

**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS
SUBSIDIARIES**

**INDEPENDENT AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2016
"IFRS"**

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Consolidated financial statements "IFRS" - For the year ended 31 December 2016

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Independent auditor's report

To the shareholders of Edita Food Industries Company (S.A.E) and its subsidiaries

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Edita Food Industries Company (S.A.E) ("the Company") and its subsidiaries (together "the Group") as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the prevailing Egyptian laws and regulations.

What we have audited

The Group's consolidated financial statements comprise:

- The consolidated balance sheet at 31 December 2016;
- The consolidated statement of profit or loss for the year then ended;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



The shareholders of Edita Food Industries Company (S.A.E) and its Subsidiaries Page 2

Our audit approach

Overview

Key Audit Matters

- Valuation of intangible assets which have indefinite useful lives
- Exchange differences resulted from floating of the Egyptian pound

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Valuation of intangible assets which have indefinite useful lives

The Group's balance sheet includes intangible assets amounting to EGP 163 million (2015: EGP 162 million), relating to the purchase of trademarks and know how on certain of its branded products (see Note 6 to the financial statements).

Under the Group's accounting policy for trademarks and know how these are treated as having an indefinite life because the related licenses are perpetual, irrevocable and exclusive. They include the trademark and know how in the territory in connection with specific cake product brands, these brands remain popular in the Middle East and the group does not foresee any decline in their value in the foreseeable future. No amortisation is charged annually as a result. However, under accounting standards management are required to perform an annual test to assess whether the carrying

We obtained management's valuation analysis which is derived from the Board approved business plan. The most significant judgments relate to the discount rate applied together with the assumptions supporting the underlying forecast cash flows, in particular the terminal growth rate and the forecast combined operating ratios in the projection period and investment return assumptions.

We evaluated management's discounted cash flow forecasts and the process by which they were developed. We compared these forecasts to Board-approved business plans and also compared previous forecasts to actual results to assess the performance of the business and the accuracy of management forecasting. We confirmed that the key assumptions had been subject to oversight from the directors.



The shareholders of Edita Food Industries Company (S.A.E) and its Subsidiaries

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value of these trademarks and know how has been impaired.

The impairment test is based on management's view of the future cash flows to be generated from the trademarked brands concerned.

We focused on these intangible assets because of the amount of inherent uncertainty involved in estimating future product cash flows and also because of the potentially significant impact on the Group's reported income, its earnings per share and its asset carrying values of relatively small changes in the underlying assumptions.

Using the assistance of our internal valuations specialists we tested the assumptions and methodologies used, in particular those relating to the discount rate and growth rates. To do this:

- We evaluated these assumptions with reference to those applied to valuations of similar companies.
- We compared the key assumptions to externally derived data where possible, including market expectations of investment return, projected economic growth and interest rates.
- We applied sensitivities in evaluating the directors' assessment of the planned growth rate in cash flows and combined operating ratios.

In testing the valuation model we checked the calculations for mathematical accuracy, and considered the sensitivity of the calculation by varying the assumptions and applying other values within a reasonably possible range.

Exchange differences that resulted from floating of the Egyptian pound

(Refer to Notes 24 and 25)

We focused on exchange differences arising from revaluation of monetary assets and liabilities denominated in foreign currencies because of the floating decision of the Egyptian pound announced by the Central Bank of Egypt in November 2016. Following that, the Egyptian pound devaluated significantly compared with foreign currencies Accordingly, the official exchange rates of the foreign currencies against the Egyptian pound shall be determined in the local banks based on the market's supply and demand rather than a binding rate imposed by the central bank.

The exchange differences impact on Statement of profit or loss as of 31 December 2016 amounted to EGP 298.5 million (2015: EGP 1.4 million).

- We identified monetary items denominated in foreign currencies
- We verified that the closing rate used for translation matched with company's bank rate
- We recalculated the exchange differences using closing rates obtained from external sources.
- We ensured the recognition and classification of the exchange differences to appropriate financial statements line item
- We ensured management had disclosed required disclosures and a sensitivity analysis to assess foreign exchange risk arises from future commercial transactions and performed tests on the amounts disclosed.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' annual report (but does not include the consolidated financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



The shareholders of Edita Food Industries Company (S.A.E) and its Subsidiaries
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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) and with the prevailing Egyptian laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



The shareholders of Edita Food Industries Company (S.A.E) and its Subsidiaries
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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



The shareholders of Edita Food Industries Company (S.A.E) and its Subsidiaries
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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

28 February 2017
Cairo



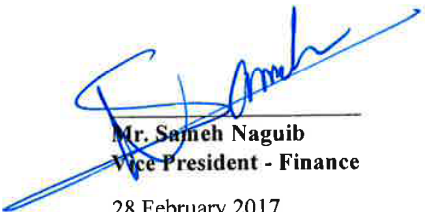
EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES

Consolidated balance sheet "IFRS" - At 31 December 2016

(All amounts in Egyptian Pounds)

	Note	2016	2015
Assets			
Non-current assets			
Property, plant and equipment	5	1,474,461,243	1,299,529,732
Intangible assets	6	162,911,642	161,968,712
Total non-current assets		1,637,372,885	1,461,498,444
Current assets			
Inventories	7	318,428,559	140,297,471
Trade and other receivables	8	196,668,474	67,843,179
Treasury bills	9	192,144,828	149,591,114
Cash and cash equivalents (excluding bank overdrafts)	10	90,465,545	313,344,052
Total current assets		797,707,406	671,075,816
Total assets		2,435,080,291	2,132,574,260
Liabilities			
Non-current liabilities			
Long-term loans	11	527,825,757	346,217,286
Deferred income tax liabilities	13	86,492,634	94,536,302
Employee benefit obligations	14	1,945,034	2,533,203
Total non-current liabilities		616,263,425	443,286,791
Current liabilities			
Trade and other payables	15	260,353,649	255,248,981
Current income tax liabilities	16	1,233,553	24,281,519
Current portion of long-term liabilities	17	146,232,334	145,235,152
Bank overdraft	18	240,473,897	73,698,428
Provisions	19	19,166,385	16,000,854
Total current liabilities		667,459,818	514,464,934
Total liabilities		1,283,723,243	957,751,725
Net assets		1,151,357,048	1,174,822,535
Equity			
Share capital	20	145,072,580	72,536,290
Legal reserve	21	48,745,291	38,947,275
Foreign currency translation reserve		(162,824)	5,568
Retained earnings		942,718,233	1,057,715,965
Capital and reserves attributable to owners of Edita food industries		1,136,373,280	1,169,205,098
Non-controlling interests	22	14,983,768	5,617,437
Total equity		1,151,357,048	1,174,822,535

The above consolidated balance sheet should be read in conjunction with the accompanying notes.


Mr. Sameh Naguib
Vice President - Finance

28 February 2017
Independent auditor's report attached


Eng. Hanf Berzi
Chairman

EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES

Consolidated statement of profit or loss "IFRS" - For the year ended 31 December 2016

(All amounts in Egyptian Pounds)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Revenue		2,502,918,189	2,225,354,667
Cost of sales	28	(1,604,647,951)	(1,357,884,821)
Gross profit		898,270,238	867,469,846
Distribution cost	28	(308,100,697)	(282,347,968)
Administrative expenses	28	(181,914,459)	(157,323,657)
Other income	23	9,725,028	15,405,017
Other gains / (losses) - net	24	(39,987,841)	5,755,936
Operating profit		377,992,269	448,959,174
Finance income		33,203,696	29,470,219
Finance cost		(318,867,865)	(33,498,163)
Finance cost - Net	25	(285,664,169)	(4,027,944)
Profit before income tax		92,328,100	444,931,230
Income tax expense	26	(44,888,835)	(95,853,264)
Net profit for the year		47,439,265	349,077,966
Profit is attributable to			
Owners of Edita food industries		48,368,637	345,424,918
Non-controlling interests		(929,372)	3,653,048
Profit for the year		47,439,265	349,077,966
Earnings per share for profit attributable to the ordinary equity holders of the company (expressed in EGP per share) :			
Basic earnings per share	27	0.07	0.48
Diluted earnings per share	27	0.07	0.48

The above consolidated statements of profit or loss should be read in conjunction with the accompanying

EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES**Consolidated statement of comprehensive income "IFRS" - For the year ended 31 December 2016****(All amounts in Egyptian Pounds)**

	<u>2016</u>	<u>2015</u>
Profit for the year	47,439,265	349,077,966
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Other comprehensive income for the year net of tax	(168,392)	2,067
Assets revaluation reserve	-	(2,404)
Other comprehensive income for the year - net of tax	(168,392)	(337)
Total comprehensive income for the year	<u>47,270,873</u>	<u>349,077,629</u>
Total comprehensive income for the year is attributable to		
Owners of Edita Food Industries	48,200,245	345,426,985
Non-controlling interests	(929,372)	3,650,644
Total comprehensive income for the year	<u>47,270,873</u>	<u>349,077,629</u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES

Consolidated statement of changes in equity "IFRS" - For the year ended 31 December 2016

(All amounts in Egyptian Pounds)

	Attributable to Owners of the parent						
	Share capital	Legal reserve	Foreign currency translation reserve	Retained earnings	Total Owners of the parent	Non-controlling interest	Total owners' equity
Balances at 1 January 2015	72,536,290	31,103,903	3,501	720,134,419	823,778,113	1,966,793	825,744,906
Profit for the year	-	-	-	345,424,918	345,424,918	3,653,048	349,077,966
Other comprehensive income for the year	-	-	2,067	-	2,067	(2,404)	(337)
Total comprehensive income for the year	-	-	2,067	345,424,918	345,426,985	3,650,644	349,077,629
Transactions with owners in their capacity as owners:							
Transfer to legal reserve	-	7,843,372	-	(7,843,372)	-	-	-
Balance at 31 December 2015	72,536,290	38,947,275	5,568	1,057,715,965	1,169,205,098	5,617,437	1,174,822,535
Profit / (loss) for the year	-	-	-	48,368,637	48,368,637	(929,372)	47,439,265
Other comprehensive income for the year	-	-	(168,392)	-	(168,392)	-	(168,392)
Total comprehensive income for the year	-	-	(168,392)	48,368,637	48,200,245	(929,372)	47,270,873
Transactions with owners in their capacity as owners:							
Transfer to legal reserve	-	9,798,016	-	(9,798,016)	-	-	-
Bonus share, capital increase	72,536,290	-	-	(72,536,290)	-	-	-
Issue of ordinary shares of a subsidiary	-	-	-	-	-	10,552,330	10,552,330
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	-	-	(256,627)	(256,627)
Dividends distribution for 2015	-	-	-	(81,032,063)	(81,032,063)	-	(81,032,063)
Balance at 31 December 2016	145,072,580	48,745,291	(162,824)	942,718,233	1,136,373,280	14,983,768	1,151,357,048

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

EDITA FOOD INDUSTRIES (S.A.E) AND ITS SUBSIDIARIES

Consolidated statement of cash flows "IFRS" - For the year ended 31 December 2016

(All amounts in Egyptian Pounds)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<u>Cash flows from operating activities</u>			
Cash (used in) / generated from operations	29	(90,412,156)	541,184,270
Interest paid		(56,831,581)	(29,459,700)
Income tax paid		(73,056,654)	(136,228,597)
Net cash (outflow) inflow from operating activities		<u>(220,300,391)</u>	<u>375,495,973</u>
<u>Cash flows from investing activities</u>			
Payment for property, plant and equipment		(269,273,842)	(351,796,531)
Capitalized interest on property, plant and equipment		(4,872,184)	(9,971,079)
Payment for intangible assets		-	(94,292,984)
Proceeds from sale of property, plant and equipment		6,157,864	14,443,739
Interest received		30,656,227	27,222,993
Payment for purchase of treasury bills		(691,612,480)	(575,914,568)
Proceeds from sale of treasury bills		648,682,420	532,763,241
Net cash outflow from investing activities		<u>(280,261,995)</u>	<u>(457,545,189)</u>
<u>Cash flows from financing activities</u>			
Proceeds from non-controlling interest share in capital increase of subsidiary		10,552,330	-
Dividends paid to shareholders		(81,016,675)	-
Payments against notes payable for acquisition of land		(10,546,825)	(9,985,990)
Repayments of borrowings		(220,436,080)	(163,356,268)
Proceeds from borrowings		412,524,052	322,151,776
Net cash inflow from financing activities		<u>111,076,802</u>	<u>148,809,518</u>
Net (decrease) / increase in cash and cash equivalents		(389,485,584)	66,760,302
Cash and cash equivalents at the beginning of the financial year		239,645,624	172,883,255
Effects of exchange rate changes on cash and cash equivalents		(168,392)	2,067
Cash and cash equivalents at end of year	10	<u>(150,008,352)</u>	<u>239,645,624</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements "IFRS" - For the year ended 31 December 2016

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

1. General information

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

The Group provides manufacturing, producing and packing of all food products and producing and packing of juices, jams, readymade food, cakes, pastry, milk products, meat, vegetables, fruits, chocolate, vegetarian products and other food products with all necessary ingredients.

The Group's financial year start on 1 January and ends on 31 December each year.

The main shareholders are BERCO Limited which owns 41.815% of the Company's share capital and the Bank of New York Mellon which owns 25.592% of the Company share capital and Exoder participation, "Exoder Limited", domiciled in Cyprus which owns 13.065% of the Company's share capital and Africa Samba B.V. which owns 7.5% of Company's share capital and other shareholders owning 12.029% of company's share capital.

These consolidated financial statements have been approved by the board of directors and taken into account that the General Assembly Meeting has the right to amend the consolidated financial statements after issuance.

Consolidated financial statements of the Group comprise financial statements of Edita Food Industries Company (S.A.E.) and its subsidiaries (together referred to as the "Group").

Edita Food Industries:

Edita food industries is the holding company. The company provides manufacturing, producing and packing of all food products and producing and packing of readymade food, cakes, pastry, milk, chocolate and other food products with all necessary ingredients and sell the products to Digma for Trading.

The group's principal subsidiaries at 31 December 2016 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Digma for Trading:

Digma for trading main activity is wholesale and retail trading in consumable goods. The Company also acts as a distributor for local and foreign factories and companies producing these goods and also imports and exports, in accordance with laws and regulations. The company buys from Edita confectionery industries and Edita food industries and distributes to others.

Edita Confectionery Industries:

The company's purpose is to build and operate a factory for production, sales of distributions of Sweets, Toofy, Jelly and Caramel other nutrition materials and sell the products to Digma for Trading.

Edita participation limited:

The principal activities of the company are the provision of services and the holding of investments but the Company does not have any operations until now and all its transactions are immaterial

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements "IFRS" - For the year ended 31 December 2016

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

General information (continued)

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
		2016	2015	2016	2015
Digma for trading	Egypt	99.8 %	99.8 %	0.2 %	0.2 %
Edita Confectionery Industries	Egypt	77.71 %	77.71 %	22.29 %	22.29 %
Edita participation limited	Cyprus	100 %	100 %	-	-

Financial information about the subsidiaries of the group as at 31 December 2016 and 31 December 2015 as follows:

Name of subsidiary	Total Assets 2016	Total Equity 2016	Total Sales 2016	Net Profit/ (loss) 2016
Digma for trading	284,033,086	187,714,292	2,322,059,255	105,419,276
Edita Confectionery Industries	173,523,440	67,086,992	92,886,054	(5,115,348)
Edita participation limited	163,466	(182,007)	-	(54,926)

Name of subsidiary	Total Assets 2015	Total Equity 2015	Total Sales 2015	Net Profit/ (loss) 2015
Digma for trading	322,750,258	217,172,414	2,082,513,160	90,652,009
Edita Confectionery Industries	101,337,408	24,866,010	81,561,456	15,575,341
Edita participation limited	159,141	(121,503)	-	(31,121)

The above mentioned financial information are related to amounts as included in the separate financial statements which have been used in the consolidation

2. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Edita food industries and its subsidiaries

A. Basis of preparation

I. Compliance with IFRS

The consolidated financial statements of Edita food industries and its subsidiaries "the group" have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

II. Historical cost convention

These financial statements have been prepared under the historical cost basis.

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements "IFRS" - For the year ended 31 December 2016

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

Basis of preparation (continued)

III. New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11
- Clarification of acceptable methods of depreciation and amortization – Amendments to IAS 16 and IAS 38

- Annual improvements to IFRSs 2012 – 2014 cycle, and
- Disclosure initiative – amendments to IAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

IV. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	IFRS 9 Financial Instruments
Nature of change	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for <u>hedge accounting and a new impairment model for financial assets.</u>
Impact	<p>While the group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.</p> <p>The other financial assets held by the group include:</p> <ul style="list-style-type: none">▪ equity instruments currently classified as AFS for which a FVOCI election is available▪ equity investments currently measured at fair value through profit or loss (FVPL) which would likely continue to be measured on the same basis under IFRS 9, and▪ debt instruments currently classified as held-to-maturity and measured at amortized cost which appear to meet the conditions for classification at amortized cost under IFRS 9. <p>Accordingly, the group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 <i>Financial Instruments: Recognition and Measurement</i> and have not been changed.</p>

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements "IFRS" - For the year ended 31 December 2016

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

Basis of preparation (continued)

Title of standard	IFRS 9 Financial Instruments
Mandatory application date/ Date of adoption by group	Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The group does not intend to adopt IFRS 9 before its mandatory date.
Title of standard	IFRS 15 Revenue from Contracts with Customers
Nature of change	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.
Impact	Accordingly, the group does not expect the new guidance to have a significant impact on the recognition and measurement of revenue.
Mandatory application date/ Date of adoption by group	Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the group: 1 January 2018.
Title of standard	IFRS 16 Leases
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	Accordingly, the group does not expect the new guidance to have a significant impact on the recognition and measurement of leasing contracts.
Mandatory application date/ Date of adoption by group	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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B. Basis of consolidation

1. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2. Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

3. Joint arrangement

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Group doesn't have any joint operations or joint ventures.

4. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

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Basis of consolidation (continued)

5. Changes in ownership interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

C. Principles of consolidation and equity accounting

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

D. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The board of EDITA FOOD INDUSTRIES has appointed a chief operating decision-maker who assess the financial performance and position of the group, and makes strategic decisions. Which has been identified as the chief executive officer.

E. Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Egyptian Pound (EGP), which is Edita food industries functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss, they are deferred in equity if they are attributable to part of the net investment in foreign operations.

Foreign exchange gains and losses that relate to Loans and Cash and cash equivalents are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within 'other gains / (losses) – net'.

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Foreign currency translation (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(3) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from translation of the net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

F. Revenue recognition

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

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

(1) Sales of goods – whole sale

Sales of goods are recognized when group has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, 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 group has objective evidence that all criteria for acceptance have been satisfied.

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Revenue recognition (continued)

(2) Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

(3) Dividend income

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

(4) Export subsidy

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

G. Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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Income tax (continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in 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.

H. Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term

Leases in which a significant portion of 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 statements of Profit or loss on a straight-line basis over the period of the lease.

I. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

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Business combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

J. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

K. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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. In the consolidated balance sheet, bank overdrafts are shown in current liabilities in the balance sheet.

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L. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are amounts due from customers for goods' sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

M. Inventories

Inventories are stated at the lower of cost or net realisable value. Cost comprises direct materials, direct labour, other direct costs and an appropriate proportion of variable and fixed overhead expenditures, the latter being allocated on the basis of normal operating capacity but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and estimated costs necessary to make the sale, And the provision for obsolete inventory is created in accordance to the management's assessment..

N. Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

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O. Financial assets

i. Classification

The group classifies its financial assets in the following categories,

- loans and receivables, and
- Held to maturity (treasury bills).

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held to maturity, re-evaluates this designation at the end of each reporting period.

ii. Reclassification

Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

iii. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

iv. Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Interest on held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

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Financial assets (continued)

v. Impairment

The group 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.

Assets carried at amortised cost

For loans and receivables, 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 profit or loss. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, 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 profit or loss.

P. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statements of Profit or loss during the financial year in which they are incurred.

Land is not depreciated.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual value over their estimated useful lives, as follows:

Buildings	25 - 50 years
Machinery & equipment	20 years
Vehicles	5 - 8 years
Tools & equipment	3 - 5 years
Furniture & office equipment	4 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains / (losses) in the statement of profit or loss.

Q. Intangible assets

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

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

R. Trade and other payables

These amounts represents liabilities for goods or services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

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S. Loans

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

Loans are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

T. Borrowing 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.

Investment income earned on the temporary investment of specific Loans pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are recognized in profit or loss in the period in which they are incurred.

U. Provisions

Provisions are recognized when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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.

Provisions are measured at the present value of management's best estimate to the expenditures required to settle the obligation at the end of the period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

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V. Employee benefits

i. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All other current employee benefit obligations in the balance sheet.

ii. Post-employment obligation

Pension obligations

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

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.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

The defined benefit plan defines an amount of benefits to be provided in the form of 15 working days 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

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

iii. Profit-sharing and bonus plans

The group 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 group recognises an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

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Employee benefits (continued)

iv. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group 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 IAS 37 and involves the payment of terminations 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 and in accordance with labour law. Falling due more than 12 months after the end of the reporting period are discounted to present value.

W. Contributed equity

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.

X. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Y. Earnings per share

(1) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group excluding any costs of servicing equity other than ordinary shares by the weight average number of ordinary shares in issue during the year excluding ordinary shares purchase by the Group and held as treasury shares.

(2) Diluted earnings per share

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 Group 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.

Z. Comparative figures

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

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3. Financial risk management

(1) Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The group's management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance.

The group's risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies and evaluates financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognized financial assets and liabilities not denominated in Egyptian pounds	Cash flow forecasting Sensitivity analysis	by local banks that the Company deals with in official rates and the rest from its exports in US Dollars
Market risk – interest rate	Long-term Loans at variable rates	Sensitivity analysis	Interest rate incremental to deposits rate
Market risk – security prices	No investment in a quoted equity securities	Sensitivity analysis	Portfolio diversion
Credit risk	Cash and cash equivalents, trade receivables and held-to-maturity investments	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and governmental treasury bills
Liquidity risk	Loans and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

(A) Market risk

(i) Foreign exchange risk

The group 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 and net investments in foreign operations.

The Group 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

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Financial risk management (continued)

Exposure

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Egyptian pounds, was as follows:

At year end, major financial Assets (liabilities) in foreign currencies were as follows:

	Assets	Liabilities	Net 2016	Net 2015
Euros	830,822	(257,479,531)	(256,648,709)	(186,657,909)
United States Dollars	20,885,620	(179,989,393)	(159,103,773)	(34,730,182)

Amounts recognised in profit or loss

During the year, the following foreign-exchange related amounts were recognized in profit or loss and other comprehensive income:

	2016	2015
Amounts recognised in profit or loss		
Net foreign exchange (Loss) gain included in other income/other expenses net of tax	(231,346,978)	1,095,862
	(231,346,978)	1,095,862
Net (Losses) gains recognised in other comprehensive income		
Foreign currency translation reserve net of tax	(168,392)	2,067
	(168,392)	2,067

Sensitivity analysis

As shown in the table above, the group is primarily exposed to changes in US/EGP and Euro/EGP exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from Euro and US-dollars denominated financial instruments and the impact on profit for the year components arises from contracts designated financial liabilities.

Euro/EGP

At 31 December 2016, if the Egyptian Pounds had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been LE 25,664,871 (2015: LE 18,665,791) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

USD/EGP

At 31 December 2016, if the Egyptian Pounds had weakened / strengthened by 10% against the US Dollars with all other variables held constant, post tax profit for the year would have been LE 15,910,377 (2015: LE 3,473,018) higher / lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets and liabilities.

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Financial risk management (continued)

On 3 November 2016, the central bank of Egypt announced the floating of the Egyptian pound and raised the overnight interest rates on lending and deposits by 3%. Accordingly, the official exchange rates of the foreign currencies against the Egyptian pound shall be determined in the local banks based on the market's supply and demand rather than a binding rate imposed by the central bank.

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term Loans variable rates, which expose the group to cash flow interest rate risk. Group policy is to maintain short term time deposits which are renewed with the applicable interest rate at the time of renewal to offset the changes in the interest rates on Loans. Loans measured at amortized cost with fixed rates do not expose the company to fair value interest rate risk

At 31 December 2016, if interest rates on Egyptian pound -denominated net interest bearing liabilities had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been LE 708,762 (2015: LE 342,889) lower/higher, mainly as a result of higher/lower interest expense on floating rate Loans.

Loans at the balance sheet date with variable interest rate amounted to LE 674,058,091 (2015: LE 480,905,613).

Overdraft at the balance sheet date amounted to LE 240,473,897 (2015: LE 73,698,428).

(B) Credit risk

(i) Risk management

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, treasury bills, as well as credit exposures to customers, including outstanding receivables

(ii) Security

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

For the customers, the Group assesses the credit quality of the customers, taking into account its financial position, and their market reputation, past experience and other factors.

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Financial risk management (continued)

(iii) Credit quality

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

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties except for the impairment of accounts receivables presented in (Note 8).

The maximum exposure to credit risk is the amount of receivables as well as the cash and cash equivalents and Treasury Bills.

The group sells to retail customers which are required to be settled in cash, therefore there is no significant concentration of credit risk.

Trade receivables

Counter parties without external credit rating:

	<u>2016</u>	<u>2015</u>
Trade and notes receivables	32,249,179	7,092,479
	<u>32,249,179</u>	<u>7,092,479</u>

Outstanding trade receivables are current and not impaired

Cash at bank and short-term bank deposits:

	<u>2016</u>	<u>2015</u>
AA	78,888,032	823,278
A	6,350,075	156,075,388
BBB	-	137,853,764
B	2,610,544	1,201,037
	<u>87,848,651</u>	<u>295,953,467</u>

The table below summarizes the maturities of the Company's trade receivables at 31 December 2016 and 31 December 2015:

	<u>2016</u>	<u>2015</u>
Less than 30 days	22,961,936	4,591,020
From 31 to 60 days	7,354,413	1,645,476
From 61 to 90 days	369,120	65,896
From 91 to 120 days	33,499	85,526
	<u>30,718,968</u>	<u>6,387,918</u>

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Financial risk management (continued)

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	<u>2016</u>	<u>2015</u>
At 1 January	20,556	138,785
Provision for impairment recognized during the year	-	-
Receivables written off during the year as uncollectible	-	(118,229)
	<u>20,556</u>	<u>20,556</u>

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The group does not hold any collateral in relation to these receivables.

(C) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the group held deposits at call of EGP 59,960,840 (2015 – EGP 260,360,840) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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 balance sheet ratio targets.

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Financial risk management (continued)

The table below summarizes the maturities of the Group's undiscounted financial liabilities at 31 December 2016 based on contractual payment dates and current interest rates as we had excluded the taxes payable, advances from customers and social insurance:

2016	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
Loans	82,314,203	63,918,131	148,571,413	379,254,344
Future interest payments	15,734,086	35,601,580	59,198,436	71,312,725
Trade and other payables	191,751,313	-	-	-
Bank overdraft	240,473,897	-	-	-
Notes payable	32,925,768	-	-	-
Total	563,199,267	99,519,711	207,769,849	450,567,069
At 31 December 2015				
Loans	63,735,176	70,953,151	97,684,524	248,532,762
Future interest payments	2,578,269	3,240,990	6,307,605	15,705,858
Trade and other payables	199,550,963	-	-	-
Bank overdraft	73,698,428	-	-	-
Notes payable	45,087,494	10,546,825	-	-
Total	384,650,330	84,740,966	103,992,129	264,238,620

The unused amount of Loans is amounted to EGP 154,586,942 as of 31 December 2016, also the Group will have future interest payments related to Loans amounting to LE 181,846,827 (2015: LE 27,832,722).

(2) Capital management

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

The group monitors capital 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 long-term notes payables less cash and cash equivalents. Total capital is calculated as equity, plus net debts.

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Financial risk management (continued)

The gearing ratio at 31 December 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Total Loans and long term notes payable	674,058,091	491,452,438
Bank overdraft	240,473,897	73,698,428
Total Loans and Overdraft	914,531,988	565,150,866
Less: Cash and cash equivalents	(90,465,545)	(313,344,052)
Net debt	824,066,443	251,806,814
Total equity	1,151,357,048	1,174,822,535
Total capital	1,975,423,491	1,426,629,349
Gearing ratio	42%	18%

The increase in net debt to total capital is mainly due to the increase in total Loans and overdraft and the decrease in cash and cash equivalents as a result of dividends distribution.

Loan covenants

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

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

(3) Fair value estimation

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

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4. Critical accounting estimates and judgments

1. Critical accounting estimates and assumptions

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Fixed assets useful lives

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

Intangible assets impairment (Trade Mark & know how)

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

Income tax

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

2. Critical judgments in applying the group's accounting policies

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

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5. Property, plant and equipment

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
At 1 January 2015								
Cost	62,226,931	358,756,888	467,724,860	130,514,617	39,346,149	46,442,136	197,420,789	1,302,432,370
Accumulated depreciation	-	(42,535,772)	(132,481,461)	(63,583,055)	(22,910,791)	(25,051,641)	-	(286,562,720)
Net book amount	62,226,931	316,221,116	335,243,399	66,931,562	16,435,358	21,390,495	197,420,789	1,015,869,650
Year ended 31 December 2015								
Opening net book amount	62,226,931	316,221,116	335,243,399	66,931,562	16,435,358	21,390,495	197,420,789	1,015,869,650
Additions	44,487,197	94,541	17,057,231	36,072,030	7,893,495	15,670,686	240,492,430	361,767,610
Depreciation charge	-	(13,706,638)	(28,914,338)	(17,301,950)	(7,678,036)	(9,165,525)	-	(76,766,487)
Disposal depreciation	-	-	200,543	26,531,920	519,333	2,869,226	-	30,121,022
Disposals	-	(75,478)	(322,961)	(27,647,439)	(528,669)	(2,887,516)	-	(31,462,063)
Transfers from projects under construction	-	119,313,063	151,186,774	-	11,206,129	198,924	(281,904,890)	-
Closing net book amount	106,714,128	421,846,604	474,450,648	84,586,123	27,847,610	28,076,290	156,008,329	1,299,529,732
At 31 December 2015								
Cost	106,714,128	478,089,014	635,645,904	138,939,208	57,917,104	59,424,230	156,008,329	1,632,737,917
Accumulated depreciation	-	(56,242,410)	(161,195,256)	(54,353,085)	(30,069,494)	(31,347,940)	-	(333,208,185)
Net book amount	106,714,128	421,846,604	474,450,648	84,586,123	27,847,610	28,076,290	156,008,329	1,299,529,732
Year ended 31 December 2016								
Opening net book amount	106,714,128	421,846,604	474,450,648	84,586,123	27,847,610	28,076,290	156,008,329	1,299,529,732
Additions	14,194,132	-	14,874,049	10,906,147	10,323,755	10,240,089	213,607,854	274,146,026
Depreciation charge	-	(18,759,872)	(36,518,579)	(18,773,364)	(11,068,526)	(11,841,474)	-	(96,961,815)
Disposal depreciation	-	-	1,480,969	4,479,770	826,086	1,337,475	-	8,124,300
Disposals	-	-	(2,454,633)	(5,712,850)	(842,344)	(1,367,173)	-	(10,377,000)
Transfers from Projects under construction	-	14,526,630	177,790,647	-	12,302,435	1,923,504	(206,543,216)	-
Closing net book amount	120,908,260	417,613,362	629,623,101	75,485,826	39,389,016	28,368,711	163,072,967	1,474,461,243
At 31 December 2016								
Cost	120,908,260	492,615,644	825,855,967	144,132,505	79,700,950	70,220,650	163,072,967	1,896,506,943
Accumulated depreciation	-	(75,002,282)	(196,232,866)	(68,646,679)	(40,311,934)	(41,851,939)	-	(422,045,700)
Net book amount	120,908,260	417,613,362	629,623,101	75,485,826	39,389,016	28,368,711	163,072,967	1,474,461,243

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Property, plant and equipment (continued)

During the year, the Group has capitalized borrowings costs amounting to LE 4,872,184 (2015: LE 9,971,079) on qualified assets. Borrowings costs were capitalized at the weight average rate of its general borrowings of 13%.

	2016	2015
Allocation of the borrowing cost on Qualified Assets		
Projects under construction – Buildings	3,234,209	7,363,397
Projects under construction – Machinery	1,637,975	2,607,682
Total	4,872,184	9,971,079

6. Intangible assets

	Net Book Value	
	2016	2015
A- Trademark	131,480,647	131,480,647
B- Know how	31,430,995	30,488,065
Balance as of	162,911,642	161,968,712

A. Trademarks

	Trade Mark (HOHOS, Twinkies & Tiger Tail)	
	2016	2015
Cost		
Opening Balance	131,480,647	68,618,658
Additions during the year	-	62,861,989
Balance as of	131,480,647	131,480,647

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

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Intangible assets (continued)

B. Know how

	Know How	
	2016	2015
Cost		
Opening balance	31,430,995	-
Additions during the year	-	31,430,995
Balance as of	31,430,995	31,430,995
Accumulated amortization		
Opening Balance	(942,930)	-
Amortization expense during the year	942,930	(942,930)
Balance as of	-	(942,930)
Net book value for know how	31,430,995	30,488,065

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

Impact of change in accounting policy

- The accounting policy of intangible asset "Know how" have been changed during the year from intangible assets have finite useful lives, amortized over the company life span (25 years) and measured at cost less amortization in the consolidated financial statements to became intangible assets have an indefinite useful live measured at cost in the consolidated financial statements, and impairment is tested on an annual basis.
- Intangible asset "Know how" have been recognized in the consolidated financial statements for the year ended 31 December 2015, as a finite useful live intangible assets, based on significant incompleteness of its related production lines and that these new products is considered have new trade mark in the market and no actual marketing testing for these products took place at the consolidated financial statements date.
- Later during 2016, these production lines completed and genuine marketing for these products have been started. This provides the company's management with the ability to establish assumptions on developing the market in the future.
- For the purpose of uniting the accounting policy for all intangible assets and to provide reliable and more relevant information, the company's management changed the know how accounting policy from cost less amortisation based on finite useful live determined on 25 years to indefinite useful live measured at cost with impairment tested annually, considering the ability to establish reliable assumptions of future sales.

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Intangible assets (continued)

- The retrospective application of change in accounting policy resulted with adjustment of EGP 942,930 represents the amortization of 2015 fiscal year. Management concluded to recognize such adjustment on current year statement of profit or loss, as the resulting adjustment from changing the accounting policy has an immaterial impact on 2016 retained earnings opening balance, net profit for the year, basic and diluted earnings per share and comparative figures for the year ended 31 December 2015.

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 Group when testing the impairment of intangible assets as of 31 December 2016 as follows:

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

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

Sensitivity of recoverable amounts

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

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

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

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7. Inventories

	<u>2016</u>	<u>2015</u>
Raw and packaging materials	250,308,760	96,827,316
Spare parts	26,269,668	26,436,664
Finished goods	25,381,892	10,177,972
Consumables	9,849,632	5,887,149
Work in process	6,881,927	1,935,464
Total	318,691,879	141,264,565
Less: provision for slow moving and obsolete inventory	(263,320)	(967,094)
Net	318,428,559	140,297,471

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

During the year ended 31 December 2016, there has been a slow moving and obsolete inventory addition amounted to LE 595,504 (2015: LE 738,482) (Note 24) and utilized amounted to LE 1,299,278 (2015: LE 550,388).

The cost of inventory recognized as an expense and included in cost of sales amounted to LE 1,249,637,425 during the year ended 31 December 2016 (2015: LE 1,052,610,030)

8. Trade and other receivables

	<u>2016</u>	<u>2015</u>
Trade receivables	30,718,968	6,387,918
Notes receivable	1,530,211	704,561
Total	32,249,179	7,092,479
Less: Provision for impairment of trade receivables	(20,556)	(20,556)
	32,228,623	7,071,923
Advances to suppliers	138,088,609	43,539,492
Prepaid expenses	12,477,604	4,708,186
Other debit balances	7,419,676	9,861,458
Deposits with others	5,678,541	2,106,229
Letters of credit	581,818	431,169
Employee loans	128,524	77,787
Accrued income	65,079	46,935
Total	196,668,474	67,843,179

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements "IFRS" - For the year ended 31 December 2016

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

9. Treasury bills

	<u>2016</u>	<u>2015</u>
Treasury bills par value	198,000,000	151,475,000
Unearned interest	(8,425,680)	(4,830,740)
Amount of treasury bills paid	189,574,320	146,644,260
Interest income recognized to profit or loss	2,570,508	2,946,854
Treasury bills balance	192,144,828	149,591,114

The Group purchased Egyptian treasury bills on 15 November 2016 with par value amounted LE 45,000,000 with an annual interest of 17%. These treasury bills are due in 14th of February 2017. The total recognized interest income amounted to LE 924,903.

The Group purchased Egyptian treasury bills on 23 November 2016 with par value amounted LE 53,000,000 with an annual interest of 17.19%. These treasury bills are due in 21th of February 2017. The total recognized interest income amounted to LE 909,881.

The Group purchased Egyptian treasury bills on 6 December 2016 with par value amounted LE 20,000,000 with an annual interest of 17.95%. These treasury bills are due in 7th of March 2017. The total recognized interest income amounted to LE 235,385.

The Group purchased Egyptian treasury bills on 13 December 2016 with par value amounted LE 20,000,000 with an annual interest of 18.59%. These treasury bills are due in 14th of March 2017. The total recognized interest income amounted to LE 175,213.

The Group purchased Egyptian treasury bills on 13 December 2016 with par value amounted LE 10,000,000 with an annual interest of 18.47%. These treasury bills are due in 14th of March 2017. The total recognized interest income amounted to LE 87,072.

The Group purchased Egyptian treasury bills on 20 December 2016 with par value amounted LE 15,000,000 with an annual interest of 18.95%. These treasury bills are due in 21th of March 2017. The total recognized interest income amounted to LE 81,793.

The Group purchased Egyptian treasury bills on 20 December 2016 with par value amounted LE 5,000,000 with an annual interest of 18.95%. These treasury bills are due in 21th of March 2017. The total recognized interest income amounted to LE 27,252.

The Group purchased Egyptian treasury bills on 20 December 2016 with par value amounted LE 20,000,000 with an annual interest of 18.95%. These treasury bills are due in 21th of March 2017. The total recognized interest income amounted to LE 109,057.

The Group purchased Egyptian treasury bills on 27 December 2016 with par value amounted LE 10,000,000 with an annual interest of 19%. These treasury bills are due in 28th of March 2017. The total recognized interest income amounted to LE 19,952.

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements "IFRS" - For the year ended 31 December 2016

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

10. Cash and cash equivalents (excluding bank overdrafts)

	<u>2016</u>	<u>2015</u>
Bank deposits	59,960,840	260,360,840
Cash at banks and on hand	30,504,705	52,983,212
Cash and cash equivalents (excluding bank overdrafts)	<u>90,465,545</u>	<u>313,344,052</u>

The average interest rate on local currency time deposits during 2016 is 12.5% (2015: 7.5%).

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

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

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	90,465,545	313,344,052
Bank overdraft (Note 18)	<u>(240,473,897)</u>	<u>(73,698,428)</u>
Total	<u>(150,008,352)</u>	<u>239,645,624</u>

11. Loans

	<u>2016</u>			<u>2015</u>		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Loans	146,232,334	527,825,757	674,058,091	134,688,327	346,217,286	480,905,613
	<u>146,232,334</u>	<u>527,825,757</u>	<u>674,058,091</u>	<u>134,688,327</u>	<u>346,217,286</u>	<u>480,905,613</u>

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

	<u>2016</u>	<u>2015</u>
Balance due within 1 year	130,936,262	120,456,761
Accrued interest	<u>15,296,072</u>	<u>14,231,566</u>
	<u>146,232,334</u>	<u>134,688,327</u>

(1) Edita Food Industries Company

	<u>2016</u>			<u>2015</u>		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	-	-	-	13,057,767	-	13,057,767
Second loan	-	-	-	12,645,613	-	12,645,613
Third loan	-	-	-	11,830,743	-	11,830,743
Fourth loan	20,464,972	26,250,000	46,714,972	20,558,670	43,749,965	64,308,635
Fifth loan	49,286,230	125,885,836	175,172,066	34,408,847	115,311,417	149,720,264
Sixth Loan	21,486,364	72,000,000	93,486,364	20,438,125	72,000,000	92,438,125
Seventh Loan	36,811,734	164,105,235	200,916,969	162,383	89,431,939	89,594,322
Eighth loan	237,842	130,829,986	131,067,828	-	-	-
	<u>128,287,142</u>	<u>519,071,057</u>	<u>647,358,199</u>	<u>113,102,148</u>	<u>320,493,321</u>	<u>433,595,469</u>

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements "IFRS" - For the year ended 31 December 2016

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

Loans (continued)

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

	<u>2016</u>	<u>2015</u>
Balance due within 1 year	113,929,860	100,161,521
Accrued interest	14,357,282	12,940,627
Total	<u>128,287,142</u>	<u>113,102,148</u>

- **First loan**

This first loan is provided by one of the Egyptian banks in August 2011 based on a cross guarantee issued from Digma Trading Company with an amount of LE 100,000,000 and the total withdrawal amount is LE 100,000,000 in addition to accrued interest. The company paid the last due installments amounted to 12,500,000 in addition accrued interests on 1 February 2016.

- **Second loan:**

This second loan is provided by one of the Egyptian banks in August 2012 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000 and the total withdrawal amount is LE 70,000,000 in addition to the accrued interest. The company paid the last due installments amounted to 11,666,667 in addition accrued interests on 6 June 2016.

- **Third loan:**

This third loan is provided by one of the Egyptian banks in May 2013 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000 and the total withdrawal amount is LE 70,000,000 in addition to the accrued interest. The company paid the last due installments amounted to 11,667,000 in addition accrued interests on 18 May 2016.

- **Fourth loan:**

This fourth loan is provided by one of the Egyptian banks in January 2014 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000 and the total withdrawal amount is LE 70,000,000 on 31 December 2016 in addition to accrued interest. The loan outstanding balance at 31 December 2016 after payment of due installments amounted to 43,750,000 in addition accrued interests.

Terms of payments:

Edita Food Industries S.A.E. (borrower) is obligated to Pay LE 43,750,000 on 5 equal semi-annual instalments; each instalment is amounted to LE 8,750,000. The first installment is due on 22 February 2017 and the last on 22 February 2019.

Interest:

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

Fair value:

Fair value is approximately equal to book value.

- **Fifth loan:**

This fifth loan is provided by one of the Egyptian banks on September 2014 based on a cross guarantee issued from Digma Trading Company amounted to LE 185,000,000 and the total withdrawal amount is LE 86,857,057 plus 5,587,500 USD on 31 December 2016. The loan outstanding balance at 31 December 2016 after payment of due installments amounted to LE 77,206,280 plus 4,966,666 USD in addition accrued interests.

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Notes to the consolidated financial statements "IFRS" - For the year ended 31 December 2016

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

Loans (continued)

Terms of payments:

Edita Food Industries S.A.E. is obligated to Pay LE 77,206,280 on 8 equal semi-annual installments; each installment is amounted to LE 9,650,785 In addition. The company is obligated to pay 4,966,666 USD on 8 equal semi-annual installments; each installment is amounted to 620,834 USD.

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

Interest:

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

Fair value:

Fair value is approximately equal to book value.

- **Sixth loan:**

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

Terms of payments:

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

Interest:

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

Fair value:

Fair value is approximately equal to book value.

- **Seventh loan:**

This seventh loan is provided by one of the Egyptian banks on September 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 200,581,054 and the total withdrawal amount is LE 94,073,754 plus 5,405,194 Euro plus 60,214 USD plus 90,208 GBP on 31 December 2016 in addition to accrued interest. The bank committed to translate the foreign Currency to Egyptian pound as the company in not obligated to pay the loan back in foreign currency.

Terms of payments:

Edita Food Industries S.A.E. is obligated to Pay LE 200,581,054 on 11 equal semi-annual instalments; each instalment is amounted to LE 18,233,915, except for the last instalment amounted to LE 18,241,904 the first instalment is due on 19 April 2017 and the last on 19 April 2022. Total loan value and accrued interest to be paid to the bank in local currency without any obligation on the Company to pay foreign currency.

Interest:

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

Fair value:

Fair value is approximately equal to book value.

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Loans (continued)

- **Eighth loan:**

This eighth loan is provided by one of the Egyptian banks on September 2016 based on a cross guarantee issued from Digma Trading Company amounted to LE 170,000,000 and 6,000,000 Euro. The total withdrawal amount is LE 91,698,190 plus 2,046,000 Euro on 31 December 2016 in addition to accrued interest.

Terms of payments:

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

Interest:

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

Fair value:

Fair value is approximately equal to book value.

(2) Digma for Trading

	2016			2015		
	Short term portion	Long term portion	Total	Short term portion	Long term portion	Total
First loan	3,601,575	-	3,601,575	3,733,704	3,333,334	7,067,038
Second loan	3,555,141	1,666,666	5,221,807	3,637,597	5,000,000	8,637,597
Third loan	7,453,134	7,088,034	14,541,168	7,620,274	14,290,631	21,910,905
Net	14,609,850	8,754,700	23,364,550	14,991,575	22,623,965	37,615,540

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

	2016	2015
Balance due within 1 year	13,906,402	14,095,240
Accrued interest	703,448	896,335
	14,609,850	14,991,575

- **The First loan**

The First loan is provided by one of the Egyptian banks in December 2013 based on a cross guarantee issued from Edita Food Industries Company S.A.E. amounted to LE 10,000,000 and the total withdrawal amount is LE 10,000,000 in addition to accrued interest,

Terms of payments:

Digma Trading Company S.A.E. is obligated to pay LE 3,333,334 on 2 equal semi-annual instalment, each instalment is amounted to LE 1,666,667 and the instalments come due after 12 months from the date the loan was issued to the company. The next instalments is due on 1th of January 2017 and the last on 15th of July 2017.

Interest:

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

Fair value:

Fair value is approximately equal to book value.

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements "IFRS" - For the year ended 31 December 2016

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

Loans (continued)

- **The Second loan**

The second loan is provided by one of the Egyptian banks on 20 August 2014 based on a cross guarantee issued from Edita Food Industries Company S.A.E. amounted to LE 10,000,000 and the total withdrawal amount is LE 10,000,000 in addition to accrued interest,

Terms of payments:

Digma Trading Company S.A.E. is obligated to pay LE 5,000,000 on 3 equal semi-annual instalments, each instalment is amounted to LE 1,666,667 and the instalments come due after 12 months from the date the loan was issued to the company. The first instalment is due on 20 February 2017 and the last on 20 February 2018.

Interest:

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

Fair value:

Fair value is approximately equal to book value.

- **The Third loan**

The third loan is provided by one of the Egyptian banks on 07 September 2015 based on a cross guarantee issued from Edita Food Industries Company S.A.E. amounted to LE 26,000,000 and the total withdrawal amount is LE 25,339,072 in addition to accrued interest,

Terms of payments:

Digma Trading Company S.A.E. is obligated to pay LE 14,327,769 on 4 equal semi-annual instalments, each instalment is amounted to LE 3,619,867 and the last instalment amounted to LE 3,468,167 and the instalments come due after 6 months from the date the loan was issued to the company. The first instalment is due on April 2017 and the last on October 2018.

Interest:

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

Fair value:

Fair value is approximately equal to book value.

(3) Edita Confectionery Industries

	2016			2015		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Long-term loan	3,335,342	-	3,335,342	6,594,604	3,100,000	9,694,604
	3,335,342	-	3,335,342	6,594,604	3,100,000	9,694,604

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

	2016	2015
Balance due within 1 year	3,100,000	6,200,000
Accrued interest	235,342	394,604
	3,335,342	6,594,604

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Loans (continued)

This loan is provided by one of the Egyptian banks based on a cross guarantee issued from Edita Food Industries Company amounted to LE 31,000,000.

Terms of payments:

Edita Confectionary Industries S.A.E. is obligated to pay LE 3,100,000 on 1 equal semi-annual instalments (each instalment is amounted to LE 3,100,000) and the instalments come due after 6 months from the first withdrawal, the next instalment is due on the last on 17 April 2017 in addition accrued interests

Interest:

The rate is 0.5% above central bank of Egypt mid corridor.

Fair value:

Fair value is approximately equal to book value.

Compliance with debt covenants

As of 31 December 2016, the group has complied with the financial covenants of its borrowing facilities during 2016 and 2015 reporting periods.

12. Long-term notes payable

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

	2016		2015	
	Notes payable	Present value	Notes payable	Present value
Short-term notes payables				
Current portion of long-term notes payables (Note 17)	-	-	10,546,825	10,546,825
Total short-term liabilities	-	-	10,546,825	10,546,825

The total interest on the loan for the period ended at 31 December 2016 amounting to LE 531,405 (2015: LE 1,131,318) has been charged on the statements of Profit or loss as a finance cost (Note 25).

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13. Deferred income tax liability

Deferred income tax represents tax expenses on the temporary differences arising between the tax basis of assets and their carrying amounts in the financial statements:

	Fixed assets	Acquiring Digma Company for Trading	Unrealized foreign exchange loss	Net deferred tax liabilities	
				2016	2015
A. Deferred tax assets					
Balance at 1 January	-	-	-	-	-
Charged to statement of profit or loss	-	-	33,608,041	33,608,041	-
Ending balance as of 31 December	-	-	33,608,041	33,608,041	-
B. Deferred tax liabilities					
Balance at 1 January	(90,720,084)	(3,816,218)	-	(94,536,302)	(79,424,174)
Charged to statement of profit or loss	(25,804,796)	240,423	-	(25,564,373)	(15,109,724)
Charged to statement of comprehensive income	-	-	-	-	(2,404)
Ending balance as of 31 December	(116,524,880)	(3,575,795)	-	(120,100,675)	(94,536,302)
Net deferred tax liabilities	(116,524,880)	(3,575,795)	33,608,041	(86,492,634)	(94,536,302)
Balance at 1 January	(90,720,084)	(3,816,218)	-	(94,536,302)	(79,424,174)
Charged to statement of profit or loss (Note 26)	(25,804,796)	240,423	33,608,041	8,043,668	(15,109,724)
Charged to statement of comprehensive income	-	-	-	-	(2,404)
Ending Balance as of 31 December	(116,524,880)	(3,575,795)	33,608,041	(86,492,634)	(94,536,302)

According to the tax system in Egypt, the tax losses belongs to Edita Confectionary Industries Company may be changed during the tax inspection by the tax authority, accordingly the management did not recognize deferred tax assets.

14. 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:

	2016	2015
Discount rate	14%	10%
Average salary increase rate	10%	7%
Turnover rate	25%	25%
Life table	49-52	49-52

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

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Employee Benefit obligations (continued)

The amounts recognized at the balance sheet date are determined as follows:

	<u>2016</u>	<u>2015</u>
Present value of obligations	1,945,034	2,533,203
Liability at the balance sheet	<u>1,945,034</u>	<u>2,533,203</u>

Movement in the liability recognized in the balance sheet:

	<u>2016</u>	<u>2015</u>
Balance at beginning of the year	2,533,203	-
Additions during year	-	2,533,203
Paid during the year	(588,169)	-
Balance at end of the year	<u>1,945,034</u>	<u>2,533,203</u>

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

	<u>2016</u>	<u>2015</u>
Present cost of the service		
Accrued service cost	-	2,533,203
Total	<u>-</u>	<u>2,533,203</u>

15. Trade and other payables

	<u>2016</u>	<u>2015</u>
Trade payables	126,406,928	152,325,852
Notes payable	32,925,768	45,087,494
Accrued expenses	49,052,190	37,131,266
Other credit balances	16,292,195	10,093,845
Taxes payable	33,240,605	7,952,953
Advances from customers	2,360,845	2,582,453
Social insurance	75,118	75,118
Total	<u>260,353,649</u>	<u>255,248,981</u>

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

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

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16. Current income tax liabilities

	<u>2016</u>	<u>2015</u>
Balance at 1 January	24,281,519	81,588,139
Income tax paid during the year	(24,015,547)	(81,088,673)
Withholding tax	(6,076,107)	(3,789,924)
Income tax for the year (Note 26)	52,932,503	80,743,540
Corporate tax advance payment	(42,965,000)	(50,850,000)
Accrued interest – advance payment (Note 25)	(2,923,815)	(1,821,563)
Tax adjustments	-	(500,000)
Balance at end of year	<u>1,233,553</u>	<u>24,281,519</u>

17. Current portion of long-term liabilities

	<u>2016</u>	<u>2015</u>
Short-term loans (Note 11)	146,232,334	134,688,327
Current portion at long-term notes payable (Note 12)	-	10,546,825
Total	<u>146,232,334</u>	<u>145,235,152</u>

18. Bank overdraft

	<u>2016</u>	<u>2015</u>
Bank overdraft (Note 10)	240,473,897	73,698,428
Total	<u>240,473,897</u>	<u>73,698,428</u>

Bank overdraft is an integral part of the Company's cash management. Bank overdraft is secured against guarantees by cross guarantees from the group of shareholders. The effective interest rate for bank overdraft was 15.75 % as of 31 December 2016 (2015: 11.25%).

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19. Provisions

	Other provisions	
	2016	2015
Balance at 1 January	16,000,854	10,916,700
Charged during the year (Note 24)	5,800,730	5,489,092
Utilized during the year	(2,591,519)	(404,938)
Provision no longer required (Note 24)	(43,680)	-
Balance at end of year	19,166,385	16,000,854

Other provisions related to claims expected to be made by a third party in connection with the Group's operations. The information usually required by the International Financial Reporting 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.

20. Share capital

Authorized capital LE 360,000,000 (1,800,000,000 share, par value LE 0.20 per share).

The issued and paid up capital amounted by LE 72,536,290 presented in 362,681,450 share (par value LE 0.20 per share) after trading are shown as follows:

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

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

The issued and paid up capital amounted to LE 145,072,580 presented in 725,362,900 share (par value LE 0.2 per share) will be distributed as follow:

Shareholders	No. of shares	Shares value	Percentage of ownership
BERCO Ltd.	303,308,300	60,661,660	41.815%
THE BANK OF NEW YORK MELLON	185,631,920	37,126,384	25.592%
EXODER Ltd.	94,769,464	18,953,893	13.065%
Africa Samba B. V.	54,402,234	10,880,447	7.500%
Others (Public stocks)	87,250,982	17,450,196	12.029%
	725,362,900	145,072,580	100%

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Notes to the consolidated financial statements "IFRS" - For the year ended 31 December 2016

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21. Legal reserve

In accordance with Companies 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.

22. Non-controlling interest

	share capital	Legal reserves	Revaluation assets reserve	Accumulated losses	Total	
					2016	2015
Balance at 1 January	12,271,000	5,000	38,162	(6,696,725)	5,617,437	1,966,793
Non-controlling share in (loss)/profit of subsidiaries	-	-	-	(929,372)	(929,372)	3,653,048
Assets revaluation reserve	-	-	-	-	-	(2,404)
Total comprehensive income for the year	-	-	-	(929,372)	(929,372)	3,650,644
Issue of ordinary shares of a subsidiary	10,552,330	-	-	-	10,552,330	-
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	(256,627)	(256,627)	-
Transfer to legal reserve	-	247,174	-	(247,174)	-	-
Balance at end of year	22,823,330	252,174	38,162	(8,129,898)	14,983,768	5,617,437

23. Other income

	2016	2015
Gain from sale of production waste	4,768,776	4,940,762
Other income	1,705,326	5,634,304
Export subsidies	3,250,926	4,829,951
Total	9,725,028	15,405,017

24. Other gains / (losses) - net

	2016	2015
Provision for slow moving inventory (Note 7)	(595,504)	(738,482)
Other Provisions (Note 19)	(5,800,730)	(5,489,092)
Provision for employee benefit obligation (Note 14)	-	(2,533,203)
Provision no longer required (Note 19)	43,680	-
Gain from sales of fixed assets	3,905,164	13,102,697
Foreign exchange (Losses) / gains	(37,540,451)	1,414,016
Net	(39,987,841)	5,755,936

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Notes to the consolidated financial statements "IFRS" - For the year ended 31 December 2016

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

25. Finance cost - net

	<u>2016</u>	<u>2015</u>
Finance income		
Interest income	30,279,881	27,648,656
Interest income – corporate tax payment	2,923,815	1,821,563
	<u>33,203,696</u>	<u>29,470,219</u>
Finance cost		
Interest expense	(57,364,682)	(32,366,845)
Interest on land's instalments (Note 12)	(531,405)	(1,131,318)
Foreign exchange (Losses)	(260,971,778)	-
	<u>(318,867,865)</u>	<u>(33,498,163)</u>
Finance cost – net	<u>(285,664,169)</u>	<u>(4,027,944)</u>

26. Income tax expense

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

	<u>2016</u>	<u>2015</u>
Income tax for the year (Note 16)	(52,932,503)	(80,743,540)
Deferred tax expense for the year (Note 13)	8,043,668	(15,109,724)
Total	<u>(44,888,835)</u>	<u>(95,853,264)</u>

27. Earnings per share

Basic

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

	<u>2016</u>	<u>2015</u>
Profit attributed to owners of the parent	47,439,265	349,077,966
Weighted average number of ordinary shares in issue		
Ordinary shares	725,362,900	725,362,900
	<u>725,362,900</u>	<u>725,362,900</u>
Basic earnings per share	<u>0.07</u>	<u>0.48</u>

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.

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28. Expenses by nature

	<u>2016</u>	<u>2015</u>
Cost of sales	1,604,647,951	1,357,884,821
Distribution cost	308,100,697	282,347,968
Administrative expenses	181,914,459	157,323,657
	<u>2,094,663,107</u>	<u>1,797,556,446</u>
Raw materials used	1,201,719,268	1,048,016,428
Salaries and wages	328,709,239	305,471,201
Advertising and marketing	118,750,550	108,714,342
Depreciation	96,961,815	76,766,487
Gas, oil, water and electricity	50,207,622	39,953,959
Miscellaneous and other expense	58,029,327	39,117,320
Employee benefits	45,178,073	45,708,239
Rent	38,223,402	34,320,999
Profit share employee	26,000,000	21,830,671
Transportation expenses	19,895,559	20,537,246
Maintenance	21,151,087	21,347,708
Vehicle expense	19,649,326	19,005,194
Consumable materials	14,117,656	10,495,081
Collection commission	6,659,781	-
Purchases – goods for resale	47,918,157	4,593,602
Royalty	1,492,245	1,677,969
	<u>2,094,663,107</u>	<u>1,797,556,446</u>

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29. Cash generated from operations

	<u>2016</u>	<u>2015</u>
Profit for the year before income tax	92,328,100	444,931,230
Adjustments for:		
Provisions	5,800,730	5,489,092
Provision for employee benefit obligations	-	2,533,203
Interest on lands' installments	531,405	1,131,318
Interest expense	57,364,682	32,366,845
Interest income	(30,279,881)	(27,648,656)
Interest income – corporate tax payment	(2,923,815)	(1,821,563)
Depreciation of property, plant and equipment	96,961,815	76,766,487
Amortization of Intangible assets	(942,930)	942,930
Provision of slow moving inventory	595,504	738,482
Gain from sale of property, plant and equipment	(3,905,164)	(13,102,698)
Provision no longer required	(43,680)	-
	<u>215,486,766</u>	<u>522,326,670</u>
Change in working capital		
Inventories	(178,726,592)	(28,554,196)
Trade and other receivables	(128,825,295)	(1,501,056)
Trade and other payables	4,832,653	49,317,790
Provisions used	(2,591,519)	(404,938)
Payments of employee benefit obligations	(588,169)	-
Cash (used in) / generated from operations	<u>(90,412,156)</u>	<u>541,184,270</u>

In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	<u>2016</u>	<u>2015</u>
Net book amount	2,252,700	1,341,041
Profit of disposal of property, plant and equipment	3,905,164	13,102,698
Proceeds from disposal of property, plant and equipment	<u>6,157,864</u>	<u>14,443,739</u>

30. Related party transactions

The following transactions were carried out with related parties:

1. Chipita Participation Company

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

The royalty during the year ended December 2016 amounted to LE 1,492,245 (2015: LE 1,677,969) 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.

2. Key management compensation

During the year ended 31 December 2016 the company paid an amount of LE 61,785,420 as salaries and benefits to the key management members (2015: LE 61,969,936).

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31. Tax position

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

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 2010 and all due tax amounts paid.
- For the years 2011-2012 the tax inspection was performed and the difference was sent to internal committee.
- For the years 2013-2015 the Company is submitting the tax return according to law No. 91 of 2005 in its legal period and has not been inspected yet.

b) Payroll tax

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

c) Sales tax

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

d) Stamp duty tax

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

Digma for Trading Company

a) Corporate tax

The Company is subject to the corporate income tax according to tax law Law No, 91 of 2005 and amendments.

- The tax inspection was performed by the Tax Authority for the period from the Company's inception until year 2009 and the tax resulting from the tax inspection were settled and paid to the Tax Authority.
- For the years from 2010 to 2013 the tax inspection was performed and the difference was sent to internal committee.
- For the years from 2014 to 2015 Company submits its tax returns on due dates according to law No, 91 for the year 2005.

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

Tax position (continued)

b) Payroll tax

- The tax inspection was performed until 31 December 2012 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- For the years from 2013 to 2016 the Company submitted its quarter tax returns to Tax Authority on due dates.

c) Sales tax

- The tax inspection was performed until 31 December 2014 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The years 2015-2016 the Company submits its monthly sales tax return on due date.

d) Stamp tax

- The tax inspection was performed for the period from the Company's inception until 31 December 2008 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The tax inspection was performed for the years from 2009 to 2012 and the difference were sent to internal committee to study.
- For the years from 2013 to 2016 the Company paid the tax due.

Edita Confectionary Industries Company

a) Corporate tax

- The Company is subject to the corporate income tax according to tax law Law No. 91 of 2005 and adjustments.
- The corporate tax inspection was performed for the years from 2009 till 2014 and the company has not informed with any results yet.
- For the year 2015 Company submits its tax returns on due dates according to law No, 91 for the year 2005.

b) Payroll Tax

- The payroll tax inspection was performed for the years from 2009 till 2012 and the tax due was paid to the Tax Authority.
- The company hasn't been inspected for the year from 2013 till 2016.

c) Sales Tax

- The tax inspection was performed for the period from the Company's inception until 2013 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The company hasn't been inspected for the year from 2014 till 2016.

d) Stamp Tax

- The stamp tax inspection was performed from 2009 till 2012 and the tax due was paid to the Tax Authority.
- For the years 2013 and 2014 the tax inspection was performed and the difference was sent to internal committee.
- The Company hasn't been inspected for the year from 2015 till 2016.

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

Tax position (continued)

Contingent liabilities

(1) Edita Food Industries Company

The Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities. The uncovered portion of the letter of guarantee and letters of credit granted to the Company arising from ordinary course of business amounted to LE 50,700,499 as at 31 December 2016 (2015: LE 22,185,404).

(2) Digma for Trading Company

The Company guarantees Edita Food Industries against third parties in borrowing from one of Egyptian Bank.

At 31 December 2016 the Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities. The uncovered portion of the letter of guarantee and letters of credit granted to the Company arising from ordinary course of business amounted to LE 27,500 as at 31 December 2016 (2015: 913,869).

(3) Edita Confectionary Industries Company

At 31 December 2016 the Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities. The uncovered portion of the letter of guarantee and letters of credit granted to the Company arising from ordinary course of business at 31 December 2016 amounted to LE 2,237,901 (2015: LE 1,220,616)

32. Capital commitments

The Company has capital commitments as of 31 December 2016 amounted to LE 32,978,630 in respect of the construction of a new factory for Edita Food Industries.

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements "IFRS" - For the year ended 31 December 2016

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

33. Financial instrument by category

	2016	
	Loans and receivables	Total
Assets as per balance sheet		
Trade and other receivables (excluding prepayments)*	184,190,870	184,190,870
Cash and cash equivalents	90,465,545	90,465,545
Treasury bills	192,144,828	192,144,828
Total	466,801,243	466,801,243

	2016	
	Other financial liabilities and amortised costs	Total
Liabilities as per balance sheet		
Loans*	674,058,091	674,058,091
Trade and other payables (excluding non-financial liabilities)*	224,677,081	224,677,081
Bank overdraft	240,473,897	240,473,897
Total	1,139,209,069	1,139,209,069

	2015	
	Loans and receivables	Total
Assets as per balance sheet		
Trade and other receivables (excluding prepayments)*	63,134,993	63,134,993
Cash and cash equivalents	313,344,052	313,344,052
Treasury bills	149,591,114	149,591,114
Total	526,070,159	526,070,159

	2015	
	Other financial liabilities at amortised costs	Total
Liabilities as per balance sheet		
Loans*	491,452,438	491,452,438
Trade and other payables (excluding non-financial liabilities)*	244,638,457	244,638,457
Bank overdraft	73,698,428	73,698,428
Total	809,789,323	809,789,323

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

Trade and other receivables presented above excludes prepaid expenses

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

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

34. Segment reporting

(Amounts presented to the nearest thousands EGP)

	Cake		Croissant		Bake		Friska		Mimix		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	1,292,555	1,205,203	830,670	748,680	178,799	94,155	98,278	85,181	95,776	84,281	6,840	7,855	2,502,918	2,225,355
Gross profit	498,404	475,946	281,987	303,756	52,298	26,727	37,513	35,894	25,783	21,581	2,285	3,566	898,270	867,470
Operating profit	237,859	262,722	120,173	158,291	466	4,151	11,008	13,423	7,356	7,987	1,130	2,385	377,992	448,959
Finance cost	(164,670)	(18,141)	(105,826)	(11,270)	(22,779)	(1,417)	(12,520)	(1,282)	(12,202)	(1,269)	(871)	(119)	(318,868)	(33,498)
Finance income	17,146	15,960	11,020	9,915	2,372	1,247	1,304	1,128	1,271	1,116	91	104	33,204	29,470
Income tax	(27,833)	(56,027)	(14,367)	(33,796)	(357)	(1,015)	(1,354)	(2,903)	(845)	(1,609)	(133)	(503)	(44,889)	(95,853)
Net profit	62,502	204,514	11,000	123,140	(20,298)	2,966	(1,562)	10,366	(4,420)	6,225	217	1,867	47,439	349,078

The segment in formation disclosed in the table above represents the segment confirmation provided to the chief operating decision makers of the Group.