

EDITA FOOD INDUSTRIES S.A.E.

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

EDITA FOOD INDUSTRIES S.A.E.

Separate 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.

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 of 31 December 2013 and the separate statements of income, changes in equity and cash flows for the fiscal year then ended, and a summary of significant accounting policies and other explanatory notes.

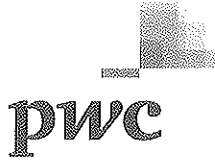
Management's responsibility for the separate financial statements

These separate financial statements are the responsibility of the Company's management. Management is responsible for the preparation and fair presentation of these separate 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 separate 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 separate 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 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 and fair presentation of the separate 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 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 on these separate financial statements.



The Shareholders of Edita Food Industries Company S.A.E.

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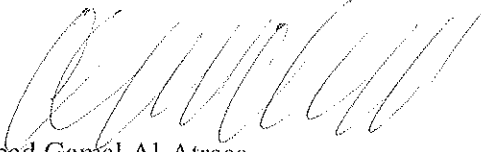
Opinion

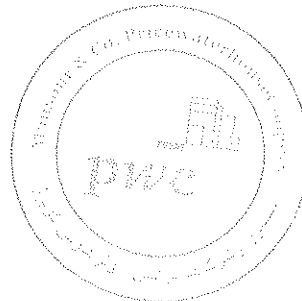
In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of Edita Food Industries Company S.A.E. as of 31 December 2013, and of its financial performance and its cash flows for the fiscal year then ended in accordance with Egyptian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

Report on other legal and regulatory requirements

The Company maintains proper financial records, which includes all that is required by the law and the Company's statutes, and the accompanying separate financial statements are in agreement therewith. Also the Company applies a costing system that meets its designated purpose, and the inventory counts were taken by the management in accordance with proper principles.

The financial information included in the Board of Directors' report is prepared in accordance with law No. 159 of 1981 and its executive regulations, is in agreement with Company's accounting records, within the limits that such information recorded therein.


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.

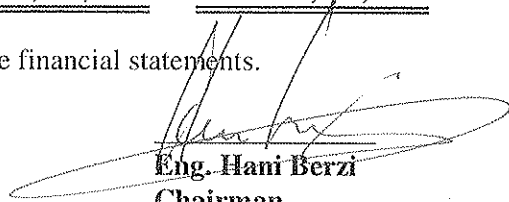
Separate balance sheet - At 31 December 2013

(All amounts in Egyptian Pounds)

	Note	2013	2012
Non-current assets			
Property, plant and equipment	5	663,685,329	568,876,093
Intangible assets	6	68,618,658	-
Investments in subsidiaries	7	59,692,662	97,353,838
Total non-current assets		791,996,649	666,229,931
Current assets			
Inventories	8	69,882,751	71,056,603
Accounts and notes receivables	9	8,083,352	3,787,501
Debtors and other debit balances	10	44,006,542	24,828,856
Due from related parties	11	41,576,624	38,627,266
Cash and bank balances	12	211,327,505	153,682,529
Total current assets		374,876,774	291,982,755
Current liabilities			
Provisions	13	7,680,491	7,335,021
Bank overdraft	14	37,242,038	26,877,428
Trade and other credit balances	15	167,746,610	125,592,346
Income tax liabilities	16	40,222,697	22,294,518
Current portion of long-term liabilities	17	114,866,805	78,011,826
Total current liabilities		367,758,641	260,111,139
Net working capital		7,118,133	31,871,616
Total invested funds		799,114,782	698,101,547
Represented in:			
Shareholders' equity			
Paid up capital	18	72,536,290	72,536,290
Legal reserve	19	14,507,258	14,507,258
Retained earnings		539,136,190	448,635,822
Total shareholders' equity		626,179,738	535,679,370
Non-current liabilities			
Long-term loan	20	107,500,199	100,281,532
Long-term notes payable	21	17,138,295	24,231,361
Sales tax on machinery	22	-	25,296
Deferred tax liabilities	23	48,296,550	37,883,988
Total non-current liabilities		172,935,044	162,422,177
Total shareholders' equity and non-current liabilities		799,114,782	698,101,547

The accompanying notes on pages 7 - 30 form an integral part of these financial statements.


Mr. Sherif Fathy
 Vice President & Chief Financial Officer


Eng. Hani Berzi
 Chairman

17 March 2014
 Auditor's report attached

EDITA FOOD INDUSTRIES S.A.E.

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

(All amounts in Egyptian Pounds)

	Note	2013	2012
Sales		1,425,722,900	1,154,088,954
Cost of goods sold		(1,002,152,278)	(832,620,104)
Gross profit		423,570,622	321,468,850
Selling and marketing expenses		(85,941,434)	(88,298,078)
General and administrative expenses		(58,011,731)	(45,220,400)
Impairment of Investment in subsidiaries	7	-	(28,000,000)
Investment income in Ossol Fund		7,831,044	2,246,061
Other income	24	19,400,080	13,635,913
Provisions	25	(7,821,004)	(4,376,037)
Profit from operations		299,027,577	171,456,309
Finance costs -Net	26	(16,651,965)	(3,043,554)
Dividends distribution from subsidiaries		38,286,862	49,900,000
Profit before income tax		320,662,474	218,312,755
Income tax expense	27	(70,466,375)	(45,368,487)
Net profit for the year		250,196,099	172,944,268

The accompanying notes on pages 7 - 30 form an integral part of these financial statements.

EDITA FOOD INDUSTRIES S.A.E.**Separate statement of changes in owners' equity - For the year ended 31 December 2013****(All amounts in Egyptian Pounds)**

	Paid up capital	Legal reserve	Retained earnings	Total
Balance at 1 January 2012	72,536,290	14,507,258	333,856,916	420,900,464
Dividends distribution for 2011	-	-	(58,165,362)	(58,165,362)
Net profit for the year	-	-	172,944,268	172,944,268
Balance at 31 December 2012 and 1 January 2013	72,536,290	14,507,258	448,635,822	535,679,370
Dividends distribution for 2012	-	-	(159,695,731)	(159,695,731)
Net profit for the year	-	-	250,196,099	250,196,099
Balance at 31 December 2013	72,536,290	14,507,258	539,136,190	626,179,738

The accompanying notes on pages 7 - 30 form an integral part of these financial statements.

EDITA FOOD INDUSTRIES S.A.E.

Separate 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		320,662,474	218,312,755
Adjustments for:			
Provisions	25	7,821,004	4,376,037
Interest on lands' installment	26	2,332,088	3,180,916
Interest expenses	26	19,399,886	3,735,370
Interest income	26	(4,827,987)	(184,525)
Interest in corporate tax - advance	26	(611,000)	(441,000)
Impairment of Investment in subsidiaries		-	28,000,000
Depreciation	5	29,362,437	28,962,058
(Loss) / Gain on sale of property, plant and equipment	24	1,361,619	(4,028,376)
Investment income in Ossol Fund		(7,831,044)	(2,246,061)
Dividends distribution from subsidiaries		(38,286,862)	(49,900,000)
Operating profits before changes in working capital		329,382,615	229,767,174
<u>Change in working capital</u>			
Inventories		673,848	(4,556,538)
Accounts and notes receivables		(4,295,851)	(3,142,072)
Debtors and other debit balances		(19,177,686)	19,974,169
Due from related parties		(2,949,358)	(3,308,712)
Due to related parties		-	(753,700)
Trade and other credit balances		41,916,319	(2,726,190)
Provisions used		(6,975,530)	-
Cash flows from operating activities		338,574,357	235,254,131
Interest paid		(19,399,886)	(3,735,370)
Income tax paid	16	(41,514,634)	(27,283,309)
Net cash flows generated from operating activities		277,659,837	204,235,452
<u>Cash flows from investment activities</u>			
Purchase of property, plant and equipment	5	(127,799,795)	(119,031,641)
Purchase of Intangible assets		(68,618,658)	-
Proceeds from sale of property, plant and equipment		2,266,503	5,586,720
Interest received		4,827,987	184,525
Investments in subsidiaries		37,661,176	(19,996,000)
Investment income in Ossol Fund		7,831,044	2,246,061
Dividends distribution received from subsidiaries		38,286,862	49,900,000
Net cash flows used in investment activities		(105,544,881)	(81,110,335)
<u>Cash flows from financing activities</u>			
Notes payable payment		(8,864,318)	(8,511,671)
Sales tax on machinery		(80,519)	(80,519)
Dividends paid		(159,457,786)	(58,151,897)
Loans		43,568,033	14,241,752
Net cash flows used in financing activities		(124,834,590)	(52,502,335)
Net increase in cash and cash equivalents		47,280,366	70,622,782
Cash and cash equivalents at beginning of the year		126,805,101	56,182,319
Cash and cash equivalents at end of the year	12	174,085,467	126,805,101

The accompanying notes on pages 7 - 30 form an integral part of these financial statements.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate 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 9 July 1996, under the investment Law No. 230 of 1989 and the capital market Law No. 95 of 1992 and is registered in the commercial register under number 692 Cairo.

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

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

The main shareholders are BERCO Limited which owns 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 Cooperatief which owns 30% and other shareholders 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. Accounting policies

The principal accounting policies adopted in the preparation of these separate financial statements are set out below.

A. Basis of preparation of separate financial statements

The separate financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS) and applicable laws and regulations which have been consistently applied to all years presented, unless otherwise stated. The separate financial statements have been prepared under the historical cost measurement basis.

The preparation of separate 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 company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 4.

The company has prepared these separate financial statements in accordance with local regulations. The company has also prepared consolidated separate financial statements in accordance with EAS for the company and its subsidiaries (the "Group"). In the consolidated financial statements, subsidiary undertakings - which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations - have been fully consolidated. The consolidated financial statements can be obtained from the head office of the Group. In these separate financial statements, investment in subsidiaries are accounted for at cost.

Users of these separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2013 in order to obtain full information on the financial position, results of operations and changes in equity of the Group as a whole.

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

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements – For the year ended 31 December 2013

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

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'). The separate financial statements are presented in Egyptian Pounds which is the company'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.

C. 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.

Estimated useful lives of assets are as follows:

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

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 company. Major renovations are depreciated over the remaining useful life of the related asset or the estimated useful life of the renovation, whichever is less.

Projects in progress are carried at cost, less any recognized impairment loss. Cost includes all costs associated with acquiring the asset and bringing it to a ready-for-use condition. Depreciation for these assets, determined on the same basis as other comparable property, plant and equipment, commences when the assets are ready for their intended use.

D. Intangible assets

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

E. 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.

F. Investments in subsidiaries

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

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.

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.

Impairment of non-current assets (continued)

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. Inventories

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

J. Financial assets

(i) Classification

The Company classifies its financial assets in the following categories. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition:

- a) Financial assets at fair value through profit or loss. (Held for trading)
- b) Held to maturity investments
- c) Loans and receivables.

(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 Company 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.

(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.

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

Financial assets (continued)

(ii) Measurement and subsequent 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.

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 Company's right to receive payments is established.

Changes in the fair value of monetary securities debt instruments (bonds, treasury bills) 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 the income statement, 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.

Interest on available-for-sale securities (bonds, treasury bills) calculated using the effective interest method is recognised in the income statement as part of financial income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Company has the right to receive these dividends.

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

K. Trade and notes receivables

Trade and notes 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 company 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 granted credit limits).

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. 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 'in the income statement.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements – For the year ended 31 December 2013

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

L. 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 less bank overdrafts.

M. Paid up capital

Ordinary shares are classified as equity.

N. 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 company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

O. 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. 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 separate 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 company and it is probable that the temporary difference will not reverse in the foreseeable future.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements – For the year ended 31 December 2013

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

P. Employee benefits

(1) Defined contribution plan

The company pays contributions to the Public Authority for Social Insurance plans on a mandatory basis. Once the contributions have been paid, the company 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.

Q. 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 reviewed at each balance sheet date and adjusted to represent the Company's best estimate.

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

R. Trade payables

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

S. Revenue recognition

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

The company 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 company'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 company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a company 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 company 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 company 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.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements – For the year ended 31 December 2013

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

Revenue recognition (continued)

(b) Interest income

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

(c) Dividend income

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

(d) Revenues from investment 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 revalue the outstanding numbers of Osoul Fund certificate up on the rate announced by the bank.

(e) Governmental subsidy on export sales

Governmental subsidy on export sales are recognized upon the completion of the export process, and the availability of all the required documents stated by the export development fund and collecting the values.

T. Profit sharing

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

U. Comparatives

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

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, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The company's efforts are addressed to minimize potential adverse effects of such risks on the company's financial performance.

The company does not use any derivative financial instruments to cover specific risk.

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 at separate financial statement date and net investment in foreign operations.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements – For the year ended 31 December 2013

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

Financial risk management (continued)

The below table show the foreign currency positions:

	Assets	Liabilities	2013 Net	2012
US Dollars	38,791,354	(13,535,469)	25,255,885	96,140,011
Euros	23,442,482	(19,973,840)	3,468,642	(34,031,794)

ii. Price risk

The company has no significant 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 company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk.

Borrowing at balance sheet date with variable interest rate is amounting to LE 212,916,554 (2012: LE 169,348,521).

Overdraft at the balance sheet date in 2013 amounted to LE 37,242,038 (2012: LE 26,877,428).

Financial assets exposed to the changes in the interest rate is amounting to LE 207,684,702 (2012: LE 151,830,040).

	2013	2012
Time deposit – LE	188,207,429	53,860,840
Time deposit – USD	19,477,273	97,969,200
	<u>207,684,702</u>	<u>151,830,040</u>

B. Credit risk

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

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

For the wholesalers, the Credit Controllers are 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 for Trading – company's subsidiary) and its the company subsidiary, which represent 92.3% 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.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate 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)

(2) Capital risk 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, trade creditors, other credit balances 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 2013 and 31 December 2012 were as follows:

Description	2013	2012
Total borrowings and long-term liabilities	239,505,299	202,550,015
Trade and other payables	167,746,610	125,592,346
Bank Overdraft	37,242,038	26,877,428
Total borrowings and loans	444,493,947	355,019,789
Less: Cash and cash equivalents	(211,327,505)	(153,682,529)
Net debt	233,166,442	201,337,260
Total equity	626,179,738	535,679,370
Total capital	859,346,180	737,016,630
 Gearing ratio	 27 %	 27 %

(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.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The company 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.

4. Critical accounting estimates and judgments and personal judgement

(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 company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, may not 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 test the impairment of intangible assets (Trade Mark), assets that have an indefinite useful life and depending on the management expectation for financial and operational performance in previous years and the market developments in the future by preparing a business plan of 3 from 5 years using the growth rate and the discount rate prevailing

(2) Critical personal judgments in applying the company's 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.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements – For the year ended 31 December 2013

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

5. Property, plant and equipment

	2013						2012	
	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction*	Total
Cost								
Balance at 1 January	62,226,931	112,091,576	359,330,776	27,787,982	26,438,511	19,442,681	115,969,500	723,287,957
Additions	-	154,000	1,792,334	3,499,342	1,886,698	3,833,825	116,633,597	127,799,796
Transfer from project under construction	-	150,830,208	51,928,186	-	4,902,998	10,153,154	(217,814,546)	-
Disposals	-	-	(1,706,872)	(1,404,000)	(1,717,120)	(6,518,408)	-	(8,840,368)
Balance at 31 December	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								
Balance at 1 January	-	16,246,909	91,812,886	18,411,894	14,953,930	12,986,245	-	154,411,864
Charge for the year	-	4,494,755	13,559,506	4,007,000	4,158,171	3,143,005	-	29,362,437
Disposals	-	-	(130,078)	(1,042,741)	(1,689,834)	(4,855,624)	-	(7,718,277)
Balance at 31 December	-	20,741,664	105,242,314	21,376,153	17,422,267	11,273,626	-	176,056,024
Net book value at 31 December	62,226,931	242,334,120	306,102,110	8,507,171	14,088,820	15,637,626	14,788,551	663,685,329
								568,876,093

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements – For the year ended 31 December 2013

(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 company, New HB acquisition LLC "limited liability company" 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 Company 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 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 from 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 in subsidiaries

	Country of Incorporation	% interest held	2013	2012
Digma for Trading Company	Egypt	99.80%	44,939,638	44,939,638
Edita confectionary Industries	Egypt	77.71%	42,739,000	42,739,000
Edita Participation Ltd	Cyprus	100%	-	37,675,200
Edita Participation Ltd	Cyprus	100%	14,024	-
Balance			87,692,662	125,353,838
Investment Impairment loss			(28,000,000)	(28,000,000)
Balance at year end			59,692,662	97,353,838

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

* On 23 January 2013 Edita Food Industries sold all it's investments in Edita Participation to Chipita Participation by an amount of Euro 5,397,615.

* On 30 January 2013 Edita Food Industries established Edita Participation (L.L.C.) Limited Liability Corporation in Cyprus in 1,500 the number of shares, the value of each share is 1 Euro.

EDITA FOOD INDUSTRIES S.A.E.**Notes to the separate financial statements – For the year ended 31 December 2013**

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

8. Inventories

	<u>2013</u>	<u>2012</u>
Raw materials	51,949,730	57,848,072
Spare parts	13,940,810	9,079,956
Work in process	1,147,988	2,052,576
Consumables	1,391,758	1,272,577
Finished goods	2,037,378	980,422
Total	70,467,664	71,233,603
Less: provision for net realizable value	(584,913)	(177,000)
Net	69,882,751	71,056,603

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 25).

9. Accounts and notes receivables

	<u>2013</u>	<u>2012</u>
Trade receivables	8,083,352	3,787,501
Total	8,083,352	3,787,501

10. Debtors and other debit balances

	<u>2013</u>	<u>2012</u>
Advances to suppliers	41,933,361	21,212,014
Other debit balances	774,719	1,541,678
Deposits with others	650,509	530,539
Letters of credit	254,779	63,149
Prepaid expenses	182,700	1,069,918
Employee loans	122,252	346,072
Accrued revenues	88,222	65,486
Total	44,006,542	24,828,856

EDITA FOOD INDUSTRIES S.A.E.**Notes to the separate financial statements – For the year ended 31 December 2013**

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

11. Due from related parties

	2013	2012
Edita Confectionary	35,317,732	23,313,470
Digma for Trading Company	6,033,440	14,908,665
Edita Participation Ltd.	225,452	355,180
Chipita Participation Ltd.	-	49,951
Total	41,576,624	38,627,266

12. Cash and bank balances

	2013	2012
Bank deposits	125,238,113	151,830,040
Treasury bills*	82,469,120	-
Cash at banks	2,898,025	1,519,382
Cash on hand	722,247	333,107
Total	211,327,505	153,682,529

Treasury bills

	2013	2012
Treasury bills par value	83,100,000	-
Total interest income	(653,411)	-
Amount of treasury bills paid	82,446,589	-
Accrued interest expense till 31 December	22,531	-
Treasury bills balance	82,469,120	-

The Company purchased treasury bills on 30 December 2013 with par value amounted LE 83,100,000 with an annual interest of 9.95%. These treasury bills are due in 28 January 2014. The total accrued interest income amounted to LE 22,531 on 31 December 2013.

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

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

	2013	2012
Cash on hand and at banks	211,327,505	153,682,529
Bank overdraft (Note 14)	(37,242,038)	(26,877,428)
Total	174,085,467	126,805,101

EDITA FOOD INDUSTRIES S.A.E.**Notes to the separate financial statements – For the year ended 31 December 2013**

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

13. Provisions

	<u>2013</u>	<u>2012</u>
Balance at 1 January	7,335,021	3,085,022
Additions during the year (Note 25)	7,321,000	4,249,999
Utilized during the year	(6,975,530)	-
Balance at 31 December	<u>7,680,491</u>	<u>7,335,021</u>

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

14. Bank overdraft

	<u>2013</u>	<u>2012</u>
Bank overdraft	37,242,038	26,877,428
Total	<u>37,242,038</u>	<u>26,877,428</u>

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

15. Trade and other credit balances

	<u>2013</u>	<u>2012</u>
Trade payables	67,002,693	60,574,811
Notes payable	46,056,394	33,083,653
Accrued expenses	32,664,450	19,540,808
Taxes payable	8,083,851	4,144,057
Other credit balances	7,504,840	6,330,858
Advances from customers	5,380,839	1,087,504
Dividends payable	974,741	736,796
Social insurance	78,802	93,859
Total	<u>167,746,610</u>	<u>125,592,346</u>

EDITA FOOD INDUSTRIES S.A.E.**Notes to the separate financial statements – For the year ended 31 December 2013**

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

16. Income tax liabilities

	<u>2013</u>	<u>2012</u>
Balance at 1 January	22,294,518	14,747,968
Income tax paid during the year	(22,294,518)	(14,747,965)
Withholding tax receivable	(1,115,116)	(775,344)
Income tax for the year (Note 27)	60,053,813	35,371,844
Corporate income tax – advances	(18,105,000)	(11,760,000)
Accrued interest – advances (Note 26)	(611,000)	(441,000)
Adjustments	-	(100,985)
Balance at 31 December	<u>40,222,697</u>	<u>22,294,518</u>

17. Current portion of long-term liabilities

	<u>2013</u>	<u>2012</u>
Short-term loan (Note 20)	105,416,355	69,066,989
Current portion of long-term notes payable (Note 21)	9,425,154	8,864,318
Sales tax on machinery (Note 22)	25,296	80,519
Total	<u>114,866,805</u>	<u>78,011,826</u>

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:

	<u>No. of shares</u>	<u>Shares value</u>	<u>Percentage of ownership</u>
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%
	<u>7,253,629</u>	<u>72,536,290</u>	<u>100 %</u>

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

EDITA FOOD INDUSTRIES S.A.E.**Notes to the separate financial statements – For the year ended 31 December 2013**

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

20. Long-term loan

	2013			2012		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	27,084,155	-	27,084,155	27,546,110	26,637,786	54,183,896
Second loan	27,825,521	37,500,000	65,325,521	29,034,401	62,500,000	91,534,401
Third loan	26,371,395	35,000,000	61,371,395	12,486,478	11,143,746	23,630,224
Fourth loan	24,135,284	35,000,199	59,135,483	-	-	-
	105,416,355	107,500,199	212,916,554	69,066,989	100,281,532	169,348,521

The loans due according to the following schedule:

	2013	2012
Balance due within 1 year	98,304,320	63,307,786
Accrued interest	7,112,035	5,759,203
	105,416,355	69,066,989

• **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 installments 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.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate 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)

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.

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 except for last installment amounted to LE 11,667,000.

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

Interest:

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

Fair value:

Fair value is approximately equal to market value.

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements – For the year ended 31 December 2013

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

21. 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.

	2013		2012	
	Notes payable	Present value	Notes payable	Present value
Short-term notes payables				
Current portion of long-term notes payables (Note 17)	9,425,154	9,425,154	8,864,318	8,864,318
Total short-term liabilities	9,425,154	9,425,154	8,864,318	8,864,318
	2013		2012	
	Notes payable	Present value	Notes payable	Present value
Long-term notes payables:				
Notes payable due for more than one year and less than 5 years	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 3,180,916) as the interest has been charged on the statement of income as a finance cost (Note 26).

22. 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 (Note 17)	(25,296)	(80,519)
Total balance of long term liabilities	-	25,296
Present value of instalments	-	25,296

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements – For the year ended 31 December 2013

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

23. Deferred tax liabilities

	Fixed assets depreciation	Impairment of investment in subsidiaries	2013	2012
A. Deferred tax assets				
Balance at 1 January	-	7,000,000	7,000,000	-
Charged to income statement	-	-	-	7,000,000
Balance at 31 December	-	7,000,000	7,000,000	7,000,000
B. Deferred tax liabilities				
Balance at 1 January	(37,883,988)	-	(37,883,988)	(27,786,360)
Charged to income statement	(17,412,562)	-	(17,412,562)	(17,097,628)
Balance at 31 December	(55,296,550)	-	(55,296,550)	(44,883,988)
Net deferred tax	(55,296,550)	7,000,000	(48,296,550)	(37,883,988)
Balance at 1 January	(44,883,988)	7,000,000	(37,883,988)	(27,786,360)
Charged to income statement	(10,412,562)	-	(10,412,562)	(10,097,628)
Balance at 31 December	(55,296,550)	7,000,000	(48,296,550)	(37,883,988)

24. Other income - Net

	2013	2012
Gain from sale of investment	12,388,283	-
Gain (loss) from sales of fixed assets	(1,361,619)	4,028,376
Export incentive	2,810,683	3,676,989
Gain from sales of production waste	4,837,262	3,299,708
Others	725,471	2,630,840
Total	19,400,080	13,635,913

25. Provisions (income statement)

	2013	2012
Other provisions (Note 13)	7,321,000	4,249,999
Provision for slow moving inventory	500,004	126,038
Total	7,821,004	4,376,037

EDITA FOOD INDUSTRIES S.A.E.**Notes to the separate financial statements – For the year ended 31 December 2013**

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

26. Finance costs - Net

	<u>2013</u>	<u>2012</u>
Interest in corporate tax advance	611,000	441,000
Interest income	4,827,987	184,525
Interest expenses	(19,399,886)	(3,735,370)
Foreign exchange (loss) / gain	(358,978)	3,247,207
Interest on lands' installments (Note 21)	(2,332,088)	(3,180,916)
Net	<u>(16,651,965)</u>	<u>(3,043,554)</u>

27. Income tax expense

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

	<u>2013</u>	<u>2012</u>
Income tax for the year (Note 16)	60,053,813	35,371,844
Deferred Tax (Note 23)	10,412,562	10,097,628
Adjustments	-	(100,985)
Total	<u>70,466,375</u>	<u>45,368,487</u>

	<u>2013</u>	<u>2012</u>
Net profit before tax	320,662,474	218,312,754
Tax calculated based on tax rate 20%	-	2,000,000
Tax calculated based on tax rate 25%	80,165,619	52,078,189
	<u>80,165,619</u>	<u>54,078,189</u>
Tax effect of non-deductible expenses	1,830,232	1,318,253
Tax effect of non-taxable revenues	(11,529,476)	(13,036,515)
Adjustments	-	3,008,560
Income tax expense	<u>70,466,375</u>	<u>45,368,487</u>

EDITA FOOD INDUSTRIES S.A.E.

Notes to the separate financial statements – For the year ended 31 December 2013

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

28. Expenses by nature

	2013	2012
Cost of goods sold	1,002,152,278	832,620,104
Selling and marketing	85,941,434	88,298,078
General and administrative expenses	58,011,731	45,220,400
	1,146,105,443	966,138,582
Raw materials used	830,902,418	682,968,644
Salaries and wages	140,140,836	114,648,698
Advertising expense	60,085,179	55,985,693
Depreciation	29,362,437	28,962,058
Vehicle expense	17,845,164	13,359,990
Royalty	1,405,623	12,564,290
Employees benefits	16,858,627	12,187,418
Fuel, oil, water and electricity	16,822,348	12,062,353
Transportation expense	13,631,900	10,602,862
Miscellaneous and other expense	9,665,991	7,640,452
Consumables	6,651,376	6,076,389
Maintenance	7,377,001	4,719,131
Change in inventory	(5,745,974)	2,586,484
Rent expense	1,102,517	1,774,120
	1,146,105,443	966,138,582

29. 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 13,730,297 as at 31 December 2013 (2012: LE 2,322,749).

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 2013.

c. Corporate tax

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

Contingent liabilities (continued)

d. Payroll tax

- The payroll tax inspection was performed till 31 December 2007 and company paid tax due.
- As for 2008 and 2009 the Company is under tax inspection and no tax claim has been received yet by Tax Authority up till the balance sheet date.
- As for the years from 2010 till 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.

e. 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.

f. 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.

30. 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 2013 amounted to LE 1,316,048,578 (2012: LE 1,044,774,800).

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 know how of Chipita International company.

The royalty paid in 2013 amounted to LE796,880 (2012: LE 963,481) and the balance due from Chipita International company at 31 December 2013 amounted to LE Zero (Note 11).

3. Edita Confectionary Industries

Edita Confectionary Industries produce all kinds of sweets, gelly and gum and the balance during 2013 amounted to be LE 12,004,262, so the balance of all transactions amounted to be LE 35,317,732.

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 2013 the company paid an amount of LE 22,815,632 as salaries to the key management members (2012: LE 17,986,942).