

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

**INDEPENDENT AUDITOR'S REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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

## Consolidated financial statements - For the year ended 31 December 2013

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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 2013 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.

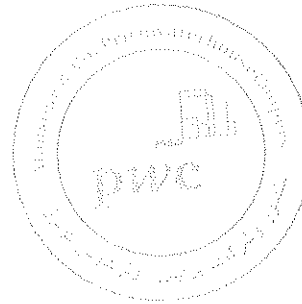


To: **The Shareholders of Edita Food Industries Company (S.A.E) and its Subsidiaries**  
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**Opinion**

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 2013, 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 2013

(all amounts in Egyptian Pounds)

	Note	2013	2012
<b><u>Non-current assets</u></b>			
Property, plant and equipment	5	826,446,532	721,818,437
Intangible assets	6	68,618,658	-
Investments available for sale	7	-	43,203,000
<b>Total non-current assets</b>		<b>895,065,190</b>	<b>765,021,437</b>
<b><u>Current assets</u></b>			
Inventories	8	84,140,649	80,775,579
Trade and other Receivables	9	66,148,206	42,921,469
Cash and cash equivalents (excluding bank overdrafts)	10	300,902,097	237,377,400
Financial assets at fair value through profit or loss		43,815	39,623
<b>Total current assets</b>		<b>451,234,767</b>	<b>361,114,071</b>
<b>Total assets</b>		<b>1,346,299,957</b>	<b>1,126,135,508</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Ordinary Shares	11	72,536,290	72,536,290
Legal reserve	12	16,407,621	16,407,621
Retained earnings		618,746,353	519,521,351
<b>Equity attributable to owners of the parent</b>		<b>707,690,264</b>	<b>608,465,262</b>
Non-controlling interests	13	2,261,950	5,931,838
<b>Total equity</b>		<b>709,952,214</b>	<b>614,397,100</b>
<b>Liabilities</b>			
<b><u>Non-current liabilities</u></b>			
Long term loans	14	134,150,199	132,481,532
Long-term notes payable	15	17,138,295	24,231,361
Sales tax on machinery	16	-	25,296
Deferred tax liabilities	17	70,417,074	59,178,713
<b>Total non-current liabilities</b>		<b>221,705,568</b>	<b>215,916,902</b>
<b><u>Current liabilities</u></b>			
Provisions	18	9,034,968	7,782,393
Bank overdraft	19	38,752,046	27,227,110
Trade and other payables	20	185,467,750	136,746,287
Current income tax liabilities	21	52,015,132	34,740,256
Current portion of long-term liabilities	22	129,372,279	89,325,460
<b>Total current liabilities</b>		<b>414,642,175</b>	<b>295,821,506</b>
<b>Total Liabilities</b>		<b>636,347,743</b>	<b>511,738,408</b>
<b>Total equity and liabilities</b>		<b>1,346,299,957</b>	<b>1,126,135,508</b>

The accompanying notes on pages 8 - 42 form an integral part of these financial statements.  
The financial statements on pages 3 to 42 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

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

**Consolidated statement of income - For the year ended 31 December 2013**

(All amounts in Egyptian Pounds)

	<u>Note</u>	<u>2013</u>	<u>2012</u>
Revenue		1,647,488,499	1,341,878,733
Cost of goods sold		(1,028,286,034)	(862,938,190)
<b>Gross profit</b>		<b>619,202,465</b>	<b>478,940,543</b>
Distribution cost		(188,193,601)	(171,045,396)
Administrative expenses		(88,857,985)	(70,666,954)
Other income	23	21,249,797	10,405,767
Other (losses)/ gains-net	24	1,402,135	6,027,747
<b>Profit from operations</b>		<b>364,802,811</b>	<b>253,661,707</b>
Finance Income	25	6,840,616	977,140
Finance Cost	25	(26,042,750)	(10,353,083)
<b>Finance (cost) income, net</b>	25	<b>(19,202,134)</b>	<b>(9,375,943)</b>
<b>Profit before income tax</b>		<b>345,600,677</b>	<b>244,285,764</b>
Income tax expense	26	(94,191,730)	(77,277,460)
<b>Net profit</b>		<b>251,408,947</b>	<b>167,008,304</b>
<b>Earnings per share (expressed in EGP per share):</b>			
Basic earnings per share	27	0.69	0.46
Diluted earnings per share	27	0.69	0.46
<b>Distributed as following:</b>			
Shareholders' equity		254,999,704	172,235,195
Non-controlling interest		(3,590,757)	(5,226,891)
<b>Net profit for the year</b>		<b>251,408,947</b>	<b>167,008,304</b>

The accompanying notes on pages 8 - 42 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 2013**

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(All amounts in Egyptian Pounds)

	<u>2013</u>	<u>2012</u>
Profit for the year	251,408,947	167,008,304
Forex Translation	<u>(5,581,090)</u>	<u>3,320,207</u>
<b>Total comprehensive income for the year</b>	<b><u><u>245,827,857</u></u></b>	<b><u><u>170,328,511</u></u></b>

The accompanying notes on pages 8 - 42 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 2013

	Total Owners' Equity					
	Paid up capital	Legal reserve	Retained earnings	Total shareholders	Non-controlling interest	Total owners' equity
Balance at 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 other 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 owner's 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)
1 January 2013	72,536,290	16,407,621	519,521,351	608,465,262	5,931,838	614,397,100
Net profit for the year	-	-	254,999,704	254,999,704	(3,590,757)	251,408,947
Other comprehensive income for the year	-	-	(5,581,090)	(5,581,090)	-	(5,581,090)
Total other comprehensive income for the year	-	-	249,418,614	249,418,614	(3,590,757)	245,827,857
Dividends distribution for 2012	-	-	(150,193,612)	(150,193,612)	(76,727)	(150,270,339)
Total contribution by and distribution to owner's of the parent recognized directly in Equity	-	-	(150,193,612)	(150,193,612)	(76,727)	(150,270,339)
Assets revaluation reserve	-	-	-	-	(2,404)	(2,404)
Balance at 31 December 2013	72,536,290	16,407,621	618,746,353	707,690,264	2,261,950	709,952,214

The accompanying notes on pages 8 - 42 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 2013

(All amounts in Egyptian Pounds)

	Notes	2013	2012
Cash flows generated from operating activities	29	422,158,266	300,865,005
Interest paid		(23,710,662)	(7,172,168)
Income tax paid		(64,707,895)	(45,804,755)
<b>Net cash flows generated from operating activities</b>		<b>333,739,709</b>	<b>247,888,082</b>
 <b><u>Cash flows from investing activities</u></b>			
Purchase of property, plant and equipment	5	(154,710,274)	(133,509,719)
Purchase of intangible asset		(68,618,658)	-
Proceeds from sale investments		50,355,074	-
Proceeds from sale of property, plant and equipment		3,133,651	7,738,294
Interest received		5,867,620	330,715
<b>Net cash flows used in investing activities</b>		<b>(163,972,587)</b>	<b>(125,440,710)</b>
 <b><u>Cash flows from financing activities</u></b>			
Sales tax on machinery		(80,519)	(80,519)
Notes payable		(8,864,318)	(8,511,670)
Dividends paid for shareholders' *		(150,032,397)	(50,086,535)
Non-controlling interest increase in capital	13	-	4,000
Proceeds from borrowings		153,002,824	80,446,005
Repayment of borrowings		(111,792,951)	(54,702,481)
<b>Net cash flows used in financing activities</b>		<b>(117,767,361)</b>	<b>(32,931,200)</b>
<b>Increase in cash and cash equivalents</b>		<b>51,999,761</b>	<b>89,516,172</b>
Cash and cash equivalents at beginning of the year		210,150,290	120,634,118
<b>Cash and cash equivalents at end of the year</b>	10	<b>262,150,051</b>	<b>210,150,290</b>

The accompanying notes on pages 8 - 42 form an integral part of these financial statements.

\* Trade and other payables include LE 237,945 (2012: 13,465) as non cash transactions.

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

### **Notes to the consolidated financial statements - For the year ended 31 December 2013**

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

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#### **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 41.82% of the Company's share capital and Exoder participation, "Exoder Limited", domiciled in Cyprus which owns 27.97% of the Company's share capital, and Africa Samba Cooperative which owns 30% 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 FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2013

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

### General information (continued)

#### 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	-

#### Financial information about the subsidiaries of the group:

Name of subsidiary	Total Assets	Total Equity	Total Sales	Net Income/ (loss)
Digma for trading	183,204,830	127,682,033	1,537,555,915	73,465,631
Edita for confectionery	80,862,910	10,695,290	16,502,091	(16,768,453)
Edita participation limited	188,872	(54,334)	-	(68,792)

## 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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations

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

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 2013 that would be expected to have a material impact on the company.

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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

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#### C. Basis of consolidation

##### 1. Subsidiaries

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

The 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 acquiring on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

##### 2. Acquisition-related costs are expensed as incurred

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 recognized in profit or loss.

Any contingent consideration to be transferred by the group is recognized 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 recognized 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 and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to confirm to the group's accounting policies.

##### 3. 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.

##### 4. 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.

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

Notes to the consolidated financial statements - For the year ended 31 December 2013

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

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### 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

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.

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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

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#### 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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

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#### 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.

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'.

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

### **Notes to the consolidated financial statements - For the year ended 31 December 2013**

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

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#### **Financial assets (continued)**

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. Intangible assets**

The intangible assets (Trade Mark) are stated at historical cost less impairment loss, where it does not have estimated useful lives. The historical cost includes all costs associated with acquiring the intangible asset

#### **I. 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.

#### **J. 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.



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

### **Notes to the consolidated financial statements - For the year ended 31 December 2013**

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

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#### **K. 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.

#### **L. 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.

#### **M. Share capital**

Ordinary shares are classified as equity.

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

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.

#### **N. 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.

#### **O. 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.

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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

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#### **P. 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.

#### **Q. Current and deferred income tax**

The tax expense for the year 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 reversal 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.

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

### **Notes to the consolidated financial statements - For the year ended 31 December 2013**

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

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#### **R. 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.

#### **S. 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.

#### **T. 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.

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

### **Notes to the consolidated financial statements - For the year ended 31 December 2013**

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

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#### **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.

#### **U. 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.

#### **V. 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.

#### **W. 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.

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

## Notes to the consolidated financial statements - For the year ended 31 December 2013

(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:

	2013			2012
	Assets	Liabilities	Net	
United States Dollars	39,175,922	(13,593,778)	25,582,144	96,496,842
Euros	23,973,175	(23,210,114)	763,061	(35,258,706)

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 2,558,220 (2012: LE 9,649,684) higher / lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets and liabilities.

At 31 December 2013, 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 76,306 (2012: LE 3,525,870) 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.

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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

#### Financial risk management (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 2013, 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 304,783 (2012: LE 251,801) 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 254,072,028 (2012: LE 212,862,155). The fair value for borrowings with fixed interest rate is approximately near its earnings amount.

Overdraft at the balance sheet date in 2013 amounted to LE 38,752,046 (2012: LE 27,227,110).

Financial assets exposed to variable interest rate is amounting to LE 267,884,702 (2012: LE 218,830,040).

	<u>2013</u>	<u>2012</u>
Time deposit – LE	248,407,429	120,860,840
Time deposit – USD	19,477,273	97,969,200
	<u>267,884,702</u>	<u>218,830,040</u>

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

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

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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

#### Financial risk management (continued)

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.

#### (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.

<b>At 31 December 2013</b>	<b>Less than 6 month</b>	<b>Between 6 month &amp; 1 year</b>	<b>Between 1 &amp; 2 years</b>	<b>Between 2 &amp; 5 years</b>
Borrowings	55,752,159	55,752,159	84,699,866	49,450,333
Trade and other payables	185,467,750	-	-	-
Sales tax on machinery	-	-	-	-
Bank overdraft	38,752,046	-	-	-
Notes payable	46,255,029	-	17,138,295	-
<b>Total</b>	<b>326,226,984</b>	<b>55,752,159</b>	<b>101,838,161</b>	<b>49,450,333</b>
<b>At 31 December 2012</b>				
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	-
<b>Total</b>	<b>233,935,840</b>	<b>44,088,893</b>	<b>85,422,893</b>	<b>71,290,000</b>

#### (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.

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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

#### Financial risk management (continued)

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.

	<u>2013</u>	<u>2012</u>
Current and long-term liabilities and loans	280,660,772	246,063,649
Bank Over Draft	38,752,046	27,227,110
<b>Total liabilities and loans</b>	<b>319,412,818</b>	<b>273,290,759</b>
Less: Cash and bank balances	(300,902,097)	(237,377,400)
<b>Net debt</b>	<b>18,510,721</b>	<b>35,913,359</b>
Total equity	709,952,214	614,397,100
<b>Total working capital</b>	<b>728,462,935</b>	<b>650,310,459</b>
<b>Gearing ratio</b>	<b>2.53%</b>	<b>5.5%</b>

#### (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:

##### a. Fixed assets useful lives

Fixed assets are depreciated based on useful lives and estimated residual values of each asset which is determined in accordance with the Group's policy and in the light of the technical study prepared for each asset separately. Residual value and useful lives of assets are reviewed and modified periodically.

During 2013, 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.



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

**Notes to the consolidated financial statements - For the year ended 31 December 2013**

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

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### **Critical accounting estimates and judgments (continued)**

#### **b. Intangible assets impairment (Trade Mark)**

The Group's management annually tests the impairment of intangible assets (Trade Mark), assets that have an indefinite useful life. And so on the basis of financial and operational performance in previous years and expectations of management of the Group to market developments in the future by preparing an action plan for 5 years using the growth rate and the discount rate prevailing.

#### **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.

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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#### 5. Property, plant and equipment

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
<b>At 1 January 2012</b>								
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)
<b>Net book value</b>	<b>62,226,931</b>	<b>65,536,136</b>	<b>202,156,261</b>	<b>51,479,634</b>	<b>6,756,197</b>	<b>10,571,202</b>	<b>235,609,371</b>	<b>634,335,732</b>
<b>Year ended 31 December 2012</b>								
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)
Disposal 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)	-
<b>Balance at 31 December</b>	<b>62,226,931</b>	<b>164,052,355</b>	<b>308,023,581</b>	<b>48,513,812</b>	<b>12,092,637</b>	<b>10,521,382</b>	<b>116,387,739</b>	<b>721,818,437</b>
<b>At 31 December 2013</b>								
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)
<b>Net book value</b>	<b>62,226,931</b>	<b>164,052,355</b>	<b>308,023,581</b>	<b>48,513,812</b>	<b>12,092,637</b>	<b>10,521,382</b>	<b>116,387,739</b>	<b>721,818,437</b>
<b>At 1 January 2013</b>								
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)
<b>Net book value</b>	<b>62,226,931</b>	<b>164,052,355</b>	<b>308,023,581</b>	<b>48,513,812</b>	<b>12,092,637</b>	<b>10,521,382</b>	<b>116,387,739</b>	<b>721,818,437</b>
<b>Year ended 31 December 2013</b>								
Opening 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
Additions	-	154,000	1,817,768	27,633,932	1,991,211	4,279,448	118,833,915	154,710,274
Depreciation charge	-	(7,023,411)	(15,690,368)	(13,565,882)	(4,355,686)	(5,031,538)	-	(45,666,885)
Disposal Depreciation	-	-	158,671	1,505,284	1,796,234	4,893,780	-	8,353,969
Disposals	-	-	(2,065,626)	(2,286,166)	(1,831,022)	(6,586,449)	-	(12,769,263)
Transfers from Projects under construction	-	152,092,102	52,139,084	-	4,902,998	10,989,657	(220,123,841)	-
<b>Balance at 31 December</b>	<b>62,226,931</b>	<b>309,275,046</b>	<b>344,383,110</b>	<b>61,800,980</b>	<b>14,596,372</b>	<b>19,066,280</b>	<b>15,097,813</b>	<b>826,446,532</b>
<b>At 31 December 2013</b>								
Cost	62,226,931	338,886,497	453,977,153	115,151,844	32,512,878	35,874,070	15,097,813	1,053,727,186
Accumulated depreciation	-	(29,611,451)	(109,594,043)	(53,350,864)	(17,916,506)	(16,807,790)	-	(227,280,654)
<b>Net book value</b>	<b>62,226,931</b>	<b>309,275,046</b>	<b>344,383,110</b>	<b>61,800,980</b>	<b>14,596,372</b>	<b>19,066,280</b>	<b>15,097,813</b>	<b>826,446,532</b>

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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#### Property, plant and equipment (continued)

During the year, the Company has capitalized borrowings costs amounting to LE 5,848,410 (2012: LE 13,828,153) on qualifying assets. Borrowings costs were capitalized at the weight average rate of its general borrowings of 10%.

	<u>2013</u>	<u>2012</u>
<b>Classification of the Qualified Assets</b>		
Buildings	4,666,650	7,095,366
Machinery	1,181,760	6,483,832
Tools & equipment	-	248,954
<b>Total</b>	<u><b>5,848,410</b></u>	<u><b>13,828,152</b></u>

#### 6. Intangible assets

	<u>2013</u>	<u>2012</u>
Balance at 1 January	-	-
Trading Mark (HOHOS, Twinkies & Tiger Tail)	68,618,658	-
<b>Balance at 31 December</b>	<u><b>68,618,658</b></u>	<u><b>-</b></u>

The intangible assets in the amount of ten million U.S. dollars which is equivalent to LE 68,618,658 paid to the Company "New HB acquisition LLC" against buying all the rights to the trademarks (HOHOS, Twinkies & Tiger Tail) as well as all the consequences of this acquisition of the trademark in the countries of Egypt, Jordan, Libya and Palestine. The trademark has an indefinite life.

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

Assumptions used by the Group when testing the impairment of intangible assets in 31 December 2013 as follows:

Average Gross profit	47%
Discount rate	19%
Growth rate	3%

The Group test the impairment of intangible assets depending on financial, operational, marketing position in the prior periods, and its expectation for the market in the future by preparing an action plan for 5 years using the growth rate and the discount rate prevailing . At the balance sheet date the carrying value of the intangible assets was not less than its recoverable amount.

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

## Notes to the consolidated financial statements - For the year ended 31 December 2013

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

### 7. Investments available for sale

	% Interest held		2013	2012
	2013	2012		
UFIB Company	0%	1.17%	-	43,203,000
<b>Balance at year end</b>			<b>-</b>	<b>43,203,000</b>

### 8. Inventories

	2013	2012
Raw materials	57,151,452	63,894,308
Spare parts	14,298,676	9,317,501
Finished goods	10,387,212	4,005,564
Work in process	1,172,910	2,165,173
Consumables	1,735,851	1,593,033
<b>Total</b>	<b>84,746,101</b>	<b>80,975,579</b>
Less: provision for net realizable value	(605,452)	(200,000)
<b>Net</b>	<b>84,140,649</b>	<b>80,775,579</b>

The cost of inventory recognized as an expense and included in cost of sales amounts to LE 829,969,663 (2012: LE 697,864,239).

There has been a write off for slow moving and obsolete inventory against; the declared accumulated balance of net realizable value by LE 92,091 and there has been an addition for net realizable value by LE 500,004 (Note 24).

### 9. Trade and Other receivables

	2013	2012
Trade receivables	12,633,335	7,422,805
Notes receivable	350,001	174,841
<b>Total</b>	<b>12,983,336</b>	<b>7,597,646</b>
Provision for doubtful debts	(20,556)	(20,556)
	<b>12,962,780</b>	<b>7,577,090</b>
Due from related parties	-	49,951
Advances to suppliers	45,319,802	24,537,342
Other debit balances	5,435,519	7,017,268
Prepaid expenses	1,190,285	2,401,683
Deposits with others	772,273	748,303
Employee loans	122,252	457,343
Letters of credit	257,073	67,003
Accrued revenues	88,222	65,486
<b>Total</b>	<b>66,148,206</b>	<b>42,921,469</b>

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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

#### 10. Cash and cash equivalents (excluding bank overdrafts)

	<u>2013</u>	<u>2012</u>
Bank deposits	185,438,113	218,830,040
Treasury bills	104,327,401	-
Cash at banks and on hand	11,136,583	18,547,360
<b>Cash and cash equivalents (excluding bank overdrafts)</b>	<b><u>300,902,097</u></b>	<b><u>237,377,400</u></b>

The Group purchased treasury bills on 30 December 2013 with par value amounted LE 104,327,401 with an annual interest of 9.95%. These treasury bills are due in 28 January 2014. The total accrued interest income amounted to LE 22,531 on 31 December 2013.

The average interest rate on EGP Time deposits during 2013 is 8% (EGP Time deposit 2012: 8%), and for foreign currency time deposits 0.12% (2012: 0.19%). 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:

	<u>2013</u>	<u>2012</u>
Cash at banks	300,902,097	237,377,400
Bank overdraft (Note 19)	<u>(38,752,046)</u>	<u>(27,227,110)</u>
<b>Total</b>	<b><u>262,150,051</u></b>	<b><u>210,150,290</u></b>

#### 11. Ordinary shares

	<u>2013</u>	<u>2012</u>
Authorized capital (15,000,000 ordinary shares with a par value of LE 10 each)	<u>150,000,000</u>	<u>150,000,000</u>
Issued and paid up capital (7,253,629 ordinary shares with a par value of LE 10 each)	<u>72,536,290</u>	<u>72,536,290</u>

#### 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.

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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

#### 13. Non-controlling interest

	Paid up capital	Legal reserves	Revaluation assets reserve	Accumulate losses	Total	
					31 December 2013	31 December 2012
Balance at 1 January	12,271,000	5,000	45,375	(6,389,537)	5,931,838	11,257,133
Increase in capital	-	-	-	-	-	4,000
Dividend distribution	-	-	-	(76,727)	(76,727)	(100,000)
Non-controlling interest share of (losses) / profits of the subsidiaries	-	-	-	(3,590,757)	(3,590,757)	(5,226,891)
Asset revaluation difference	-	-	(2,404)	-	(2,404)	(2,404)
<b>Balance at 31 December</b>	<b>12,271,000</b>	<b>5,000</b>	<b>42,971</b>	<b>(10,057,021)</b>	<b>2,261,950</b>	<b>5,931,838</b>

#### 14. Long-term loan

	2013			2012		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Loans	119,921,829	134,150,199	254,072,028	80,380,623	132,481,532	212,862,155
	<b>119,921,829</b>	<b>134,150,199</b>	<b>254,072,028</b>	<b>80,380,623</b>	<b>132,481,532</b>	<b>212,862,155</b>

The loans due according to the following schedule:

	2013	2012
Balance due within 1 year	111,504,320	73,007,786
Accrued interest	8,417,509	7,372,837
Short-term portion	<b>119,921,829</b>	<b>80,380,623</b>

#### (1) Edita Food Industries Company (S.A.E.)

##### • First loan

The first loan is provided by Credit Agricole Bank Egypt in July 2009 based on a cross guarantee from Digma Trading Company amounted to LE 90,000,000 and the total withdrawal amount is LE 76,826,053 in addition to accrued interest. And the remaining balance at 31 December 2013 after payment of accrued instalments is LE 26,637,786 in addition to the accrued interest. The carrying amount of the loan demonstrates in Egyptian Pounds.

##### **Terms of payments:**

Edita Food Industries S.A.E. (borrower) is obligated to pay LE 26,637,786 on 2 equal semi-annual instalments; each instalment is amounted to LE 13,318,893.

The first instalment is due on 1 May 2014 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 the Central Bank of Egypt.

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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

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#### 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.

##### • **Second loan**

This second loan is provided by Credit Agricole Bank Egypt on August 2011 based on a cross guarantee issued from Digma Trading Company amounted to LE 100,000,000 and the total withdrawal amount is LE 100,000,000 in addition to the accrued interest. And the remaining balance at 31 December 2013 after payment of accrued instalments is 62,500,000 in addition accrued interests.

##### **Terms of payments:**

Edita Food Industries S.A.E. (borrower) is obligated to pay LE 62,500,000 on 5 equal semi-annual instalments; each instalment is amounted to LE 12,500,000.

The first instalment is due on 1 February 2014 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 the 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 in August 2012 based on a cross guarantee issued from Digma Trading Company amounted to LE 70,000,000 and the total withdrawal amount is LE 70,000,000 in addition to the accrued interest. And the remaining balance in 31 December 2013 after payment of accrued instalments is LE 58,333,333 in addition to the accrued interest.

##### **Terms of payments:**

Edita Food Industries S.A.E. (borrower) is obligated to pay LE 58,333,333 on 5 equal semi-annual instalments; each instalment is amounted to LE 11,666,666.

The first instalment is due on 6 December 2013 and the last on 6 June 2016.

##### **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.

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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

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#### Long-term loan (continued)

- **Fourth loan:**

This fourth loan is provided by Al Watani Bank of Egypt on May 2013 based on a cross guarantee issued from Digma Trading Company amounted to LE 70,000,000 and the total withdrawal amount is LE 70,000,000 in addition to the accrued interest. The loan amounted to be LE 58,333,400 in addition to the accrued interest on 31 December 2013.

**Terms of payments:**

Edita Food Industries S.A.E. (borrower) is obligated to Pay LE 58,333,400 on 5 equal semi-annual instalments; each instalment is amounted to LE 11,666,600. Expect the last instalment amounted to LE 11,667,000.

The first installment is due on 18 November 2013 and the last on 18 May 2016.

**Interest:**

As per Al Watani Bank of Egypt. The interest rate will be 2 % above debit interest rate of the 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.

#### (2) Digma for Trading Company (S.A.E.)

- **First loan**

The First loan is provided by Credit Agricole Bank Egypt in September 2012 based on a cross guarantee 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 loan amounted to be LE 10,500,000 (in addition to accrued interest) in December 2013 after paying accrued instalments. The carrying amount of the loan demonstrates in Egyptian Pounds.

**Terms of payments:**

Digma Trading Company S.A.E. (borrower) is obligated to pay LE 10,500,000 on 3 equal semi-annual installment, each installment is amounted to LE 3,500,000.

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 the 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.



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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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

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#### Long-term loan (continued)

• **Second loan**

The Second loan is provided by Al Watani Bank Of Egypt in December 2013 amounted to LE 10,000,000 based on a cross guarantee issued from Edita Food Industries Company S.A.E. and the total withdrawal amount is LE 7,650,000 in addition to accrued interest. The carrying amount of the loan demonstrates in Egyptian Pounds.

**Terms of payments:**

Digma Trading Company S.A.E. (borrower) is obligated to pay LE 10,000,000 on 6 equal semi-annual instalments, each instalment is amounted to LE 1,666,667 and the instalments came due after 12 months from the date the loan was issued to the company.

The first instalments are due on 15<sup>th</sup> of January 2015 and the last on 15<sup>th</sup> of July 2017.

**Interest:**

As per Al Watani Bank of Egypt, The interest rate will be 2% above debit interest rate of the 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 (S.A.E.)**

This loan is provided by Banque Misr based on a cross guarantee issued from Edita Food Industries Company amounted to LE 31,000,000 withdrawn completely. The carrying amount of the loan demonstrates in Egyptian Pounds.

**Terms of payments:**

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

**Interest:**

The rate will be 0.5% above the Central Bank of Egypt 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.

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

(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 2013 and the last instalment on November 2016.

Current portion of long-term notes payable:

	2013		2012	
	Notes payable	Present Value	Notes payable	Present Value
Less than one year (Note 22)	9,425,154	9,425,154	8,864,318	8,864,318
<b>Total long-term liabilities</b>	<b>9,425,154</b>	<b>9,425,154</b>	<b>8,864,318</b>	<b>8,864,318</b>

	2013		2012	
	Notes payable	Present value	Notes payable	Present value
Notes payable due for more than one year and less than 5 years	20,532,815	17,138,295	29,957,968	24,231,361
<b>Total long-term liabilities</b>	<b>20,532,815</b>	<b>17,138,295</b>	<b>29,957,968</b>	<b>24,231,361</b>

The total accrued interest on the loan for the year ended 2013 amounting to LE 2,332,088 (2012: LE 3,180,915) 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.

	2013	2012
Less than one year	25,296	80,519
More than 1 year up to 5 years	-	25,296
<b>Total</b>	<b>25,296</b>	<b>105,815</b>
Current portion	(25,296)	(80,519)
<b>Total balance of long term liabilities</b>	<b>-</b>	<b>25,296</b>
<b>Present value of instalments</b>	<b>-</b>	<b>25,296</b>

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

(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, plant and Equipment depreciation	Acquiring Digma Company for Trading	Total
<b>Balance at 31 December 2011 and 1 January 2012</b>	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
<b>Balance at 31 December 2012</b>	<b>54,641,226</b>	<b>4,537,487</b>	<b>59,178,713</b>
<b>Balance at 31 December 2012 and 1 January 2013</b>	54,641,226	4,537,487	59,178,713
Charge to the statement of income (Note 26)	11,478,784	(240,423)	11,238,361
<b>Balance at 31 December 2013</b>	<b>66,120,010</b>	<b>4,297,064</b>	<b>70,417,074</b>

#### 18. Provisions

	Other provisions	
	2013	2012
Balance at 1 January	7,782,393	4,648,302
Additions during the year (Note 24)	8,321,000	6,749,999
Utilized during the year	(7,068,425)	(3,615,908)
<b>Balance at 31 December</b>	<b>9,034,968</b>	<b>7,782,393</b>

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

	2013	2012
Bank overdraft (Note 10)	38,752,046	27,227,110
<b>Total</b>	<b>38,752,046</b>	<b>27,227,110</b>

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 2013 (2012: 10.75%).

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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

#### 20. Trade and other payables

	<u>2013</u>	<u>2012</u>
Trade payables	72,796,798	62,753,895
Notes payable	46,255,029	33,645,417
Accrued expenses	38,728,338	23,640,306
Taxes payable	11,434,452	6,578,698
Other credit balances	9,818,751	8,209,812
Advances from customers	5,380,839	1,087,504
Dividends payable	974,741	736,796
Social insurance	78,802	93,859
<b>Total</b>	<b><u>185,467,750</u></b>	<b><u>136,746,287</u></b>

#### 21. Income tax liabilities

	<u>2013</u>	<u>2012</u>
Balance at 1 January	34,740,256	27,771,718
Income tax paid during the year	(34,744,618)	(27,771,950)
Income tax for the year	82,955,771	53,522,889
Withholding tax	(1,134,639)	(794,806)
Accrued interest – advance payment	(973,000)	(646,425)
Corporate tax advance payment	(28,833,000)	(17,238,000)
Tax adjustments in respect to prior years (Note 26)	4,362	(103,170)
<b>Balance at 31 December</b>	<b><u>52,015,132</u></b>	<b><u>34,740,256</u></b>

#### 22. Current portion of long-term liabilities

	<u>2013</u>	<u>2012</u>
Short-term loans (Note 14)	119,921,829	80,380,623
Current portion at long-term notes payable (Note 15)	9,425,154	8,864,318
Sales tax on machinery (Note 16)	25,296	80,519
<b>Total</b>	<b><u>129,372,279</u></b>	<b><u>89,325,460</u></b>

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

**Notes to the consolidated financial statements - For the year ended 31 December 2013**

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**23. Other income**

	<u>2013</u>	<u>2012</u>
Investment in Osoul Fund	11,918,188	-
Export subsidies	2,810,683	3,676,989
Others	1,683,663	3,393,298
Gain from sale of production waste	4,837,263	3,335,480
<b>Net</b>	<u><b>21,249,797</b></u>	<u><b>10,405,767</b></u>

**24. Other (losses)/ gains-net**

	<u>2013</u>	<u>2012</u>
Provisions (Note 18)	(8,321,000)	(6,749,999)
Provision for slow moving inventory (Note 8)	(500,004)	(149,038)
<b>Total</b>	<u><b>(8,821,004)</b></u>	<u><b>(6,899,037)</b></u>
(Losses)/Gain from sales of fixed assets	(1,281,643)	4,956,314
Gain from sale of investment	12,733,164	4,865,997
Foreign exchange (losses)/gains	(1,228,382)	3,104,473
<b>Total</b>	<u><b>1,402,135</b></u>	<u><b>6,027,747</b></u>

**25. Finance (cost) income, net**

	<u>2013</u>	<u>2012</u>
<b>Finance income</b>		
Interest in corporate tax advance	973,000	646,425
Interest income	5,867,616	330,715
	<u><b>6,840,616</b></u>	<u><b>977,140</b></u>
<b>Finance expense</b>		
Interest on land's instalments	(2,332,088)	(3,180,915)
Interest expenses	(23,710,662)	(7,172,168)
	<u><b>(26,042,750)</b></u>	<u><b>(10,353,083)</b></u>
<b>Net</b>	<u><b>(19,202,134)</b></u>	<u><b>(9,375,943)</b></u>

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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#### 26. Income tax expense

	<u>2013</u>	<u>2012</u>
Income tax for the year (Note 21)	82,955,771	53,522,889
Deferred tax liabilities	11,235,959	23,857,741
Effect from change tax rate	-	(103,170)
<b>Total</b>	<b><u>94,191,730</u></b>	<b><u>77,277,460</u></b>
	<u>2013</u>	<u>2012</u>
Net profit before tax	345,600,677	244,285,764
	-	2,000,000
	86,400,169	58,982,976
<b>Tax calculated at a tax rate of (20% - 25%)</b>	<b><u>86,400,169</u></b>	<b><u>60,982,976</u></b>
Tax effect of non- deductible expenses	6,440,306	5,007,589
Tax effect of non-taxable revenues	(3,222,375)	(2,072,331)
Deferred tax adjustments	4,573,630	9,492,252
	-	3,866,974
<b>Income tax expense</b>	<b><u>94,191,730</u></b>	<b><u>77,277,460</u></b>

#### 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.

	<u>2013</u>	<u>2012</u>
<b>Profit attributed to owners of the parent</b>	<b><u>251,408,947</u></b>	<b><u>167,008,304</u></b>
<b>Weighted average number of ordinary shares in issue</b>		
Original shares	362,681,450	362,681,450
	<b><u>362,681,450</u></b>	<b><u>362,681,450</u></b>
<b>Basic earnings per share</b>	<b><u>0.69</u></b>	<b><u>0.46</u></b>

##### 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.

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

Notes to the consolidated financial statements - For the year ended 31 December 2013

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

### 28. Consolidated expenses by nature

	<u>2013</u>	<u>2012</u>
Cost of goods sold	1,028,286,034	862,938,190
Selling and marketing expenses	188,193,601	171,045,396
General and administrative expenses	88,857,985	70,666,954
	<u><b>1,305,337,620</b></u>	<u><b>1,104,650,540</b></u>
	<u>2013</u>	<u>2012</u>
Profit share employee	13,764,740	11,452,066
Raw material used	840,149,588	691,772,082
Salaries and wages and its equivalence	221,041,918	177,863,389
Advertising and marketing	75,007,608	67,909,552
Depreciation	45,666,838	43,245,034
Gas, oil water of electricity	17,389,062	12,520,958
Employee benefits	16,858,627	12,187,418
Vehicle expense	28,942,017	21,809,538
Rent	3,947,145	4,582,352
Other expense	14,214,208	15,133,384
Transportation expenses	13,631,900	10,602,862
Maintenance expense	11,082,107	5,356,266
Consumable materials	6,651,376	6,076,389
Purchases – goods for resale	4,321,618	4,679,303
Royalty	2,848,793	13,367,790
Change in inventory	(10,179,925)	6,092,157
<b>Total cost of sales, distribution costs, and administrative expenses</b>	<u><b>1,305,337,620</b></u>	<u><b>1,104,650,540</b></u>

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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

#### 29. Cash generated from operations

	<u>2013</u>	<u>2012</u>
Net profit for the year before tax	345,600,677	244,285,764
<b>Adjustments for:</b>		
Additions to provision	8,821,004	6,899,037
Interest on lands' installments	2,332,088	3,180,915
Interest expense	23,710,662	7,172,168
Interest income	(5,867,619)	(330,715)
Interest income corporate tax prepayments	(973,000)	(646,425)
Depreciation of property, plant and equipment	45,666,885	43,245,034
Loss / (gain) on disposal of property, plant and equipment	1,281,643	(4,956,314)
Gain on sale of investments	(12,733,164)	-
	<u>407,839,176</u>	<u>298,849,464</u>
<b>Change in working capital</b>		
Inventories	(3,865,074)	(3,306,270)
Accounts and notes receivables	(5,385,690)	(3,656,621)
Debtors and other debit balances	(17,890,998)	19,228,602
Financial assets at fair value through profit or loss	(4,192)	(4,084)
Due to related party	49,951	(803,651)
Trade payables and other credit balances	48,483,518	(5,826,527)
Provisions used	(7,068,425)	(3,615,908)
<b>Cash generated from operations</b>	<u>422,158,266</u>	<u>300,865,005</u>

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

	<u>2013</u>	<u>2012</u>
Net book amount	4,415,294	2,781,980
Profit/(loss) of disposal of property, plant and equipment	(1,281,643)	4,956,314
<b>Proceeds from disposal of property, plant and equipment</b>	<u>3,133,651</u>	<u>7,738,294</u>

#### 30. Related party transactions

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.

On January 2013, Edita Food Industries sold all its investments in Edita Participation to Chipita Participation by an amount of Euro 5,397,516.

The royalty paid in 2013 amounted to LE 796,880 (2012: LE 963,481) and the balance due from Chipita International company at 31 December 2013 amounted to LE Zero (Note 9). The balance due to Chipita International Company at 31 December 2012 amounted to LE 49,951.

##### 2. Key management compensation

During the year ended 2013 the Company paid an amount LE 37,506,112 (2012: LE 29,166,791) as salaries to the key management members.



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#### 31. Tax position

Due to the nature of the tax assessment process in Egypt, the final outcome of the assessment by the Tax Authority might not be realistically estimated. Therefore, additional liabilities are contingent upon the tax inspection and assessment of the Tax Authority. Below is a summary of the tax status of the group as at 31 December 2013.

#### Edita Food Industries Company

##### a. Corporate tax

- The company is tax exempted for a period of 10 years ending 31 December 2007 in accordance with Law No. 230 of 1989 and Law No. 59 of 1979 related to New Urban Communities. The exemption period was determined to start from the fiscal year beginning on 1 January 1998. The company submits its tax returns on its legal period.
- The tax inspection was performed for the period from the company's inception till 31 December 2009 and it was submitted to internal committee which finalized the report.
- For the years 2010-2013 the Company is submitting the tax return according to law No. 91 of 2005 in its legal period.

##### b. 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 2013 the tax inspection has not been performed yet till the balance sheet date.
- The Company is submitting the tax quarterly return on due time to the Tax Authority.

##### c. Sales tax

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

##### d. Stamp duty tax

- The stamp duty tax inspection was performed till year 2006 and Company paid tax due.
- Years from 2007 till 2013 tax inspection have not been performed yet 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 amendments.

- The tax inspection was performed by the Tax Authority for the period from the Company's inception until year 2007 and the tax resulting from the tax inspection were settled and paid to the Tax Authority.
- For the years from 2008 to 2012 the Company submits its tax returns on due dates according to law No, 91 for the year 2005.

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

### Notes to the consolidated financial statements - For the year ended 31 December 2013

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#### 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 2013 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 2013 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 2011-2013 the Company submits its monthly sales tax return on due date.

#### Edita Confectionary Industries Company

##### Corporate tax

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

The company's books have not been inspected yet by the tax authority until the financial statements date for corporate tax, stamp tax, withholding tax, sales tax and payroll tax.

The Company submits its tax returns on due dates.

#### 1. 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 13,730,297 as at 31 December 2013 (2012: LE 2,322,749).

##### (2) Digma for Trading Company

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

At December 2013, 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, (2012: 25,000).

##### (3) Edita Confectionary Industries Company

At 31 December 2013, the company had no contingent liabilities and no other matters arising in the ordinary course of business of which no significant liabilities are expected to arise from them.

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

## Notes to the consolidated financial statements - For the year ended 31 December 2013

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

### 32. Financial instrument by category

	2013		
	Loans & receivables	Assets at fair value through profit and loss	Total
<b>Assets as per balance sheet</b>			
Trade and other receivables (excluding prepayments) *	64,957,921	-	64,957,921
Cash and cash equivalents	300,902,097	-	300,902,097
Financial assets at fair value through profit and loss	-	43,815	43,815
<b>Total</b>	<b>365,860,018</b>	<b>43,815</b>	<b>365,903,833</b>

	2013	
	Other financial liabilities and amortised costs	Total
<b>Liabilities as per balance sheet</b>		
Borrowings *	254,072,028	254,072,028
Trade and other payables (excluding non-financial liabilities)	185,388,948	185,388,948
<b>Total</b>	<b>439,460,976</b>	<b>439,460,976</b>

	2012		
	Loans & receivables	Assets at fair value through profit and loss	Total
<b>Assets as per balance sheet</b>			
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
<b>Total</b>	<b>277,897,186</b>	<b>39,623</b>	<b>277,936,809</b>

	2012	
	Other financial liabilities and amortised costs	Total
<b>Liabilities as per balance sheet</b>		
Borrowings *	212,862,155	212,862,155
Trade and other payables (excluding non-financial liabilities)	136,652,428	136,652,428
<b>Total</b>	<b>349,514,583</b>	<b>349,514,583</b>

\* 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.

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

Notes to the consolidated financial statements - For the year ended 31 December 2013

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

### 33. Credit quality of financial assets

#### Trade receivables

Counter parties without external credit rating:

	<u>2013</u>	<u>2012</u>
Others parties	12,633,335	7,422,805
<b>Total</b>	<b><u>12,633,335</u></b>	<b><u>7,422,805</u></b>

Cash at bank and short-term bank deposits:

	<u>2013</u>	<u>2012</u>
AA	100,265,822	185,888,555
A	485,995	12,524
BBB	90,378,204	-
B	1,701,143	34,866,697
<b>Total</b>	<b><u>192,831,164</u></b>	<b><u>220,767,776</u></b>

### 34. 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:

	<u>No. of shares</u>	<u>Shares value</u>	<u>Percentage of ownership</u>
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%
	<b><u>362,681,450</u></b>	<b><u>72,536,290</u></b>	<b><u>100%</u></b>

- 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.