

EDITA FOOD INDUSTRIES S.A.E.

**REVIEW REPORT AND SEPARATE FINANCIAL
STATEMENTS FOR THE THREE MONTHS PERIOD
ENDED 31 MARCH 2018**

EDITA FOOD INDUSTRIES S.A.E.

Separate financial statements - For the three months period ended 31 March 2018

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Review report

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

Introduction

We have reviewed the accompanying separate statement of financial position of Edita Food Industries (S.A.E.) (the company) as at 31 March 2018 and the related separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the three months period then ended, and notes comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these Separate interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these Separate interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements do not present fairly in all material respects, the financial position of the company as at 31 March 2018, and of its financial performance and its cash flows for the three months period then ended in accordance with Egyptian Accounting Standards.

Mohamed Ahmed Fouad, CPA
R.A.A. 11595
F.R.A. 235
Mansour & Co. PricewaterhouseCoopers

14 May 2018
Cairo



EDITA FOOD INDUSTRIES S.A.E.

Separate statement of financial position - At 31 March 2018

(All amounts in Egyptian Pounds)

	Note	31 March 2018	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	5	1,654,674,103	1,678,732,130
Intangible assets	6	162,911,642	162,911,642
Investments in subsidiaries	7	124,476,662	124,476,662
Total non-current assets		1,942,062,407	1,966,120,434
Current assets			
Inventories	8	195,831,655	239,051,119
Trade and other receivables	9	83,818,452	61,705,536
Due from related parties	10	3,787,556	793,981
Treasury bills	11	188,975,361	180,588,821
Cash and cash equivalents (excluding bank overdrafts)	12	26,985,737	8,074,196
Total current assets		499,398,761	490,213,653
Total assets		2,441,461,168	2,456,334,087
Equity and liabilities			
Equity			
Share capital	13	145,072,580	145,072,580
Legal reserve	14	52,548,882	52,548,882
Retained earnings		763,359,461	825,270,662
Total equity		960,980,923	1,022,892,124
Liabilities			
Non-current liabilities			
Long-term loans	15	543,296,094	616,432,586
Employee benefit obligations	16	5,236,040	4,761,965
Deferred tax liabilities	17	119,772,483	105,929,307
Total non-current liabilities		668,304,617	727,123,858
Current liabilities			
Provisions	18	15,190,220	14,900,771
Bank overdraft	19	76,524,803	78,523,004
Trade and other payables	20	374,012,941	330,266,532
Due to related parties	21	129,684,094	121,138,180
Current portion of long-term loans	15	216,763,570	161,489,618
Total current liabilities		812,175,628	706,318,105
Total equity and liabilities		2,441,461,168	2,456,334,087

The accompanying notes on pages 7 to 42 form an integral part of these separate financial statements.

Review report attached


Mr Sameh Naguib
Vice President - Finance

Giza on 14 May 2018


Eng. Hani Berzi
Chairman

EDITA FOOD INDUSTRIES S.A.E.

Separate statement of profit or loss

For the three months period ended 31 March 2018

(All amounts in Egyptian Pounds)

	Note	The three months period ended 31 March	
		2018	2017
Revenue		703,817,864	495,090,866
Cost of sales	28	(536,752,889)	(371,897,511)
Gross profit		167,064,975	123,193,355
Other income	23	2,267,293	3,572,787
Distribution cost	28	(33,003,299)	(40,350,891)
Administrative expenses	28	(54,527,154)	(37,948,635)
Other (losses) / gains-net	24	(690,055)	(667,041)
Finance cost - net	25	(22,886,535)	(18,233,848)
Profit before income tax		58,225,225	29,565,727
Income tax expense	26	(13,843,176)	(7,267,262)
Profit for the period		44,382,049	22,298,465
Basic earnings per share	27	0.06	0.03
Diluted earnings per share	27	0.06	0.03

The accompanying notes on pages 7 to 42 form an integral part of these separate financial statements.

EDITA FOOD INDUSTRIES S.A.E.

**Separate statement of comprehensive income
For the three months period ended 31 March 2018**

(All amounts in Egyptian Pounds)

	31 March 2018	31 March 2017
Profit for the period	44,382,049	22,298,465
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	44,382,049	22,298,465

The accompanying notes on pages 7 to 42 form an integral part of these separate financial statements.

EDITA FOOD INDUSTRIES S.A.E.

**Separate statement of changes in equity
For the three months period ended 31 March 2018**

(All amounts in Egyptian Pounds)

	Share capital	Legal reserve	Retained earnings	Total
Balance at 31 December 2016 and 1 January 2017				
Change of equity in 2017	145,072,580	45,983,202	829,872,753	1,020,928,535
Profit for the period	-	-	22,298,465	22,298,465
Total comprehensive income for the period				
Shareholders transactions	-	-	22,298,465	22,298,465
Dividends distribution for 2016	-	-	(129,350,000)	(129,350,000)
Balance at 31 March 2017	145,072,580	45,983,202	722,821,218	913,877,000
Balance at 31 December 2017 and 1 January 2018				
Change of equity in 2018	145,072,580	52,548,882	825,270,662	1,022,892,124
Profit for the period			44,382,049	44,382,049
Total comprehensive income for the period				
Shareholders transactions	-	-	44,382,049	44,382,049
Dividends distribution for 2017			(106,293,250)	(106,293,250)
Total shareholders transactions	-	-	(106,293,250)	(106,293,250)
Balance at 31 March 2018	145,072,580	52,548,882	763,359,461	960,980,923

The accompanying notes on pages 7 to 42 form an integral part of these separate financial statements.

EDITA FOOD INDUSTRIES S.A.E.

Separate statement of cash flows

For the three months period ended 31 March 2018

(All amounts in Egyptian Pounds)		31 March 2018	31 March 2017
	Notes		
<u>Cash flows from operating activities</u>			
Profit for the period before income tax		58,225,225	29,565,727
Adjustments for:			
Provisions	24	300,000	500,000
Provision for employee benefit obligation	24	474,075	250,000
Interest expenses	25	29,324,771	21,021,643
Interest income	25	-8,102,403	-6,886,155
Depreciation of property, plant and equipment	5	26,794,294	19,280,228
Provision of slow moving inventory	24	275,925	206,250
Gain on sale of property, plant and equipment	24	-359,945	-289,209
		106,931,942	63,648,484
Inventories		43,555,021	8,522,131
Trade and other receivables		-33,934,888	23,286,659
Due from related parties		-2,993,575	4,072,150
Trade and other payables		-62,546,839	-2,150,228
Due to related parties		8,545,914	36,604,349
Provision utilized		-622,033	-744,009
Cash inflow from operating activities		58,935,542	133,239,536
Interest paid		(30,407,805)	(23,029,923)
Net cash inflow from operating activities		28,527,737	110,209,613
<u>Cash flows from investing activities</u>			
Payment of property, plant and equipment	5	(3,308,177)	(171,705,545)
Proceeds from sale of property, plant and equipment	5	931,855	567,044
Interest received		4,756,028	7,058,209
Payment for purchase of treasury bills		(54,536,025)	(128,884,900)
Proceeds from sale of treasury bills		49,495,860	119,631,500
Net cash outflow from investing activities		(2,660,459)	(173,333,692)
<u>Cash flows from financing activities</u>			
Proceeds from borrowings		10,671,791	146,993,341
Repayment of borrowings		(27,451,299)	(99,299,202)
Net cash (outflow) inflow from financing activities		(16,779,508)	47,694,139
Net increase (decrease) in cash and cash equivalents		9,087,770	(15,429,940)
Cash and cash equivalents at beginning of the period		(70,448,808)	(171,665,913)
Cash and cash equivalents at the end of the period	12	(61,361,038)	(187,095,853)

The accompanying notes on pages 7 to 42 form an integral part of these separate financial statements.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 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 on 9 July 1996, under the investment Law No. 230 of 1989 which had been replaced by law No. 8 of 1997 and the capital market Law No. 95 of 1992 and is registered in the commercial register under number 692 Cairo, , and the company's period is for 25 years.

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

The company provides manufacturing, producing and packing of all food products and producing and packing of juices, jams, readymade food, dry goods, cakes, pastry, dairy products, meat, vegetables, fruits, chocolate, vegetarian products and other food products with all necessary ingredients, the company is registered in Egypt and London's stock exchange.

The main shareholders are Quantum Investment BV which owns 33% of the Company's share capital and the Bank of New York Mellon "depository bank for shares traded in London Stock Exchange" which manages 24.412% of the Company share capital and Exoder participation, "Exoder Limited", domiciled in Cyprus which owns 13.065% of the Company's share capital and Berco Limited which owns 8.815% of Company's share capital and other shareholders owning 20.708% of company's share capital.

These separate financial statements have been approved by the Chairman and Managing Director on 14 May 2018. and the General Assembly of shareholders has the right to amend the separate financial statements after being approved.

2. Accounting policies

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

A. Basis of preparation

The Separate financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) and applicable related laws and regulations. The Separate financial statements have been prepared under the historical cost convention except for available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and employees post-employment defined benefit obligations that are measured at the present value of the obligation

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

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

Users of these separate financial statements should read them together with the Company's consolidated financial statements for the period ended 31th of March 2018 in order to obtain full information on the financial position, results of operations, cash flow and changes in equity of the Company as a whole.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2018

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

B. Foreign currency translation

(1) Functional and presentation currency

Items included in the separate financial statements of each of the company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') (Egyptian Pounds). The separate financial statements are presented in Egyptian Pounds which is the company's functional and presentation currency.

(2) Transaction and balances

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

C. Property, plant and equipment

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

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

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

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

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

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

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2018

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

D. Intangible assets

Intangible assets (Trademarks & know how) have indefinite useful lives as there is no foreseeable limit on the year 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 nineteenth. In addition, the Company has a strong historic financial track-record and forecasts continued growth also, the know how of perpetual license not exposed to typical obsolescence as it relates to a food products. The brand remain popular in the Middle East and the Company does not foresee any decline in the foreseeable future.

E. Impairment of non-financial assets

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

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

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

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

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

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

F. Investments in subsidiaries

Investments in subsidiaries, where ownership is more than 50% of the voting power or there is control over the financial and operating policies for these companies are reflected in the separate financial statements using the cost method of accounting. Under this method, the investment is initially recorded at cost.

G. Inventories

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

H. Financial assets

(1) Classification

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

(a) Loans and receivables

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

(b) Held to maturity financial assets

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

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

(2) Initial recognition and measurement

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

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

(3) Subsequent Measurement

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

(4) De recognition

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

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2018

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

Financial assets (continued)

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

I. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability.

Simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of counterparty and it must reflect the ordinary company practices and the financial markets requirements and other conditions associated with risk considerations and the timing of cash flows for the company.

J. Impairment of financial assets

Assets recognized and measured at amortized cost

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

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

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

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2018

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

K. Trade and other receivables

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

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

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

L. Cash and cash equivalents

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

M. Share capital

Ordinary shares are classified as equity.

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

N. Borrowings

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

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

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2018

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

O. Borrowings costs

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

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

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

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

P. Current and deferred income tax

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

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

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

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

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

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2018

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

Current and deferred income tax (continued)

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

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

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

Q. Employee benefits

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

(1) Defined contribution plan

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

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(2) Defined benefit pension plan

The Company has a defined benefit plan which is a plan that defines an amount of benefits to be provided in the form of half month payment for each year they had worked for the 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.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2018

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

Employee benefits (continued)

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

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

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

(3) Termination benefits

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

(4) Profit-sharing and bonus plans

The company 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 company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

R. Provisions

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

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

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Notes to the separate financial statements - For the three months period ended 31 March 2018

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

Provisions (continued)

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

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

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

S. Contingent asstes

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

T. Trade payables and other Credit Balances

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

U. Revenue recognition

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

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

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Notes to the separate financial statements - For the three months period ended 31 March 2018

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

Revenue recognition (continued)

(a) Sales of goods

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

(b) Interest income

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

(c) Dividend income

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

(d) Governmental subsidy on export sales

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 when received in cash after meeting all required criteria.

V. Dividends distribution

Dividend distribution is recorded in the company's separate financial statements in the year in which they are approved by the company's shareholders.

W. Operating lease

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

X. Operating Segments

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

Y. Comparative figures

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

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Notes to the separate financial statements - For the three months period ended 31 March 2018

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

3. Financial risk management

(1) Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The company's efforts are addressed to minimize potential adverse effects of such risks on the company's financial performance.

The company does not use any derivative financial instruments to cover specific risk.

A. Market risk

i. Foreign exchange risk

The company 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 at financial position date and net investments in foreign operations.

The Company 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.

During the period, the following foreign exchange related amounts were recognized in profit or loss:

	31 March 2018	31 March 2017
Amounts recognized in profit or loss		
Net foreign exchange (loss) included in		
Finance cost	(1,664,167)	(4,098,360)
Total	(1,664,167)	(4,098,360)

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

	31 March 2018			31 December 2017
	Assets	Liabilities	Net	Net
Euros	590,621	(96,466,139)	(95,875,518)	(101,041,852)
US Dollars	32,755,588	(229,699,000)	(196,943,412)	(250,275,490)

At 31 March 2018, if the Egyptian Pounds had weakened / strengthened by 10% against the Euro with all other variables held constant, profit for the period would have been LE 9,587,552 (31 December 2017: LE 10,104,185) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

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Notes to the separate financial statements - For the three months period ended 31 March 2018

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

Financial risk management (continued)

At 31 March 2018, if the EGP had weakened / strengthened by 10% against the US dollar with all other variables held constant, profit for the period would have been LE 19,694,341 (31 December 2017: LE 25,027,549) lower, mainly as a result of foreign exchange losses on translation of US dollar-denominated assets and liabilities.

ii. Price risk

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

iii. Cash flow and fair value interest rate risk

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

At 31 March 2018, if interest rates on Egyptian pound -denominated net interest bearing liabilities had been 0.1% higher/lower with all other variables held constant, profit for the period would have been LE 15,292,764 (31 December 2017: LE 17,128,904) lower/higher, mainly as a result of higher/lower interest expense on floating rate Loans.

Borrowing at statement of financial position date as of 31 March 2018 with variable interest rate amounted to LE 760,059,664 (31 December 2017: LE 777,922,204).

Overdraft at the statement of financial position date as of 31 March 2018 amounted to LE 76,524,803 (31 December 2017: LE 78,523,004).

B. Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, treasury bills, as well as credit exposures to wholesalers and retail customers, including outstanding accounts and notes receivables.

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

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. Sales of the company are for a major customer (Digma for Trading – company's subsidiary), which represent 91% of total company sales.

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

The maximum exposure to credit risk is the amount of receivables and the intercompany receivable, treasury bills as well as the cash and cash equivalents.

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Notes to the separate financial statements - For the three months period ended 31 March 2018

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

Financial risk management (continued)

C. Credit quality of financial assets

Trade receivables

Counter parties without external credit rating:

	31 March 2018	31 December 2017
Other parties	3,543,161	97,516
Total	3,543,161	97,516

Outstanding trade receivables are current and not impaired

Cash at bank and short-term bank deposits:

	31 March 2018	31 December 2017
AA	9,835,170	4,985,063
BB	-	186
A	14,678,111	466,146
B	21,137	19,481
Total	24,534,418	5,470,876

D. Liquidity risk

Management monitors rolling forecasts of the company'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 Company 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 statement of financial position ratio targets.

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

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Notes to the separate financial statements - For the three months period ended 31 March 2018

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

Financial risk management (continued)

31 March 2018	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
Loans	102,665,775	102,594,562	172,901,424	370,394,670
Future interest payments	51,974,886	43,940,551	69,769,540	90,139,886
Trade and other payables	284,341,455			
Due to related parties	129,684,094			
Bank overdraft	76,524,803			
Notes payable	49,337,762			
Total	694,528,775	146,535,113	242,670,964	460,534,556
31 December 2017				
Loans	54,505,954	94,400,591	180,051,167	436,381,377
Future interest payments	11,079,818	62,267,619	84,697,465	120,486,619
Trade and other payables	233,457,202	-	-	-
Due to related parties	121,138,179	-	-	-
Bank overdraft	78,523,004	-	-	-
Notes payable	67,073,223	-	-	-
Total	565,777,380	156,668,210	264,748,632	556,867,996

The unused amount to Loans is amounted to EGP 490,844,911 as of 31 March 2018 (31 December 2017: 31,036,581) also the Company will have future interest payments related to Loans amounted to EGP 255,824,863 (31 December 2017: LE 278,531,521).

(2) Capital management

The company's objectives when managing capital are to safeguard the company's 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 an optimum, the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

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Notes to the separate financial statements - For the three months period ended 31 March 2018

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

Financial risk management (continued)

The gearing ratio at 31 March 2018 and 31 December 2017 were as follows:

Description	31 March 2018	31 December 2017
Total Loans	760,059,664	777,922,204
Bank Overdraft	76,524,803	78,523,004
Total loans and overdraft	836,584,467	856,445,208
Less: Cash and cash equivalents	(26,985,737)	(8,074,196)
Net debt	809,598,730	848,371,012
Total equity	960,980,923	1,022,892,124
Total capital	1,770,579,653	1,871,263,136
Gearing ratio	45.72 %	45.3 %

The increase in net debt to total capital is mainly due to the increase in total Loans and overdraft.

Loan covenants

Under the terms of the major borrowing facilities, the Company 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.

As of 31 March 2018, the Company was in compliance with loan covenants.

(3) 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 company for similar financial instruments.

4. Critical accounting estimates and judgments and personal judgement

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

Impairment of infinite life intangible assets (Trade Mark & Know How)

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

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

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Notes to the separate financial statements - For the three months period ended 31 March 2018

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

Critical accounting estimates and judgments and personal judgement (continued)

Income tax

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

(2) Critical personal judgments in applying the company's policies

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

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Notes to the separate financial statements -For the three months period ended 31 March 2018

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

5. Property, plant and equipment

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
At 1 January 2017								
Cost	120,908,260	414,307,575	735,278,580	22,261,590	74,314,773	50,229,501	131,261,715	1,548,561,994
Accumulated depreciation	-	(58,915,139)	(185,225,507)	(12,299,376)	(38,472,566)	(31,469,683)	-	(326,382,271)
Net book amount	120,908,260	355,392,436	550,053,073	9,962,214	35,842,207	18,759,818	131,261,715	1,222,179,723
Year ended 31 December 2017								
Opening net book amount	120,908,260	355,392,436	550,053,073	9,962,214	35,842,207	18,759,818	131,261,715	1,222,179,723
Additions	-	-	25,442,891	6,339,911	5,605,126	4,513,939	494,243,324	536,145,191
Depreciation charge	-	(16,572,303)	(38,453,172)	(3,383,574)	(11,221,153)	(9,684,747)	-	(79,314,949)
Disposal Depreciation	-	-	-	2,014,906	202,982	150,176	-	2,368,064
Disposals	-	-	-	(2,291,650)	(204,073)	(150,176)	-	(2,645,899)
Transfers from Projects under construction	-	354,587,229	205,666,062	-	12,137,561	18,137,989	(590,528,841)	-
Closing net book amount	120,908,260	693,407,362	742,708,854	12,641,807	42,362,650	31,726,999	34,976,198	1,678,732,130
At 31 December 2017								
Cost	120,908,260	768,894,804	966,387,533	26,309,851	91,853,387	72,731,253	34,976,198	2,082,061,286
Accumulated depreciation	-	(75,487,442)	(223,678,679)	(13,668,044)	(49,490,737)	(41,004,254)	-	(403,329,156)
Net book amount	120,908,260	693,407,362	742,708,854	12,641,807	42,362,650	31,726,999	34,976,198	1,678,732,130
Period ended 31 March 2018								
Opening net book amount	120,908,260	693,407,362	742,708,854	12,641,807	42,362,650	31,726,999	34,976,198	1,678,732,130
Additions	-	-	284,798	513,500	939,427	159,170	1,411,282	3,308,177
Transfers from Projects under construction	-	6,902,905	3,210,626	-	292,557	-	(10,406,088)	-
Depreciation charge	-	(7,688,948)	(11,888,266)	(952,444)	(3,394,965)	(2,869,671)	-	(26,794,294)
Disposal Depreciation	-	-	-	1,031,010	-	-	-	1,031,010
Disposals	-	-	-	(1,602,920)	-	-	-	(1,602,920)
Closing net book amount	120,908,260	692,621,319	734,316,012	11,630,953	40,199,669	29,016,498	25,981,392	1,654,674,103
At 31 March 2018								
Cost	120,908,260	775,797,709	969,882,957	25,220,431	93,085,371	72,890,423	25,981,392	2,083,766,543
Accumulated depreciation	-	(83,176,390)	(235,566,945)	(13,589,478)	(52,885,702)	(43,873,925)	-	(429,092,440)
Net book amount	120,908,260	692,621,319	734,316,012	11,630,953	40,199,669	29,016,498	25,981,392	1,654,674,103

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Notes to the separate financial statements - For the three months period ended 31 March 2018

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Property, plant and equipment (continued)

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

	31 March 2018	31 December 2017
Charged to cost of sales	22,286,290	63,194,395
Charged to administrative expenses	4,499,842	16,073,652
Charged to distribution costs	8,162	46,902
	26,794,294	79,314,949

During the period ended 31 March 2018, the Company has capitalized borrowings costs amounting to LE Nil (31 December 2017: LE 37,174,062) on qualified assets. Borrowings costs were capitalized at the rate of 13% applicable to its specific borrowings.

	31 March 2018	31 December 2017
Allocation of the borrowing cost on Qualified Assets		
Projects under construction – Buildings	-	33,213,482
Projects under construction – Machinery	-	3,960,580
Total	-	37,174,062

The project under construction represents the following Categories:

	31 March 2018	31 December 2017
Buildings	17,900,852	24,291,020
Machinery and equipment	8,007,605	10,419,402
Tools and equipment	72,935	265,776
Technical and other installations	-	-
	25,981,392	34,976,198

Cash flow statement

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

	31 March 2018	31 March 2017
Net book value of the assets disposed	571,910	277,835
Gain on sale of property , plant and equipment	359,945	289,209
	931,855	567,044

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Notes to the separate financial statements - For the three months period ended 31 March 2018

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

6. Intangible assets

	Net Book Value	
	31 March 2018	31 December 2017
A- Trademark	131,480,647	131,480,647
B- Know how	31,430,995	31,430,995
Balance as of	162,911,642	162,911,642

A. Trademark

	Trade Mark (HOHOS, Twinkies & Tiger Tail)	
	31 March 2018	31 December 2017
Cost		
Opening Balance	131,480,647	131,480,647
Balance as of	131,480,647	131,480,647

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

B. Know how

	Know How	
	31 March 2018	31 December 2017
Cost		
Opening Balance	31,430,995	31,430,995
Balance as of	31,430,995	31,430,995

On the 16 April 2015 the Company had signed a "License and Technical Assistance Agreement" with the owner of the know how with purpose to acquire the license, 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.

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 Company when testing the impairment of intangible assets as of 31 December 2017 as follows:

Average gross profit	33%
Discount rate	26%
Growth rate	3%

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Notes to the separate financial statements - For the three months period ended 31 March 2018

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Intangible assets (continued)

The Company 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 not less than its recoverable amount.

Sensitivity of recoverable amounts

At 31 December 2017, if the discount 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.

At 31 December 2017, if the growth 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.

At 31 December 2017, if the gross profit percentage 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. Investments in subsidiaries

	<u>Country of Incorporation</u>	<u>% interest held</u>	<u>31 March 2018</u>	<u>31 December 2017</u>
Digma for Trading Company	Egypt	99,80%	44,939,638	44,939,638
Edita Confectionary Industries	Egypt	77,71%	79,523,000	79,523,000
Edita Participation Ltd.	Cyprus	100%	14,024	14,024
Balance at			124,476,662	124,476,662

8. Inventories

	<u>31 March 2018</u>	<u>31 December 2017</u>
Raw and packaging materials	148,144,230	188,377,315
Spare parts	28,978,491	28,324,478
Finished goods	8,413,260	12,514,954
Work in process	6,689,948	6,177,097
Consumables	3,887,088	4,274,194
Total	196,113,017	239,668,038
Less: provision for slow moving and obsolete inventory	(281,362)	(616,919)
Net	195,831,655	239,051,119

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Notes to the separate financial statements - For the three months period ended 31 March 2018

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Inventories (continued)

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

During the period ended 31 March 2018, there has been a slow moving and obsolete inventory addition amounted to LE 275,925 (31 March 2017: LE 206,250) (Note 24) and utilized amounted to LE 611,482 (31 March 2017: LE 115,719).

The cost of inventory recognized as an expense and included in cost of sales amounted to LE 427,382,464 as of 31 March 2018 (31 March 2017: LE 288,338,888).

9. Trade and other receivables

	31 March 2018	31 December 2017
Advances to suppliers	19,890,693	7,808,492
Trade receivables	3,543,161	97,516
Tax authority – Corporate tax prepayments	32,501,800	31,186,012
Prepaid expenses	10,766,498	5,068,688
Deposits with others	8,637,056	8,637,056
Other debit balances	8,294,717	8,500,779
Letters of credit	117,943	311,606
Employee loans	66,584	95,387
Total	83,818,452	61,705,536

10. Due from related parties

	31 March 2018	31 December 2017
Edita Confectionary Industries	2,907,087	-
Edita Participation Ltd.	880,469	793,981
Total	3,787,556	793,981

The following transactions were carried out with related parties:

1. Edita Confectionary Industries

Edita Confectionary Industries produce all kinds of sweets, jelly and gum and the transactions during the period ended 31 March 2018 amounted to LE 3,034,586 so the outstanding balance amounted to LE 2,907,087.

Edita Confectionary Industries is considered a related party as the Company is the main shareholder in Edita Confectionary Industries.

2. Edita Participation Company

Chipita Participation is considered a related party as it owns Exoder Ltd. Company that in turn owns 13.065% of Edita Food Industries S.A.E. shares.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2018

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

Due from related parties (continued)

3. Key management compensation

During the period ended 31 March 2018, the company paid an amount of LE 19,633,024 as salaries to the key management members (31 March 2017: LE 18,426,448).

11. Treasury bills

	31 March 2018	31 December 2017
Treasury bills par value	198,000,000	190,500,000
Unearned interest	(16,875,154)	(18,464,355)
Amount of treasury bills paid	181,124,846	172,035,645
Interest income recognized to profit or loss	7,850,515	8,553,176
Treasury bills balance	188,975,361	180,588,821

The Company purchased Egyptian treasury bills on 17th of September 2017 with par value amounted LE 90,000,000 with an annual interest of 18.55%. These treasury bills are due in 22nd of May 2018. The total recognized interest income amounted to LE 7,924,500.

The Company purchased Egyptian treasury bills on 4th of October 2017 with par value amounted LE 30,000,000 with an annual interest of 18.40%. These treasury bills are due in 3rd of April 2018. The total recognized interest income amounted to LE 2,466,725.

The Company purchased Egyptian treasury bills on 24th of October 2017 with par value amounted LE 16,500,000 with an annual interest of 18.8%. These treasury bills are due in 24th of April 2018. The total recognized interest income amounted to LE 1,227,725.

The Company purchased Egyptian treasury bills on 20th of September 2017 with par value amounted LE 54,000,000 with an annual interest of 18.35%. These treasury bills are due in 20th of March 2018. The total recognized interest income amounted to LE 4,504,140.

The Company purchased Egyptian treasury bills on 20th of March 2018 with par value amounted LE 11,250,000 with an annual interest of 17.05%. These treasury bills are due in 18th of December 2018. The total recognized interest income amounted to LE 51,268.

The Company purchased Egyptian treasury bills on 20th of March 2018 with par value amounted LE 11,250,000 with an annual interest of 17.06%. These treasury bills are due in 18th of December 2018. The total recognized interest income amounted to LE 51,295.

The Company purchased Egyptian treasury bills on 20th of March 2018 with par value amounted LE 11,250,000 with an annual interest of 17.07%. These treasury bills are due in 18th of December 2018. The total recognized interest income amounted to LE 51,322.

The Company purchased Egyptian treasury bills on 20th of March 2018 with par value amounted LE 11,250,000 with an annual interest of 17.08%. These treasury bills are due in 18th of December 2018. The total recognized interest income amounted to LE 51,349.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2018

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

Treasury bills (continued)

The Company purchased Egyptian treasury bills on 20th of March 2018 with par value amounted LE 11,250,000 with an annual interest of 17.09%. These treasury bills are due in 18th of December 2018. The total recognized interest income amounted to LE 51,377.

The Company purchased Egyptian treasury bills on 20th of March 2018 with par value amounted LE 5,250,000 with an annual interest of 17.10%. These treasury bills are due in 18th of December 2018. The total recognized interest income amounted to LE 23,988.

12. Cash and cash equivalents (excluding bank overdrafts)

	31 March 2018	31 December 2017
Bank deposits	60,840	60,840
Cash at banks	24,473,578	5,410,036
Cash on hand	2,451,319	2,603,320
Cash and Cash equivalents (excluding bank overdrafts)	26,985,737	8,074,196

The average interest rate on local currency time deposits during the period ended 31 March 2018 is 15% (31 December 2017: 15%).

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

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

	31 March 2018	31 December 2017
Cash and bank balances	26,985,737	8,074,196
Bank overdraft (Note 19)	(76,524,803)	(78,523,004)
Total	(49,539,066)	(70,448,808)

13. Share capital

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

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

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

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Notes to the separate financial statements - For the three months period ended 31 March 2018

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

Share capital (continued)

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

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

<u>Shareholders</u>	<u>No. of shares</u>	<u>Shares value</u>	<u>Percentage of ownership</u>
Quantum Investment BV	239,369,757	47,873,951	33.000%
THE BANK OF NEW YORK MELLON	177,075,870	35,415,174	24.412%
EXODER Ltd.	94,769,464	18,953,893	13.065%
Berco Ltd.	63,938,543	12,787,709	8.815%
Others (Public stocks)	150,209,266	30,041,853	20.708%
	725,362,900	145,072,580	100%

14. Legal reserve

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

15. Loans

	<u>31 March 2018</u>			<u>31 December 2017</u>		
	<u>Short-term portion</u>	<u>Long-term portion</u>	<u>Total</u>	<u>Short-term portion</u>	<u>Long-term portion</u>	<u>Total</u>
First loan	18,073,722	-	18,073,722	19,814,921	8,749,985	28,564,906
Second loan	44,220,388	61,918,564	106,138,952	36,326,157	82,781,630	119,107,787
Third loan	25,091,500	54,000,000	79,091,500	21,444,500	54,000,000	75,444,500
Fourth loan	54,855,744	123,081,675	177,937,419	40,021,961	138,388,250	178,410,211
Fifth loan	59,501,503	267,772,941	327,274,444	29,137,221	288,500,200	317,637,421
Sixth loan	15,020,713	36,522,914	51,543,627	14,744,858	44,012,521	58,757,379
	216,763,570	543,296,094	760,059,664	161,489,618	616,432,586	777,922,204

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2018

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

Loans (continued)

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

	31 March 2018	31 December 2017
Balance due within 1 year	205,260,337	148,906,527
Accrued interest	11,503,233	12,583,091
Total	216,763,570	161,489,618

- **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 and the total withdrawal amount is LE 70,000,000 on 31 March 2018 in addition to accrued interest. The loan outstanding balance at 31 March 2018 after payment of due installments amounted to 17,499,990 in addition accrued interests.

Terms of payments:

Edita Food Industries S.A.E. (borrower) is obligated to Pay LE 17,500,000 on 2 equal semi-annual instalments; each instalment is amounted to LE 8,750,000. The first installment is due on 22 August 2018 and the last 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.

- **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 and the total withdrawal amount is LE 86,857,057 plus 5,587,500 USD on 31 March 2018. The loan outstanding balance at 31 March 2018 after payment of due installments amounted to LE 48,253,916 and USD 3,104,164 in addition accrued interests.

Terms of payments:

Edita Food Industries S.A.E. is obligated to Pay LE 48,253,916 on 5 equal semi-annual installments; each installment is amounted to LE 9,650,785 In addition. The company is obligated to pay 3,104,164 USD on 5 equal semi-annual installments; each installment is amounted to 620,834 USD.

The first installment is due on July 2018 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.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2018

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

Loans (continued)

- **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 and the total withdrawal amount is LE 90,000,000. The loan outstanding balance at 31 March 2018 amounted to LE 72,000,000 in addition accrued interests.

Terms of payments:

Edita Food Industries S.A.E. is obligated to Pay LE 72,000,000 on 8 equal semi-annual installments; each installment is amounted to LE 9,000,000. The first installment is due on 9 April 2018 and the last on 9 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 and the total withdrawal amount is LE 71,546,269 plus 5,983,368 USD on 31 March 2018 in addition to accrued interest. The bank committed to translate the foreign Currency to Egyptian pound as the company in not obligated to pay the loan back in foreign currency.

Terms of payments:

Edita Food Industries S.A.E. is obligated to Pay LE 202,234,888 on 11 equal semi-annual instalments; each instalment is amounted to LE 19,716,875 the first instalment is due on 19 April 2018 and the last on 19 April 2022. Total loan value and accrued interest to be paid to the bank in local currency without any obligation on the Company to pay foreign currency.

Interest:

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

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 170,000,000 and 6,000,000 Euro. The total withdrawal amount is LE 231,786,694 plus 3,433,913 Euro, plus 1,159,250 USD on 31 March 2018 in addition to accrued interest.

Terms of payments:

Edita Food Industries S.A.E. is obligated to Pay LE 170,000,000 and 6,000,000 Euro and 1,159,250 USD on 11 equal semi-annual instalments; each instalment is amounted to LE 15,454,500 and 312,174 Euro and 105,387 USD the first instalment is due on September 2018 and the last on September 2023.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2018

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

Loans (continued)

Interest:

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

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.

Terms of payments:

Edita Food Industries S.A.E. is obligated to Pay LE 9,914,422 on 8 equal semi-annual installments; each installment is amounted to LE 1,239,303 In addition to accrued interest. The company is obligated to pay 2,471,370 USD on 7 equal semi-annual installments; each installment is amounted to 342,671 USD. The first installment is due on 31 August 2018 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.

Fair value:

Fair value is approximately equal to book value.

16. Employee benefit obligation

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:

	31 March 2018	31 December 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 statement of financial position date are determined as follows:

	31 March 2018	31 December 2017
Present value of obligations	5,236,040	4,761,965
Liability at the statement of financial position	5,236,040	4,761,965

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2018

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

Employee benefit obligation (continued)

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

	31 March 2018	31 December 2017
Balance at beginning of the period	4,761,965	1,945,034
Charged during the period	474,075	2,840,957
Paid during the period		(24,026)
Balance at end of the period	5,236,040	4,761,965

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

	31 March 2018	31 December 2017
Present cost of the service		
Interest Expenses	178,574	272,305
Current service cost	295,501	2,568,652
Total	474,075	2,840,957

17. Deferred tax liabilities

Deferred income taxes represent tax expenses on the temporary differences between the tax basis of assets and liabilities and their carrying amounts in the financial statements.

			Net deferred tax liabilities	
	Fixed assets Depreciation	Unrealized foreign exchange loss	Carry Forward Taxable losses	
			31 March 2018	31 December 2017
A. Deferred tax assets				
Balance at 1 January		9,268,582	14,920,504	24,189,086
Charged to statement of profit or loss			(11,821,972)	(9,418,955)
Ending balance as of	-	9,268,582	3,098,532	24,189,086
B. Deferred tax liabilities				
Balance at 1 January	(130,118,393)	-	-	(130,118,393)
Charged to statement of profit or loss	(2,021,204)			(33,263,433)
Ending balance as of	(132,139,597)	-	-	(130,118,393)
Net deferred tax liabilities	(132,139,597)	9,268,582	3,098,532	(105,929,307)
Balance at 1 January	(130,118,393)	9,268,582	14,920,504	(105,929,307)
Charged to statement of profit or loss	(2,021,204)	-	(11,821,972)	(42,682,388)
Ending Balance as of	(132,139,597)	9,268,582	3,098,532	(105,929,307)

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2018

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

18. Provisions

	31 March 2018	31 December 2017
Balance at 1 January	14,900,771	14,326,110
Charged during the period	300,000	14,003,385
Utilized during the period	(10,551)	(13,428,724)
Ending Balance as of	15,190,220	14,900,771

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

19. Bank overdrafts

	31 March 2018	31 December 2017
Bank overdraft	76,524,803	78,523,004
Total	76,524,803	78,523,004

Bank overdraft is an integral part of the Company's cash management to finance its working capital. The average interest rate for bank overdraft was 18.21 % as of 31 March 2018 (31 December 2017: 20.06%)

20. Trade and other payables

	31 March 2018	31 December 2017
Trade payables	114,154,898	176,160,133
Notes payable	49,337,762	67,073,223
Deposits from others	25,487,202	25,968,141
Taxes payable	28,008,278	25,040,482
Accrued expenses	22,101,042	19,696,398
Other credit balances	14,035,076	9,362,544
Social insurance	3,261,496	3,006,735
Advances from customers	9,063,951	1,688,890
Dividends payable	108,563,236	2,269,986
Total	374,012,941	330,266,532

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

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

EDITA FOOD INDUSTRIES S.A.E.**Notes to the separate financial statements - For the three months period ended 31 March 2018**

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

21. Due to related parties

	31 March 2018	31 December 2017
Edita Confectionary Industries (Note 10)	-	127,499
Digma for Trading Company	129,684,094	121,010,681
Total	129,684,094	121,138,180

Digma for Trading Company S.A.E.

Digma for Trading is handling the distribution of all the company's products in local market. The total sales to Digma for Trading during the period ended 31 March 2018 amounted to LE 642,076,914 (31 March 2017: LE 449,884,356)

Digma for Trading is considered a related party as the company is the main shareholder in Digma for Trading.

22. Current income tax liabilities

	31 March 2018	31 December 2017
Balance at 1 January	-	-
Income tax paid during the period	-	-
Withholding tax receivable	-	-
Income tax for the period	-	-
Corporate income tax – advances	-	-
Accrued interest – advances	-	-
Balance as of	-	-

23. Other income

	31 March 2018	31 March 2017
Export subsidies	457,387	2,675,343
Gain from sales of production waste	1,682,216	772,194
Others income	127,690	125,250
Total	2,267,293	3,572,787

EDITA FOOD INDUSTRIES S.A.E.**Notes to the separate financial statements - For the three months period ended 31 March 2018**

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

24. Other (losses) / gains - Net

	31 March 2018	31 March 2017
Other provisions	(300,000)	(500,000)
Provision for employee benefit obligation	(474,075)	(250,000)
Provision for slow moving inventory	(275,925)	(206,250)
Gain from sale of property plant and equipment	359,945	289,209
Other (losses) / gains– Net	(690,055)	(667,041)

25. Finance cost – Net

	31 March 2018	31 March 2017
Finance income		
Interest income	8,102,403	6,886,155
	8,102,403	6,886,155
Finance cost		
Interest expenses	(29,324,771)	(21,021,643)
Foreign exchange (Loss)	(1,664,167)	(4,098,360)
	(30,988,938)	(25,120,003)
Finance cost – net	(22,886,535)	(18,233,848)

26. Income tax expense

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

	31 March 2018	31 March 2017
Income tax for the period	-	-
Deferred tax	13,843,176	7,267,262
Total	13,843,176	7,267,262
Profit before tax	58,225,225	29,565,727
Tax calculated based on applicable tax rates	13,100,676	6,652,289
Tax effect of non-deductible expenses	742,500	112,500
Tax effect of realized foreign exchange loss		502,473
Income tax expense	13,843,176	7,267,262

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Notes to the separate financial statements - For the three months period ended 31 March 2018

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27. Earnings per share

Basic

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

	31 March 2018	31 March 2017
Profit for the period	44,382,049	22,298,465
Weighted average number of ordinary shares in issue		
Ordinary shares	725,362,900	725,362,900
Basic earnings per share	0.06	0.03

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.

28. Expenses by nature

	31 March 2018	31 March 2017
Cost of sales	536,752,889	371,897,511
Distribution cost	33,003,299	40,350,891
Administrative expenses	54,527,154	37,948,635
	624,283,342	450,197,037
Raw and packaging materials used	427,382,464	288,338,888
Salaries and wages	67,855,414	57,408,563
Advertising expense	29,415,934	37,997,461
Depreciation	26,794,294	19,280,228
Miscellaneous and other expense	18,796,171	10,944,159
Fuel, oil, water and electricity	15,003,993	9,800,038
Employees benefits	16,726,780	8,555,712
Company share in social insurance	7,046,366	6,003,112
Transportation expense	6,119,030	4,331,812
Maintenance	3,996,381	4,155,162
Consumables	4,372,923	2,742,036
Vehicle expense	733,692	527,996
Rent expense	39,900	111,870
Total cost of sales, distribution costs, and administrative expenses	624,283,342	450,197,037

EDITA FOOD INDUSTRIES S.A.E.

Notes to the Separate financial statements - For the three months period ended 31 March 2018

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

29. Segment reporting

(Amounts presented to the nearest thousands EGP)

	Cake		Croissant		Bake		Friska		Total	
	March 2018	March 2017	March 2018	March 2017	March 2018	March 2017	March 2018	March 2017	March 2018	March 2017
Revenue	363,611	287,631	223,858	119,754	57,840	55,481	58,508	32,225	703,817	495,091
Gross Profit	104,485	83,031	40,477	19,599	9,506	10,317	12,596	10,246	167,065	123,193
Profit from Operations	69,881	46,625	2,383	3,985	3,614	(6,332)	5,234	3,521	81,112	47,799
Finance Cost	(16,010)	(14,594)	(9,856)	(6,076)	(2,547)	(2,815)	(2,576)	(1,635)	(30,989)	(25,120)
Finance income	4,186	4,000	2,577	1,666	666	772	674	448	8,102	6,886
Income Tax	(12,732)	(6,713)	-	(99)	(380)	-	(731)	(455)	(13,843)	(7,267)
Net Profit for the period	45,325	29,318	(4,897)	(524)	1,353	(8,375)	2,601	1,879	44,382	22,298

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the Separate financial statements - For the three months period ended 31 March 2018

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

30. Contingent liabilities

- 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. The uncovered portion of the letter of guarantee and letters of credit granted to the Company arising from ordinary course of business amounted to LE 37,453,365 as at 31 March 2018 (31 December 2017: LE 97,075,842).

31. Tax position

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

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 2010 and all due tax amounts paid.
- For the years 2011-2012 the tax inspection was performed and the difference was sent to internal committee.
- For the years 2013-2017 the Company is submitting the tax return according to law No. 91 of 2005 in its legal period and has not been inspected yet.

b. Payroll tax

- The payroll tax inspection was performed till 31 December 2013 and company paid tax due.
- As for the years 2014-2017 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 and 2017 the tax inspection has not been performed and the monthly tax return was 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 2017 tax inspection has not been performed.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the Separate financial statements - For the three months period ended 31 March 2018

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

32. Financial instrument by category

		31 March 2018	
		Loans & receivables	Total
Assets as per statement of financial position			
Trade and other receivables (excluding non-financial assets)*		20,659,461	20,659,461
Due from related parties		3,787,556	3,787,556
Cash and cash equivalents		26,985,737	26,985,737
Treasury bills		188,975,361	188,975,361
Total		240,408,115	240,408,115
		31 March 2018	
		Other financial liabilities at amortised costs	Total
Liabilities as per statement of financial position			
Borrowings*		760,059,664	760,059,664
Trade and other payables (excluding non-financial liabilities)*		333,679,216	333,679,218
Due to related parties		129,684,094	129,684,094
Bank overdraft		76,524,803	76,524,803
Total		1,299,947,777	1,299,947,779
		31 December 2017	
		Loans & receivables	Total
Assets as per statement of financial position			
Trade and other receivables (excluding non-financial assets)*		48,828,356	48,828,356
Due from related parties		793,981	793,981
Cash and cash equivalents		8,074,196	8,074,196
Treasury bills		180,588,821	180,588,821
Total		238,285,354	238,285,354
		31 December 2017	
		Other financial liabilities at amortised costs	Total
Liabilities as per statement of financial position			
Borrowings*		777,922,204	777,922,204
Trade and other payables (excluding non-financial liabilities)*		300,530,425	300,530,425
Due to related parties		121,138,180	121,138,180
Bank overdraft		78,523,004	78,523,004
Total		1,278,113,813	1,278,113,813

* At the statement of financial position date, the carrying value of all financial assets and liabilities approximates the fair value due to its short maturity. The carrying amount of long-term borrowings also approximates the fair value as the loans carries variable interest rate.

**Trade and other receivables presented above excludes prepaid expenses and advances to suppliers. Trade and other payables presented above excludes taxes payables, advances from customers and social insurances.