EDITA FOOD INDUSTRIES S.A.E.

REVIEW REPORT AND SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

EDITA FOOD INDUSTRIES S.A.E.

Separate financial statements - For the six months period ended 30 June 2019

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Review report

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

Introduction

We have reviewed the accompanying separate statement of financial position of Edita Food Industries (S.A.E.) as at 30 June 2019 and the related separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the six 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 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 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 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 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 do not present fairly in all material respects, the financial position of Edita Food Industries (S.A.E.) as at 30 June 2019, and of its financial performance and its cash flows for the six months period then ended in accordance with Egyptian Accounting Standards.

Mohamed Ahmed Fouad, CPA
R.A.A. 11595
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30 July 2019
Cairo

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EDITA FOOD INDUSTRIES S.A.E.

Separate statement of financial position - At 30 June 2019

(All amounts in Egyptian Pounds)

	Note	30 June 2019	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	5	1,609,008,487	1,624,027,301
Intangible assets	6	169,041,299	169,921,078
Investments in subsidiaries	7	179,774,444	124,476,662
Total non-current assets		**1,957,824,230**	**1,918,425,041**
Current assets			
Inventories	8	222,451,232	230,663,927
Trade and other receivables	9	125,264,134	78,122,732
Due from related parties	10	32,041,572	27,119,896
Treasury bills	11	324,938,021	290,180,875
Cash and bank balances	12	72,379,448	18,030,913
Total current assets		**777,074,407**	**644,118,343**
Total assets		**2,734,898,637**	**2,562,543,384**
Equity and liabilites			
Equity			
Share capital	13	145,072,580	145,072,580
Legal reserve	14	68,989,738	68,989,738
Retained earnings		1,004,983,144	1,031,353,699
Total equity		**1,219,045,462**	**1,245,416,017**
Liabilities			
Non-current liabilities			
Term loans	15	422,598,627	467,564,577
Employee benefit obligations	16	8,272,034	6,621,193
Deferred tax liabilities, net	17	134,844,461	133,689,050
Total non-current liabilities		**565,715,122**	**607,874,820**
Current liabilities			
Provisions	18	29,005,618	23,306,039
Bank overdraft	19	263,897,164	14,603,506
Trade and other payables	20	350,729,124	366,223,590
Due to related parties	10	103,031,749	98,355,194
Current portion of term loans	15	174,992,008	203,023,040
Current income tax liabilities, net	21	28,482,390	3,741,178
Total current liabilities		**950,138,053**	**709,252,547**
Total equity and liabilites		**2,734,898,637**	**2,562,543,384**

- The accompanying notes on pages 7 to 48 form an integral part of these separate financial statements.
- Review report attached

Mr. Sameh Naguib
Vice President - Finance

Eng. Hani Berzi
Chairman

30 July 2019
Giza

EDITA FOOD INDUSTRIES S.A.E.

Separate statement of profit or loss - For the six months period ended 30 June 2019

(All amounts in Egyptian Pounds)

		Six months period ended 30 June		Three months period ended 30 June	
	Note	**2019**	**2018**	**2019**	**2018**
Revenue		1,489,893,882	1,326,296,010	693,963,861	622,478,146
Cost of sales	27	(1,074,525,936)	(1,036,322,032)	(508,990,903)	(499,569,143)
Gross profit		**415,367,946**	**289,973,978**	**184,972,958**	**122,909,003**
Other income	22	4,951,848	6,395,850	341,163	4,128,557
Distribution cost	27	(85,354,768)	(56,006,229)	(58,781,348)	(23,002,930)
Administrative expenses	27	(117,390,493)	(104,481,947)	(60,089,155)	(49,954,793)
Other losses - net	23	(15,992,022)	(1,740,859)	(4,978,940)	(1,050,806)
Profit from operations		**201,582,511**	**134,140,793**	**61,464,678**	**53,029,031**
Finance cost - net	24	(4,933,172)	(44,203,264)	(5,362,924)	(21,316,729)
Profit before income tax		**196,649,339**	**89,937,529**	**56,101,754**	**31,712,302**
Income tax expense	25	(46,019,894)	(21,550,694)	(13,129,342)	(7,707,518)
Profit for the period		**150,629,445**	**68,386,835**	**42,972,412**	**24,004,784**
Basic earnings per share	26	0.21	0.09	0.06	0.03
Diluted earnings per share	26	0.21	0.09	0.06	0.03

- The accompanying notes on pages 7 to 48 form an integral part of these separate financial statements.

EDITA FOOD INDUSTRIES S.A.E.

Separate statement of comprehensive income - For the six months period ended 30 June 2019

(All amounts in Egyptian Pounds)

	Six months period ended 30 June		Three months period ended 30 June	
	2019	**2018**	**2019**	**2018**
Profit for the period	150,629,445	68,386,835	42,972,412	24,004,784
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	**150,629,445**	**68,386,835**	**42,972,412**	**24,004,784**

- The accompanying notes on pages 7 to 48 form an integral part of

EDITA FOOD INDUSTRIES S.A.E.

Separate statement of changes in equity- For the six months period ended 30 June 2019

(All amounts in Egyptian Pounds)

	Share capital	Legal reserve	Retained earnings	Total
Balance at 31 December 2017 and 1 January 2018	**145,072,580**	**52,548,882**	**825,270,662**	**1,022,892,124**
Change of equity in 2018				
Profit for the period	-	-	68,386,835	**68,386,835**
Total comprehensive income for the period	**-**	**-**	**68,386,835**	**68,386,835**
Shareholders transactions				
Dividends distribution for 2017	-	-	(106,293,250)	**(106,293,250)**
Balance at 30 June 2018	**145,072,580**	**52,548,882**	**787,364,247**	**984,985,709**
Balance at 31 December 2018 and 1 January 2019	**145,072,580**	**68,989,738**	**1,031,353,699**	**1,245,416,017**
Change of equity in 2019				
Profit for the period	-	-	150,629,445	**150,629,445**
Total comprehensive income for the period	**-**	**-**	**150,629,445**	**150,629,445**
Shareholders transactions				
Dividends distribution for 2018	-	-	(177,000,000)	**(177,000,000)**
Balance at 30 June 2019	**145,072,580**	**68,989,738**	**1,004,983,144**	**1,219,045,462**

- The accompanying notes on pages 7 to 48 form an integral part of these separate financial statements.

EDITA FOOD INDUSTRIES S.A.E.

Separate statement of cash flows - For the six months period ended 30 June 2019

(All amounts in Egyptian Pounds)

	Notes	30 June 2019	30 June 2018
Cash flows from operating activities			
Profit for the period before income tax		196,649,339	89,937,529
Adjustments for:			
Provisions	23	10,250,000	600,000
Provision no longer required	23	(122,715)	-
Provision for employee benefit obligation	23	2,128,992	948,150
Interest expenses	24	47,794,361	60,331,240
Interest income	24	(27,639,444)	(16,675,312)
Depreciation of property, plant and equipment	5	55,048,721	53,636,321
Amortization of intangible assets		1,125,399	-
Provision of slow moving inventory	23	590,339	551,851
Gain on sale of property, plant and equipment	23	(579,330)	(359,142)
		285,245,662	**188,970,637**
Inventories		10,753,712	49,983,374
Trade and other receivables		(47,141,402)	(18,173,540)
Due from related parties		(4,921,676)	(22,810,455)
Trade and other payables		(14,439,654)	(97,505,214)
Due to related parties		4,676,555	10,806,638
Provision utilized		(7,559,062)	(1,165,774)
Payment of employee benefits obligation		(478,151)	-
Dividends paid to Company's employees		(27,054,812)	(21,162,649)
Cash inflow from operating activities		**199,081,172**	**88,943,017**
Interest paid		(48,770,697)	(60,704,765)
Income taxes paid		(20,123,271)	(7,744,751)
Net cash inflow from operating activities		**130,187,204**	**20,493,501**
Cash flows from investing activities			
Payment of property, plant and equipment	5	(40,341,062)	(13,165,322)
Payment of intangible assets		(245,620)	-
Proceeds from sale of property, plant and equipment	5	890,485	931,856
Interest received		872,507	19,077,684
Payment for purchase of treasury bills		(300,983,733)	(191,969,753)
Proceeds from treasury bills		611,800,000	172,035,645
Net cash inflow / (outflow) from investing activities		**271,992,577**	**(13,089,890)**
Cash flows from financing activities			
Dividends paid to Company's shareholders		(151,000,000)	(85,000,000)
Purchase of non-controlling interest share in subsidiary		(55,297,782)	-
Proceeds from borrowings		62,012,000	54,958,932
Repayment of borrowings		(134,032,645)	(57,967,059)
Net cash outflow from financing activities		**(278,318,427)**	**(88,008,127)**
Net increase / (decrease) in cash and cash equivalents		**123,861,354**	(80,604,516)
Cash and cash equivalents at beginning of the period		3,427,407	(70,448,808)
Cash and cash equivalents at the end of the period	12	**127,288,761**	**(151,053,324)**

- The accompanying notes on pages 7 to 48 form an integral part of these separate financial statements.

1. General information

Edita Food Industries S.A.E. was established on 9 July 1996, under the investment Law No. 230 of 1989 which had been replaced by law No. 8 of 1997 and the capital market Law No. 95 of 1992 and is registered in the commercial register under number 692 Cairo, and the company's period is for 25 years.

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

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

The main shareholders are Quantum Investment BV which owns 41.815% of the Company's share capital and the Bank of New York Mellon "depositary bank for shares traded in London Stock Exchange" which manages 13.879% of the Company share capital and Exoder participation, "Exoder Limited", domiciled in Cyprus which owns 13.065% of the Company's share capital and Kingsway Fund Frontier Consumer Franchises which owns 4.483% of Company's share capital and other shareholders owning 26.758% of company's share capital.

These separate interim financial statements have been approved by the Chairman and Managing Director on 30 July 2019, and the General Assembly of shareholders has the right to amend the separate financial statements after being approved.

2. Accounting policies

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

A. Basis of preparation

The separate financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) and applicable related laws and regulations. The separate financial statements have been prepared under the historical cost convention except for employees' end of services obligations, which is measured using 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 30 June 2019 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.

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

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

1- EAS No. (47) – "Financial instruments":
This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standards No. (1), (25), (26) and (40) should be adopted at the same time.

The standard includes a new classes of classification and impairment model for financial assets which reflects the business model in order to manage the assets and their cash flows through this business model.

EAS No. (47) replaced 'incurred loss' model in EAS No. (26) by 'expected credit loss' model.

2- EAS No. (48) – "Revenue from contracts with customers":
This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standards No. (1), (25), (26) and (40) should be adopted at the same time.

This standard established a comprehensive framework for determining how much and when revenues should be recognized. This standard replaces EAS No. (11) 'revenues' and EAS No. (8) 'construction contracts'.

3- EAS No. (49) – "Leases":
This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standard No. (48) – 'Revenue from contracts with customers' should be adopted at the same time.

EAS No. (49) introduces a single lease accounting model for lease contracts. A lesee recognizes his right-of-use for assets and lease liability which represents his lease instalments liability. There are some exemptions for short-term lease contracts and assets lease contracts with low value.

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

C. Foreign currency translation

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

Foreign currency translation (continued)

(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.

D. Property, plant and equipment

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

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

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

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

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

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

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

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

E. Intangible assets

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

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

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

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

F. Impairment of non-financial assets

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

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

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

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

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

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

G. Investments in subsidiaries

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

H. Inventories

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

I. Financial assets

(1) Classification

The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity financial assets. 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 period. 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 period, 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.

Financial assets (continued)

(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

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.

J. Impairment of financial assets

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

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.

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 write off the doubtful debts from their 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 that are repayable on demand which is characterized by fluctuating bank balance from a positive balance to an overdraft balance , bank overdrafts are shown in current liabilities in the separate statement of financial position.

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.

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.

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

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

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

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

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

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

Current and deferred income tax (continued)

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

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

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) Pension obligations

Defined contribution plan

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

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

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

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

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

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

Employee benefits (continued)

(2) Termination benefits

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

(3) Profit-sharing and bonus plans

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

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

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

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

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

S. Trade payables and other Credit Balances

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

T. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from 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 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.

U. Dividends distribution

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

V. 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 basis over the period of the lease.

W. Operating Segments

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

X. Comparative figures

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

3. Financial risk management

(1) Financial risk factors

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

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

A. Market risk

i. Foreign exchange risk

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

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

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

	30 June 2019	30 June 2018
Amounts recognized in profit or loss		
Net foreign exchange gain / (loss) included in Finance cost	15,221,745	(547,336)
Total	**15,221,745**	**(547,336)**

Financial risk management (continued)

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

	30 June 2019			31 December 2018
	Assets	Liabilities	Net	Net
Euros	20,961,472	(72,617,699)	**(51,656,227)**	**(70,073,122)**
US Dollars	71,510,730	(253,676,824)	**(182,166,094)**	**(247,538,669)**

At 30 June 2019, 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 5,165,623 (31 December 2018: LE 7,007,312) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

At 30 June 2019, 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 18,216,609 (31 December 2018: LE 24,753,867) lower, mainly as a result of foreign exchange losses on translation of US dollar-denominated assets and liabilities.

ii. Price risk

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

iii. Cash flow and fair value interest rate risk

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

At 30 June 2019, if interest rates on Egyptian pound -denominated net interest bearing liabilities had been 1% higher/lower with all other variables held constant, profit for the period would have been LE 8,614,878 (31 December 2018: LE 6,851,911) lower/higher, mainly as a result of higher/lower interest expense on floating rate Loans.

Borrowing at statement of financial position date as of 30 June 2019 with variable interest rate amounted to LE 597,590,635 (2018: LE 670,587,617).

Overdraft at the statement of financial position date as of 30 June 2019 amounted to LE 263,897,164 (2018: LE 14,603,506).

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

Financial risk management (continued)

B. Credit risk

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

For banks and financial institutions, the company is dealing with the banks which have a high independent rating and banks and financial institutions with a good reputation and subject to supervision of the Central Bank of Egypt.

For the wholesalers, the Credit Controllers assess the credit quality of the wholesale customer, taking into account its financial position, and their market reputation, past experience and other factors. Sales of the company are for a major customer (Digma for Trading – company's subsidiary), which represent 90% of total company's sales.

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

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

C. Credit quality of financial assets

Trade receivables
Counter parties without external credit rating:

	30 June 2019	31 December 2018
Trade receivables	14,326,799	25,701,325
Total	**14,326,799**	**25,701,325**

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

Outstanding trade receivables are current and not past due.

Cash at bank and short-term bank deposits:
All cash balances are deposited at banks that are subject to the supervision of the Central Bank of Egypt.

D. Liquidity risk

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

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

Financial risk management (continued)

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 30 June 2019 and 31 December 2018 based on contractual payment dates and current interest rates.

	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
30 June 2019				
Loans	80,404,155	87,298,592	160,615,479	261,983,148
Future interest payments	35,886,287	30,613,424	44,677,051	41,578,279
Trade and other payables	258,515,239	-	-	-
Due to related parties	103,031,749	-	-	-
Bank overdraft	263,897,164	-	-	-
Notes payable	50,385,291	-	-	-
Total	**792,119,885**	**117,912,016**	**205,292,530**	**303,561,427**
31 December 2018				
Loans	90,507,002	104,250,441	175,050,382	292,514,195
Future interest payments	42,760,980	37,449,873	57,055,882	57,593,593
Trade and other payables	213,011,702	-	-	-
Due to related parties	98,355,194	-	-	-
Bank overdraft	14,603,506	-	-	-
Notes payable	95,737,455	267,721	-	-
Total	**554,975,839**	**141,968,035**	**232,106,264**	**350,107,788**

The amount of unused credit facility is USD 13.9M and Euro 62k as of 30 June 2019 (31 December 2018: EGP 8,000,000) also the Company will have future interest payments related to Loans amounted to LE 152,755,041 (31 December 2018: EGP 194,860,328).

(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.

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

Financial risk management (continued)

The gearing ratio at 30 June 2019 and 31 December 2018 were as follows:

Description	30 June 2019	31 December 2018
Total Loans	597,590,635	670,587,617
Bank Overdraft	263,897,164	14,603,506
Total loans and overdraft	**861,487,799**	**685,191,123**
Less: Cash and bank balances	(72,379,448)	(18,030,913)
Net debt	**789,108,351**	**667,160,210**
Total equity	1,219,045,462	1,245,416,017
Total capital	**2,008,153,813**	**1,912,576,227**
Gearing ratio	**39%**	**35%**

The increase in the gearing ratio mainly results from the obtaining new overdraft facilities during the period.

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

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

As of 30 June 2019, the Company was in compliance with the debt covenants.

(3) Fair value estimation

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

(A) Critical accounting estimates and assumptions

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

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

Impairment of infinite life intangible assets (Trade Mark & Know How)
The Company tests whether infinite life intangible assets have suffered any impairment on an annual basis.

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

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

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

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

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

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

(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 2018								
Cost	120,908,260	768,894,804	966,387,533	26,309,851	91,853,387	63,385,339	34,976,198	2,072,715,372
Accumulated depreciation	-	(75,487,442)	(223,678,679)	(13,668,044)	(49,490,737)	(41,004,254)	-	(403,329,156)
Net book amount	**120,908,260**	**693,407,362**	**742,708,854**	**12,641,807**	**42,362,650**	**22,381,085**	**34,976,198**	**1,669,386,216**
Year ended 31 December 2018								
Opening net book amount	120,908,260	693,407,362	742,708,854	12,641,807	42,362,650	22,381,085	34,976,198	1,669,386,216
Additions	-	-	5,432,630	9,247,700	8,413,967	3,792,700	34,476,193	61,363,190
Depreciation charge	-	(31,284,527)	(47,847,304)	(4,145,733)	(13,946,400)	(8,604,360)	-	(105,828,324)
Accumulated depreciation of disposals	-	-	466,675	4,324,123	758,075	409,917	-	5,958,790
Disposals	-	-	(466,675)	(5,217,101)	(758,075)	(410,720)	-	(6,852,571)
Transfers from Projects under construction	-	41,905,964	13,095,755	-	4,633,847	780,385	(60,415,951)	-
Closing net book amount	**120,908,260**	**704,028,799**	**713,389,935**	**16,850,796**	**41,464,064**	**18,349,007**	**9,036,440**	**1,624,027,301**
At 31 December 2018								
Cost	120,908,260	810,800,768	984,449,243	30,340,450	104,143,126	67,547,704	9,036,440	2,127,225,991
Accumulated depreciation	-	(106,771,969)	(271,059,308)	(13,489,654)	(62,679,062)	(49,198,697)	-	(503,198,690)
Net book amount	**120,908,260**	**704,028,799**	**713,389,935**	**16,850,796**	**41,464,064**	**18,349,007**	**9,036,440**	**1,624,027,301**
Year ended 30 June 2019								
Opening net book amount	**120,908,260**	**704,028,799**	**713,389,935**	**16,850,796**	**41,464,064**	**18,349,007**	**9,036,440**	**1,624,027,301**
Additions	-	-	965,980	6,941,770	7,382,253	2,090,533	22,960,526	40,341,062
Depreciation charge	-	(16,214,136)	(24,289,463)	(2,651,302)	(7,594,220)	(4,299,600)	-	(55,048,721)
Accumulated depreciation of disposals	-	-	-	818,385	8,600	3,294	-	830,279
Disposals	-	-	-	(1,129,540)	(8,600)	(3,294)	-	(1,141,434)
Transfers from Projects under construction	-	-	13,895,276	-	-	262,668	(14,157,944)	-
Closing net book amount	**120,908,260**	**687,814,663**	**703,961,728**	**20,830,109**	**41,252,097**	**16,402,608**	**17,839,022**	**1,609,008,487**
At 30 June 2019								
Cost	120,908,260	810,800,768	999,310,499	36,152,680	111,516,779	69,897,611	17,839,022	2,166,425,619
Accumulated depreciation	-	(122,986,105)	(295,348,771)	(15,322,571)	(70,264,682)	(53,495,003)	-	(557,417,132)
Net book amount	**120,908,260**	**687,814,663**	**703,961,728**	**20,830,109**	**41,252,097**	**16,402,608**	**17,839,022**	**1,609,008,487**

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

Property, plant and equipment (continued)

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

	30 June 2019	31 December 2018
Charged to cost of sales	46,696,860	90,377,676
Charged to administrative expenses	8,153,275	15,404,014
Charged to distribution costs	198,586	46,634
	55,048,721	**105,828,324**

The project under construction represents the following Categories:

	30 June 2019	31 December 2018
Buildings	6,889,004	3,139,404
Machinery and equipment	10,398,960	5,779,950
Tools and equipment	189,396	71,805
Technical and other installations	361,662	45,281
	17,839,022	**9,036,440**

Cash flow statement

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

	30 June 2019	31 December 2018
Net book value of the assets disposed	311,155	893,781
Gain on sale of property, plant and equipment (Note 23)	579,330	2,798,028
	890,485	**3,691,809**

6. Intangible assets

	30 June 2019			
	Trademark (A)	Know how (B)	Software	Total
Cost	131,480,647	31,430,995	9,345,914	**172,257,556**
Additions	-	-	245,620	**245,620**
Accumulated amortisation	-	-	(3,461,877)	**(3,461,877)**
Balance as of	**131,480,647**	**31,430,995**	**6,129,657**	**169,041,299**

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

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

Intangible assets (continued)

A. Trademark

	Trade Mark (HOHOS, Twinkies & Tiger Tail)	
	30 June 2019	**31 December 2018**
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 finite life, and on the 16th of April 2015 the Company had signed a new contract for expanding the scope of the rights to the trademarks (Hohos, Twinkies, and Tiger Tail) to include Algeria, Bahrain,, Iraq,, Kuwait, , Lebanon, Morocco, Oman, Qatar, Kingdom of Saudi Arabia, Syria, Tunisia, United Arab Emirates and this trademarks have infinite useful lives, and the this is against USD 8 Million equivalent to EGP 62,861,989.

B. Know how

	Know How	
Cost	**30 June 2019**	**31 December 2018**
Opening Balance	31,430,995	31,430,995
Balance as of	**31,430,995**	**31,430,995**

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

C. Software

	Software	
	30 June 2019	**31 December 2018**
Cost		
Opening balance	**7,009,436**	**9,345,914**
Additions	245,620	-
Amortization expense for the period	(1,125,399)	(2,336,478)
Balance as of	**6,129,657**	**7,009,436**

D. Impairment test for infinite life intangible assets

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

Intangible assets (continued)

E. Recoverable amount of cake segment

The recoverable amount of the cake segment is determined based on value-in-use calculation which require the use of assumptions. The calculations use cash flows projections based on financial budgets approved by management covering a five-year period.
Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. This growth rate is consistent with for casts included in industry reports specific to the industry which each CGU operates.

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

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

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

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

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

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

Sensitivity of recoverable amounts

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

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

Intangible assets (continued)

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

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

7. Investments in subsidiaries

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

	Country of Incorporation	% interest held	30 June 2019	31 December 2018
Digma for Trading Company	Egypt	99.80%	44,939,638	44,939,638
Edita Confectionary Industries	Egypt	99.98%	134,820,782	79,523,000
Edita Participation Ltd.	Cyprus	100%	14,024	14,024
Balance at			**179,774,444**	**124,476,662**

8. Inventories

	30 June 2019	31 December 2018
Raw and packaging materials	164,326,558	174,583,133
Spare parts	32,453,114	32,635,753
Work in process	11,021,758	11,242,912
Consumables	5,179,635	4,449,533
Finished goods	10,615,190	11,438,636
Total	**223,596,255**	**234,349,967**
Less: allowance for slow moving and obsolete inventory	(1,145,023)	(3,686,040)
Net	**222,451,232**	**230,663,927**

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

During the period ended 30 June 2019, there has been a slow moving and obsolete inventory addition amounted to LE 590,339 (30 June 2018: LE 551,851) (Note 23) and utilized amounted to LE 3,131,356 (30 June 2018: LE 611,483).

The cost of inventory recognized as an expense and included in cost of sales amounted to LE 819,330,509 as of 30 June 2019 (30 June 2018: LE 810,993,707).

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

9. Trade and other receivables

	30 June 2019	31 December 2018
Trade receivables	14,326,799	25,701,325
Deposits with others	11,335,651	10,840,081
Other current assets	1,219,708	1,210,689
Value added tax – receivables	30,910,273	15,893,424
Advances to suppliers	35,631,153	19,578,671
Prepaid expenses	31,569,732	4,610,034
Letters of credit	231,335	203,009
Employee loans	39,483	85,499
Total	**125,264,134**	**78,122,732**

10. Related parties

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

A) Due from related parties

	30 June 2019	31 December 2018
Edita Confectionary Industries	12,686,090	7,222,584
Edita Participation Ltd.	18,874,542	19,897,312
Edita Food Industries Morocco.	480,940	-
Total	**32,041,572**	**27,119,896**

B) Due to related parties

	30 June 2019	31 December 2018
Digma for Trading Company	103,031,749	98,355,194
Total	**103,031,749**	**98,355,194**

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

Related parties (continued)

The following transactions were carried out with related parties:

1. **Edita Confectionary Industries**
The nature of transaction during the period ended 30 June 2019 is represented in sale of raw material amounting to LE 12,686,090.

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

2. **Edita Participation Ltd**
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.

During the 2018, the Company transferred an amount of LE 19,897,312 to Edita Participation Company Ltd (EPL) for the purpose of supporting EPL in establishing a new company in Morocco. The balance due on 30 June 2019 is LE 18,874,542.

3. **Digma for Trading Company S.A.E.**
Digma for Trading is handling the distribution of all the company's products in local market. The total sales to Digma for Trading during the year ended 30 June 2019 amounted to LE 1,345,060,305 (30 June 2018: LE 1,201,792,338).

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

4. **Dislog Group**
Dislog is considered a related party as it owns 45% of Edita food industries Morocco. The total sales to Dislog group amounts to EGP 4,570,147.

C) Key management compensation

During the period ended 30 June 2019, the company paid an amount of LE 27,553,057 as salaries to the key management members (30 June 2018: of LE 23,528,349).

11. Treasury bills

	30 June 2019	31 December 2018
Treasury bills par value	332,800,000	297,450,000
Unearned interest	(27,359,791)	(41,755,105)
Amount of treasury bills paid	**305,440,209**	**255,694,895**
Interest income recognized to profit or loss	19,497,812	34,485,980
Treasury bills balance	**324,938,021**	**290,180,875**

The Company purchased Egyptian treasury bills on 1 January 2019 with par value amounted LE 10,000,000 with an annual interest of 19.72%. These treasury bills were due in 2 April 2019. The total recognized interest income amounted to LE 468,600.

Treasury bills (continued)

The Company purchased Egyptian treasury bills on 13 January 2019 with par value amounted LE 27,150,000 with an annual interest of 18.73%. These treasury bills were due in 9 April 2019. The total recognized interest income amounted to LE 1,147,630

The Company purchased Egyptian treasury bills on 15 January 2019 with par value amounted LE 18,775,000 with an annual interest of 18.73%. These treasury bills were due in 9 April 2019. The total recognized interest income amounted to LE 775,785.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 10,500,000 with an annual interest of 18.30%. These treasury bills were due in 14 May 2019. The total recognized interest income amounted to LE 458,115

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 30,000,000 with an annual interest of 18.26%. These treasury bills were due in 14 May 2019. The total recognized interest income amounted to LE 1,306,200.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 25,000,000 with an annual interest of 18.24%. These treasury bills were due in 14 May 2019. The total recognized interest income amounted to LE 1,087,500.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 20,000,000 with an annual interest of 18.22%. These treasury bills were due in 14 May 2019. The total recognized interest income amounted to LE 869,000.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 15,000,000 with an annual interest of 18.20%. These treasury bills were due in 14 May 2019. The total recognized interest income amounted to LE 651,150.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 12,000,000 with an annual interest of 18.19%. These treasury bills were due in 14 May 2019. The total recognized interest income amounted to LE 520,560.

The Company purchased Egyptian treasury bills on 12 February 2019 with par value amounted LE 7,500,000 with an annual interest of 18.30%. These treasury bills were due in 14 May 2019. The total recognized interest income amounted to LE 327,225

The Company purchased Egyptian treasury bills on 6 March 2019 with par value amounted LE 11,475,000 with an annual interest of 17.39%. These treasury bills were due in 4 June 2019. The total recognized interest income amounted to LE 471,852.

The Company purchased Egyptian treasury bills on 12 March 2019 with par value amounted LE 20,000,000 with an annual interest of 17.35%. These treasury bills were due in 11 June 2019. The total recognized interest income amounted to LE 829,200.

The Company purchased Egyptian treasury bills on 12 March 2019 with par value amounted LE 26,950,000 with an annual interest of 17.35%. These treasury bills were due in 11 June 2019. The total recognized interest income amounted to LE 1,117,347.

Treasury bills (continued)

The Company purchased Egyptian treasury bills on 19 March 2019 with par value amounted LE 20,475,000 with an annual interest of 17.34%. These treasury bills were due in 18 June 2019. The total recognized interest income amounted to LE 848,484

The Company purchased Egyptian treasury bills on 19 March 2019 with par value amounted LE 9,525,000 with an annual interest of 17.52%. These treasury bills were due in 18 June 2019. The total recognized interest income amounted to LE 398,621

The Company purchased Egyptian treasury bills on 19 March 2019 with par value amounted LE 30,000,000 with an annual interest of 17.48%. These treasury bills were due in 18 June 2019. The total recognized interest income amounted to LE 1,252,800.

The Company purchased Egyptian treasury bills on 19 March 2019 with par value amounted LE 20,000,000 with an annual interest of 17.50%. These treasury bills were due in 18 June 2019. The total recognized interest income amounted to LE 836,200.

The Company purchased Egyptian treasury bills on 2 April 2019 with par value amounted LE 10,000,000 with an annual interest of 17.35%. These treasury bills are due in 2 July 2019. The total recognized interest income amounted to LE 405,488.

The Company purchased Egyptian treasury bills on 2 April 2019 with par value amounted LE 2,500,000 with an annual interest of 17.45%. These treasury bills are due in 2 July 2019. The total recognized interest income amounted to LE 101,935.

The Company purchased Egyptian treasury bills on 2 April 2019 with par value amounted LE 4,500,000 with an annual interest of 17.40%. These treasury bills are due in 2 July 2019. The total recognized interest income amounted to LE 182,998.

The Company purchased Egyptian treasury bills on 9 April 2019 with par value amounted LE 20,000,000 with an annual interest of 17.59%. These treasury bills are due in 9 July 2019. The total recognized interest income amounted to LE 757,103.

The Company purchased Egyptian treasury bills on 9 April 2019 with par value amounted LE 15,000,000 with an annual interest of 17.63%. These treasury bills are due in 9 July 2019. The total recognized interest income amounted to LE 569,044.

The Company purchased Egyptian treasury bills on 9 April 2019 with par value amounted LE 10,000,000 with an annual interest of 17.65%. These treasury bills are due in 9 July 2019. The total recognized interest income amounted to LE 379,814.

The Company purchased Egyptian treasury bills on 14 May 2019 with par value amounted LE 12,000,000 with an annual interest of 17.56%. These treasury bills are due in 13 August 2019. The total recognized interest income amounted to LE 259,936.

The Company purchased Egyptian treasury bills on 14 May 2019 with par value amounted LE 30,000,000 with an annual interest of 17.51%. These treasury bills are due in 13 August 2019. The total recognized interest income amounted to LE 648,135.

Treasury bills (continued)

The Company purchased Egyptian treasury bills on 14 May 2019 with par value amounted LE 9,000,000 with an annual interest of 17.58%. These treasury bills are due in 13 August 2019. The total recognized interest income amounted to LE 195,184.

The Company purchased Egyptian treasury bills on 14 May 2019 with par value amounted LE 25,000,000 with an annual interest of 17.52%. These treasury bills are due in 13 August 2019. The total recognized interest income amounted to LE 540,371.

The Company purchased Egyptian treasury bills on 14 May 2019 with par value amounted LE 20,000,000 with an annual interest of 17.53%. These treasury bills are due in 13 August 2019. The total recognized interest income amounted to LE 432,503.

The Company purchased Egyptian treasury bills on 14 May 2019 with par value amounted LE 15,000,000 with an annual interest of 17.55%. These treasury bills are due in 13 August 2019. The total recognized interest income amounted to LE 324,765.

The Company purchased Egyptian treasury bills on 14 May 2019 with par value amounted LE 15,000,000 with an annual interest of 17.54%. These treasury bills are due in 13 August 2019. The total recognized interest income amounted to LE 324,609.

The Company purchased Egyptian treasury bills on 4 June 2019 with par value amounted LE 2,500,000 with an annual interest of 17.71%. These treasury bills are due in 3 September 2019. The total recognized interest income amounted to LE 30,207.

The Company purchased Egyptian treasury bills on 4 June 2019 with par value amounted LE 5,000,000 with an annual interest of 17.69%. These treasury bills are due in 3 September 2019. The total recognized interest income amounted to LE 60,342.

The Company purchased Egyptian treasury bills on 4 June 2019 with par value amounted LE 5,000,000 with an annual interest of 17.67%. These treasury bills are due in 3 September 2019. The total recognized interest income amounted to LE 60,286.

The Company purchased Egyptian treasury bills on 11 June 2019 with par value amounted LE 8,000,000 with an annual interest of 17.72%. These treasury bills are due in 10 September 2019. The total recognized interest income amounted to LE 70,672.

The Company purchased Egyptian treasury bills on 11 June 2019 with par value amounted LE 10,000,000 with an annual interest of 17.70%. These treasury bills are due in 10 September 2019. The total recognized interest income amounted to LE 88,235.

The Company purchased Egyptian treasury bills on 11 June 2019 with par value amounted LE 13,000,000 with an annual interest of 17.68%. These treasury bills are due in 10 September 2019. The total recognized interest income amounted to LE 114,597.

The Company purchased Egyptian treasury bills on 11 June 2019 with par value amounted LE 17,000,000 with an annual interest of 17.67%. These treasury bills are due in 10 September 2019. The total recognized interest income amounted to LE 149,787.

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

Treasury bills (continued)

The Company purchased Egyptian treasury bills on 18 June 2019 with par value amounted LE 25,000,000 with an annual interest of 17.67%. These treasury bills are due in 17 September 2019. The total recognized interest income amounted to LE 139,121.

The Company purchased Egyptian treasury bills on 18 June 2019 with par value amounted LE 20,000,000 with an annual interest of 17.69%. These treasury bills are due in 17 September 2019. The total recognized interest income amounted to LE 111,402.

The Company purchased Egyptian treasury bills on 18 June 2019 with par value amounted LE 15,000,000 with an annual interest of 17.70%. These treasury bills are due in 17 September 2019. The total recognized interest income amounted to LE 83,591.

The Company purchased Egyptian treasury bills on 18 June 2019 with par value amounted LE 13,800,000 with an annual interest of 17.72%. These treasury bills are due in 17 September 2019. The total recognized interest income amounted to LE 76,995.

The Company purchased Egyptian treasury bills on 18 June 2019 with par value amounted LE 5,500,000 with an annual interest of 17.72%. These treasury bills are due in 17 September 2019. The total recognized interest income amounted to LE 12,786.

The Company purchased Egyptian treasury bills on 25 June 2019 with par value amounted LE 5,000,000 with an annual interest of 17.74%. These treasury bills are due in 24 September 2019. The total recognized interest income amounted to LE 11,637.

12. Cash and banks balances

	30 June 2019	31 December 2018
Cash on hand	709,649	642,669
Cash at banks	71,632,799	17,351,244
Bank deposits – EGP	37,000	37,000
Cash and bank balances	**72,379,448**	**18,030,913**

During the year ended 30 June 2019, The average interest rate on local currency time deposits is 11.5% (31 December 2018: 12.5%)

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

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

	30 June 2019	31 December 2018
Cash and bank balances	72,379,448	18,030,913
Treasury bills with maturities of 3 months or less	318,806,477	135,136,321
Bank overdraft (Note 19)	(263,897,164)	(14,603,506)
Total	**127,288,761**	**138,563,728**

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

13. Share capital

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

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

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

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

The issued capital amounted to LE 145,072,900 (par value LE 0.2 per share) is distributed as follows as of 30 June 2019:

Shareholders	No. of shares	Shares value	Percentage of ownership
Quantum Investment BV	303,308,300	60,661,660	41.815%
The Bank of New York Mellon "depositary bank for shares traded in London Stock Exchange"	100,669,570	20,133,914	13.879%
Exoder Ltd.	94,769,464	18,953,893	13.065%
Kingsway Fund Frontier Consumer Franchises	32,519,302	6,503,860	4.483%
Others (Public stocks)	194,096,264	38,819,253	26.758%
	725,362,900	**145,072,580**	**100%**

14. Legal reserve

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

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

15. Loans

	30 June 2019			31 December 2018		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	-	-	-	9,447,260	-	**9,447,260**
Second loan	36,815,820	20,055,890	**56,871,710**	45,226,910	30,451,671	**75,678,581**
Third loan	20,086,000	27,000,000	**47,086,000**	20,587,500	36,000,000	**56,587,500**
Fourth loan	39,323,005	76,367,784	**115,690,789**	41,154,405	99,448,641	**140,603,046**
Fifth loan	57,839,484	201,966,891	**259,806,375**	60,986,236	245,006,121	**305,992,357**
Sixth loan	11,625,266	17,229,508	**28,854,774**	14,787,355	29,574,710	**44,362,065**
Seventh loan	8,998,562	17,966,554	**26,965,116**	10,833,374	27,083,434	**37,916,808**
Eighth loan	303,871	62,012,000	**62,315,871**	-	-	-
Total	**174,992,008**	**422,598,627**	**597,590,635**	**203,023,040**	**467,564,577**	**670,587,617**

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

	30 June 2019	31 December 2018
Balance due within 1 year	167,702,747	194,757,443
Accrued interest	7,289,261	8,265,597
Total	**174,992,008**	**203,023,040**

- **First loan:**

  This loan was provided by a financial institution in January 2014 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000. As of 30 June 2019, the loan was paid in full.

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

  Fair value:
  Fair value is approximately equal to book value.

- **Second loan:**

  This loan was provided by a financial institution in September 2014 based on a cross guarantee issued from Digma Trading Company amounted to LE 185,000,000. The loan outstanding balance at 30 June 2019 after payment of due instalment amounted to LE 28,952,347 and USD 1,462,496 in addition to accrued interests.

  Terms of payments:
  Edita Food Industries S.A.E. is obligated to Pay LE 28,952,355 on 3 equal semi-annual instalment; each instalment is amounted to LE 9,650,785 In addition. The company is obligated to pay 1,462,496 USD on 3 semi-annual instalments; the first instalment equals USD 220,832 and the other instalments amounts to 620,832 USD. The first EGP & USD instalment is due on July 2019 and the last on July 2020.

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

  Fair value:
  Fair value is approximately equal to book value.

Loans (continued)

- **Third loan:**

  This loan was provided by a financial institution in April 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 90,000,000. The loan outstanding balance at 30 June 2019 amounted to LE 45,000,000 in addition to accrued interests.

  Terms of payments:
  Edita Food Industries S.A.E. is obligated to Pay LE 45,000,000 on 5 equal semi-annual instalment; each instalment is amounted to LE 9,000,000. The first instalment is due in October 2019 and the last in October 2021.

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

  Fair value:
  Fair value is approximately equal to book value

- **Fourth loan:**
  This loan was provided by a financial institution in September 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 202,234,888. The loan outstanding balance at 30 June 2019 amounted to LE 47,697,513 and USD 3,988,812 in addition accrued interests.

  Terms of payments:
  Edita Food Industries S.A.E. is obligated to Pay EGP 47,697,513 / USD 3,988,812 on 6 equal semi-annual instalments; each instalment is amounted to EGP 7,949,586 / USD 664,802 the first instalment is due on October 2019 and the last on April 2022. Total loan value and accrued interest to be paid to the bank in local currency without any obligation on the Company to pay foreign currency.

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

  Fair value:
  Fair value is approximately equal to book value.

- **Fifth loan:**
  This loan was provided by a financial institution in September 2016 based on a cross guarantee issued from Digma Trading Company amounted to LE 220,000,000 and 6,000,000 Euro. The total outstanding balance is LE 180,000,000 plus 2,809,565 Euro, plus 1,556,109 USD on 30 June 2019 in addition to accrued interest.

  Terms of payments:
  Edita Food Industries S.A.E. is obligated to Pay LE 180,000,000, 2,809,565 Euro, and 1,556,109 USD on 9 equal semi-annual instalments; each instalment is amounted to LE 20,000,000 and 312,174 Euro and 172,901 USD the first instalment is due on September 2019 and the last on September 2023.

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

  Fair value:
  Fair value is approximately equal to book value.

Loans (continued)

- **Sixth loan:**
  On November 2017, the Company signed an agreement with a financial institution to transfer an overdraft facility balance amounting to LE 9,914,422 and USD 2,741,370 into a term loan. The loan outstanding balance at 30 June 2019 after payment of due instalments amounts to LE Nil and USD 1,713,356 in addition to accrued interests.

  Terms of payments:
  In June of 2019; Edita Food Industries S.A.E. has fully paid the EGP loan.

  The company is obligated to pay USD 1,713,356 on 5 equal semi-annual instalment; each instalment is amounted to USD 342,671. The next instalment is due on August 2019 and the last on August 2021.

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

  Fair value:
  Fair value is approximately equal to book value.

- **Seventh loan:**
  On June 2018, the Company signed an agreement with a financial institution to transfer an overdraft facility balance amounting to LE 4,827,611 and USD 2,143,980 into a term loan at 30 June 2018 in addition to accrued interests.

  Terms of payments:
  In June of 2019; Edita Food Industries S.A.E. has fully paid the EGP loan.
  The company is obligated to pay USD 1,607,985 on 6 equal semi-annual instalments; each instalment is amounted to USD 267,998. The next instalment is due on September 2019 and the last on 30 June 2022.

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

  Fair value:
  Fair value is approximately equal to book value.

- **Eighth loan:**
  On June 2019, the Group signed an agreement with a financial institution to obtain a loan amounting to USD 20,000,000. The loan outstanding amounts for Edita Food Industries S.A.E. was USD 3,700,000 as of 30 June 2019.

  Terms of payments:
  The company is obligated to pay USD 3,700,000 on 10 equal semi-annual instalments; each instalment amounts to USD 370,000. The first instalment is due on May 2021 and the last on November 2025.

  Interest:
  The interest rate is 4% above the USD Libor rate – 6 months.

  Fair value:
  Fair value is approximately equal to book value.

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

16. Employee benefit obligations

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

	30 June 2019	31 December 2018
Discount rate	15%	15%
Average salary increase rate	10%	10%
Turnover rate	35%	35%
Life table	49-52	49-52

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

	30 June 2019	31 December 2018
Present value of obligations	8,272,034	6,621,193
Liability at the statement of financial position	**8,272,034**	**6,621,193**

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

	30 June 2019	31 December 2018
Balance at beginning of the year	6,621,193	4,761,965
Charged during the year (Note 23)	2,128,992	3,304,046
Paid during the year	(478,151)	(1,444,818)
Balance at	**8,272,034**	**6,621,193**

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

	30 June 2019	31 December 2018
Interest expenses	496,589	714,295
Current service cost	1,632,403	2,589,751
Total	**2,128,992**	**3,304,046**

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

17. Deferred tax liabilities, net

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

				Net deferred tax liabilities	
	Fixed assets depreciation	**Other Provisions**	**Unrealized foreign exchange loss**	**30 June 2019**	**31 December 2018**
A. Deferred tax assets					
Balance at 1 January	-	2,145,612	5,676,827	**7,822,439**	**24,189,086**
Charged to statement of profit or loss	-	2,609,238	(1,132,855)	1,476,383	(16,366,647)
Ending balance as of	**-**	**4,754,850**	**4,543,972**	**9,298,822**	**7,822,439**
B. Deferred tax liabilities					
Balance at 1 January	(141,511,489)	-	-	(141,511,489)	**(130,118,393)**
Charged to statement of profit or loss	(2,631,794)	-	-	(2,631,794)	(11,393,096)
Ending balance as of	**(144,143,283)**	**-**	**-**	**(144,143,283)**	**(141,511,489)**
Net deferred tax liabilities	**(144,143,283)**	**4,754,850**	**4,543,972**	(134,844,461)	**(133,689,050)**
Balance at 1 January	(141,511,489)	2,145,612	5,676,827	(133,689,050)	**(105,929,307)**
Charged to statement of profit or loss (Note 25)	(2,631,794)	2,609,238	(1,132,855)	(1,155,411)	**(27,759,743)**
Ending Balance as of	**(144,143,283)**	**4,754,850**	**4,543,972**	**(134,844,461)**	**(133,689,050)**

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

18. Provisions

	30 June 2019	31 December 2018
Balance at 1 January	23,306,039	14,900,771
Charged during the year (Note 23)	10,250,000	10,781,058
Utilized during the period	(4,427,706)	(2,240,680)
No longer required	(122,715)	(135,110)
Ending Balance as of	**29,005,618**	**23,306,039**

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

19. Bank overdrafts

	30 June 2019	31 December 2018
Bank overdraft	263,897,164	14,603,506
Total	**263,897,164**	**14,603,506**

Bank overdraft is an integral part of the Company's cash management to finance its working capital. The average interest rate for bank overdraft was 15.97% as of 30 June 2019 (31 December 2018: 17.17%)

20. Trade and other payables

	30 June 2019	31 December 2018
Trade payables	178,542,755	148,840,854
Notes payable	50,385,291	96,005,176
Deposits from others	15,546,938	15,382,260
Taxes payable	33,501,055	35,799,802
Accrued expenses	53,352,919	39,219,185
Other credit balances	9,726,852	7,168,815
Social insurance	4,092,376	3,160,028
Advances from customers	4,235,163	18,246,883
Dividends payable	1,345,775	2,400,587
Total	**350,729,124**	**366,223,590**

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

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

21. Current income tax liabilities

	30 June 2019	31 December 2018
Balance at 1 January	3,741,178	-
Income tax paid during the period	(3,741,178)	-
Withholding tax receivable	(9,382,093)	(8,212,742)
Income tax for the period	44,864,483	53,238,906
Corporate income tax – advances	(7,000,000)	(40,569,496)
Accrued interest – advances	-	(715,490)
Balance as of	**28,482,390**	**3,741,178**

22. Other income

	30 June 2019	30 June 2018
Export subsidies	4,193,021	2,738,298
Others income	758,827	3,657,552
Total	**4,951,848**	**6,395,850**

23. Other losses - net

	30 June 2019	30 June 2018
Other provisions	(10,250,000)	(600,000)
Provision for employees' retirement benefit obligation	(2,128,992)	(948,150)
Provision for slow moving inventory	(590,339)	(551,851)
Provision no longer required	122,715	-
Gain from sale of property plant and equipment	579,330	359,142
Solidarity Contribution	(3,724,736)	-
Other losses – Net	**(15,992,022)**	**(1,740,859)**

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

24. Finance cost – Net

	30 June 2019	30 June 2018
Finance income		
Interest income	27,639,444	16,675,312
Foreign exchange gain	15,221,745	-
	42,861,189	**16,675,312**
Finance cost		
Interest expenses	(47,794,361)	(60,331,240)
Foreign exchange (Loss)	-	(547,336)
	(47,794,361)	**(60,878,576)**
Finance cost – net	**(4,933,172)**	**(44,203,264)**

25. Income tax expense

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

	30 June 2019	30 June 2018
Income tax for the period	44,864,489	2,469,686
Deferred tax	1,155,405	19,081,008
Total	**46,019,894**	**21,550,694**
Profit before tax	**196,649,339**	**89,937,529**
Tax calculated based on applicable tax rates	44,246,101	20,235,944
Tax effect of non-deductible expenses	1,904,143	1,314,750
Tax effect of non-taxable revenues	(130,350)	-
Income tax	**46,019,894**	**21,550,694**

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

26. Earnings per share

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

	30 June 2019	30 June 2018
Profit for the period	150,629,445	68,386,835
Weighted average number of ordinary shares in issue		
Ordinary shares	725,362,900	725,362,900
Basic earnings per share	**0.21**	**0.09**

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

27. Expenses by nature

	30 June 2019	30 June 2018
Cost of sales	1,074,525,936	1,036,322,032
Distribution cost	85,354,768	56,006,229
Administrative expenses	117,390,493	104,481,947
	1,277,271,197	**1,196,810,208**
Raw and packaging materials used	819,330,509	810,993,707
Salaries and wages	156,530,120	136,854,657
Advertising expense	75,885,635	47,947,705
Depreciation & Amortization	56,174,120	53,636,321
Miscellaneous and other expense	36,531,240	37,530,075
Fuel, oil, water and electricity	38,363,250	30,099,512
Employees benefits	30,908,726	30,336,726
Company share in social insurance	16,112,407	13,974,989
Transportation expense	18,627,150	14,538,194
Maintenance	17,637,915	10,489,298
Consumables	9,330,833	8,796,915
Vehicle expense	1,711,612	1,492,409
Rent expense	127,680	119,700
Total cost of sales, distribution costs, and administrative expenses	**1,277,271,197**	**1,196,810,208**

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

28. Segment reporting

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

Segment	Brand	Product
Cake	Tiger tail, Twinkies, Todo and HOHOS	Traditional rolled filled and layered cake as well as brownies and packaged donut
Croissants	Molto	Sweet and savoury croissants and strudels
Rusks	Bake Rolz, Bake Stix	Baked wheat salty snack
Wafer	Freska	Filled wafers

(Amounts presented to the nearest thousands EGP)

	Cake		**Croissant**		**Rusks**		**Wafer**		**Total**	
	June 2019	**June 2018**	**June 2019**	**June 2018**	**June 2019**	**June 2018**	**June 2019**	**June 2018**	**June 2019**	**June 2018**
Revenue	714,389	676,543	469,132	439,176	159,999	104,853	146,374	105,724	**1,489,894**	**1,326,296**
Gross profit	227,152	175,879	115,672	79,411	35,775	15,455	36,769	19,229	**415,368**	**289,974**
Profit from Operations	**173,897**	**110,086**	**31,881**	**17,689**	**5,226**	**506**	**(9,421)**	**5,860**	**201,583**	**134,141**

Operating profit reconciles to net profit as follows:

	30 June 2019	**30 June 2018**
Operating profit	**201,583**	**134,141**
Finance cost	(47,795)	(60,879)
Finance income	42,861	16,675
Income tax	(46,020)	(21,551)
Net profit	**150,629**	**68,387**

Segment reporting (continued)

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

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

29. Contingent liabilities

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

The Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities amounted to LE 62,889,945 as at 30 June 2019 (31 December 2018: LE 75,016,958).

30. Tax position

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

Edita Food Industries Company

a) Corporate tax

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

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

Tax position (continued)

b) Payroll tax

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

c) VAT & Sales tax

- 222The sales tax inspection was performed till 31 December 2015 and tax due was paid.
- For the years 2016 till 2018 the tax inspection has not been performed and the monthly tax return were submitted on due time.

d) Stamp duty tax

- The stamp duty tax inspection was performed till 2013 and company paid tax due.
- Years from 2014 till 2018 tax inspection has not been performed.

31. Commitments

Capital comments

The Company has capital commitments as of 30 June 2019 of EGP 5.3 M (31 December 2018: 22.8 M) in respect of the capital expenditure.

32. Financial instrument by category

	30 June 2019	
	Loans & receivables	Total
Assets as per statement of financial position		
Trade and other receivables (excluding non- financial assets)*	27,152,976	**27,152,976**
Due from related parties	32,041,572	**32,041,572**
Treasury bills	324,938,021	**324,938,021**
Cash and bank balances	72,379,448	**72,379,448**
Total	**456,512,017**	**456,512,017**

	30 June 2019	
	Other financial liabilities at amortised costs	Total
Liabilities as per statement of financial position		
Loans*	597,590,635	**597,590,635**
Trade and other payables (excluding non-financial liabilities)*	308,900,530	**308,900,530**
Due to related parties	103,031,749	**103,031,749**
Bank overdraft	263,897,164	**263,897,164**
Total	**1,273,420,078**	**1,273,420,078**

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

Financial instrument by category (continued)

	31 December 2018	
	Loans & receivables	Total
Assets as per statement of financial position		
Trade and other receivables (excluding non- financial assets)*	38,040,603	**38,040,603**
Due from related parties	27,119,896	**27,119,896**
Treasury bills	290,180,875	**290,180,875**
Cash and bank balances	18,030,913	**18,030,913**
Total	**373,372,287**	**373,372,287**

	31 December 2018	
	Other financial liabilities at amortised costs	Total
Liabilities as per statement of financial position		
Loans*	670,587,617	**670,587,617**
Trade and other payables (excluding non-financial liabilities)*	309,016,877	**309,016,877**
Due to related parties	98,355,194	**98,355,194**
Bank overdraft	14,603,506	**14,603,506**
Total	**1,092,563,194**	**1,092,563,194**

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

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

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