

EDITA FOOD INDUSTRIES S.A.E.

**REVIEW REPORT AND SEPARATE FINANCIAL
STATEMENTS FOR THE THREE MONTHS PERIOD
ENDED 31 MARCH 2017**

EDITA FOOD INDUSTRIES S.A.E.

Separate financial statements - For the three months period ended 31 March 2017

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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 interim statement of financial position of Edita Food Industries (S.A.E.) (the company) as at 31 March 2017 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 are not prepared in all material respects, the financial position of the company as at 31 March 2017, and of its financial performance and its cash flows for the three months period then ended in accordance with Egyptian Accounting Standards.

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

10 May 2017
Cairo




EDITA FOOD INDUSTRIES S.A.E.

Separate statement of financial position - At 31 March 2017

(All amounts in Egyptian Pounds)

	Note	31 March 2017	31 December 2016
Assets			
Non-current assets			
Property, plant and equipment	5	1,374,327,205	1,222,179,723
Intangible assets	6	162,911,642	162,911,642
Investments in subsidiaries	7	124,476,662	124,476,662
Total non-current assets		1,661,715,509	1,509,568,027
Current assets			
Inventories	8	261,225,934	269,954,315
Trade and other receivables	9	145,503,307	168,789,966
Due from related parties	10	67,582,808	71,654,958
Treasury bills	11	130,264,416	121,183,070
Cash and cash equivalents (excluding bank overdrafts)	12	46,259,530	43,948,439
Total current assets		650,835,995	675,530,748
Total assets		2,312,551,504	2,185,098,775
Equity and liabilities			
Equity			
Share capital	13	145,072,580	145,072,580
Legal reserve	14	45,983,202	45,983,202
Retained earnings		722,821,218	829,872,753
Total equity		913,877,000	1,020,928,535
Liabilities			
Non-current liabilities			
Long-term loans	15	566,525,191	519,071,057
Employee benefit obligations	16	2,195,034	1,945,034
Deferred tax liabilities	17	70,514,181	63,246,919
Total non-current liabilities		639,234,406	584,263,010
Current liabilities			
Provisions	18	14,082,101	14,326,110
Bank overdraft	19	233,355,383	215,614,352
Trade and other payables	20	346,065,657	218,865,885
Due to related parties	21	39,418,090	2,813,741
Current portion of long-term loans	15	126,518,867	128,287,142
Current income tax liabilities	22	-	-
Total current liabilities		759,440,098	579,907,230
Total equity and liabilities		2,312,551,504	2,185,098,775

The accompanying notes on pages 7 to 45 form an integral part of these separate financial statements.


Mr. Samih Naguib
Vice President - Finance


Eng. Hani Berzi
Chairman

Giza ,10 May 2017
Review report attached

EDITA FOOD INDUSTRIES S.A.E.

Separate statement of profit or loss For the three months period ended 31 March 2017

(All amounts in Egyptian Pounds)

	Note	The three months period ended 31 March	
		2017	2016
Revenue		495,090,866	435,173,522
Cost of sales	28	<u>(371,897,511)</u>	<u>(293,997,198)</u>
Gross profit		123,193,355	141,176,324
Other income	23	3,572,787	3,702,217
Distribution cost	28	(40,350,891)	(36,724,525)
Administrative expenses	28	(37,948,635)	(34,531,707)
Other (losses) / gains-net	24	(667,041)	(895,960)
Finance cost - net	25	<u>(18,233,848)</u>	<u>(47,578,003)</u>
Profit before income tax		29,565,727	25,148,346
Income tax expense	26	<u>(7,267,262)</u>	<u>(5,658,378)</u>
Profit for the period		22,298,465	19,489,968
Basic earnings per share	27	0.03	0.03
Diluted earnings per share	27	<u>0.03</u>	<u>0.03</u>

The accompanying notes on pages 7 to 45 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 2017**

(All amounts in Egyptian Pounds)

	31 March 2017	31 March 2016
Profit for the period	22,298,465	19,489,968
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	22,298,465	19,489,968

The accompanying notes on pages 7 to 45 form an integral part of these separate financial statements.

EDITA FOOD INDUSTRIES S.A.E.

**Separate statement of changes in equity
For the three months period ended 31 March 2017**

(All amounts in Egyptian Pounds)

	Share capital	Bonus shares under capital increase	Legal reserve	Retained earnings	Total
Balance at 31 December 2015 and 1 January 2016	72,536,290	-	36,268,145	899,251,921	1,008,056,356
Change of equity in 2016					
Profit for the period	-	-	-	19,489,968	19,489,968
Total comprehensive income for the period				19,489,968	19,489,968
Shareholders transactions					
Bonus shares under capital increase	-	72,536,290	-	(72,536,290)	-
Dividends distribution for 2015	-	-	-	(97,463,710)	(97,463,710)
Total shareholders transactions	-	72,536,290	-	(170,000,000)	(97,463,710)
Balance at 31 March 2016	72,536,290	72,536,290	36,268,145	748,741,889	930,082,614
Balance at 31 December 2016 and 1 January 2017	145,072,580	-	45,983,202	829,872,753	1,020,928,535
Change of equity in 2017					
Profit for the period	-	-	-	22,298,465	22,298,465
Total comprehensive income for the period				22,298,465	22,298,465
Shareholders transactions					
Dividends distribution for 2016	-	-	-	(129,350,000)	(129,350,000)
Total shareholders transactions	-	-	-	(129,350,000)	(129,350,000)
Balance at 31 March 2017	145,072,580	-	45,983,202	722,821,218	913,877,000

The accompanying notes on pages 7 to 45 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 2017

(All amounts in Egyptian Pounds)

	Notes	31 March 2017	31 March 2016
<u>Cash flows from operating activities</u>			
Profit for the period before income tax		29,565,727	25,148,346
Adjustments for:			
Provisions	24	500,000	750,000
Provision for employee benefit obligation	24	250,000	-
Interest on lands' installment	25	-	177,135
Interest expenses	25	21,021,643	9,122,790
Interest income	25	(6,886,155)	(5,136,943)
Depreciation of property, plant and equipment	5	19,280,228	16,122,940
Amortization of Intangible assets	6	-	314,310
Provision of slow moving inventory	24	206,250	225,000
Gain on sale of property, plant and equipment	24	(289,209)	(79,040)
		63,648,484	46,644,538
Inventories		8,522,131	4,172,673
Trade and other receivables		23,286,659	(14,753,859)
Due from related parties		4,072,150	8,353,805
Trade and other payables		(2,150,228)	(67,716,958)
Due to related parties		36,604,349	-
Provision utilized		(744,009)	-
Cash inflow / (out flow) from operating activities		133,239,536	(23,299,801)
Interest paid		(23,029,923)	(12,320,933)
Income taxes paid		-	(875,980)
Net cash inflow / (outflows) from operating activities		110,209,613	(36,496,714)
<u>Cash flows from investing activities</u>			
Payment of property, plant and equipment	5	(171,705,545)	(35,676,291)
Proceeds from sale of property, plant and equipment	5	567,044	246,292
Interest received		7,058,209	5,791,580
Payment for purchase of treasury bills		(128,884,900)	(93,844,519)
Proceeds from sale of treasury bills		119,631,500	92,374,110
Net cash outflow from investing activities		(173,333,692)	(31,108,828)
<u>Cash flows from financing activities</u>			
Proceeds from borrowings		146,993,341	138,845,452
Repayment of borrowings		(99,299,202)	(131,583,271)
Net cash inflow from financing activities		47,694,139	7,262,181
Net (decrease) in cash and cash equivalents		(15,429,940)	(60,343,361)
Cash and cash equivalents at beginning of the period		(171,665,913)	105,835,174
Cash and cash equivalents at the end of the period	12	(187,095,853)	45,491,813

The accompanying notes on pages 7 to 45 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 2017

(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 BERCO Limited which owns 41.815% of the Company's share capital and the Bank of New York Mellon which owns 25.580% of the Company share capital and Exoder participation, "Exoder Limited", domiciled in Cyprus which owns 13.065% of the Company's share capital and Africa Samba B.V. which owns 7.5% of Company's share capital and other shareholders owning 12.040% of company's share capital.

These separate financial statements have been approved by and the Chairman and Managing Director on 10 May 2017.

2. Accounting policies

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

A. Basis of preparation

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

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

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

Users of these separate financial statements should read them together with the Company's consolidated financial statements for the period ended 31st of March 2017 in order to obtain full information on the financial position, results of operations, cash flow and changes in equity of the Company as a whole.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2017

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

B. Foreign currency translation

(1) Functional and presentation currency

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

(2) Transaction and balances

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

C. Property, plant and equipment

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

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

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

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

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

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

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

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Notes to the separate financial statements - For the three months period ended 31 March 2017

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

D. Intangible assets

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

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

E. Impairment of non-financial assets

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

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

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

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

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

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

F. Investments in subsidiaries

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2017

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

G. Inventories

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

H. Financial assets

(1) Classification

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

(a) Loans and receivables

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

(b) Held to maturity financial assets

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

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

(2) Initial recognition and measurement

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

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

(3) Subsequent Measurement

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

(4) De recognition

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

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2017

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

Financial assets (continued)

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

I. Offsetting financial instruments

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

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

J. Impairment of financial assets

Assets recognized and measured at amortized cost

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

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

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

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2017

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

K. Trade and other receivables

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

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

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

L. Cash and cash equivalents

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

M. Share capital

Ordinary shares are classified as equity.

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

N. Borrowings

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

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

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2017

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

O. Borrowings costs

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

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

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

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

P. Current and deferred income tax

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

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

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

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

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

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2017

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

Current and deferred income tax (continued)

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

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

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

Q. Employee benefits

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

(1) Defined contribution plan

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

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

(2) Defined benefit pension plan

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

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

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Notes to the separate financial statements - For the three months period ended 31 March 2017

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

Employee benefits (continued)

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

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

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

(3) Termination benefits

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

(4) Profit-sharing and bonus plans

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

R. Provisions

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

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

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Notes to the separate financial statements - For the three months period ended 31 March 2017

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

Provisions (continued)

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

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

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

S. Contingent assets

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

T. Trade payables and other Credit Balances

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

U. Revenue recognition

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

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

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Notes to the separate financial statements - For the three months period ended 31 March 2017

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

Revenue recognition (continued)

(a) Sales of goods

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

(b) Interest income

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

(c) Dividend income

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

(d) Governmental subsidy on export sales

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

V. Dividends distribution

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

W. Operating lease

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

X. Operating Segments

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

Y. Comparative figures

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

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Notes to the separate financial statements - For the three months period ended 31 March 2017

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

3. Financial risk management

(1) Financial risk factors

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

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

A. Market risk

i. Foreign exchange risk

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

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

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

	31 March 2017	31 March 2016
Amounts recognized in profit or loss		
Net foreign exchange (loss) included in Finance cost	(4,098,360)	(43,415,021)
Total	(4,098,360)	(43,415,021)

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

	31 March 2017			31 December 2016
	Assets	Liabilities	Net	Net
Euros	59,647	(240,886,861)	(240,827,214)	(248,640,415)
US Dollars	13,194,358	(118,846,966)	(105,652,608)	(158,910,080)

At 31 March 2017, if the Egyptian Pounds had weakened / strengthened by 10% against the Euro with all other variables held constant, profit for the period would have been LE 24,082,721 (31 December 2016: LE 24,864,042) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

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Notes to the separate financial statements - For the three months period ended 31 March 2017

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

Financial risk management (continued)

At 31 March 2017, if the EGP had weakened / strengthened by 10% against the US dollar with all other variables held constant, profit for the period would have been LE 10,565,261 (31 December 2016: LE 15,891,008) lower, mainly as a result of foreign exchange losses on translation of US dollar-denominated assets and liabilities.

ii. Price risk

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

iii. Cash flow and fair value interest rate risk

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

At 31 March 2017, if interest rates on Egyptian pound -denominated net interest bearing liabilities had been 0.1% higher/lower with all other variables held constant, profit for the period would have been LE 926,399 (31 December 2016: LE 668,804) 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 2017 with variable interest rate amounted to LE 693,044,058 (31 December 2016: LE 647,358,199).

Overdraft at the statement of financial position date as of 31 March 2017 amounted to LE 233,355,383 (31 December 2016: LE 215,614,352).

B. Credit risk

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

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

For the wholesalers, the Credit Controllers assess the credit quality of the wholesale customer, taking into account its financial position, and their market reputation, past experience and other factors. Sales of the company are for a major customer (Digma for Trading – company's subsidiary), which represent 91% of total company sales.

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

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

EDITA FOOD INDUSTRIES S.A.E.**Notes to the separate financial statements - For the three months period ended 31 March 2017**

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

Financial risk management (continued)**C. Credit quality of financial assets****Trade receivables**

Counter parties without external credit rating:

	31 March 2017	31 December 2016
Other parties	10,844,782	16,815,578
Total	10,844,782	16,815,578

Outstanding trade receivables are current and not impaired

Cash at bank and short-term bank deposits:

	31 March 2017	31 December 2016
AA	41,704,623	38,563,931
BB	2,000,000	-
A	1,044,328	3,975,417
B	253,200	308,595
Total	45,002,151	42,847,943

D. Liquidity risk

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

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 March 2017 based on contractual payment dates and current interest rates.

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

Financial risk management (continued)

31 March 2017	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
Loans	57,084,954	57,084,911	166,462,271	400,062,921
Future interest payments	32,091,109	38,203,433	64,463,941	96,448,520
Trade and other payables	289,798,463	-	-	-
Due to related parties	39,418,090	-	-	-
Bank overdraft	233,355,383	-	-	-
Notes payable	35,839,891	-	-	-
Total	687,587,890	95,288,344	230,926,212	496,511,441
31 December 2016				
Loans	71,322,212	56,964,930	139,816,713	379,254,344
Future interest payments	15,038,625	34,301,952	58,205,640	71,312,725
Trade and other payables	160,010,834	-	-	-
Due to related parties	2,813,741	-	-	-
Bank overdraft	215,614,352	-	-	-
Notes payable	31,710,553	-	-	-
Total	496,510,317	91,266,882	198,022,353	450,567,069

The unused amount to Loans is amounted to EGP 80,797,807 as of 31 March 2017 also the Company will have future interest payments related to Loans amounted to EGP 231,207,003 (31 December 2016: LE 178,858,942).

(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 2017

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Financial risk management (continued)

The gearing ratio at 31 March 2017 and 31 December 2016 were as follows:

Description	31 March 2017	31 December 2016
Total Loans	693,044,058	647,358,199
Bank Overdraft	233,355,383	215,614,352
Total loans and overdraft	926,399,441	862,972,551
Less: Cash and cash equivalents	(46,259,530)	(43,948,439)
Net debt	880,139,911	819,024,112
Total equity	913,877,000	1,020,928,535
Total capital	1,794,016,911	1,839,952,647
Gearing ratio	49 %	44.5 %

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

Loan covenants

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

The debt to equity ratio must be not more than 1:1

(3) Fair value estimation

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

4. Critical accounting estimates and judgments and personal judgement

(1) Critical accounting estimates and assumptions

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

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

Fixed assets useful lives

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

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Critical accounting estimates and judgments and personal judgement (continued)

Intangible assets impairment (Trade Mark & Know How)

The Company estimates the useful life of the trade mark & know how to be indefinite useful life based on trademark agreement which give the Company the license with perpetual, irrevocable and exclusive including the know how in the territory, accordingly, the Company's management annually test the impairment of intangible assets (Trade Mark & Know How), that have an indefinite useful life based on the financial and operational performance in previous years and the management expectation for the market developments in the future by preparing a business plan by using the growth rate and the discount rate prevailing.

Income tax

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

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

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

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(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 2016								
Cost	106,714,128	400,782,735	589,182,422	21,175,588	54,962,981	42,754,551	152,033,287	1,367,605,692
Accumulated depreciation	-	(42,660,204)	(152,511,505)	(11,028,765)	(28,951,299)	(23,762,490)	-	(258,914,263)
Net book amount	106,714,128	358,122,531	436,670,917	10,146,823	26,011,682	18,992,061	152,033,287	1,108,691,429
Year ended 31 December 2016								
Opening net book amount	106,714,128	358,122,531	436,670,917	10,146,823	26,011,682	18,992,061	152,033,287	1,108,691,429
Additions	14,194,132	-	14,756,314	3,425,492	8,295,728	6,918,101	139,370,352	186,960,119
Depreciation charge	-	(16,254,935)	(34,194,971)	(2,974,379)	(10,347,353)	(8,063,149)	-	(71,834,787)
Disposal Depreciation	-	-	1,480,969	1,703,768	826,086	355,956	-	4,366,779
Disposals	-	-	(2,454,633)	(2,339,490)	(842,344)	(367,350)	-	(6,003,817)
Transfers from Projects under construction	-	13,524,840	133,794,477	-	11,898,408	924,199	(160,141,924)	-
Closing net book amount	120,908,260	355,392,436	550,053,073	9,962,214	35,842,207	18,759,818	131,261,715	1,222,179,723
At 31 December 2016								
Cost	120,908,260	414,307,575	735,278,580	22,261,590	74,314,773	50,229,501	131,261,715	1,548,561,994
Accumulated depreciation	-	(58,915,139)	(185,225,507)	(12,299,376)	(38,472,566)	(31,469,683)	-	(326,382,271)
Net book amount	120,908,260	355,392,436	550,053,073	9,962,214	35,842,207	18,759,818	131,261,715	1,222,179,723
Period ended 31 March 2017								
Opening net book amount	120,908,260	355,392,436	550,053,073	9,962,214	35,842,207	18,759,818	131,261,715	1,222,179,723
Additions	-	-	1,568,618	354,410	1,245,507	220,274	168,316,736	171,705,545
Depreciation charge	-	(4,143,076)	(9,128,623)	(761,124)	(3,020,061)	(2,227,344)	-	(19,280,228)
Disposal Depreciation	-	-	-	1,253,906	87,706	-	-	1,341,612
Disposals	-	-	-	(1,530,650)	(88,797)	-	-	(1,619,447)
Closing net book amount	120,908,260	351,249,360	542,493,068	9,278,756	34,066,562	16,752,748	299,578,451	1,374,327,205
At 31 March 2017								
Cost	120,908,260	414,307,575	736,847,198	21,085,350	75,471,483	50,449,775	299,578,451	1,718,648,092
Accumulated depreciation	-	(63,058,215)	(194,354,130)	(11,806,594)	(41,404,921)	(33,697,027)	-	(344,320,887)
Net book amount	120,908,260	351,249,360	542,493,068	9,278,756	34,066,562	16,752,748	299,578,451	1,374,327,205

EDITA FOOD INDUSTRIES S.A.E.**Notes to the separate financial statements - For the three months period ended 31 March 2017**

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Property, plant and equipment (continued)

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

	31 March 2017	31 December 2016
Charged to cost of sales	15,490,533	57,197,810
Charged to administrative expenses	3,776,008	14,578,503
Charged to distribution costs	13,687	58,474
	19,280,228	71,834,787

During the period ended 31 March 2017, the Company has capitalized borrowings costs amounting to LE 5,424,353 (31 December 2016: LE 4,872,184) on qualified assets. Borrowings costs were capitalized at the weight average rate of its general borrowings of 13%.

	31 March 2017	31 December 2016
Allocation of the borrowing cost on Qualified Assets		
Projects under construction – Buildings	4,641,548	3,234,209
Projects under construction – Machinery	782,805	1,637,975
Total	5,424,353	4,872,184

The project under construction represents the following Categories:

	31 March 2017	31 December 2016
Buildings	207,540,010	104,158,199
Machinery and equipment	72,117,807	10,623,145
Tools and equipment	3,880,966	997,536
Technical and other installations	16,039,668	15,482,835
	299,578,451	131,261,715

Cash flow statement

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

	31 March 2017	31 March 2016
Net book value of the assets disposed	277,835	167,252
Gain on sale of property , plant and equipment	289,209	79,040
	567,044	246,292

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Notes to the separate financial statements - For the three months period ended 31 March 2017

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6. Intangible assets

	Net Book Value	
	31 March 2017	31 December 2016
A- Trademark	131,480,647	131,480,647
B- Know how	31,430,995	31,430,995
Balance as of	162,911,642	162,911,642

A. Trademark

	Trade Mark (HOHOS, Twinkies & Tiger Tail)	
	31 March 2017	31 December 2016
Cost		
Opening Balance	131,480,647	131,480,647
Balance as of	131,480,647	131,480,647

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

B. Know how

	Know How	
	31 March 2017	31 December 2016
Cost		
Opening Balance	31,430,995	31,430,995
Balance as of	31,430,995	31,430,995
Accumulated Amortization	31 March 2017	31 December 2016
Opening Balance	-	(942,930)
Amortization expense during the period	-	942,930
Balance as of	-	-
Net book value for know how	31,430,995	31,430,995

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Intangible assets (continued)

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.

Impact of change in accounting policy in 31 December 2016

- The accounting policy of intangible asset "Know how" have been changed during year 2016 from intangible assets have finite useful lives, amortized over the company life span (25 years) and measured at cost less amortization in the separate financial statements to become intangible assets have an indefinite useful live measured at cost in the separate financial statements, and impairment is tested on an annual basis.
- Intangible asset "Know how" have been recognized in the separate financial statements for the year ended 31 December 2015, as a finite useful live intangible assets, based on significant incompleteness of its related production lines and that these new products are considered to have a new trade mark in the market and no actual marketing testing for these products took place at the separate financial statements date.
- Later during 2016, these production lines completed and genuine marketing for these products have been started. This provides the company's management with the ability to establish assumptions on developing the market in the future.
- For the purpose of uniting the accounting policy for all intangible assets and to provide reliable and more relevant information, the company's management changed the know how accounting policy from cost less amortisation based on finite useful live determined on 25 years to indefinite useful live measured at cost with impairment tested annually, considering the ability to establish reliable assumptions of future sales.
- The retrospective application of change in accounting policy resulted with adjustment of EGP 942,930 represents the amortization of 2015 fiscal year. Management concluded to recognize such adjustment in statement of profit or loss for the year ended 31 December 2016, as the resulting adjustment from changing the accounting policy has an immaterial impact on 2016 retained earnings opening balance, net profit for the year, basic and diluted earnings per share, and comparative figures for the year ended 31 December 2016.

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 2016 are as follows:

Average gross profit	26%
Discount rate	23%
Growth rate	3%

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

Intangible assets (continued)

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

Sensitivity of recoverable amounts

At 31 December 2016, if the discount rate had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make an impairment.

At 31 December 2016, if the growth rate had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make an impairment.

At 31 December 2016, if the gross profit percentage had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make an impairment.

7. Investments in subsidiaries

	Country of Incorporation	% interest held	31 March 2017	31 December 2016
Digma for Trading Company	Egypt	99,80%	44,939,638	44,939,638
Edita Confectionary Industries	Egypt	77,71%	79,523,000	79,523,000
Edita Participation Ltd.	Cyprus	100%	14,024	14,024
Balance at			124,476,662	124,476,662

The impairment of investment in subsidiaries is reviewed annually to ensure that the carrying amount of the investment in subsidiaries is not lower than the recoverable amount, so there is no impairment in the value.

EDITA FOOD INDUSTRIES S.A.E.**Notes to the separate financial statements - For the three months period ended 31 March 2017**

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

8. Inventories

	31 March 2017	31 December 2016
Raw and packaging materials	218,291,081	231,816,353
Spare parts	26,729,085	24,780,241
Finished goods	6,017,699	2,903,228
Work in process	5,695,155	6,322,670
Consumables	4,831,484	4,379,862
Total	261,564,504	270,202,354
Less: provision for slow moving and obsolete inventory	(338,570)	(248,039)
Net	261,225,934	269,954,315

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

During the period ended 31 March 2017, there has been a slow moving and obsolete inventory addition amounted to LE 206,250 (31 March 2016: LE 225,000) (Note 24) and utilized amounted to LE 115,719 (31 March 2016: LE 718,983).

The cost of inventory recognized as an expense and included in cost of sales amounted to LE 288,338,888 as of 31 March 2017 (31 March 2016: LE 224,208,140).

9. Trade and other receivables

	31 March 2017	31 December 2016
Advances to suppliers	96,493,718	118,721,345
Trade receivables	10,844,782	16,815,578
Tax authority – Corporate tax prepayments	15,887,993	14,464,879
Prepaid expenses	11,050,598	8,877,666
Deposits with others	6,767,177	4,892,177
Other debit balances	3,886,886	4,275,481
Letters of credit	409,838	549,237
Employee loans	110,428	128,524
Accrued income	51,887	65,079
Total	145,503,307	168,789,966

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2017

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

10. Due from related parties

	31 March 2017	31 December 2016
Edita Confectionary Industries	66,918,811	71,007,064
Edita Participation Ltd.	663,997	647,894
Total	67,582,808	71,654,958

The following transactions were carried out with related parties:

1. Edita Confectionary Industries

Edita Confectionary Industries produce all kinds of sweets, jelly and gum and the transactions of finance during the period ended 31 March 2017 amounted to LE 4,088,253 so the outstanding balance amounted to LE 66,918,811.

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

2. Chipita Participation Company

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

The royalty during the period ended 31 March 2017 amounted to LE Nil (31 March 2016: LE 865,442) Chipita Participation is considered a related party as it owns Exoder Ltd. Company that in turn owns 13.065% of Edita Food Industries S.A.E. shares.

3. Key management compensation

During the period ended 31 March 2017, the company paid an amount of LE 18,426,448 as salaries to the key management members (31 March 2016: LE19, 533,477).

11. Treasury bills

	31 March 2017	31 December 2016
Treasury bills par value	135,000,000	125,000,000
Unearned interest	(6,115,100)	(5,368,500)
Amount of treasury bills paid	128,884,900	119,631,500
Interest income recognized to profit or loss	1,379,516	1,551,570
Treasury bills balance	130,264,416	121,183,070

The Company purchased Egyptian treasury bills on 21st of February 2017 with par value amounted LE 10,000,000 with an annual interest of 18.62%. These treasury bills are due in 23rd of May 2017. The total recognized interest income amounted to LE 185,239.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2017

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

Treasury bills (continued)

The Company purchased Egyptian treasury bills on 21st of February 2017 with par value amounted LE 10,000,000 with an annual interest of 18.58%. These treasury bills are due in 23rd of May 2017. The total recognized interest income amounted to LE 184,864.

The Company purchased Egyptian treasury bills on 21st of February 2017 with par value amounted LE 10,000,000 with an annual interest of 18.47%. These treasury bills are due in 23rd of May 2017. The total recognized interest income amounted to LE 183,820.

The Company purchased Egyptian treasury bills on 28th of February 2017 with par value amounted LE 10,000,000 with an annual interest of 19.03%. These treasury bills are due in 30th of May 2017. The total recognized interest income amounted to LE 154,319.

The Company purchased Egyptian treasury bills on 28th of February 2017 with par value amounted LE 5,000,000 with an annual interest of 19.03%. These treasury bills are due in 30th of May 2017. The total recognized interest income amounted to LE 77,040.

The Company purchased Egyptian treasury bills on 7th of March 2017 with par value amounted LE 20,000,000 with an annual interest of 19.5%. These treasury bills are due in 6th of June 2017. The total recognized interest income amounted to LE 244,536.

The Company purchased Egyptian treasury bills on 21st of March 2017 with par value amounted LE 25,000,000 with an annual interest of 19.10%. These treasury bills are due in 20th of June 2017. The total recognized interest income amounted to LE 124,863.

The Company purchased Egyptian treasury bills on 21st of March 2017 with par value amounted LE 30,000,000 with an annual interest of 19.10%. These treasury bills are due in 20th of June 2017. The total recognized interest income amounted to LE 149,835.

The Company purchased Egyptian treasury bills on 21st of March 2017 with par value amounted LE 15,000,000 with an annual interest of 18.95%. These treasury bills are due in 20th of June 2017. The total recognized interest income amounted to LE 75,000.

12. Cash and cash equivalents (excluding bank overdrafts)

	31 March 2017	31 December 2016
Bank deposits	38,560,840	38,560,840
Cash at banks	6,441,311	4,287,103
Cash on hand	1,257,379	1,100,496
Cash and Cash equivalents (excluding bank overdrafts)	46,259,530	43,948,439

The average interest rate on local currency time deposits during the period ended 31 March 2017 is 12.5% (31 December 2016: 12.5%).

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2017

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

Cash and cash equivalents (excluding bank overdrafts) (continued)

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

	31 March 2017	31 December 2016
Cash and bank balances	46,259,530	43,948,439
Bank overdraft (Note 19)	(233,355,383)	(215,614,352)
Total	(187,095,853)	(171,665,913)

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

The issued capital amounted to LE 145,072,580 (par value LE 0.2 per share) is distributed as follows as of 31 March 2017:

Shareholders	No. of shares	Shares value	Percentage of ownership
BERCO Ltd.	303,308,300	60,661,660	41.815%
THE BANK OF NEW YORK MELLON	185,546,165	37,109,233	25.580%
EXODER Ltd.	94,769,464	18,953,893	13.065%
Africa Samba B.V.	54,402,234	10,880,447	7.500%
Others (Public stocks)	87,336,737	17,467,347	12.040%
	725,362,900	145,072,580	100%

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2017

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

14. Legal reserve

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

15. Loans

	31 March 2017			31 December 2016		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	18,518,159	17,500,000	36,018,159	20,464,972	26,250,000	46,714,972
Second loan	45,428,411	104,749,688	150,178,099	49,286,230	125,885,836	175,172,066
Third loan	25,480,115	72,000,000	97,480,115	21,486,364	72,000,000	93,486,364
Fourth loan	37,092,182	165,464,910	202,557,092	36,811,734	164,105,235	200,916,969
Fifth loan	-	206,810,593	206,810,593	237,842	130,829,986	131,067,828
	126,518,867	566,525,191	693,044,058	128,287,142	519,071,057	647,358,199

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

	31 March 2017	31 December 2016
Balance due within 1 year	114,169,865	113,929,860
Accrued interest	12,349,002	14,357,282
Total	126,518,867	128,287,142

- **First loan:**

This first loan is provided by one of the Egyptian banks in January 2014 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000 and the total withdrawal amount is LE 70,000,000 on 31 March 2017 in addition to accrued interest. The loan outstanding balance at 31 March 2017 after payment of due installments amounted to 35,000,000 in addition accrued interests.

Terms of payments:

Edita Food Industries S.A.E. (borrower) is obligated to Pay LE 35,000,000 on 4 equal semi-annual instalments; each instalment is amounted to LE 8,750,000. The first installment is due on 22 August 2017 and the last on 22 February 2019.

Interest:

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

Fair value:

Fair value is approximately equal to book value.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2017

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

Loans (continued)

- **Second loan:**

This second loan is provided by one of the Egyptian banks on September 2014 based on a cross guarantee issued from Digma Trading Company amounted to LE 185,000,000 and the total withdrawal amount is LE 86,857,057 plus 5,587,500 USD on 31 March 2017. The loan outstanding balance at 31 March 2017 after payment of due installments amounted to LE 67,555,487 and USD 4,345,832 in addition accrued interests.

Terms of payments:

Edita Food Industries S.A.E. is obligated to Pay LE 67,555,487 on 7 equal semi-annual installments; each installment is amounted to LE 9,650,785 In addition. The company is obligated to pay 4,345,832 USD on 7 equal semi-annual installments; each installment is amounted to 620,834 USD.

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

Interest:

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

Fair value:

Fair value is approximately equal to book value.

- **Third loan:**

This third loan is provided by one of the Egyptian banks on April 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 90,000,000 and the total withdrawal amount is LE 90,000,000. The loan outstanding balance at 31 March 2017 amounted to LE 90,000,000 in addition accrued interests.

Terms of payments:

Edita Food Industries S.A.E. is obligated to Pay LE 90,000,000 on 10 equal semi-annual installments; each installment is amounted to LE 9,000,000. The first installment is due on 9 April 2017 and the last on 9 October 2021.

Interest:

The interest rate is 2% above mid corridor rate of Central Bank of Egypt.

Fair value:

Fair value is approximately equal to book value.

- **Fourth loan:**

This fourth loan is provided by one of the Egyptian banks on September 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 202,234,888 and the total withdrawal amount is LE 102,456,269 plus 4,930,194 Euro plus 60,214 USD plus 90,208 GBP on 31 March 2017 in addition to accrued interest. The bank committed to translate the foreign Currency to Egyptian pound as the company in not obligated to pay the loan back in foreign currency.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2017

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

Loans (continued)

Terms of payments:

Edita Food Industries S.A.E. is obligated to Pay LE 202,234,888 on 11 equal semi-annual instalments; each instalment is amounted to LE 18,384,990 the first instalment is due on 19 April 2017 and the last on 19 April 2022. Total loan value and accrued interest to be paid to the bank in local currency without any obligation on the Company to pay foreign currency.

Interest:

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

Fair value:

Fair value is approximately equal to book value.

- **fifth loan:**

This fifth loan is provided by one of the Egyptian banks on September 2016 based on a cross guarantee issued from Digma Trading Company amounted to LE 170,000,000 and 6,000,000 Euro. The total withdrawal amount is LE 158,865,569 plus 2,446,000 Euro on 31 March 2017 in addition to accrued interest.

Terms of payments:

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

Interest:

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

Fair value:

Fair value is approximately equal to book value.

16. Employee benefit obligation

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

	31 March 2017	31 December 2016
Discount rate	14%	14%
Average salary increase rate	10%	10%
Turnover rate	25%	25%
Life table	49-52	49-52

EDITA FOOD INDUSTRIES S.A.E.**Notes to the separate financial statements - For the three months period ended 31 March 2017**

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

Employee benefit obligation (continued)

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

	31 March 2017	31 December 2016
Present value of obligations	2,195,034	1,945,034
Liability at the statement of financial position	2,195,034	1,945,034

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

	31 March 2017	31 December 2016
Balance at beginning of the period	1,945,034	2,533,203
Charged during the period	250,000	-
Paid during the period	-	(588,169)
Balance at end of the period	2,195,034	1,945,034

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

	31 March 2017	31 March 2016
Present cost of the service		
Accrued service cost	250,000	-
Total	250,000	-

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2017

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

17. Deferred tax liabilities

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

	Fixed assets	Unrealized foreign exchange loss	Net deferred tax liabilities	
			31 March 2017	31 December 2016
A. Deferred tax assets				
Balance at 1 January	-	33,608,041	33,608,041	-
Charged to statement of profit or loss	-	(5,480,491)	(5,480,491)	33,608,041
Ending balance as of	-	28,127,550	28,127,550	33,608,041
B. Deferred tax liabilities				
Balance at 1 January	(96,854,960)	-	(96,854,960)	(75,912,565)
Charged to statement of profit or loss	(1,786,771)	-	(1,786,771)	(20,942,395)
Ending balance as of	(98,641,731)	-	(98,641,731)	(96,854,960)
Net deferred tax liabilities	(98,641,731)	28,127,550	(70,514,181)	(63,246,919)
Balance at 1 January	(96,854,960)	33,608,041	(63,246,919)	(75,912,565)
Charged to statement of profit or loss	(1,786,771)	(5,480,491)	(7,267,262)	12,665,646
Ending Balance as of	(98,641,731)	28,127,550	(70,514,181)	(63,246,919)

18. Provisions

	31 March 2017	31 December 2016
Balance at 1 January	14,326,110	11,847,384
Charged during the period	500,000	3,478,726
Utilized during the period	(744,009)	(1,000,000)
Ending Balance as of	14,082,101	14,326,110

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.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2017

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

19. Bank overdrafts

	31 March 2017	31 December 2016
Bank overdraft	233,355,383	215,614,352
Total	233,355,383	215,614,352

Bank overdraft is an integral part of the Company's cash management to finance its working capital. The effective interest rate for bank overdraft was 16.18 % for Egyptian pound withdrawals and 4.8% for US dollars withdrawals as of 31 March 2017 (31 December 2016: 15.75%)

20. Trade and other payables

	31 March 2017	31 December 2016
Dividends payable	129,475,149	1,475,149
Trade payables	102,419,456	114,814,639
Accrued expenses	38,006,812	33,254,881
Notes payable	35,839,891	31,710,553
Taxes payable	18,809,162	24,708,535
Other credit balances	19,897,046	10,466,165
Advances from customers	1,543,023	2,360,845
Social insurance	75,118	75,118
Total	346,065,657	218,865,885

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

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

21. Due to related parties

	31 March 2017	31 December 2016
Digma for Trading Company	39,418,090	2,813,741
Total	39,418,090	2,813,741

- 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 2017 amounted to LE 449,884,356 (31 March 2016: LE 400,683,351)

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

EDITA FOOD INDUSTRIES S.A.E.**Notes to the separate financial statements - For the three months period ended 31 March 2017**

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

22. Current income tax liabilities

	31 March 2017	31 December 2016
Balance at 1 January	-	15,531,819
Income tax paid during the period	-	(15,270,100)
Withholding tax receivable	-	(3,042,543)
Income tax for the period	-	21,737,979
Corporate income tax – advances	-	(16,725,121)
Accrued interest – advances	-	(2,232,034)
Balance as of	-	-

23. Other income

	31 March 2017	31 March 2016
Export subsidies	2,675,343	1,954,549
Gain from sales of production waste	772,194	1,150,648
Others income	125,250	597,020
Total	3,572,787	3,702,217

24. Other (losses) / gains - Net

	31 March 2017	31 March 2016
Other provisions	(500,000)	(750,000)
Provision for employee benefit obligation	(250,000)	-
Provision for slow moving inventory	(206,250)	(225,000)
Gain from sale of property plant and equipment	289,209	79,040
Other (losses) / gains – Net	(667,041)	(895,960)

EDITA FOOD INDUSTRIES S.A.E.**Notes to the separate financial statements - For the three months period ended 31 March 2017**

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

25. Finance cost – Net

	31 March 2017	31 March 2016
Finance income		
Interest income	6,886,155	5,136,943
	6,886,155	5,136,943
Finance cost		
Interest on lands' instalments	-	(177,135)
Interest expenses	(21,021,643)	(9,122,790)
Foreign exchange (Loss)	(4,098,360)	(43,415,021)
	(25,120,003)	(52,714,946)
Finance cost – net	(18,233,848)	(47,578,003)

26. Income tax expense

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

	31 March 2017	31 March 2016
Income tax for the period	-	1,233,011
Deferred tax	7,267,262	4,425,367
Total	7,267,262	5,658,378
Profit before tax	29,565,727	25,148,346
Tax calculated based on applicable tax rates	6,652,289	5,658,378
Tax effect of non-deductible expenses	112,500	-
Tax effect of realized foreign exchange loss	502,473	-
Income tax expense	7,267,262	5,658,378

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements - For the three months period ended 31 March 2017

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

27. Earnings per share

Basic

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

	31 March 2017	31 March 2016
Profit for the period	22,298,465	19,489,968
Weighted average number of ordinary shares in issue		
Ordinary shares	725,362,900	725,362,900
Basic earnings per share	0.03	0.03

Diluted

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

28. Expenses by nature

	31 March 2017	31 March 2016
Cost of sales	371,897,511	293,997,198
Distribution cost	40,350,891	36,724,525
Administrative expenses	37,948,635	34,531,707
	450,197,037	365,253,430
Raw and packaging materials used	288,338,888	224,208,140
Salaries and wages	57,408,563	50,060,374
Advertising expense	37,997,461	27,997,563
Depreciation	19,280,228	16,122,940
Miscellaneous and other expense	10,944,159	8,923,192
Fuel, oil, water and electricity	9,800,038	8,280,325
Employees benefits	8,555,712	6,431,157
Company share in social insurance	6,003,112	5,337,694
Transportation expense	4,331,812	4,308,468
Maintenance	4,155,162	3,339,961
Consumables	2,742,036	2,405,052
Vehicle expense	527,996	436,218
Rent expense	111,870	6,536,904
Royalty	-	865,442
Total cost of sales, distribution costs, and administrative expenses	450,197,037	365,253,430

EDITA FOOD INDUSTRIES S.A.E.

Notes to the Separate financial statements - For the three months period ended 31 March 2017

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

29. Segment reporting

(Amounts presented to the nearest thousands EGP)

	Cake		Croissant		Bake		Friska		Total	
	March 2017	March 2016	March 2017	March 2016	March 2017	March 2016	March 2017	March 2016	March 2017	March 2016
Revenue	287,631	234,405	119,754	148,901	55,481	29,117	32,225	22,751	495,091	435,174
Gross Profit	83,031	86,175	19,599	40,723	10,317	5,938	10,246	8,340	123,193	141,176
Profit from Operations	46,625	57,517	3,985	22,793	(6,332)	(9,410)	3,521	1,825	47,799	72,725
Finance Cost	(14,594)	(28,394)	(6,076)	(18,037)	(2,815)	(3,527)	(1,635)	(2,757)	(25,120)	(52,715)
Finance income	4,000	2,767	1,666	1,758	772	344	448	268	6,886	5,137
Income Tax	(6,713)	(4,698)	(99)	(960)	-	-	(455)	-	(7,267)	(5,658)
Net Profit for the period	29,318	27,192	(524)	5,554	(8,375)	(12,593)	1,879	(664)	22,298	19,489

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the Separate financial statements - For the three months period ended 31 March 2017

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

30. Contingent liabilities

- The Company guarantees Digma for trading company and Edita confectionary Industries against third parties in borrowing from Egyptian Banks.
- The Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities. The uncovered portion of the letter of guarantee and letters of credit granted to the Company arising from ordinary course of business amounted to LE 14,943,690 as at 31 March 2017 (31 December 2016: LE 50,700,499).

31. Tax position

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

a. Corporate tax

- The company is tax exempted for a period of 10 years ending 31 December 2007 in accordance with Law No. 230 of 1989 and Law No. 59 of 1979 related to New Urban Communities. The exemption period was determined to start from the fiscal year beginning on 1 January 1998. The company submits its tax returns on its legal period.
- The tax inspection was performed for the period from the company's inception till 31 December 2010 and all due tax amounts paid.
- For the years 2011-2012 the tax inspection was performed and the difference was sent to internal committee.
- For the years 2013-2015 the Company is submitting the tax return according to law No. 91 of 2005 in its legal period and has not been inspected yet.

b. Payroll tax

- The payroll tax inspection was performed till 31 December 2013 and company paid tax due.
- As for the years 2014 and 2016 the tax inspection has not been performed and the company is submitting the quarterly tax return on due time to the Tax Authority.

c. Sales tax

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

d. Stamp duty tax

- The stamp duty tax inspection was performed till 2009 and company paid tax due.
- Years from 2010 till 2016 tax inspection has not been performed.

32. Capital commitments

The Company has capital commitments as of 31 March 2017 amounted to LE 44,114,500 in respect of the construction of a new factory for Edita Food Industries.

EDITA FOOD INDUSTRIES S.A.E.**Notes to the Separate financial statements - For the three months period ended 31 March 2017**

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

33. Financial instrument by category

		31 March 2017	
		Loans & receivables	Total
Assets as per statement of financial position			
Trade and other receivables (excluding prepayments)*		134,452,709	134,452,709
Due from related parties		67,582,808	67,582,808
Cash and cash equivalents		46,259,530	46,259,530
Treasury bills		130,264,416	130,264,416
Total		378,559,463	378,559,463
		31 March 2017	
		Other financial liabilities at amortised costs	Total
Liabilities as per statement of financial position			
Loans*		693,044,058	693,044,058
Trade and other payables (excluding non-financial liabilities)*		325,638,354	325,638,354
Due to related parties		39,418,090	39,418,090
Bank overdraft		233,355,383	233,355,383
Total		1,291,455,885	1,291,455,885
		31 December 2016	
		Loans & receivables	Total
Assets as per statement of financial position			
Trade and other receivables (excluding prepayments)*		147,614,483	147,614,483
Due from related parties		71,654,958	71,654,958
Cash and cash equivalents		43,948,439	43,948,439
Treasury bills		121,183,070	121,183,070
Total		384,400,950	384,400,950
		31 December 2016	
		Other financial liabilities at amortised costs	Total
Liabilities as per statement of financial position			
Loans*		647,358,199	647,358,199
Trade and other payables (excluding non-financial liabilities)*		191,721,387	191,721,387
Due to related parties		2,813,741	2,813,741
Bank overdraft		215,614,352	215,614,352
Total		1,057,507,679	1,057,507,679

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

Trade and other receivables presented above excludes prepaid expenses.

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the Separate financial statements - For the three months period ended 31 March 2017

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

34. Subsequent events

On April 6th 2017, Africa Samba B.V has sold its share of stocks in Edita Food industries which is amounted to 7.5% to other shareholders, the paid up capital after period end will be as follows:

Shareholders	No. of shares	Shares value	Percentage of ownership
BERCO Ltd.	303,308,300	60,661,660	41.815%
THE BANK OF NEW YORK MELLON	185,546,165	37,109,233	25.580%
EXODER Ltd.	94,769,464	18,953,893	13.065%
Kingsway Fund	20,331,793	4,066,359	2.803%
Others (Public stocks)	121,407,178	24,281,435	20%
	725,362,900	145,072,580	100%