

EDITA FOOD INDUSTRIES S.A.E.

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

EDITA FOOD INDUSTRIES S.A.E.

Separate financial statements - For the year ended 31 December 2012

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Auditor's report

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

Report on the separate financial statements

We have audited the accompanying separate financial statements of Edita Food Industries Company (S.A.E), which comprise the separate balance sheet as at 31 December 2012 and the separate 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 separate financial statements

Management is responsible for the preparation of separate 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 separate 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 separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate financial statements.

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



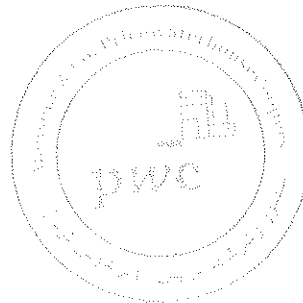
To: **The Shareholders of Edita Food Industries Company (S.A.E.)**
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Opinion

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

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

17 December 2014
Cairo



EDITA FOOD INDUSTRIES S.A.E.


Separate balance sheet - At 31 December 2012

(All amounts in Egyptian Pounds)

	Note	31 December 2012	31 December 2011	1 January 2011
Assets				
Non-current assets				
Property, plant and equipment	6	568,876,093	480,364,854	318,511,552
Investments in subsidiaries	7	97,353,838	105,357,838	105,357,838
Total non-current assets		666,229,931	585,722,692	423,869,390
Current assets				
Inventories	8	71,056,603	66,626,102	52,421,947
Trade and other receivables	9	67,243,623	80,767,009	50,666,977
Cash and cash equivalents (excluding bank overdrafts)	10	153,682,529	68,804,986	135,643,508
Total current assets		291,982,755	216,198,097	238,732,432
Total assets		958,212,686	801,920,789	662,601,822
Equity and liabilities				
Ordinary shares	11	72,536,290	72,536,290	72,536,290
Legal reserve	12	14,507,258	14,507,258	14,507,258
Retained earnings		448,635,822	333,856,916	342,826,607
Total equity		535,679,370	420,900,464	429,870,155
Liabilities				
Non-current liabilities				
Long-term loans	13	100,281,532	108,759,068	-
Long-term notes payable	14	24,231,361	30,294,318	35,353,742
Sales tax on machinery	15	25,296	105,815	186,334
Deferred income tax liabilities	16	37,883,988	27,786,360	24,084,784
Total non-current liabilities		162,422,177	166,945,561	59,624,860
Current liabilities				
Trade and other payables	17	125,592,346	129,058,771	81,445,764
Current income tax liabilities	18	22,294,518	14,747,968	7,094,959
Current portion of long-term liabilities	19	78,011,826	54,560,336	34,022,383
Bank overdraft	20	26,877,428	12,622,667	48,182,013
Provisions	21	7,335,021	3,085,022	2,361,688
Total current liabilities		260,111,139	214,074,764	173,106,807
Total liabilities		422,533,316	381,020,325	232,731,667
Total equity and liabilities		958,212,686	801,920,789	662,601,822

The accompanying notes on pages 8 - 43 form an integral part of these separate financial statements.

The financial statements on pages 3 to 43 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.

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

(All amounts in Egyptian Pounds)

	<u>Note</u>	<u>2012</u>	<u>2011</u>
Revenue		1,154,088,954	995,477,340
Cost of sales		(837,305,695)	(763,904,282)
Gross profit		316,783,259	231,573,058
Distribution cost		(88,555,678)	(77,783,697)
Administrative expenses		(48,442,571)	(44,760,955)
Other income	22	61,753,599	40,937,405
Other (losses)/ gains-net	23	(25,100,456)	2,838,199
Operating profit		216,438,153	152,804,010
Finance income	24	625,525	722,410
Finance cost	24	(6,916,285)	(3,777,840)
Finance (cost) / income , net	24	(6,290,760)	(3,055,430)
Profit before income tax		210,147,393	149,748,580
Income tax expense	25	(45,368,487)	(33,718,271)
Profit for the year		164,778,906	116,030,309
Earnings per share (expressed in EGP per share):			
Basic earnings per share	26	0.45	0.32
Diluted earnings per share	26	0.45	0.32

The accompanying notes on pages 8 - 43 form an integral part of these separate financial statements.

EDITA FOOD INDUSTRIES S.A.E.

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

(All amounts in Egyptian Pounds)

	<u>2012</u>	<u>2011</u>
Profit for the year	164,778,906	116,030,309
Other comprehensive income for the year, net of tax	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>164,778,906</u></u>	<u><u>116,030,309</u></u>

The accompanying notes on pages 8 - 43 form an integral part of these separate financial statements.

EDITA FOOD INDUSTRIES S.A.E.

Separate statement of changes in equity - For the year ended 31 December 2012

(All amounts in Egyptian Pounds)

	Share capital	Legal reserve	Retained earnings	Total
Balance 1 January 2011	72,536,290	14,507,258	342,826,607	429,870,155
Profit for the year	-	-	116,030,309	116,030,309
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	116,030,309	116,030,309
Dividends	-	-	(125,000,000)	(125,000,000)
Total contribution by and distribution to owners of the parent, recognized directly in equity	-	-	(125,000,000)	(125,000,000)
Balance at 31 December 2011 and 1 January 2012	72,536,290	14,507,258	333,856,916	420,900,464
Profit for the year	-	-	164,778,906	164,778,906
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	164,778,906	164,778,906
Dividends	-	-	(50,000,000)	(50,000,000)
Total contribution by and distribution to owners of the parent, recognized directly in equity	-	-	(50,000,000)	(50,000,000)
Balance at 31 December 2012	72,536,290	14,507,258	448,635,822	535,679,370

The accompanying notes on pages 8 - 43 form an integral part of these separate financial statements.

EDITA FOOD INDUSTRIES S.A.E.

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

(All amounts in Egyptian Pounds)

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
Cash generated from operations	28	229,334,829	151,217,998
Interest paid		(3,735,370)	(913,336)
Income tax paid		(27,283,309)	(21,867,561)
Net cash generated from operating activities		<u>198,316,150</u>	<u>128,437,101</u>
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment	6	(119,031,641)	(190,641,266)
Proceeds from sale of property, plant and equipment		5,586,720	4,274,850
Interest received		184,525	226,285
Acquisition of subsidiary, net of cash acquired		(19,996,000)	-
Investment income received	22	49,900,000	29,940,000
Net cash used in investing activities		<u>(83,356,396)</u>	<u>(156,200,131)</u>
<u>Cash flows from financing activities</u>			
Notes payable payment		(8,511,670)	(7,419,176)
Sales tax on machinery		(80,519)	(80,519)
Dividends paid		(49,986,535)	(124,808,720)
Proceeds from borrowings		14,241,752	128,792,269
Net cash used in financing activities		<u>(44,336,972)</u>	<u>(3,516,146)</u>
Net increase (decrease) in cash and cash equivalents		70,622,782	(31,279,176)
Cash and cash equivalents at beginning of the year		56,182,319	87,461,495
Cash and cash equivalents at end of the year	10	<u>126,805,101</u>	<u>56,182,319</u>

The accompanying notes on pages 8 - 43 form an integral part of these separate financial statements.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements – For the year ended 31 December 2012

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

1. General information

Edita Food Industries S.A.E. was established in 9 July 1996, under the investment Law No. 230 of 1989 and the capital market Law No. 95 of 1992 and is registered in the commercial register under number 692 Cairo.

The Company is located in Warraq El Haddar – Embaba, Giza.

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

The main shareholders are BERCO Limited which owns 59.79% of the company's share capital and Exoder participation, "Exoder Limited", domiciled in Cyprus which owns 40% of the company's share capital and other shareholder owing .21% of company's share capital.

These separate financial statements have been approved by the Board of Directors and the General Assembly of shareholders has the right to change the separate financial statements after issuance.

2. Summary of significant accounting policies

A. Foreign currency translation

(1) Functional and presentation currency

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

(2) Transaction and balances

"Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

B. Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised 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.

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

Property, plant and equipment (continued)

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 values over their estimated useful lives, as follows:

Buildings	25 years
Machinery and equipment	15 - 20 years
Vehicles	5 years
Tools & equipment	5 years
Furniture & office equipment	4 – 5 years

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

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

C. Investments in subsidiaries

Investments in subsidiaries, where ownership is more than 50% of the voting power and there is control over the financial and operating policies for these companies are reflected in the separate financial statements using the cost method of accounting. Under this method, the investment is initially recorded at cost. Any received dividends are credited to the investment balance with the value of the dividend received in case the dividends exceed the investment share in the subsidiaries.

D. Impairment of non-financial assets

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

E. Financial assets

(i) Classification

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

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

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

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (Notes a and 10).

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the company commits to purchase or sell the asset. Investments are initially recognised 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 recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. 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 recognised in the income statement as part of other income when the company's right to receive payments is established.

F. Impairment of financial assets

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

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

Impairment of financial assets (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

G. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

H. Trade receivables

Trade receivables are amounts due from customers for merchandise 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

I. Cash and cash equivalents

In the separate 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 separate balance sheet, bank overdrafts are shown within current liabilities.

J. Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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 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, and is included in equity attributable to the company's equity holders

K. 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

L. 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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

M. Borrowings cost

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.

N. Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country which the company operates 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 recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, deferred tax liabilities are not recognised 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 realised or the deferred income tax liability is settled.

Current and deferred income tax (continued)

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except 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.

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.

O. Employee benefits

(1) Pension obligations

The company has defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The company 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.

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

(2) Profit-sharing

The company recognises a liability and an expense for profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments.

P. Provisions

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

Q. 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 Company's activities, as described below. The Company 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.

(a) Sales of goods – wholesale

Sales of goods are recognised when a Company 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 company has objective evidence that all criteria for acceptance have been satisfied.

(b) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the company 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.

(c) Dividend income

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

(d) Revenues from investments in osoul fund

Revenue is recognized monthly at each closing of the osoul fund certificate as per the bank announced rate; at the year end the company reevaluate the outstanding numbers of Osoul Fund certificate up on the rate announced by the bank.

(e) Governmental 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 Company is eligible for incentive and is recognized in the income statement as other income, after meeting all required criteria.

R. 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.

S. Dividends

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

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

3. Financial risk management

(1) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance. The company does not use derivative financial instruments to hedge certain risk exposures.

A. Market risk

i. Foreign exchange risk

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

	2012			2011
	Assets	Liabilities	Net	Net
Euros	9,248,996	(43,280,790)	(34,031,794)	(13,101,480)
US Dollars	104,459,172	(8,319,161)	96,140,011	25,455,132

At 31 December 2012, if the EGP had weakened / strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been LE 9,614,001 (2011: LE 2,545,513) higher, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated assets and liabilities.

At 31 December 2012, if the Egyptian Pounds had weakened / strengthened by 10% against the Euro with all other variables held constant, post tax profit for the year would have been LE 3,403,179 (2011: LE 1310,148) 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 group is not exposed to commodity price risk. The Fair value of the investment did not change and 100% of the investment was sold in 2013.

iii. Cash flow and fair value interest rate risk

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

At 31 December 2012, if interest rates on Egyptian pound -denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been LE 206,873 (2011: LE 177,402) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Financial risk management (continued)

Borrowing at balance sheet date with variable interest rate is amounting to LE 169,348,521 (2011: LE 155,106,769).

Overdraft at the balance sheet date in 2012 amounted to LE 26,877,428 (2011: LE 12,622,667).

Financial assets exposed to the changes in the interest rate are amounting to LE 151,830,040 (2011: LE 67,680,686).

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

	<u>2012</u>	<u>2011</u>
Time deposit – LE	53,860,840	47,677,841
Time deposit – USD	97,969,200	20,002,845
	<u><u>151,830,040</u></u>	<u><u>67,680,686</u></u>

B. Credit risk

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

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

For the wholesalers, the Credit Controllers assess the credit quality of the wholesale customer, taking into account its financial position, and their market reputation, past experience and other factors. Sales of the company is for a major customer (Digma Trading – company’s subsidiary) and its the company subsidiary, which represent 90.5% of total company sales.

For Individuals there is no credit risk since all sales are cash. Provisions are accounted for doubtful debts on case by case basis.

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

Company finance monitors rolling forecasts of the company’s liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 19) 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 company debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

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Notes to the separate financial statements – For the year ended 31 December 2012

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

Financial risk management (continued)

At 31 December 2012	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	Between 2 & 5 years
Borrowings	25,818,893	37,488,893	74,977,786	72,490,000
Trade and other payables	60,574,811	-	-	-
Sales tax on machinery	25,296	-	-	-
Bank overdraft	26,877,428	-	-	-
Notes payable	8,864,318	-	24,231,361	-
Total	122,160,746	37,488,893	99,209,147	72,490,000
At 31 December 2011				
Borrowings	15,000,000	27,500,000	55,000,000	92,500,000
Trade and other payables	69,690,418	-	-	-
Sales tax on machinery	105,815	-	-	-
Bank overdraft	12,622,667	-	-	-
Notes payable	8,132,116	-	30,294,318	-
Total	105,551,016	27,500,000	85,294,318	92,500,000

(2) Capital management

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

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company monitors 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.

The gearing ratio at 31 December 2012 and 31 December 2011 were as follows:

Description	2012	2011
Total borrowings	202,550,016	193,719,537
Bank Overdraft	26,877,428	12,622,667
Total borrowings and loans	229,427,444	206,342,204
Less: Cash and cash equivalents	(153,682,529)	(68,804,986)
Net debt	75,744,915	137,537,218
Total equity	535,679,370	420,900,464
Total capital	611,424,285	558,437,682
Gearing ratio	12%	25%

The decrease in debt to equity is due to increase in cash by LE 85 million and increase in equity by LE 115 million.

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

Financial risk management (continued)

(3) Fair value estimation

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

4. Critical accounting estimates and judgments

Estimates and judgements 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.

(1) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom 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 addressed 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 company'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.

The company changed the production 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.

B) Impairment of investment in subsidiaries

The Company's management test the impairment in investment in subsidiaries in case of existence of an impairment indicator by using prior experience and by making discounted cash flow which is based on the financial and operational performance in previous years and the management expectation for the market developments in the future by preparing a business plan for 5 years using the reasonable growth rate and the discount rate.

(2) Critical judgments in applying the company's accounting policies

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

5. Transition to IFRS

5.1 Basis of transition to IFRS 1

5.1.1 Application of IFRS 1

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

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

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

5.1.2 Exemptions from full retrospective application followed by the company

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

(a) *Estimates exemption*

Estimates under IFRS at 1 January 2011 should be consistent with the estimates made for the same date under previous EAS, unless there is evidence that those estimates were in error.

(b) *Derecognition of financial assets and liabilities exemption*

Financial assets and liabilities derecognized under previous EAS before January 2004 will remain derecognized and financial assets and liabilities that were derecognised under previous EAS after 1 January 2004 will be recognised again in the financial statements if they don't qualify for derecognition under IAS 39.

(c) *Hedge accounting exemption*

IFRS 1 allows hedge accounting to be used only from the date that the designation and documentation of a hedge relationship is completed. The Company, however, does not have any hedge accounting agreements.

5.2 Reconciliation between IFRS and EAS

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

- equity at 1 January 2011 (Note 5.2.1)
- equity at 31 December 2011 (Note 5.2.2)
- equity at 31 December 2012 (Note 5.2.3)
- net income for the period ended 31 December 2011 (Note 5.2.4)
- net income for the period ended 31 December 2012 (Note 5.2.5)
- cash flows for the period ended 31 December 2012 (note 5.2.6)

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Notes to the separate financial statements – For the year ended 31 December 2012

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

Transition to IFRS (continued)

5.2.1 Reconciliation of equity at 1 January 2011

	Note	EAS	Effect of transition to IFRS	IFRS
Assets				
Non-current assets				
Property, plant and equipment	6	318,511,552		318,511,552
Investments in subsidiaries	7	105,357,838		105,357,838
Total non-current assets		423,869,390	0	423,869,390
Current assets				
Inventories	8	52,421,947		52,421,947
Trade and other receivables	9	50,666,977		50,666,977
Cash and cash equivalents (excluding bank overdrafts)	10	135,643,508		135,643,508
Total current assets		238,732,432	0	238,732,432
Total assets		662,601,822	0	662,601,822
Equity and liabilities				
Ordinary shares	11	72,536,290		72,536,290
Legal reserve	12	14,507,258		14,507,258
Retained earnings		342,826,607		342,826,607
Total equity		429,870,155	0	429,870,155
Liabilities				
Non-current liabilities				
Long-term loans	13	-		-
Long-term notes payable	14	35,353,742		35,353,742
Sales tax on machinery	15	186,334		186,334
Deferred income tax liabilities	16	24,084,784		24,084,784
Total non-current liabilities		59,624,860	0	59,624,860
Current liabilities				
Trade and other payables	17	81,445,764		81,445,764
Current income tax liabilities	18	7,094,959		7,094,959
Current portion of long-term liabilities	19	34,022,383		34,022,383
Bank overdraft	20	48,182,013		48,182,013
Provisions	21	2,361,688		2,361,688
Total current liabilities		173,106,807	0	173,106,807
Total liabilities		232,731,667	0	232,731,667
Total equity and liabilities		662,601,822	0	662,601,822

Explanation of the effect of the transition of IFRS

Transactions of IFRS does not have any effect on the balance sheet line items due to the fact that all adjustments made was within retained earnings with zero net effect, as shown below:

	EAS	Effect of transition to IFRS	IFRS
Balance at 1 January 2010	323,295,282	-	323,295,282
Shareholders dividends distribution	(100,000,000)	-	(100,000,000)
Employee dividends distribution	(5,865,526)	5,865,526	-
Profit for the year	125,396,851	(5,865,526)	119,531,325
Balance at 31 December 2010	342,826,607	-	342,826,607

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Notes to the separate financial statements – For the year ended 31 December 2012

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

Transition to IFRS (continued)

5.2.2 Reconciliation of equity at 31 December 2011

	Note	EAS	Effect of transition to IFRS	IFRS
Assets				
Non-current assets				
Property, plant and equipment	6	480,364,854		480,364,854
Investments in subsidiaries	7	105,357,838		105,357,838
Total non-current assets		585,722,692	0	585,722,692
Current assets				
Inventories	8	66,626,102		66,626,102
Trade and other receivables	9	80,767,009		80,767,009
Cash and cash equivalents	10	68,804,986		68,804,986
Total current assets		216,198,097	0	216,198,097
Total assets		801,920,789	0	801,920,789
Equity and liabilities				
Ordinary shares	11	72,536,290		72,536,290
Legal reserve	12	14,507,258		14,507,258
Retained earnings		333,856,916		333,856,916
Total equity		420,900,464	0	420,900,464
Liabilities				
Non-current liabilities				
Long-term loans	13	108,759,068		108,759,068
Long-term notes payable	14	30,294,318		30,294,318
Sales tax on machinery	15	105,815		105,815
Deferred income tax liabilities	16	27,786,360		27,786,360
Total non-current liabilities		166,945,561	0	166,945,561
Current liabilities				
Trade and other payables	17	129,058,771		129,058,771
Current income tax liabilities	18	14,747,968		14,747,968
Current portion of long-term liabilities	19	54,560,336		54,560,336
Bank overdraft	20	12,622,667		12,622,667
Provisions	21	3,085,022		3,085,022
Total current liabilities		214,074,764	0	214,074,764
Total liabilities		381,020,325	0	381,020,325
Total equity and liabilities		801,920,789	0	801,920,789

Explanation of the effect of the transition of IFRS

Transactions of IFRS does not have any effect on the balance sheet line items due to the fact that all adjustments made was within retained earnings with zero net effect, as shown below:

	EAS	Effect of transition to IFRS	IFRS
Balance at 1 January 2011	342,826,607		342,826,607
Shareholders dividends distribution	(125,000,000)		(125,000,000)
Employee dividends distribution	(7,223,807)	7,223,807	-
Profit for the year	123,254,116	(7,223,807)	116,030,309
Balance at 31 December 2011	333,856,916	-	333,856,916

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

Transition to IFRS (continued)

5.2.3 Reconciliation of equity at 31 December 2012

	Note	EAS	Effect of transition to IFRS	IFRS
Assets				
Non-current assets				
Property, plant and equipment	6	568,876,093		568,876,093
Investments in subsidiaries	7	97,353,838		97,353,838
Total non-current assets		666,229,931	0	666,229,931
Current assets				
Inventories	8	71,056,603		71,056,603
Trade and other receivables	9	67,243,623		67,243,623
Cash and cash equivalents	10	153,682,529		153,682,529
Total current assets		291,982,755	0	291,982,755
Total assets		958,212,686	0	958,212,686
Equity and liabilities				
Ordinary shares	11	72,536,290		72,536,290
Legal reserve	12	14,507,258		14,507,258
Retained earnings		448,635,822		448,635,822
Total equity		535,679,370	0	535,679,370
Liabilities				
Non-current liabilities				
Long-term loans	13	100,281,532		100,281,532
Long-term notes payable	14	24,231,361		24,231,361
Sales tax on machinery	15	25,296		25,296
Deferred income tax liabilities	16	37,883,988		37,883,988
Total non-current liabilities		162,422,177	0	162,422,177
Current liabilities				
Trade and other payables	17	125,592,346		125,592,346
Current income tax liabilities	18	22,294,518		22,294,518
Current portion of long-term liabilities	19	78,011,826		78,011,826
Bank overdraft	20	26,877,428		26,877,428
Provisions	21	7,335,021		7,335,021
Total current liabilities		260,111,139	0	260,111,139
Total liabilities		422,533,316	0	422,533,316
Total equity and liabilities		958,212,686	0	958,212,686

Explanation of the effect of the transition of IFRS

Transactions of IFRS does not have any effect on the balance sheet line items due to the fact that all adjustments made was within retained earnings with zero net effect, as shown below:

	EAS	Effect of transition to IFRS	IFRS
Shareholders dividends distribution			
Balance at 1 January 2012	333,856,916	-	333,856,916
Shareholders dividends distribution	(50,000,000)	-	(50,000,000)
Employee dividends distribution	(8,165,362)	8,165,362	-
Profit for the year	172,944,268	(8,165,362)	164,778,906
Balance at 31 December 2012	448,635,822	-	448,635,822

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

Transition to IFRS (continued)

5.2.4 Reconciliation of net income for the period ended 31 December 2011

	Note	EAS	Effect of transition to IFRS	IFRS
Revenue		995,477,340	-	995,477,340
Cost of sales		(760,010,468)	(3,893,814)	(763,904,282)
Gross profit		235,466,872	(3,893,814)	231,573,058
Distribution cost		(77,618,378)	(165,319)	(77,783,697)
Administrative expenses		(41,596,281)	(3,164,674)	(44,760,955)
Other (losses)/ gains-net	22	40,937,405	-	40,937,405
Other losses	23	(25,100,456)	-	2,838,199
Operating profit		155,839,897	(7,223,807)	152,804,010
Finance income	24	722,410		722,410
Finance cost	24	(3,777,840)		(3,777,840)
Finance (cost) / income , net	24	(3,055,430)		(3,055,430)
Profit before income tax		156,972,387	(7,223,807)	149,748,580
Income tax expense	25	(33,718,271)		(33,718,271)
Profit for the year		123,254,116	(7,223,807)	116,030,309
Earnings per share (expressed in EGP per share):				
Basic earnings per share	26	0.34		0.32
Diluted earnings per share	26	0.34		0.32

Explanation of the effect of the transition of IFRS

The following explains the material adjustments to the net income.

Employees' dividends distribution

Previously the company presented the employees' profit share as a distribution of retained earnings in accordance with EAS. In accordance with IAS 1 *Presentation of Financial Statements*, distribution of retained earnings is limited to owners' of the company. Accordingly, the distribution to the employees was treated as an expense in the statement of income. The impact is an increase in cost of sales by L.E 3,893,814, in administrative costs by L.E 3,164,674 and in distribution costs by L.E 165,319.

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

Transition to IFRS (continued)**5.2.5 Reconciliation of net income for the period ended 31 December 2012**

	<u>Note</u>	<u>EAS</u>	<u>Effect of transition to IFRS</u>	<u>IFRS</u>
Revenue		1,154,088,954		1,154,088,954
Cost of sales		(832,620,104)	(4,685,591)	(837,305,695)
Gross profit		321,468,850	(4,685,591)	316,783,259
Distribution cost		(88,298,078)	(257,600)	(88,555,678)
Administrative expenses		(45,220,400)	(3,222,171)	(48,442,571)
Other income	22	61,753,599	-	61,753,599
Other losses	23	(25,100,456)	-	(25,100,456)
Operating profit		224,603,515	(8,165,362)	216,438,153
Finance income	24	625,525	-	625,525
Finance cost	24	(6,916,285)	-	(6,916,285)
Finance (cost) / income , net	24	(6,290,760)	-	(6,290,760)
Profit before income tax		218,312,755	(8,165,362)	210,147,393
Income tax expense	25	(45,368,487)	-	(45,368,487)
Profit for the year		172,944,268	(8,165,362)	164,778,906
Earnings per share (expressed in EGP per share):				
Basic earnings per share	26	0.40		0.45
Diluted earnings per share	26	0.40		0.45

Explanation of the effect of the transition of IFRS

The following explains the material adjustments to the net income.

Employees' dividends distribution

Previously the company presented the employees' profit share as a distribution of retained earnings in accordance with EAS. In accordance with IAS 1 *Presentation of Financial Statements*, distribution of retained earnings is limited to owners' of the company. Accordingly, the distribution to the employees was treated as an expense in the statement of income. The impact is an increase in cost of sales by L.E 4,685,591 in administrative costs by L.E 3,222,171 and in distribution costs by L.E 257,600.

Transition to IFRS (continued)

5.2.6 Reconciliation of cash flow for the period ended 31 December 2012

	Notes	EAS	Effect of transition to IFRS	IFRS
Cash generated from operations	29	235,254,130	(8,165,362)	229,334,829
Interest paid		(3,735,370)		(3,735,370)
Income tax paid	14	(27,283,309)		(27,283,309)
Net cash generated from operating activities		204,235,451	(8,165,362)	198,316,150
<u>Cash flows from investing activities</u>				
Purchase of property, plant and equipment	6	(119,031,641)		(119,031,641)
Proceeds from sale of property, plant and equipment		5,586,720		5,586,720
Interest received		184,525		184,525
Acquisition of subsidiary, net of cash acquired		(19,996,000)		(19,996,000)
Investment income received	22	49,900,000		49,900,000
Net cash used in investing activities		(83,356,396)	0	(83,356,396)
<u>Cash flows from financing activities</u>				
Notes payable payment		(8,511,670)		(8,511,670)
Sales tax on machinery		(80,519)		(80,519)
Dividends paid to shareholders		(58,151,897)	8,165,362	(49,986,535)
Proceeds from borrowings		14,241,752		14,241,752
Net cash used in financing activities		(52,502,334)	8,165,362	(44,336,972)
Net increase (decrease) in cash and cash equivalents		70,622,782	0	70,622,782
Cash and cash equivalents at beginning of the year		56,182,319		56,182,319
Cash and cash equivalents at end of the year	10	126,805,101	0	126,805,101

Explanation of the effect of the transition of IFRS

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

Employees' dividends distribution

Previously the company presented the employees' profit share as a distribution of retained earnings in accordance with EAS. In accordance with IAS 1 *Presentation of Financial Statements*, distribution of retained earnings is limited to owners' of the company. Accordingly, the distribution to the employees was treated as an expense in the statement of income. The impact is a decrease in the profit before tax by L.E 8,165,362 as well as a decrease in the dividends paid by L.E 8,165,362.

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Notes to the separate financial statements – For the year ended 31 December 2012

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

6. Property, plant and equipment

As 31 December 2012

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & Equipment	Projects under* construction	Total
At 1 January 2011								
Cost	62,226,931	44,069,894	236,146,112	31,596,677	16,980,668	15,175,058	26,610,427	432,805,767
Accumulated depreciation	-	(12,356,801)	(66,960,539)	(17,682,670)	(10,190,440)	(7,103,765)	-	(114,294,215)
Net book value	62,226,931	31,713,093	169,185,573	13,914,007	6,790,228	8,071,293	26,610,427	318,511,552
Year ended 31 December 2011								
Opening net book value	62,226,931	31,713,093	169,185,573	13,914,007	6,790,228	8,071,293	26,610,427	318,511,552
Additions	-	80,782	1,215,593	4,979,814	1,337,936	1,652,484	181,374,657	190,641,266
Depreciation charge	-	(1,770,859)	(12,486,122)	(5,693,462)	(2,810,921)	(2,918,709)	-	(25,680,073)
Disposals	-	-	(4,622,332)	(4,322,764)	(999,769)	(405,484)	-	(10,350,349)
Disposals Depreciation	-	-	2,702,511	3,204,807	993,551	341,589	-	7,242,458
Transfers from Projects under construction	-	609,276	4,666,671	-	1,064,548	65,100	(6,405,595)	-
Closing net book value	62,226,931	30,632,292	160,661,894	12,082,402	6,375,573	6,806,273	201,579,489	480,364,854
At 31 December 2011								
Cost	62,226,931	44,759,952	237,406,044	32,253,727	18,383,383	16,487,158	201,579,489	613,096,684
Accumulated depreciation	-	(14,127,660)	(76,744,150)	(20,171,325)	(12,007,810)	(9,680,885)	-	(132,731,830)
Net book value	62,226,931	30,632,292	160,661,894	12,082,402	6,375,573	6,806,273	201,579,489	480,364,854
Year ended 31 December 2012								
Opening net book value	62,226,931	30,632,292	160,661,894	12,082,402	6,375,573	6,806,273	201,579,489	480,364,854
Additions	-	16,230	4,733,313	2,712,250	1,028,057	2,707,518	107,834,273	119,031,641
Depreciation charge	-	(2,674,011)	(15,068,736)	(4,251,259)	(3,551,967)	(3,416,085)	-	(28,962,058)
Disposals	-	(918,888)	-	(7,177,995)	(627,152)	(116,333)	-	(8,840,368)
Disposals Depreciation	-	554,762	-	6,010,690	605,847	110,725	-	7,282,024
Transfers from Projects under construction	-	68,234,282	117,191,419	-	7,654,223	364,338	(193,444,262)	-
Closing net book value	62,226,931	95,844,667	267,517,890	9,376,088	11,484,581	6,456,436	115,969,500	568,876,093
At 31 December 2012								
Cost	62,226,931	112,091,576	359,330,776	27,787,982	26,438,511	19,442,681	115,969,500	723,287,957
Accumulated depreciation	-	(16,246,909)	(91,812,886)	(18,411,894)	(14,953,930)	(12,986,245)	-	(154,411,864)
Net book value	62,226,931	95,844,667	267,517,890	9,376,088	11,484,581	6,456,436	115,969,500	568,876,093

* Project under construction presented in construction work in the Company's new head office building in El Sheikh Zayed City.

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Property, plant and equipment (continued)

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

Classification of the Qualified Assets	2012	2011
Buildings	7,095,366	-
Machinery	6,483,832	6,958,153
Tools & equipment	248,954	-
Total	13,828,152	6,958,153

Depreciation expense of LE 23,149,373 (2011: LE 19,217,228) has been charged to cost of sales, LE 1,898,471 (2011: LE 2,789,372) in distribution costs and LE 3,914,213 (2011: LE 3,673,474) in administrative expenses.

7. Investments in subsidiaries

	Country of Incorporation	% interest held	2012	2011
Digma for Trading Company	Egypt	99.80%	44,939,638	44,939,638
Edita confectionary Industries	Egypt	77.71%	42,739,000	22,743,000
Edita Participation Ltd	Cyprus	100%	37,675,200	37,675,200
Balance			125,353,838	105,357,838
Investment Impairment loss			(28,000,000)	-
Balance at year end			97,353,838	105,357,838

On 23 January 2013, Edita Foods Industries sold its investment in Edita Participation Ltd. to Chipita Participation by an amount EUR 5,397,615

On 30 January 2013 Edita Food Industries established "new entity" Edita Participation Ltd. in Cyprus in 1,500 with number of shares, the value of each share is 1 Euro.

Impairment in Investment in subsidiaries:

The events and circumstances that led to the recognition of the impairment loss is that the company was making gross loss for more than one year.

Based on the prepared discounted cash flow study for Edita Confectionary Industries Company, the investment decreased by LE 28,000,000.

The impairment of investment in subsidiaries is reviewed periodically to ensure that the carrying amount of the investment in subsidiaries is not lower than the recoverable amount, so there is no impairment in the value.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements – For the year ended 31 December 2012

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

Investments in subsidiaries (continued)

Assumptions used by the Company when testing the impairment of intangible assets in 31 December 2012 as follows:

Average Gross profit	27%
Discounting rate	19%
Growth rate	3%

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

Sensitivity of recoverable amounts

At 31 December 2012, If the Discount rate had increased / decreased by 1% with all other variables held constant, the impairment of the investment in subsidiaries would have been increased / decreased by LE 332,124.

At 31 December 2012, If the Growth rate had increased / decreased by 1% with all other variables held constant, the impairment of the investment in subsidiaries would have been increased / decreased LE 9,443

8. Inventories

	<u>2012</u>	<u>2011</u>
Raw materials	57,848,072	51,951,558
Spare parts	9,079,956	8,650,578
Work in process	2,052,576	1,032,278
Consumables	1,272,577	807,099
Finished goods	980,422	4,885,339
Total	71,233,603	67,326,852
Less: provision for net realizable value	(177,000)	(700,750)
Net	71,056,603	66,626,102

The cost of inventories recognized as an expense and included in “cost of sales amounted to LE 685,555,129 (2011: LE 640,581,639).

There has been a write off for slow moving and obsolete inventory against the declared accumulated balance of net realizable value by LE 649,788 and there has been an addition for net realizable value by LE 126,038 (Note 23).

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements – For the year ended 31 December 2012

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

9. Trade and other receivables

	<u>2012</u>	<u>2011</u>
Due from related parties (Note 29)	38,627,266	35,318,554
Advances to suppliers	21,212,014	28,915,327
Trade receivables	3,787,501	645,430
Other debit balances	1,430,407	14,600,440
Prepaid expenses	1,069,918	794,718
Deposits with others	530,539	207,767
Employee loans	457,343	175,924
Accrued revenues	65,486	43,193
Letters of credit	63,149	65,656
Total	<u>67,243,623</u>	<u>80,767,009</u>

10. Cash and cash equivalents (excluding bank overdrafts)

	<u>2012</u>	<u>2011</u>
Cash at bank and in hand	1,852,489	1,124,300
Bank deposits	151,830,040	67,680,686
Cash and cash equivalents (excluding overdrafts)	<u>153,682,529</u>	<u>68,804,986</u>

Bank deposits include LE 53,860,840 (2011: LE 46,667,840) and USD 97,969,200 (2011: USD 14,422,095) and Euro Nil (2011: Euro 5,580,750).

The average interest rate on EGP Time deposits during 2012 is 8% (EGP Time deposit 2011: 6%), and for foreign currency time deposits 1.9%. Time deposits are having maturity period of less than 3 months from date of the deposit.

Cash and cash equivalents include the following for the purpose of the cash flow statement.

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	153,682,529	68,804,986
Bank overdraft (Note 20)	<u>(26,877,428)</u>	<u>(12,622,667)</u>
Total	<u>126,805,101</u>	<u>56,182,319</u>

11. Ordinary shares

- The total authorised number of shares are 15,000,000 ordinary shares with a par value of LE 10 per share.
- The total issued shares are 7,253,629 ordinary shares with a par value of LE 10 per share.
- The total paid up capital amounted to LE 72,536,290. The paid up capital represents 48% of the authorized capital.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements – For the year ended 31 December 2012

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

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 company may stop such transfers when the legal reserve reaches 20% of the issued capital. The reserve is not eligible for distribution to shareholders.

13. Borrowings

	2012			2011		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Long-term loan	69,066,989	100,281,532	169,348,521	46,347,701	108,759,068	155,106,769
	69,066,989	100,281,532	169,348,521	46,347,701	108,759,068	155,106,769

The loans due according to the following schedule:

	2012	2011
Balance due within 1 year	63,307,786	42,500,000
Accrued interest	5,759,203	3,847,701
Short-term portion	69,066,989	46,347,701

• **First loan**

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

Terms of payments:

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

Interest:

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

Fair value:

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

• **Second loan**

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

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

Borrowings (continued)

Terms of payments:

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

Interest:

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

Fair value:

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

• **Third loan:**

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

Terms of payments:

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

Interest:

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

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.

Notes to the separate financial statements – For the year ended 31 December 2012

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

14. Long-term Notes payable

The long-term loan represents the total instalment for the land purchased from Urban communities Authority – Shiekh Zayed City as the first instalment due on November 2012 and the last instalment on November 2016.

	2012		2011	
	Notes payable	Present value	Notes payable	Present value
Short-term notes payables				
Current portion of long-term notes payables (Note 19)	8,864,318	8,864,318	8,132,116	8,132,116
Total short-term liabilities	8,864,318	8,864,318	8,132,116	8,132,116
	2012		2011	
	Notes payable	Present value	Notes payable	Present value
Long-term notes payables:				
Notes payable due for more than one year and less than 5 years	29,957,968	24,231,361	37,575,985	30,294,318
Total long-term liabilities	29,957,968	24,231,361	37,575,985	30,294,318

The total accrued interest on the loan for the year ended 2012 amounting to LE 3,180,915 (2011: LE 2,864,504) as the interest has been charged on the statement of income as a finance cost (Note 24).

15. Sales tax on machinery

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

	2012	2011
Less than one year	80,519	80,519
More than 1 year up to 5 years	25,296	105,815
Total	105,815	186,334
Current portion (Note 19)	(80,519)	(80,519)
Total balance of long term liabilities	25,296	105,815
Present value of installments	25,296	105,815

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Notes to the separate financial statements – For the year ended 31 December 2012

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

16. Deferred income tax liabilities

Deferred tax is calculated temporary differences under the liability method using as effective tax rate of 25%.

	Fixed assets depreciation	Impairment of investment in subsidiaries	2012	2011
A. Deferred tax assets				
Balance at 1 January	-	-	-	-
Charged to income statement	-	7,000,000	7,000,000	-
Balance at 31 December	-	7,000,000	7,000,000	-
B. Deferred tax liabilities				
Balance at 1 January	(27,786,360)	-	(27,786,360)	(24,084,784)
Charged to income statement	(17,097,628)	-	(17,097,628)	(3,701,576)
Balance at 31 December	(44,883,988)	-	(44,883,988)	(27,786,360)
Net deferred tax liabilities	(44,883,988)	7,000,000	(37,883,988)	(27,786,360)
Balance at 1 January	(27,786,360)	-	(27,786,360)	(24,084,784)
Charged to income statement	(17,097,628)	7,000,000	(10,097,628)	(3,701,576)
Balance at 31 December	(44,883,988)	7,000,000	(37,883,988)	(27,786,360)

17. Trade and other payables

	2012	2011
Trade payables	60,574,811	69,698,418
Notes payable	33,083,653	31,711,922
Accrued expenses	19,540,808	12,828,479
Other credit balances	6,330,858	8,716,561
Taxes payable	4,144,057	2,992,046
Advances from customers	1,087,504	1,524,160
Dividends payable	736,796	723,331
Social insurance	93,859	110,154
Due to related parties (Note 29)	-	753,700
Total	125,592,346	129,058,771

EDITA FOOD INDUSTRIES S.A.E.**Notes to the separate financial statements – For the year ended 31 December 2012**

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

18. Current income tax liabilities

	<u>2012</u>	<u>2011</u>
Balance at 1 January	14,747,968	7,094,959
Withholding tax receivable	(775,344)	(597,602)
Income tax paid during the year	(14,747,965)	(7,094,959)
Income tax for the year (Note 25)	35,371,844	30,016,695
Corporate income tax – advances	(11,760,000)	(14,175,000)
Accrued interest – advances	(441,000)	(496,125)
Adjustments in respect to prior years (Note 25)	(100,985)	-
Balance at 31 December	<u>22,294,518</u>	<u>14,747,968</u>

19. Current portion of long-term liabilities

	<u>2012</u>	<u>2011</u>
Short-term loan (Note 13)	69,066,989	46,347,701
Current portion of long-term notes payable (Note 14)	8,864,318	8,132,116
Sales tax on machinery (Note 15)	80,519	80,519
Total	<u>78,011,826</u>	<u>54,560,336</u>

20. Bank overdraft

	<u>2012</u>	<u>2011</u>
Bank overdraft (Note 10)	26,877,428	12,622,667
Total	<u>26,877,428</u>	<u>12,622,667</u>

Bank overdraft is represented in credit facilities granted to the company to open letters of credit and finance its working capital. Overdraft is secured against guarantees by the Digma for Trading - subsidiary.

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

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Notes to the separate financial statements – For the year ended 31 December 2012

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

21. Provisions

	<u>2012</u>	<u>2011</u>
Balance at 1 January	3,085,022	2,361,688
Additions during the year (Note 23)	4,249,999	1,235,984
Utilized during the year	-	(512,650)
Balance at 31 December	<u>7,335,021</u>	<u>3,085,022</u>

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

22. Other income

	<u>2012</u>	<u>2011</u>
Dividends distribution from subsidiaries	49,900,000	29,940,000
Investments in Ossol Fund	2,246,061	3,707,953
Investment income	<u>52,146,061</u>	<u>33,647,953</u>
Export subsidies	3,676,989	4,303,910
Gain from sales of production waste	3,299,708	2,400,612
Others	2,630,841	399,570
Draw back	-	185,360
Total	<u>61,753,599</u>	<u>40,937,405</u>

23. Other (losses)/ gains-net

	<u>2012</u>	<u>2011</u>
Provisions (Note 21)	(4,249,999)	(1,235,984)
Provision for slow moving inventory	(126,038)	(1,280,696)
Total	<u>(4,376,037)</u>	<u>(2,516,680)</u>
Impairment losses	(28,000,000)	-
Foreign exchange gains	3,247,205	4,187,920
Gain from sales of fixed assets	4,028,376	1,166,959
	<u>(25,100,456)</u>	<u>2,838,199</u>

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Notes to the separate financial statements – For the year ended 31 December 2012

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

24. Finance (cost) / income – net

	<u>2012</u>	<u>2011</u>
Finance income		
Interest in corporate tax advance	441,000	496,125
Interest income	184,525	226,285
	<u>625,525</u>	<u>722,410</u>
Finance cost		
Interest expense	(3,735,370)	(913,336)
Interest on hand installments	(3,180,915)	(2,864,504)
	<u>(6,916,285)</u>	<u>(3,777,840)</u>
Finance (cost) / income – net	<u>(6,290,760)</u>	<u>(3,055,430)</u>

25. Income tax expense

The Company is subject to the corporate income tax according to tax law No. 91 of 2005 and as per tax law No. 51 of 2012 amendments.

Corporate income tax is calculated at a tax rate of 20% for taxable profit up to LE 10 million and 25% for the excesses.

	<u>2012</u>	<u>2011</u>
Current tax on profit for the year (Note 18)	35,371,844	30,016,695
Deferred tax (Note 16)	10,097,628	3,701,576
Adjustments in respect of prior years (Note 18)	(100,985)	-
Total	<u>45,368,487</u>	<u>33,718,271</u>
Net profit before tax	<u>210,147,393</u>	<u>149,748,580</u>
Tax calculated based on tax rate 20%	2,000,000	2,000,000
Tax calculated based on tax rate 25%	50,036,848	34,937,145
	<u>52,036,848</u>	<u>36,937,145</u>
Tax effect of non-deductible expenses	3,359,594	1,805,952
Deferred tax Adjustments	-	3,387,162
Tax effect of non-taxable revenues	(13,036,515)	(8,411,988)
Adjustments in respect of prior periods	3,008,560	-
Income tax expense	<u>45,368,487</u>	<u>33,718,271</u>

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements – For the year ended 31 December 2012

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

26. Earnings per share

Basic

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

	<u>2012</u>	<u>2011</u>
Profit attributed to owners of the parent	<u>164,778,905</u>	<u>116,030,309</u>
Weighted average number of ordinary shares in issue		
Original shares	<u>362,681,450</u>	<u>362,681,450</u>
	<u>362,681,450</u>	<u>362,681,450</u>
Basic earnings per share	<u>0.45</u>	<u>0.32</u>

Diluted

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

27. Expenses by nature

	<u>2012</u>	<u>2011</u>
Raw materials used	682,968,644	645,755,215
Salaries and wages	114,648,698	102,187,024
Advertising expense	55,985,693	48,434,612
Depreciation	28,962,058	25,680,073
Vehicle expense	13,359,990	7,583,850
Royalty	12,564,290	12,569,750
Employees benefits	12,187,418	12,541,899
Fuel, oil, water and electricity	12,062,353	8,968,890
Transportation expense	10,602,862	1,426,260
Employee's profit share	8,165,362	7,223,807
Miscellaneous and other expense	7,640,451	5,268,101
Consumables	6,076,389	4,796,139
Maintenance	4,719,131	4,586,086
Change in inventory	2,586,485	(5,173,576)
Rent expense	1,774,120	4,600,804
Total cost of sales, distribution costs and administrative expenses	<u>974,303,944</u>	<u>886,448,934</u>

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Notes to the separate financial statements – For the year ended 31 December 2012

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28. Cash generated from operations

	<u>2012</u>	<u>2011</u>
<u>Cash flows from operating activities</u>		
Net profit for the year before tax	210,147,392	149,748,580
Adjustments for:		
Provisions	4,376,037	2,516,680
Interest on lands' installment	3,180,915	2,864,504
Interest expenses	3,735,370	913,336
Interest income	(184,525)	(226,285)
Interest in corporate tax - advance	(441,000)	(496,125)
Impairment of Investment in subsidiaries	28,000,000	-
Depreciation	28,962,058	25,680,073
Gain on sale of property, plant and equipment	(4,028,376)	(1,166,959)
Investment income	(49,900,000)	(29,940,000)
Operating profits before changes in working capital	223,847,871	149,893,804
<u>Change in working capital</u>		
Inventories	(4,556,538)	(15,484,851)
Accounts and notes receivable	(3,142,071)	(231,248)
Debtors and other debit balance	19,974,169	(3,171,065)
Due from related parties	(3,308,712)	(26,697,719)
Due to related parties	(753,700)	508,893
Trade and other payables	(2,726,190)	46,912,834
Provisions used	-	(512,650)
Cash generated from operations	229,334,829	151,217,998

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

	<u>2012</u>	<u>2011</u>
Net book amount	1,558,344	3,107,891
Profit of disposal of property, plant and equipment	4,028,376	1,166,959
Proceeds from disposal of property, plant and equipment	5,586,720	4,274,850

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29. Related party transactions

The following transactions were carried out with related parties:

1. Digma for Trading Company S.A.E.

Digma for Trading is handling the distribution of all the company's products. The total sales to Digma for Trading during 2012 amounted to LE 1,044,774,800 (2011: LE 882,174,553).

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

2. Chipita Participation Company

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

The royalty paid in 2012 amounted to LE 963,481 (2011: LE 453,307) and the balance due from Chipita International company at 31 December 2012 amounted to LE 49,951 (Note 10) and balance due to Chipita at 2011 amounted to LE 742,217.

3. Key management compensation

During the year ended 2012 the company paid an amount of LE 17,986,942 as salaries to the key management members (2011: LE 16,789,893).

Due from related parties

	2012	2011
Edita Confectionary	23,313,470	19,348,532
Digma for Trading Company	14,908,665	15,667,965
Edita Participation Ltd.	355,180	302,057
Chipita Participation Ltd.	49,951	-
Total	38,627,266	35,318,554

Due to related parties

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

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

30. Contingent liabilities

a. Contingent liabilities for banks

- The Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities. The uncovered portion of the letter of guarantee and letters of credit granted to the Company arising from ordinary course of business amounted to LE 2,322,749 as at 31 December 2012 (2011: LE 2,045,121).

b. Tax position

- Due to the nature of the tax assessment process in Egypt, the final outcome of the assessment by the Tax Authority might not be realistically estimated. Therefore, additional liabilities are contingent upon the tax inspection and assessment of the Tax Authority. Below is a summary of the tax status of the company as at 31 December 2012.

c. Corporate tax

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

d. Payroll tax

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

e. Sales tax

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

f. Stamp duty tax

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

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31. Dividends per share

The dividends paid in 2012 and 2011 were LE 50,000,000 (LE 6.89 per share) and LE 125,000,000 (LE 17.23 per share) respectively. A dividend in respect of the year ended 31 December 2012 is to be proposed at the annual general meeting on 28 March 2013. These financial statements do not reflect this dividend payable.

32. Employee benefits expense

	<u>2012</u>	<u>2011</u>
Wages and salaries	114,648,698	102,187,024
Social insurance	10,524,128	8,773,829
Total	<u>125,172,826</u>	<u>110,960,853</u>

33. Financial instrument by category

	<u>2012</u>	
	<u>Loans & receivables</u>	<u>Total</u>
Assets as per balance sheet		
Trade and other receivables (excluding prepayments) *	66,173,705	66,173,705
Cash and cash equivalents	153,682,529	153,652,529
Total	<u>219,856,234</u>	<u>219,826,234</u>

	<u>2012</u>	
	<u>Other financial liabilities at amortised costs</u>	<u>Total</u>
Liabilities as per balance sheet		
Borrowings *	205,170,786	205,170,786
Trade and other payables (excluding non-financial liabilities)	125,498,487	125,498,487
Total	<u>219,856,234</u>	<u>219,826,234</u>

	<u>2011</u>	
	<u>Loans & receivables</u>	<u>Total</u>
Assets as per balance sheet		
Trade and other receivables (excluding prepayments) *	79,972,291	79,972,291
Cash and cash equivalents	68,804,986	68,804,986
Total	<u>148,777,277</u>	<u>148,777,277</u>

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

Contingent liabilities (continued)

	2011	
	Other financial liabilities at amortised costs	Total
Liabilities as per balance sheet		
Borrowings *	193,613,722	193,613,722
Trade and other payables (excluding non-financial liabilities)	128,948,617	128,948,617
Total	322,562,339	322,562,339

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

34. Credit quality of financial assets

Trade receivables

Counter parties without external credit rating:

	2012	2011
Digma for Trading Company	14,908,665	15,667,965
Others	3,787,501	645,430
Total	18,696,166	16,313,395

Cash at bank and short-term bank deposits:

	2012	2011
AA	118,819,828	64,989,945
A	10,380	9,395
B	34,519,714	3,602,885
Total	153,349,922	68,602,225

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35. Events after reporting period

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

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

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

	<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%
	<u>362,681,450</u>	<u>72,536,290</u>	<u>100 %</u>

- 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.