

EDITA FOOD INDUSTRIES S.A.E.

**REVIEW REPORT AND SEPARATE FINANCIAL
STATEMENTS FOR THE THREE MONTHS PERIOD
ENDED 31 MARCH 2020**

EDITA FOOD INDUSTRIES S.A.E.

Separate financial statements

For the three months period ended 31 March 2020

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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.) as at 31 March 2020 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 Edita Food Industries (S.A.E.) as at 31 March 2020, and of its financial performance and its cash flows for the three months period then ended in accordance with Egyptian Accounting Standards.

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

11 May 2020
Cairo



EDITA FOOD INDUSTRIES S.A.E.

Separate statement of financial position - At 31 March 2020

(All amounts in Egyptian Pounds)

	Note	31 March 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	5	1,682,722,829	1,638,736,870
Intangible assets	6	168,546,112	168,276,650
Investments in subsidiaries	7	179,774,445	179,774,445
Total non-current assets		2,031,043,386	1,986,787,965
Current assets			
Inventories	8	251,053,797	233,047,551
Trade and other receivables	9	122,180,558	125,051,574
Due from related parties	10	72,035,926	6,009,492
Treasury bills	11	537,934,089	548,192,500
Cash and bank balances	12	11,099,046	72,610,371
Total current assets		994,303,416	984,911,488
Total assets		3,025,346,802	2,971,699,453
Equity and liabilities			
Equity			
Share capital	13	145,072,580	145,072,580
Legal reserve	14	72,536,290	72,536,290
Retained earnings		1,206,377,897	1,291,155,291
Total equity		1,423,986,767	1,508,764,161
Liabilities			
Non-current liabilities			
Borrowings	15	543,233,396	551,140,771
Employee benefit obligations	16	13,744,652	11,600,000
Deferred tax liabilities, net	17	139,197,179	138,245,107
Total non-current liabilities		696,175,227	700,985,878
Current liabilities			
Provisions	18	19,704,660	14,243,408
Bank overdraft	19	139,079,594	101,456,365
Trade and other payables	20	553,446,561	394,154,946
Due to related parties	10	733,892	5,822,276
Borrowings	15	123,996,074	177,494,137
Current income tax liabilities, net	21	68,224,027	68,778,282
Total current liabilities		905,184,808	761,949,414
Total liabilities		1,601,360,035	1,462,935,292
Total equity and liabilities		3,025,346,802	2,971,699,453

- The accompanying notes on pages 7 to 44 form an integral part of these separate financial statements.
- Review report attached

Mr. Sameh Naguib
Vice President - Finance

Erg. Hani Berzi
Chairman

11 May 2020
Giza

EDITA FOOD INDUSTRIES S.A.E.

Separate statement of profit or loss For the three months period ended 31 March 2020

(All amounts in Egyptian Pounds)

	Note	31 March 2020	31 March 2019
Revenue		770,112,969	795,930,021
Cost of sales	27	(557,267,361)	(565,535,033)
Gross profit		212,845,608	230,394,988
Other income	22	28,580,003	4,610,685
Distribution cost	27	(48,798,934)	(26,573,420)
Administrative expenses	27	(66,031,225)	(57,301,338)
Other losses	23	(9,773,381)	(11,013,082)
Finance cost - net	24	7,319,560	429,752
Profit before income tax		124,141,631	140,547,585
Income tax expense	25	(28,946,445)	(32,890,552)
Profit for the period		95,195,186	107,657,033
Basic earnings per share	26	0.13	0.15
Diluted earnings per share	26	0.13	0.15

- The accompanying notes on pages 7 to 44 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 2020

(All amounts in Egyptian Pounds)

	31 March 2020	31 March 2019
Profit for the period	95,195,186	107,657,033
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	95,195,186	107,657,033

- The accompanying notes on pages 7 to 44 form an integral part of these separate financial statements.

EDITA FOOD INDUSTRIES S.A.E.

Separate statement of changes

For the three months period ended 31 March 2020

(All amounts in Egyptian

	Share capital	Legal reserve	Retained earnings	Total
Balance at 31 December 2018 and 1 January 2019	145,072,580	68,989,738	1,031,353,699	1,245,416,017
Change of equity in 2019				
Profit for the period	-	-	107,657,033	107,657,033
Total comprehensive income for the period	-	-	107,657,033	107,657,033
Shareholders transactions				
Dividends distribution for 2018	-	-	(177,000,000)	(177,000,000)
Total shareholders transactions	-	-	(177,000,000)	(177,000,000)
Balance at 31 March 2019	145,072,580	68,989,738	962,010,732	1,176,073,050
Balance at 31 December 2019 and 1 January 2020	145,072,580	72,536,290	1,291,155,291	1,508,764,161
Change of equity in 2020				
Profit for the period	-	-	95,195,186	95,195,186
Total comprehensive income for the period	-	-	95,195,186	95,195,186
Shareholders transactions				
Dividends distribution for 2019	-	-	(179,972,580)	(179,972,580)
Total shareholders transactions	-	-	(179,972,580)	(179,972,580)
Balance at 31 March 2020	145,072,580	72,536,290	1,206,377,897	1,423,986,767

- The accompanying notes on pages 7 to 44 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 2020

(All amounts in Egyptian Pounds)

	Notes	31 March 2020	31 March 2019
<u>Cash flows from operating activities</u>			
Profit for the period before income tax		124,141,631	140,547,585
Adjustments for:			
Provisions	23	5,461,252	7,926,527
Provisions no longer required		-	(110,315)
Provision for employee benefit obligation	23	2,250,000	1,064,496
Interest expenses	24	19,314,674	22,132,865
Interest income	24	(19,578,287)	(13,413,184)
Depreciation and amortization	27	29,355,454	27,905,836
Provision of slow moving inventory	23	205,500	173,680
Gain on sale of property, plant and equipment	23	(68,655)	(31,132)
Foreign exchange (gain) / loss		(8,406,360)	(9,462,461)
		152,675,209	176,733,897
Inventories		(18,211,746)	37,522,092
Trade and other receivables		2,871,016	(18,257,509)
Due from related parties		(66,026,434)	(9,008,639)
Trade and other payables		(20,680,965)	9,277,023
Due to related parties		(5,088,384)	8,811,617
Provision utilized		-	(3,466,155)
Payment of Employee Benefits Obligation		(105,348)	(478,151)
Cash inflow from operating activities		45,433,348	201,134,175
Interest paid		(15,002,608)	(22,001,453)
Income taxes paid		(28,548,629)	(5,500,781)
Net cash inflow from operating activities		1,882,111	173,631,941
<u>Cash flows from investing activities</u>			
Payment of property, plant and equipment	5	(72,704,280)	(22,014,818)
Payment of 6.Intangible assets		(906,630)	-
Proceeds from sale of property, plant and equipment	5	68,690	62,765
Secured payments for acquisition of non-controlling interest		-	(55,297,782)
Interest received		414,517	292,233
Payment for purchase of treasury bills		(30,596,700)	-
Proceeds from sale of treasury bills		-	297,450,000
Net cash inflow / (outflow) from investing activities		(103,724,403)	220,492,398
<u>Cash flows from financing activities</u>			
Proceeds from borrowings		-	-
Repayment of borrowings		(57,311,143)	(61,872,188)
Net cash outflow from financing activities		(57,311,143)	(61,872,188)
Net increase in cash and cash equivalents		(159,153,435)	332,252,151
Cash and cash equivalents at beginning of the period		31,172,887	3,427,407
Cash and cash equivalents at the end of the period	13	(127,980,548)	335,679,558
<u>Non-cash transactions</u>			
Dividends declared not yet settled		179,972,580	177,000,000

- The accompanying notes on pages 7 to 44 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 2020

(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 41.815% of the Company's share capital and the Bank of New York Mellon "depository bank for shares traded in London Stock Exchange" which manages 12.488% of the Company share capital and Kingsway Fund Frontier Consumer Franchises which owns 11.131% of Company's share capital and other shareholders owning 34.566% of company's share capital.

These separate financial statements have been approved by the Chairman and Managing Director on 11 May 2020, 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 employees' end of services obligations, which is measured by 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.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2020

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

B. New standards, interpretations and amendments adopted by the Company

On 28 March 2019, the minister of Investment issued a decree no. 69 for 2019 which includes new standards and amendments to the existing standards. The amendments in the EASs have been published in the official gazette on 7 April 2019. These changes are mainly represented in three new standards which should be adopted for the financial periods commencing on or after 1 January 2020 as follows:

A) EAS No. (47) – “Financial instruments”:

This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standards No. (1), (25), (26) and (40) should be adopted at the same time. EAS 47 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces EAS 26 Financial Instruments: Recognition and Measurement

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

Classification and measurement of financial assets and financial liabilities:

EAS 47 largely retains the existing requirements in EAS 26 for the classification and measurement of financial liabilities. However, it eliminates the previous EAS 26 Scategories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of EAS 47 has not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of EAS 47 on the classification and measurement of financial assets is set out below.

Under EAS 47, on initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under EAS 47 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

According to the Company's business model trade receivable, treasury bills and other debit balances will be classified as financial asset at amortized cost.

All of the company's investments in debt instruments that are currently classified as held to maturity will satisfy the conditions for classification at amortized cost under EAS 47 and hence there will be no change to the accounting for these assets. Accordingly, the company does not expect the new guidance to affect the classification and measurement of these financial assets.

The company does not have investments in equity instruments.

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

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Notes to the separate financial statements - For the three months period ended 31 March 2020

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

New standards, interpretations and amendments adopted by the Company (continued)

Impairment of financial assets

The Company has three types of financial assets that are subject to EAS 47's new expected credit loss model:

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

The Company was required to revise its impairment methodology under EAS 47 for each of these classes of assets. The impact of the change in impairment methodology on the Company's retained earnings and equity is disclosed below.

While balances with banks are also subject to the impairment requirements of EAS 47, the identified impairment loss was immaterial.

Trade receivables and other debit balances

The company applies the EAS 47 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

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

Financial asset at amortized cost- treasury bills

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

- It is issued and guaranteed by government of Egypt.
- There is no history of default.
- Incorporating forward-looking information would not result in an increase in expected default rate.

B) EAS No. (48) – “Revenue from contracts with customers”:

A new standard for revenue recognition was issued to replace the Egyptian Accounting Standard No. 11 which includes goods sales and services contracts, and the Egyptian Accounting Standard No. 8 which includes construction contracts.

The new standard is based on the principle of revenue recognition when transferring control of goods or services to the customer.

a. Impact

The management has assessed the impact of applying the new standard on the Group's financial statements, and has determined that recognition and measurement of revenue for all existing contracts in accordance with the Egyptian Accounting Standard Model No. 48 consisting of five steps will not change as currently recognised under the Egyptian Accounting Standard No. 11..

b. Mandatory application date / implementation date by the Group

Mandatory for the financial years beginning on or after 1 January 2020. The Group intends to apply the new standard using a modified approach for the application on retrospective basis, which means that the cumulative effect of the application will be recognised in the retained earnings from 1 January 2020, and that the comparative figures will not be modified

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Notes to the separate financial statements - For the three months period ended 31 March 2020

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

New standards, interpretations and amendments adopted by the Group (continued)

C) EAS No. (49) – “Leases”:

This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standard No. (48) – ‘Revenue from contracts with customers’ should be adopted at the same time.

EAS No. (49) introduces a single lease accounting model for lease contracts. A lessee recognizes his right-of-use for assets and lease liability, which represents his lease instalments liability.

There are some exemptions for short-term lease contracts and assets lease contracts with low value.

This standard replaces the EAS No. (20) ‘Accounting rules and standards related to financial lease’.

EAS 49 ‘Leases’ introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company has reviewed all of the leasing arrangements over the last year in light of the new lease accounting rules in EAS 49. The standard will affect primarily the accounting for the Company’s operating leases.

The company’s activities as a lessor and lessee are not material therefore there is no significant impact on the financial statements.

C. 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.

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Notes to the separate financial statements - For the three months period ended 31 March 2020

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

D. 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.

Projects under construction are stated at cost less realized impairment losses. Cost includes all expenses associated with the acquisition of the asset and make it usable. Depreciation of these assets is determined on the same basis as depreciation of fixed assets when these assets is ready for its intended use.

E. 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 1990s. 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 food products. The brand remains popular in the Middle East and the Company does not foresee any decline in the foreseeable future.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2020

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

Intangible assets (continued)

Computer software

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

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

F. 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.

G. Investments in subsidiaries

Investments in subsidiaries is accounted for using the cost method. Investment in subsidiaries in the separate financial statements is stated at cost. The Cost method require recognition of investment at cost and recording of investment income to the extent of dividends distribution received from investee. The subsidiaries are entities controlled by the Company, a subsidiary is separate when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2020

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

H. Inventories

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

I. Financial assets under EAS 47

a. Classification

From 1 January 2020, the Company classifies its financial assets in the following measurement categories:

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

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

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

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

b. Measurement

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

Debt instruments – treasury bills

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

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Notes to the separate financial statements - For the three months period ended 31 March 2020

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

Financial assets under EAS 47 (continued)

c. Impairment

From 1 January 2020, the company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the company applies the simplified approach permitted by EAS 47, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

J. Cash and cash equivalents

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

K. Share capital

Ordinary shares are classified as equity.

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

L. Borrowings

Borrowings are recognised initially at 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.

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Notes to the separate financial statements - For the three months period ended 31 March 2020

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

M. Borrowings costs

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

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

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

N. 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 Annually evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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.

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Notes to the separate financial statements - For the three months period ended 31 March 2020

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

Current and deferred income tax (continued)

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

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

O. Employee benefits

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

(1) Pension obligations

Defined contribution plan

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.

Defined benefit 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.

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

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

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

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Notes to the separate financial statements - For the three months period ended 31 March 2020

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

Employee benefits (continued)

(2) 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.

(3) 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.

P. 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 are only disclosed in the separate financial statement and not recognized.

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

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

When it is expected to re-charge some or all required expenses to settle a provision to a third party outside the 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.

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Notes to the separate financial statements - For the three months period ended 31 March 2020

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

Q. Trade payables and other Credit Balances

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

R. Revenue recognition

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

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

Sales of goods – wholesale

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

The products is often sold with retrospective volume discounts based on aggregate sales over a 3 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, based on actual volume, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 90 days, which is consistent with market practice. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

S. 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.

T. Dividend income

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

U. Export subsidy

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

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Notes to the separate financial statements - For the three months period ended 31 March 2020

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

V. Dividends distribution

Dividend distribution is recorded in the company's separate financial statements in the period in which they are approved by the Company's General assembly of Shareholders.

W. 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 company.

X. Comparative figures

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

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 2020	31 March 2019
Amounts recognized in profit or loss		
Net foreign exchange gain / (loss) included in Finance cost	7,055,947	9,149,433
Total	7,055,947	9,149,433

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Notes to the separate financial statements - For the three months period ended 31 March 2020

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

Financial risk management (continued)

The following table shows the currencies position denominated in Egyptian Pounds at the date of the statement of financial position.

	31 March 2020			31 December 2019
	Assets	Liabilities	Net	Net
Euros	22,397,346	(21,943,680)	453,666	2,621,081
US Dollars	19,085,504	(435,813,229)	(416,727,725)	(379,535,053)

At 31 March 2020, 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 EGP 45,366 (31 December 2019: EGP 262,108) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

At 31 March 2020, 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 EGP 41,672,773 (31 December 2019: EGP 37,953,505) 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 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 2020, if interest rates on Egyptian pound -denominated net interest bearing liabilities had been 1% higher/lower with all other variables held constant, profit for the period would have been EGP 8,063,091 (31 December 2019: EGP 8,300,913) 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 2020 with variable interest rate amounted to EGP 667,229,470 (31 December 2019: EGP 728,634,908).

Overdraft at the statement of financial position date as of 31 March 2020 amounted to EGP 139,079,594 (31 December 2019: EGP 101,456,365).

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 and subject to supervision of the Central Bank of Egypt.

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Notes to the separate financial statements - For the three months period ended 31 March 2020

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Financial risk management (continued)

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 90% of total company's 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.

C. Credit quality of financial assets

Trade receivables

Counter parties without external credit rating:

	31 March 2020	31 December 2019
Trade receivables	21,768,362	35,365,688
Total	21,768,362	35,365,688

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They generally due from settlement within 90 days.

Outstanding trade receivables are current and not past due.

Cash at bank and short-term bank deposits:

All cash balances are deposited at banks that are subject to the supervision of the Central Bank of Egypt.

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.

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Notes to the separate financial statements - For the three months period ended 31 March 2020

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

Financial risk management (continued)

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 March 2020 and 31 December 2019 based on contractual payment dates and current interest rates.

	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
31 March 2020				
Borrowings	38,153,727	74,945,007	328,193,451	215,039,945
Future interest payments	15,356,491	38,206,283	37,664,436	53,591,267
Trade and other payables	451,978,048	-	-	-
Due to related parties	733,892	-	-	-
Bank overdraft	139,079,594	-	-	-
Notes payable	62,876,359	-	-	-
Total	708,178,111	113,151,290	365,857,887	268,631,212
31 December 2019				
Borrowings	85,454,468	85,454,468	339,992,164	249,764,606
Future interest payments	33,202,625	29,032,635	71,254,667	25,535,291
Trade and other payables	262,044,156	-	-	-
Due to related parties	5,822,276	-	-	-
Bank overdraft	101,456,365	-	-	-
Notes payable	89,618,683	-	-	-
Total	577,598,573	114,487,103	411,246,831	275,299,897

The amount of unused credit facility is NIL of 31 March 2020 (31 December 2019: Nil) also the Company will have future interest payments related to Loans amounted to EGP 144,818,477 (2019: EGP 159,025,218).

(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 2020

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Financial risk management (continued)

The gearing ratio at 31 March 2020 and 31 December 2019 were as follows:

Description	31 March 2020	31 December 2019
Total Borrowings	667,229,470	728,634,908
Bank Overdraft	139,079,594	101,456,365
Total Borrowings and overdraft	806,309,064	830,091,273
Less: Cash and bank balances	(11,099,046)	(72,610,371)
Net debt	795,210,018	757,480,902
Total equity	1,423,986,767	1,508,764,161
Total capital	2,219,196,785	2,266,245,063
Gearing ratio	36%	33%

The increase in the gearing ratio mainly results from the increase in Bank Overdraft during the period.

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.
- Current ratio shall not be less than 1

As of 31 March 2020, the Company was in compliance with the debt covenants.

(3) Fair value estimation

The fair value of financial assets or liabilities with maturities date less than one period 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.

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4. Critical accounting estimates and judgments and personal judgement

(A) Critical accounting estimates and assumptions

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

The 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 have suffered any impairment on an annual basis.

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

Employee benefit retirement obligation

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

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

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

(B) Critical judgments in applying the company's policies

Revenue recognition

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

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Notes to the separate financial statements For the three months period ended 31 March 2020

(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 2019								
Cost	120,908,260	810,800,768	984,449,243	30,340,450	104,143,126	67,547,704	9,036,440	2,127,225,991
Accumulated depreciation	-	(106,771,969)	(271,059,308)	(13,489,654)	(62,679,062)	(49,198,697)	-	(503,198,690)
Net book amount	120,908,260	704,028,799	713,389,935	16,850,796	41,464,064	18,349,007	9,036,440	1,624,027,301
Year ended 31 December 2019								
Opening net book amount	120,908,260	704,028,799	713,389,935	16,850,796	41,464,064	18,349,007	9,036,440	1,624,027,301
Additions	-	-	965,980	13,334,360	12,548,444	4,569,215	112,579,659	143,997,658
Depreciation charge	-	(32,479,050)	(49,184,020)	(5,775,458)	(15,761,775)	(8,475,359)	-	(111,675,662)
Impairment loss	-	-	(16,593,500)	-	-	-	-	(16,593,500)
Accumulated depreciation of disposals	-	35,486	57,000	2,221,902	497,845	6,423	-	2,818,656
Disposals	-	(44,175)	(570,000)	(2,719,140)	(497,845)	(6,423)	-	(3,837,583)
Transfers from Projects under construction	-	2,436,399	23,460,621	-	3,519,083	5,709,229	(35,125,332)	-
Closing net book amount	120,908,260	673,977,459	671,526,016	23,912,460	41,769,816	20,152,092	86,490,767	1,638,736,870
At 31 December 2019								
Cost	120,908,260	813,192,992	1,008,305,844	40,955,670	119,712,808	77,819,725	86,490,767	2,267,386,066
Accumulated depreciation	-	(139,215,533)	(336,779,828)	(17,043,210)	(77,942,992)	(57,667,633)	-	(628,649,196)
Net book amount	120,908,260	673,977,459	671,526,016	23,912,460	41,769,816	20,152,092	86,490,767	1,638,736,870
Period ended 31 March 2020								
Opening net book amount	120,908,260	673,977,459	671,526,016	23,912,460	41,769,816	20,152,092	86,490,767	1,638,736,870
Additions	-	-	53,500	2,318,900	4,288,214	1,230,451	64,813,215	72,704,280
Depreciation charge	-	(8,130,007)	(12,337,820)	(1,730,014)	(4,315,359)	(2,205,086)	-	(28,718,286)
Accumulated depreciation of disposals	-	-	-	239,000	796,206	1,210	-	1,036,416
Disposals	-	-	-	(239,000)	(796,241)	(1,210)	-	(1,036,451)
Transfers from Projects under construction	-	15,758,960	6,612,924	-	23,353	-	(22,395,237)	-
Closing net book amount	120,908,260	681,606,412	665,854,620	24,501,346	41,765,989	19,177,457	128,908,745	1,682,722,829
At 31 March 2020								
Cost	120,908,260	828,951,952	1,014,972,268	43,035,570	123,228,134	79,048,966	128,908,745	2,339,053,895
Accumulated depreciation and impairment	-	(147,345,540)	(349,117,648)	(18,534,224)	(81,462,145)	(59,871,509)	-	(656,331,066)
Net book amount at 31 March 2020	120,908,260	681,606,412	665,854,620	24,501,346	41,765,989	19,177,457	128,908,745	1,682,722,829

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For the three months period ended 31 March 2020**

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

Property, plant and equipment (continued)

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

	For the period ended 31 March 2020	For the year ended 31 December 2019
Charged to cost of sales	24,280,451	94,774,953
Charged to administrative expenses	4,321,546	16,468,426
Charged to distribution costs	116,289	432,283
	28,718,286	111,675,662

The project under construction represents the following Categories:

	31 March 2020	31 December 2019
Buildings	12,969,968	19,821,896
Machinery and equipment	100,491,528	53,530,908
Tools and equipment	12,683,411	11,973,754
Technical and other installations	2,763,838	1,164,209
	128,908,745	86,490,767

Cash flow statement

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

	31 March 2020	31 December 2019
Net book value of the assets disposed	35	1,018,927
Gain on sale of property, plant and equipment (Note 23)	68,655	1,233,396
	68,690	2,252,323

6. Intangible assets

31 March 2020				
	Trademark (A)	Know how (B)	Software (C)	Total
Cost	131,480,647	31,430,995	5,365,008	168,276,650
Additions	-	-	906,630	906,630
Amortisation for the period	-	-	(637,168)	(637,168)
Balance as of	131,480,647	31,430,995	5,634,470	168,546,112
31 December 2019				
	Trademark (A)	Know how (B)	Software (C)	Total
Cost	131,480,647	31,430,995	7,009,436	169,921,078
Additions	-	-	729,058	729,058
Amortisation for the period	-	-	(2,373,486)	(2,373,486)
Balance as of	131,480,647	31,430,995	5,365,008	168,276,650

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

Intangible assets (continued)

A. Trademark

	Trade Mark (HOHOS, Twinkies & Tiger Tail)	
	31 March 2020	31 December 2019
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 EGP 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 finite life, and on the 16th of April 2015 the Company had signed a new contract for expanding the scope of the rights to the trademarks (Hohos, Twinkies, and Tiger Tail) to include Algeria, Bahrain,, Iraq,, Kuwait, , Lebanon, Morocco, Oman, Qatar, Kingdom of Saudi Arabia, Syria, Tunisia, United Arab Emirates and this trademarks have infinite useful lives, and the this is against USD 8 Million equivalent to EGP 62,861,989.

B. Know how

	Know How	
	31 March 2020	31 December 2019
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.

C. Software

	Software	
	31 March 2020	31 December 2019
Cost		
Opening balance	5,365,008	7,009,436
Additions	906,630	729,058
Amortization expense for the period	(637,168)	(2,373,486)
Balance as of	5,634,470	5,365,008

D. Impairment test for infinite life intangible assets

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

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Notes to the separate financial statements For the three months period ended 31 March 2020

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

Intangible assets (continued)

E. Recoverable amount of cake segment

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

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

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

Assumptions used by the Company when testing the impairment of intangible assets as of 31 December 2019 as follows:

Average gross margin	41%
Sales growth rate	17%
Pre-tax discount rate	21%
Growth rate	3%

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

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

The 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 less than its recoverable amount.

Sensitivity of recoverable amounts

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

The discount rate in the forecast period has been estimated to be 21%. If all other assumptions kept the same, and the discount rate is 40% would give a value in use exceed the current carrying amount.

At 31 March 2020, if the gross profit rate had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make an impairment.

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7. Investments in subsidiaries

On 6 March 2019, the company signed an official agreement with Confindel LTD for the acquisition of 2,279,287 shares (22.27%) which is their total ownership in Edita Confectionary Industries for a total consideration of 55,297,782. The deal was finalized in June of 2019; and Edita Food Industries' share in Edita Confectionary Industries increased from 77.71% to 99.98%.

	Country of Incorporation	% interest held	31 March 2020	31 December 2019
Digma for Trading Company	Egypt	99.80%	44,939,639	44,939,639
Edita Confectionary Industries	Egypt	99.98%	134,820,782	134,820,782
Edita Participation Ltd.	Cyprus	100%	14,024	14,024
Balance at			179,774,445	179,774,445

8. Inventories

	31 March 2020	31 December 2019
Raw and packaging materials	189,944,651	177,888,510
Spare parts	30,139,065	30,763,310
Work in process	11,906,372	11,076,278
Consumables	7,889,384	6,363,403
Finished goods	13,635,660	9,211,887
Total	253,515,133	235,303,388
Less: allowance for slow moving and obsolete inventory	(2,461,335)	(2,255,837)
Net	251,053,797	233,047,551

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

During the period ended 31 March 2020, there has been a slow moving and obsolete inventory addition amounted to EGP 205,500 (31 March 2019: EGP 173,680) (Note 23) and utilized is nil (31 March 2019: EGP 1,290,086).

The cost of inventory recognized as an expense and included in cost of sales amounted to LE 406,324,487 as of 31 March 2020 (31 March 2019: EGP 435,204,424).

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For the three months period ended 31 March 2020**

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

9. Trade and other receivables

	31 March 2020	31 December 2019
Trade receivables	21,768,362	35,365,688
Deposits with others	12,669,775	12,669,775
Other current assets	2,129,503	1,058,657
Value added tax – receivables	2,909,823	16,443,693
Advances to suppliers	45,699,507	49,396,360
Prepaid expenses	36,306,589	9,827,744
Letters of credit	584,433	189,257
Employee loans	112,566	100,400
Total	122,180,558	125,051,574

10. Related parties

The company entered into several transactions with companies and entities that are included within the definition of related parties, as stated in EAS 15, "Disclosure of related parties". The related parties comprise the company's board of directors, their entities, companies under common control, and/ or joint management and control, and their partners and employees of senior management. The partners of joint arrangement and non-controlling interest are considered by the Company as related parties. The management decides the terms and conditions of transactions and services provided from/ to related parties, as well as other expenses. Below is the statement that shows the nature and values of transaction with related parties during the period, and the balances due at the date of the financial statements.

a. Due from related parties

	31 March 2020	31 December 2019
Digma for Trading Company	64,758,441	-
Edita Confectionary Industries	1,862,222	483,372
Edita Participation Ltd.	5,415,263	5,526,120
Total	72,035,926	6,009,492

b. Due to related parties

	31 March 2020	31 December 2019
Digma for Trading Company	-	20,507
Edita Food Industries Morocco.	733,892	5,801,769
Total	733,892	5,822,276

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Notes to the separate financial statements For the three months period ended 31 March 2020

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

Related parties (continued)

The following transactions were carried out with related parties:

1. Edita Confectionary Industries

The nature of transaction during the period ended 31 March 2020 is represented in sale of raw material amounting to EGP 1,215,942

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

2. Edita Participation Ltd

During the period, The nature of transaction was evaluation for the foreign currency amounted to EGP 110,857 (31 December 2019: settlement amounted to EGP 14,371,192) to Edita Participation Company Ltd (EPL) for the purpose of supporting EPL in establishing a company in Morocco.

3. 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 2020 amounted to LE 926,067,747 (31 December 2019: LE 2,943,381,762).

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

4. Edita Food Industries Morocco

The nature of transaction during the period ended 31 March 2020 is represented in payment expenses on behalf amounted to EGP 5,067,877

Edita food industries Morocco is considered a related party as Edita Participation Ltd is the Main Shareholder (51%).

c. Key management compensation

During the period ended 31 March 2020, the company paid an amount of EGP 24,616,110 as salaries to the key management members (31 March 2019: EGP 25,319,351).

11. Treasury bills

	31 March 2020	31 December 2019
Treasury bills par value		
91 Days maturity	-	60,225,000
265- 273 Days maturity	563,600,000	529,600,000
	563,600,000	589,825,000
Unearned interest	(42,738,904)	(101,344,999)
Amount of treasury bills paid	520,861,096	488,480,001
Interest income recognized to profit or loss	17,072,993	59,712,499
Treasury bills balance	537,934,089	548,192,500

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements For the three months period ended 31 March 2020

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

12. Cash and banks balances

	31 March 2020	31 December 2019
Cash on hand	580,525	498,386
Cash at banks	10,518,521	72,111,985
Cash and bank balances	11,099,046	72,610,371

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

	31 March 2020	31 December 2019
Cash and bank balances	11,099,046	72,610,371
Treasury bills with maturities of 3 months or less	-	60,018,881
Bank overdraft (Note 19)	(139,079,594)	(101,456,365)
Total	(127,980,548)	31,172,887

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%

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

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Notes to the separate financial statements For the three months period ended 31 March 2020

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

Share capital (continued)

The issued capital amounted to LE 145,072,900 (par value LE 0.2 per share) is distributed as follows as of 31 March 2020:

Shareholders	No. of shares	Shares value	Percentage of ownership
Quantum Investment BV	303,308,300	60,661,660	41.815%
The Bank of New York Mellon "depository bank for shares traded in London Stock Exchange"	90,584,175	18,116,835	12.488%
Kingsway Fund Frontier Consumer Franchises	80,741,242	16,148,248	11.131%
Others (Public stocks)	250,729,183	50,145,837	34.566%
	725,362,900	145,072,580	100%

The issued capital amounted to LE 145,072,900 (par value LE 0.2 per share) is distributed as follows as of 31 December 2019:

Shareholders	No. of shares	Shares value	Percentage of ownership
Quantum Investment BV	303,308,300	60,661,660	41.815%
The Bank of New York Mellon "depository bank for shares traded in London Stock Exchange"	93,857,010	18,657,122	12.861%
Kingsway Fund Frontier Consumer Franchises	80,741,242	16,148,248	11.131%
Others (Public stocks)	247,456,348	49,605,550	34.193%
	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. 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. Borrowings

	31 March 2020			31 December 2019		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	19,903,416	-	19,903,416	41,342,460	-	41,342,460
Second loan	11,751,688	27,000,000	38,751,688	19,489,438	18,000,000	37,489,438
Third loan	30,659,913	63,310,746	93,970,659	38,467,668	55,939,552	94,407,220
Fourth loan	36,495,917	160,959,724	197,455,641	56,797,975	170,053,819	226,851,794
Fifth loan	10,914,272	5,414,205	16,328,477	11,169,415	11,027,160	22,196,575
Sixth loan	8,482,405	8,468,721	16,951,127	8,765,388	12,936,240	21,701,628
Seventh loan	5,788,463	278,080,000	283,868,464	1,461,793	283,184,000	284,645,793
Total	123,996,074	543,233,396	667,229,470	177,494,137	551,140,771	728,634,908

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For the three months period ended 31 March 2020

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

Borrowings (continued)

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

	31 March 2020	31 December 2019
Balance due within 1 year	113,098,734	170,908,863
Accrued interest	10,897,340	6,585,274
Total	123,996,074	177,494,137

Borrower	Type of debt	Guaranties	Curr,	Interest rate
First loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 185,000,000	EGP/USD	1% above mid corridor rate of Central Bank of Egypt and 2.5% above the Libor rate 3 months.
Second loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 90,000,000	EGP	1 % above lending rate of Central Bank of Egypt.
Third loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 202,234,888	EGP/USD	1% above mid corridor rate of Central Bank of Egypt and 4.5% above the Libor rate 1 month.
Fourth loan	Loan	Cross corporate guarantee Digma Trading Company amounted to LE 220,000,000 and 6,000,000 Euro	EGP/ USD	0.5% above mid corridor rate of Central Bank of Egypt and average 4% for USD above Libor rate 6 months.
Fifth loan	Loan		USD	3.85% above the USD Libor rate 3 months.
Sixth loan	Loan		USD	3.85% above the USD Libor rate 3 months.
Seventh loan	Loan		USD	4% above the USD Libor rate – 6 months.

16. Employee retirement benefit obligations

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

	31 March 2020	31 December 2019
Discount rate	15%	15%
Average salary increase rate	10%	10%
Turnover rate	35%	35%
Life table	49-52	49-52

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Employee retirement benefit obligations (continued)

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

	31 March 2020	31 December 2019
Present value of obligations	13,744,652	11,600,000
Liability at the statement of financial position	13,744,652	11,600,000

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

	31 March 2020	31 December 2019
Balance at beginning of the period	11,600,000	6,621,193
Charged during the period (Note 23)	2,250,000	6,673,286
Paid during the period	(105,348)	(1,694,479)
Balance at	13,744,652	11,600,000

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

	31 March 2020	31 December 2019
Interest expenses	435,000	993,179
Current service cost	1,815,000	5,680,207
Total	2,250,000	6,673,386

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

17. Deferred tax liabilities, net

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		
	31 March 2020	31 December 2019	
A. <u>Deferred tax assets</u>			
Balance at 1 January	7,030,007	7,822,439	
Charged to statement of profit or loss	(597,937)	(792,432)	
Ending balance as of	6,432,070	7,030,007	
B. <u>Deferred tax liabilities</u>			
Balance at 1 January	(145,275,114)	(141,511,489)	
Charged to statement of profit or loss	(354,135)	(3,763,625)	
Ending balance as of	(145,629,249)	(145,275,114)	
Net deferred tax liabilities	(139,197,179)	(145,275,114)	
Balance at 1 January	(145,275,114)	(138,245,107)	
Charged to statement of profit or loss (Note 25)	(354,135)	(952,072)	
Ending Balance as of	(145,629,249)	(139,197,179)	

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Notes to the separate financial statements For the three months period ended 31 March 2020

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

18. Provisions

	31 March 2020	31 December 2019
Balance at 1 January	14,243,408	23,306,039
Charged during the period (Note 23)	5,461,252	5,900,000
Utilized during the period	-	(9,414,177)
No longer required	-	(5,548,454)
Ending Balance as of	19,704,660	14,243,408

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 2020	31 December 2019
Bank overdraft	139,079,594	101,456,365
Total	139,079,594	101,456,365

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 11.81% as of 31 March 2020 (31 December 2019: 13.25%).

20. Trade and other payables

	31 March 2020	31 December 2019
Trade payables	183,884,163	185,210,904
Notes payable	62,876,359	89,618,683
Deposits from others	3,779,904	3,207,428
Taxes payable	31,693,949	33,255,407
Accrued expenses	71,825,138	60,721,090
Other credit balances	9,410,985	11,558,959
Social insurance	4,159,503	4,071,573
Advances from customers	6,898,205	5,165,127
Dividends payable	178,918,355	1,345,775
Total	553,446,561	394,154,946

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

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21. Current income tax liabilities

	31 March 2020	31 December 2019
Balance at 1 January	68,778,282	3,741,178
Income tax paid during the period	(27,499,664)	(3,741,178)
Withholding tax receivable	(589,586)	(3,728,108)
Income tax for the period	27,994,374	107,392,955
Corporate income tax – advances	-	(21,000,000)
Tax on Treasury bills	(459,379)	(12,679,065)
Accrued interest – advances	-	(1,207,500)
Balance as of	68,224,027	68,778,282

22. Other income

	31 March 2020	31 March 2019
Export subsidies	28,299,665	4,144,938
Others income	280,338	465,747
Total	28,580,003	4,610,685

23. Other losses - net

	31 March 2020	31 March 2019
Other provisions	(5,461,252)	(7,926,527)
Provision for employee benefit obligation	(2,250,000)	(1,064,496)
Provision for slow moving inventory	((205,500))	(173,680)
Provision no longer required	-	110,315
Gain from sale of property plant and equipment	68,655	31,132
Solidarity contribution	(1,925,284)	(1,989,826)
Other losses	9,773,381	(11,013,082)

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24. Finance cost – Net

	31 March 2020	31 March 2019
Finance income		
Interest income	19,578,287	13,413,184
Foreign exchange Gain	7,055,947	9,149,433
	<u>26,634,234</u>	<u>22,562,617</u>
Finance cost		
Interest expenses	(19,314,674)	(22,132,865)
	<u>(19,314,674)</u>	<u>(22,132,865)</u>
Finance cost – net	<u>7,319,560</u>	<u>429,752</u>

25. 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 2020	31 March 2019
Income tax for the period	27,994,374	33,739,198
Deferred tax expense	952,072	697,718
Deferred tax income	-	(1,546,364)
Total	<u>28,946,445</u>	<u>32,890,552</u>
Profit before tax	124,141,631	140,547,585
Tax calculated based on applicable tax rates	27,931,867	31,623,207
Tax effect of non-deductible expenses	1,014,578	1,267,345
Income tax expense	<u>28,946,445</u>	<u>32,890,552</u>

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26. 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 2020	31 March 2019
Profit for the period	95,195,186	107,657,033
Weighted average number of ordinary shares in issue		
Ordinary shares	725,362,900	725,362,900
Basic earnings per share	0.13	0.15

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.

27. Expenses by nature

	31 March 2020	31 March 2019
Cost of sales	557,267,361	565,535,033
Distribution cost	48,798,934	26,573,420
Administrative expenses	66,031,225	57,301,338
	672,097,520	649,409,791
Raw and packaging materials used	406,324,487	435,204,424
Salaries and wages	93,017,497	77,431,262
Advertising expense	43,377,133	21,598,946
Depreciation & Amortization	29,355,454	27,905,836
Miscellaneous and other expense	24,421,827	19,728,539
Fuel, oil, water and electricity	21,748,760	20,610,809
Employees benefits	14,231,574	15,368,402
Company share in social insurance	7,631,121	7,986,660
Transportation expense	12,102,280	9,496,807
Maintenance	10,485,132	8,433,816
Consumables	8,400,648	4,643,615
Vehicle expense	908,960	937,627
Rent expense	92,647	63,048
Total cost of sales, distribution costs, and administrative expenses	672,097,520	649,409,791

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28. Segment reporting

Edita operates across four segments in Egyptian snack food market offering eight distinct brands:

Segment	Brand	Product					
		Cake		Croissant		Rusks	
		31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Cake	Tiger tail, Twinkies, Todo and HOHOS	Traditional rolled filled and layered cake as well as brownies and packaged donut					
Croissants	Molto	Sweet and savoury croissants and strudels					
Rusks	Bake Rolz, Bake Stix	Baked wheat salty snack					
Wafer	Freska	Filled wafers					
(Amounts presented to the nearest thousands EGP)		Wafer		Total			
		31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Revenue		377,923	387,500	250,595	236,019	72,690	89,664
Gross profit		123,476	125,819	60,042	60,729	14,209	21,761
Operating profit		100,428	98,165	2,377	25,890	6,979	6,910
				68,905	82,747	15,119	22,086
				7,038	9,153	116,822	140,118

Operating profit reconciles to net profit as follows:

	31 March 2020	31 March 2019
Operating profit	116,822	140,118
Finance cost	(19,315)	(22,133)
Finance income	26,634	22,563
Income tax	(28,946)	(32,891)
Net profit	95,195	107,657

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Segment reporting (continued)

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

- Management has determined the operating segments based on the information reviewed by the chief operating decision makers of the Company for the purpose of allocating and assessing resources.
- The chief operating decision makers consider the business from products perspective. Although Rusks, Wafer, and Candy do not meet the quantitative threshold required by EAS 41 for reportable segments, management has concluded that these segments should be reported as it is closely monitored by the chief operating decision makers as it is expected to materially contribute to the Company revenue in the future.
- The chief operating decision makers assesses the performance of the operating segments based on their operating profit.
- There were no inter-segment sales made during the period.
- Finance income and finance cost are not allocated to segments, as this type of activity is driven by the central treasury function which manage the cash position of the Company.

29. 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 is nil as at 31 March 2020 (31 December 2019: EGP 40,632,491).

30. COVID 19 Impact

In response to the spread of the Covid-19 in Egypt and other territories where Group operates and its resulting disruptions to the social and economic activities in those markets, Edita's management has proactively assessed its impacts on its operations and has taken a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and wider community as well as to ensure the continuity of supply of its products throughout its markets . Notwithstanding these challenges.

Edita's business operations currently remain slightly impacted as the food industry in general is exempted from various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and cargo shipping and flight operations restrictions. Based on these factors, Edita's management believes that the Covid-19 pandemic has had no material effects on Edita's reported financial results for the period ended 31 March 2020. Edita's management continues to monitor the situation closely.

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

COVID 19 Impact (continued)

However, as explained above, the Group has reviewed the key sources of estimation uncertainties disclosed in the last annual Consolidated Financial Statements against the backdrop of Covid-19 pandemic, all other sources of estimation uncertainty remain similar to those disclosed in the annual Consolidated Financial Statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

The Central Bank of Egypt launched an initiative to postpone the installments of individual and corporate loans for a period of 6 months. Accordingly, this has resulted in some loans balances being classified from current to non current liabilities.

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 date.

Edita Food Industries Company

a) Corporate tax

- The company is tax exempted for a period of 10 years ending 31 December 2007 in accordance with Law No. 230 of 1989 and Law No. 59 of 1979 related to New Urban Communities. The exemption period was determined to start from the fiscal year beginning on 1 January 1998. The company submits its tax returns on its legal period.
- The tax inspection was performed for the period from the company's inception till 31 December 2012 and all due tax amounts paid.
- For the years 2013-2016; the company finalized the tax inspection and the difference was transferred to an internal committee.
- For the years 2017 – 2018 the Company submitted the tax return according to law No. 91 of 2005 in its legal period and has not been inspected yet.

b) Payroll tax

- The payroll tax inspection was performed till 31 December 2014 and company paid tax due.
- As for the years 2015 till 2019 the tax inspection has not been performed and the company is submitting the quarterly tax return on due time to the Tax Authority.

c) VAT & Sales tax

- The sales tax inspection was performed till 31 December 2018 and tax due was paid.

d) Stamp duty tax

- The stamp duty tax inspection was performed till 2013 and company paid tax due.
- Years from 2014 till 2019 tax inspection has not been performed.

32. Commitments

Capital comments

The Company has capital commitments as of 31 March 2020 of EGP 28.2 M (31 December 2019: EGP 71.9 M) in respect of the capital expenditure.

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33. Financial instrument by category

		31 March 2020	
		Loans & receivables	Total
Assets as per statement of financial position			
Trade and other receivables (excluding non- financial assets)*		37,264,639	37,264,639
Due from related parties		72,035,926	72,035,926
Treasury bills		537,934,089	537,934,089
Cash and bank balances		11,099,046	11,099,046
Total		658,333,700	658,333,700
		31 March 2020	
		Other financial liabilities at amortised costs	Total
Liabilities as per statement of financial position			
Borrowings*		667,229,470	667,229,470
Trade and other payables (excluding non-financial liabilities)*		514,854,407	510,694,904
Due to related parties		733,892	733,892
Bank overdraft		139,079,594	139,079,594
Total		1,321,897,363	1,317,737,860
		31 December 2019	
		Loans & receivables	Total
Assets as per statement of financial position			
Trade and other receivables (excluding non - financial assets)*		49,383,777	49,383,777
Due from related parties		6,009,492	6,009,492
Treasury bills		548,192,500	548,192,500
Cash and bank balances		72,610,371	72,610,371
Total		676,196,140	676,196,140
		31 December 2019	
		Other financial liabilities at amortised costs	Total
Liabilities as per statement of financial position			
Loans*		728,634,908	728,634,908
Trade and other payables (excluding non-financial liabilities)*		351,662,839	351,662,839
Due to related parties		5,822,276	5,822,276
Bank overdraft		101,456,365	101,456,365
Total		1,187,576,388	1,187,576,388

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

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

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