2017: LE 96,121,849)

#### **(B) Credit risk**

##### **(i) Risk management**

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

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

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#### Financial risk management (continued)

##### (ii) Security

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

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

##### (iii) Credit quality

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

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

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

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

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

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

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

#### Trade receivables

Counter parties without external credit rating:

	31 December 2018	31 December 2017
Trade and notes receivables	48,311,880	16,654,958
<b>Total</b>	<b>48,311,880</b>	<b>16,654,958</b>

Outstanding trade receivables are current and not impaired

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

	31 December 2018	31 December 2017
Less than 30 days	26,874,692	10,009,420
From 31 to 60 days	13,322,554	5,506,423
From 61 to 90 days	8,114,634	1,139,115
	<b>48,311,880</b>	<b>16,654,958</b>

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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#### Financial risk management (continued)

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

	31 December 2018	31 December 2017
At 1 January	20,556	20,556
Receivables written off during the year as uncollectible	-	-
	<u>20,556</u>	<u>20,556</u>

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

#### Cash at bank and short-term bank deposits:

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

#### (C) Liquidity risk

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

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

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

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#### Financial risk management (continued)

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 December 2018 based on contractual payment dates and current interest rates.

<b>At 31 December 2018</b>	<b>Less than 6 month</b>	<b>Between 6 month &amp; 1 year</b>	<b>Between 1 &amp; 2 years</b>	<b>More than 2 years</b>
Borrowings	94,507,002	108,250,441	187,050,382	308,514,195
Future interest payments	49,055,203	40,061,651	61,135,771	61,288,204
Trade and other payables	294,885,007	-	-	-
Bank overdraft	19,126,567	-	-	-
Notes payable	99,686,739	267,721	-	-
<b>Total</b>	<b>557,260,518</b>	<b>148,579,813</b>	<b>248,186,153</b>	<b>369,802,399</b>
<b>At 31 December 2017</b>				
Borrowings	63,792,488	101,874,105	188,051,167	460,381,419
Future interest payments	15,616,736	66,364,203	90,853,466	129,113,118
Trade and other payables	293,547,552	-	-	-
Bank overdraft	96,121,849	-	-	-
Notes payable	71,264,212	-	-	-
<b>Total</b>	<b>540,342,837</b>	<b>168,238,308</b>	<b>278,904,633</b>	<b>589,494,537</b>

The amount of unused credit facility is EGP 8,000,000 as of 31 December 2018, also the Group will have future interest payments related to borrowings amounting to LE 211,540,829 (31 December 2017: LE 301,947,523).

#### (1) Capital management

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

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

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

	<b>2018</b>	<b>2017</b>
Total borrowings	706,614,172	826,944,229
Bank overdraft	19,126,567	96,121,849
<b>Total borrowings and loans</b>	<b>725,740,739</b>	<b>923,066,078</b>
Less: Cash and bank balances	(63,579,745)	(35,991,510)
<b>Net debt</b>	<b>662,160,994</b>	<b>887,074,568</b>
Total equity	1,448,936,671	1,230,226,448
<b>Total capital</b>	<b>2,111,097,665</b>	<b>2,117,301,016</b>
<b>Gearing ratio</b>	<b>31%</b>	<b>42%</b>

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### **Notes to the consolidated financial statements - For the year ended 31 December 2018**

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

The decrease in the gearing ratio mainly results from the settlement of loans instalments, and achieving net profit in 2018.

##### Loan covenants

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

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

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

#### **(2) Fair value estimation**

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

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

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

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

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

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

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

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

##### **Employee benefit retirement obligation**

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

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

Note (15) shows the main assumptions used to estimate the employees' benefit obligation.

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

##### **Revenue recognition**

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

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

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
<b>At 1 January 2017</b>								
Cost	120,908,260	492,615,644	825,855,967	144,132,505	79,700,950	70,220,650	163,072,967	1,896,506,943
Accumulated depreciation	-	(75,002,282)	(196,232,866)	(68,646,679)	(40,311,934)	(41,851,939)	-	(422,045,700)
<b>Net book amount</b>	<b>120,908,260</b>	<b>417,613,362</b>	<b>629,623,101</b>	<b>75,485,826</b>	<b>39,389,016</b>	<b>28,368,711</b>	<b>163,072,967</b>	<b>1,474,461,243</b>
<b>Year ended 31 December 2017</b>								
Opening net book amount	120,908,260	417,613,362	629,623,101	75,485,826	39,389,016	28,368,711	163,072,967	1,474,461,243
Additions	-	-	26,048,433	25,224,480	6,313,111	8,128,993	497,867,500	563,582,517
Depreciation charge	-	(19,852,702)	(43,005,957)	(20,400,521)	(12,208,114)	(13,827,915)	-	(109,295,209)
Accumulated depreciation of disposals	-	-	-	6,326,895	202,982	316,869	-	6,846,746
Disposals	-	-	-	(7,422,290)	(204,073)	(359,408)	-	(7,985,771)
Transfers from projects under construction	-	388,571,418	205,666,062	-	14,668,890	8,881,355	(617,787,725)	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>786,332,078</b>	<b>818,331,639</b>	<b>79,214,390</b>	<b>48,161,812</b>	<b>31,508,605</b>	<b>43,152,742</b>	<b>1,927,609,526</b>
<b>At 31 December 2017</b>								
Cost	120,908,260	881,187,062	1,057,570,462	161,934,695	100,478,878	86,871,590	43,152,742	2,452,103,689
Accumulated depreciation	-	(94,854,984)	(239,238,823)	(82,720,305)	(52,317,066)	(55,362,985)	-	(524,494,163)
<b>Net book amount</b>	<b>120,908,260</b>	<b>786,332,078</b>	<b>818,331,639</b>	<b>79,214,390</b>	<b>48,161,812</b>	<b>31,508,605</b>	<b>43,152,742</b>	<b>1,927,609,526</b>
<b>Year ended 31 December 2018</b>								
Opening net book amount	120,908,260	786,332,078	818,331,639	79,214,390	48,161,812	31,508,605	43,152,742	1,927,609,526
Additions	-	-	5,432,630	30,550,100	9,214,424	6,833,293	45,145,752	97,176,199
Depreciation charge	-	(35,429,474)	(52,450,786)	(22,646,852)	(15,645,831)	(13,327,846)	-	(139,500,789)
Accumulated depreciation of disposals	-	-	466,675	10,573,628	758,075	1,288,135	-	13,086,513
Disposals	-	-	(466,675)	(11,586,168)	(758,075)	(1,323,077)	-	(14,133,995)
Transfers from Projects under construction	-	42,701,115	15,996,627	-	5,557,650	850,968	(65,106,360)	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>793,603,719</b>	<b>787,310,110</b>	<b>86,105,098</b>	<b>47,288,055</b>	<b>25,830,078</b>	<b>23,192,134</b>	<b>1,884,237,454</b>
<b>At 31 December 2018</b>								
Cost	120,908,260	923,888,177	1,078,533,044	180,898,627	114,492,877	93,232,774	23,192,134	2,535,145,893
Accumulated depreciation	-	(130,284,458)	(291,222,934)	(94,793,529)	(67,204,822)	(67,402,696)	-	(650,908,439)
<b>Net book amount</b>	<b>120,908,260</b>	<b>793,603,719</b>	<b>787,310,110</b>	<b>86,105,098</b>	<b>47,288,055</b>	<b>25,830,078</b>	<b>23,192,134</b>	<b>1,884,237,454</b>



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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

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

During the year ended 31 December 2018, the Group has capitalized borrowings costs amounting to LE Nil (31 December 2017: LE 37,174,062) on qualified assets. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the interest rate applicable to the group's specific borrowings during the year 2017 was 21%.

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

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

	2018	2017
Charged to cost of sales	98,571,143	70,367,515
Charged to distribution costs	23,996,918	21,583,001
Charged to administrative expenses	16,932,728	17,344,693
	<b>139,500,789</b>	<b>109,295,209</b>

#### The projects under construction represent:

	2018	2017
Buildings	15,037,717	29,846,501
Machinery & equipment	7,916,795	12,318,194
Tools & equipment	192,345	917,463
Technical and other installations	45,277	70,584
	<b>23,192,134</b>	<b>43,152,742</b>

#### 6. Intangible assets

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

	2017			
	Trademark (A)	Know how (B)	Software	Total
Cost	131,480,647	31,430,995	9,345,914	172,257,556
Accumulated amortisation	-	-	-	-
<b>Balance as of</b>	<b>131,480,647</b>	<b>31,430,995</b>	<b>9,345,914</b>	<b>172,257,556</b>

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

## Notes to the consolidated financial statements - For the year ended 31 December 2018

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

### Intangible assets (continued)

#### A. Trademark

	Trade Mark (HOHOS, Twinkies & Tiger Tail)	
	2018	2017
Cost		
Opening Balance	131,480,647	131,480,647
Balance as of	<b>131,480,647</b>	<b>131,480,647</b>

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

#### B. Know how

	Know How	
	2018	2017
Cost		
Opening balance	31,430,995	31,430,995
Balance as of	<b>31,430,995</b>	<b>31,430,995</b>
Accumulated amortization		
Opening Balance	31,430,995	31,430,995
Amortization expense during the year	-	-
Balance as of	-	-
Net book value for know how	<b>31,430,995</b>	<b>31,430,995</b>

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

#### C. Impairment test for infinite life intangible assets

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

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### Intangible assets (continued)

##### D. Recoverable amount of cake segment

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

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

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

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

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

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

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

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

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### Intangible assets (continued)

##### Sensitivity of recoverable amounts

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

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

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

#### 7. Prepayments on future investments in subsidiary

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

#### 8. Inventories

	2018	2017
Raw and packaging materials	187,074,081	199,701,698
Spare parts	45,942,680	39,580,849
Finished goods	43,280,500	46,095,781
Consumables	5,293,740	5,089,825
Work in process	11,684,556	6,725,396
<b>Total</b>	<b>293,275,557</b>	<b>297,193,549</b>
Less: allowance for decline in value	(4,447,216)	(1,182,116)
<b>Net</b>	<b>288,828,341</b>	<b>296,011,433</b>

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

During the year ended 31 December 2018, there has been a slow moving and obsolete inventory addition amounted to LE 4,694,415 (2017: LE 1,476,000) (Note 24) and the cost of write down amounted to LE 1,400,545 (2017: LE 557,204).

The cost of inventory recognized as an expense and included in cost of sales amounted to LE 2,030,438,835 during the year ended 31 December 2018 (2017: LE 1,661,010,757).

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### 9. Financial instruments by category

The Group holds the following financial instruments:

	2018	2017
<b>Financial assets at amortised cost</b>		
Trade and other receivables (excluding non-financial assets)* (Note 10)	63,605,689	30,906,350
Cash and bank balances (Note 12)	63,579,745	35,991,510
Treasury bills (Note 11)	290,180,875	180,588,821
<b>Total</b>	<b>417,366,309</b>	<b>247,486,681</b>
	<b>2018</b>	<b>2017</b>
<b>Financial liabilities at amortised cost</b>		
Borrowings* (Note 13)	706,614,172	826,944,229
Trade and other payables (excluding non-financial liabilities) (Note 16)	394,839,467	364,811,764
Bank overdraft (Note 18)	19,126,567	96,121,849
<b>Total</b>	<b>1,120,580,206</b>	<b>1,287,877,842</b>

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

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

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

#### 10. Trade and other receivables

	2018	2017
Trade receivables	45,439,750	15,856,789
Notes receivable	2,872,130	798,169
<b>Total</b>	<b>48,311,880</b>	<b>16,654,958</b>
Less: Provision for impairment of trade receivables	(20,556)	(20,556)
	<b>48,291,324</b>	<b>16,634,402</b>
Advances to suppliers	39,866,322	22,984,151
Tax authority – Corporate tax prepayments	-	27,928,869
Prepaid expenses	8,813,890	8,636,065
Deposits with others	12,326,569	10,057,786
Other current assets	2,537,032	3,713,323
Value added tax - receivables	15,893,424	6,401,984
Letters of credit	228,366	328,459
Employee loans	222,398	172,380
<b>Total</b>	<b>128,179,325</b>	<b>96,857,419</b>

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### Trade and other receivables (continued)

##### Classification of trade receivables

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

##### Other receivables

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

##### Impairment of trade receivables

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

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

#### 11. Treasury bills

	2018	2017
Treasury bills par value	297,450,000	190,500,000
Unearned interest	(41,755,105)	(18,464,355)
<b>Amount of treasury bills paid</b>	<b>255,694,895</b>	<b>172,035,645</b>
Interest income recognized to profit or loss	34,485,980	8,553,176
<b>Treasury bills balance</b>	<b>290,180,875</b>	<b>180,588,821</b>

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

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

Treasury bills of EGP 180,588,821 were previously classified as held-to-maturity investments (2017)

The above investments have been reclassified to financial assets at amortised cost on adoption of IFRS 9 Financial Instruments.)

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

### **Notes to the consolidated financial statements - For the year ended 31 December 2018**

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

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

In previous years, the group classified investments as held-to-maturity if:

- they were non-derivative financial assets
- they were quoted in an active market
- they had fixed or determinable payments and fixed maturities
- the group intended to, and was able to, hold them to maturity.

Held-to-maturity financial assets were classified as current assets.

None of the held-to-maturity investments were either past due or impaired in the prior year.

Below are details of purchased treasury bills during the year:

The Company purchased Egyptian treasury bills on 17 September 2017 with par value amounted LE 90,000,000 with an annual interest of 18.55%. These treasury bills were collected in 22 May 2018. The total recognized interest income amounted to LE 5,770,662.

The Company purchased Egyptian treasury bills on 4 October 2017 with par value amounted LE 30,000,000 with an annual interest of 18.40%. These treasury bills were collected in 3 April 2018. The total recognized interest income amounted to LE 1,288,795.

The Company purchased Egyptian treasury bills on 24 October 2017 with par value amounted LE 16,500,000 with an annual interest of 18.8%. These treasury bills were collected in 24 April 2018. The total recognized interest income amounted to LE 885,827.

The Company purchased Egyptian treasury bills on 20 September 2017 with par value amounted LE 54,000,000 with an annual interest of 18.35%. These treasury bills were collected in 20 March 2018. The total recognized interest income amounted to LE 1,965,895.

The Company purchased Egyptian treasury bills on 20 March 2018 with par value amounted LE 11,250,000 with an annual interest of 17.05%. These treasury bills were collected in 18 December 2018. The total recognized interest income amounted to LE 1,272,375.

The Company purchased Egyptian treasury bills on 20 March 2018 with par value amounted LE 11,250,000 with an annual interest of 17.06%. These treasury bills were collected in 18 December 2018. The total recognized interest income amounted to LE 1,273,050.

The Company purchased Egyptian treasury bills on 20 March 2018 with par value amounted LE 11,250,000 with an annual interest of 17.07%. These treasury bills were collected in 18 December 2018. The total recognized interest income amounted to LE 1,273,725.

The Company purchased Egyptian treasury bills on 20 March 2018 with par value amounted LE 11,250,000 with an annual interest of 17.08%. These treasury bills were collected in 18 December 2018. The total recognized interest income amounted to LE 1,274,400.

The Company purchased Egyptian treasury bills on 20 March 2018 with par value amounted LE 11,250,000 with an annual interest of 17.09%. These treasury bills were collected in 18 December 2018. The total recognized interest income amounted to LE 1,275,075.

The Company purchased Egyptian treasury bills on 20 March 2018 with par value amounted LE 5,250,000 with an annual interest of 17.10%. These treasury bills were collected in 18 December 2018. The total recognized interest income amounted to LE 595,350.

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

### **Notes to the consolidated financial statements - For the year ended 31 December 2018**

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

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

The Company purchased Egyptian treasury bills on 3 April 2018 with par value amounted LE 11,250,000 with an annual interest of 16.85%. These treasury bills are due in 1 January 2019. The total recognized interest income amounted to LE 1,254,488.

The Company purchased Egyptian treasury bills on 3 April 2018 with par value amounted LE 11,250,000 with an annual interest of 16.90%. These treasury bills are due in 1 January 2019. The total recognized interest income amounted to LE 1,257,851.

The Company purchased Egyptian treasury bills on 3 April 2018 with par value amounted LE 11,250,000 with an annual interest of 16.95%. These treasury bills are due in 1 January 2019. The total recognized interest income amounted to LE 1,261,101.

The Company purchased Egyptian treasury bills on 24 April 2018 with par value amounted LE 10,000,000 with an annual interest of 17.43%. These treasury bills are due in 15 January 2019. The total recognized interest income amounted to LE 1,063,542.

The Company purchased Egyptian treasury bills on 24 April 2018 with par value amounted LE 10,000,000 with an annual interest of 17.45%. These treasury bills are due in 15 January 2019. The total recognized interest income amounted to LE 1,064,580.

The Company purchased Egyptian treasury bills on 23 May 2018 with par value amounted LE 102,000,000 with an annual interest of 18.84%. These treasury bills are due in 12 February 2019. The total recognized interest income amounted to LE 10,282,085.

The Company purchased Egyptian treasury bills on 21 November 2018 with par value amounted LE 5,200,000 with an annual interest of 19.31%. These treasury bills are due in 12 February 2019. The total recognized interest income amounted to LE 105,403.

The Company purchased Egyptian treasury bills on 22 November 2018 with par value amounted LE 5,200,000 with an annual interest of 19.31%. These treasury bills are due in 12 February 2019. The total recognized interest income amounted to LE 102,833.

The Company purchased Egyptian treasury bills on 4 December 2018 with par value amounted LE 10,475,000 with an annual interest of 19.30%. These treasury bills are due in 5 March 2019. The total recognized interest income amounted to LE 142,687.

The Company purchased Egyptian treasury bills on 18 December 2018 with par value amounted LE 21,000,000 with an annual interest of 19.80%. These treasury bills are due in 19 March 2019. The total recognized interest income amounted to LE 141,120.

The Company purchased Egyptian treasury bills on 18 December 2018 with par value amounted LE 31,500,000 with an annual interest of 19.78%. These treasury bills are due in 19 March 2019. The total recognized interest income amounted to LE 211,500.

The Company purchased Egyptian treasury bills on 18 December 2018 with par value amounted LE 21,000,000 with an annual interest of 19.84%. These treasury bills are due in 19 March 2019. The total recognized interest income amounted to LE 141,390.

The Company purchased Egyptian treasury bills on 14 November 2018 with par value amounted LE 7,325,000 with an annual interest of 19.37%. These treasury bills are due in 12 February 2019. The total recognized interest income amounted to LE 174,356.



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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### Treasury bills (continued)

The Company purchased Egyptian treasury bills on 11 December 2018 with par value amounted LE 10,000,000 with an annual interest of 19.44%. These treasury bills are due in 12 March 2019. The total recognized interest income amounted to LE 101,604.

The Company purchased Egyptian treasury bills on 11 December 2018 with par value amounted LE 10,000,000 with an annual interest of 19.49%. These treasury bills are due in 12 March 2019. The total recognized interest income amounted to LE 101,846.

The Company purchased Egyptian treasury bills on 11 December 2018 with par value amounted LE 10,000,000 with an annual interest of 19.54%. These treasury bills are due in 12 March 2019. The total recognized interest income amounted to LE 102,088.

The Company purchased Egyptian treasury bills on 11 December 2018 with par value amounted LE 5,000,000 with an annual interest of 19.59%. These treasury bills are due in 12 March 2019. The total recognized interest income amounted to LE 102,352.

#### 12. Cash and cash equivalents

	2018	2017
Bank deposits	642,669	60,840
Cash at banks and on hand	62,937,076	35,930,670
<b>Cash and bank balances (excluding bank overdrafts)</b>	<b>63,579,745</b>	<b>35,991,510</b>

The average interest rate on local currency time deposits as of 31 December 2018 is 12.5 % (2017: 15 %).

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

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

	2018	2017
Cash and bank balances	63,579,745	35,991,510
Treasury bills with maturities of 3 months or less	135,136,321	-
Bank overdraft (Note 18)	(19,126,567)	(96,121,849)
<b>Total</b>	<b>179,589,499</b>	<b>(60,130,339)</b>

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### 13. Loans

	2018			2017		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Loans	211,049,595	495,564,577	706,614,172	178,511,643	648,432,586	826,944,229
	<u>211,049,595</u>	<u>495,564,577</u>	<u>706,614,172</u>	<u>178,511,643</u>	<u>648,432,586</u>	<u>826,944,229</u>

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

	2018	2017
Balance due within 1 year	202,757,443	165,666,575
Accrued interest	8,292,152	12,845,068
	<u>211,049,595</u>	<u>178,511,643</u>

#### (1) Edita Food Industries Company

	2018			2017		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	9,447,260	-	9,447,260	19,814,921	8,749,985	28,564,906
Second loan	45,226,910	30,451,671	75,678,581	36,326,157	82,781,630	119,107,787
Third loan	20,587,500	36,000,000	56,587,500	21,444,500	54,000,000	75,444,500
Fourth loan	41,154,405	99,448,641	140,603,046	40,021,961	138,388,250	178,410,211
Fifth loan	60,986,236	245,006,121	305,992,357	29,137,221	288,500,200	317,637,421
Sixth loan	14,787,355	29,574,710	44,362,065	14,744,858	44,012,521	58,757,379
Seventh loan	10,833,374	27,083,434	37,916,808	-	-	-
<b>Total</b>	<u>203,023,040</u>	<u>467,564,577</u>	<u>670,587,617</u>	<u>161,489,618</u>	<u>616,432,586</u>	<u>777,922,204</u>

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

	2018	2017
Balance due within 1 year	194,757,443	148,906,527
Accrued interest	8,265,597	12,583,091
<b>Total</b>	<u>203,023,040</u>	<u>161,489,618</u>

- First loan:**

This first loan is provided by one of the Egyptian banks in January 2014 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000. The loan outstanding balance at 31 December 2018 after payment of due installments amounted to 8,750,000 in addition accrued interests.

**Terms of payments:**

Edita Food Industries S.A.E. (borrower) is obligated to pay the final installment of LE 8,750,000 on 1 February 2019.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

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

### **Notes to the consolidated financial statements - For the year ended 31 December 2018**

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

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#### **Loans (continued)**

- **Second loan:**

This second loan is provided by one of the Egyptian banks on September 2014 based on a cross guarantee issued from Digma Trading Company amounted to LE 185,000,000. The loan outstanding balance at 31 December 2018 after payment of due installments amounted to LE 38,603,132 and USD 1,862,496 in addition to accrued interests.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 38,603,132 on 4 equal semi-annual installments; each installment is amounted to LE 9,650,785 In addition. The company is obligated to pay 1,862,496 USD on 3 equal semi-annual installments; each installment is amounted to 620,834 USD.

The first EGP instalment is due on January 2019 and the last on July 2020.

The first USD instalment is due on July 2019 and the last on July 2020.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

- **Third loan:**

This third loan is provided by one of the Egyptian banks on April 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 90,000,000. The loan outstanding balance at 31 December 2018 amounted to LE 54,000,000 in addition to accrued interests.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 54,000,000 on 6 equal semi-annual installments; each installment is amounted to LE 9,000,000. The first installment is due in April 2019 and the last in October 2021.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value

- **Fourth loan:**

This fourth loan is provided by one of the Egyptian banks on September 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 202,234,888. The loan outstanding balance at 31 December 2018 amounted to LE 55,647,100 and USD 4,653,730 in addition accrued interests..

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay EGP 55,647,100 / USD 4,653,730 on 7 equal semi-annual instalments; each instalment is amounted to EGP 7,949,586 / USD 664,819 the first instalment is due on April 2019 and the last on April 2022. Total loan value and accrued interest to be paid to the bank in local currency without any obligation on the Company to pay foreign currency.

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

### **Notes to the consolidated financial statements - For the year ended 31 December 2018**

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

#### **Loans (continued)**

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

- **Fifth loan:**

This fifth loan is provided by one of the Egyptian banks on September 2016 based on a cross guarantee issued from Digma Trading Company amounted to LE 220,000,000 and 6,000,000 Euro. The total outstanding balance is LE 210,715,177 plus 3,121,739 Euro, plus 1,729,010 USD on 31 December 2018 in addition to accrued interest.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 210,715,177 and 3,121,739 Euro and 1,729,010 USD on 10 equal semi-annual instalments; each instalment is amounted to LE 21,071,518 and 312,174 Euro and 172,901 USD the first instalment is due on March 2019 and the last on September 2023.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

- **Sixth loan:**

On November 2017, the Company signed an agreement with one of the Egyptian banks to transfer an overdraft facility balance amounting to LE 9,914,422 and USD 2,741,370 into a term loan. The loan outstanding balance at 31 December 2018 after payment of due instalments amounting to LE 7,435,816 and USD 2,056,027 in addition to accrued interests.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 7,435,816 on 6 equal semi-annual installments; each installment is amounted to LE 1,239,303 In addition to accrued interest. The company is obligated to pay USD 2,056,027 on 6 equal semi-annual installments; each installment is amounted to USD 342,671. The next installment is due on 28 February 2019 and the last on August 2021.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### Loans (continued)

- Seventh loan:**

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

#### Terms of payments:

Edita Food Industries S.A.E. is obligated to Pay LE 4,224,160 on 7 equal semi-annual instalments; each instalment is amounted to LE 603,451 In addition to accrued interest. The company is obligated to pay USD 1,875,983 on 7 equal semi-annual instalments; each instalment is amounted to USD 267,998. The next instalment is due on 31 March 2019 and the last on 31 March 2022.

#### Interest:

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

#### Fair value:

Fair value is approximately equal to book value.

#### (2) Digma for Trading Company

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

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

	2018	2017
Balance due within 1 year	-	8,760,048
Accrued interest	-	239,477
	<b>-</b>	<b>8,999,525</b>

#### (3) Edita Confectionery Industries Company

	2018			2017		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First Loan	8,026,555	28,000,000	36,026,555	8,022,500	32,000,000	40,022,500
	<b>8,026,555</b>	<b>28,000,000</b>	<b>36,026,555</b>	<b>8,022,500</b>	<b>32,000,000</b>	<b>40,022,500</b>

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

### **Notes to the consolidated financial statements - For the year ended 31 December 2018**

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

#### **Loans (continued)**

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

	<b>2018</b>	<b>2017</b>
Balance due within 1 year	8,000,000	8,000,000
Accrued interest	26,555	22,500
	<b>8,026,555</b>	<b>8,022,500</b>

The loan is provided by one of the Egyptian banks on December 2017 based on a cross guarantee issued from Edita Food Industries Company amounted to LE 40,000,000. The loan outstanding balance at 31 December 2018 after payment of due instalments amounted to LE 36,000,000 in addition to accrued interests.

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

Edita Confectionary Industries S.A.E. is obligated to Pay LE 36,000,000 on 9 equal semi-annual instalments; the next instalment come due on January 2019 and the last on December 2022.

#### **Interest:**

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

#### **Fair value:**

Fair value is approximately equal to book value.

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

## Notes to the consolidated financial statements - For the year ended 31 December 2018

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

### 14. Deferred tax liability

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

	Net deferred tax liabilities						
	Acquiring Digma Company for Trading			Unrealized foreign exchange loss	Carry forward taxable losses	2018	2017
	Fixed assets	Other provisions					
<b>A. Deferred tax assets</b>							
Balance at 1 January	-	-	-	9,268,582	14,920,504	24,189,086	33,608,041
Charged to statement of profit or loss	-	-	2,145,612	(3,591,755)	(14,920,504)	(16,366,647)	(9,418,955)
Ending balance as of 31 December	-	-	2,145,612	5,676,827	-	7,822,439	24,189,086
<b>B. Deferred tax liabilities</b>							
Balance at 1 January	(150,806,115)	(3,335,372)	-	-	-	(154,141,487)	(120,100,675)
Charged to statement of profit or loss	(12,090,065)	240,420	-	-	-	(11,849,645)	(34,040,812)
Ending balance as of 31 December	(162,896,180)	(3,094,952)	-	-	-	(165,991,132)	(154,141,487)
<b>Net deferred tax liabilities</b>							
Balance at 1 January	(162,896,180)	(3,094,952)	2,145,612	5,676,827	-	(158,168,693)	(129,952,401)
Charged to statement of profit or loss (Note 26)	(150,806,115)	(3,335,372)	-	9,268,582	14,920,504	(129,952,401)	(86,492,634)
Ending Balance as of 31 December	(162,896,180)	(3,094,952)	2,145,612	5,676,827	-	(158,168,693)	(129,952,401)

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### 15. Employee Benefit obligations

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

	2018	2017
Discount rate	15%	15%
Average salary increase rate	10%	10%
Turnover rate	35%	35%
Life table	49-52	49-52

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

	2018	2017
Present value of obligations	6,621,193	4,761,965
<b>Liability at the balance sheet</b>	<b>6,621,193</b>	<b>4,761,965</b>

Movement in the liability recognized in the balance sheet:

	2018	2017
Balance at beginning of the year	4,761,965	1,945,034
Charged during the year	3,304,046	2,840,957
Paid during the year	(1,444,818)	(24,026)
<b>Balance at end of the year</b>	<b>6,621,193</b>	<b>4,761,965</b>

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

	2018	2017
Interest expenses	714,295	272,305
Current service cost	2,589,751	2,568,652
<b>Total</b>	<b>3,304,046</b>	<b>2,840,957</b>



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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### 16. Trade and other payables

	2018	2017
Trade payables	161,860,602	188,822,395
Accrued expenses	109,035,729	60,144,110
Notes payable	99,954,460	71,264,212
Other credit balances	14,235,281	41,627,652
Taxes payable	42,234,785	30,891,539
Social insurance	5,071,344	3,006,735
Dividends payable	2,953,395	2,953,395
Contract liabilities	6,800,000	-
Advances from customers	18,259,750	1,688,890
<b>Total</b>	<b>460,405,346</b>	<b>400,398,928</b>

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

#### 17. Current income tax liabilities

	2018	2017
Balance at 1 January	-	1,233,553
Reversal of Income tax for prior year	-	(6,315,986)
Income tax paid during the year	(5,405,273)	(1,233,553)
Withholding tax receivable	(9,433,362)	(8,545,909)
Income tax for the year (Note 26)	79,464,788	22,698,108
Corporate income tax – advance payments	(55,862,730)	(4,157,219)
Accrued interest – advance payments (Note 25)	(2,129,954)	(3,678,994)
<b>Balance at end of year</b>	<b>6,633,469</b>	<b>-</b>

#### 18. Bank overdraft

	2018	2017
Bank overdraft	19,126,567	96,121,849
<b>Total</b>	<b>19,126,567</b>	<b>96,121,849</b>

Bank overdraft is an integral part of the group's cash management to finance its working capital. The average interest rate for bank overdraft was 17.17 % as of 31 December 2018 (2017: 20.06%).

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### 19. Provisions

	Other provisions	
	2018	2017
Balance at 1 January	20,910,445	19,166,385
Additions during the year (Note 24)	12,828,759	15,692,814
Utilized during the year	(4,277,817)	(13,874,798)
Provision no longer required	(190,521)	(73,956)
<b>Balance at end of year</b>	<b>29,270,866</b>	<b>20,910,445</b>

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

#### 20. Share capital

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

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

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

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

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### Share capital (continued)

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

Shareholders	No. of shares	Shares value	Percentage of ownership
Quantum Investment BV	303,308,300	60,661,660	41.815%
The Bank of New York Mellon "depository bank for shares traded in London Stock Exchange"	157,526,845	31,505,369	21.717%
Exoder Ltd.	94,769,464	18,953,893	13.065%
Kingsway Fund Frontier Consumer Franchises	31,639,252	6,327,850	4.362%
The Genesis group trust	11,452,175	2,290,435	1.579%
Others (Public stocks)	126,666,864	25,333,373	17.462%
	<b>725,362,900</b>	<b>145,072,580</b>	<b>100%</b>

#### 21. Legal reserve

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

#### 22. Non-controlling interest

	share capital	Legal reserves	Revaluation assets reserve	(Accumulated losses)/retained earning	Total 2018	2017
Balance at 1 January	22,823,330	593,605	38,162	(1,654,994)	21,800,103	14,983,768
Non-controlling share in profit of subsidiaries	-	-	-	2,157,644	2,157,644	6,816,335
Total comprehensive income for the year	-	-	-	2,157,644	2,157,644	6,816,335
Issue of ordinary shares of a subsidiary	-	-	-	-	-	-
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	(161,815)	(161,815)	-
Transfer to legal reserve	-	-	-	-	-	-
Balance at end of year	<b>22,823,330</b>	<b>593,605</b>	<b>38,162</b>	<b>340,835</b>	<b>23,795,932</b>	<b>21,800,103</b>

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### 23. Other income

	2018	2017
Other income	2,917,666	6,840,591
Export subsidies	4,812,012	5,174,722
<b>Net</b>	<b>7,729,678</b>	<b>12,015,313</b>

#### 24. Other losses, net

	2018	2017
Provision for slow moving inventory	(4,694,415)	(1,476,000)
Other Provisions (Note 19)	(12,828,759)	(15,692,814)
Provision for employee benefit obligation (Note 15)	(3,304,046)	(2,840,957)
Provision no longer required	219,292	73,956
Gain from sales of property, plant and equipment (Note 30)	8,794,725	4,431,442
Solidarity contribution	(7,837,229)	-
Dividends tax	(4,037,090)	-
<b>Net</b>	<b>(23,687,522)</b>	<b>(15,504,373)</b>

#### 25. Finance cost - net

	2018	2017
<b>Finance income</b>		
Interest income	35,950,048	40,741,044
Interest income – corporate tax advance payment	2,129,954	3,678,994
Foreign exchange gains from financing activities	234,041	-
	<b>38,314,043</b>	<b>44,420,038</b>
<b>Finance cost</b>		
Foreign exchange losses from financing activities	-	(15,260,198)
Interest expense	(122,329,790)	(101,861,932)
	<b>(122,329,790)</b>	<b>(117,122,130)</b>
<b>Finance cost - net</b>	<b>(84,015,747)</b>	<b>(72,702,092)</b>

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### 26. Income tax expense

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

	2018	2017
Income tax for the year (Note 17)	79,464,788	22,698,108
Reversal of income tax from prior year	-	(6,315,986)
Deferred tax expense / (income) for the year (Note 14)	28,216,292	43,459,767
<b>Total</b>	<b>107,681,080</b>	<b>59,841,889</b>
Profit before tax	411,331,513	271,795,815
Tax calculated based on applicable tax rates	92,549,590	61,154,058
	<b>92,549,590</b>	<b>61,154,058</b>
Tax effect of non-deductible expenses	16,845,936	11,497,478
Tax losses for which no deferred income tax asset was recognized	(1,714,446)	(12,809,647)
	<b>107,681,080</b>	<b>59,841,889</b>
<b>Income tax expense</b>		
<b>Effective tax rate</b>	<b>26%</b>	<b>22%</b>

The increase in the effective tax rate in 2018 is due to the increase in non-deductible expenses during the year.

#### 27. Revenue from contracts with customers

##### A. Disaggregation of revenue from contracts with costumers

The Group derives revenue from the transfer of goods at a point in time. The Group disaggregate revenue by products line as disclosed in note (34) segment reporting.

##### B. The Group has recognised the following contracts' liabilities

	2018	2017
Contract liabilities -- accrued rebates	6,800,000	-
Contract liabilities -- advances from customers	18,259,750	1,688,890
<b>Total contract liabilities</b>	<b>25,059,750</b>	<b>1,688,890</b>

##### C. The increase in contracts' liabilities is due to the negotiation of longer prepayments and the increase in overall contracts activities.

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### 28. Earnings per share

##### Basic

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

	2018	2017
Profit attributed to owners of the parent	301,492,789	205,137,591
<b>Weighted average number of ordinary shares in issue</b>		
Ordinary shares	725,362,900	725,362,900
	<b>725,362,900</b>	<b>725,362,900</b>
<b>Basic earnings per share</b>	<b>0.42</b>	<b>0.28</b>

##### Diluted

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

#### 29. Expenses by nature

	2018	2017
Cost of sales	2,565,067,553	2,098,454,009
Distribution cost	444,026,080	386,634,812
Administrative expenses	256,025,396	211,153,544
	<b>3,265,119,029</b>	<b>2,696,242,365</b>
Raw materials used	2,030,438,835	1,661,010,757
Salaries and wages	438,229,441	391,542,471
Advertising and marketing	162,972,463	164,939,716
Depreciation and amortization	141,837,267	109,295,209
Gas, water and electricity	84,374,284	60,579,579
Miscellaneous and other expense	92,933,379	62,120,000
Employee benefits	82,091,450	68,930,976
Rent	57,899,840	37,532,394
Profit share employee	33,245,392	31,090,131
Transportation expenses	39,249,215	30,687,825
Maintenance	32,475,541	23,824,082
Vehicle expense	37,942,228	29,653,377
Consumable materials	23,218,048	18,470,765
Collection commission	-	1,614,678
Purchases – goods for resale	8,211,646	4,950,405
	<b>3,265,119,029</b>	<b>2,696,242,365</b>

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### 30. Cash generated from operations

	2018	2017
Profit for the year before income tax	411,331,513	271,795,815
<b>Adjustments for:</b>		
Provisions	12,828,759	15,692,814
Provision for employee benefit obligation	3,304,046	2,840,957
Interest expense	122,329,790	101,861,932
Interest income	(35,950,048)	(40,741,044)
Interest income – corporate tax advance payment	(2,129,954)	(3,678,994)
Depreciation and amortization	141,837,267	109,295,209
Provision for slow moving inventory	4,694,415	1,476,000
Gain on disposal of property, plant and equipment	(8,794,725)	(4,431,442)
Provision no longer required	(219,291)	(73,956)
Foreign exchange (gain) / loss	(714,366)	811,875
	<b>648,517,406</b>	<b>454,849,166</b>
<b>Change in working capital</b>		
Inventories	3,917,992	20,941,126
Trade and other receivables	(59,250,775)	127,739,924
Trade and other payables	60,006,418	138,084,740
Provisions used	(5,678,362)	(13,874,798)
Payments of employee benefit obligations	(1,444,818)	(24,026)
<b>Cash generated from operations</b>	<b>646,067,861</b>	<b>727,716,132</b>

#### Net debt reconciliation

	2018	2017
Cash and cash equivalent	179,589,499	(60,130,339)
Borrowings – repayable within one year	(211,049,595)	(178,511,643)
Borrowing – repayable within after one year	(495,564,577)	(648,432,586)
<b>Total</b>	<b>(527,024,673)</b>	<b>(887,074,568)</b>

	Cash and cash equivalent	Borrowing due within 1 year	Borrowing due after 1 year	Total
Net debt as at 1 January 2018	(60,130,339)	(178,511,643)	(648,432,586)	(887,074,568)
Cash flows	239,498,233	(32,690,405)	152,527,701	359,335,529
Foreign exchange adjustment	221,605	152,453	340,308	714,366
<b>Net debt as at 31 December 2018</b>	<b>179,589,499</b>	<b>(211,049,595)</b>	<b>(495,564,577)</b>	<b>(527,024,673)</b>

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### Cash generated from operations (continued)

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

	2018	2017
Net book amount	1,047,482	1,139,025
Profit of disposal of property, plant and equipment	8,794,725	4,431,442
<b>Proceeds from disposal of property, plant and equipment</b>	<b>9,842,207</b>	<b>5,570,467</b>

#### 31. Related parties

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

#### Key management compensation

During the year ended 31 December 2018, the group paid an amount of LE 77,501,463 as benefits to the key management members (2017: LE 64,507,205).

	2018		2017	
	Non-executive / independent board members	Key management personnel	Non-executive / independent board members	Key management personnel
Salaries and compensation	2,250,000	72,114,608	1,350,000	60,006,212
Allowances	2,160,000	882,233	2,150,000	924,200
Other benefit	-	94,622	-	76,793

#### 32. Tax position

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

#### Edita Food Industries Company

##### a) Corporate tax

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



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

### **Notes to the consolidated financial statements - For the year ended 31 December 2018**

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

#### **Related parties (continued)**

##### **b) Payroll tax**

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

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

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

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

- The stamp duty tax inspection was performed till 2009 and company paid tax due.
- Years from 2010 till 2018 tax inspection has not been performed.

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

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

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

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

##### **b) Payroll tax**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Contingent liability**

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

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

The Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities amounted to LE 75,016,958 as at 31 December 2018 (31 December 2017: LE 97,075,842).

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

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

At 31 December 2018, the Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities. amounted to LE 1,537,277 as at 31 December 2018 (31 December 2017: LE 1,295,821).

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

At 31 December 2018, the Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities amounted to LE 1,617,068 as at 31 December 2018 (31 December 2017: LE 1,275,831).

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### **Notes to the consolidated financial statements - For the year ended 31 December 2018**

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#### **33. Commitments**

##### **A) Capital comments**

The Group has capital commitments as of 31 December 2018 of EGP 44.6 M (2017: Nil) in respect of the capital expenditure.

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

##### **B) Operating lease commitments**

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

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

	<u>2018</u>	<u>2017</u>
Within one year	8,324,060	7,658,478
Later than one year but not later than five years	38,734,679	24,063,646
Later than five years	5,814,761	9,303,693
	<u>52,873,500</u>	<u>41,025,817</u>

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

## Notes to the consolidated financial statements - For the year ended 31 December 2018

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

### 34. Segment reporting

Edita operates across five segments in Egyptian snack food market offering nine distinct brands:

Segment	Brand		Product					
			Candy		Wafer		Rusks	
			2018	2017	2018	2017	2018	2017
Cake	Tiger tail, Twinkies, Todo and HOHOS	Traditional rolled filled and layered cake as well as brownies and packaged donut						
Croissants	Molto	Sweet and savoury croissants and strudels						
Rusks	Bake Rolz, Bake Stix	Baked wheat salty snack						
Wafer	Freska	Filled wafers						
Candy	Mimix	Hard, soft and jelly candy and lollipops						
(Amounts presented to the nearest thousands EGP)								
	Cake	Croissant	Candy		Wafer		Rusks	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	1,776,527	1,584,222	1,235,936	894,886	313,107	225,685	276,827	180,370
Gross profit	668,519	573,198	403,127	247,962	100,308	68,828	87,231	67,325
Operating profit	299,748	231,206	208,536	160,668	52,830	16,275	46,708	26,242

Operating profit reconciles to net profit as follows:

	2018	2017
Operating profit	637,184	453,793
Depreciation	(141,837)	(109,295)
Finance cost	(122,330)	(117,122)
Finance income	38,314	44,420
Income tax	(107,681)	(59,842)
Net profit	303,650	211,954

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

### Notes to the consolidated financial statements - For the year ended 31 December 2018

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

#### Segment reporting (continued)

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

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

#### 35. Earnings before interest, taxes, depreciation and amortization

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

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

	2018	2017
Net profit for the period	303,650,433	211,953,926
Income tax	107,681,080	59,841,889
Dividends distribution tax	4,037,090	-
Debit interest	122,329,790	101,861,932
Credit interest	(38,080,002)	(44,420,038)
Gain on sale of property , plant and equipment	(8,794,725)	(4,431,442)
Foreign exchange (gain) / loss	(234,041)	15,260,198
Donation	930,000	-
Other provision addition	3,000,000	15,000,516
Depreciation and amortization	141,837,267	109,295,209
Solidarity Contribution	7,837,229	-
<b>Total</b>	<b>644,194,121</b>	<b>464,362,190</b>