

EDITA FOOD INDUSTRIES S.A.E.

**LIMITED REVIEW REPORT AND
SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2015**

EDITA FOOD INDUSTRIES S.A.E.

Separate financial statements - For the six months period ended 30 June 2015

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Report on review of interim separate financial statements

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

Introduction

We have reviewed the accompanying interim separate balance sheet of Edita Food Industries (S.A.E.) (the company) as of 30 June 2015 and the related separate statements of income, changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim separate financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim separate financial statements based on our limited review.

Scope of limited review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim separate financial statements is not prepared in all material respects, the financial position of the company as at 30 June 2015, and of its financial performance and its cash flows for the six months period then ended in accordance with Egyptian Accounting Standards.



The Board of Directors of Edita Food Industries Company (S.A.E.)
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Other significant matters

Without qualifying our conclusion, we draw attention to note (33) in the notes to the interim separate financial statements, the company has not issued audited financial statements in accordance with Egyptian Standards on Auditing or conducted a limited review in accordance with Egyptian Standard on review engagement No.2410 "Review of Interim Financial Statements performed by an independent Auditor of the Entity" for the six months period ended 30 June 2014 and accordingly the comparative figures for each of the separate statements of income, changes in equity and cash flows for the period from 1 January 2014 to 30 June 2014 are not audited or reviewed.

However, the comparative figures in the balance sheet represents balances as of 31 December 2014 which were previously audited and issued an unqualified opinion dated 11 February 2015.

A handwritten signature in blue ink, appearing to read "Ahmed Gamal Al-Atrees".

Ahmed Gamal Al-Atrees
R.A.A. 8784
E.F.S.A. 136
Mansour & Co. PricewaterhouseCoopers

13 August 2015
Cairo

EDITA FOOD INDUSTRIES S.A.E.
Separate interim balance sheet - At 30 June 2015
(All amounts in Egyptian Pounds)

| | Note | 30 June 2015 | 31 December 2014 |
|---|-------------|-------------------------|-----------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 5 | 964,125,646 | 849,701,616 |
| Intangible assets | 6 | 162,597,332 | 68,618,658 |
| Investments in subsidiaries | 7 | 87,692,662 | 87,692,662 |
| Total non-current assets | | 1,214,415,640 | 1,006,012,936 |
| Current assets | | | |
| Inventories | 8 | 121,021,177 | 96,358,297 |
| Trade receivables | 9 | 3,444,640 | 3,869,700 |
| Debtors and other debit balances | 10 | 54,068,892 | 44,245,220 |
| Due from related parties | 11 | 37,819,516 | 39,061,691 |
| Treasury bills | 12 | 85,398,253 | 86,093,095 |
| Cash and bank balances | 13 | 139,461,838 | 155,606,250 |
| Total current assets | | 441,214,316 | 425,234,253 |
| Current liabilities | | | |
| Provisions | 14 | 10,196,266 | 8,227,379 |
| Bank overdrafts | 15 | 99,570,842 | 56,922,262 |
| Trade and other payables | 16 | 190,961,646 | 179,215,216 |
| Due to related parties | 17 | 3,504,325 | - |
| Income tax liabilities | 18 | 20,377,428 | 69,739,367 |
| Current portion of long-term liabilities | 19 | 157,958,188 | 108,650,271 |
| Total current liabilities | | 482,568,695 | 422,754,495 |
| Net (Deficit) / working capital | | (41,354,379) | 2,479,758 |
| Total invested funds | | 1,173,061,261 | 1,008,492,694 |
| Represented in: | | | |
| Owners' equity | | | |
| Paid up capital | 20 | 72,536,290 | 72,536,290 |
| Legal reserve | 21 | 29,203,540 | 29,203,540 |
| Retained earnings | | 747,301,488 | 655,844,850 |
| Total owners' equity | | 849,041,318 | 757,584,680 |
| Non-current liabilities | | | |
| Long-term loan | 22 | 239,863,461 | 180,243,390 |
| Long-term notes payable | 23 | 9,449,762 | 8,884,102 |
| Deferred tax liabilities | 24 | 74,706,720 | 61,780,522 |
| Total non-current liabilities | | 324,019,943 | 250,908,014 |
| Total owners' equity and non-current liabilities | | 1,173,061,261 | 1,008,492,694 |

The accompanying notes on pages 7 - 36 form an integral part of these financial statements.


Mr. Sherif Fathy
Vice President - Finance


Eng. Hani Berzi
Chairman

Cairo, 12 August 2015
Independent limited review report attached 

EDITA FOOD INDUSTRIES S.A.E,

Separate interim statement of income

For the six months period ended 30 June 2015

(All amounts in Egyptian Pounds)

| | Note | The six months period ended 30 June | | The three months period ended 30 June | |
|--|------|-------------------------------------|---------------------|---------------------------------------|---------------------|
| | | 2015 | Un reviewed 2014 | 2015 | Un reviewed 2014 |
| Sales | | 879,630,507 | 769,500,413 | 428,577,648 | 381,443,241 |
| Cost of sales | 30 | (607,979,969) | (537,715,208) | (302,735,104) | (266,364,779) |
| Gross profit | | 271,650,538 | 231,785,205 | 125,842,544 | 115,078,462 |
| Selling and marketing expenses | 30 | (63,466,678) | (37,067,242) | (30,328,753) | (20,231,103) |
| General and administrative expenses | 30 | (59,389,370) | (37,624,679) | (30,806,540) | (19,981,431) |
| Other income | 25 | 7,562,251 | 10,069,385 | 6,194,076 | 8,040,023 |
| Other expenses | 26 | (2,016,267) | (2,807,259) | (1,078,767) | (1,375,000) |
| Operating profit | | 154,340,474 | 164,355,410 | 69,822,560 | 81,530,951 |
| Finance cost , net | 27 | (764,855) | (3,798,806) | (6,839,671) | (1,242,561) |
| Dividends distribution from subsidiaries | | - | 44,497,646 | - | - |
| Profit before tax | | 153,575,619 | 205,054,250 | 62,982,889 | 80,288,390 |
| Income tax expense | 28 | (46,664,380) | (48,166,982) | (19,196,060) | (28,099,929) |
| Net profit for the period | | 106,911,239 | 156,887,268 | 43,786,829 | 52,188,461 |
| Earning per share (Basic and Diluted) | 29 | 0.295 | 0.433 | 0.121 | 0.144 |

The accompanying notes on pages 7 - 36 form an integral part of these financial statements.

EDITA FOOD INDUSTRIES S.A.E.**Separate interim statement of changes in owners' equity
For the six months period ended 30 June 2015****(All amounts in Egyptian Pounds)**

| | Paid up capital | Legal reserve | Retained earnings | Total |
|---|----------------------------|----------------------|------------------------------|----------------------|
| Balance at 1 January 2014 | 72,536,290 | 14,507,258 | 539,136,190 | 626,179,738 |
| Dividends distribution for 2013 | - | - | (162,520,706) | (162,520,706) |
| Net profit for the period | - | - | 156,887,268 | 156,887,268 |
| Balance at 30 June 2014 (Un reviewed) | 72,536,290 | 14,507,258 | 533,502,752 | 620,546,300 |
| Balance at 31 December 2014 and 1 January 2015 | 72,536,290 | 29,203,540 | 655,844,850 | 757,584,680 |
| Dividends distribution for 2014 | - | - | (15,454,601) | (15,454,601) |
| Net profit for the period | - | - | 106,911,239 | 106,911,239 |
| Balance at 30 June 2015 | 72,536,290 | 29,203,540 | 747,301,488 | 849,041,318 |

The accompanying notes on pages 7 - 36 form an integral part of these financial statements.

EDITA FOOD INDUSTRIES S.A.E.

Separate interim statement of cash flows For the six months period ended 30 June 2015

| (All amounts in Egyptian Pounds) | | | 30 June 2015 | Un reviewed 30 June 2014 |
|---|-------|--|----------------------|--------------------------------|
| | Notes | | | |
| <u>Cash flows from operating activities</u> | | | | |
| Profit for the period before tax | | | 153,575,619 | 205,054,250 |
| Adjustments for: | | | | |
| Provisions formed | 26 | | 2,016,267 | 2,807,259 |
| Interest on lands' installment | 27 | | 565,660 | 864,000 |
| Interest expenses | 27 | | 11,225,777 | 10,479,431 |
| Interest income | 27 | | (10,546,065) | (8,952,771) |
| Depreciation of property, plant and equipment | 5 | | 25,665,862 | 22,433,682 |
| Amortization Intangible Assets (Know how) | 6 | | 314,310 | - |
| gain from sale of property, plant and equipment | 25 | | (4,833,962) | (90,534) |
| Operating profits before changes in working capital | | | 177,983,468 | 232,595,317 |
| <u>Changes in working capital</u> | | | | |
| Inventories | | | (24,662,880) | (20,460,582) |
| Accounts and notes receivables | | | 425,060 | 1,683,541 |
| Debtors and other debit balance | | | (9,823,672) | (27,449,638) |
| Due from related parties | | | 1,242,175 | 3,591,559 |
| Due to related parties | | | 3,504,325 | 24,251,315 |
| Trade and other payables ** | | | 15,026,190 | 8,702,359 |
| Provisions used | | | (47,380) | (1,054,450) |
| Cash flows from operating activities | | | 163,647,286 | 221,859,421 |
| Interest paid | | | (11,225,777) | (10,479,431) |
| Income tax paid | | | (83,100,121) | (48,501,414) |
| Net cash flows generated from operating activities | | | 69,321,388 | 162,878,576 |
| <u>Cash flows from investing activities</u> | | | | |
| Purchase of property, plant and equipment | 5 | | (140,524,366) | (32,170,934) |
| Purchase of Intangible assets | | | (94,292,984) | - |
| Proceeds from sale of property, plant and equipment | | | 5,268,436 | 143,124 |
| Interest received | | | 10,546,065 | 8,952,771 |
| Treasury bills | | | 694,842 | 1,975,476 |
| Net cash flows used in investing activities | | | (218,308,007) | (21,099,563) |
| <u>Cash flows from financing activities</u> | | | | |
| Paid sales tax on machinery payments | | | - | (25,296) |
| Dividends paid ** | | | (15,454,601) | (112,619,816) |
| Loans paid | | | (35,833,267) | (49,152,159) |
| Proceeds from loans | | | 141,481,495 | 60,968,865 |
| Net cash flows generated from / (used in) financing activities | | | 90,193,627 | (100,828,406) |
| Net (decrease) /increase in cash and cash equivalents | | | (58,792,992) | 40,950,607 |
| Cash and cash equivalents at beginning of the year | | | 98,683,988 | 91,616,347 |
| Cash and cash equivalents at end of the period | 13 | | 39,890,996 | 132,566,954 |

The accompanying notes on pages 7 - 36 form an integral part of these financial statements.

**During the period ended as at 30 June 2014 Non cash transaction amounted to LE 49,900,889 excluding from Trade and other payable and from Dividends payments as well

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate interim financial statements For the six months period ended 30 June 2015

(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 and the capital market Law No. 95 of 1992 and is registered in the commercial register under number 692 Cairo.

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

The company provides manufacturing, producing and packing of all food products and producing and packing of juices, jams, ready made food, dry goods, cakes, pastry, dairy products, meat, vegetables, fruits, chocolate, vegetarian products and other food products with all necessary ingredients.

The main shareholders are BERCO Limited which owns 41.815% of the company's share capital and Exoder participation, "Exoder Limited", domiciled in Cyprus which owns 12.975% of the company's share capital and Africa Samba Cooperative which owns 15% of Company's share capital and other shareholders owning 30.21% of company's share capital.

These separate financial statements have been approved by the Board of Directors on 12 August 2015

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 of separate financial statements

The separate financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS's) and applicable laws and regulations. The separate financial statements have been prepared under the historical cost convention.

The preparation of separate financial statements in conformity with EAS's 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. The 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.

The company has prepared these separate financial statements in accordance with local regulations. The company has also prepared consolidated financial statements in accordance with EAS's for the company and its subsidiaries (the "Group"). In the consolidated financial statements, subsidiary undertakings - which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations - have been fully consolidated. The consolidated financial statements can be obtained from the head office of the Group. In these separate financial statements, investment in subsidiaries are accounted for at cost.

Users of these separate financial statements should read them together with the Group's consolidated financial statements for the period ended 30th of June 2015 in order to obtain full information on the financial position, results of operations, cash flow and changes in equity of the Group as a whole.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

Basis of preparation of separate financial statements (continued)

The EAS's requires the reference to the International Financial Reporting Standards (IFRS) when there is no EAS, or legal requirements that explain the treatment of specific balances and transactions.

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'). The separate financial statements are presented in Egyptian Pounds which is the company's functional and presentation currency.

(2) Transactions and balances

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

C. Property, plant and equipment

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

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

Estimated useful lives of assets are as follows:

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the asset and are included in income from operations.

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

Property, plant and equipment (continued)

The residual values and useful lives of all assets are reviewed, and adjusted if appropriate, at each balance sheet date.

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

D. Intangible assets

Intangible assets (Trademarks) have infinite useful lives and are carried at cost less impairment losses. Historical cost includes all expenses associated with the acquisition of an intangible asset, whereas intangible assets (know how) have finite useful life and is carried at cost less accumulated amortization.

Amortization of intangible assets which have finite useful lives is calculated using the straight line method, know how is amortized over 25 years.

E. Impairment of non-financial assets

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

Assets that have an indefinite useful life – intangible assets (Trade Mark) – are not subject to amortisation and are tested annually for impairment. Whenever events or changes in circumstances indicate that the carrying amount of the intangible assets may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Reversal of impairment losses recognized in prior years, if any, is recorded when there is an indication that the impairment losses recognized for the asset is no longer exist or has decreased. The amount of reversal of impairment is recognized within the statement of income.

(2) Non-financial assets have useful life

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

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

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

F. Investments in subsidiaries

Investments in subsidiaries, where ownership is more than 50% of the voting power and 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. Any received dividends are credited to the investment balance with the value of the dividend received in case the dividends exceed the investment share in the subsidiaries.

G. Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. If the company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale.

At initial recognition, the company measures held for trading financial assets at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset. That is subsequently measured at amortized cost using the effective interest rate method. In the event of a deterioration in the fair value of the carrying value of each bond is adjusted book value and its bearing on the income statement that in the event of a rise in the fair value is added to the income statement in the range of what has already charged on the income statements for the previous financial periods.

H. Inventory

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

I. Financial assets

(i) Classification

The Company classifies its financial assets in the following categories. 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) Financial assets at fair value through profit or loss. (Held for trading)
- b) Held to maturity investments
- c) Loans and receivables.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

Financial assets (continued)

Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets, if it is expected to be adjusted during 12 months, if no, it will be classified as non-current assets.

(2) Held to maturity investments

It is a non-derivative financial asset which has specific repaid value, available to be specific, specific maturity date, the Company has the ability and intend to held it till the maturity date.

The initial recognition depending on it's fair value from gain or loss is excluded, or initially recognized as available for sale and apply on it loan and receivables definition.

(3) 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 balance sheet date. These are classified as non-current assets.

Included in this category accounts receivables, notes receivables, debtors, cash and cash equivalent and due from related parties.

(ii) Measurement and subsequent measurement

The financial assets disposed when the ownership of acquiring of cash flow from these assets is transferred, and the Company has transferred most of the risk and rewards related to ownership to other.

Changes in the fair value of monetary securities debt instruments (bonds, treasury bills) denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the income statement, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Interest on available-for-sale securities (bonds, treasury bills) calculated using the effective interest method is recognised in the income statement as part of financial income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Company has the right to receive these dividends.

The Company assesses at balance sheet date whether there is objective evidence that a financial asset as a Company of financial assets is impaired.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

J. Trade and notes receivables

Trade and notes 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 granted credit limits).

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

K. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks maturing in three months less bank overdrafts.

Bank overdrafts are included within current liabilities on the balance sheet.

L. Paid up capital

Ordinary shares are classified as equity.

M. Borrowings

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

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

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

N. Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

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

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

O. Employee benefits

(1) Defined contribution plan

The company pays contributions to the Public Authority for Social Insurance plans on a mandatory basis. Once the contributions have been paid, the company has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

(2) Profit sharing

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

P. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are reviewed at each balance sheet date and adjusted to represent the Company's best estimate.

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

Q. Trade payables

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

R. 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.

(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

Governmental subsidy on export sales are recognized upon the completion of the export process, and the availability of all the required documents stated by the export development fund and collecting the values.

S. Dividends distribution

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

T. Operating lease

Leases are classified as operating leases when the risk and reward of the ownership are retained with the lessor. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

U. Segment reporting

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

V. Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period, we did not conduct limited review in accordance with Egyptian Standard on Review Engagements No. 2410 for the consolidated statements of income, changes in equity and cash flows for the six months period ended as of 30 June 2014.

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 currency exchange risk

The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities at separate financial statement date and net investment in foreign operations.

The below table show the foreign currency positions:

| | Assets | Liabilities | 30 June 2015 Net | 31 December 2014 |
|------------|------------|---------------|------------------------|---------------------|
| Euros | 25,896,358 | (101,143,389) | (75,247,031) | (108,114,285) |
| US Dollars | 13,453,812 | (33,488,543) | (20,034,731) | (16,829,452) |

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Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

Financial risk management (continued)

ii. Price risk

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

iii. Cash flow and fair value interest rate risk

The company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk.

Borrowing at balance sheet date with variable interest rate amounted to LE 387,835,659 (2014: LE 278,907,671).

Overdraft at the balance sheet date as of 30 June 2015 amounted to LE 99,570,842 (2014: LE 56,922,262).

Financial assets exposed to the changes in the interest rate amounted to LE 121,860,840 (2014: LE 152,460,840).

| | 30 June 2015 | 31 December 2014 |
|-------------------|--------------------|---------------------|
| Time deposit – LE | 121,860,840 | 152,460,840 |
| | 121,860,840 | 152,460,840 |

B. Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to wholesaler's customers, including outstanding accounts and notes receivables.

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

For the wholesalers, the Credit Controllers are 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 is for a major customer (Digma for Trading – company's subsidiary) and its the company subsidiary, which represent 92% of total company sales.

Provisions are accounted for doubtful debts on case by case basis.

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Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

Financial risk management (continued)

(2) Capital risk 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 borrowings, trade creditors, short and long-term notes payables and bank overdrafts less cash and bank balances. Total capital is calculated as equity, plus net debts.

The gearing ratio at 30 June 2015 and 31 December 2014 were as follows:

| Description | 30 June 2015 | 31 December 2014 |
|--|----------------------|----------------------|
| Loans and long term notes payables | 397,285,421 | 287,791,773 |
| Trade payables and short term notes payables | 154,657,004 | 150,784,528 |
| Bank overdraft | 99,570,842 | 56,922,262 |
| Total loans, trade and notes payables | 651,513,267 | 495,498,563 |
| Less: Cash, and bank balances | (139,461,838) | (155,606,250) |
| Net debt | 512,051,429 | 495,498,563 |
| Total equity | 849,041,318 | 757,584,680 |
| Total capital | 1,361,092,747 | 1,253,083,243 |
| Gearing ratio | 38% | 31% |

The increase in net debt to total capital is due to the increase in loans and long-term notes payables.

(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.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. At balance sheet date, the fair value of non-current liabilities do not significantly differ from its carrying amount.

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Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

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, may not equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment within the next financial year are outlined below:

Impairment of intangible assets (Trade Mark)

The Company's management annually test the impairment of intangible assets (Trade Mark), for which assets have an indefinite useful life. This is tested on the management expectation for financial and operational performance in previous years and the market developments in the future by preparing an action plan by using the growth rate and the prevailing discount rate.

(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.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the interim separate financial statements For the six months period ended 30 June 2015

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

5. Property, plant and equipment

| | 30 June 2015 | | | | | | | 31 December 2014 |
|--|--------------|-------------|-----------------------|--------------|-------------------|------------------------------|-----------------------------|------------------|
| | Land | Buildings | Machinery & equipment | Vehicles | Tools & equipment | Furniture & office equipment | Projects under construction | Total |
| Cost | | | | | | | | |
| Balance at 1 January | 62,226,931 | 281,510,397 | 424,827,637 | 32,047,525 | 37,720,379 | 34,691,662 | 196,735,712 | 1,069,760,243 |
| Additions | 44,487,197 | - | 5,988,843 | 2,682,820 | 2,736,950 | 904,462 | 83,724,094 | 96,037,169 |
| Transfer from project under construction | - | - | 146,890,999 | - | 11,206,128 | - | (158,097,127) | - |
| Disposals | - | - | (47,518) | (14,037,397) | (101,345) | (48,495) | - | (14,234,755) |
| Balance at end of the period / year | 106,714,128 | 281,510,397 | 577,659,961 | 20,692,948 | 51,562,112 | 35,547,629 | 122,362,679 | 1,196,049,854 |
| Accumulated depreciation | | | | | | | | |
| Balance at 1 January | - | 31,399,788 | 125,994,759 | 23,082,056 | 22,196,521 | 17,385,503 | - | 220,058,627 |
| Charge for the period / year | - | 5,630,208 | 12,271,913 | 1,477,940 | 3,166,544 | 3,119,257 | - | 25,665,862 |
| Disposals | - | - | (45,736) | (13,605,607) | (100,443) | (48,495) | - | (13,800,281) |
| Balance at end of the period / year | - | 37,029,996 | 138,220,936 | 10,954,389 | 25,262,622 | 20,456,265 | - | 231,924,208 |
| Net book value at | 106,714,128 | 244,480,401 | 439,439,025 | 9,738,559 | 26,299,490 | 15,091,364 | 122,362,679 | 964,125,646 |

* The additions in land is represented in new purchased plot for the sake of building new factory in 6th of October city, and it is being approved from the new urban communities authority.

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Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

6. Intangible assets

6.a Intangible assets which have infinite useful lives - Trademarks (HOHOS, Twinkies & Tiger Tail)

| <u>Cost</u> | Trade Mark (HOHOS, Twinkies & Tiger Tail) | |
|------------------------------------|--|-----------------------------|
| | 30 June 2015 | 31 December 2014 |
| Opening balance | 68,618,658 | 68,618,658 |
| Additions during the period / year | 62,861,989 | - |
| Balance as of | 131,480,647 | 68,618,658 |

The intangible assets in the amount of ten million US Dollars equivalent to LE 68,618,658 paid versus buying all the rights to the trademarks (HOHOS, Twinkies & Tiger Tail) and what 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 expanding the scope of 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.

The impairment of intangible assets is reviewed annually to ensure from the carrying value of the intangible assets, so there is no impairment in the value.

Assumptions used by the Company when testing the impairment of intangible assets as of 31 December 2014 as follows:

| | |
|----------------------|------|
| Average gross profit | 30 % |
| Discount rate | 19 % |
| Growth rate | 3 % |

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

6 – b) Intangible assets which have finite useful lives – Know how

| <u>Cost</u> | Know How 30 June 2015 |
|---|----------------------------------|
| Additions during the period | 31,430,995 |
| Balance as of | 31,430,995 |
| <u>Accumulated Amortization</u> | 30 June 2015 |
| Amortization expense during the period | 314,310 |
| Balance as of | 314,310 |
| Net book value for know how | 31,116,685 |
| Net book value for intangible assets | 162,597,332 |

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Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

Intangible assets (continued)

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

7. Investments in subsidiaries

| | <u>Country of Incorporation</u> | <u>% interest held</u> | <u>30 June 2015</u> | <u>31 December 2014</u> |
|-------------------------------------|-------------------------------------|----------------------------|--------------------------|-----------------------------|
| Digma for Trading Company | Egypt | 99,80% | 44,939,638 | 44,939,638 |
| Edita Confectionary Industries | Egypt | 77,71% | 42,739,000 | 42,739,000 |
| Edita Participation Ltd. | Cyprus | 100% | 14,024 | 14,024 |
| Balance at period / year end | | | <u>87,692,662</u> | <u>87,692,662</u> |

The impairment of investment in subsidiaries is reviewed periodically 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.

8. Inventories

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--|---------------------------|-----------------------------|
| Raw materials, packing and packaging | 93,168,169 | 71,500,701 |
| Spare parts | 22,603,726 | 21,157,452 |
| Work in process | 1,530,323 | 1,104,693 |
| Consumables | 1,823,711 | 1,571,974 |
| Finished goods | 2,140,248 | 1,268,477 |
| Total | <u>121,266,177</u> | <u>96,603,297</u> |
| Less: provision for slow moving and obsolete inventory | (245,000) | (245,000) |
| Net | <u>121,021,177</u> | <u>96,358,297</u> |

During the period, there has been a slow moving and obsolete inventory amounted to 245,000

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

9. Trade receivables

| | 30 June 2015 | 31 December 2014 |
|-------------------|------------------|---------------------|
| Trade receivables | 3,444,640 | 3,869,700 |
| Total | 3,444,640 | 3,869,700 |

10. Debtors and other debit balances

| | 30 June 2015 | 31 December 2014 |
|-----------------------|-------------------|---------------------|
| Advances to suppliers | 37,456,580 | 32,513,305 |
| Other debit balances | 9,378,481 | 8,721,818 |
| Deposits with others | 1,670,614 | 644,509 |
| Letters of credit | 234,451 | 201,800 |
| Prepaid expenses | 5,195,894 | 1,930,743 |
| Employee loans | 111,525 | 181,994 |
| Accrued revenues | 21,347 | 51,051 |
| Total | 54,068,892 | 44,245,220 |

11. Due from related parties

| | 30 June 2015 | 31 December 2014 |
|--------------------------------|-------------------|---------------------|
| Edita Confectionary Industries | 37,563,344 | 36,783,425 |
| Digma for Trading Company | - | 2,035,143 |
| Edita Participation Ltd. | 256,172 | 243,123 |
| Total | 37,819,516 | 39,061,691 |

The following transactions were carried out with related parties:

1. Chipita Participation Company

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

The royalty paid during the period ended June 2015 amounted to LE 362,500 (30 June 2014: LE 320,216) Chipita Participation is considered a related party as it owns Exoder Ltd. Company that in turn owns 12.97% of Edita Food Industries S.A.E. shares.

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Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

Due from related parties (continued)

2. Edita Confectionary Industries

Edita Confectionary Industries produce all kinds of sweets, jelly and gum and the transactions balance during the period ended June 2015 amounted paid with LE 779,919 so the balance of all transactions amounted to be LE 37,563,344.

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

3. Key management compensation

During the period ended June 2015 the company paid an amount of LE 29,094,338 as salaries to the key management members (30 June 2014: LE: 13,874,929).

12. Treasury bills

| | 30 June 2015 | 31 December 2014 |
|---|-------------------|---------------------|
| Treasury bills par value | 86,925,000 | 86,325,000 |
| Total interest income | (2,142,551) | (2,279,267) |
| Amount of treasury bills paid | 84,782,449 | 84,045,733 |
| Interest Charged during the period/year | 615,804 | 2,047,362 |
| Treasury bills balance | 85,398,253 | 86,093,095 |

The Company purchased Egyptian treasury bills on 26th of May 2015 with par value amounted LE 35,000,000 with an annual interest of 9.25%. These treasury bills are due in 25th of August 2015. The total recognized interest income amounted to LE 303,423.

Also, the Company purchased Egyptian treasury bills on 9th of June 2015 with par value amounted LE 20,000,000 with an annual interest of 9%. These treasury bills are due in 8th of September 2015. The total recognized interest income amounted to LE 101,308.

Also, the Company purchased Egyptian treasury bills on 9th of June 2015 with par value amounted LE 31,925,000 with an annual interest of 11.83%. These treasury bills are due in 8th of September 2015. The total recognized interest income amounted to LE 211,073.

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Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

13. Cash and bank balances

| | 30 June 2015 | 31 December 2014 |
|---------------|--------------------|---------------------|
| Bank deposits | 121,860,840 | 152,460,840 |
| Cash at banks | 6,130,790 | 2,236,899 |
| Cash on hand | 11,470,208 | 908,511 |
| Total | 139,461,838 | 155,606,250 |

The average interest rate on local currency time deposits during the period ended June 2015 is 7% (2014: 8.5%).

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

| | 30 June 2015 | 31 December 2014 |
|--------------------------|-------------------|---------------------|
| Cash and bank balances | 139,461,838 | 155,606,250 |
| Bank overdraft (Note 15) | (99,570,842) | (56,922,262) |
| Total | 39,890,996 | 98,683,988 |

14. Provisions

| | 30 June 2015 | 31 December 2014 |
|---|-------------------|---------------------|
| Balance at 1 January | 8,227,379 | 7,680,491 |
| Additions during the period/ year (Note 26) | 2,016,267 | 2,750,000 |
| Utilized during the period/ year | (47,380) | (2,203,112) |
| Ending Balance | 10,196,266 | 8,227,379 |

Provisions relate 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 interim financial statements For the six months period ended 30 June 2015

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

15. Bank overdrafts

| | 30 June 2015 | 31 December 2014 |
|----------------|-------------------|---------------------|
| Bank overdraft | 99,570,842 | 56,922,262 |
| Total | 99,570,842 | 56,922,262 |

Bank overdrafts are represented in credit facilities granted to the company to open letters of credit and finance its working capital. Overdraft is secured against guarantees by Digma for trading company - subsidiary. The effective interest rate for bank overdraft was 11.25% as of 30 June 2015 (31 December 2014: 11.25%).

16. Trade and other payables

| | 30 June 2015 | 31 December 2014 |
|-------------------------|--------------------|---------------------|
| Trade payables | 70,262,385 | 101,467,112 |
| Notes payable | 74,408,629 | 39,331,426 |
| Accrued expenses | 18,443,169 | 18,281,597 |
| Taxes payable | 5,949,070 | 6,802,149 |
| Other credit balances | 13,513,486 | 7,470,392 |
| Advances from customers | 4,516,883 | 4,715,426 |
| Dividends payable | 1,195,271 | 1,072,192 |
| Social insurance | 2,672,753 | 74,922 |
| Total | 190,961,646 | 179,215,216 |

17. Due to related parties

| | 30 June 2015 | 31 December 2014 |
|---------------------------|------------------|---------------------|
| Digma for Trading Company | 3,504,325 | - |
| Total | 3,504,325 | - |

Digma for Trading Company S.A.E.

Digma for Trading is handling the distribution of all the company's products. The total sales to Digma for Trading during the period ended 30 June 2015 amounted to LE 810,946,626 (30 June 2014: 716,593,862)

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

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Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

18. Income tax liabilities

| | 30 June 2015 | 31 December 2014 |
|--|-------------------|---------------------|
| Balance at 1 January | 69,739,367 | 40,222,697 |
| Income tax paid during the period/ year | (69,123,012) | (40,315,557) |
| Withholding tax receivable | (1,827,109) | (2,467,524) |
| Income tax for the period (Note 28) | 33,738,182 | 94,132,728 |
| Corporate income tax – advances | (12,150,000) | (21,210,000) |
| Accrued interest – advances | - | (715,837) |
| Adjustments | - | 92,860 |
| Balance at end of the Period / year | 20,377,428 | 69,739,367 |

19. Current portion of long-term liabilities

| | 30 June 2015 | 31 December 2014 |
|--|--------------------|---------------------|
| Short-term loan (Note 22) | 147,972,198 | 98,664,281 |
| Current portion of long-term notes payable (Note 23) | 9,985,990 | 9,985,990 |
| Total | 157,958,188 | 108,650,271 |

20. Paid up capital

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

The issued and paid up capital amounted by LE 72,536,290 presented in 362,681,450 share (par value LE 0.2 per share) distributed as follow:

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

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

Paid up capital (continued)

The new shareholders shares (issued and paid up capital amounted to LE 72,536,290) after trading are shown as follows:

| 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 Corporative | 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% |

21. Legal reserve

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

22. Loans

| | 30 June 2015 | | | 31 December 2014 | | |
|--------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Short-term portion | Long-term portion | Total | Short-term portion | Long-term portion | Total |
| First loan | 26,067,708 | - | 26,067,708 | 26,690,885 | 12,500,000 | 39,190,885 |
| Second loan | 24,834,992 | - | 24,834,992 | 25,495,312 | 11,666,667 | 37,161,979 |
| Third loan | 23,642,365 | - | 23,642,365 | 23,834,870 | 11,667,000 | 35,501,870 |
| Fourth loan | 20,444,013 | 51,942,338 | 72,386,351 | 19,170,795 | 28,719,881 | 47,890,676 |
| Fifth loan | 41,487,513 | 94,303,188 | 135,790,701 | 3,472,419 | 115,689,842 | 119,162,261 |
| Sixth Loan | 11,438,125 | 81,000,000 | 92,438,125 | - | - | - |
| Seventh Loan | 57,482 | 12,617,935 | 12,675,417 | - | - | - |
| | 147,972,198 | 239,863,461 | 387,835,659 | 98,664,281 | 180,243,390 | 278,907,671 |

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

| | 30 June 2015 | 31 December 2014 |
|---------------------------|--------------------|-------------------|
| Balance due within 1 year | 135,166,933 | 89,166,533 |
| Accrued interest | 12,805,265 | 9,497,748 |
| Total | 147,972,198 | 98,664,281 |

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

Loans (continued)

- **First loan**

This first loan is provided by one of the Egyptian banks in August 2011 based on a cross guarantee issued from Digma Trading Company with an amount of LE 100,000,000 and the total withdrawal amount is LE 100,000,000 in addition to accrued interest. The loan outstanding balance at 30 June 2015 after payment of due installments amounted to 25,000,000 in addition accrued interests.

Terms of payments:

Edita Food Industries S.A.E. (borrower) is obligated to pay LE 25,000,000 on 2 equal semi-installments annual amounting to LE 12,500,000 each. The first installment is due on 1 August 2015 and the last on 1 February 2016 in addition to accrued interest.

Interest:

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

Fair value:

Fair value is approximately equal to book value.

- **Second loan:**

This second loan is provided by one of the Egyptian banks in August 2012 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000 and the total withdrawal amount is LE 70,000,000 in addition to the accrued interest. The loan outstanding balance at 30 June 2015 after payment of accrued instalments is LE 23,333,333 in addition to the accrued interest.

Terms of payments:

Edita Food Industries S.A.E. (borrower) is obligated to pay LE 23,333,333 on 2 equal semi-annual installments; each installment is amounted to LE 11,666,667. The first installment is due on 6 Dec 2015 and the last on 6 June 2016.

Interest:

The interest rate is 1.5% above mid corridor rate of central bank of Egypt.

Fair value:

Fair value is approximately equal to book value.

- **Third loan:**

This third loan is provided by one of the Egyptian banks in May 2013 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000 and the total withdrawal amount is LE 70,000,000 in addition to the accrued interest. The loan outstanding balance at 30 June 2015 after payment of due instalments is LE 23,333,600 in addition to the accrued interest.

Terms of payments:

Edita Food Industries S.A.E. (borrower) is obligated to Pay LE 23,333,600 on 2 semi-installments. First instalment amounted to LE 11,666,600 and last instalment amounted to LE 11,667,000. The first instalment is due on 18 Nov 2015 and the last on 18 May 2016.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

Loans (continued)

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 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 69,442,338 on 30 June 2015 in addition to accrued interest.

Terms of payments:

Edita Food Industries S.A.E. (borrower) is obligated to Pay LE 70,000,000 on 8 equal semi-annual instalments; each instalment is amounted to LE 8,750,000. The first installment is due on 22 July 2015 and the last on 22 January 2019.

Interest:

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

Fair value:

Fair value is approximately equal to book value.

• **Fifth loan:**

This fifth loan is provided by one of the Egyptian banks on June 2014 based on a cross guarantee issued from Digma Trading Company amounted to LE 185,000,000 and the total withdrawal amount is LE 83,918,844 plus 5,523,565 Euro on 30 June 2015 in addition to accrued interest. The bank committed to translate the foreign currency to Egyptian pound as the company is not obligated to pay the loan back in foreign currency.

Terms of payments:

Edita Food Industries S.A.E. is obligated to Pay LE 185,000,000 on 10 equal semi-annual installments; each installment is amounted to LE 18,500,000. The first installment is due on 26 December 2015 and the last on 26 June 2020. 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 1.25% 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.

• **Sixth loan:**

This sixth loan is provided by one of the Egyptian banks on Apr 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 90,000,000 and the total withdrawal amount is LE 90,000,000 in addition to accrued interest.

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(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 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 Apr 2016 and the last on 9 Oct 2020.

Interest:

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

Fair value:

Fair value is approximately equal to book value.

• Seventh loan:

This seventh loan is provided by one of the Egyptian banks on June 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 170,000,000 and the total withdrawal amount is LE 12,617,935 as of 30 June 2015 in addition to accrued interest.

Terms of payments:

Edita Food Industries S.A.E. is obligated to Pay LE 170,000,000 on 11 equal semi-annual instalments; each instalment is amounted to LE 15,455,000, except for the last instalment amounted to LE 15,450,000 The first instalment is due on 19 Apr 2017 and the last on 18 Apr 2022.

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.

23. Long-term notes payable

The long-term loan represents the total installment for the land purchased from Urban communities Authority – Shiekh Zayed City as the first installment due on September 2015 and the last installment on September 2016.

| | 30 June 2015 | | 31 December 2014 | |
|--|-------------------|------------------|-------------------|------------------|
| | Notes payable | Present value | Notes payable | Present value |
| Short-term notes payables | | | | |
| Less than one year | 9,985,990 | 9,985,990 | 9,985,990 | 9,985,990 |
| Total short-term liabilities | 9,985,990 | 9,985,990 | 9,985,990 | 9,985,990 |
| | | | | |
| | 30 June 2015 | | 31 December 2014 | |
| | Notes payable | Present value | Notes payable | Present value |
| Long-term notes payables: | | | | |
| More than one year and less than 5 years | 10,546,825 | 9,449,762 | 10,546,825 | 8,884,102 |
| Total long-term liabilities | 10,546,825 | 9,449,762 | 10,546,825 | 8,884,102 |

The total accrued interest on the loan for the period ended at 30 June 2015 amounting to LE 565,660 (June 2014: LE 864,000) has been charged on the statement of income as a finance cost (Note 27).

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24. Deferred tax liabilities

| | Fixed assets depreciation | Impairment of investment in subsidiaries | Net deferred tax liabilities | |
|-------------------------------------|------------------------------|--|------------------------------|---------------------|
| | | | 30 June 2015 | 31 December 2014 |
| A. Deferred tax assets | | | | |
| Balance at 1 January | - | - | - | 7,000,000 |
| Charged to income statement | | | | (7,000,000) |
| Ending balance as of | - | - | - | - |
| B. Deferred tax liabilities | | | | |
| Balance at 1 January | (61,780,522) | - | (61,780,522) | (55,296,550) |
| Charged to income statement | (12,926,198) | - | (12,926,198) | (6,483,972) |
| Ending balance as of | (74,706,720) | - | (74,706,720) | (61,780,522) |
| Net deferred tax liabilities | (74,706,720) | - | (74,706,720) | (61,780,522) |
| Balance at 1 January | (61,780,522) | - | (61,780,522) | (48,296,550) |
| Charged to income statement | (12,926,198) | - | (12,926,198) | (13,483,972) |
| Ending Balance as of | (74,706,720) | - | (74,706,720) | (61,780,522) |

25. Other income

| | 30 June 2015 | Un reviewed 30 June 2014 |
|-------------------------------------|------------------|--------------------------------|
| Gain from sales of production waste | 2,454,645 | 2,613,188 |
| Export subsidies | - | 6,748,267 |
| Others income | 273,644 | 617,396 |
| Gain from sales of fixed assets | 4,833,962 | 90,534 |
| Total | 7,562,251 | 10,069,385 |

26. Other expenses

| | 30 June 2015 | Un reviewed 30 June 2014 |
|-------------------------------------|------------------|--------------------------------|
| Other provisions (Note 14) | 2,016,267 | 2,750,000 |
| Provision for slow moving inventory | - | 57,259 |
| Total | 2,016,267 | 2,807,259 |

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

27. Finance cost , net

| | 30 June 2015 | Un reviewed 30 June 2014 |
|--|------------------|--------------------------------|
| Interest income | 10,546,065 | 8,952,771 |
| Foreign exchange gain / (loss) | 480,517 | (1,408,146) |
| Interest on lands' instalments (Note 23) | (565,660) | (864,000) |
| Interest expenses | (11,225,777) | (10,479,431) |
| Net | (764,855) | (3,798,806) |

28. 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 53 of 2014.

| | 30 June 2015 | Un reviewed 30 June 2014 |
|---------------------------------------|-------------------|--------------------------------|
| Income tax for the period (Note 18) | 33,738,182 | 48,166,982 |
| Deferred Tax (Note 24) | 12,926,198 | - |
| Total | 46,664,380 | 48,166,982 |
| Net profit before tax | 153,575,619 | 205,054,250 |
| Tax calculated based on tax rate 25% | 250,000 | 250,000 |
| Tax calculated based on tax rate 30% | 45,772,686 | 61,216,275 |
| Tax value | 46,022,686 | 61,466,275 |
| Tax effect of non-deductible expenses | 641,694 | 50,001 |
| Tax effect of non-taxable revenues | - | (13,349,294) |
| Income tax expense | 46,664,380 | 61,516,276 |

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

29. Earnings per share

Basic earnings per share is calculated by dividing the period net income by the number of ordinary issued share, without excluding the employees and board of directors share in dividends related to period ended 30 June 2015, since that the board of directors did not proposed staff dividends distribution at the balance sheet issuing date, the earnings per share is LE 0.295 (June 2014: LE 0.433).

Earnings per share were set out as below:

| | 30 June 2015 | Un reviewed 30 June 2014 |
|--|-----------------|--------------------------------|
| Net profit available for distribution | 106,911,239 | 156,887,268 |
| Number of ordinary and issued shares (Note 20) | 362,681,450 | 362,681,450 |
| Earnings per share | 0.295 | 0.433 |

The 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.

As of 30 of June 2015 and 30 of June 2014, the company does not have dilutive potential shares and therefore, diluted earnings per share equal to basic earnings per share.

30. Expenses by nature

| | 30 June 2015 | Un reviewed 30 June 2014 |
|-------------------------------------|--------------------|--------------------------------|
| Cost of goods sold | 607,979,969 | 537,715,208 |
| Selling and marketing expenses | 63,466,678 | 37,067,242 |
| General and administrative expenses | 59,389,370 | 37,624,679 |
| | 730,836,017 | 612,407,129 |
| Raw materials used | 501,272,542 | 450,048,575 |
| Salaries and wages | 106,939,728 | 80,467,612 |
| Advertising expense | 43,620,868 | 23,503,428 |
| Depreciation | 25,665,862 | 22,433,682 |
| Employees benefits | 12,133,589 | 10,708,655 |
| Fuel, oil, water and electricity | 15,321,401 | 8,877,991 |
| Vehicle expense | 2,514,138 | 3,047,930 |
| Transportation expense | 9,552,090 | 8,483,467 |
| Miscellaneous and other expense | 11,815,342 | 5,907,966 |
| Consumables | 4,218,499 | 3,510,296 |
| Maintenance | 7,667,222 | 3,956,576 |
| Royalty | 1,263,169 | 1,332,141 |
| Rent expense | 11,816,434 | 6,125,442 |
| Change in inventory | (22,964,867) | (15,996,632) |
| | 730,836,017 | 612,407,129 |

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31. Segment reporting

| | Cake | | | Croissant | | | Bake | | | Friska | | | Total | | |
|---|----------------------|-----------|-----------|---|-----------|-----------|----------------|-----------|-----------|---------------------------------|-----------|-----------|----------------------|-----------|-----------|
| | Un reviewed | | | Un reviewed | | | Un reviewed | | | Un reviewed | | | Un reviewed | | |
| | June 2015 | June 2014 | June 2015 | June 2015 | June 2014 | June 2015 | June 2015 | June 2014 | June 2015 | June 2015 | June 2014 | June 2015 | June 2015 | June 2014 | June 2014 |
| Revenue | 532,986 | 467,319 | 265,920 | 240,984 | 40,317 | 34,643 | 40,407 | 26,554 | 879,630 | 769,500 | | | | | |
| Gross Profit | 166,816 | 145,687 | 83,175 | 74,493 | 7,445 | 4,708 | 14,215 | 6,897 | 271,651 | 231,785 | | | | | |
| Profit from Operations | 103,779 | 106,823 | 46,170 | 52,792 | (345) | 1,847 | 4,737 | 2,894 | 154,341 | 164,356 | | | | | |
| Debit Interest | (7,145) | (6,889) | (3,565) | (3,552) | (540) | (511) | (541) | (391) | (11,791) | (11,343) | | | | | |
| Credit interest | 6,390 | 5,437 | 3,188 | 2,804 | 483 | 403 | 484 | 309 | 10,545 | 8,953 | | | | | |
| Foreign exchange gains and (losses) | 291 | (855) | 145 | (441) | 22 | (63) | 22 | (50) | 480 | (1,409) | | | | | |
| Dividends distribution | - | 27,023 | - | 13,935 | - | 2,003 | - | 1,536 | - | 44,497 | | | | | |
| Income Tax | (31,315) | (30,898) | (13,924) | (15,395) | - | (864) | (1,425) | (1,010) | (46,664) | (48,167) | | | | | |
| Net Profit for the period | 72,000 | 100,641 | 32,014 | 50,143 | (380) | 2,815 | 3,277 | 3,288 | 106,911 | 156,887 | | | | | |
| | | | | | | | | | | | | | | | |
| | Capital Expenditures | | | Depreciation of the fiscal period additions | | | Net book value | | | The Remaining of segment assets | | | Total Segment Assets | | |
| | Un reviewed | | | Un reviewed | | | Un reviewed | | | Un reviewed | | | Un reviewed | | |
| | June 2015 | June 2014 | June 2015 | June 2015 | June 2014 | June 2015 | June 2015 | June 2014 | June 2015 | June 2015 | June 2014 | June 2015 | June 2015 | June 2014 | June 2014 |
| Capital Expenditures | 85,472 | 70,235 | 42,187 | 130,672 | (826) | (1,555) | 6,458 | 27,239 | 140,524 | 231,826 | | | | | |
| Depreciation of the fiscal period additions | (826) | (1,555) | (1,428) | (791) | 84,646 | 68,680 | (88) | (200) | (2,356) | (2,699) | | | | | |
| Net book value | 84,646 | 68,680 | 40,759 | 129,881 | 932,846 | 743,862 | 6,370 | 27,039 | 138,168 | 229,127 | | | | | |
| The Remaining of segment assets | 932,846 | 743,862 | 419,898 | 361,106 | 1,017,492 | 812,542 | 87,058 | 56,035 | 1,517,461 | 1,202,120 | | | | | |
| Total Segment Assets | 1,017,492 | 812,542 | 460,657 | 490,987 | 220,024 | 416,857 | 93,428 | 83,074 | 1,655,629 | 1,431,247 | | | | | |
| Segment Liabilities | 520,024 | 416,857 | 220,033 | 202,362 | 12,865 | 25,213 | 33,353 | 31,402 | 806,588 | 673,663 | | | | | |
| Depreciation | 12,865 | 25,213 | 9,850 | 14,692 | | | 1,509 | 3,091 | 25,666 | 45,674 | | | | | |

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Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

32. Contingent liabilities

a. Contingent liabilities for 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 17,579,695 as at 30 June 2015 (2014: LE 24,422,901).

b. 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

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 2009 and all due tax amounts paid.
- The tax inspection was performed for the year 2010 and the differences sent to internal committee to study
- For the years 2011-2014 the Company is submitting the tax return according to law No. 91 of 2005 in its legal period.

Payroll tax

- The payroll tax inspection was performed till 31 December 2012 and company paid tax due.
- As for the years 2013 and 2014 the tax inspection has not been performed yet till the balance sheet date.
- The Company is submitting the quarterly tax return on due time to the Tax Authority.

Sales tax

- The sales tax inspection was performed till 31 December 2012 and tax due was paid.
- For the years 2013 and 2014 the tax inspection has not been performed yet till the balance sheet date, monthly tax return were submitted on due time.

Stamp duty tax

- The stamp duty tax inspection was performed till year 2006 and Company paid tax due.
- Years from 2007 till 2014 tax inspection have not been performed yet till the balance sheet date.

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Notes to the separate interim financial statements For the six months period ended 30 June 2015

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

33. Comparative figures

The company has not previously prepare interim separate financial statements as of 30 June 2014, and accordingly the comparative figures of consolidated statements of income, changes in equity and cash flows have not been audited in accordance with Egyptian Standard on Auditing or conducted a limited review in accordance with Egyptian standard on Review engagement No. 2410 "Review of Interim Financial Statements Performance by the Independent Auditor of the Entity". The comparative figures in balance sheet represents 31 December 2014 balances that have been audited and unqualified audit report issued dated 11 February 2015.