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

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Consolidated financial statements - For the year ended 31 December 2012

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Auditor's report

To: The Shareholders of Edita Food Industries Company (S.A.E) and its Subsidiaries

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Edita Food Industries Company (S.A.E) and its Subsidiaries, which comprise the consolidated balance sheet as at 31 December 2012 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) and in light of 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and in light with applicable Egyptian laws and regulation. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Edita Food Industries Company (S.A.E) and its Subsidiaries as of 31 December 2012, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in light of the related Egyptian laws and regulations.

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

17 December 2014
Cairo

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

Consolidated balance sheet - At 31 December 2012

(all amounts in Egyptian Pounds)

	Note	31 December 2012	31 December 2011	1 January 2011
Non-current assets				
Property, plant and equipment	6	721,818,437	634,335,732	387,450,603
Investments available for sale	7	43,203,000	39,862,500	38,900,000
Deferred tax assets		-	1,047,307	-
Total non-current assets		**765,021,437**	**675,245,539**	**426,350,603**
Current assets				
Inventories	8	80,775,579	77,618,347	55,740,946
Trade and other Receivables	9	42,921,469	58,443,499	79,236,936
Cash and cash equivalents (excluding bank overdrafts)	10	237,377,400	133,256,785	188,552,423
Financial assets at fair value through profit or loss		39,623	35,539	-
Total current assets		**361,114,071**	**269,354,170**	**323,530,305**
Total assets		**1,126,135,508**	**944,599,709**	**749,880,908**
Equity and Liablities				
Equity				
Ordinary Shares	11	72,536,290	72,536,290	72,536,290
Legal reserve	12	16,407,621	16,407,621	16,407,621
Retained earnings		519,521,351	393,965,949	380,462,599
Equity attributable to owners of the parent		**608,465,262**	**482,909,860**	**469,406,510**
Non-controlling interests	13	5,931,838	11,257,133	12,590,200
Total equity		**614,397,100**	**494,166,993**	**481,996,710**
Liabilities				
Non-current liabilities				
Long term loans	14	132,481,532	136,659,068	-
Long-term notes payable	15	24,231,361	30,294,318	35,353,742
Sales tax on machinery	16	25,296	105,815	186,334
Deferred tax liabilities	17	59,178,713	36,365,875	31,757,335
Total non-current liabilities		**215,916,902**	**203,425,076**	**67,297,411**
Current liabilities				
Provisions	18	7,782,393	4,648,302	3,523,038
Bank overdraft	19	27,227,110	12,622,667	55,231,306
Trade and other payables	20	136,746,287	143,292,755	97,075,565
Current income tax liabilities	21	34,740,256	27,771,718	10,734,495
Current portion of long-term liabilities	22	89,325,460	58,672,198	34,022,383
Total current liabilities		**295,821,506**	**247,007,640**	**200,586,787**
Total Liabilities		**511,738,408**	**450,432,716**	**267,884,198**
Total equity and liabilities		**1,126,135,508**	**944,599,709**	**749,880,908**

The accompanying notes on pages 8 - 52 form an integral part of these financial statements.

The financial statements on pages 3 to 52 were authorised for issuance by the board of directors on 8 December 2014 and were signed on its behalf.

Mr. Sherif Fathy
Vice President - Finance

Eng. Hani Berzi
Chairman

Independent auditor's report attached

Consolidated statement of income - For the year ended 31 December 2012

(All amounts in Egyptian Pounds)

	Note	2012	2011
Revenue		1,341,878,733	1,135,758,046
Cost of goods sold		(862,938,190)	(767,344,983)
Gross profit		**478,940,543**	**368,413,063**
Distribution cost		(171,045,396)	(134,514,543)
Administrative expenses		(70,666,954)	(62,187,626)
Other income	23	10,405,767	8,006,010
Other (losses)/ gain-net	24	6,027,747	10,762,594
Profit from operations		**253,661,707**	**190,479,498**
Finance Income	25	977,140	1,122,491
Finance Cost	25	(10,353,083)	(3,816,902)
Finance (cost) income, net	25	**(9,375,943)**	**(2,694,411)**
Profit before income tax		**244,285,764**	**187,785,087**
Income tax expense	26	(77,277,460)	(51,509,750)
Net profit		**167,008,304**	**136,275,337**
Earnings per share (expressed in EGP per share):			
Basic earnings per share	27	0.46	0.38
Diluted earnings per share	27	0.46	0.38
Distributed as following:			
Shareholders' equity		172,235,195	137,546,000
Non-controlling interest		(5,226,891)	(1,270,663)
Net profit for the year		**167,008,304**	**136,275,337**

The accompanying notes on pages 8 - 52 form an integral part of these financial statements.

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

Consolidated statement of comprehensive income - For the year ended 31 December 2012

(All amounts in Egyptian Pounds)

	2012	**2011**
Profit for the year	167,008,304	136,275,337
Forex translation reserve	3,320,207	957,350
Total comprehensive income for the year	**170,328,511**	**137,232,687**

The accompanying notes on pages 8 - 52 form an integral part of these financial statements.

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

Consolidated statement of changes in shareholders' equity - For the year ended 31 December 2012

(All amounts in Egyptian Pounds)

				Total Owners' Equity		
	Paid up capital	Legal reserve	Retained earnings	Total shareholders	Non-contolling interest	Total owners' equity
Balance 1 January 2011	72,536,290	16,407,621	380,462,599	469,406,510	12,590,200	481,996,710
Profit for the year	-	-	137,546,000	137,546,000	(1,270,663)	136,275,337
Other comprehensive income for the year	-	-	957,350	957,350	-	957,350
Total comprehensive income for the year	-	-	138,503,350	138,503,350	(1,270,663)	137,232,687
Dividends	-	-	(125,000,000)	(125,000,000)	(60,000)	(125,060,000)
Total contribution by and distribution to owners of the parent, recognized directly in equity	-	-	(125,000,000)	(125,000,000)	(60,000)	(125,060,000)
Asset translation reserve					(2,404)	(2,404)
Balance at 31 December 2011 and 1 January 2012	72,536,290	16,407,621	393,965,949	482,909,860	11,257,133	494,166,993
Profit for the year	-	-	172,235,195	172,235,195	(5,226,891)	167,008,304
Other comprehensive income for the year	-	-	3,320,207	3,320,207	-	3,320,207
Total comprehensive income for the year	-	-	175,555,402	175,555,402	(5,226,891)	170,328,511
Dividends	-	-	(50,000,000)	(50,000,000)	(100,000)	(50,100,000)
Total contribution by and distribution to owners of the parent, recognized directly in equity	-	-	(50,000,000)	(50,000,000)	(100,000)	(50,100,000)
Increase in capital	-	-	-	-	4,000	4,000
Assets revaluation reserve	-	-	-	-	(2,404)	(2,404)
Balance at 31 December 2012	72,536,290	16,407,621	519,521,351	608,465,262	5,931,838	614,397,100

The accompanying notes on pages 8 - 52 form an integral part of these financial statements.

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

Consolidated statement of cash flows - For the year ended 31 December 2012

(All amounts in Egyptian Pounds)

	Notes	2012	2011
Cash flows generated from operating activities	29	300,865,005	268,270,629
Interest paid		(7,172,168)	(949,887)
Income tax paid		(45,804,755)	(30,461,703)
Net cash flows generated from operating activities		**247,888,082**	**236,859,039**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(133,509,719)	(285,796,851)
Proceeds from sale of property, plant and equipment		7,738,294	7,485,386
Interest received		330,715	460,991
Net cash flows used in investing activities		**(125,440,710)**	**(277,850,474)**
Cash flows from financing activities			
Sales tax on machinery		(80,519)	(80,519)
Notes payable		(8,511,670)	(7,419,176)
Dividends paid to shareholders' *		(50,086,535)	(125,000,000)
Non-controlling interest increase in capital	13	4,000	-
Received loans		25,743,524	160,804,131
Net cash flows (used in) / generated from financing activities		**(32,931,200)**	**28,304,436**
Increase/ (Decrease) in cash and cash equivalents		**89,516,172**	**(12,686,999)**
Cash and cash equivalents at beginning of the year		120,634,118	133,321,117
Cash and cash equivalents at end of the year	10	**210,150,290**	**120,634,118**

The accompanying notes on pages 8 - 52 form an integral part of these financial statements.

* Trade and other payables include LE 13,465 as non cash transactions.

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

Consolidated financial statements of the Company comprise financial statements of the Company and its subsidiaries (together referred to as the "Group").

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 59.79% of the Company's share capital and Exoder participation, "Exoder Limited", domiciled in Cyprus which owns 40% of the Company's share capital and other shareholder owing 0.21% 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 change the consolidated financial statements after issuance

The group is composed of the following companies:

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 ready made food, cakes, pastry, milk, chocolate and other food products with all necessary ingredients and sell the products to Digma for trading company.

Digma for trading:
Digma for trading main activity is wholesale and retail trading in consumable goods. The Company also acts as an agent and 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 of 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 company.

Edita participation limited:
The principal activities of the company are the provision of services and the holding of investments.

	Principle place of business	Interest held by non-controlling interest
Digma for trading	Egypt	0.20%
Edita for confectionery	Egypt	22.3%
Edita participation limited	Cyprus	0%

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

General information (continued)

Financial information about the subsidiaries of the group:

Name of subsidiary	Total Assets	Total Equity	Total Sales	Net Income
Digma for trading	153,320,158	96,842,612	1,232,039,903	56,489,998
Edita for confectionery	86,861,033	27,463,743	11,425,396	(23,956,352)
Edita participation limited	43,280,506	43,910,429	-	(30,112)

2. Summary of significant accounting policies

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

A. Basis of preparation and adoption of IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and are covered by IFRS 1, First-time Adoption of IFRS.

These consolidated financial statements have been prepared under the historical cost convention.

Reconciliations and descriptions of the effect of the transition from Egyptian Accounting Standards to International Financial Reporting Standards on the Group's equity and its net income and cash flows are provided in Note 5.

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

B. Changes in accounting policy and disclosure

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the company.

C. Basis of consolidation

1. Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Basis of consolidation (continued)

De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter- company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

2. **Changes in ownership interests in subsidiaries without change of control**
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.

3. **Disposal of subsidiaries**
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. 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 Pounds, which is the group's presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'Other (losses)/gains-net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

(3) Group companies

The results and financial position of all the group entities (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 income statement 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) The Equity items other than profit or losses for the year have been translated at the historical exchange rate.
(d) All resulting exchange differences are recognized in other comprehensive income.

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.

E. Property and equipment

All property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 income statement during the financial period 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	15 - 20 years
Vehicles	5 – 8 years
Tools & equipment	3 - 5 years
Furniture & office equipment	4 - 5 years
Computer	4 years

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

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 (losses)/gains – net' in the income statement.

F. Impairment of non-financial assets

Assets that have an indefinite useful life – for example, intangible assets not ready to use – 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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

G. Financial assets

(1) Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

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

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(2) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

Financial assets (continued)

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the group's right to receive payments is established.

H. Impairment of financial assets

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.

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the 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 recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

I. Inventories

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

J. Trade receivables

Trade receivables are amounts due from customers for goods' sold or services performed 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.

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

K. Cash and cash equivalents

In the consolidated 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 and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

L. Share capital

Ordinary shares are classified as equity.

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

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

M. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

N. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

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

Borrowings 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.

O. 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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

P. Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries 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 recognized 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 recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Only where there is an agreement in place that gives the group the ability to control the reveal of the temporary difference not recognized.

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

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

Q. Employee benefits

(1) Pension obligations

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans, the group pays contributions to The Egyptian Authority for Social Insurance on a mandatory basis as per Egyptian Law of Social Insurance. 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.

(2) Profit sharing

The group recognizes a liability and an expense for profit-sharing, as per Company's Article of association the Board of Directors decide on the percentage of profit as an employees profit share which not exceed 10% of annual total salaries and wages.

R. 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.

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

S. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The group recognises 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 recognised when a 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.

Revenue recognition (continued)

(2) **Interest income**
Interest income is recognised 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 recognised using the original effective interest rate.

(3) **Dividend income**
Dividend income is recognised when the right to receive payment is established.

(4) **Revenues from investment in Osoul Fund**
Revenue is recognized monthly at each of the Osoul Fund certificate as per the bank announced rate; at the year end the Group revaluates the outstanding numbers of Osoul Fund certificate up on the rate announced by the bank.

(5) **Government subsidy on export sales**
Revenue for export incentive provided by government is recognized as a percentage from value of export sales, when the government can confirm that the export sales mentioned actually accrual. The Group is eligible for incentive and is recognized in the income statement as other income, after meeting all required criteria

T. Leases

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 income statement on a straight-line basis over the period of the lease.

U. Dividend distribution

Dividend distribution to the company's shareholders is recognized as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

V. Legal reserve

In accordance with the Companies Law No. 159 year 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 20% of the issued capital. The reserve is not eligible for distribution to shareholders.

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

3. Financial risk management

(1) Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price 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 board provides written principles for overall risk management, as well as written 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.

(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 US dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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

	2012			
	Assets	Liabilities	Net	2011
United States Dollars	104,885,550	(8,388,708)	**96,496,842**	**69,663,945**
Euros	9,679,491	(44,938,197)	**(35,258,706)**	**(12,633,454)**

At 31 December 2012, 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 9,649,684 (2011: LE 6,966,394) higher / lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets and liabilities.

At 31 December 2012, 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 3,525,871 (2011: LE 1,263,345) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

(ii) Price risk

The group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet as available-for- sale.The Fair value of the investment did not change and 100% of the investment was sold subsequently in 2013.

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

Revenue recognition (continued)

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

At 31 December 2012, if interest rates on Egyptian pound -denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been LE 251,101 (2011: LE 209,680) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Borrowing at balance sheet date with variable interest rate is amounting to LE 212,862,155 (2011: LE 87,118,631).

Overdraft at the balance sheet date in 2012 amounted to LE 27,227,110 (2011: LE 12,622,667).

Financial assets exposed to the changes in the interest rate are amounting to LE 218,830,010 (2011: LE 119,526,566).

At year end, the balance at time deposits of fixed under rate were as following:

	2012	2011
Time deposit – LE	120,860,840	56,952,841
Time deposit – USD	97,969,200	62,573,725
	218,830,040	**119,526,566**

(B) Credit risk

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, as well as credit exposures to customers, including outstanding receivables.

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. .

For Individual the legal arrangements and documents accepted by the customer are minimizing the credit risk

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 9).

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

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

Revenue recognition (continued)

(C) Liquidity risk

The Group treasury monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 14) at all times so that the group does not breach borrowing limits or covenants) on any of its borrowing facilities. Such forecasting takes into consideration the group debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

At 31 December 2012	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	Between 2 & 5 years
Borrowings	36,291,730	44,088,893	61,191,532	71,290,000
Trade and other payables	136,746,287	-	-	-
Sales tax on machinery	25,296	-	-	-
Bank overdraft	27,227,110	-	-	-
Notes Payable	33,645,417	-	24,231,361	-
Total	**233,935,840**	**44,088,893**	**85,422,893**	**71,290,000**
At 31 December 2011				
Borrowings	15,000,000	35,459,563	61,200,000	75,459,068
Trade and other payables	143,292,755	-	-	-
Sales tax on machinery	105,815	-	-	-
Bank overdraft	12,622,667	-	-	-
Notes Payable	32,143,984	-	30,294,318	-
Total	**203,165,221**	**35,459,563**	**91,494,318**	**75,459,068**

(2) Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain 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 borrowings, and long-term notes payables less cash and cash equivalents. Total capital is calculated as equity, plus net debts.

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

Financial risk management (continued)

	2012	2011
Current and long-term liabilities and loans	246,063,649	225,731,399
Bank Over Draft	27,227,110	12,622,667
Total liabilities and loans	**273,290,759**	**238,354,066**
Less: Cash and bank balances	(237,377,400)	(133,256,785)
Net debt	**35,913,359**	**105,097,281**
Total equity	614,397,100	494,166,993
Total working capital	**650,310,459**	**599,264,274**
Gearing ratio	**5.5%**	**17.5%**

(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.

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 assets which is determined in accordance with the Group's policy and in the light of the technical study prepared for each assets separately. Residual value and useful lives of assets are reviewed and modified periodically.

The group changed the useful life timed for the furniture to be 5 years instead of 10 years , the financial impact of changing the life time is increase the depreciation cost for the year.

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.

5. Transition to IFRS

5.1 Basis of transition to IFRS 1

5.1.1 Application of IFRS 1

The Group's consolidated financial statements for the year ended 31 December 2012 will be the first annual financial statements that comply with IFRS. These consolidated financial statements have been prepared as described in Note 2.A. The Group has applied IFRS 1 in preparing these consolidated financial statements.

The Group's transition date is 1 January 2012. The Company prepared its opening IFRS balance sheet at that date. The reporting date of these financial statements is 31 December 2012. The Group's IFRS adoption date is 1 January 2011.

In preparing these consolidated financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

5.1.2 Exemptions from full retrospective application followed by the Company

The Group has applied the following mandatory exceptions from retrospective application.

(a) *Estimates exemption*
Estimates under IFRS at 1 January 2012 should be consistent with the estimates made for the same date under previous EAS, unless there is evidence that those estimates were in error.

(b) *Derecognition of financial assets and liabilities exemption*
Financial assets and liabilities derecognized under previous EAS before January 2012 will remain derecognized and financial assets and liabilities that were derecognized under previous EAS after 1 January 2011 will be recognized again in the financial statements if they don't qualify for derecognition under IAS 39.

(c) *Hedge accounting exemption*
IFRS 1 allows hedge accounting to be used only from the date that the designation and documentation of a hedge relationship is completed. The Group, however, does not have any hedge accounting agreements.

(d) *Non-controlling interests exemption*
A Company must apply the following requirements of IAS 27 prospectively from the date of transition to IFRS:

- Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance;
- Accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control; and
- Accounting for a loss of control over a subsidiary.

Transition to IFRS (continued)

5.2 Reconciliation between IFRS and EAS

The following six reconciliations provide details of the impact of the transition on

- equity at 1 January 2011 (Note 5.2.1)
- equity at 31 December 2011 (Note 5.2.2)
- equity at 31 December 2012 (Note 5.2.3)
- net income for the period ended 31 December 2011 (Note 5.2.4)
- net income for the period ended 31 December 2012 (Note 5.2.5)
- comprehensive income for the period ended 31 December 2011 (Note 2.5.6)
- comprehensive income for the period ended 31 December 2012 (Note 2.5.7)
- cash flows for the period ended 31 December 2012 (note 5.2.8)

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

Transition to IFRS (continued)

5.2.1 Reconciliation of equity at 1 January 2011

	Note	EAS	Effect of transition to IFRS	IFRS
Non-current assets				
Property, plant and equipment	6	387,450,603	-	387,450,603
Investments available for sale	7	38,900,000	-	38,900,000
Deferred tax assets		-	-	-
Total non-current assets		**426,350,603**	-	**426,350,603**
Current assets				
Inventories	8	55,740,946	-	55,740,946
Trade and other Receivables	9	79,236,936	-	79,236,936
Cash and cash equivalents (excluding bank overdrafts)	10	188,552,423	-	188,552,423
Financial assets at fair value through profit or loss		-	-	-
Total current assets		**323,530,305**	-	**323,530,305**
Total assets		**749,880,908**	-	**749,880,908**
Equity and Liabilities				
Equity				
Ordinary Shares	11	72,536,290	-	72,536,290
Legal reserve	12	16,407,621	-	16,407,621
Forex translation reserve		1,302,600	(1,302,600)	-
Retained earnings		379,159,999	1,302,600	380,462,599
Equity attributable to owners of the parent		**469,406,510**	-	**469,406,510**
Non-controlling interests	13	12,590,200	-	12,590,200
Total equity		**481,996,710**	-	**481,996,710**
Liabilities				
Non-current liabilities				
Long term loans	14	-	-	-
Long-term notes payable	15	35,353,742	-	35,353,742
Sales tax on machinery	16	186,334	-	186,334
Deferred tax liabilities	17	31,757,335	-	31,757,335
Total non-current liabilities		**67,297,411**	-	**67,297,411**
Current liabilities				
Provisions	18	3,523,038	-	3,523,038
Bank overdraft	19	55,231,306	-	55,231,306
Trade and other payables	20	97,075,565	-	97,075,565
Income tax liabilities	21	10,734,495	-	10,734,495
Current portion of long-term liabilities	22	34,022,383	-	34,022,383
Total current liabilities		**200,586,787**	-	**200,586,787**
Total Liabilities		**267,884,198**	-	**267,884,198**
Total equity and liabilities		**749,880,908**	-	**749,880,908**

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

Transition to IFRS (continued)

Explanation of the effect of the transition of IFRS

Transactions of IFRS made a change by removing the forex translation reserve from the owner's equity to the statement of other comprehensive income shown under the retained earnings. Other Transactions of IFRS does not have any effect on the balance sheet line items due to the fact that all adjustments made was within retained earnings with zero net effect, as shown below:

	EAS	Effect of transition to IFRS	IFRS
Balance at 1 January 2010	**352,458,549**	-	**352,458,549**
Shareholders dividends distribution	(100,000,000)	-	(100,000,000)
Employee dividends distribution	(8,157,908)	8,157,908	-
Profit for the year	134,859,358	(8,157,908)	126,701,450
Other Comprehensive income for the year	-	1,302,600	1,302,600
Balance at 31 December 2010	**379,159,999**	**1,302,600**	**380,462,599**

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

Transition to IFRS (continued)

5.2.2 Reconciliation of equity at 31 December 2011

	Note	EAS	Effect of transaction to IFRS	IFRS
Non-current assets			-	
Property, plant and equipment	6	634,335,732	-	634,335,732
Investments available for sale	7	39,862,500	-	39,862,500
Deferred tax assets		1,047,307	-	1,047,307
Total non-current assets		**675,245,539**	-	**675,245,539**
Current assets			-	
Inventories	8	77,618,347	-	77,618,347
Trade and other Receivables	9	58,443,499	-	58,443,499
Cash and cash equivalents (excluding bank overdrafts)	10	133,256,785	-	133,256,785
Financial assets at fair value through profit or loss		35,539	-	35,539
Total current assets		**269,354,170**	-	**269,354,170**
Total assets		**944,599,709**	-	**944,599,709**
Equity and Liabilities				
Equity			-	
Ordinary Shares	11	72,536,290	-	72,536,290
Legal reserve	12	16,407,621	-	16,407,621
Forex translation reserve		2,259,950	(2,259,950)	-
Retained earnings		391,705,999	2,259,950	393,965,949
Equity attributable to owners of the parent		**482,909,860**	-	**482,909,860**
Non-controlling interests	13	11,257,133	-	11,257,133
Total equity		**494,166,993**		**494,166,993**
Liabilities				
Non-current liabilities			-	
Long term loans	14	136,659,068	-	136,659,068
Long-term notes payable	15	30,294,318	-	30,294,318
Sales tax on machinery	16	105,815	-	105,815
Deferred tax liabilities	17	36,365,875	-	36,365,875
Total non-current liabilities		**203,425,076**	-	**203,425,076**
Current liabilities			-	
Provisions	18	4,648,302	-	4,648,302
Bank overdraft	19	12,622,667	-	12,622,667
Trade and other payables	20	143,292,755	-	143,292,755
Income tax liabilities	21	27,771,718	-	27,771,718
Current portion of long-term liabilities	22	58,672,198	-	58,672,198
Total current liabilities		**247,007,640**	-	**247,007,640**
Total Liabilities		**450,432,716**	-	**450,432,716**
Total equity and liabilities		**944,599,709**	-	**944,599,709**

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

Transition to IFRS (continued)

Explanation of the effect of the transition of IFRS

Transactions of IFRS made a change by removing the forex translation reserve from the owner's equity to the statement of other comprehensive income shown under the retained earnings. Other Transactions of IFRS does not have any effect on the balance sheet line items due to the fact that all adjustments made was within retained earnings with zero net effect, as shown below:

	EAS	Effect of transition to IFRS	IFRS
Balance at 1 January 2011	**379,159,999**	**1,302,600**	**380,462,599**
Shareholders dividends distribution	(125,000,000)	-	(125,000,000)
Employee dividends distribution	(9,781,747)	9,781,747	-
Profit for the year	147,327,747	(9,781,747)	137,546,000
Other Comprehensive income for the year	-	957,350	957,350
Balance at 31 December 2011	**391,705,999**	**2,259,950**	**393,965,949**

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

Transition to IFRS (continued)

5.2.3 Reconciliation of equity at 31 December 2012

	Note	EAS	Effect of transition to IFRS	IFRS
Non-current assets				
Property, plant and equipment	6	721,818,437	-	721,818,437
Investments available for sale	7	43,203,000	-	43,203,000
Deferred tax assets		-	-	-
Total non-current assets		**765,021,437**	-	**765,021,437**
Current assets				
Inventories	8	80,775,579	-	80,775,579
Trade and other Receivables	9	42,921,469	-	42,921,469
Cash and cash equivalents (excluding bank overdrafts)	10	237,377,400	-	237,377,400
Financial assets at fair value through profit or loss		39,623	-	39,623
Total current assets		**361,114,071**	-	**361,114,071**
Total assets		**1,126,135,508**	-	**1,126,135,508**
Equity and Liabilities			-	
Equity			-	
Ordinary Shares	11	72,536,290	-	72,536,290
Legal reserve	12	16,407,621	-	16,407,621
Forex translation reserve		5,580,157	(5,580,157)	-
Retained earnings		513,941,194	5,580,157	519,521,351
Equity attributable to owners of the parent		**608,465,262**	-	**608,465,262**
Non-controlling interests	13	5,931,838	-	5,931,838
Total equity		**614,397,100**	-	**614,397,100**
Liabilities				
Non-current liabilities				
Long term loans	14	132,481,532	-	132,481,532
Long-term notes payable	15	24,231,361	-	24,231,361
Sales tax on machinery	16	25,296	-	25,296
Deferred tax liabilities	17	59,178,713	-	59,178,713
Total non-current liabilities		**215,916,902**	-	**215,916,902**
Current liabilities				
Provisions	18	7,782,393	-	7,782,393
Bank overdraft	19	27,227,110	-	27,227,110
Trade and other payables	20	136,746,287	-	136,746,287
Income tax liabilities	21	34,740,256	-	34,740,256
Current portion of long-term liabilities	22	89,325,460	-	89,325,460
Total current liabilities		**295,821,506**	-	**295,821,506**
Total Liabilities		**511,738,408**	-	**511,738,408**
Total equity and liabilities		**1,126,135,508**		**1,126,135,508**

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

Transition to IFRS (continued)

Explanation of the effect of the transition of IFRS
Transactions of IFRS made a change by removing the forex translation reserve from the owner's equity to the statement of other comprehensive income shown under the retained earnings. Other Transactions of IFRS does not have any effect on the balance sheet line items due to the fact that all adjustments made was within retained earnings with zero net effect, as shown below:

	EAS	Effect of transition to IFRS	IFRS
Balance at 1 January 2012	**391,705,999**	**2,259,950**	**393,965,949**
Shareholders dividends distribution	(50,000,000)	-	(50,000,000)
Employee dividends distribution	(11,452,066)	11,452,066	-
Profit for the year	183,687,261	(11,452,066)	183,687,261
Other Comprehensive income for the year	-	3,320,207	3,320,207
Balance at 31 December 2012	**513,941,194**	**5,580,157**	**519,521,351**

Transition to IFRS (continued)

5.2.4 Reconciliation of net income at 31 December 2011

	Note	EAS	Effect of transition to IFRS	IFRS
Revenue		1,135,758,046	-	1,135,758,046
Cost of goods sold		(763,451,169)	(3,893,814)	(767,344,983)
Gross profit		**372,306,877**	**(3,893,814)**	**368,413,063**
Distribution cost		(131,791,284)	(2,723,259)	(134,514,543)
Administrative expenses		(59,022,952)	(3,164,674)	(62,187,626)
Other income	23	8,006,010	-	8,006,010
Other (losses)/ gain-net	24	6,027,747	-	10,762,594
Profit from operations		**200,261,245**	**(9,781,747)**	**190,479,498**
Finance Income	25	1,122,491	-	1,122,491
Finance Cost	25	(3,816,902)	-	(3,816,902)
Finance (cost) income, net	25	**(2,694,411)**	-	**(2,694,411)**
Profit before income tax		**197,566,834**	**(9,781,747)**	**187,785,087**
Income tax expense	26	(51,509,750)	-	(51,509,750)
Net profit		**146,057,084**	**(9,781,747)**	**136,275,337**
Earnings per share (expressed in EGP per share):				
Basic earnings per share	27	0.40		0.38
Diluted earnings per share	27	0.40		0.38
Distributed as following:				
Shareholders' equity		147,327,747	(9,781,747)	137,546,000
Non-controlling interest		(1,270,663)	-	(1,270,663)
Net profit for the year		**146,057,084**	**(9,781,747)**	**136,275,337**

Explanation of the effect of the transition of IFRS
The following explains the material adjustments to the net income.

Employees' dividends distribution
Previously the company presented the employees' profit share as a distribution of retained earnings in accordance with EAS. In accordance with IAS 1 *Presentation of Financial Statements*, distribution of retained earnings is limited to owners' of the company. Accordingly, the distribution to the employees was treated as an expense in the statement of income. The impact is an increase in cost of sales by LE 3,893,814, in administrative costs by LE 3,164,674 and in distribution costs by LE 2,723,259.

Transition to IFRS (continued)

5.2.5 Reconciliation of net income for the period ended 31 December 2012

	Note	EAS	Effect of transition to IFRS	IFRS
Revenue		1,341,878,733	-	1,341,878,733
Cost of goods sold		(858,252,599)	(4,685,591)	(862,938,190)
Gross profit		**483,626,134**	**(4,685,591)**	**478,940,543**
Distribution cost		(167,501,092)	(3,544,304)	(171,045,396)
Administrative expenses		(67,444,783)	(3,222,171)	(70,666,954)
Other income	23	10,405,767	-	10,405,767
Other (losses)/ gain-net	24	6,027,747	-	6,027,747
Profit from operations		**265,113,773**	**(11,452,066)**	**253,661,707**
Finance Income	25	977,140	-	977,140
Finance Cost	25	(10,353,083)	-	(10,353,083)
Finance (cost) income, net	25	**(9,375,943)**	-	**(9,375,943)**
Profit before income tax		**255,737,830**	**(11,452,066)**	**244,285,764**
Income tax expense	26	(77,277,460)	-	(77,277,460)
Net profit		**178,460,370**	**(11,452,066)**	**167,008,304**
Earnings per share (expressed in EGP per share):				
Basic earnings per share	27	0.49		0.46
Diluted earnings per share	27	0.49		0.46
Shareholders' equity		183,687,261	(11,452,066)	172,235,195
Non-controlling interest		(5,226,891)	-	(5,226,891)
Net profit for the year		**178,460,370**	**(11,452,066)**	**167,008,304**

Explanation of the effect of the transition of IFRS

The following explains the material adjustments to the net income.

Employees' dividends distribution

Previously the company presented the employees' profit share as a distribution of retained earnings in accordance with EAS. In accordance with IAS 1 *Presentation of Financial Statements*, distribution of retained earnings is limited to owners' of the company. Accordingly, the distribution to the employees was treated as an expense in the statement of income. The impact is an increase in cost of sales by L.E 4,685,591 in administrative costs by LE 3,222,171 and in distribution costs by LE 3,544,304.

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

Transition to IFRS (continued)

5.2.6 Reconciliation for comprehensive income for the period ended 31 December 2011

	EAS	Effect of transition to IFRS	IFRS
Profit for the year	-	136,275,337	136,275,337
Forex translation reserve	-	957,350	957,350
Total comprehensive income for the year	-	**137,232,687**	**137,232,687**

Explanation of the effect of the transition of IFRS
The following explains the material adjustments to the statement of cash flow.

The statement of other comprehensive income is not presented in the Egyptian Accounting Standards and it is presented in the International Financial Reporting Standards (IFRS).

5.2.7 Reconciliation for comprehensive income for the period ended 31 December 2012

	EAS	Effect of transition to IFRS	IFRS
Profit for the year	-	167,008,304	167,008,304
Forex translation reserve	-	3,320,207	3,320,207
Total comprehensive income for the year	-	**170,328,511**	**170,328,511**

Explanation of the effect of the transition of IFRS
The following explains the material adjustments to the statement of cash flow.

The statement of other comprehensive income is not presented in the Egyptian Accounting Standards and it is presented in the International Financial Reporting Standards (IFRS).

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

Transition to IFRS (continued)

5.2.8 Reconciliation of cash flow at 31 December 2012

	Notes	EAS	Effect of transition to IFRS	IFRS
Cash flows generated from operating activities		312,320,163	(11,452,066)	300,865,005
Interest paid		(7,172,168)	-	(7,172,168)
Income tax paid	21	(45,804,756)	-	(45,804,756)
Net cash flows generated from operating activities		**259,340,147**	**(11,452,066)**	**247,888,081**
Cash flows from investing activities				
Purchase of property, plant and equipment	6	(133,509,719)	-	(133,509,719)
Proceeds from sale of property, plant and equipment		7,738,295	-	7,738,295
Interest received		330,715	-	330,715
Net cash flows used in investing activities		**(125,440,709)**	-	**(125,440,709)**
Cash flows from financing activities				
Sales tax on machinery		(80,519)	-	(80,519)
Notes payable		(8,511,670)	-	(8,511,670)
Dividends paid		(61,538,601)	11,452,066	(50,086,535)
Non-controlling interest increase in capital	13	4,000	-	4,000
Received loans		25,743,524	-	25,743,524
Net cash flows (used in) / generated from financing activities		**(44,383,266)**	**11,452,066**	**(32,931,200)**
Increase/ (Decrease) in cash and cash equivalents		**89,516,172**	-	**89,516,172**
Cash and cash equivalents at beginning of the year		120,634,118	-	120,634,118
Cash and cash equivalents at end of the year	10	**210,150,290**	-	**210,150,290**

Explanation of the effect of the transition of IFRS

The following explains the material adjustments to the statement of cash flow.

Employees' dividends distribution

Previously the group presented the employees' profit share as a distribution of retained earnings in accordance with EAS. In accordance with IAS 1 *Presentation of Financial Statements*, distribution of retained earnings is limited to owners' of the group. Accordingly, the distribution to the employees was treated as an expense in the statement of income. The impact is a decrease in the profit before tax by L.E 11,452,066 as well as a decrease in the dividends paid by L.E 11,452,066.

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

6. **Property, plant and equipment**

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
At 1 January 2011								
Cost	62,226,931	82,106,257	236,146,112	66,617,008	17,292,174	19,861,748	32,885,697	517,135,927
Accumulated depreciation	-	(15,868,584)	(66,960,539)	(28,295,762)	(10,306,036)	(8,254,403)	-	(129,685,324)
Net book value	**62,226,931**	**66,237,673**	**169,185,573**	**38,321,246**	**6,986,138**	**11,607,345**	**32,885,697**	**387,450,603**
Year ended 31 December 2011								
Opening net book value	62,226,931	66,237,673	169,185,573	38,321,246	6,986,138	11,607,345	32,885,697	387,450,603
Additions	-	87,162	3,267,944	28,150,205	1,420,560	1,958,103	250,912,877	285,796,851
Depreciation charge	-	(2,267,049)	(12,651,152)	(12,956,828)	(2,913,979)	(3,996,733)	-	(34,785,741)
Disposals depreciation	-	-	2,702,511	5,054,991	1,009,570	516,779	-	9,283,851
Disposals	-	-	(4,622,332)	(7,089,980)	(1,025,427)	(672,093)	-	(13,409,832)
Transfers from projects under construction	-	1,478,350	44,273,717	-	1,279,335	1,157,801	(48,189,203)	-
Closing net book value	**62,226,931**	**65,536,136**	**202,156,261**	**51,479,634**	**6,756,197**	**10,571,202**	**235,609,371**	**634,335,732**
At 31 December 2012								
Cost	62,226,931	83,671,769	279,065,441	87,677,233	18,966,642	22,305,559	235,609,371	789,522,946
Accumulated depreciation	-	(18,135,633)	(76,909,180)	(36,197,599)	(12,210,445)	(11,734,357)	-	(155,187,214)
Net book value	**62,226,931**	**65,536,136**	**202,156,261**	**51,479,634**	**6,756,197**	**10,571,202**	**235,609,371**	**634,335,732**
Year ended 31 December 2012								
Opening net book value	62,226,931	65,536,136	202,156,261	51,479,634	6,756,197	10,571,202	235,609,371	634,335,732
Additions	-	32,280	4,992,234	11,501,990	1,369,741	3,219,030	112,394,444	133,509,719
Depreciation charge	-	(5,007,169)	(17,153,166)	(12,120,685)	(3,752,456)	(5,211,558)	-	(43,245,034)
Disposals depreciation	-	554,762	-	7,028,018	605,847	275,883	-	8,464,510
Disposals	-	(918,888)	-	(9,375,145)	(627,152)	(325,305)	-	(11,246,490)
Transfers from projects under construction	-	103,855,234	118,028,252	-	7,740,460	1,992,130	(231,616,076)	-
Closing net book value	**62,226,931**	**164,052,355**	**308,023,581**	**48,513,812**	**12,092,637**	**10,521,382**	**116,387,739**	**721,818,437**
At 31 December 2012								
Cost	62,226,931	186,640,395	402,085,927	89,804,078	27,449,691	27,191,414	116,387,739	911,786,175
Accumulated depreciation	-	(22,588,040)	(94,062,346)	(41,290,266)	(15,357,054)	(16,670,032)	-	(189,967,738)
Net book value	**62,226,931**	**164,052,355**	**308,023,581**	**48,513,812**	**12,092,637**	**10,521,382**	**116,387,739**	**721,818,437**

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

Property, plant and equipment (continued)

During the year, the Company has capitalized borrowings costs amounting to LE 13,828,153 (2011: LE 6,958,153) on qualifying assets. Borrowings costs were capitalized at the weight average rate of its general borrowings of 10%.

	2012	2011
Buildings	7,095,366	-
Machinery	6,483,832	6,958,153
Tools & equipment	248,955	-
Total	**13,828,153**	**6,958,153**

7. Investments available for sale

	%Interest held	2012	2011
UFIB Company	1.17%	43,203,000	39,862,500
Balance at 31 December		**43,203,000**	**39,862,500**

8. Inventories

	2012	2011
Raw materials	63,894,308	56,061,954
Spare parts	9,317,501	8,898,831
Finished goods	4,005,564	11,030,536
Work in process	2,165,173	1,232,356
Consumables	1,593,033	1,095,420
Total	**80,975,579**	**78,319,097**
Less: provision for net realizable value	(200,000)	(700,750)
Net	**80,775,579**	**77,618,347**

There has been a write off for slow moving and obsolete inventory against; the declared accumulated balance of net realizable value by LE 649,788 and there has been an addition for net realizable value by LE 149,038 (Note 24).

The cost of inventories recognized as an expense and included in cost of sales amounts to LE 697,864,239 (2011: LE 634,337,806).

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

9. Trade and Other receivables

	2012	2011
Trade receivables	7,422,805	3,690,350
Notes receivable	174,841	250,675
Total	**7,597,646**	**3,941,025**
Provision for doubtful debts (Note 24)	(20,556)	(20,556)
	7,577,090	**3,920,469**
Due from related parties (Note 30)	49,951	-
Advances to suppliers	24,537,342	32,688,899
Other debit balances	7,017,268	19,520,069
Prepaid expenses	2,401,683	1,729,709
Deposits with others	748,303	297,927
Employee loans	457,343	175,924
Letters of credit	67,003	67,309
Accrued revenues	65,486	43,193
Total	**42,921,469**	**58,443,499**

10. Cash and cash equivalents (excluding bank overdrafts)

	2012	2011
Bank deposits	218,830,040	119,526,566
Cash at banks and on hand	18,547,360	13,730,219
Cash and cash equivalents (excluding bank overdraft)	**237,377,400**	**133,256,785**

The average interest rate on EGP Time deposits during 2012 is 8% (EGP Time deposit 2011: 6%), and for foreign currency time deposits 1.9%. Time 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:

	2012	2011
Cash at banks	237,377,400	133,256,785
Bank overdraft (Note 19)	(27,227,110)	(12,622,667)
Total	**210,150,290**	**120,634,118**

11. Ordinary shares

	2012	2011
Authorized capital (15,000,000 ordinary shares with a par value of LE 10 each)	150,000,000	150,000,000
Issued and paid up capital (7,253,629 ordinary shares with a par value of LE 10 each)	72,536,290	72,536,290

12. Legal reserve

In accordance with Company Law No. 159 of 1981 and the Company's Articles of Association, 5% of annual net profit is transferred to the legal reserve. Upon the recommendation of the Board of Directors, the Group may stop such transfers when the legal reserve reaches 20% of the issued capital. The reserve is not eligible for distribution to shareholders.

13. Non-controlling interest

	Paid up capital	Legal reserves	Revaluation assets reserve	Accumulated losses	Total 31 December 2012	Total 31 December 2011
Balance at 1 January	12,267,000	5,000	47,779	(1,062,646)	**11,257,133**	**12,590,200**
Increase in capital	4,000	-	-		**4,000**	-
Dividend distribution	-	-	-	(100,000)	**(100,000)**	**(60,000)**
Non-controlling interest share in (losses) / profit of the subsidiaries	-	-	-	(5,226,891)	**(5,226,891)**	**(1,270,663)**
Assets revaluation differences	-	-	(2,404)		(2,404)	(2,404)
Balance at 31 December	**12,271,000**	**5,000**	**45,375**	**(6,389,537)**	**5,931,838**	**11,257,133**

14. Long-term loan

	2012 Short-term portion	2012 Long-term portion	2012 Total	2011 Short-term portion	2011 Long-term portion	2011 Total
Long-term loans	80,380,623	132,481,532	212,862,155	50,459,563	136,659,068	187,118,631
	80,380,623	**132,481,532**	**212,862,155**	**50,459,563**	**136,659,068**	**187,118,631**

The loans due according to the following schedule:

	2012	2011
Balance due within 1 year	73,007,786	45,600,000
Accrued interest	7,372,837	4,859,563
Short-term portion	**80,380,623**	**50,459,563**

(1) Edita Food Industries Company

- **First loan**

  The first loan is provided by Credit Agricole Bank Egypt and that is for ensuring solidarity issued from Digma Trading Group amounted to LE 90,000,000 and the total withdrawal amount is L.E 76,826,053. And the remaining balance after payment of accrued instalments is LE 53,275,571 in addition to the accrued interest. The carrying amount of the loan is demonstrated in Egyptian Pounds.

Long-term loan (continued)

Terms of payments:
Edita Food Industries S.A.E. (borrower) is obligated to pay LE 53,275,571 on 4 equal semi annual instalments; each instalment is amounted to LE 13,318,893. The first instalment is due on 1 May 2013 and the last on 1 November 2014.

Interest:
As per Credit Agricole Bank Egypt. The interest rate will be 1% above mid corridor rate of central bank of Egypt.

Fair value:
Fair value is approximately equal to the carrying amount as the impact of discounting is not significant; the management used the last interest rate of the last loan agreement acquired from the same bank to calculate the fair value.

- **Second loan**

This second loan is provided by Credit Agricole Bank Egypt and that is for ensuring solidarity issued from Digma Trading Group amounted to LE 100,000,000 and the total withdrawal amount is LE 100,000,000. And the remaining balance after payment of accrued instalments is 87,500,000. The carrying amount of the loan is demonstrated in Egyptian Pounds

Terms of payments:
Edita Food Industries S.A.E. (borrower) is obligated to pay LE 87,500,000 on 7 equal semi annual instalments; each instalment is amounted to LE 12,500,000. The first instalment is due on 1 February 2013 and the last on 1 February 2016.

Interest:
As per Credit Agricole Bank Egypt. The interest rate will be 1% above mid corridor rate of central bank of Egypt.

Fair value:
Fair value is approximately equal to the carrying amount as the impact of discounting is not significant; the management used the last interest rate of the last loan agreement acquired from the same bank to calculate the fair value.

- **Third loan:**

This Third loan is provided by Credit Agricole Bank Egypt and that is for ensuring solidarity issued from Digma Trading Group amounted to LE 70,000,000 and the total withdrawal amount is LE 22,813,747 in addition to the accrued interest. The carrying amount of the loan is demonstrated in Egyptian Pounds

Terms of payments:
Edita Food Industries S.A.E. (borrower) is obligated to pay the loan amount on 6 equal semi annual instalments; each instalment is amounted to LE 11,670,000 except for last instalment amounted to LE11,650,000. The first instalment is due on 6 August 2013 and the last on 6 February 2016.

Interest:
As per Credit Agricole Bank Egypt. The interest rate will be 1.5% above mid corridor rate of central bank of Egypt.

Long-term loan (continued)

Fair value:
Fair value is approximately equal to the carrying amount as the impact of discounting is not significant; the management used the last interest rate of the last loan agreement acquired from the same bank to calculate the fair value.

(2) Digma for Trading Company

- **First loan**

The loan is provided by Credit Agricole Bank Egypt and that is for ensuring solidarity issued from Edita Food Industries Company S.A.E and the total withdrawal amount is LE 14,000,000 in addition to accrued interest. The carrying amount of the loan is demonstrated in Egyptian Pounds.

Terms of payments:
Digma Trading Company S.A.E. (borrower) is obligated to pay LE 14,000,000 on 4 equal semi annual instalment, each instalment is amounted to LE 3,500,000 and the instalments' came due after 12 months from the date the loan was issued to the company. The first instalments is due on 11 September 2013 and the last on 11 March 2015.

Interest:
As per Credit Agricole Bank Egypt. The interest rate will be 1.5% above mid corridor rate of central bank of Egypt.

Fair value:
Fair value is approximately equal to the carrying amount as the impact of discounting is not significant; the management used the last interest rate of the last loan agreement acquired from the same bank to calculate the fair value.

(3) Edita Confectionery Industries Company

- **First loan**

This loan is provided by Banque Misr and that is for ensuring solidarity issued from Edita for Food Industries Company amounted to LE 31,000,000. The carrying amount of the loan is demonstrated in Egyptian Pounds.

Terms of payments:
Edita Confectionary Industries S.A.E. (borrower) is obligated to pay LE 31,000,000 on 10 equal semi annual installments (each installment is amounted to LE 3,100,000) and the installments came due after 6 months from the first withdrawal. The first installment is due on 17 October 2012 and the last on 17 April 2017.

Interest:
The rate will be 0.5% above central bank of Egypt above mid corridor.

Fair value:
Fair value is approximately equal to the carrying amount as the impact of discounting is not significant; the management used the last interest rate of the last loan agreement acquired from the same bank to calculate the fair value.

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

15. Long-term notes payable

The long-term loan represents the total instalment for the land purchased from Ministry of housing, Utilities and Urban communities as the first instalment will be due on November 2012 and the last instalment on November 2016.

Current portion of long-term notes payable:

	2012		2011	
	Notes payable	Present Value	Notes payable	Present Value
Less than one year (Note 22)	8,864,318	8,864,318	8,132,116	8,132,116
Total long-term liabilities	**8,864,318**	**8,864,318**	**8,132,116**	**8,132,116**

	2012		2011	
	Notes payable	Present value	Notes payable	Present value
Notes payable due for more than one year and less than 5 years	29,957,968	24,231,361	37,575,985	30,294,318
Total long-term liabilities	**29,957,968**	**24,231,361**	**37,575,985**	**30,294,318**

The total accrued interest on the loan for the year ended 2012 amounting to LE 3,180,915 (2011: LE 2,864,504) as the interest has been charged on the statement of income as a finance cost (Note 25).

16. Sales tax on machinery

The balance represents the sales tax due on machinery and equipment to be paid on installments up to 2014.

	2012	2011
Less than one year	80,519	80,519
More than 1 year up to 5 years	25,296	105,815
Total	**105,815**	**186,334**
Current portion	(80,519)	(80,519)
Total balance of long term liabilities	**25,296**	**105,815**
Present value of instalments	**25,296**	**105,815**

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

17. Deferred tax liability

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

	Property and Equipment depreciation	**Acquiring Digma Company for Trading**	**Total**
Balance at 1 January 2011	26,739,002	5,018,333	**31,757,335**
Charge to the statement of income (Note 26)	4,848,963	(240,423)	**4,608,540**
Balance at 31 December 2011 and 1 January 2012	**31,587,965**	**4,777,910**	**36,365,875**
Charge to the statement of income (Note 26)	23,053,261	(240,423)	**22,812,838**
Balance at 31 December 2012	**54,641,226**	**4,537,487**	**59,178,713**

18. Provisions

	Other provisions	
	2012	**2011**
Balance at 1 January	4,648,302	3,523,038
Additions during the year (Note 24)	6,749,999	1,811,745
Utilized during the year	(3,615,908)	(686,481)
Balance at 31 December	**7,782,393**	**4,648,302**

Other provisions relate 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.

19. Bank overdraft

	2012	**2011**
Bank overdraft (Note 10)	27,227,110	12,622,667
Total	**27,227,110**	**12,622,667**

Bank overdraft is represented in credit facilities granted to the Group to open letters of credit and finance its working capital. Overdraft is secured against guarantees by the Group's shareholders.

The effective interest rate for bank overdraft was 10.75% as of 31 December 2012 (2011: 10.5%).

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

20. Trade and other payables

	2012	2011
Trade payables	62,753,895	75,100,954
Notes payable	33,645,417	32,143,984
Accrued expenses	23,640,306	17,497,155
Other credit balances	8,209,812	10,110,638
Taxes payable	6,578,698	5,328,679
Advances from customers	1,087,504	1,524,160
Dividends payable	736,796	723,331
Social insurance	93,859	110,154
Due to related parties (Note 30)	-	753,700
Total	**136,746,287**	**143,292,755**

21. Income tax liabilities

	2012	2011
Balance at 1 January	27,771,718	10,734,495
Income tax paid during the year	(27,771,950)	(10,734,495)
Income tax for the year	53,522,889	47,950,921
Withholding tax	(794,806)	(617,703)
Accrued interest – advance payment	(646,425)	(661,500)
Corporate tax advance payment	(17,238,000)	(18,900,000)
Tax adjustments – in respect to prior years (Note 26)	(103,170)	-
Balance at 31 December	**34,740,256**	**27,771,718**

22. Current portion of long-term liabilities

	2012	2011
Current portion at long-term notes payable (Note 15)	8,864,318	8,132,116
Short-term loans (Note 14)	80,380,623	50,459,563
Sales tax on machinery (Note 16)	80,519	80,519
Total	**89,325,460**	**58,672,198**

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

23. Other income

	2012	2011
Export subsidies	3,676,989	4,303,910
Others	3,393,298	1,114,377
Gain from sale of production waste	3,335,480	2,402,363
Draw back	-	185,360
Net	**10,405,767**	**8,006,010**

24. Other (losses)/ gain-net

	2012	2011
Provisions (Note 18)	(6,749,999)	(1,811,745)
Provision for slow moving inventory (Note 8)	(149,038)	(1,280,696)
Total	**(6,899,037)**	**(3,092,441)**
Foreign exchange gains	3,104,473	4,841,565
Gain from sales of fixed assets	4,956,314	3,359,405
Investment income	4,865,997	5,654,065
Total	**6,027,747**	**10,762,594**

25. Finance (cost) income, net

	2012	2011
Finance income		
Interest in corporate tax advance	646,425	661,500
Interest income	330,715	460,991
	977,140	**1,122,491**
Finance expense		
Interest on land's instalments	(3,180,915)	(2,864,504)
Interest expenses	(7,172,168)	(949,887)
Other financial expenses	-	(2,511)
	(10,353,083)	**(3,816,902)**
Net	**(9,375,943)**	**(2,694,411)**

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

26. Income tax expense

	2012	2011
Income tax for the year (Note 21)	53,522,889	47,950,921
Deferred tax liabilities	23,857,741	340,996
Effect from change tax rate	(103,170)	3,217,833
Total	**77,277,460**	**51,509,750**

	2012	2011
Net profit before tax	244,285,764	187,785,087
Tax calculated at a tax rate of (20% - 25%)	60,982,976	46,228,854
Tax loss carry	9,492,252	43,766
Tax effect of non- deductible expenses	5,007,589	2,482,441
Tax effect of non-taxable revenues	(2,072,331)	(632,473)
Deferred tax adjustments	3,866,974	3,387,162
Income tax expense	**77,277,460**	**51,509,750**

27. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weight average number of ordinary shares in issue during the year excluding ordinary shares purchase by the Company and held as treasury shares.

	2012	2011
Profit attributed to owners of the parent	**167,008,304**	136,275,337
Weighted average number of ordinary shares in issue		
Original shares	362,681,450	362,681,450
	362,681,450	**362,681,450**
Basic earnings per share	**0.46**	**0.38**

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.

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

28. Consolidated expenses by nature

	2012	2011
Raw material	691,772,082	643,198,873
Salaries and wages	177,863,389	143,837,477
Advertising and marketing	67,909,552	54,734,858
Depreciation	43,245,034	34,785,741
Vehicle expense	21,809,538	14,322,831
Other expense	15,133,384	12,040,266
Royalty	13,367,790	12,569,750
Gas, oil water of electricity	12,520,958	9,323,861
Employee benefits	12,187,418	12,541,899
Profit share employee	11,452,066	9,781,747
Transportation expenses	10,602,862	1,426,260
Change inventory	6,092,157	(8,861,067)
Consumable materials	6,076,389	4,796,139
Maintenance	5,356,266	4,809,630
Purchases – goods for resale	4,679,303	8,083,617
Rent	4,582,352	6,655,270
	1,104,650,540	**964,047,152**

29. Cash flows from operating activities

	2012	2011
Net profit for the year before tax	244,285,764	187,785,087
Adjustments for:		
Additions to provision	6,899,037	3,092,441
Interest on lands' installments	3,180,915	2,864,504
Interest expense	7,172,168	949,887
Interest income	(330,715)	(460,991)
Interest in corporate tax advance	(646,425)	(661,500)
Depreciation	43,245,034	34,785,741
Profit on disposal of property, plant and equipment	(4,956,314)	(3,359,405)
Tax adjustments	-	209,505
Operating profits before changes in working capital	**298,849,464**	**225,205,269**
Change in working capital		
Inventories	(3,306,270)	(23,158,097)
Accounts and notes receivables	(3,656,621)	405,652
Debtors and other debit balances	19,228,602	20,387,785
Financial assets at fair value through profit or loss	(4,084)	(35,539)
Due to related party	(803,651)	508,893
Trade payables and other credit balances	(5,826,527)	45,643,147
Provisions used	(3,615,908)	(686,481)
Cash flows generated from operating activities	**300,865,005**	**268,270,629**

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

Cash flows from operating activities (continued)

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

	2012	2011
Net book amount	2,781,980	4,125,981
Profit of disposal of property, plant and equipment	4,956,314	3,359,405
Proceeds from disposal of property, plant and equipment	**7,738,294**	**7,485,386**

30. Related party transactions

Due from related parties

	2012	2011
Chipita Participation	49,951	-
Total	**49,951**	-

Due to related parties

	2012	2011
Chipita Participation Company	-	742,217
Vivaratia Company	-	11,483
Total	-	**753,700**

The following transactions were carried out with related parties:

1. **Chipita Participation Company**
   Chipita Participation is the Group's ultimate parent. 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 paid in 2012 amounted to LE 963,481 (2011: LE 453,307) and the balance due from Chipita International company at 31 December 2012 amounted to LE 49,951 (Note 10) and balance due to Chipita at 2011 amounted to LE 742,217.

2. **Key management compensation**
   During the year ended 2012 the Company paid an amount LE 29,166,791 (2011: LE 24,330,697) as salaries to the key management members.

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 group as at 31 December 2012.

Edita Food Industries Company

(1) Corporate tax

- The company is tax exempted for a period of 10 years ending 31 December 2007 in accordance with Law No. 230 of 1989 and Law No. 59 of 1979 related to New Urban Communities. The exemption period was determined to start from the fiscal year beginning on 1 January 1998. The company submits its tax returns on its legal period.
- The tax inspection was performed for the period from the company's inception till 31 December 2009 and it was submitted to internal committee for study of dispute.
- The tax inspection was performed by the Tax Authority since starting operation till 31 December 2009.
- For the years 2010-2011 the Company is submitting the tax return according to law No. 91 of 2005 in its legal period.

(2) Payroll tax

- The payroll tax inspection was performed till 31 December 2007 and company paid tax due.
- As for 2008 and 2009 the Company is under tax inspection and no Tax claim has been received yet by Tax Authority up till the balance sheet date.
- As for the years from 2010 till 2012 the tax inspection has not been performed yet up till the balance sheet date.
- The Company is submitting the tax quarterly return on due time to the Tax Authority.

(3) Sales tax

- The sales tax inspection was performed till 31 December 2007 and tax due was paid to the Tax Authority.
- Years from 2008 till 2012 the tax inspection has not been performed yet up till the balance sheet date, monthly tax return were submitted on due time.

(4) Stamp duty tax

- The stamp duty tax inspection was performed till year 2006 and Company paid tax due.
- Years from 2007 till 2012 tax inspection have not been performed yet up till the balance sheet date.

Digma for Trading Company

(1) Corporate tax

- The Company is subject to the corporate income tax according to tax law Law No. 91 of 2005 and as per tax law No. 51 of 2012 amendments. Corporate income tax is calculated at a tax rate of 20% for taxable profit up to LE 10 Million and 25% for the excess.
- The tax inspection was performed by the Tax Authority for the period from the Company's inception until year 2006 and the tax resulting from the tax inspection were settled and paid to the Tax Authority.
- For the years from 2007 to 2011 the Company submits its tax returns on due dates according to law No. 91 for the year 2005.

Tax position (continued)

(2) Salaries tax

- The tax inspection was performed until 31 December 2008 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- For the years from 2009 to 2012 the Company submitted its quarter tax returns to Tax Authority on due dates. .

(3) 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.
- For the years from 2009 to 2012 the Company paid the tax due.

(4) Sales tax

- The tax inspection was performed until 31 December 2010 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The years 2011&2012 the Company submits its monthly sales tax return on due date.

Edita Confectionary Industries Company

(1) Corporate tax

- The Company is subject to the corporate income tax according to tax law Law No. 91 of 2005 and adjustments as per tax law No. 51 of 2012. Corporate income tax is calculated at a tax rate of 20% for taxable profit up to LE 10 millions and 25% for excess.
- The company's books have not been inspected yet until the financial statements date for corporate tax, stamp tax, withholding tax, sales tax and payroll tax.

32. 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 2,322,749 as at 31 December 2012 (2011: LE 2,045,121).

(2) Digma for Trading Company

The Company guarantees Edita Food Industries against third parties in borrowing from Credit Agricole Egypt Bank.

At December 2012, the Company had contingent liabilities to third parties in respect of bank and other guarantee and other matters arising in the ordinary course of business of which no significant liabilities are expected to arise from them. The Company issued letter of guarantee amounting to LE 25,000. (2011: 25,000).

(3) Edita Confectionary Industries Company

At 31 December 2012, the company had no contingent liabilities to third parties in respect of bank and other guarantee and other matters arising in the ordinary course of business of which no significant liabilities are expected to arise from them.

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

33. Financial instrument by category

	2012		
	Loans & receivables	Assets at fair value through profit and loss	Total
Assets as per balance sheet			
Trade and other receivables (excluding prepayments) *	40,519,786	-	40,519,786
Cash and cash equivalents	237,377,400	-	237,377,400
Financial assets at fair value through profit and loss	-	39,623	39,623
Total	**277,897,186**	**39,623**	**277,936,809**

	2012	
	Other financial liabilities and amortised costs	Total
Liabilities as per balance sheet		
Borrowings *	249,034,102	249,034,102
Trade and other payables (excluding non-financial liabilities)	136,652,428	136,652,428
Total	**385,686,530**	**385,686,530**

	2011		
	Loans & receivables	Assets at fair value through profit and loss	Total
Assets as per balance sheet			
Trade and other receivables (excluding prepayments) *	56,713,790	-	56,713,790
Cash and cash equivalents	133,256,785	-	133,256,785
Financial assets at fair value through profit and loss	-	35,539	35,539
Total	**189,970,575**	**35,539**	**190,006,114**

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

Financial instrument by category (continued)

	2011	
	Other financial liabilities and amortised costs	**Total**
Liabilities as per balance sheet		
Borrowings *	207,953,933	207,953,933
Trade and other payables (excluding non-financial liabilities)	143,182601	143,182,601
Total	**351,136,534**	**351,136,534**

* 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 borrowings also approximates the fair value as the management uses a variable interest rate above the mid corridor rate.

34. Credit quality of financial assets

Trade receivables

Counter parties without external credit rating:

	2012	2011
Others parties	7,422,805	3,690,350
Total	**7,422,805**	**3,690,350**

Cash at bank and short-term bank deposits:

	2012	2011
AA	185,888,555	100,725,006
A	12,524	98,022
B	34,866,697	22,889,330
Total	**220,767,776**	**123,712,358**

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

35. Events after reporting period

On 9 September 2014 an extra ordinary general assembly was held and approved the following:

A) Increase in authorized capital to become LE 360,000,000 instead of LE 150,000,000, Also approved changing the par value of shares from LE 10 (ten Egyptian Pound) per share to be LE 0.20 (Twenty piaster) per share.

Bringing the total number of issued and paid shares to be 362,681,450 instead of 7,253,629 to be distributed as follows:

	No. of shares	Shares value	Percentage of ownership
BERCO Ltd.	151,654,150	30,330,830	41.815%
EXODER Ltd.	101,458,950	20,291,790	27.975%
Africa Samba Corporative	108,804,450	21,760,890	30.000%
Others	763,900	152,780	0.211%
	362,681,450	**72,536,290**	**100%**

B) Increase the legal reserve ceiling to become 50% from the issued capital instead of 20%.

C) Recognize the right to distribute some or all of the profits disclosed by interim financial statements prepared by the company and accompanied by auditor's report.

These amendments were updated in the commercial register on 23 October 2014.