

**EDITA FOOD INDUSTRIES S.A.E.**

**INDEPENDENT AUDITOR'S REPORT AND  
SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**EDITA FOOD INDUSTRIES S.A.E.**

**Separate financial statements - For the year ended 31 December 2014**

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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 2014 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.



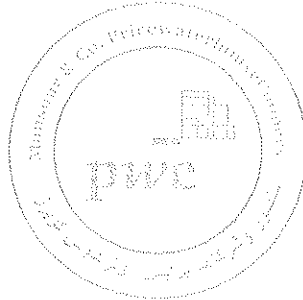
To: The Shareholders of Edita Food Industries Company (S.A.E)  
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**Opinion**

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 2014, 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

19 February 2015  
Cairo



**EDITA FOOD INDUSTRIES S.A.E.**

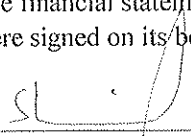
**Separate balance sheet - At 31 December 2014**

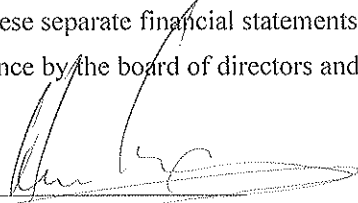
(All amounts in Egyptian Pounds)

	Note	2014	2013
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	849,701,616	663,685,329
Intangible Assets	6	68,618,658	68,618,658
Investments in subsidiaries	7	87,692,662	59,692,662
<b>Total non-current assets</b>		<b>1,006,012,936</b>	<b>791,996,649</b>
<b>Current assets</b>			
Inventories	8	96,358,297	69,882,751
Trade and other receivables	9	87,176,611	93,666,518
Treasury bills	10	86,093,095	82,469,120
Cash and cash equivalents (excluding bank overdrafts)	11	155,606,250	128,858,385
<b>Total current assets</b>		<b>425,234,253</b>	<b>374,876,774</b>
<b>Total assets</b>		<b>1,431,247,189</b>	<b>1,166,873,423</b>
<b>Equity and liabilities</b>			
Ordinary shares	12	72,536,290	72,536,290
Legal reserve	13	29,203,540	14,507,258
Retained earnings		655,844,850	539,136,190
<b>Total equity</b>		<b>757,584,680</b>	<b>626,179,738</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term loans	14	180,243,390	107,500,199
Long-term notes payable	15	8,884,102	17,138,295
Deferred income tax liabilities	16	61,780,522	48,296,550
<b>Total non-current liabilities</b>		<b>250,908,014</b>	<b>172,935,044</b>
<b>Current liabilities</b>			
Trade and other payables	17	179,215,216	167,746,610
Current income tax liabilities	18	69,739,367	40,222,697
Current portion of long-term liabilities	19	108,650,271	114,866,805
Bank overdraft	20	56,922,262	37,242,038
Provisions	21	8,227,379	7,680,491
<b>Total current liabilities</b>		<b>422,754,495</b>	<b>367,758,641</b>
<b>Total liabilities</b>		<b>673,662,509</b>	<b>540,693,685</b>
<b>Total equity and liabilities</b>		<b>1,431,247,189</b>	<b>1,166,873,423</b>

The accompanying notes on pages 8 - 39 form an integral part of these separate financial statements.

The financial statements on pages 3 to 39 were authorised for issuance by the board of directors and were signed on its behalf 10 February 2015.

  
**Mr. Sherif Fathy**  
 Vice President - Finance

  
**Eng. Hani Berzi**  
 Chairman

10 February 2015  
 Auditor's report attached

EDITA FOOD INDUSTRIES S.A.E.

Separate statement of income - For the year ended 31 December 2014

(All amounts in Egyptian Pounds)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Revenue		1,627,586,187	1,425,722,900
Cost of sales		<u>(1,145,811,601)</u>	<u>(1,007,715,821)</u>
<b>Gross profit</b>		<b>481,774,586</b>	<b>418,007,079</b>
Distribution cost		(90,953,776)	(86,217,866)
Administrative expenses		(89,871,536)	(61,673,875)
Other income	22	59,146,675	66,879,605
Other (losses)/ gains-net	23	3,571,406	(9,541,601)
Reversal of the impairment of investment in Subsidiary		28,000,000	-
<b>Operating profit</b>		<b><u>391,667,355</u></b>	<b><u>327,453,342</u></b>
Finance income	24	18,287,040	5,438,987
Finance cost	24	<u>(20,932,753)</u>	<u>(21,731,974)</u>
<b>Finance (cost) / income , net</b>	24	<b><u>(2,645,713)</u></b>	<b><u>(16,292,987)</u></b>
<b>Profit before income tax</b>		<b>389,021,642</b>	<b>311,160,355</b>
Income tax expense	25	<u>(107,616,700)</u>	<u>(70,466,375)</u>
<b>Profit for the year</b>		<b><u>281,404,942</u></b>	<b><u>240,693,980</u></b>
<b>Earnings per share (expressed in EGP per share):</b>			
Basic earnings per share	26	0.78	0.66
Diluted earnings per share	26	<u>0.78</u>	<u>0.66</u>

The accompanying notes on pages 8 - 39 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 2014**

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(All amounts in Egyptian Pounds)

	<u>2014</u>	<u>2013</u>
<b>Profit for the year</b>	281,404,942	240,693,980
<b>Other comprehensive income for the year, net of tax</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u><u>281,404,942</u></u>	<u><u>240,693,980</u></u>

The accompanying notes on pages 8 - 39 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 2014**

(All amounts in Egyptian Pounds)

	Share capital	Legal reserve	Retained earnings	Total
<b>Balance at 31 December 2012 and 1 January 2013</b>	<b>72,536,290</b>	<b>14,507,258</b>	<b>448,635,822</b>	<b>535,679,370</b>
Profit for the year	-	-	240,693,980	240,693,980
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>240,693,980</b>	<b>240,693,980</b>
Dividends	-	-	(150,193,612)	(150,193,612)
<b>Total contribution by and distribution to owner's of the parent recognized directly in equity</b>	<b>-</b>	<b>-</b>	<b>(150,193,612)</b>	<b>(150,193,612)</b>
<b>Balance at 31 December 2013</b>	<b>72,536,290</b>	<b>14,507,258</b>	<b>539,136,190</b>	<b>626,179,738</b>
<b>Balance at 31 December 2013 and 1 January 2014</b>	<b>72,536,290</b>	<b>14,507,258</b>	<b>539,136,190</b>	<b>626,179,738</b>
Profit for the year	-	-	281,404,942	281,404,942
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>281,404,942</b>	<b>281,404,942</b>
Dividends	-	-	(150,000,000)	(150,000,000)
<b>Total contribution by and distribution to owner's of the parent recognized directly in equity</b>	<b>-</b>	<b>-</b>	<b>(150,000,000)</b>	<b>(150,000,000)</b>
Additions to legal reserve	-	14,696,282	(14,696,282)	-
<b>Balance at 31 December 2014</b>	<b>72,536,290</b>	<b>29,203,540</b>	<b>655,844,850</b>	<b>757,584,680</b>

The accompanying notes on pages 8 - 39 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 2014**

(All amounts in Egyptian Pounds)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
Cash generated from operations	28	356,385,718	336,903,282
Interest paid		(19,200,955)	(19,399,886)
Income tax paid		(63,993,081)	(41,514,634)
<b>Net cash generated from operating activities</b>		<b><u>273,191,682</u></b>	<b><u>275,988,762</u></b>
<b><u>Cash flows from investing activities</u></b>			
Purchase of property, plant and equipment	5	(231,826,285)	(127,799,796)
Purchase of Intangible assets		-	(68,618,658)
Proceeds from sale of property, plant and equipment		619,254	2,266,504
Interest received		17,571,203	4,827,987
Acquisition of subsidiary, net of cash acquired		-	37,661,176
Investment income received	22	44,497,646	38,286,862
Treasury bills		(3,623,975)	(82,469,120)
<b>Net cash used in investing activities</b>		<b><u>(172,762,157)</u></b>	<b><u>(195,845,045)</u></b>
<b><u>Cash flows from financing activities</u></b>			
Notes payable payment		(9,425,154)	(8,864,318)
Sales tax on machinery		(25,296)	(80,519)
Dividends paid to Shareholders		(149,902,549)	(149,955,667)
Proceeds from loans		167,052,935	141,194,010
Loans paid		(101,061,820)	(97,625,977)
<b>Net cash used in financing activities</b>		<b><u>(93,361,884)</u></b>	<b><u>(115,332,471)</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>7,067,641</b>	<b>(35,188,754)</b>
Cash and cash equivalents at beginning of the year		91,616,347	126,805,101
<b>Cash and cash equivalents at end of the year</b>	11	<b><u>98,683,988</u></b>	<b><u>91,616,347</u></b>

The accompanying notes on pages 8 - 39 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 2014**

(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 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 Sheikh Zayed city- Central Pivot, 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 41.82% of the company's share capital and Exoder participation, "Exoder Limited", domiciled in Cyprus which owns 27.98% of the company's share capital and Africa Samba Cooperative which owns 30% 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. 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 Company'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. Foreign currency translation**

###### **(1) Functional and presentation currency**

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

###### **(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'.

## EDITA FOOD INDUSTRIES S.A.E.

### Notes to the separate financial statements – For the year ended 31 December 2014

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

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#### C. 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.

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	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.

#### D. Investments in 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.

**E. 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.

**F. 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' and 'treasury bills' 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.

## **EDITA FOOD INDUSTRIES S.A.E.**

### **Notes to the separate financial statements – For the year ended 31 December 2014**

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

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#### **G. Intangible assets**

Intangible assets (Trademarks) that do not have indefinite useful lives are stated at historical cost less impairment losses. Historical cost includes all expenses associated with the acquisition of an intangible asset

#### **H. 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.

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.

#### **I. Inventories**

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

#### **J. 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.

## **EDITA FOOD INDUSTRIES S.A.E.**

### **Notes to the separate financial statements – For the year ended 31 December 2014**

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

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#### **K. 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.

#### **L. 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

#### **M. Trade payables**

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

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

#### **N. Borrowings**

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

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

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

#### **O. 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.

**P. 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.

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.

**Q. 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.

## **EDITA FOOD INDUSTRIES S.A.E.**

### **Notes to the separate financial statements – For the year ended 31 December 2014**

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

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#### **Employee benefits (continued)**

##### **(2) Short-term obligations**

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

##### **(3) Dividends distribution**

The employees have the right of 10% of the declared cash dividends as profit sharing. Such profit sharing should not exceed the total annual payroll. In accordance with the rules applied by the board of directors and approved by the general assembly.

##### **(4) Termination benefits**

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits at the earlier of the following dates: (a) when the company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer and in accordance with labour law. Falling due more than 12 months after the end of the reporting period are discounted to present value.

#### **R. Provisions**

Provisions are recognised when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. 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.



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

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**S. Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the 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.

**T. Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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### Notes to the separate financial statements – For the year ended 31 December 2014

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

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#### U. 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.

#### V. Legal reserve

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

#### W. Earnings per share

##### (1) 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.

##### (2) 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.

### 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.

	Assets	Liabilities	2014 Net	2013
Euros	3,578,016	(111,692,301)	(108,114,285)	3,468,642
US Dollars	5,585,660	(22,415,112)	(16,829,452)	25,255,885

## EDITA FOOD INDUSTRIES S.A.E.

### Notes to the separate financial statements – For the year ended 31 December 2014

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

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#### Financial risk management (continued)

At 31 December 2014, 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 1,682,945 (2013: LE 2,525,588) higher, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated assets and liabilities.

At 31 December 2014, 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 10,811,428 (2011: LE 346,864) higher / lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets and liabilities.

#### ii. Price risk

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

#### iii. Cash flow and fair value interest rate risk

The 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 2014, 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 422,428 (2013: LE 261,763) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Borrowing at balance sheet date with variable interest rate amounted to LE 278,907,671 (2013: LE 212,916,554).

Overdraft at the balance sheet date as of 31 December 2014 amounted to LE 56,922,262 (2013: LE 37,242,038).

Financial assets exposed to the changes in the interest rate amounted to LE 152,460,840 (2013: LE 125,238,113).

	<u>2014</u>	<u>2013</u>
Time deposit – LE	152,460,840	105,760,840
Time deposit – USD	-	19,477,273
	<u>152,460,840</u>	<u>125,238,113</u>

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### Notes to the separate financial statements – For the year ended 31 December 2014

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

#### Financial risk management (continued)

##### B. Credit risk

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

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

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 it's 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 basis.

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

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

##### C. 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.

<b>At 31 December 2014</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	44,583,267	63,083,267	90,333,667	71,409,724
Trade and other payables	139,883,790	-	-	-
Bank overdraft	56,922,262	-	-	-
Notes payable	39,331,426	9,985,990	8,884,102	-
Accrued interest	651,215	-	-	-
<b>Total</b>	<b>281,371,960</b>	<b>73,069,257</b>	<b>99,217,769</b>	<b>71,409,724</b>
<b>At 31 December 2013</b>				
Borrowings	49,152,159	49,152,159	71,666,932	12,500,000
Trade and other payables	167,746,610	-	-	-
Bank overdraft	37,242,038	-	-	-
Notes payable	9,425,154	-	17,138,295	-
Accrued interest	885,136	-	-	-
<b>Total</b>	<b>254,140,807</b>	<b>49,152,159</b>	<b>88,805,227</b>	<b>12,500,000</b>

## EDITA FOOD INDUSTRIES S.A.E.

### Notes to the separate financial statements – For the year ended 31 December 2014

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

#### Financial risk management (continued)

##### (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 2014 and 31 December 2013 were as follows:

Description	2014	2013
Total borrowings	297,777,763	239,505,299
Bank Overdraft	56,922,262	37,242,038
<b>Total borrowings and loans</b>	<b>354,700,025</b>	<b>276,747,337</b>
<b>Less: Cash and cash equivalents</b>	<b>(241,699,345)</b>	<b>(211,327,505)</b>
<b>Net debt</b>	<b>113,000,680</b>	<b>65,419,832</b>
<b>Total equity</b>	<b>757,584,680</b>	<b>626,179,739</b>
<b>Total capital</b>	<b>870,585,360</b>	<b>691,599,571</b>
<b>Gearing ratio</b>	<b>12.98%</b>	<b>9.45%</b>

The increase in debt to equity is due to increase in borrowings and overdrafts by LE 78 million.

##### (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.

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

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#### **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:

###### **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.

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

The Company's management annually test the impairment of intangible assets (Trade Mark), assets that have an indefinite useful life based on the financial and operational performance in previous years and the management expectation for the market developments in the future by preparing a business plan by using the growth rate and the discount rate prevailing

###### **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 by 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.

###### **Change in accounting policy**

The Group has changed during the period the process of evaluating its inventory from first in first out to moving average to give information that is reliable and more relevant. No significant effect from this change on each of inventory, earnings per share and statement of income for corresponding figures.

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**Notes to the separate financial statements – For the year ended 31 December 2014**

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

**5. Property, plant and equipment**

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
<b>At 1 January 2013</b>								
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)
<b>Net book value</b>	<b>62,226,931</b>	<b>95,844,667</b>	<b>267,517,890</b>	<b>9,376,088</b>	<b>11,484,581</b>	<b>6,456,436</b>	<b>115,969,500</b>	<b>568,876,093</b>
<b>Year ended 31 December 2013</b>								
Opening 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
Additions	-	154,000	1,792,334	3,499,342	1,886,698	3,833,825	116,633,597	127,799,796
Depreciation charge	-	(4,494,755)	(13,559,506)	(4,007,000)	(4,158,171)	(3,143,005)	-	(29,362,437)
Disposal Depreciation	-	-	(1,706,872)	(1,404,000)	(1,717,120)	(6,518,408)	-	(11,346,400)
Disposals	-	-	130,078	1,042,741	1,689,834	4,855,624	-	7,718,277
Transfers from Projects under construction	-	150,830,208	51,928,186	-	4,902,998	10,153,154	(217,814,546)	-
<b>Balance at 31 December 2013</b>	<b>62,226,931</b>	<b>242,334,120</b>	<b>306,102,110</b>	<b>8,507,171</b>	<b>14,088,820</b>	<b>15,637,626</b>	<b>14,788,551</b>	<b>663,685,329</b>
<b>At 31 December 2014</b>								
Cost	62,226,931	263,075,784	411,344,424	29,883,324	31,511,087	26,911,252	14,788,551	839,741,353
Accumulated depreciation	-	(20,741,664)	(105,242,314)	(21,376,153)	(17,422,267)	(11,273,626)	-	(176,056,024)
<b>Net book value</b>	<b>62,226,931</b>	<b>242,334,120</b>	<b>306,102,110</b>	<b>8,507,171</b>	<b>14,088,820</b>	<b>15,637,626</b>	<b>14,788,551</b>	<b>663,685,329</b>
<b>At 1 January 2014</b>								
Cost	62,226,931	263,075,784	411,344,424	29,883,324	31,511,087	26,911,252	14,788,551	839,741,353
Accumulated depreciation	-	(20,741,664)	(105,242,314)	(21,376,153)	(17,422,267)	(11,273,626)	-	(176,056,024)
<b>Net book value</b>	<b>62,226,931</b>	<b>242,334,120</b>	<b>306,102,110</b>	<b>8,507,171</b>	<b>14,088,820</b>	<b>15,637,626</b>	<b>14,788,551</b>	<b>663,685,329</b>
<b>Year ended 31 December 2014</b>								
Opening net book value	62,226,931	242,334,120	306,102,110	8,507,171	14,088,820	15,637,626	14,788,551	663,685,329
Additions	-	2,833,108	11,715,343	3,602,050	6,324,333	7,940,087	199,411,364	231,826,285
Depreciation charge	-	(10,658,124)	(20,836,315)	(3,041,104)	(4,884,751)	(6,253,304)	-	(45,673,598)
Disposal Depreciation	-	-	83,870	1,335,201	110,497	141,427	-	1,670,995
Disposals	-	-	(94,828)	(1,437,849)	(115,041)	(159,677)	-	(1,807,395)
Transfers from Projects under construction	-	15,601,505	1,862,698	-	-	-	(17,464,203)	-
<b>Balance at 31 December 2014</b>	<b>62,226,931</b>	<b>250,110,609</b>	<b>298,832,878</b>	<b>8,965,469</b>	<b>15,523,858</b>	<b>17,306,159</b>	<b>196,735,712</b>	<b>849,701,616</b>
<b>At 31 December 2014</b>								
Cost	62,226,931	281,510,397	424,827,637	32,047,525	37,720,379	34,691,662	196,735,712	1,069,760,243
Accumulated depreciation	-	(31,399,788)	(125,994,759)	(23,082,056)	(22,196,521)	(17,385,503)	-	(220,058,627)
<b>Net book value</b>	<b>62,226,931</b>	<b>250,110,609</b>	<b>298,832,878</b>	<b>8,965,469</b>	<b>15,523,858</b>	<b>17,306,159</b>	<b>196,735,712</b>	<b>849,701,616</b>

\* Project under construction presented in construction work in new productions lines.

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### Notes to the separate financial statements – For the year ended 31 December 2014

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

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

Depreciation expense of LE 32,181,496 (2013: LE 23,913,760) has been charged to cost of sales, LE 787,964 (2013: LE 1,652,180) in distribution costs and LE 12,704,138 (2013: LE 3,796,497) in administrative expenses.

During the year, the Company has capitalized borrowings costs amounting to LE 6,423,328 (2013: LE 5,848,410) on qualifying assets. Borrowings costs were capitalized at the weight average rate of its general borrowings of 10%.

	<u>2014</u>	<u>2013</u>
<b>Classification of the Qualified Assets</b>		
Buildings	2,895,203	4,666,650
Machinery	3,528,125	1,181,760
<b>Total</b>	<u><b>6,423,328</b></u>	<u><b>5,848,410</b></u>

#### 6. Intangible assets

	<u>2014</u>	<u>2013</u>
Trading Mark (HOHOS, Twinkies & Tiger Tail)	68,618,658	68,618,658
<b>Total</b>	<u><b>68,618,658</b></u>	<u><b>68,618,658</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 because it is irrevocable, exclusive, sub licensable and fully assignable, license (the perpetual license) to use the know how in the territory in connection with the lake precuts.

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 Company when testing the impairment of intangible assets in 31 December 2014 as follows:

Average Gross profit	30%
Return on capital	19%
Growth rate	3%

The Company 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 a business plan by 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.

#### Sensitivity of recoverable amounts

At 31 December 2014, if the discount rate had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make impairment.



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**Notes to the separate financial statements – For the year ended 31 December 2014**

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**7. Investments in subsidiaries**

**Cost of investments**

	<u>Country of Incorporation</u>	<u>% Interest held</u>	<u>Balance</u>
Digma for Trading Company	Egypt	99.80%	44,939,638
Edita Confectionary Industries	Egypt	77.71%	42,739,000
Edita Participation Ltd	Cyprus	100%	14,024
<b>Balance</b>			<u><u>87,692,662</u></u>

**Movement**

	<b>2014</b>				<u>2013</u>
	<u>Digma for Trading Company</u>	<u>Edita Confectionary Industries</u>	<u>Edita Participation Ltd.</u>	<u>Total</u>	
<b>Balance at 1 January</b>	44,939,638	14,739,000*	14,024	<b>59,692,662</b>	59,692,662
Impairment reversal	-	28,000,000	-	<b>28,000,000</b>	-
<b>Balance at year end</b>	<u><u>44,939,638</u></u>	<u><u>42,739,000</u></u>	<u><u>14,024</u></u>	<u><u>87,692,662</u></u>	<u><u>59,692,662</u></u>

<b>* Investment cost</b>	<b>42,739,000</b>
Impairment Loss during 2012	(28,000,000)
<b>Balance at year end 31 December 2013</b>	<u><u>14,739,000</u></u>

**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 but the company's performance changed in 2013 and 2014 and met the budgeted figures and started making gross profit and in accordance with the business plan that the management made, we concluded that there is no impairment needed any more.

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.

Assumptions used by the Company when testing the impairment of intangible assets in 31 December 2014 as follows:

Average Gross profit	8.5%
Discounting rate	18%
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 by 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.

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### Notes to the separate financial statements – For the year ended 31 December 2014

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

#### Investments in subsidiaries (continued)

##### Sensitivity of recoverable amounts

At 31 December 2014, if the Discount rate had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make impairment.

At 31 December 2014, if the Growth rate had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make impairment.

At 31 December 2014, if the Average Gross Profit rate had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make impairment.

#### 8. Inventories

	<u>2014</u>	<u>2013</u>
Raw materials	71,500,701	51,949,730
Spare parts	21,157,452	13,940,810
Work in process	1,104,693	1,147,988
Consumables	1,571,974	1,391,758
Finished goods	1,268,477	2,037,378
<b>Total</b>	<b>96,603,297</b>	<b>70,467,664</b>
Less: provision for slow moving and obsolete inventory	(245,000)	(584,913)
<b>Net</b>	<b>96,358,297</b>	<b>69,882,751</b>

The cost of inventory recognized as an expense and included in cost of sales amounts to LE 910,201,649 (2013: LE 825,156,444).

#### 9. Trade and other receivables

	<u>2014</u>	<u>2013</u>
Due from related parties (Note 29)	39,061,691	41,576,624
Advances to suppliers	32,513,305	41,933,361
Trade receivables	3,869,700	8,083,352
Other debit balances	8,721,818	774,719
Prepaid expenses	1,930,743	182,700
Deposits with others	644,509	650,509
Employee loans	181,994	122,252
Accrued revenues	51,051	88,222
Letters of credit	201,800	254,779
<b>Total</b>	<b>87,176,611</b>	<b>93,666,518</b>

**EDITA FOOD INDUSTRIES S.A.E.****Notes to the separate financial statements – For the year ended 31 December 2014**

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

**10. Treasury bills**

	<u>2014</u>	<u>2013</u>
Treasury bills par value	86,325,000	83,100,000
Net accrued interest income	(231,905)	(630,880)
<b>Treasury bills balance</b>	<b><u>86,093,095</u></b>	<b><u>82,469,120</u></b>

The Company purchased treasury bills on 31 October 2014 with par value amounted LE 51,325,000 with an annual interest of 11.40%. These treasury bills are due on 6 January 2015. The total accrued interest income amounted to LE 1,218,162.

Also, the Company purchased treasury bills on 31 October 2014 with par value amounted LE 35,000,000 with an annual interest of 11.40%. These treasury bills are due on 13 January 2015. The total accrued interest income amounted to LE 829,200.

**11. Cash and cash equivalents (excluding bank overdrafts)**

	<u>2014</u>	<u>2013</u>
Bank deposits	152,460,840	125,238,113
Cash at banks	2,236,899	2,898,025
Cash on hand	908,511	722,247
<b>Cash and Cash equivalents (excluding bank overdrafts)</b>	<b><u>155,606,250</u></b>	<b><u>128,858,385</u></b>

The average interest rate on EGP Time deposits during 2014 is 8.50% (EGP Time deposit 2013: 8%), and for foreign currency time deposits 0.12% (2013: 0.12%). 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>2014</u>	<u>2013</u>
Cash on hand and at banks	155,606,250	128,858,385
Bank overdraft (Note 20)	(56,922,262)	(37,242,038)
<b>Total</b>	<b><u>98,683,988</u></b>	<b><u>91,616,347</u></b>

## EDITA FOOD INDUSTRIES S.A.E.

### Notes to the separate financial statements – For the year ended 31 December 2014

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

#### 12. Ordinary shares

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

The issued and paid up capital amounted to LE 72,536,290 presented in 362,681,450 share (par value LE 0.2 per share) distributed as follow:

	<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>

Extraordinary General Assembly Meeting held on 9 September 2014, which approved the increase of the authorized capital to become LE 360,000,000 instead of LE 150,000,000, also approved amendment of the par value from LE 10 to LE 20 piasters per share, thus the total number of issued and paid up capital shares are 362,681,450 shares instead of 7,253,629 with shareholders retain the same contribution rates.

#### 13. Legal reserve

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

The Extraordinary General Assembly held on 9 September 2014, which decided to stop transfer part from profit to the legal reserve when reaches 50% from the issued capital instead of 20%.

#### 14. Borrowings

	2014			2013		
	<u>Short-term portion</u>	<u>Long-term portion</u>	<u>Total</u>	<u>Short-term portion</u>	<u>Long-term portion</u>	<u>Total</u>
First loan	-	-	-	27,084,155	-	27,084,155
Second loan	26,690,885	12,500,000	39,190,885	27,825,521	37,500,000	65,325,521
Third loan	25,495,312	11,666,667	37,161,979	26,371,395	35,000,000	61,371,395
Fourth loan	23,834,870	11,667,000	35,501,870	24,135,284	35,000,199	59,135,483
Fifth loan	19,170,795	28,719,881	47,890,676	-	-	-
Sixth loan	3,472,419	115,689,842	119,162,261	-	-	-
	<u>98,664,281</u>	<u>180,243,390</u>	<u>278,907,671</u>	<u>105,416,355</u>	<u>107,500,199</u>	<u>212,916,554</u>

## EDITA FOOD INDUSTRIES S.A.E.

### Notes to the separate financial statements – For the year ended 31 December 2014

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

#### Borrowings (continued)

The loans due according to the following schedule:

	<u>2014</u>	<u>2013</u>
Balance due within 1 year	89,166,533	98,304,320
Accrued interest	9,497,748	7,112,035
<b>Total</b>	<b><u>98,664,281</u></b>	<b><u>105,416,355</u></b>

• **First loan**

This first loan is provided by one of the Egyptian banks in July 2009 based on a cross guarantee issued from Digma Trading Company with an amount of LE 90,000,000 and the total withdrawal amount is LE 76,826,053 in addition to accrued interest. The loan outstanding balance is zero at 31 December 2014 after payment of due instalments amounted to 27,084,155 in addition accrued interests.

• **Second loan**

This second loan is provided by one of the Egyptian banks in August 2011 based on a cross guarantee issued from Digma Trading Company with an amount of LE 100,000,000 and the total withdrawal amount is LE 100,000,000 in addition to accrued interest. The loan outstanding balance at 31 December 2014 after payment of due installments amounted to 37,500,000 in addition accrued interests.

**Terms of payments:**

Edita Food Industries S.A.E. (borrower) is obligated to pay LE 37,500,000 on 3 equal semi-installments annual amounting to LE 12,500,000 each. The first installment is due on 1 February 2015 and the last on 1 February 2016 in addition to accrued interest.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

• **Third loan:**

This Third loan is provided by one of the Egyptian banks in August 2012 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000 and the total withdrawal amount is LE 70,000,000 in addition to the accrued interest. The loan outstanding balance at 31 December 2014 after payment of accrued instalments is LE 35,000,000 in addition to the accrued interest.

**Terms of payments:**

Edita Food Industries S.A.E. (borrower) is obligated to pay LE 35,000,000 on 3 equal semi-annual installments; each installment is amounted to LE 11,666,667.

The first installment is due on 6 June 2015 and the last on 6 June 2016.

**Interest:**

The interest rate is 1.5% above mid corridor rate of central bank of Egypt.

**Fair value:**

Fair value is approximately equal to book value.

## EDITA FOOD INDUSTRIES S.A.E.

### Notes to the separate financial statements – For the year ended 31 December 2014

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

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#### **Borrowings (continued)**

• **Fourth loan:**

This fourth loan is provided by one of the Egyptian banks in May 2013 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000 and the total withdrawal amount is LE 70,000,000 in addition to the accrued interest. The loan outstanding balance at 31 December 2014 after payment of due instalments is LE 35,000,200 in addition to the accrued interest.

**Terms of payments:**

Edita Food Industries S.A.E. (borrower) is obligated to Pay LE 35,000,200 on 3 equal semi-instalments annual instalment is amounted to LE 11,666,600 except for last instalment amounted to LE 11,667,000. The first instalment is due on 18 May 2015 and the last on 18 May 2016.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

• **Fifth loan:**

This fifth loan is provided by one of the Egyptian banks in January 2014 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000 and the total withdrawal amount is LE 46,219,881 on 31 December 2014 in addition to accrued interest.

**Terms of payments:**

Edita Food Industries S.A.E. (borrower) is obligated to Pay LE 70,000,000 on 8 equal semi-annual instalments; each instalment is amounted to LE 8,750,000. The first installment is due on 22 January 2015 and the last on 22 July 2018.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

• **Sixth loan:**

This sixth loan is provided by one of the Egyptian banks on June 2014 based on a cross guarantee issued from Digma Trading Company amounted to LE 185,000,000 and the total withdrawal amount is LE 60,984,331 plus 6,260,514 Euro on 31 December 2014 in addition to accrued interest. The bank committed to translate the foreign currency to Egyptian pound as the company in not obligated to pay the loan back in foreign currency.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 185,000,000 on 10 equal semi-annual installments; each installment is amounted to LE 18,500,000. The first installment is due on 26 December 2015 and the last on 26 June 2020. Total loan value and accrued interest to be paid to the bank in local currency without any obligation on the Company to pay foreign currency.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

**EDITA FOOD INDUSTRIES S.A.E.**

**Notes to the separate financial statements – For the year ended 31 December 2014**

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

**15. Long-term notes payable**

	2014		2013	
	Notes payable	Present value	Notes payable	Present value
<b>Short-term notes payables</b>				
Current portion of long-term notes payables (Note 19)	9,985,990	9,985,990	9,425,154	9,425,154
<b>Total short-term liabilities</b>	<b>9,985,990</b>	<b>9,985,990</b>	<b>9,425,154</b>	<b>9,425,154</b>
	2014		2013	
	Notes payable	Present value	Notes payable	Present value
<b>Long-term notes payables:</b>				
Notes payable due for more than one year and less than 5 years	10,546,825	8,884,102	20,532,815	17,138,295
<b>Total long-term liabilities</b>	<b>10,546,825</b>	<b>8,884,102</b>	<b>20,532,815</b>	<b>17,138,295</b>

The total accrued interest on the loan for the year ended 2014 amounting to LE 1,731,798 (2013: LE 2,332,088) has been charged on the statement of income as a finance cost (Note 24).

**16. Deferred income tax liabilities**

	Fixed assets depreciation	Impairment of investment in subsidiaries	Net deferred tax liabilities	
			2014	2013
<b>A. Deferred tax assets</b>				
Balance at 1 January	-	7,000,000	7,000,000	7,000,000
Charged to income statement	-	(7,000,000)	(7,000,000)	-
<b>Balance at 31 December</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,000,000</b>
<b>B. Deferred tax liabilities</b>				
Balance at 1 January	(55,296,550)	-	(55,296,549)	(37,883,988)
Charged to income statement	(6,483,972)	-	(6,483,972)	(17,412,562)
<b>Balance at 31 December</b>	<b>(61,780,522)</b>	<b>-</b>	<b>(61,780,522)</b>	<b>(55,296,550)</b>
<b>Net deferred tax liabilities</b>	<b>(61,780,522)</b>	<b>-</b>	<b>(61,780,522)</b>	<b>(48,296,550)</b>
Balance at 1 January	(55,296,550)	7,000,000	(48,296,550)	(37,883,988)
Charged to income statement	(6,483,972)	(7,000,000)	(13,483,972)	(10,412,562)
<b>Balance at 31 December</b>	<b>(61,780,522)</b>	<b>-</b>	<b>(61,780,522)</b>	<b>(48,296,550)</b>

Unrecognized temporary differences were not recorded due to the uncertainty of future benefit.

**EDITA FOOD INDUSTRIES S.A.E.****Notes to the separate financial statements – For the year ended 31 December 2014**

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

**17. Trade and other payables**

	<u>2014</u>	<u>2013</u>
Trade payables	101,467,112	67,002,693
Notes payable	39,331,426	46,056,394
Accrued expenses	18,281,597	32,664,450
Taxes payable	6,802,149	8,083,851
Other credit balances	7,470,392	7,504,840
Advances from customers	4,715,426	5,380,839
Dividends payable	1,072,192	974,741
Social insurance	74,922	78,802
<b>Total</b>	<b><u>179,215,216</u></b>	<b><u>167,746,610</u></b>

**18. Current income tax liabilities**

	<u>2014</u>	<u>2013</u>
Balance at 1 January	40,222,697	22,294,518
Income tax paid during the year	(40,315,557)	(22,294,518)
Withholding tax receivable	(2,467,524)	(1,115,116)
Income tax for the year (Note 25)	94,132,728	60,053,813
Corporate income tax – advances	(21,210,000)	(18,105,000)
Accrued interest – advances (Note 24)	(715,837)	(611,000)
Adjustments	92,860	-
<b>Balance at end of the year</b>	<b><u>69,739,367</u></b>	<b><u>40,222,697</u></b>

**19. Current portion of long-term liabilities**

	<u>2014</u>	<u>2013</u>
Short-term loan (Note 14)	98,664,281	105,416,355
Current portion of long-term notes payable (Note 15)	9,985,990	9,425,154
Sales tax on machinery	-	25,296
<b>Total</b>	<b><u>108,650,271</u></b>	<b><u>114,866,805</u></b>



## EDITA FOOD INDUSTRIES S.A.E.

### Notes to the separate financial statements – For the year ended 31 December 2014

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

#### 20. Bank overdraft

	<u>2014</u>	<u>2013</u>
Bank overdraft (Note 11)	56,922,262	37,242,038
<b>Total</b>	<b><u>56,922,262</u></b>	<b><u>37,242,038</u></b>

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 Digma for Trading Company - subsidiary. The effective interest rate for bank overdraft was 11.25% as of 31 December 2014 (2013: 10.75%).

#### 21. Provisions

	<u>2014</u>	<u>2013</u>
Balance at 1 January	7,680,491	7,335,021
Additions during the year (Note 23)	2,750,000	7,321,000
Utilized during the year	<u>(2,203,112)</u>	<u>(6,975,530)</u>
<b>Balance at 31 December</b>	<b><u>8,227,379</u></b>	<b><u>7,680,491</u></b>

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>2014</u>	<u>2013</u>
Dividends distribution from subsidiaries	44,497,646	38,286,862
Investments in Ossol Fund	-	7,831,044
<b>Investment income</b>	<b><u>44,497,646</u></b>	<b><u>46,117,906</u></b>
Gain from sale of investments	-	12,388,283
Export subsidies	8,071,926	2,810,683
Gain from sales of production waste	5,238,248	4,837,262
Others	<u>1,338,855</u>	<u>725,471</u>
<b>Total</b>	<b><u>59,146,675</u></b>	<b><u>66,879,605</u></b>

**EDITA FOOD INDUSTRIES S.A.E.****Notes to the separate financial statements – For the year ended 31 December 2014**

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

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

	<u>2014</u>	<u>2013</u>
Provisions (Note 21)	(2,750,000)	(7,321,000)
Provision for slow moving inventory	-	(500,004)
<b>Total</b>	<b>(2,750,000)</b>	<b>(7,821,004)</b>
Provisions no longer required	339,913	-
Gain / (loss) from sales of fixed assets	482,854	(1,361,619)
Foreign exchange (losses)/gains	5,498,639	(358,978)
<b>Total</b>	<b>3,571,406</b>	<b>(9,541,601)</b>

**24. Finance cost – net**

	<u>2014</u>	<u>2013</u>
<b>Finance income</b>		
Interest income – corporate tax payment	715,837	611,000
Interest income	17,571,203	4,827,987
	<b>18,287,040</b>	<b>5,438,987</b>
<b>Finance expense</b>		
Interest expense	(19,200,955)	(19,399,886)
Interest on land installments	(1,731,798)	(2,332,088)
	<b>(20,932,753)</b>	<b>(21,731,974)</b>
Finance (loss) / income – net	<b>(2,645,713)</b>	<b>(16,292,987)</b>

**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 2013 amendments.

	<u>2014</u>	<u>2013</u>
Income tax for the year (Note 18)	94,132,728	60,053,813
Deferred Tax (Note 16)	13,483,972	10,412,562
<b>Total</b>	<b>107,616,700</b>	<b>70,466,375</b>

## EDITA FOOD INDUSTRIES S.A.E.

### Notes to the separate financial statements – For the year ended 31 December 2014

(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>2014</u>	<u>2013</u>
<b>Profit attributed to owners of the parent</b>	<b>281,404,942</b>	<b>240,693,980</b>
<b>Weighted average number of ordinary shares in issue</b>		
Original shares	362,681,450	362,681,450
	<u>362,681,450</u>	<u>362,681,450</u>
<b>Basic earnings per share</b>	<b>0.78</b>	<b>0.66</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.

#### 27. Expenses by nature

	<u>2014</u>	<u>2013</u>
Cost of goods sold	1,145,811,601	1,007,715,821
Selling and marketing	90,953,776	86,217,866
General and administrative expenses	89,871,536	61,673,875
	<u>1,326,636,913</u>	<u>1,155,607,562</u>
Profit share employee	12,520,706	9,502,119
Raw materials used	928,940,425	830,902,418
Salaries and wages	177,787,834	140,140,836
Advertising expense	62,148,558	60,085,179
Depreciation	45,673,598	29,362,437
Vehicle expense	20,444,337	17,845,164
Royalty	1,444,646	1,405,623
Employees benefits	24,410,923	16,858,627
Fuel, oil, water and electricity	24,082,948	16,822,348
Transportation expense	17,229,269	13,631,900
Miscellaneous and other expense	13,440,936	9,665,991
Consumables	8,515,050	6,651,376
Maintenance expense	8,578,181	7,377,001
Change in inventory	(18,738,776)	(5,745,974)
Rent expense	158,278	1,102,517
<b>Total cost of sales, distribution costs, and administrative expenses</b>	<b>1,326,636,913</b>	<b>1,155,607,562</b>

**EDITA FOOD INDUSTRIES S.A.E.**

**Notes to the separate financial statements – For the year ended 31 December 2014**

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

**28. Cash generated from operations**

	<u>2014</u>	<u>2013</u>
Net profit for the year before tax	389,021,642	311,160,355
<b>Adjustments for:</b>		
Provisions	2,750,000	7,821,004
Interest on lands' installment	1,731,798	2,332,088
Interest expenses	19,200,955	19,399,886
Interest income	(17,571,203)	(4,827,987)
Interest income - corporate tax prepayments	(715,837)	(611,000)
Impairment of Investment in subsidiaries	(28,000,000)	-
Depreciation of property, plant and equipment	45,673,598	29,362,437
(Loss) / Gain on sale of property, plant and equipment	(482,854)	1,361,619
Dividends distribution from subsidiaries	(44,497,646)	(38,286,862)
Tax adjustment	92,860	-
Provision no longer required	(339,913)	-
<b>Operating profits before changes in working capital</b>	<b><u>366,863,400</u></b>	<b><u>327,711,540</u></b>
<b><u>Change in working capital</u></b>		
Inventories	(26,135,632)	673,848
Accounts and notes receivables	4,213,652	(4,295,851)
Debtors and other debit balances	(238,678)	(19,177,686)
Due from related parties	2,514,933	(2,949,358)
Trade payables and other credit balances	11,371,155	41,916,319
Provisions used	(2,203,112)	(6,975,530)
<b>Cash generated from operations</b>	<b><u>356,385,718</u></b>	<b><u>336,903,282</u></b>

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

	<u>2014</u>	<u>2013</u>
Net book amount	136,400	3,628,123
Profit/(Loss) of disposal of property, plant and equipment	482,854	(1,361,619)
<b>Proceeds from disposal of property, plant and equipment</b>	<b><u>619,254</u></b>	<b><u>2,266,504</u></b>

## EDITA FOOD INDUSTRIES S.A.E.

### Notes to the separate financial statements – For the year ended 31 December 2014

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

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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 2014 amounted to LE 1,515,766,423 (2013: LE 1,316,048,578).

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 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 knowhow of Chipita International Company.

The royalty paid during 2014 amounted to LE 723,049 (2013: LE 796,880) Chipita Participation is considered a related party as it owns Exoder Ltd. Company that in turn owns 27.98% of Edita Food Industries S.A.E. shares.

##### 3. Edita Confectionary Industries

Edita Confectionary Industries produce all kinds of sweets, gelly and gum and the balance during 2014 amounted to be LE 1,465,693, so the balance of all transactions amounted to be LE 36,783,425.

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

##### 4. Key management compensation

During the year ended 2014 the company paid an amount of LE 30,155,605 as salaries to the key management members (2013: LE 22,815,632).

#### Due from related parties

	<u>2014</u>	<u>2013</u>
Edita Confectionary	36,783,425	35,317,732
Digma for Trading Company	2,035,143	6,033,440
Edita Participation Ltd.	243,123	225,452
<b>Total</b>	<b><u>39,061,691</u></b>	<b><u>41,576,624</u></b>

## **EDITA FOOD INDUSTRIES S.A.E.**

### **Notes to the separate financial statements – For the year ended 31 December 2014**

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

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#### **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 24,422,901 as at 31 December 2014 (2013: LE 13,730,297).

##### **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 2014.

###### **1. Corporate tax**

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

###### **2. Payroll tax**

- The payroll tax inspection was performed till 31 December 2012 and company paid tax due.
- As for the years from 2013 and 2014 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.

###### **3. Sales tax**

- The sales tax inspection was performed till 31 December 2012 and tax due was paid to the Tax Authority.
- For the years 2013 and 2014 the tax inspection has not been performed yet till the balance sheet date, monthly tax return were submitted on due time.

###### **4. Stamp duty tax**

- The stamp duty tax inspection was performed till year 2006 and Company paid tax due.
- Years from 2007 till 2014 tax inspection have not been performed yet till the balance sheet date.

## EDITA FOOD INDUSTRIES S.A.E.

### Notes to the separate financial statements – For the year ended 31 December 2014

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

#### 31. Dividends per share

The dividends paid in 2014 and 2013 were LE 150,000,000 (LE 0.41 per share) and LE 150,193,612 (LE 0.41 per share) respectively. A dividend in respect of the year ended 31 December 2013 is to be proposed at the annual general meeting on 28 March 2014. These financial statements do not reflect this dividend payable.

#### 32. Employee benefits expense

	2014	2013
Wages and salaries	154,421,407	140,140,836
Social insurance	23,366,427	13,601,856
<b>Total</b>	<b>177,787,834</b>	<b>153,742,692</b>

#### 33. Financial instrument by category

	2014	
	Loans & receivables	Total
<b>Assets as per balance sheet</b>		
Trade and other receivables (excluding prepayments) *	85,245,868	85,245,868
Cash and cash equivalents	155,606,250	155,606,250
Treasury bills	86,093,095	86,093,095
<b>Total</b>	<b>326,945,213</b>	<b>326,945,213</b>

	2014	
	Other financial liabilities at amortised costs	Total
<b>Liabilities as per balance sheet</b>		
Borrowings *	288,893,661	345,815,923
Trade and other payables (excluding non-financial liabilities)	179,140,294	179,140,294
Bank overdraft	56,922,262	56,922,262
<b>Total</b>	<b>524,956,217</b>	<b>581,878,479</b>

	2013	
	Loans & receivables	Total
<b>Assets as per balance sheet</b>		
Trade and other receivables (excluding prepayments)*	93,483,818	93,483,818
Cash and cash equivalents	128,858,385	128,858,385
Treasury bills	82,469,120	82,469,120
<b>Total</b>	<b>304,811,323</b>	<b>304,811,323</b>

**EDITA FOOD INDUSTRIES S.A.E.****Notes to the separate financial statements – For the year ended 31 December 2014**

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

**Financial instrument by category (continued)**

	<b>2013</b>	
	<b>Other financial liabilities at amortised costs</b>	<b>Total</b>
<b>Liabilities as per balance sheet</b>		
Borrowings *	222,362,004	254,072,028
Trade and other payables (excluding non-financial liabilities)	167,667,808	167,667,808
Bank overdraft	37,242,038	37,242,038
<b>Total</b>	<b>427,271,850</b>	<b>458,981,874</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.

**34. Credit quality of financial assets****Trade receivables**

Counter parties without external credit rating:

	<b>2014</b>	<b>2013</b>
Digma for Trading Company	2,035,143	6,033,440
Others	3,869,700	8,083,352
<b>Total</b>	<b>5,904,843</b>	<b>14,116,792</b>

Cash at bank and short-term bank deposits:

	<b>2014</b>	<b>2013</b>
AA	2,104,940	121,689
A	33,060,841	5,226
BBB	119,508,509	90,300,000
B	23,449	67,982
<b>Total</b>	<b>154,697,739</b>	<b>90,494,897</b>



**EDITA FOOD INDUSTRIES S.A.E.**

**Notes to the separate financial statements – For the year ended 31 December 2014**

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

**35. Segment reporting**

(Amounts are in thousands)

	Cake		Croissant		Bake		Freska		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	1,007,137	910,851	488,913	397,220	75,867	67,606	55,669	50,046	1,627,586	1,425,723
Gross Profit	305,171	266,115	152,308	125,795	9,602	9,935	14,693	16,162	481,774	418,007
Profit from Ops.	261,749	227,224	131,078	93,583	3,934	4,646	(5,094)	2,000	391,667	327,453
Debit Interest	(12,953)	(13,884)	(6,288)	(6,055)	(976)	(1,030)	(716)	(763)	(20,933)	(21,732)
Credit interest	11,316	3,474	5,494	1,515	852	258	625	192	18,287	5,439
Income Tax	(70,947)	(48,940)	(35,565)	(20,108)	(1,258)	(1,006)	154	(412)	(107,616)	(70,466)
Net Profit	189,165	167,874	94,719	68,935	2,552	2,868	(5,031)	1,017	281,405	240,694

	Cake		Croissant		Bake		Friska		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Capital Expenditures 2014	70,235	45,290	130,672	76,643	27,239	3,372	3,680	2,497	231,826	127,802
Depreciation of the fiscal period additions	1,555	813	791	895	200	58	153	44	2,699	1810
Net book value	<b>68,680</b>	<b>44,477</b>	<b>129,881</b>	<b>75,748</b>	<b>27,039</b>	<b>3,314</b>	<b>3,527</b>	<b>2,453</b>	<b>229,127</b>	<b>125,992</b>
The Remaining of segment assets	743,861	664,988	361,107	290,000	56,034	49,356	41,118	36,537	1,202,120	1,040,883
Total Segment Assets	<b>812,541</b>	<b>709,465</b>	<b>490,988</b>	<b>365,748</b>	<b>83,073</b>	<b>52,670</b>	<b>44,645</b>	<b>38,990</b>	<b>1,431,247</b>	<b>1,166,873</b>
Segment Liabilities	416,857	345,433	202,362	150,642	31,402	25,639	23,042	18,980	673,663	540,694
Depreciation	25,213	16,135	14,692	8,321	3,091	2,606	2,678	2,300	45,674	29,362