

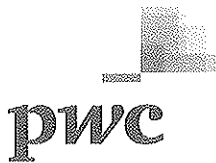
**EDITA FOOD INDUSTRIES (S.A.E.) AND ITS
SUBSIDIARIES**

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

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

Consolidated financial statements - For the year ended 31 December 2013

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Auditor's report

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Edita Food Industries Company (S.A.E) and its Subsidiaries which comprise the consolidated balance sheet as of 31 December 2013 and the consolidated statements of income, consolidated changes in equity and consolidated cash flows for the fiscal year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

These consolidated financial statements are the responsibility of the Group's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Egyptian Accounting Standards and in light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Edita Food Industries Company (S.A.E) and its Subsidiaries as of 31 December 2013, and of its financial performance and its cash flows for the fiscal year then ended in accordance with Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.

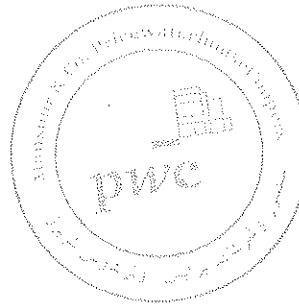
A handwritten signature in black ink, appearing to read 'Ahmed Gamal Al-Atrees'.

Ahmed Gamal Al-Atrees

R.A.A. 8784

E.F.S.A. 136

Mansour & Co. PricewaterhouseCoopers



23 March 2014

Cairo

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

Consolidated balance sheet - At 31 December 2013

(all amounts in Egyptian Pounds)

	Note	2013	2012
<u>Non-current assets</u>			
Property, plant and equipment	5	826,446,532	721,818,437
Intangible assets	6	68,618,658	-
Investments available for sale	7	-	43,203,000
Total non-current assets		895,065,190	765,021,437
<u>Current assets</u>			
Inventories	8	84,140,649	80,775,579
Accounts and notes receivables	9	12,962,780	7,577,090
Debtors and other debit balances	10	53,185,426	35,294,428
Due from related parties	11	-	49,951
Cash and bank balances	12	300,945,912	237,417,023
Total current assets		451,234,767	361,114,071
<u>Current liabilities</u>			
Provisions	13	9,034,968	7,782,393
Bank overdraft	14	38,752,046	27,227,110
Trade and other credit balances	15	185,467,750	136,746,287
Income tax liabilities	16	52,015,132	34,740,256
Current portion of long-term liabilities	17	129,372,279	89,325,460
Total current liabilities		414,642,175	295,821,506
Net working capital		36,592,592	65,292,565
Total invested funds		931,657,782	830,314,002
<u>Represented in:</u>			
<u>Owners' equity</u>			
Paid up capital	18	72,536,290	72,536,290
Legal reserve	19	16,407,621	16,407,621
Forex translation reserve		(933)	5,580,157
Retained earnings		618,747,286	513,941,194
Total shareholders		707,690,264	608,465,262
Minority interest	20	2,261,950	5,931,838
Total owners' equity		709,952,214	614,397,100
<u>Non-current liabilities</u>			
Long term loans	21	134,150,199	132,481,532
Long-term notes payable	22	17,138,295	24,231,361
Sales tax on machinery	23	-	25,296
Deferred tax liabilities	24	70,417,074	59,178,713
Total non-current liabilities		221,705,568	215,916,902
Total owners' equity and non-current liabilities		931,657,782	830,314,002

The accompanying notes on pages 7 - 33 form an integral part of these financial statements.


Mr. Sherif Fathy
Chief Financial Officer


Eng. Hani Berzi
Chairman

17 March 2014
 Auditor's report attached

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

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

(All amounts in Egyptian Pounds)

	<u>Note</u>	<u>2013</u>	<u>2012</u>
Sales		1,647,488,499	1,341,878,733
Cost of goods sold		<u>(1,022,722,491)</u>	<u>(858,252,599)</u>
Gross profit		624,766,008	483,626,134
Selling and marketing expenses		(183,654,547)	(167,501,092)
General and administrative expenses		(85,195,841)	(67,444,783)
Investment income in Osoul fund		11,918,188	4,865,997
Other income - Net	25	20,783,130	15,362,081
Provisions	26	<u>(8,821,004)</u>	<u>(6,899,037)</u>
Profit from operations		379,795,934	262,009,300
Finance costs - Net	27	<u>(20,430,516)</u>	<u>(6,271,470)</u>
Profit before income tax		359,365,418	255,737,830
Income tax expense	28	<u>(94,191,730)</u>	<u>(77,277,460)</u>
Net profit		<u>265,173,688</u>	<u>178,460,370</u>
Distributed as following:			
Shareholders' equity		268,764,445	183,687,261
Minority interest		<u>(3,590,757)</u>	<u>(5,226,891)</u>
Net profit for the year		<u>265,173,688</u>	<u>178,460,370</u>

The accompanying notes on pages 7 - 33 form an integral part of these financial statements.

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

Consolidated statement of changes in shareholders' equity - For the year ended 31 December 2013

(All amounts in Egyptian Pounds)

	Paid up capital	Legal reserve	Forex translation reserve	Retained earnings	Total Owners' Equity		
					Total shareholders	Minority interest	Total owners' equity
Balance at 1 January 2012	72,536,290	16,407,621	2,259,950	391,705,999	482,909,860	11,257,133	494,166,993
Increase in capital	-	-	-	-	-	4,000	4,000
Dividends distribution for 2011	-	-	-	(61,452,066)	(61,452,066)	(100,000)	(61,552,066)
Assets revaluation reserve	-	-	-	-	-	(2,404)	(2,404)
Forex translation reserve	-	-	3,320,207	-	3,320,207	-	3,320,207
Net profit for the year	-	-	-	183,687,261	183,687,261	(5,226,891)	178,460,370
Balance at 31 December 2012 and 1 January 2013	72,536,290	16,407,621	5,580,157	513,941,194	608,465,262	5,931,838	614,397,100
Dividends distribution for 2012	-	-	-	(163,958,353)	(163,958,353)	(76,727)	(164,035,080)
Assets revaluation reserve	-	-	-	-	-	(2,404)	(2,404)
Forex translation reserve	-	-	(5,581,090)	-	(5,581,090)	-	(5,581,090)
Net profit for the year	-	-	-	268,764,445	268,764,445	(3,590,757)	265,173,688
Balance at 31 December 2013	72,536,290	16,407,621	(933)	618,747,286	707,690,264	2,261,950	709,952,214

The accompanying notes on pages 7 - 33 form an integral part of these financial statements.

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

Consolidated statement of cash flows - For the year ended 31 December 2013

(All amounts in Egyptian Pounds)	Notes	2013	2012
<u>Cash flows from operating activities</u>			
Net profit for the year before tax		359,365,418	255,737,830
Adjustments for:			
Additions to provision	26	8,821,004	6,899,037
Interest on lands' installments	27	2,332,088	3,180,915
Interest expense	27	23,710,662	7,172,168
Interest income	27	(5,867,620)	(330,715)
Interest in corporate tax advance	16	(973,000)	(646,425)
Depreciation	5	45,666,885	43,245,034
Loss / (gain) on disposal of property, plant and equipment		1,281,643	(4,956,314)
Investment income from Osoul fund		(11,918,188)	(4,865,997)
Operating profits before changes in working capital		422,418,892	305,435,533
<u>Change in working capital</u>			
Inventories		(3,865,074)	(3,306,270)
Accounts and notes receivables		(5,385,690)	(3,656,621)
Debtors and other debit balances		(17,890,998)	19,228,602
Due to related party		49,951	(803,651)
Trade payables and other credit balances		48,483,518	(5,826,527)
Provisions used	13	(7,068,425)	(3,615,908)
Cash flows generated from operating activities		436,742,174	307,455,158
Interest paid		(23,710,662)	(7,172,168)
Income tax paid		(64,707,895)	(45,804,756)
Net cash flows generated from operating activities		348,323,617	254,478,234
<u>Cash flows from investment activities</u>			
Purchase of property, plant and equipment	5	(154,710,273)	(133,509,719)
Purchase of Intangible asset		(68,618,658)	-
Proceeds from sale of investments		43,203,000	-
Proceeds from sale of property, plant and equipment		3,133,650	7,738,295
Interest received		5,867,620	330,715
Investment income		11,918,188	4,865,997
Net cash flows used in investment activities		(159,206,473)	(120,574,712)
<u>Cash flows from financing activities</u>			
Sales tax on machinery		(80,519)	(80,519)
Notes payable		(8,864,318)	(8,511,670)
Dividends paid		(163,797,137)	(61,538,601)
Forex Translation reserve		(5,581,090)	-
Minority interest increase in capital	20	-	4,000
Received loans		41,209,873	25,743,524
Net cash flows used in financing activities		(137,113,191)	(44,383,266)
Increase in cash and cash equivalents		52,003,953	89,520,256
Cash and cash equivalents at beginning of the year		210,189,913	120,669,657
Cash and cash equivalents at end of the year	12	262,193,866	210,189,913

The accompanying notes on pages 7 - 33 form an integral part of these financial statements.

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

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

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

1. General information

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

The Group 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 27.97% of the Company's share capital and Africa Samba Cooperatief which owns 30%, other shareholders owing 0.21% of Company's share capital.

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

2. Accounting policies

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

A. Basis of preparation

The financial statements have been prepared in accordance with Egyptian Accounting Standards and applicable laws and regulations. The consolidated financial statements have been prepared under the historical cost measurement basis.

The preparation of consolidated financial statements in conformity with EAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The new EAS's requires the reference to the IFRS when there is no EAS, or legal requirements that explain the treatment of specific balances and transactions.

B. Basis of consolidation

1. Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls.

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

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

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

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

Basis of consolidation (continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Transactions and minority interests

The Group recognises the transactions with minority interest which will not result in losing control in the shareholder's equity. The difference between the fair value of the concentration paid and the carrying value of the subsidiary which related to the purchasing shares recorded in the equity.

If the losses applicable to the minority in a consolidated subsidiary exceed the minority interest in the subsidiary's equity, the excess, and any future losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

3. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

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

Basis of consolidation (continued)

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

C. Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

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

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

D. Property, plant and equipment

All property, plant, and equipment are stated at historical cost less accumulated depreciation. Historical cost includes all costs associated with acquiring the asset and bringing it to a ready-for-use condition.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over the estimated useful lives of assets excluding land, which is not depreciated.

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

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

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

Property, plant and equipment (continued)

Estimated useful lives of assets are as follows:

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

On annual basis the salvage value is reviewed and changed if necessary.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the asset and are included in income from operations.

Repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset or the estimated useful life of the renovation, whichever is less.

E. Intangible assets

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

F. Impairment of non-financial assets

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

G. Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. If the company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale.

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

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

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

Held-to-maturity financial assets (continued)

At initial recognition, the company measures held for trading financial assets at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset. That is subsequently measured at amortized cost using the effective interest rate method. In the event of a deterioration in the fair value of the carrying value of each bond is adjusted book value and its bearing on the income statement that in the event of a rise in the fair value is added to the income statement in the range of what has already charged on the income statements for the previous financial periods.

H. Impairment of non-current assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses 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 carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level, for which there are separately identifiable cash flows.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or has decreased. Impairment losses are also reversed to release the impairment amount that is equal to net book value of the impaired asset. The reversals are recorded in statement of income.

I. Leases

Leases are accounted for under Law 95 of 1995 if the assets leased are not vehicles or motorcycles, the lessee is not obliged to purchase the asset at end of the lease period, the lease contract is recorded in the relevant register with the Companies Authority, the contract gives the option to the lessee to buy the asset at a specific date and amount and the period of the contract represents at least 75% of the useful life of the asset or if the present value of total lease payments represents at least 90% of the asset value. If lease contracts fall outside the scope of Law 95, leases of property, plant, and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Other leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

1. Finance lease contracts in accordance with Law No. 95 of 1995

For leases within the scope of Law 95, lease costs including maintenance expense of leased assets are recognized in the statement of income in the period incurred. If the Group elects to exercise the purchase option on the leased asset, the option cost is capitalised as property, plant, and equipment and depreciated over their expected remaining useful lives on a basis consistent with similar assets.

2. Finance lease contracts not within the scope of Law No. 95 of 1995

Other finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest charge on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets acquired under this type of finance lease are depreciated over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and useful life.

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

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

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

Leases (continued)

3. Sold and lease back

Profits created when the collected payments exceed the book value of the non-current assets that are being sold and leased back through finance leases are not directly charged to the statement of income are deferred and amortized over the lease term.

4. Operating lease contracts

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line period of the lease.

J. Inventories

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

K. Financial assets

(i) Classification

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

- (1) Financial assets at fair value through profit or loss (trading investments in financial papers)
- (2) Held to maturity investments
- (3) Loans and receivables
- (4) Available-for-sale financial assets

(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.

Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(2) Held to maturity investments

It is a non-derivative financial asset which has specific repaid value, available to be specific, specific maturity date, the Group has the ability and intend to held it till the maturity date.

The initial recognition depending on it's fair value from gain or loss is excluded, or initially recognized as available for sale and apply on it loan and receivables definition.

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

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

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

Financial assets (continued)

(3) 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 balance sheet date. These are classified as non-current assets. Loans and receivables have been included in balance sheet with accounts and notes receivable, debtors and other debit balances, and due from related parties.

Included in this category accounts receivables, notes receivables, debtors, cash and cash equivalent and due from related parties.

(4) Available-for-sale financial assets

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

(ii) Measurement and subsequent measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group 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 Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are 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 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 Group's right to receive payments is established.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

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

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

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

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

Financial assets (continued)

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

The Group assesses at balance sheet date whether there is objective evidence that a financial asset as a Group of financial assets is impaired.

L. Trade receivables and note receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

M. Cash and cash equivalents

Bank overdrafts are included within current liabilities on the balance sheet.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks maturing in three months and bank overdrafts.

N. Paid up capital

Ordinary shares are classified as equity.

O. Borrowings

Borrowings are recognised initially at the amount of the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the borrowings.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. The amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

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

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

P. Current and deferred income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the 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 substantially 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 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 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.

Q. Employee benefits

(1) Pension obligations

The Group has one type of pension scheme, which is a defined contribution plan. For defined contribution plans, the Group pays contributions to the Public Authority for Social Insurance plans on a mandatory basis. Once the contributions have been paid, the Group has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

(2) Profit sharing

The employees have the right in 10% of the declared cash dividends as profit sharing. Such profit sharing should not exceed the annual payroll. The employees' share in profit is recognized as a liability when approved by shareholders. No liability is recognised for profit sharing relating to undistributed profits.

R. Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

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

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

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

S. Trade payables

Trade payables are recognized initially at the value of goods or services received from others whether their invoices were received or not and subsequently measured at amortized cost using the effective interest rate.

T. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of sales tax, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(1) Sales of goods

Sales of goods are recognised when a Group entity has delivered products to the wholesaler, the wholesaler has full discretion over the 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 delivered either in the Group warehouse or in the wholesalers locations depend on the agreements, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales are made with a short credit term.

(2) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount.

(3) Dividend income

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

(4) Revenues from investment in Osoul Fund

Revenue is recognized monthly at each of the Osoul Fund certificate as per the bank announced rate; at the year end the Group revaluates the outstanding numbers of Osoul Fund certificate up on the rate announced by the bank.

(5) Government incentive 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 only the Group is eligible for incentive and is recognized in the income statement as other income, after meeting all required criteria.

U. Profit sharing

Profit sharing is recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

V. Comparatives

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

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

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

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

3. Financial risk management

(1) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's efforts are addressed to minimize potential adverse effects of such risks on the Group's financial performance. The Group does not use derivative financial instruments to hedge certain risk exposures.

(A) Market risk

i. Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities at financial statement date and net investment in foreign operations.

The below table show the foreign currency positions:

	Assets	Liabilities	Net 2013	Net 2012
United States Dollars	39,175,922	(13,593,718)	25,582,204	96,496,842
Euros	23,973,175	(23,210,114)	763,061	(35,258,706)

ii. Price risk

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

iii. Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

Borrowing at balance sheet date with variable interest rate is amounting to LE 254,072,028 (2012: LE 212,862,155). The fair value for borrowings with fixed interest rate is approximately near its earnings amount.

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

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

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

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

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

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

Financial risk management (continued)

(B) Credit risk

Credit risk is managed on Group basis. 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 receivables and committed transactions.

For banks and financial institutions, the Group 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 are assessing the credit quality of the wholesale customer, taking into account its financial position, and their market reputation, past experience and other factors.

For Individual the legal arrangements and documents accepted by the customer are minimizing the credit risk. Provisions are accounted for the doubtful debts on individual base. There are no bad debts within the accounts and notes receivable.

(2) Capital risk management

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

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

The Company's management is relaying on internal financing at transferring working capital and long-term assets and the Company's objective is to keep the going concern of the Company and achieving the best returns for the shareholders and maximizing the shareholders' equity through changing the dividend paid to shareholders or increasing and decreasing working capital.

The capital is identified as below:

	2013	2012
Current and long-term liabilities and loans	280,660,772	246,063,649
Trade and other credit balances	185,467,750	136,746,287
Banks Over Draft	38,752,046	27,227,110
Total liabilities and loans	504,880,568	410,037,046
Less: Cash and bank balances	(300,945,911)	(237,417,023)
Net debt	203,934,657	172,620,023
Total equity	709,952,214	614,397,100
Total working capital	913,886,871	787,017,123
Gearing ratio	22%	22%

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

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

Financial risk management (continued)

(3) Fair value estimation

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. At balance sheet date, the fair value of non-current liabilities do not significantly differ from its carrying amount due to the stability in interest rate.

4. Critical accounting estimates and judgments

1. Critical accounting estimates and assumptions

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

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

Fixed assets useful lives

Fixed assets are depreciated based on useful lives and estimated residual values of each asset which is determined in accordance with the 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 tests the impairment of intangible assets (Trade Mark), aassets that have an indefinite useful life. And so on the basis of financial and operational performance in previous years and expectations of management of the company to market developments in the future by preparing an action plan of 3 to 5 years using the growth rate and the discount rate prevailing

2. The general personal judgments for implementation of the group accounting policies

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

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

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(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	
								2013	2012
Cost									
Balance at 1 January	62,226,931	186,640,395	402,085,927	89,804,078	27,449,691	27,191,414	116,387,739	911,786,175	789,522,946
Additions	-	154,000	1,817,768	27,633,932	1,991,211	4,279,448	118,833,915	154,710,274	133,509,719
Transfer from project under construction	-	152,092,102	52,139,084	-	4,902,998	10,989,657	(220,123,841)	-	-
Disposals	-	-	(2,065,626)	(2,286,166)	(1,831,022)	(6,586,449)	-	(12,769,263)	(11,246,490)
Balance at 31 December	62,226,931	338,886,497	453,977,153	115,151,844	32,512,878	35,874,070	15,097,813	1,053,727,186	911,786,175
Accumulated depreciation									
Balance at 1 January	-	22,588,040	94,062,346	41,290,266	15,357,054	16,670,032	-	189,967,738	155,187,214
Charge for the year	-	7,023,411	15,690,368	13,565,882	4,355,686	5,031,538	-	45,666,885	43,245,034
Disposals	-	-	(158,671)	(1,505,284)	(1,796,234)	(4,893,780)	-	(8,353,969)	(8,464,510)
Balance at 31 December	-	29,611,451	109,594,043	53,350,864	17,916,506	16,807,790	-	227,280,654	189,967,738
Net book value at 31 December	62,226,931	309,275,046	344,383,110	61,800,980	14,596,372	19,066,280	15,097,813	826,446,532	721,818,437

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

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

6. Intangible assets :

	2013	2012
Trading Mark (HOHOS, Twinkies & Tiger Tail)	68,618,658	-
Total	68,618,658	-

The intangible assets in the amount of ten million U.S. dollars paid to the group, New HB acquisition LLC "limited liability group" versus buying all the rights to the trademarks (HOHOS, Twinkies & Tiger Tail) and what the consequences of this stake fame and succession in the countries of Egypt, Jordan, Libya and Palestine these rights do not have a definite time.

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

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

Average Gross profit	47%
Return on capital	19%
Growth rate	3%

The Group test the impairment of intangible assets depending on financial, operational, marketing position in the prior periods, and its expectation for the market in the future by preparing an action plan of 3 to 5 years using the growth rate and the discount rate prevailing . At the balance sheet date the carrying value of the intangible assets is not less than its recoverable amount.

7. Investments available for sale

	% interest held	2013	2012
UFIB Company	1.17%	-	43,203,000
Balance at year end		-	43,203,000

8. Inventories

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

There has been a write off for slow moving and obsolete inventory against; the declared accumulated balance of net realizable value by LE 92,091 and there has been an addition for net realizable value by LE 500,004 (Note 26).

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

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

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

9. Accounts and notes receivables

	2013	2012
Trade receivables	12,633,335	7,422,805
Notes receivable and cheques under collection	350,001	174,841
Total	12,983,336	7,597,646
Provision for doubtful debts (Note 26)	(20,556)	(20,556)
	12,962,780	7,577,090

10. Debtors and other debit balances

	2013	2012
Advances to suppliers	45,319,802	24,537,342
Other debit balances	5,435,519	7,017,268
Prepaid expenses	1,190,285	2,401,683
Deposits with others	772,273	748,303
Letters of credit	257,073	67,003
Employee loans	122,252	457,343
Accrued revenues	88,222	65,486
Total	53,185,426	35,294,428

11. Due From Related Parties

	2013	2012
Chipita Participation	-	49,951
Total	-	49,951

12. Cash and bank balances

	2013	2012
Bank deposits	185,438,113	218,830,040
Treasury bills*	104,327,401	-
Cash at banks	7,460,512	10,299,997
Cash on hand	3,676,071	8,247,363
Osoul Fund	43,815	39,623
Total	300,945,912	237,417,023

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

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

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Cash and bank balances (continued)

Treasury bills

	2013	2012
Treasury bills par value	105,125,000	-
Total interest income	(826,087)	-
Amount of treasury bills paid	104,298,913	-
Accrued interest expense till 31 December	28,488	-
Treasury bills balance	104,327,401	-

The Group purchased treasury bills on 30 December 2013 with par value amounted LE 105,125,000 with an annual interest of 9.95%. These treasury bills are due in 28 January 2014. The total accrued interest income amounted to LE 28,488 on 31 December 2013.

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

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

	2013	2012
Cash at banks	300,945,912	237,417,023
Bank overdraft (Note 14)	(38,752,046)	(27,227,110)
Total	262,193,866	210,189,913

13. Provisions

	Other provisions	
	2013	2012
Balance at 1 January	7,782,393	4,648,302
Additions during the year (Note 26)	8,321,000	6,749,999
Utilized during the year	(7,068,425)	(3,615,908)
Balance at 31 December	9,034,968	7,782,393

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

14. Bank overdraft

	2013	2012
Bank overdraft	38,752,046	27,227,110
Total	38,752,046	27,227,110

Bank overdraft is represented in credit facilities granted to the Group to open letters of credit and finance its working capital. Overdraft is secured against guarantees by the Group's shareholders. The effective interest rate for bank overdraft was 10.75% as of 31 December 2013 (2012: 10.75%).

EDITA FOOD INDUSTRIES (S.A.E.) AND ITS SUBSIDIARIES**Notes to the consolidated financial statements - For the year ended 31 December 2013**

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

15. Trade and other payables

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

16. Income tax liabilities

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

17. Current portion of long-term commitment

	2013	2012
Short-term loans (Note 21)	119,921,829	80,380,623
Current portion at long-term notes payable (Note 22)	9,425,154	8,864,318
Sales tax on machinery (Note 23)	25,296	80,519
Total	129,372,279	89,325,460

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

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

18. Paid up capital

Authorized capital LE 150,000,000 (15,000,000 share, par value LE 10 per share).

The issued and paid up capital amounted by LE 72,536,290 presented in 7,253,629 share (par value LE 10 per share) distributed as follow:

	No. of shares	Shares value	Percentage of ownership
BERCO Ltd.	3,033,083	30,330,830	41.815%
EXODER Ltd.	2,029,179	20,291,790	27.975%
Africa Samba Corporative	2,176,089	21,760,890	30.000%
Others	15,278	152,780	0.211%
	7,253,629	72,536,290	100%

19. Legal reserve

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

20. Minority interest

	Total					
	Paid up capital	Legal reserves	Revaluation assets reserve	Retained earnings	31 December 2013	31 December 2012
Balance at 1 January	12,271,000	5,000	45,375	(6,389,537)	5,931,838	11,257,133
Increase in capital	-	-	-	-	-	4,000
Dividend distribution	-	-	-	(76,727)	(76,727)	(100,000)
Net profit for the year	-	-	-	(3,590,757)	(3,590,757)	(5,226,891)
Forex reserve	-	-	(2,404)	-	(2,404)	(2,404)
Balance at 31 December	12,271,000	5,000	42,971	(10,057,021)	2,261,950	5,931,838

21. Long-term loan

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

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

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

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

Long-term loan (continued)

The loans due according to the following schedule:

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

(1) Edita Food Industries Company

• First loan

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

Terms of payments:

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

The first installment is due on 1 May 2014 and the last on 1 November 2014.

Interest:

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

Fair value:

Fair value is approximately equal to market value

• Second loan

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

Terms of payments:

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

The first instalment is due on 1 February 2014 and the last on 1 February 2016.

Interest:

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

Fair value:

Fair value is approximately equal to market value.

• Third loan:

This Third loan is provided by Credit Agricole Bank Egypt on August 2012 based on a cross guarantee issued from Digma Trading Company amounted to LE 70,000,000 and the total withdrawal amount is LE 70,000,000 in addition to the accrued interest. And the remaining balance in 31 December 2013 after payment of accrued instalments is LE 58,333,333 in addition to the accrued interest.

Terms of payments:

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

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

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

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

Long-term loan (continued)

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

Interest:

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

Fair value:

Fair value is approximately equal to market value.

• **Fourth loan:**

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

Terms of payments:

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

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

Interest:

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

Fair value:

Fair value is approximately equal to market value.

(2) Digma for Trading Company

• **First loan**

The First loan is provided by Credit Agricole Bank Egypt based on a cross guarantee issued from Edita Food Industries Company S.A.E. and the total withdrawal amount is LE 14,000,000 in addition to accrued interest, the loan amounted to be LE 10,500,000 (in addition to accrued interest) in December 2013 after paying accrued installments.

Terms of payments:

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

The first installments is due on 11 September 2013 and the last on 11 March 2015.

Interest:

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

Fair value:

Fair value is approximately equal to market value.

• **Second loan**

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

Terms of payments:

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

The first installments is due on 15th of January 2015 and the last on 15th of July 2017.

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Long-term loan (continued)

Interest:

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

Fair value:

Fair value is approximately equal to market value.

(3) Edita Confectionery Industries Company

This loan is provided by Banque Misr based on a cross guarantee issued from Edita Food Industries Company amounted to LE 31,000,000 withdrawn completely.

Terms of payments:

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

Interest:

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

Fair value:

Fair value is approximately equal to market value.

22. Long-term notes payable

The long-term loan represents the total installment for the land purchased from Urban communities Authority – Shiekh Zayed City as the first installment due on November 2013 and the last installment on November 2016.

Current portion of long-term notes payable:

	2013		2012	
	Notes payable	Present Value	Notes payable	Present Value
Less than one year (Note 17)	9,425,154	9,425,154	8,864,318	8,864,318
Total long-term liabilities	9,425,154	9,425,154	8,864,318	8,864,318

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

The total accrued interest on the loan for the year ended 2013 amounting to LE 2,332,088 (2012: LE 3,180,915) as the interest has been charged on the statement of income as a finance cost (Note 27).

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23. Sales tax on machinery

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

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

24. Deferred tax liability

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

	Property, plant and Equipment depreciation	Acquiring Digma Company for Trading	Total
Balance at 1 January 2012	31,587,965	4,777,910	36,365,875
Charge to the statement of income (Note 28)	23,053,261	(240,423)	22,812,838
Balance at 31 December 2012 and 1 January 2013	54,641,226	4,537,487	59,178,713
Charged to the statement of income (Note 28)	11,478,784	(240,423)	11,238,361
Balance at 31 December 2013	66,120,010	4,297,064	70,417,074

25. Other income - Net

	2013	2012
Gain from sale of investment	12,733,164	-
Gain from sale of production waste	4,837,263	3,335,480
Export incentive	2,810,683	3,676,989
Others	1,683,663	3,393,298
(Loss) / gain from sale of fixed assets	(1,281,643)	4,956,314
Total	20,783,130	15,362,081

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26. Provisions (income statement)

	2013	2012
Other Provisions (Note 13)	8,321,000	6,749,999
Provision for slow moving inventory (Note 8)	500,004	149,038
Total	8,821,004	6,899,037

27. Finance costs – Net

	2013	2012
Foreign exchange (losses) / gains	(1,228,382)	3,104,473
Interest in corporate tax advance	973,000	646,425
Interest income	5,867,616	330,715
Interest expenses	(23,710,662)	(7,172,168)
Interest on land's instalments	(2,332,088)	(3,180,915)
Total	(20,430,516)	(6,271,470)

28. Income tax expense

The Group 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.

	2013	2012
Income tax for the year (Note 16)	82,955,771	53,522,889
Deferred tax liabilities	11,235,959	23,857,741
Effect from change tax rate	-	(103,170)
Total	94,191,730	77,277,460

	2013	2012
Net profit before tax	359,020,537	255,737,830
Tax calculated based on tax rate 20%	-	2,000,000
Tax calculated based on tax rate 25%	89,755,134	61,434,458
	89,755,134	63,434,458
Tax effect of non- deductible expenses	3,085,341	2,144,573
Tax effect of non-taxable revenues	(3,222,375)	(2,072,331)
Tax loss carry forward	4,573,630	9,903,786
Deferred tax adjustments	-	3,866,974
Income tax expense	94,191,730	77,277,460

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29. Consolidated expenses by nature

	2013	2012
Cost of goods sold	1,022,722,491	858,252,599
Selling and marketing	183,654,547	167,501,092
General and administrative expenses	85,195,841	67,444,783
	<u>1,291,572,879</u>	<u>1,093,198,474</u>
	2013	2012
Raw material used	840,149,588	691,772,082
Salaries and wages	221,041,918	177,863,389
Advertising and marketing	75,007,607	67,909,552
Depreciation	45,666,838	43,245,034
Gas, oil water of electricity	17,389,062	12,520,958
Employee benefits	16,858,627	12,187,418
Vehicle expense	28,942,017	21,809,538
Rent	3,947,145	4,582,352
Other expense	14,214,208	15,133,384
Transportation expenses	13,631,900	10,602,862
Maintenance	11,082,107	5,356,266
Consumable materials	6,651,376	6,076,389
Purchases – goods for resale	4,321,618	4,679,303
Royalty	2,848,793	13,367,790
Change inventory	(10,179,925)	6,092,157
	<u>1,291,572,879</u>	<u>1,093,198,474</u>

30. Related party transactions

The following transactions were carried out with related parties:

1. Chipita Participation Company

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

The royalty paid in 2013 amounted to LE 796,880 (2012: LE 963,481) and the balance due from Chipita International company at 31 December 2013 amounted to LE Zero (Note 11). The balance due to Chipita International Company at 31 December 2012 amounted to LE 49,951.

2. Key management compensation

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

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

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

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31. Tax position

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

Edita Food Industries Company

a. Corporate tax

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

b. Payroll tax

- The payroll tax inspection was performed till 31 December 2007 and company paid tax due.
- As for 2008 and 2009 the Company is under tax inspection and no tax claim has been received yet by Tax Authority up till the balance sheet date.
- As for the years from 2010 till 2013 the tax inspection has not been performed yet till the balance sheet date.
- The Company is submitting the tax quarterly return on due time to the Tax Authority.

c. Sales tax

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

d. Stamp duty tax

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

Digma for Trading Company

(1) Corporate tax

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

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

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Tax position (continued)

(2) Salaries tax

- The tax inspection was performed until 31 December 2008 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- For the years from 2009 to 2013 the Company submitted its quarter tax returns to Tax Authority on due dates.

(3) Stamp tax

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

(4) Sales tax

- The tax inspection was performed until 31 December 2010 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The years 2011-2013 the Company submits its monthly sales tax return on due date.

Edita Confectionary Industries Company

Corporate tax

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

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

32. Contingent Liabilities

(1) Edita Food Industries Company

The Company had contingent liabilities in respect of letters of guarantee and letters of credit arising from ordinary course of business which resulted in no actual liabilities. The uncovered portion of the letter of guarantee and letters of credit granted to the Company arising from ordinary course of business amounted to LE 13,730,297 as at 31 December 2013 (2012: LE 2,322,749).

(2) Digma for Trading Company

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

At December 2013, the Company had contingent liabilities to third parties in respect of bank and other guarantee and other matters arising in the ordinary course of business of which no significant liabilities are expected to arise from them, The Company issued letter of guarantee amounting to LE 25,000, (2012: 25,000).

(3) Edita Confectionary Industries Company

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