



Edita Food Industries S.A.E.

# THE SWEET SIDE OF LIFE

ANNUAL  
REPORT

2016



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# At a Glance

Despite an exceptional operational year, Edita managed to maintain its leading position in the budding Egyptian packaged snack food market, with its extensive range of branded baked snack products including packaged cakes, croissants, rusks, and wafers as well as select confectionery / candy products

Established in 1996, Edita Food Industries is a frontrunner among FMCG companies in Egypt and the Middle East, employing over 5,700 people and with 80 SKUs as of year-end 2016. Due to its reputation for quality and innovation, Edita has managed to garner a leading market share in each of the five segments where it operates in the Egyptian snack food market. Edita’s production umbrella contains a wide variety of high-quality products, including household names such as Molto, TODO, Bake Rolz, Bake Stix, Mimix, HoHo’s, Twinkies, Tiger Tail and Freska.

Through its four state-of-the-art production facilities encompassing 27 production lines and a nationwide distribution network, Edita has been fully able to meet the consistent demand for its products. Edita’s customer base includes over 5,464 direct wholesale customers and 61,925 direct retail customers, and the company exports to more than 16 markets in the region.

## OUR BRAND PORTFOLIO

-  TODO, HoHo’s, Twinkies, Tiger Tail
-  Molto
-  Bake Rolz, Bake Stix
-  Freska
-  MiMix



2.9 <sub>bn</sub> PACKS SOLD IN FY2016	9 BRANDS & 80 SKUs	5 PRODUCT SEGMENTS
>16 REGIONAL EXPORT DESTINATIONS	>5,700 EMPLOYEES	>67,000 WHOLESALE & RETAIL CUSTOMERS
EGP 2.5 <sub>bn</sub> REVENUES IN FY2016	MARKET LEADER WITH A C.11.3% MARKET SHARE	4 ISO CERTIFIED MANUFACTURING FACILITIES



# Letter from our Chairman



## FELLOW SHAREHOLDERS,

Edita started off 2016 having already placed a strategy that allowed us to deliver outstanding results in an exceptionally challenging year — one in which Egypt faced high inflation, a foreign exchange shortage, a yawning gap between the parallel and official market prices of foreign exchange, a new value-added tax regime and the ongoing phase-out of subsidies.

In our second year as a publicly traded company, we delivered exceptional results, including double-digit revenue growth that supported our operating margins and saw us preserve or extend our market share leadership across critical segments. This was no lucky chance, it came as we delivered innovative new products and accelerated the execution of our price-point migration strategy rolled out as early as 2015 ahead of the competition, which allowed us to raise our average selling price across all product segments by more than 28% last year.

On the market share front, we ended 2016 as the clear leader in the cakes segment with a nearly 57% share and grew our share of the croissant market to more than 68%. We have also captured an additional five percentage points of market share in the rusks market, taking us to more than 40%. Our market share performance came from the continued build-out of our distribution network, where we added to both our fleet and to the total base of clients served from our 21 national distribution centres.

We began laying the groundwork for this performance in late 2015, when we launched our price-point migration strategy to preserve and enhance our margins. This began with indirect price increases when we retired our Twinkies SKU and replaced it with new, higher-margin products. We accelerated the strategy in the course of 2016, launching new higher-priced products and moving forward with aggressive direct price increases for the first time, allowing us to raise the prices of our Molto SKUs by 25-50% and then those of our TODO range by

50%. We then followed with a complete restructuring of our product portfolio in December 2016 following the float of the Egyptian pound the month before.

We continue to see that today's high-inflation environment is a unique opportunity to raise our average selling prices, a view that allowed us to deliver growth in total sales in the fourth quarter even as volumes declined during the same period on the back of a temporary lag in consumer acceptance of higher-priced products.

We have already written the playbook for how we plan to use the production capacity freed-up by lower sales volumes — it is the same one from which we executed when we retired the old Twinkies SKU: We will focus on innovation. We have been focused since 2016 on laying the groundwork for both new products using our existing technical know-how and new confections our exceptional in-house R&D team is ready to bring to market. Our goal is simple, to use our R&D capacity, brand portfolio, marketing strength, and industrial operations know-how to aggressively preserve and enhance our market leadership and to open up new market segments previously unserved and characterized by having a high growth potential, all with a view to capturing the benefits of future economic growth in Egypt.

We will lock these gains in by continuing to strengthen the backbone of our operation — our distribution network. Here, we are continuing to shift our network toward retailers with an aim to see them constitute the bulk of our revenues. This gives us more direct control of the market and better visibility on market trends, as well as enhance our ability to pass through price changes. At the same time, a continued focus on cost discipline will see us focused this year on preserving margins. We are working closely with our suppliers to ensure contracts are priced at competitive terms, and we have already made headway in reducing our dependency on imported materials. We will continue to

deploy our R&D capabilities and our creative approaches with Egyptian suppliers to reach an optimal cost structure.

In parallel, we will continue to push forward with our regional expansion strategy and further drive the export growth momentum witnessed during the year. Our efforts throughout 2016 have seen us ink an agreement with Kingdom of Saudi Arabia's Khalifa A. Algosaihi Cold Stores to distribute our brands throughout KSA. Overall, we delivered over 26% y-o-y growth in our export revenues, with export receipts representing more than 7% of our total sales. Heading into 2017, we will explore both organic and inorganic expansion opportunities as a means to unlock new growth and create new shareholder value.

I am confident we have the people, the know-how, the product portfolio and the business model we need to deliver on our growth strategies. Ladies and gentlemen, I have several times in recent months found myself quoting Virgil: Fortune favours the bold. A bold approach to our market helped us create a business that is built on trusted consumer brands, unique R&D, exceptional marketing prowess, and deep manufacturing know-how.

That same spirit will see us emerge in the years ahead as the next grown-in-Egypt multinational.

**Hani Berzi**  
Chairman and Managing Director



# 2016 in Review

2016 has proven to be one of the most challenging years on the back of macroeconomic developments, however, Edita was able to leverage its operational resources and brand equity to maintain its position as a leading snack food company

## ECONOMIC LANDSCAPE

The Egyptian economy witnessed significant challenges during 2016 that are now being tackled with an economic reform program, yet with some adverse consequences



Limited FX supply and continued weakening of the EGP



Rising prices of imported commodities as well as local ones with an FX component

### VAT

Implementation of a new value-added tax (VAT) system to replace the old sales tax regime

### EGP

The Central Bank of Egypt floats the Egyptian Pound, causing it to lose almost 50% of its value

## MARKET DEVELOPMENTS

The Snack food market nevertheless continued to grow, driven by its solid fundamentals and fast-changing consumer tastes



The croissant segment was the fast growing segment recording y-o-y growth of 21.4% to EGP 1.0 billion



The cake segment posted growth of 11.5% y-o-y, closing 2016 at EGP 1.8 billion



Representing 5.2% of the salty snacks market that is dominated by potato chips, the rusks segment grew by a solid 13.9% y-o-y to EGP 390 million



The wafer market remained somewhat unchanged at a total value of EGP 1.7 bn



The candy segment witnessed a y-o-y contraction of c.6% to EGP 543 million

## OPERATIONAL HIGHLIGHTS

Edita continued to strengthen its operational capacity and market position throughout 2016, adding new production lines, rolling out new products and enhancing its distribution network



Edita commissioned its new strudel line in March 2016 and a new candy line in November 2016



Edita launched new, innovative higher-priced products, including the TODO Bomb, Molto Pate, Twinkies Icing and TODO Brownies



In line with its strategy of increased reliance on retail channels, Edita continues to enhance its distribution network



Edita is actively capturing opportunities to expand regionally, already having expanded its presence in the Kingdom of Saudi Arabia and grew its exports by 26% y-o-y



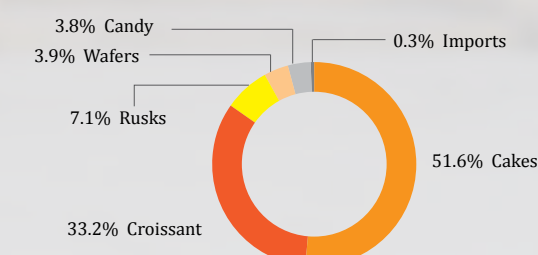
Edita finalized contracts for its new wafer and cake lines set to begin production in 2H2017, while construction of the new E08 factory remains on track.

## FINANCIAL HIGHLIGHTS

Thanks to management's insight and the early rollout of Edita's price-point migration strategy, the company posted double-digit revenue growth in FY2016 despite the macroeconomic challenges

### REVENUES

EGP 2.5 bn in FY2016 up 12.5% y-o-y



### GROSS PROFIT

EGP 898.3 mn up 4% y-o-y margin of 35.9%

### EBITDA

EGP 522 mn flat y-o-y margin of 21%

### NET PROFIT

EGP 47.4 mn down 86% y-o-y owing to FX losses, margin of 2%

Severe inflationary pressures, up to 23% y-o-y in December 2016, with consumers' purchasing power rapidly diminishing

Overall the snack food market recorded y-o-y growth of c.10% to EGP 18.0 billion\*

Edita ideally positioned to capture the fundamentally positive outlook of the snack food market and lock-in future growth

Operating margins remaining healthy despite unprecedented cost inflation, supported by the company's price point migration strategy

\*Total market includes the biscuits, chocolates and gum segments. | Source: AC Nielsen Retail Audits.



# Our Strategy

## Edita's goal of staying at the forefront of the snack food industry and maximizing shareholder value serves as the anchor for its strategic focus

Edita's ability to leverage its focused brand and product portfolio management, strong marketing acumen and continued operational efficiencies have seen it grow to become among Egypt's leading snack food manufacturers with an excellent competitive position. Throughout 2016, Edita implemented major product repricing and portfolio rationalization strategies and invested in capacity expansion that allowed the com-

pany to deliver shareholder value against a backdrop of the unprecedented macroeconomic headwinds.

As the company seeks to continue delivering profitable growth well into the future, Edita has set forth three key strategic priorities for 2017 to capitalize on the solid fundamentals that continue to underpin the snack food industry.

### 1

#### INNOVATION & PRODUCT DIFFERENTIATION

Product innovation has always been a cornerstone of Edita's success. A consumer-centric company at its core, management understands the importance of ongoing product innovation to satisfy our customers' ever-changing tastes in order to stay ahead of its competition. In the coming year, the company looks to take further advantage of its in-house R&D capabilities, as well as of the acquired manufacturing know-how, to roll out new products that offer new value propositions to its consumers.

To maintain its strong growth trajectory in existing segments, Edita must make deeper inroads into the snack food market. The company has seen some early success demonstrated by strong demand for Edita's new and innovative cake and croissant products – including TODO Brownies, TODO Bomb and Molto Pate. The ability to

deliver innovative high-quality product that meets the demands of evolving consumer tastes is what strengthens the company's brands and distinguishes them from the competition. The company plans to use production capacity that has been strategically freed by lower volumes on existing SKUs to introduce new, higher-margin products in 2017, including both Edita-developed product and others from its Hostess agreement.

It is noteworthy that there is ample opportunity for Edita to diversify beyond its leadership positions in cakes and croissants into new product revenue streams in the future. Egypt's EGP 18.0 billion snack food market is primarily divided into eight main segments including salty snacks, cakes, wafers, croissants, candy, biscuits, gum and chocolates. With demonstrated product innovation expertise and an extensive distribution network, Edita would be able to venture into some of these larger, more fragmented segments to create new future growth opportunities.

### 2

#### ENHANCING DISTRIBUTION

Edita will focus sharply on optimizing its distribution channel mix in 2017 in order to increase its market penetration rates. Seeking more direct access to its consumers, the company has been actively pursuing a strategy of increasing sales through its retail channels, with an objective of reaching a 25:75 mix between wholesale and retail distribution by 2021. On the ground efforts to support this market-penetration strategy include a

network of 21 distribution centres and a fleet of 577 vans (2015: 544) servicing customers across Egypt.

Increasing direct access to retail channels provides Edita with a more accurate consumer pulse, which in turn enables the company to react more quickly to changing dynamics. The retail channel also tends to accept higher product price points earlier than the wholesale channel, which has helped to facilitate the company's price point migration strategy.

### 3

#### REGIONAL EXPANSION

Beyond protecting and extending its lead in the local snack food market, Edita's vision for the future extends beyond borders with geographic expansion another strategic priority in 2017. As Edita aspires to be leading regional competitor with a stream of export revenues, the company is actively exploring new markets as it works to capitalize on its solid brand portfolio and manufacturing capacities. Edita has already moved forward on this front with the recently signed agreement with the Kingdom of

Saudi Arabia's (KSA) Khalifa A. Algosaihi Cold Stores to distribute the HTT brands throughout KSA.

Edita is confident in its ability to successfully replicate its business model and growth strategy across regional markets, and is open to both organic and inorganic opportunities. The company's regional expansion drive could take the form of new distribution agreements, similar to the one in place in KSA; or direct on-the-ground investment; or M&A transactions, either in Egypt or expansion markets.

#### HUMAN CAPITAL

Believing human capital to be the driving force behind the company's success, management continues to ground its human resource strategy in developing high-performing teams and empowering employees.



# 20 Years of Continued Success

Since its inception in 1996, Edita has capitalized on its solid reputation for quality and affordability and its ability to conquer adversity, establishing itself as one of the leading snack food companies in Egypt with an 11.3% market share



**1996**

Edita is founded and begins construction of the E-06 Plant in 6th of October City



**1997**

Launch of Molto line, the first packaged croissant in the Egyptian market



**2000**

Launch of rusks line with Bake Rolz



**2003**

Edita purchases and upgrades the Hostess factory in 10th of Ramadan City and enters the snack cake market under license with Hostess Brands LLC (HTT)



**2006-09**

Edita attains world class safety certifications including HACCP, ISO 22000, ISO 9001, and ISO 18001



**2010**

- Edita launches TODO family
- Introduction of handheld online receipt computers from Motorola Solutions



**2011**

- Edita undergoes a rebranding campaign
- Sales cross the EGP 1 billion milestone
- The company enters the candy market with MiMix, building a production facility in Beni Suef



**2012**

- Edita launches wafer products
- Builds a production plant in Polaris Industrial Park to meet increased demand



**2013**

- Edita builds a new headquarters and logistics hub in Sheikh Zayed City
- The company introduces an ERP system upgrade
- Acquires HTT brands in Egypt, Libya, Jordan, and Palestine



**2015**

- The company lists on the Egyptian Stock Exchange
- Edita acquires rights to HoHo's, Twinkies, and Tiger Tail (HTT) brands in 12 additional MENA countries, acquires technical know-how to manufacture 11 new Hostess products
- Edita acquires land in 6th of October City's Polaris Al-Zamil district to build a new factory (E08)
- Four new production lines added — two croissant lines, one cake line, and one rusk line — in Edita's E07 factory extension



**2016**

- Edita's new strudel line commissioned and launched the Molto Pate SKUs in March 2016
- Began construction of phase one of new E08 factory
- Launched TODO Bomb in 1Q2016, Twinkies Icing in 2Q2016 and TODO Brownies in 3Q2016
- Acquires new land for the keystone project where the premix formula will be produced
- Inks agreement with KSA's Khalifa A.Algosaibi Cold Stores for the distribution of its HTT Brands
- New candy line installed, and production began in 4Q2016

# Segments & Brands













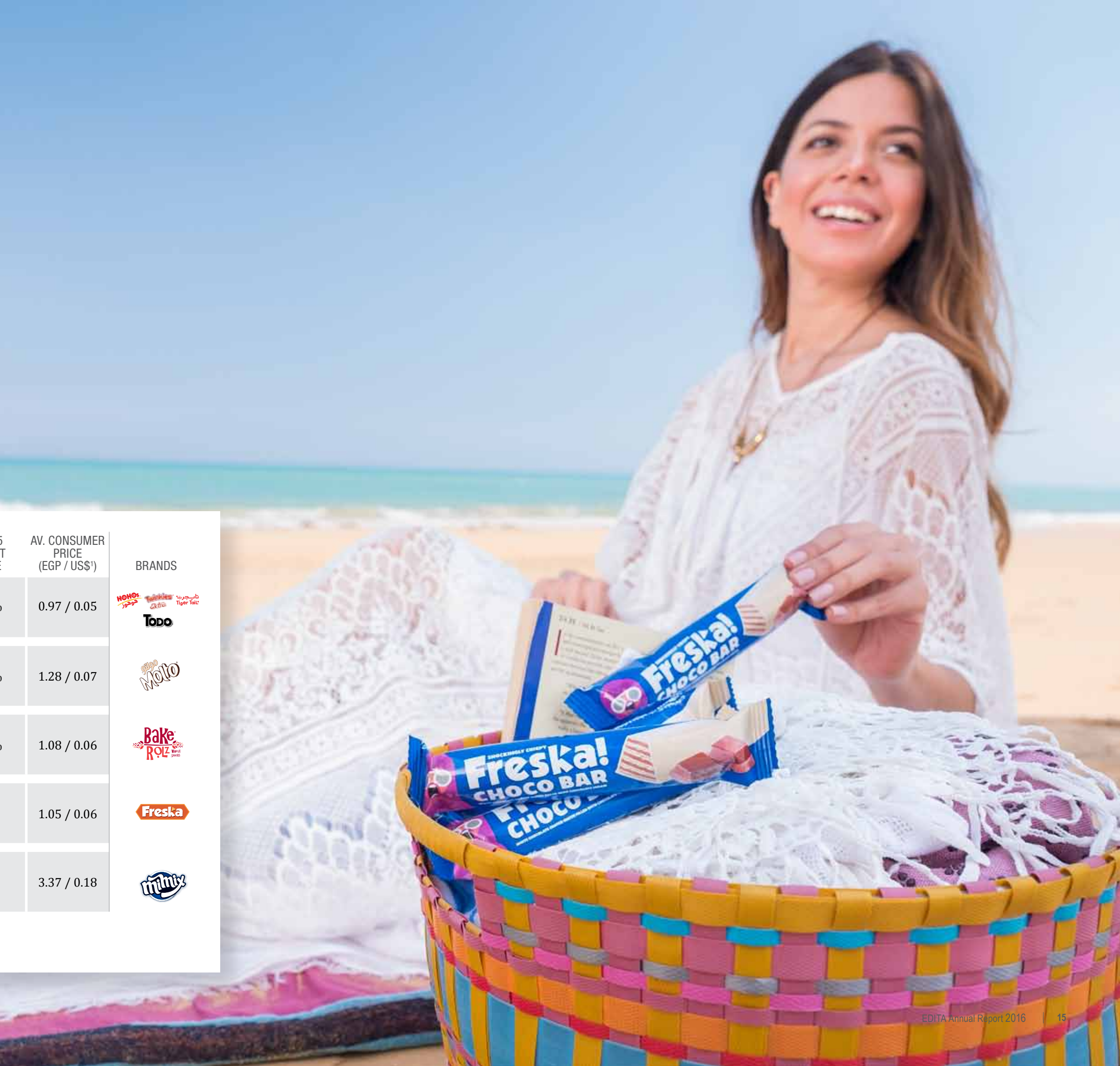
# Segments & Brands

Edita operates across five segments in the Egyptian snack food market offering nine distinct brands and 80 SKUs

Edita has continued throughout 2016 to command a leading position in all five of the market segments it operates. The year saw the company cement its reputation for quality, but also gain advantage in existing segments by introducing new and innovative product offerings catered to the changing tastes of the Egyptian market. As of FY2016, cakes ranked #1 with a 56.6% share of the Egyptian market, croissants #1 with a 68.3% market share, baked salty snacks / rusks #2 with a 41.5% market share, wafers #4 with a 7.3% market share, and candy #2 with a 12.5% market share.

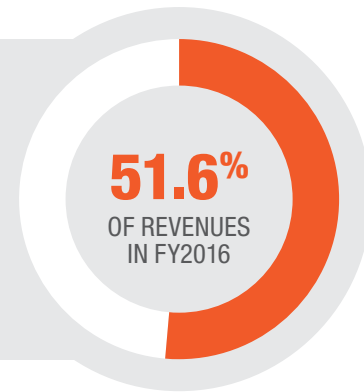
	MARKET POSITION	FY2016 MARKET SHARE	FY2015 MARKET SHARE	AV. CONSUMER PRICE (EGP / US\$1)	BRANDS
CAKES	#1	56.6%	63.6%	0.97 / 0.05	   
CROISSANTS	#1	68.3%	67.8%	1.28 / 0.07	
RUSKS	#2	41.5%	37.2%	1.08 / 0.06	
WAFERS	#4	7.3%	7.7%	1.05 / 0.06	
CANDY	#2	12.5%	NA	3.37 / 0.18	

Source: AC Nielsen Retail Audit, IPSOS December 2016  
US\$/EGP of 18.41 as of 31 December 2016 (CBE).





# Cakes



Egypt's cake market continues to record y-o-y growth and constitutes c.10% of the country's snack food sector. During the year, Edita's cake segment posted revenues of EGP 1,292.6 million, making up the majority of Edita's top line at 51.6% and posting y-o-y growth of 7.2%.

Despite Edita's cake volumes and market share initially declining following the Twinkies upsizing in September 2015, the company remained the dominant player in the segment throughout 2016, closing the year with a 56.6% market share. Total volumes sold for the year stood at 56,200 tons, down 13.7% y-o-y as a consequence of the Twinkies upsizing. Edita was quick to utilize freed-up capacities to rollout new higher-priced products, including the TODO Bomb, TODO Brownies and Twinkies Icing.

As consumers gradually accepted Edita's more premium offerings, cake volumes closed 4Q2016 up 13.4% y-o-y, reversing the downward trend witnessed over the course of the previous three quarters.

Early implementation of the company's price-point migration strategy meant that the cake segment was the first to reap its rewards, with higher prices and higher volumes translating into a significant 45.6% y-o-y rise in sales for 4Q2016.

As penetration rates continue to grow, management sees strong potential in the sector over the medium to long term, despite inflationary increases stemming from the float of the EGP.



*Our in-house developed brownie cake is the first mass-distributed brownie with a competitive shelf-life, satisfying consumer tastes with its lasting freshness*



HOHO's  
هوهوز

HoHo's is one of Edita's most popular cakes. These cylindrical, frosted, cream-filled chocolate snack cakes offer just the right amount of sweetness to entice the taste buds.

Twinkies  
Extra

A golden or chocolate sponge cake with a creamy filling offering satisfaction with every bite.

تايجر تيل  
Tiger Tail

Similar to Twinkies, Tiger Tail is a golden sponge cake with a creamy filling garnished with raspberry jelly and coconut.

TODO

Edita's new, premium range of cakes, TODO offers a variety of flavours billed as "the sweet experience that keeps me going."

#1

position with 56.6%  
market share

35

SKUs

6.9%

2012-2016  
Revenue CAGR

## PRODUCTS

rolled, filled and layered cakes as well  
as the market's first, long shelf life  
brownies

## MARKETS

Egypt, Palestine, Iraq, Libya, Jordan,  
Lebanon, Syria, KSA, Sudan, Dubai,  
Yemen, Kuwait, Bahrain, Djibouti,  
Russia

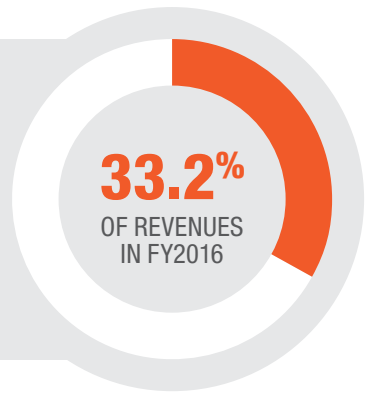
## BRANDS

TODO, HoHo's, Twinkies,  
Tiger Tail





# Croissants



The packaged croissant sector is the fastest-growing segment in Egypt's snack food market. In FY2016, the croissant segment revenues posted EGP 830.7 million, contributing some 33.2% of Edita's top-line and recording an 11.0% y-o-y growth.

Edita is capitalizing on the segment's expansion opportunities by continuing to boost capacity additions in the sector, having already supported an 87% increase in croissant capacity in FY2015 and commissioned a new strudel line (Molto Pate) in March 2016.

Starting 4Q2016, management began to apply its price point migration strategy to the segment, implementing c.25-50% direct price increases on most SKUs in October 2016 and again in December 2016. While the move has pressured volumes, Edita continued to maintain its dominant market share of 68.3% compared to 67.8% in FY2015, according to AC Nielsen Retail Audits.



The first of its kind in Egypt and neighbouring countries. The packaged croissant brand Molto was launched 2 decades ago as a new concept promising a delicious yet more healthful snacking alternative. The brand is available in both sweet and savoury varieties.



*Our innovative croissant and pate fillings are cooked to perfection with the highest quality ingredients and using state-of-the-art technology*



#1

position with 68.3%  
market share

15

SKUs

21.1%

2012-2016  
Revenue CAGR

## PRODUCTS

sweet and savory croissants and  
strudels

## MARKETS

Egypt, Palestine, Iraq, Libya, Jordan,  
Lebanon, Syria, Sudan, Kuwait,  
Djibouti, Kenya

## BRANDS

Molto, the first branded  
product introduced in 1996




# Rusks

As one of Egypt's most mature segments, salty snacks are by far Egypt's most consumed snack food category, accounting for approximately 41.7% of all snack consumption in the country as at December 2016. Edita competes in the relatively smaller but rapidly expanding rusk segment of the market, representing 5.2% of the potato-chip dominated salty snack segment.

Buoyed by new capacities added in December 2015, doubling the company's production output and creating a de-bottleneck effect in sales, rusk revenues posted an

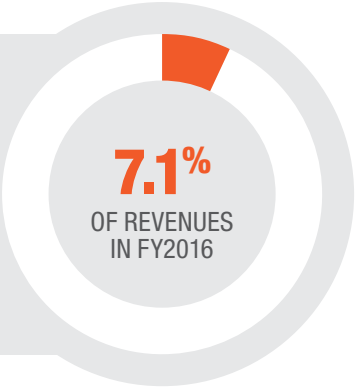
impressive 89.9% y-o-y growth in FY2016 to EGP 178.8 million, contributing 7.1% to Edita's top line compared to 4.2% in FY2015 and capturing 41.5% of the rusk market. Edita's also implemented price increases across the segment's SKUs in December 2016 in line with its repricing strategy.



A value brand that offers customers satisfaction, wellbeing, and choice, Bake Rolz is a healthy salty snack baked from 100% wheat. This crunchy, salty treat is available in six flavours: salt, pizza, ketchup, chili & lemon, and mixed cheese & olives.



Bake Stix takes the satisfaction and wellbeing mantra a step further, adding more flavours and variety to Edita's salty snack line. Made of 100% wheat and always baked, Bake Stix offer a different texture and taste mix from Bake Rolz to satisfy every palate. Bake Stix are available in five flavours: oriental sausage, oriental spices, BBQ, salt & pepper, and cheese.



*With a constantly expanding variety of unique flavors, our Bake Rolz and Bake Stix brands are quickly gaining market share in the fast growing rusks segment*

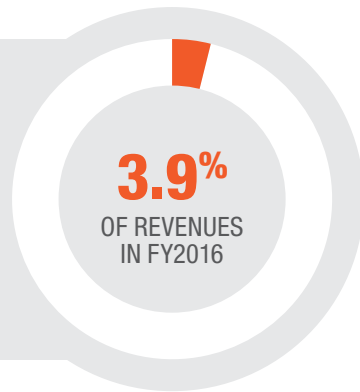


<b>#2</b> position with 41.5% market share of the rusk market	<b>16</b> SKUs	<b>20.6%</b> 2012-2016 Revenue CAGR
<b>PRODUCTS</b> baked wheat salty snacks	<b>MARKETS</b> Egypt, Jordan, Palestine, Lebanon, Oman, Sudan, Dubai, Nigeria, Kenya	<b>BRANDS</b> Bake Rolz & Bake Stix





# Wafers



Making up over 9% of the total snack market in 2016, the wafer segment enjoys a high growth profile due to frequent and expansive consumption patterns. Edita competes in this segment with its premium Freska brand, continuing throughout the year to grow its market share through its competitive advantages within this exceedingly fragmented market.

Revenues from the wafer segment increased 15.4% y-o-y in FY2016 to EGP 98.3 million and contributing 3.9% to Edita's revenues versus 3.8% in FY2015. The segment sold a total of 3,300 tons in FY2016, up 5.1% y-o-y, with Edita currently in the process of commissioning a new wafers line set to begin production in 2017.

Freska

Freska is the most premium and indulgent wafer product to hit the market, having been made available in five flavours each with a variety of coatings and fillings to satisfy all tastes.



*Edita's Freska wafers are known for their superior quality and innovative flavors, including coated and uncoated offerings*



#4

position with 7.3%  
market share

5

SKUs

84.5%

2012-2016  
Revenue CAGR

PRODUCTS

coated and uncoated wafers

MARKETS

Egypt, Palestine, Lebanon, KSA,  
Sudan, Yemen, Nigeria, Kuwait,  
Djibouti, Russia

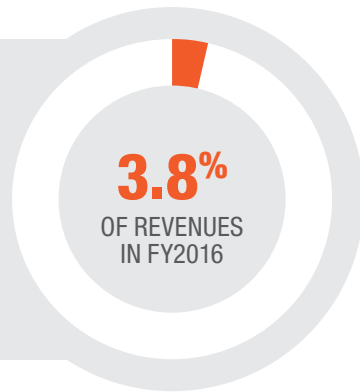
BRANDS

Freska





# Candy



The candy segment is a highly fragmented market in Egypt dominated by small players that make up approximately 40% of the sector. This relatively new segment for Edita brought in revenues worth EGP 95.8 million in FY2016, a 13.6% y-o-y increase, with contribution to Edita's revenues remaining unchanged at 3.8%. The growth was mostly

volume driven, having sold a total of 4,000 tons during the year, while prices were increased in mid-December 2016. Edita entered the segment with its premium MiMix brand, eventually delving into lollipops in 2016 with a line commissioned in November 2016. The company's market share in the segment grew to 12.5% in FY2016.



MiMiX is Edita's unique range of confectioneries available in four varieties – toffee, candy, jelly, and lollipops – in several flavours guaranteed to brighten up any day.



*MiMix lollipops are the newest addition to our growing offering of confectioneries*



#2

position with 12.5%  
market share

19

SKUs

46.7%

2012-2016  
Revenue CAGR

## PRODUCTS

hard, soft, and jelly candy and  
lollipops

## MARKETS

Egypt, Jordan, Saudi Arabia, Sudan,  
Lebanon

## BRANDS

MiMix



# Industrial Operations





# State-Of-The-Art Production Facilities

Edita's four state-of-the-art production facilities are all ISO certified employing the highest standards for food safety and quality management. Encompassing a total of 27 production lines of the latest technology, the company's facilities are located in 6th of October city (E06, E07), 10th of Ramadan city (E10) and in the Beni Suef industrial zone to the south of Cairo (E15). Each facility is managed by a plant manager who is responsible for meeting production plans and maintaining its standards. The industrial operations department employs more than half of Edita's 5,730 staff members.

Edita undertook several developments on the industrial operations front during FY2016 that were geared to support the company's expansion drive as well as enhance and optimise the existing production processes. In that regard, the company commissioned a new Strudel line in March 2016 with a nameplate capacity of 8.3 thousand tons; installed a new 6.0 thousand tons per annum candy

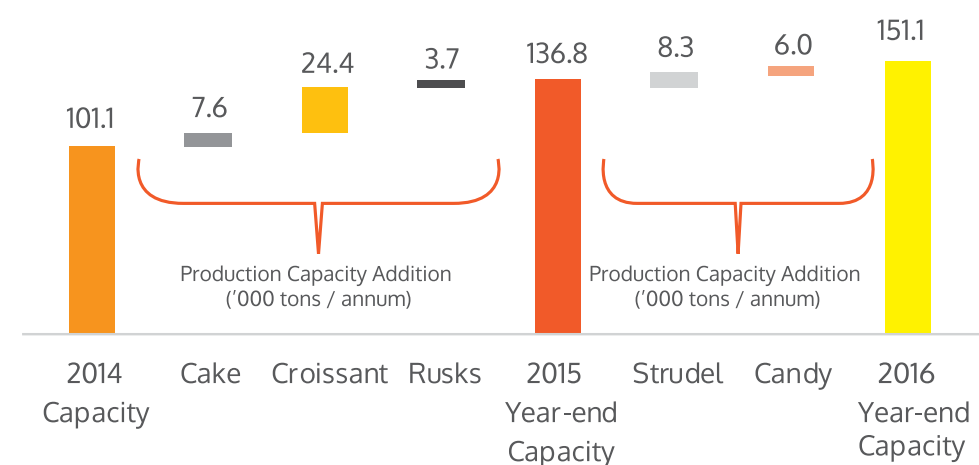
line in Beni Suef's ECI factory with production commencing in November 2016; and finalized contracts for new wafer and cake lines set to begin production in 2017. Edita also implemented modifications on the company's existing Twinkies line to accommodate the launch of new products using freed up capacities post the upsizing

## E08 UPDATE

Construction work on Edita's new E08 factory remains on track. Built on a 55,000 square meters of land in Sixth of October City's Polaris Al-Zamil district, in close proximity to its E07 plant, the new E08 factory is instrumental to Edita's long-term growth strategy as it seeks to capture the fundamentally positive outlook of the snack food market.

Phase one of the facility is nearing completion and is set to house company's new cake and wafer lines earmarked for commissioning in 2017.

## PRODUCTION CAPACITY ADDITIONS IN 2014 - 2016





## 6TH OCTOBER CITY E-06

- Began operations in 1997
- Produces Croissants, Cakes, Rusks
- House 10 production lines
- Total Land Area of 33,638 sqm
- Total Built-Up Area of 22,065 sqm
- Total Staff of 1,283 employees

**Certifications:**

- Food Safety Management System (ISO 22000)
- Quality Management System (ISO 9001)
- Environmental Management System (ISO 14001)
- Occupational Health and Safety Management System (OSAS 18001)

## BENI SUEIF E-15

- Began operations in 2011
- Produces Hard Candy, Soft Candy, Jelly and lollipops
- House 4 production lines
- Total Land Area of 25,611 sqm
- Total Built-Up Area of 11,525 sqm
- Total Staff of 261 employees

**Certifications:**

- Food Safety Management System (ISO 22000)
- Quality Management System (ISO 9001)
- Environmental Management System (ISO 14001)
- Occupational Health and Safety Management System (OSAS 18001)

## 10TH OF RAMADAN E-10

- Acquired in 2003
- Produces Cakes
- House 4 production lines
- Total Land Area of 11,733 sqm
- Total Built-Up Area of 7,592 sqm
- Total Staff of 785 employees

**Certifications:**

- Food Safety Management System (ISO 22000)
- Quality Management System (ISO 9001)
- Environmental Management System (ISO 14001)
- Occupational Health and Safety Management System (OSAS 18001)

## 6<sup>TH</sup> OF OCTOBER E-07 (HALL A & B)

- Began operations in 2012
- Produces Croissants, Cakes, Wafers & Rusks
- Houses 9 production lines following the addition of 4 new lines in FY2015
- Total Land Area of 50,000 sqm
- Total Built-Up Area of 30,500 sqm
- Total Staff of 1,121 employees

**Certifications:**

- Food Safety Management System (ISO 22000)
- Quality Management System (ISO 9001)
- Environmental Management System (ISO 14001)
- Occupational Health and Safety Management System (OSAS 18001)



# Research & Development

R&D is at the core of what makes Edita a leader in the snack food industry, constantly rolling out new innovations that cater to consumers' ever-changing tastes

Product innovation and differentiation is at the heart of Edita's operation and a key pillar of its continued success, strong brand equity and market leadership. The R&D department employs over 15 local and international specialists who bring years of market understanding and global experience to the table. Edita's laboratories are where we develop our market-leading products, apply the highest international standards, test finished products and ensure shelf life upon introduction to the market.

The R&D department's ability to offer new value propositions for our consumers is among Edita's key competitive advantage. We are constantly working on developing new in-house developed prototypes as we aim to grow our product pipeline with a bent on formulating recipes that suit the local and regional markets' tastes. In that regard, Edita's R&D department has achieved stellar success in 2016 having been instrumental to the rollout of our new strudel line introduced in March 2016, Molto Pate, as well as the TODO Brownies which is the first mass-produced brownie cake with a competitive shelf life in the Egyptian market.

Innovation will continue to be one of the company's primary avenues for future growth, with several new products also slated for launch during 2017.

Edita's research laboratories are located within its E07 factory premises which has been expanded last year. Additionally, Edita continues to make progress on its Keystone Project, the company's new premises that will house its premixing formulae facilities with the aim of enhancing the efficiency and quality of Edita's production processes and protect the confidentiality of its recipes and know-how.





# Marketing & Distribution





# Marketing & Distribution

With a customer base of over 67,000 in FY2016, Edita's marketing and distribution efforts consistently drive the business forward, expand its customer reach, and help navigate the ever-evolving nature of both the Egyptian retail market and the macro environment as a whole

The cornerstone of Edita's marketing strategy is to leverage its R&D capabilities alongside the acquired technical know how to continue offering the market with more premium, innovative and differentiated products. The strategy allows Edita to open up new market areas previously unserved and characterized by having a high growth potential. Edita was particularly successful in that regard during 2016, with its newly launched products having been positively received across the market such as the TODO Brownies — the first packaged and mass distributed product of its kind.

Edita also closed FY2016 having carried out process of complete price restructuring across its product portfolio, moving its products to higher price points in response to the prevailing macroeconomic developments. Given the inflationary environment, consumers have also been increasingly accepting of higher price points, a factor also supported by Edita's brand equity and ability to deliver value products. In that regard, the marketing department is continuously working on strengthening Edita's brand equity through intensive advertising campaigns, increasing product visibility and raising awareness among consumers. Throughout 2016, Edita launched new TV ads on channels with high viewership and advertised its launches on billboards across Egypt.

On the distribution front, Edita's investments in its distribution channels has become a key pillar in the company's strategy in 2016. In fact, Edita stands out among competitors with its vast distribution channels made up of wholesale, retail, key accounts, direct supply, and exports. Each channel has its own set of characteristics and market dynamics, with the company continuously perusing avenues to grow, enhance, and expand its distribution networks to make sure its products have the widest reach while also growing its top and bottom lines.

## RETAIL AND TRADITIONAL TRADE

The traditional trade channel, made up largely of kiosks and small, independent retail stores, accounts for the fastest-growing portion of Edita's direct sales. Throughout the year, Edita has shifted focus toward more retail channels versus wholesale ones, in line with its long-term strategy, as a means to bolster its penetration rates and create a direct access channel to consumers, with the goal of reaching a 75:25 retail to wholesale mix by 2021. To do so, the company is planning to invest heavily in its sales force going forward. In FY2016, Edita had a total of 577 distribution vans and 21 distribution centres. The strategy aims to provide the company with a more accurate gauge of the market, enabling it to quickly adapt to its changing dynamics, and has the additional benefit of leveraging retail channels' quicker acceptance of higher price points.

## WHOLESALE

Wholesale channels play a major role in enabling Edita to expand its geographic reach. In 2016, Edita served over 5,464 wholesalers compared to the 5,238 served last year. Maintaining close relationships with wholesale customers is paramount to Edita's distribution strategy, which it implements through loyalty-building initiatives like annual gatherings honouring our top 100 customers and semi-annual incentives for the biggest clients.

21

distribution centers

27

governorates

577

vehicles

1,097

total sales force

488

sales representatives





KEY ACCOUNTS

Key accounts cover modern trade sales channels, such as supermarkets, and have taken sizable steps toward growth in Egypt. The channel is coming more in focus for Edita as the company looks to support its portfolio optimization strategy that leverages more premium, higher-priced products.

DIRECT SUPPLY

Direct supply is one of the strategic ways Edita builds brand loyalty among younger customers as this channel directly delivers products to venues like universities and schools that the company has a direct relationship with.

EXPORTS

Edita exports its products to 16 countries, including Libya, Jordan, Palestine, Morocco, Algeria, Tunisia, Syria, Lebanon, Iraq, Bahrain, Oman, the UAE, Kuwait, Qatar, and Saudi Arabia – with the company depending on international distributors in these markets to not only dispense product but also provide marketing support. Edita also occasionally exports to countries outside the MENA region.

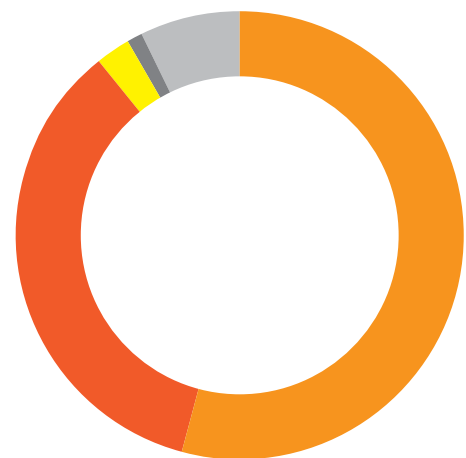
A core pillar of Edita’s forward looking strategy is to establish a leading regional position, and thus management is actively seeking opportunities to expand Edita’s footprint to new export markets across the region. In October 2016, Edita signed an agreement with the Kingdom of Saudi Arabia’s (KSA) Khalifa A.Algosaibi Cold Stores (KACS) that will see the latter distribute Edita’s Hoho’s, Twinkies and Tiger Tail (HTT) brands throughout the KSA. The agreement will extend Edita’s direct presence on the ground to the second biggest consumer market in MENA and will be a key driver of export growth for Edita.

The company’s push for export growth is yet another support pillar in its aim to build a leading platform in the packaged snack food market locally and regionally, in addition to mitigating against foreign currency risk. Going forward, Edita will continue to seek opportunities to expand its export footprint to new, developing and under-penetrated markets across the region as well as keeping an eye on various other expansion opportunities including M&As, joint ventures, and distribution agreements.

SALES CHANNEL PERFORMANCE IN 2016

Gross sales through retail and traditional trade grew by 19.1% y-o-y to EGP 903.9 million and constituted 35.1% of total revenues compared to 32.5% in FY2015. Gross sales through wholesale in FY2016 grew by 2.9% y-o-y to EGP 1,400 million and contributed 54.3% of total revenues, compared to 58.3% over the same period last year.

REVENUE CONTRIBUTION BY DISTRIBUTION CHANNEL FY2016



Wholesale	54.3%
Retail	35.1%
Key Accounts	2.5%
Direct Supply	1.1%
Exports	7.0%

Revenue from supply and key accounts (modern trade) stood at 93.2 million, up 31%% y-o-y from last year and collectively contributing 3.6% of total revenue compared to 3% in 2015.

Exports increased 26.1% y-o-y in FY2016 to EGP 179.9 million, making up 7% of total gross sales. Key export markets include Iraq and Palestine which together constituted 59.7% of total exports in FY2016. During the year, Edita exported to 16 countries across the MENA region and Africa.

By the end of FY2016, the total number of customers that Edita catered to directly increased to 67,389 points of sale, up from 64,514 a year earlier, reflecting the company’s strategy of expanding its proprietary distribution network across Egypt.

In FY2016, the company opened one new distribution centre located in Alexandria, bringing the total to 21.





# Our Supply Chain

Edita's supply chain is the cornerstone of our operational model

Edita's supply chain operates under the internationally recognized Sales & Operational Planning process in compliance with the highest international industry standards. Our goal is to ensure that planning, purchasing, and logistics work in tandem in a synchronized and streamlined fashion.

Edita sources inputs from a variety of suppliers to increase its bargaining power – be it in terms of pricing, quality, or delivery. The company also only works with tried and true suppliers to make sure its supply stream is consistent and secure.



## A HIGHLY INTEGRATED SUPPLY CHAIN



## DEVELOPMENTS IN 2016

2016 was a particularly turbulent year for Edita in terms of supply due to the unstable macroeconomic climate and the persistent foreign currency shortage that made sourcing inputs a significant challenge.

Price hikes across the majority of Edita's inputs have presented the supply chain department with hurdles as it looked to maximize operational efficiency and minimize costs in an inflationary environment driven by the Egyptian government's structural reforms, including the introduction of a value-added tax (VAT), the float of the Egyptian Pound in November 2016, and the partial lifting of energy subsidies.

Imported material costs and those of locally sourced materials paid in EGP with an FX component (such as oils and fats: 21.5% of direct materials) were directly

affected by the float, while short supply of 100% locally sourced materials has also seen prices reach an all-time high. Nevertheless, the company's good relations with its supplier base ensured a stable supply of raw materials and at relatively favourable prices. Edita is currently revising its cost structure with the aim of minimizing the dependence on imported materials as a means to limit foreign currency needs.

Managing direct material contracts, given the foreign currency supply limitations, was a key priority for the department throughout the year. Despite the continued challenges, the inventory management policy remains intact at one month for local materials and three months for imported materials. Edita managed to book some of its direct materials at competitive prices relative to the market.

In FY2016, the cost of imported direct materials was 24% of total direct materials costs compared to 25% in FY2015. Raw materials continue to be the largest constituent of the direct materials bill, accounting for 73.4% of total direct materials cost in FY2016, followed by packaging materials, which accounted for 26.6% of costs.

Planning activities showed significant improvement y-o-y during FY2016, with increased daily production capacities and a reduction in waste and down times across all factories. Inventory coverage of all production materials remained at an average of c.0.88 months and finished goods an average of c. 2.55 days of sales in FY2016.



# Management Discussion & Analysis





# Management Discussion & Analysis

Edita closes FY2016 having successfully navigated Egypt's unprecedented macroeconomic challenges, delivering double-digit revenue growth and supporting profitability margins amid severe inflationary pressures

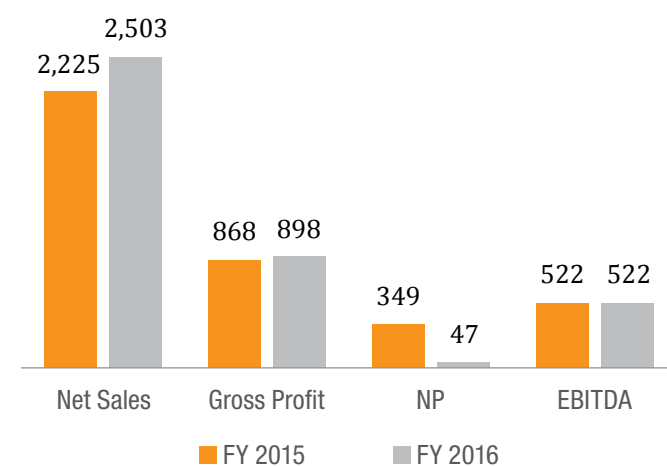
There is no doubt that the macroeconomic challenges Egypt faced during 2016 were unprecedented. Edita's primary market went from a period characterized by limited foreign currency supply and continued weakening of the Egyptian Pound, to a subsequent full currency float, implementation of a new value-added tax (VAT) system and a partial lifting of energy subsidies. These broad economic reforms sent shock waves through the market as inflation hit record highs taking a toll on consumers' purchasing power.

Nevertheless, Edita closed the year having delivered strong double-digit revenue with the company's top-line posting EGP 2,503.0 million in FY2016, up 12.5% year-on-year. Meanwhile, Gross Profit for the year grew 3.6% y-o-y to EGP 898.3 million in FY2016, with a healthy gross margin (GPM) of 35.9% compared to 39.0% in FY2015, and despite the severe inflationary pressures on the company's cost base (please refer to the Costs of Goods Sold section for further details).

## SUMMARY INCOME STATEMENT (EGP MN)

EGP MN	4Q2015	4Q2016	Y-O-Y CHANGE (%)	FY2015	FY2016	Y-O-Y CHANGE (%)
Revenue	646.2	821.7	27.1%	2,225.4	2,502.9	12.5%
Gross Profit	273.4	288.7	5.6%	867.5	898.3	3.6%
% Margin	42.3%	35.1%		39.0%	35.9%	
EBITDA	190.2	179.9	-5.4%	521.9	521.8	flat
% Margin	29.4%	21.9%		23.5%	20.8%	
Net Profit	137.0	-72.1	NA	349.1	47.4	-86.4%
% Margin	21.2%	-8.8%		15.7%	1.9%	

## SNAPSHOT OF RESULTS FY2016 (EGP MN)



Edita's solid performance during FY2016 was underpinned by management's insight into the Egyptian market's trajectory, taking the strategic decision to preempt inflationary risks and secure long-term, profitable growth through the rapid rollout of a price point migration strategy starting September 2015. Management's view was that the macro changes and resultant high-inflation environment presented a unique opportunity to raise average prices.

Edita's repricing strategy was initially indirect in nature, including the selective upsizing or downsizing of products as well as the launch of new products at higher price points. The strategy was kicked-off in the final quarter of 2015 with the delisting of the Twinkies SKU (sold at 50 piasters) and the launch of the upsized Twinkies Extra at EGP 1 per pack. Edita continued with this indirect approach well into 2016,



launching new, higher-priced SKUs across its segments including the TODO Bomb (1Q16), Molto Pate (1Q16), Twinkies Icing (2Q16), and TODO Brownies (3Q16). Starting 4Q2016, the strategy was accelerated with more aggressive direct price increases through which Edita raised prices in October 2016 of its Molto brand SKUs by c. 25-50% per pack followed by a 50% increase for most of its TODO range. In December 2016, management pushed similar price increases across the entire portfolio, including a second round for the croissants and TODO SKUs. Average selling price across all segments rose 28.3% y-o-y in FY2016.

The implementation of Edita's price-point migration strategy provided management with first-hand intelligence on how consumers adapted to price increases. As anticipated, the introduction of higher-priced products was followed by temporary dips in utilization as consumers adapted to higher prices. Ultimately, Edita's clients proved to be more resilient and are gradually absorbing the change which is further supported by an overall high-inflation environment. Management also notes that freed up production capacity allows for the accelerated introduction of new, innovative and higher margin value propositions.

## AVERAGE FACTORY PRICES

EGP MN	4Q2015	4Q2016	Y-O-Y CHANGE (%)	FY2015	FY2016	Y-O-Y CHANGE (%)
Cakes	0.71	0.95	33.7%	0.57	0.78	37.3%
Croissant	0.91	1.27	39.2%	0.88	1.00	13.9%
Rusks	0.79	0.95	19.4%	0.80	0.86	6.7%
Wafers	0.74	0.93	26.6%	0.74	0.81	9.7%
Candy	1.34	1.91	43.0%	1.19	1.65	38.9%
Total	0.80	1.05	30.2%	0.68	0.87	28.3%

## SEGMENT REVENUES AND VOLUMES SOLD

	FY 2015			FY 2016		
	NET SALE (EGP MN)	PACKS (MILLIONS)	TONS (000S)	NET SALES (EGP MN)	PACKS (MILLIONS)	TONS (000S)
Cakes	1,205	2,127	65.1	1,293	1,661	56.2
Croissant	749	850	38.9	831	828	38.9
Rusks	94	117	3.9	179	208	7.1
Wafers	85	115	3.1	98	121	3.3
Candy	84	71	3.7	96	58	4.0
Imports	8	-	-	7	-	-
Total	2,225	3,281	114.6	2,503	2,877	109.4



SEGMENT PERFORMANCE

Consumer trends are particularly evident in the **cakes segment** where the early rollout of price increases saw volumes take a temporary downward trend over the course of the year before making a recovery in the final quarter as consumers gradually accepted Edita's more premium offerings. It is worth noting that the cake segment's new innovations introduced during FY2016, namely the TODO Bomb, Twinkies Icing and TODO Brownies have exceeded expectations and allowed Edita to maintain its position as the market leader with a 56.6% market share as of December 2016 despite the decline in sold volumes. Segment volumes closed the year down a relatively modest 13.7% y-o-y as a recovery in 4Q2016 of 13.4% y-o-y helped offset three previous, consecutive quarters of decline. Overall, the segment posted revenues of EGP 1,292.6 million in FY2016, contributing the lion's share to Edita's top-line at 51.6% and posting y-o-y growth of 7.2% supported by an average increase in prices of 37.3% y-o-y. The segment recorded gross profit of EGP 498.4 million during FY2016, up 4.7% y-o-y and with a full-year GPM of 38.6% compared to 39.5% in FY2015.

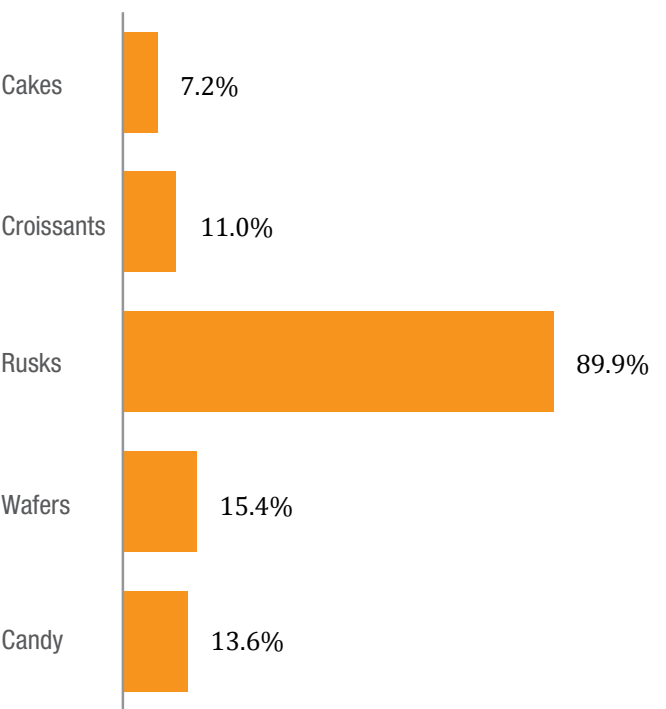
At the **croissant segment**, revenues posted EGP 830.7 million, contributing some 33.2% of Edita's top-line and recording an 11.0% y-o-y growth in FY2016. Segment growth maintained an upward momentum during the first nine months of 2016 driven by capacity additions to the new Molto lines commissioned in March and April 2015 as well as the introduction of the new Molto Pate SKU following the commissioning of the segment's new strudel line in March 2016. Average croissant segment prices increased by 13.9% y-o-y in FY2016 and a sharper 39.2% y-o-y in 4Q2016 owing to the direct price increases passed in October and December 2016. At the gross profit level, the EGP's weakening throughout 9M2016 and its subsequent float in 4Q2016 applied downward pressure on the segment's GPM owing to the high FX component in the croissant's raw material blend. In FY2016 the segment posted a gross profit of EGP 282.0 million, down 7.3% y-o-y and with a GPM of 33.9% versus 40.6% in FY2015.

Meanwhile at the **rusks segment**, revenues posted an impressive 89.9% y-o-y growth in FY2016 to EGP 178.8 million, contributing 7.1% to Edita's top-line compared to 4.2% in FY2015. The segment continued to capitalize on new capacities added in December 2015 which doubled output to 7.4 thousand tons per annum and saw volumes sold increase 83.1% y-o-y in FY2016. Rusks' strong growth momentum was maintained throughout the year even as the company implemented its price increases in December 2016, evident of strong unmet demand in the market. Top-line performance was mirrored at the gross profit level which came in at EGP 52.3 million in FY2016, up 95.6% y-o-y and with a GPM of 29.2% versus 28.4% in FY2015.

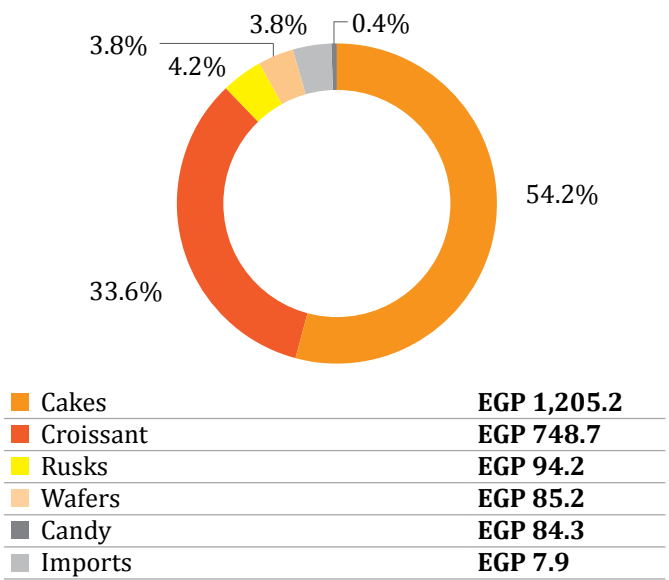
Revenues from the **wafer segment** increased by 15.4% y-o-y in FY2016 to EGP 98.3 million and contributing 3.9% to Edita's revenues versus 3.8% in FY2015. Overall the segment sold a total of 3.3 thousand tons in FY2016, up 5.1% y-o-y. Edita is currently in the process of commissioning a new wafers line set to begin production in 2017. Gross profit for the segment recorded EGP 37.5 million in FY2016, up 4.5% y-o-y and with a GPM of 38.2% compared to 42.2% in FY2015. Gross profitability was weighed down by higher costs as is the case across all of Edita's segments. Nevertheless, GPM in 4Q2016 marked a slight improvement q-o-q recording 35.0% versus 33.7% in 3Q2016 on the back of price increases implemented in December 2016.

Finally, Edita's **candy segment** recorded revenues of EGP 95.8 million in FY2016, a 13.6% y-o-y increase with contribution to Edita's revenues remaining unchanged at 3.8%. Segment growth for the year was largely volume driven where Edita sold a total of 4.0 thousand tons in FY2016, up 9.8% y-o-y. Growth in the candy segment's gross profit outpaced revenue growth and recorded a 19.5% y-o-y increase to EGP 25.8 million, yielding a GPM of 26.9% versus 25.6% in FY2015. The improvement in profitability comes despite the impact of the new VAT system (please refer to the Costs of Goods Sold section for further details) in addition to the overall increase in direct materials cost.

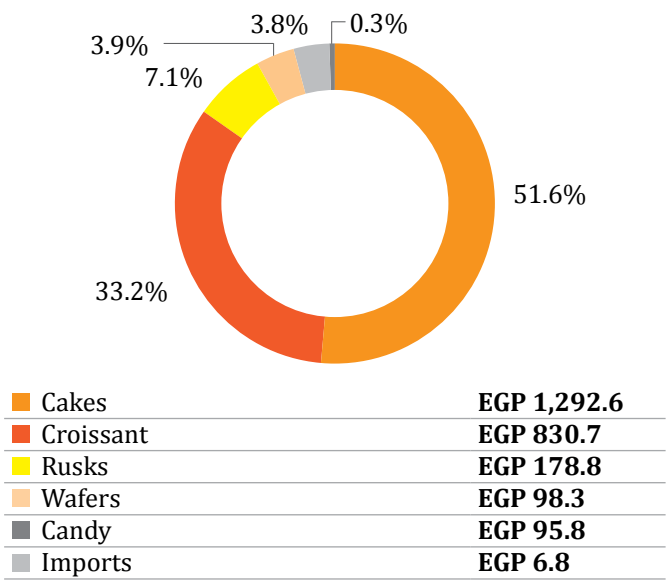
FY2016 REVENUE GROWTH BY SEGMENT (Y-O-Y)



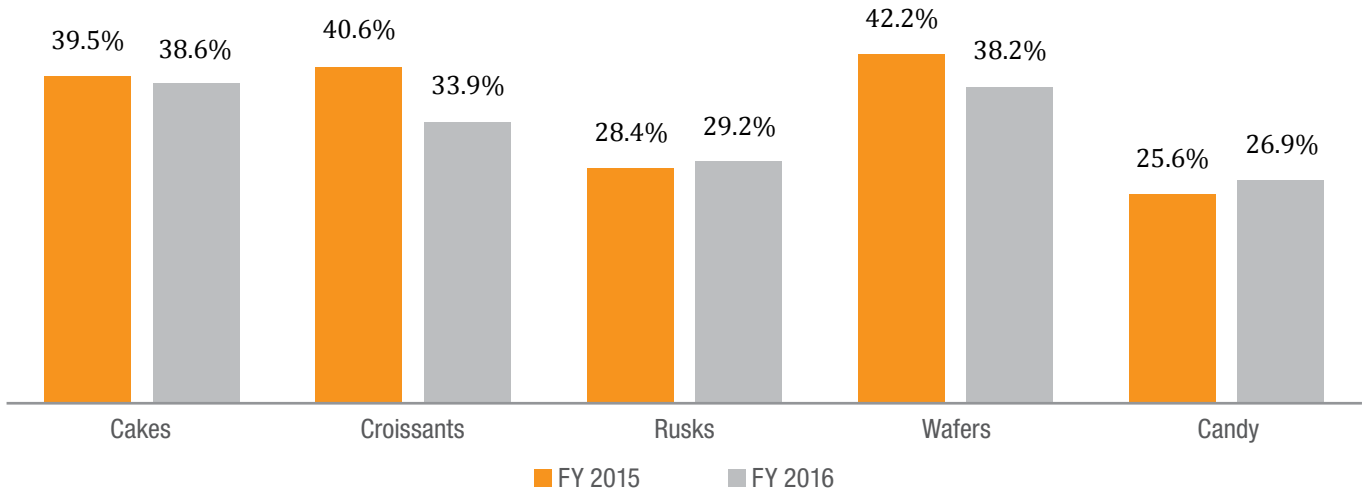
SEGMENT CONTRIBUTION TO REVENUE  
FY2015 (EGP MN)



SEGMENT CONTRIBUTION TO REVENUE  
FY2016 (EGP MN)



GROSS PROFIT MARGIN BY PRODUCT SEGMENT





COSTS OF GOODS SOLD\*

The macroeconomic events witnessed over the course of the year applied significant pressure on Edita’s cost base in FY2016. Throughout the first half of 2016, the continued weakening of the EGP and rising prices of major local commodities inflated Edita’s direct materials bill. The effect was later compounded with the Central Bank’s decision to float the Egyptian Pound in November 2016. Meanwhile, Edita’s direct materials bill was also impacted by the implementation of the VAT system. Under the previous sales tax system, Edita charged and remitted a 5% sales tax on all segments save for candy, where sales tax was levied at 10%. At the same time, taxes paid by Edita on production inputs were tax-deductible. Under the VAT system, Edita must charge and remit to the state a 5% tax on all segments with the exception of our candies segment, which is subject to the standard VAT rate presently at 13%, rising to 14% in the second year of the tax’s implementation. Additionally, under the VAT system tax treatment of Edita’s cost inputs invoiced by its suppliers are no longer tax deductible, with the exception again being the candy segment where inputs continue to be tax deductible.

These pressures saw COGS reach EGP 1,604.6 million in FY2016, up 18.2% y-o-y and with a COGS/Sales ratio of 64.1% compared to 61.0% in FY2015. On a quarterly basis, the float of the Egyptian Pound led to a 42.9% y-o-y rise in COGS to EGP 532.9 million compared to EGP 372.8 million in the same period last year. Consequently, Edita’s COGS/Sales ratio inched up 7.2 percentage points to 64.9% in 4Q2016 compared to 57.7% in the same period last year.

Standing at 77.6% of COGS, Edita’s cost of direct materials grew 18.8% y-o-y in FY2016 to EGP 1,245.8 million and constituted 49.8% of sales versus 47.1% in FY2015. Meanwhile, Manufacturing Overheads (MOH) were affected by a rise in salaries and wages and grew 12.9% y-o-y to EGP 293.5. As a percentage of sales, however, MOH were maintained at 11.7% in FY2016.

OTHER OPERATING EXPENSES\*

Based on management accounts, operating expenses are divided into Selling and Distribution Expenses (S&D), Advertising and Marketing Expenses (A&M), and General and Administrative Expenses (G&A). In FY2016, total expenses amounted to EGP 452.6 million, an 11.6% y-o-y increase and constituting 18.1% of revenues, in line with FY2015 levels.

S&D expenses recorded EGP 190.3 million in FY2016, up from EGP 180.7 million the previous year and posted an S&D/Sales ratio of 7.6%. Meanwhile, A&M expenses witnessed a 17.6% y-o-y increase in FY2016 to EGP 97.0 million, however, remained somewhat flat as a percent of revenues at 3.9% versus 3.7% in FY2015. G&A expenses recorded EGP 165.3 million in FY2016, up 16.1% y-o-y and constituting 6.6% of full-year revenues.

\*Breakdowns within the COGS and Other Operating Expenses sections are derived from the company’s management accounts

Edita’s profit from operations recorded EGP 407.3 million in FY2016, a 5.0% decline compared to the EGP 428.7 million posted last year and with a margin of 16.3%.

EBITDA

EBITDA in FY2016 posted EGP 521.8 million, a flat performance compared to the EGP 521.9 million recorded the previous year and comes despite the inflationary pressures on the company’s direct materials cost. EBITDA margin recorded 20.8% compared to the 23.5% achieved in FY2015. Edita’s full-year EBITDA levels were supported by its ability to maintain SG&A/Sales at 18.2% versus 18.1% in FY2015.

NET PROFIT

Net Profit recorded EGP 47.4 million in FY2016, down 86.4% y-o-y and with a net margin of 1.9% compared to 15.7% in FY2015. The sharp decline in bottom-line is primarily owing to one-time FX losses booked during the year amounting to EGP 298.5 million (FY2015: gain of EGP 1.4 million), of which EGP 241.0 million were a result of the Egyptian Pound’s float and the consequent revaluation of foreign currency denominated liabilities.

BALANCE SHEET

As at the year ended 31 December 2016, Edita’s total assets amounted to EGP 2.4 billion with Property, Plant and Equipment (PP&E) recording EGP 1.3 billion and projects under construction posting EGP 163.1 million.

Total CAPEX in FY2016 reached EGP 402.0 million, of which EGP 118.2 million were related to the construction of Hall A of the new E08 plant and EGP 28.5 million for the new hall in E15. Edita also booked EGP 17.9 million related to land and infrastructure cost of its Keystone Project, which aims to enhance the efficiency and quality of Edita’s production processes and protect the confidentiality of its recipes and know-how. Additionally, Edita booked residual CAPEX related to the Strudel line installed in the beginning of FY2016 of EGP 10.7 million (total cost EGP 44 million) as well as EGP 2.0 million related to the residual cost of the rusks line installed in December 2015. Meanwhile CAPEX for new lollipop line commissioned in November 2016 amounted to EGP 46.6 million while CAPEX related to the new wafer and cakes lines earmarked for installation in 2017 at the new E08 factory booked EGP 64.7 million.

Cash & Cash Equivalents continue to be maintained at healthy levels closing the year at EGP 282.6 million as at 31 December 2016 and constituting 11.6% of the company’s total assets. With regards to working capital components, Edita continues to implement its policy of maintaining in-



ventory coverage of one month’s worth of sales for locally sourced materials and up to three months for imported materials. Days on hand averaged 1.1 month during 4Q2016, slightly higher than previous quarters as utilization rates declined post the price increases. Meanwhile finished goods inventory averaged 2.9 days for 4Q2016.

Trade and other receivables booked EGP 196.7 million in FY2016 compared to EGP 67.8 million in the previous year. The sharp increase is reflective of advance payments made to fixed asset suppliers. Edita meanwhile continues to adopt a cash sales policy with 97% of sales conducted on

a cash basis. Trade and other payables closed at EGP 260.4 million in FY2016, almost equal to last year’s amount of EGP 255.2 million.

Edita’s Current Portion of Long-Term Liabilities amounted to EGP 146.2 million as at year-end 2016, slightly higher than FY2015 figure of EGP 145.2 million. Meanwhile, Long-Term Loans increased to EGP 527.8 million in FY2016 compared to EGP 346.2 million last year. Total Shareholders’ Equity stood at EGP 1.15 billion as at 31 December 2016. Edita’s net debt position stood at EGP 631.9 million.

OUTLOOK

Edita is heading into 2017 having successfully implemented a significant repricing strategy and rationalized its portfolio, positioning it to better capture the fundamentally positive outlook of the snack food market and lock-in future growth. The company will continue to preserve its competitive market position through capacity expansions and a sharp focus on product innovation.

A key pillar of Edita’s forward looking strategy is to begin fully capitalizing on its in-house R&D capabilities alongside the new technical know-how acquired from Hostess to continuously roll out new products. In that regard, management views the strong demand witnessed for Edita’s new and innovative croissant and cake products — including the TODO Brownies, TODO Bomb and Molto Pate — as a positive gauge of the company’s success in delivering differentiated products that set it apart from the competition.

In parallel, Edita will leverage its strong brand equity among consumers and their increasing acceptance of premium, higher-priced value propositions as it seeks to optimise its portfolio and maximize profitability.

On the costs side, Edita’s diversified cost structure and flexible business model allow it to implement cost-cutting initiatives, particularly with regards to reducing imported materials. On the distribution front, Edita is pushing forward with its shift towards more retail channels as it seeks to improve its penetration rate and gain direct access to consumers. The strategy also has the added benefit of quicker acceptance of the higher price points from the retail channel as opposed to wholesalers.

Edita’s expansion to new markets is a strategic priority in 2017. Management is actively exploring new markets as it seeks to capitalize on Edita’s distribution rights to 12 regional markets and to position the company as a multi-country player with a strong stream of export revenue. Implementation of our regional expansion drive may take the form of both organic growth opportunities (adding new distribution agreements similar to KSA or through direct, on-the-ground investment) as well as inorganic opportunities, both in expansion markets and in Egypt. The company is aggressively evaluating its current organisational structure and human resources base to be well-positioned for future growth.



# Management & Governance





# Management Overview



**ENG. HANI BERZI**  
**CHAIRMAN AND MANAGING DIRECTOR**

Mr. Berzi graduated from Ain Shams University (Cairo, Egypt) with a BSc in Computer and Control Engineering. He has 31 years of experience in the food and beverage industry, having started his career in 1986 by joining Tasty Foods Egypt, his family's snack food business. Mr. Berzi subsequently held the position of Sales and Marketing Vice President at Tasty Foods Egypt after a sale of a part of its shares to PepsiCo, from 1990 to 1992. Mr. Berzi became a member of the Board of Edita Food Industries in 1996 and became the Managing Director and Chairman of the Board in 2006. Mr. Berzi is also a member of the Board of the Chamber of Food Industries and the Egyptian Centre for Economic Studies, and is the Chairman of the Egyptian-Greek Business Council (Egyptian side), and is the Chairman of the Food Export Council. Previously, he was a member of the Boards of a number of companies in the food and beverage industry including Technopack in 1987, Rotopak in 1989 and Egypt Sack in 1997, and has also served as a Board Member of the Federation of Egyptian Industries.



**MR. SAMIR NABIL AZIZ BERZI**  
**VICE CHAIRMAN**

Mr. Berzi graduated from Cairo University (Cairo, Egypt) in 1982 with a BA in Commerce. He has 34 years of experience in the food and beverage industry, having started his career by joining Tasty Foods Egypt. In 1986, Mr. Berzi founded Berzi Confectionary, which was later acquired by Tasty Foods Egypt. He subsequently held the position of Industrial Operation Vice President at Tasty Foods Egypt after a sale of a part of its shares to PepsiCo. Mr. Berzi has also established a number of companies including Digma Trading, a fast-moving consumer goods distribution company and Edita Food Industries. Mr. Berzi became a member of the Board of Edita Food Industries in 1996. He is also the Chairman of Digma Trading and Edita Confectionary Industries, a member of the American Chamber of Commerce, a member of the Board and shareholder of Le Pacha 1901, a shareholder of Mirage Hotels, which owns the JW Marriott at Mirage City, and a shareholder of Sakkara Tourism Investment, which owns the Mirage City compound in New Cairo.



**MR. SAMEH NAGUIB**  
**VICE PRESIDENT FINANCE AND CHIEF FINANCIAL OFFICER**

Sameh Naguib joined Edita following his most recent stint as chief financial officer and a member of the Board of Directors of the ASEC Company for Mining, an EGX-listed company better known as ASCOM, which he joined in late 2011. Naguib's earlier professional track record includes a more than 10-year run with Heineken International, where he held a series of increasingly senior positions in Egypt, Algeria and the Netherlands, including business controller for the group's activities across 10 countries in the Middle East and Africa. Naguib entered the workforce as an assistant to the Minister of Economy and Foreign Trade in 2000 before joining Al Ahram Beverages Co. in 2001 as a financial analyst prior to that company's acquisition by Heineken. He worked on the group's EGP 250 million Gouna Beverages acquisition before going on to become costing manager responsible for both the company's primary factory and its raw materials plants. He was later promoted to become regional business controller for Africa and the Middle East with responsibilities for 10 countries. After a two-year stint in that role, Naguib was seconded to Heineken's Algerian subsidiary, where he was finance director from January 2009 until he joined ASCOM as CFO and Board Member in October 2011.



**MR. ALFRED YOUNAN**  
**VICE PRESIDENT SALES AND INTERNATIONAL MARKETS**

Mr. Younan has 25 years of experience in the FMCG industry. He graduated from Alexandria University (Alexandria, Egypt) in 1992 with a BA in Commerce, and completed the International Marketing Program at INSEAD (Fontainebleau, France) in 1998 and the Executive Development Program at Kellogg School of Management (Chicago, USA) in 2009. Mr. Younan joined Edita Food Industries as National Sales Manager in 2005 and became Vice President— Sales and International Business in 2007. Previously, he worked as Business Development and Export Director at Hero Middle East from 2002 to 2005, National Sales and Distribution Director at Al Ahram Beverages (a member of the Heineken group) from 2000 to 2001, Marketing and Sourcing General Manager at Mansour Distribution Company (Distributor of Philip Morris in Egypt) from 1997 to 2000 and the Horn of Africa Representative at Philip Morris from 1994 to 1996.





**ENG. OMAR ABDEL GHAFFAR**  
**VICE PRESIDENT INDUSTRIAL OPERATIONS**

Mr. Abdel Ghaffar has 13 years of experience in industrial operations. He graduated from Concordia University (Montreal, Canada) in 2004 with a BSc in Industrial Engineering, and completed the Executive Operations Management Program, Manufacturing, at INSEAD (Fontainebleau, France) in 2013, as well as an Executive Operations Management Program at Kellogg Northwestern (Chicago, US) in 2015. Prior to obtaining his BSc, he participated in a number of internships and training programs with large multinationals including Danone and Henkel. Mr. Abdel Ghaffar joined Edita Food Industries as Vice President—Industrial Operations in 2012. Previously, Mr. Abdel Ghaffar was Operations Director at Orascom Housing Communities from 2007 to 2012, Development Manager at Kuwait Controls Company from 2005 to 2007, and worked with the International Operations at Forbes Marshall from 2004 to 2005.



**MS. INAS ABDEL RAHMAN**  
**VICE PRESIDENT MARKETING**

Ms. Abdel Rahman has over 20 years of experience in marketing. She graduated from Cairo University in 1992 with a BA in Economics and Political Science and obtained her MBA from the American University (Cairo, Egypt), specialising in Marketing and International Business, in 1998. Ms. Abdel Rahman joined Edita Food Industries as Vice President—Marketing in 2009. Previously, Ms. Abdel Rahman was Global Category Manager at Tetra Pak Packaging Solutions, Italy from 2006 to 2009, Marketing Manager at Tetra Pak, Egypt from 2003 to 2006, and a Director and Partner at Directions Marketing Research & Services Limited from 1998 to 2003. Prior to that, she worked as marketing consultant and economic researcher in a number of organizations, including Carana Corporation, Phoenix Consulting Associates and Al-Ahram Centre for Political and Strategic Studies.



**MR. MAGED TADROS**  
**VICE PRESIDENT HUMAN RESOURCES & ADMINISTRATION**

Mr. Tadros has over 27 years experience in human resources. He graduated from Helwan University (Cairo, Egypt) in 1986 with a BA in Hotel Management. Mr. Tadros joined Edita as Vice President—HR and Administration in 2010. Before joining us, Mr. Tadros was Human Resources Development Manager at Al Ahram Beverages (a member of the Heineken group) from 2006 to 2010 and as an Independent Organisational Development Consultant from 2004 to 2006. Prior to that, he worked as Training and Development Senior Supervisor at Vodafone Egypt from 1998 to 2004. Mr. Tadros is certified as a Human Resources Assessor and Franklin Covey Trainer.



**ENG. MOHAMED EL BAHEY**  
**VICE PRESIDENT PURCHASING & SUPPLY CHAIN**

Mr. El Bahey has 21 years of experience in the FMCG industry. He graduated from Ain Shams University in 1995 with a BSc in Engineering (Mechanical Power Section). Mr. El Bahey joined Edita Food Industries as Vice President—Supply Chain in 2012. Previously, Mr. El Bahey was Managing Director and CEO of Kraft Foods Algeria from 2010 to 2012 and Supply Chain and Sale Director at Kraft Foods Egypt from 2004 to 2010. He has also been a member of the Board of Kraft Foods Egypt from 2004 to 2012 and Managing Director of Kraft Foods Distribution Limited from 2006 to 2012. From 1995 to 2004 he worked at Gillette Egypt, as Production Engineer, and later as Value Chain Manager for North Africa and Pakistan at Gillette Egypt, and as Assistant Regional Supply Chain Director at Gillette MEA.



**MR. SHERIF SHAKER**  
**DIRECTOR CORPORATE AUDIT AND GOVERNANCE**

Mr. Shaker has 32 years of experience in finance and auditing. He graduated from Ain Shams University with a BA in Commerce in 1983 and obtained his MBA from the Arab Academy Graduate School of Business (Alexandria, Egypt) in 2009, specialising in Finance, Investment and Banking. Mr. Shaker joined Edita Food Industries as Financial Manager in 1997 and became Internal Audit and Compliance Director in 2010. Previously, Mr. Shaker was Financial Manager at Peugeot Egypt from 1993 to 1997, Accounting Supervisor at Hoechst Egypt Pharmaceutical Company from 1991 to 1993, and held various positions at PricewaterhouseCoopers from 1983 to 1991. Mr. Shaker is a Certified Director of the Egyptian Institute of Directors (EIoD).



**PANAGIOTIS PAPADODIMAS**  
**RESEARCH AND DEVELOPMENT DIRECTOR**

Mr. Panagiotis has 16 years of experience in research and development. He graduated from the University of Surrey (Guildford, United Kingdom) in 1998 with a BA in Chemistry and the University of Reading (Reading, United Kingdom) in 1999 with a master's degree in Food Science and Technology. He obtained his MBA from Alba Graduate Business School (Athens, Greece) in 2010. Mr. Panagiotis joined Edita as Research and Development Director in 2014. Before joining Edita, Mr. Panagiotis was Senior Research and Development Food Developer and Continuous Improvement at E.J. Papadopoulos from 2011 to 2014, Research and Development Scientist at General Mills from 2005 to 2009 and Jotis from 2001 to 2005.



# Corporate Governance

At Edita, our management team believes a solid corporate governance framework is instrumental to the long-term success of any company. At Edita, the nine-member Board of Directors is composed primarily of

non-executive members, two of which are independent.

Edita's long-standing corporate values of Teamwork & Communication, Respect, Integrity, Commitment and

Excellence are underlined in its code of conduct. Adherence to these values is the cornerstone by which all stakeholders, be they shareholders, employees, customers, or communities, benchmark all their decisions and actions.

## BOARD OF DIRECTORS

*Edita's dedicated Board of Directors is comprised of two executive and seven non-executive members, of which two are independent. Under the expert and diverse guidance of this experienced group of men and women, Edita has grown from a small, family business into an international presence.*



**ENG. HANI NABIH AZIZ BERZI**  
Chairman and Managing Director, Representing Berco Limited

Mr. Berzi graduated from Ain Shams University (Cairo, Egypt) with a BSc in Computer and Control Engineering. He has 31 years of experience in the food and beverage industry, having started his career in 1986 by joining Tasty Foods Egypt, his family's snack food business. Mr. Berzi subsequently held the position of Sales and Marketing Vice President at Tasty Foods Egypt after a sale of a part of its shares to PepsiCo, from 1990 to 1992. Mr. Berzi became a member of the Board of Edita Food Industries in 1996 and became the Managing Director and Chairman of the Board in 2006. Mr. Berzi is also a member of the Board of the Chamber of Food Industries and the Egyptian Centre for Economic Studies, and is the Chairman of the Egyptian-Greek Business Council (Egyptian side), and is the Chairman of the Food Export Council. Previously, he was a member of the Boards of a number of companies in the food and beverage industry including Technopak in 1987, Rotopak in 1989 and Egypt Sack in 1997, and has also served as a Board Member of the Federation of Egyptian Industries.



**MR. SAMIR NABIH AZIZ BERZI**  
Vice Chairman, Representing Berco Limited

Mr. Berzi graduated from Cairo University (Cairo, Egypt) in 1982 with a BA in Commerce. He has 34 years of experience in the food and beverage industry, having started his career by joining Tasty Foods Egypt. In 1986, Mr. Berzi founded Berzi Confectionary, which was later acquired by Tasty Foods Egypt. He subsequently held the position of Industrial Operation Vice President at Tasty Foods Egypt after a sale of a part of its shares to PepsiCo. Mr. Berzi has also established a number of companies including Digma Trading, a fast-moving consumer goods distribution company and Edita Food Industries. Mr. Berzi became a member of the Board of Edita Food Industries in 1996. He is also the Chairman of Digma Trading and Edita Confectionary Industries, a member of the American Chamber of Commerce, a member of the Board and shareholder of Le Pacha 1901, a shareholder of Mirage Hotels, which owns the JW Marriott at Mirage City, and a shareholder of Sakkara Tourism Investment, which owns the Mirage City compound in New Cairo.



**MS. FATMA LOTFY**  
Board Member, Representing Berco Limited

Ms. Lotfy has been a member of Edita's Board of Directors since 2015, with over 30 years of commercial and investment banking experience under her belt. Since she began her career in the late 1980s, Ms. Lotfy has held senior and key executive positions in a number of renowned international and local banks and sits on the boards of several large-scale financial institutions. Since 2015, she has been a board member of Credit Libanias Beirut and a board member at EFG Hermes Leasing. Prior to that, Ms. Lotfy was the Deputy Chairperson and Managing Director at Bank Audi Egypt, the First Deputy Chairperson and Managing Director at Alexbank Intesa San Paolo, and Managing Director and Board and Executive Committee Member at Al Watani Bank of Egypt (currently NBK Egypt), in addition to several other senior positions at various institutions including the Commercial International Bank (CIB). Ms. Lotfy is also highly engaged in her role as an active corporate citizen through her activities as a member of the Egyptian European Council, the Young Presidents Organization (YPO), the Egyptian British Chamber of Commerce, the Egyptian American Chamber of Commerce, in addition to being an active member of the Economic Committee of the Women's National Congress.



**DR. SHERIF HESHAM MOHAMED EL KHOULY**  
Board Member, Representing Africa Samba B.V.

Dr. El Kholy graduated from The American University (Cairo, Egypt) with a BA in Economics, and from the University of London (London, United Kingdom) with an MSc in Finance and Economic Development and a PhD in Economics. He has 16 years of experience in the private equity industry. Dr. El Kholy is a Director at Actis. He previously worked at EFG Hermes Private Equity where he focused on making private equity investments in the MENA region, and in the Structured Finance Division of HSBC Bank in Egypt. Dr. El Kholy became a member of the Board of Edita Food Industries in 2013. He is also a Consultant for the Egyptian Cabinet's Information and Decision Support Centre where he has authored and published work for the Cabinet's think tank focused on economic policy reform. Dr. El Kholy is also a member of the Board of Universite Centrale (Tunisia) and Emerging Markets Knowledge Holdings Limited. Dr. El Kholy is also a member of Edita's Audit Committee.





**MR. RICHARD HENRY PHILLIPS**  
Board Member, Representing Africa Samba B.V.

Mr. Phillips graduated from Exeter University with a degree in Economics. He has 30 years of experience in the private equity industry. Mr. Phillips is a founding partner of Actis and also serves on the Actis global investment committee. Mr. Phillips has spent his career in private equity, initially with 3i plc in the UK and subsequently with CDC and Actis, spending 20 years in Uganda, Zimbabwe, Malaysia and Egypt. He became a member of the Board of Edita in 2013. He is also a member of the Board of Emerging Markets Payments Holdings (Mauritius) Limited and a member of the Board of Integrated Diagnostics Holdings Limited, and Integrated Diagnostics Holdings PLC and Emerging Markets Knowledge Holdings Limited.



**MR. SPYRIDON THEODOROPOULOS**  
Board Member, Representing Exoder Limited

Mr. Theodoropoulos graduated from Athens Economic University with a business degree. He started his career with a small family business producing dairy products in 1976. Since then, he has uninterruptedly worked in the FMCG industry and was a General Manager of several FMCG companies. He acquired Chipita SA, a Greek based company specialising in snacks production, in two stages: the first 50% of shares were acquired in 1986 and the remaining 50% in 1989. In 1990, Eurohellenic Fund (representing, among others, Olayan Group, De Benedetti, Alpha Finance and Titan Group) invested in Chipita which coincided in time with the commencement of the croissant production, expansion of Chipita's activities, setup of production facilities in several countries worldwide and formation of joint ventures in Egypt, Saudi Arabia and Mexico. In 2006, Chipita merged with Delta Holdings SA to form Vivartia SA. From 2006 until 2010 Mr. Theodoropoulos was the Managing Director of Vivartia SA. During 2010 together with Olayan group, as well as other Greek partners, Mr. Theodoropoulos acquired Chipita SA. As of today he is the CEO of Chipita SA and a member of the Board of Directors of the National Bank of Greece. In the past, he served as the president of the Athens Stock Exchange Listed Companies Association, as vice-president of Greek Federation of Industries and as vice-president of Helex. Mr. Theodoropoulos became a member of Edita's Board in 1996.



**MS. MARIA GEORGALOU**  
Board Member, Representing Exoder Limited

Ms. Georgalou graduated from the University of Belgrano, Buenos Aires in 1988 with a CPA degree. She has an extensive experience in venture capital and private equity in a number of countries, including Greece, Spain, Portugal, the Balkans and the CIS where she worked for the companies of De Benedetti Group and Commercial Capital, a subsidiary of Commercial Bank of Greece. During this time she covered a wide range of sectors (including, food, retail and timber sector) and phases of investments (including, start-up, development and mezzanine phases). She served as Business Development Director at Delta Holdings SA and Chief Financial Officer of the Vivartia Group headquartered in Greece. She is a Deputy CEO of Chipita Group and a member of the Board of Directors of several companies in Greece and elsewhere abroad. Ms. Georgalou joined Edita as a Board Member in 2014.



**MR. HUSSEIN CHOUKRI**  
Independent Board Member

Mr. Choukri graduated from Ain Shams University and the American University in Cairo with a degree in Commerce and Management, respectively. He joined investment banking department of Morgan Stanley in New York as an Associate in 1980 and acted as Managing Director from 1987 until 1993. In 1993, he became its Advisory Director to serve in this capacity until 2007. In 1996, he established HC Securities & Investment, which currently is one of the leading investment banks in the Middle East and North Africa. Mr. Choukri is a board member of a number of associations and reputable companies, including Holding Company for Tourism, Hotels and Cinema and The Egyptian British Business Council (EBBC). Mr. Choukri joined Edita as a Board Member in January 2015. Mr. Choukri is also a member of Edita's Audit Committee.



**MS. SAHAR EL SALLAB**  
Independent Board Member

Ms. El Sallab graduated from the American University in Beirut and from the Harvard Kennedy School for Management. She worked and trained at Citibank Cairo and Athens as well as joined Chase National Bank of Egypt. She then spent 25 years working at Commercial International Bank, where she assumed the roles of Vice Chairman and Managing Director. She was also the Chairperson of Commercial International Capital Holding Company (CI Capital). After significant private sector experience, she became the Deputy Minister of Trade and Industry for Development and Investment in Internal Trade in Egypt. Ms. El Sallab has been nominated as one of the 100 Most Powerful Arab Women 2011 by South African Magazine, CEO, and one of 10 Most Powerful Egyptian Women 2011 by the Egypt Business Directory. Ms. El Sallab currently serves as a chairperson of HiteknoFal Company. Ms. El Sallab is also a member of Edita's Audit Committee.





## COMPLIANCE

Edita's corporate affairs are governed by the Egyptian Companies Law, the Egyptian Capital Market Law, the EGX Listing Rules, other laws governing companies incorporated in Egypt and its articles of association. Joint stock companies in Egypt generally adhere to the philosophy of separating ownership and control. Even though shareholders own the Issuer nominally, the management of the Issuer is vested by law in the hands of its Board of Directors.

Edita is subject to Egyptian disclosure requirements and is required to submit annual and quarterly financial statements prepared in accordance with EAS and IFRS; provide notices of any material developments to the EFSA, EGX and LSE; provide the regulator with minutes of the Issuer's Ordinary and Extraordinary General Meeting; and publish our annual and quarterly financial statements in two widely circulated local daily newspapers.

## AUDIT COMMITTEE

In accordance with the EGX listing Rules, the Board of Directors has constituted an Audit Committee, made up of four competent and experienced Non-Executive Directors, two of which are independent. The primary functions delegated by the Board to the Audit Committee are to assist the Board in fulfilling its oversight responsibilities in connection with:

- The inspection and review of our internal audit procedures;
- The inspection and review of our accounting standards and any changes resulting from the application of new accounting standards;
- The inspection and review of internal audit procedures, plans and results;
- The inspection and review of the periodic administrative information that is presented to the different levels of management and the methods of such preparation and timing of submission;
- Ensuring the implementation of appropriate supervisory procedures in order to protect our assets;
- Ensuring that we adhere to the recommendations of the auditor and EFSA;

- The inspection of the procedures carried out in preparing and reviewing
  - i. the financial statements,
  - ii. offerings relating to securities, and
  - iii. estimated budgets, cash flow and income statements;
- Advising on the appointment of auditors to perform services other than the preparation of the financial statements;
- The inspection and review of the auditor's report regarding the financial statements and discussing the comments included, in addition to working on resolving any misunderstandings between the Board and the auditors;
- Ensuring the preparation by an independent financial advisor of a report regarding any related party transactions before being ratified; and
- Ensuring the application of the necessary supervisory methods to maintain our assets, conduct periodic evaluation of administrative procedures and prepare reports to the Board.

The Board of Directors is required to adopt the Audit Committee's recommendations within 12 days of receiving notice of such recommendations. If the Board of Directors does not follow the recommendations, the chairman of the Audit Committee must notify both the EFSA and EGX.





# Sustainability

Edita places the promotion of sustainable business practices in the highest regard, constantly working to enhance the growth and wellbeing of its staff and the communities in which it does business

## TRAINING PROGRAMS & PROMOTIONS

Providing our employees with avenues for self and career development is the underlying goal of our training programs. Edita's investment in its people encompasses a much wider scope than purely technical and managerial skills. In 2016, our white collar training programs focused on workshops and tools to help employees channel their mind power towards their career goals and the strategic direction of the company, including mind mapping, time management and business simulations. Additionally, at Edita Sales Academy and the Edita Manufacturing Academy, training was focused on developing presentation skills, awareness on work ethics, work life balance and teamwork and communication skills among other soft skills needed to thrive both at work and in life. Edita also provides scholarships for MBAs and other certifications for high potential employees.

Edita's efforts to improve the wellbeing of its employees extend beyond the provision of training programs, with the company having recently implemented above average salary raises as a response to the macroeconomic development and the consequent inflationary environment.

## HEALTH, SAFETY AND ENVIRONMENT

Edita's HSE code aims to deploy the highest standards in product safety, occupational safety and health & environmental standards across all of Edita's operations. Drawn from its belief that human resources are the company's greatest asset, the HSE department is constantly working to ensure a safe working environment is available to all Edita employees. This is evident in the improvement in safety measures and a 35% reduction in Lost Time Injury Frequency Rate (LTIFR) in FY2016.

The HSE department is also responsible for ensuring that all company facilities comply with the relevant environmental rules and regulations, in line with Edita's commitment to the protection of its surrounding environment and the communities where it operates.





# Financial Statements

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# INDEPENDENT AUDITOR'S REPORT

To the shareholders of Edita Food Industries Company (S.A.E) and its subsidiaries

## Report on the audit of the consolidated financial statements

### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Edita Food Industries Company (S.A.E) ("the Company") and its subsidiaries (together "the Group") as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the prevailing Egyptian laws and regulations.

What we have audited

The Group's consolidated financial statements comprise:

- The consolidated balance sheet at 31 December 2016;
- The consolidated statement of profit or loss for the year then ended;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

### Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

### Our audit approach

### Overview

Key Audit Matters

- Valuation of intangible assets which have indefinite useful lives
- Exchange differences resulted from floating of the Egyptian pound

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## Key audit matter

## How our audit addressed the key audit matter

### Valuation of intangible assets which have indefinite useful lives

The Group's balance sheet includes intangible assets amounting to EGP 163 million (2015: EGP 162 million), relating to the purchase of trademarks and know how on certain of its branded products (see Note 6 to the financial statements).

Under the Group's accounting policy for trademarks and know how these are treated as having an indefinite life because the related licenses are perpetual, irrevocable and exclusive. They include the trademark and know how in the territory in connection with specific cake product brands, these brands remain popular in the Middle East and the group does not foresee any decline in their value in the foreseeable future. No amortisation is charged annually as a result. However, under accounting standards management are required to perform an annual test to assess whether the carrying value of these trademarks and know how has been impaired.

The impairment test is based on management's view of the future cash flows to be generated from the trademarked brands concerned.

We focused on these intangible assets because of the amount of inherent uncertainty involved in estimating future product cash flows and also because of the potentially significant impact on the Group's reported income, its earnings per share and its asset carrying values of relatively small changes in the underlying assumptions.

We obtained management's valuation analysis which is derived from the Board approved business plan. The most significant judgments relate to the discount rate applied together with the assumptions supporting the underlying forecast cash flows, in particular the terminal growth rate and the forecast combined operating ratios in the projection period and investment return assumptions.

We evaluated management's discounted cash flow forecasts and the process by which they were developed. We compared these forecasts to Board-approved business plans and also compared previous forecasts to actual results to assess the performance of the business and the accuracy of management forecasting. We confirmed that the key assumptions had been subject to oversight from the directors.

Using the assistance of our internal valuations specialists we tested the assumptions and methodologies used, in particular those relating to the discount rate and growth rates. To do this:

- We evaluated these assumptions with reference to those applied to valuations of similar companies.
- We compared the key assumptions to externally derived data where possible, including market expectations of investment return, projected economic growth and interest rates.
- We applied sensitivities in evaluating the directors' assessment of the planned growth rate in cash flows and combined operating ratios.

In testing the valuation model we checked the calculations for mathematical accuracy, and considered the sensitivity of the calculation by varying the assumptions and applying other values within a reasonably possible range.

## Key audit matter

## How our audit addressed the key audit matter

### Exchange differences that resulted from floating of the Egyptian pound

(Refer to Notes 24 and 25)  
We focused on exchange differences arising from revaluation of monetary assets and liabilities denominated in foreign currencies because of the floating decision of the Egyptian pound announced by the Central Bank of Egypt in November 2016. Following that, the Egyptian pound devaluated significantly compared with foreign currencies. Accordingly, the official exchange rates of the foreign currencies against the Egyptian pound shall be determined in the local banks based on the market's supply and demand rather than a binding rate imposed by the central bank.

The exchange differences impact on Statement of profit or loss as of 31 December 2016 amounted to EGP 298.5 million (2015: EGP 1.4 million).

- We identified monetary items denominated in foreign currencies
- We verified that the closing rate used for translation matched with company's bank rate
- We recalculated the exchange differences using closing rates obtained from external sources.
- We ensured the recognition and classification of the exchange differences to appropriate financial statements line item
- We ensured management had disclosed required disclosures and a sensitivity analysis to assess foreign exchange risk arises from future commercial transactions and performed tests on the amounts disclosed

## Other information

Management is responsible for the other information. The other information comprises the Board of Directors' annual report (but does not include the consolidated financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) and with the prevailing Egyptian laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists,

we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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

28 February 2017  
Cairo




# CONSOLIDATED BALANCE SHEET “IFRS”

At 31 December 2016

(All amounts in Egyptian Pounds)

	Note	2016	2015
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,474,461,243	1,299,529,732
Intangible assets	6	162,911,642	161,968,712
<b>Total non-current assets</b>		<b>1,637,372,885</b>	<b>1,461,498,444</b>
<b>Current assets</b>			
Inventories	7	318,428,559	140,297,471
Trade and other receivables	8	196,668,474	67,843,179
Treasury bills	9	192,144,828	149,591,114
Cash and cash equivalents (excluding bank overdrafts)	10	90,465,545	313,344,052
<b>Total current assets</b>		<b>797,707,406</b>	<b>671,075,816</b>
<b>Total assets</b>		<b>2,435,080,291</b>	<b>2,132,574,260</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term loans	11	527,825,757	346,217,286
Deferred income tax liabilities	13	86,492,634	94,536,302
Employee benefit obligations	14	1,945,034	2,533,203
<b>Total non-current liabilities</b>		<b>616,263,425</b>	<b>443,286,791</b>
<b>Current liabilities</b>			
Trade and other payables	15	260,353,649	255,248,981
Current income tax liabilities	16	1,233,553	24,281,519
Current portion of long-term liabilities	17	146,232,334	145,235,152
Bank overdraft	18	240,473,897	73,698,428
Provisions	19	19,166,385	16,000,854
<b>Total current liabilities</b>		<b>667,459,818</b>	<b>514,464,934</b>
<b>Total liabilities</b>		<b>1,283,723,243</b>	<b>957,751,725</b>
<b>Net assets</b>		<b>1,151,357,048</b>	<b>1,174,822,535</b>
<b>Equity</b>			
Share capital	20	145,072,580	72,536,290
Legal reserve	21	48,745,291	38,947,275
Foreign currency translation reserve		(162,824)	5,568
Retained earnings		942,718,233	1,057,715,965
<b>Capital and reserves attributable to owners of Edita food industries</b>		<b>1,136,373,280</b>	<b>1,169,205,098</b>
Non-controlling interests	22	14,983,768	5,617,437
<b>Total equity</b>		<b>1,151,357,048</b>	<b>1,174,822,535</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

  
Mr. Sameh Naguib  
Vice President - Finance

  
Eng Hani Berzi  
Chairman

28 February 2017  
Independent auditor's report attached

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS “IFRS”

For the year ended 31 December 2016

(All amounts in Egyptian Pounds)

	Note	2016	2015
Revenue		2,502,918,189	2,225,354,667
Cost of sales	28	(1,604,647,951)	(1,357,884,821)
<b>Gross profit</b>		<b>898,270,238</b>	<b>867,469,846</b>
Distribution cost	28	(308,100,697)	(282,347,968)
Administrative expenses	28	(181,914,459)	(157,323,657)
Other income	23	9,725,028	15,405,017
Other gains / (losses) - net	24	(39,987,841)	5,755,936
<b>Operating profit</b>		<b>377,992,269</b>	<b>448,959,174</b>
Finance income		33,203,696	29,470,219
Finance cost		(318,867,865)	(33,498,163)
<b>Finance cost - Net</b>	25	<b>(285,664,169)</b>	<b>(4,027,944)</b>
<b>Profit before income tax</b>		<b>92,328,100</b>	<b>444,931,230</b>
Income tax expense	26	(44,888,835)	(95,853,264)
<b>Net profit for the year</b>		<b>47,439,265</b>	<b>349,077,966</b>
<b>Profit is attributable to</b>			
Owners of Edita food industries		48,368,637	345,424,918
Non-controlling interests		(929,372)	3,653,048
<b>Profit for the year</b>		<b>47,439,265</b>	<b>349,077,966</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company (expressed in EGP per share) :</b>			
Basic earnings per share	27	0.07	0.48
Diluted earnings per share	27	0.07	0.48

The above consolidated statements of profit or loss should be read in conjunction with the accompanying notes.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME “IFRS”

For the year ended 31 December 2016

(All amounts in Egyptian Pounds)

	2016	2015
<b>Profit for the year</b>	<b>47,439,265</b>	<b>349,077,966</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Other comprehensive income for the year net of tax	(168,392)	2,067
Assets revaluation reserve	-	(2,404)
<b>Other comprehensive income for the year - net of tax</b>	<b>(168,392)</b>	<b>(337)</b>
<b>Total comprehensive income for the year</b>	<b>47,270,873</b>	<b>349,077,629</b>
<b>Total comprehensive income for the year is attributable to</b>		
Owners of Edita Food Industries	48,200,245	345,426,985
Non-controlling interests	(929,372)	3,650,644
<b>Total comprehensive income for the year</b>	<b>47,270,873</b>	<b>349,077,629</b>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY “IFRS”

For the year ended 31 December 2016

(All amounts in Egyptian Pounds)

(All amounts in Egyptian Pounds)

	Attributable to Owners of the parent			Non-Total owners' equity		
	Share capital	Legal reserve	Foreign currency translation reserve	Retained earnings of the parent	controlling interest	
Balances at 1 January 2015	72,536,290	31,103,903	3,501	720,134,419	823,778,113	1,966,793
Profit for the year	-	-	-	345,424,918	345,424,918	3,653,048
Other comprehensive income for the year	-	-	2,067	-	2,067	(2,404)
Total comprehensive income for the year	-	-	2,067	345,424,918	345,426,985	3,650,644
Transactions with owners in their capacity as owners:						
Transfer to legal reserve	-	7,843,372	-	(7,843,372)	-	-
Balance at 31 December 2015	72,536,290	38,947,275	5,568	1,057,715,965	1,169,205,098	5,617,437
Profit / (loss) for the year	-	-	-	48,368,637	48,368,637	(929,372)
Other comprehensive income for the year	-	-	(168,392)	-	(168,392)	-
Total comprehensive income for the year	-	-	(168,392)	48,368,637	48,200,245	(929,372)
Transactions with owners in their capacity as owners:						
Transfer to legal reserve	-	9,798,016	-	(9,798,016)	-	-
Bonus share, capital increase	72,536,290	-	-	(72,536,290)	-	-
Issue of ordinary shares of a subsidiary	-	-	-	-	-	10,552,330
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	-	-	(256,627)
Dividends distribution for 2015	-	-	-	(81,032,063)	(81,032,063)	-
Balance at 31 December 2016	145,072,580	48,745,291	(162,824)	942,718,233	136,373,280	14,983,768

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



# CONSOLIDATED STATEMENT OF CASH FLOWS “IFRS”

For the year ended 31 December 2016

(All amounts in Egyptian Pounds)

	Notes	2016	2015
<b>Cash flows from operating activities</b>			
Cash (used in) / generated from operations	29	(90,412,156)	541,184,270
Interest paid		(56,831,581)	(29,459,700)
Income tax paid		(73,056,654)	(136,228,597)
<b>Net cash (outflow) inflow from operating activities</b>		<b>(220,300,391)</b>	<b>375,495,973</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(269,273,842)	(351,796,531)
Capitalized interest on property, plant and equipment		(4,872,184)	(9,971,079)
Payment for intangible assets		-	(94,292,984)
Proceeds from sale of property, plant and equipment		6,157,864	14,443,739
Interest received		30,656,227	27,222,993
Payment for purchase of treasury bills		(691,612,480)	(575,914,568)
Proceeds from sale of treasury bills		648,682,420	532,763,241
<b>Net cash outflow from investing activities</b>		<b>(280,261,995)</b>	<b>(457,545,189)</b>
<b>Cash flows from financing activities</b>			
Proceeds from non-controlling interest share in capital increase of subsidiary		10,552,330	-
Dividends paid to shareholders		(81,016,675)	-
Payments against notes payable for acquisition of land		(10,546,825)	(9,985,990)
Repayments of borrowings		(220,436,080)	(163,356,268)
Proceeds from borrowings		412,524,052	322,151,776
<b>Net cash inflow from financing activities</b>		<b>111,076,802</b>	<b>148,809,518</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(389,485,584)</b>	<b>66,760,302</b>
Cash and cash equivalents at the beginning of the financial year		239,645,624	172,883,255
Effects of exchange rate changes on cash and cash equivalents		(168,392)	2,067
<b>Cash and cash equivalents at end of year</b>	<b>10</b>	<b>(150,008,352)</b>	<b>239,645,624</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS “IFRS”

For the year ended 31 December 2016

(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 which had been replaced by law No. 8 of 1997 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, readymade food, cakes, pastry, milk products, meat, vegetables, fruits, chocolate, vegetarian products and other food products with all necessary ingredients.

The Group's financial year start on 1 January and ends on 31 December each year.

The main shareholders are BERCO Limited which owns 41.815% of the Company's share capital and the Bank of New York Mellon which owns 25.592% of the Company share capital and Exoder participation, “Exoder Limited”, domiciled in Cyprus which owns 13.065% of the Company's share capital and Africa Samba B.V. which owns 7.5% of Company's share capital and other shareholders owning 12.029% 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 amend the consolidated financial statements after issuance.

Consolidated financial statements of the Group comprise financial statements of Edita Food Industries Company (S.A.E.) and its subsidiaries (together referred to as the “Group”).

### Edita Food Industries:

Edita food industries is the holding company. The company provides manufacturing, producing and packing of all food products and producing and packing of readymade food, cakes, pastry, milk, chocolate and other food products with all necessary ingredients and sell the products to Digma for Trading.

The group's principal subsidiaries at 31 December 2016 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.



**Digma for Trading:**

Digma for trading main activity is wholesale and retail trading in consumable goods. The Company also acts as a distributor for local and foreign factories and companies producing these goods and also imports and exports, in accordance with laws and regulations. The company buys from Edita confectionery industries and Edita food industries and distributes to others.

**Edita Confectionery Industries:**

The company's purpose is to build and operate a factory for production, sales of distributions of Sweets, Toofy, Jelly and Caramel other nutrition materials and sell the products to Digma for Trading.

**Edita participation limited:**

The principal activities of the company are the provision of services and the holding of investments but the Company does not have any operations until now and all its transactions are immaterial

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests	
		2016	2015	2016	2015
Digma for trading	Egypt	99.8 %	99.8 %	0.2 %	0.2 %
Edita Confectionery Industries	Egypt	77.71 %	77.71 %	22.29 %	22.29 %
Edita participation limited	Cyprus	100 %	100 %	-	-

**Financial information about the subsidiaries of the group as at 31 December 2016 and 31 December 2015 as follows:**

Name of subsidiary	Total Assets 2016	Total Equity 2016	Total Sales 2016	Net Profit/ (Loss) 2016
Digma for trading	284,033,086	187,714,292	2,322,059,255	105,419,276
Edita Confectionery Industries	173,523,440	67,086,992	92,886,054	(5,115,348)
Edita participation limited	163,466	(182,007)	-	(54,926)

Name of subsidiary	Total Assets 2015	Total Equity 2015	Total Sales 2015	Net Profit/ (Loss) 2015
Digma for trading	322,750,258	217,172,414	2,082,513,160	90,652,009
Edita Confectionery Industries	101,337,408	24,866,010	81,561,456	15,575,341
Edita participation limited	159,141	(121,503)	-	(31,121)

The above mentioned financial information are related to amounts as included in the separate financial statements which have been used in the consolidation

**2. Summary of significant accounting policies**

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Edita food industries and its subsidiaries.

**A. Basis of preparation****I. Compliance with IFRS**

The consolidated financial statements of Edita food industries and its subsidiaries "the group" have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

**II. Historical cost convention**

These financial statements have been prepared under the historical cost basis.

**III. New and amended standards adopted by the group**

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11
- Clarification of acceptable methods of depreciation and amortization – Amendments to IAS 16 and IAS 38
- Annual improvements to IFRSs 2012 – 2014 cycle, and
- Disclosure initiative – amendments to IAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

**IV. New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	IFRS 9 Financial Instruments
<b>Nature of change</b>	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
<b>Impact</b>	While the group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets. The other financial assets held by the group include: <ul style="list-style-type: none"> <li>• equity instruments currently classified as AFS for which a FVOCI election is available</li> <li>• equity investments currently measured at fair value through profit or loss (FVPL) which would likely continue to be measured on the same basis under IFRS 9, and</li> </ul>



Title of standard	IFRS 9 Financial Instruments
	<ul style="list-style-type: none"> <li>debt instruments currently classified as held-to-maturity and measured at amortized cost which appear to meet the conditions for classification at amortized cost under IFRS 9.</li> </ul> <p>Accordingly, the group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.</p>
Mandatory application date/ Date of adoption by group	<p>Must be applied for financial years commencing on or after 1 January 2018.</p> <p>Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The group does not intend to adopt IFRS 9 before its mandatory date</p>

Title of standard	IFRS 15 Revenue from Contracts with Customers
Nature of change	<p>The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p>
Impact	<p>Accordingly, the group does not expect the new guidance to have a significant impact on the recognition and measurement of revenue.</p>
Mandatory application date/ Date of adoption by group	<p>Mandatory for financial years commencing on or after 1 January 2018.</p> <p>Expected date of adoption by the group: 1 January 2018.</p>

Title of standard	IFRS 16 Leases
Nature of change	<p>IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.</p> <p>The accounting for lessors will not significantly change.</p>
Impact	<p>Accordingly, the group does not expect the new guidance to have a significant impact on the recognition and measurement of leasing contracts.</p>
Mandatory application date/ Date of adoption by group	<p>Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.</p>

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## B. Basis of consolidation

### 1. Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the group. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

### 2. Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.



### 3. Joint arrangement

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Group doesn't have any joint operations or joint ventures.

### 4. Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

### 5. Changes in ownership interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

## C. Principles of consolidation and equity accounting

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss

## D. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The board of EDITA FOOD INDUSTRIES has appointed a chief operating decision-maker who assess the financial performance and position of the group, and makes strategic decisions. Which has been identified as the chief executive officer.

## E. Foreign currency translation

### (1) Functional and presentation currency

Items included in the financial statements each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Egyptian Pound (EGP), which is Edita food industries functional and presentation currency.

### (2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss, they are deferred in equity if they are attributable to part of the net investment in foreign operations.

Foreign exchange gains and losses that relate to Loans and Cash and cash equivalents are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within 'other gains / (losses) – net'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in other comprehensive income.

### (3) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from translation of the net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.



## F. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

### (1) Sales of goods – whole sale

Sales of goods are recognized when group has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the group has objective evidence that all criteria for acceptance have been satisfied.

### (2) Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

### (3) Dividend income

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

### (4) Export subsidy

The Company obtains a subsidy against exporting some of its production. The subsidy is calculated based on a percentage from the total exports invoices determined by the Export Development Fund related to the Commercial and Industry Ministry. Export subsidy is recognized in the statement of profit or loss as other income when received in cash after meeting all required criteria.

## G. Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company'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. It 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## H. Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

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



## I. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

## J. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life 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 the end of each reporting period.

## K. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown in current liabilities in the balance sheet.

## L. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

## M. Inventories

Inventories are stated at the lower of cost or net realisable value. Cost comprises direct materials, direct labour, other direct costs and an appropriate proportion of variable and fixed overhead expenditures, the latter being allocated on the basis of normal operating capacity but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and estimated costs necessary to make the sale, And the provision for obsolete inventory is created in accordance to the management's assessment..

## N. Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.



A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

**O. Financial assets**

**i. Classification**

The group classifies its financial assets in the following categories,

- loans and receivables, and
- Held to maturity (treasury bills).

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held to maturity, re-evaluates this designation at the end of each reporting period.

**ii. Reclassification**

Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

**iii. Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

**iv. Measurement**

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Interest on held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

**v. Impairment**

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

*Assets carried at amortised cost*

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

**P. Property, plant and equipment**

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statements of Profit or loss during the financial year in which they are incurred.

Land is not depreciated.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual value over their estimated useful lives, as follows:

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



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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains / (losses)" in the statement of profit or loss.

### Q. Intangible assets

Intangible assets (Trademarks & know how) have indefinite useful lives as there is no foreseeable limit on the period of time over which the brands are expected to exist and generate cash flows, and are carried at cost less impairment losses. Historical cost includes all expenses associated with the acquisition of an intangible asset,

The trademark and know how is recognized as an indefinite intangible asset as the license is perpetual, irrevocable and exclusive including the trademark in the territory related to cake products. The brand has an established presence in the territory since nineteenth. In addition, the group has a strong historic financial track-record and forecasts continued growth also, the knowhow of perpetual license not exposed to typical obsolescence as it relates to a food products. The brand remain popular in the Middle East and the group does not foresee any decline in the foreseeable future.

### R. Trade and other payables

These amounts represents liabilities for goods or services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

### S. Loans

Loans are recognized initially at fair value, net of transaction costs incurred. Loans are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the Loans using the effective interest method.

Loans are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

### T. Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific Loans pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### U. Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate to the expenditures required to settle the obligation at the end of the period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

### V. Employee benefits

#### i. Short-term obligations

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

#### ii. Post-employment obligation

Pension obligations

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.



The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

The defined benefit plan defines an amount of benefits to be provided in the form of 15 working days payment for each year they had worked for the company for employees who reach the age of sixty, according to the following criteria:

- The contribution is to be paid to employees for their working period at the Company only
- The working period must be not less than ten years
- The maximum contribution is 12 months salary

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

### iii. Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

### iv. Termination benefits

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

## W. Contributed equity

Ordinary shares are classified as equity.

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

## X. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

## Y. Earnings per share

### (1) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group excluding any costs of servicing equity other than ordinary shares by the weight average number of ordinary shares in issue during the year excluding ordinary shares purchase by the Group and held as treasury shares.

### (2) Diluted earnings per share

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

## Z. Comparative figures

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 group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The group's management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance.

The group's risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies and evaluates financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.



Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognized financial assets and liabilities not denominated in Egyptian pounds	Cash flow forecasting Sensitivity analysis	by local banks that the Company deals with in official rates and the rest from its exports in US Dollars
Market risk – interest rate	Long-term Loans at variable rates	Sensitivity analysis	Interest rate incremental to deposits rate
Market risk – security prices	No investment in a quoted equity securities	Sensitivity analysis	Portfolio diversion
Credit risk	Cash and cash equivalents, trade receivables and held-to-maturity investments	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and governmental treasury bills
Liquidity risk	Loans and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

#### (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 Euro and US dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Group covers part of its imports of raw materials in foreign currency by local banks that the Company deals with in official rates and the rest from its exports in US Dollars

#### Exposure

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Egyptian pounds, was as follows:

At year end, major financial Assets (liabilities) in foreign currencies were as follows:

	Assets	Liabilities	Net 2016	Net 2015
Euros	830,822	(257,479,531)	<b>(256,648,709)</b>	<b>(186,657,909)</b>
United States Dollars	20,885,620	(179,989,393)	<b>(159,103,773)</b>	<b>(34,730,182)</b>

#### Amounts recognised in profit or loss

During the year, the following foreign-exchange related amounts were recognized in profit or loss and other comprehensive income:

	2016	2015
<b>Amounts recognised in profit or loss</b>		
Net foreign exchange (Loss) gain included in other income/ other expenses net of tax	(231,346,978)	1,095,862
	<b>(231,346,978)</b>	<b>1,095,862</b>

#### Net (Losses) gains recognised in other comprehensive income

Foreign currency translation reserve net of tax	(168,392)	2,067
	<b>(168,392)</b>	<b>2,067</b>

#### Sensitivity analysis

As shown in the table above, the group is primarily exposed to changes in US/EGP and Euro/EGP exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from Euro and US-dollars denominated financial instruments and the impact on profit got the year components arises from contracts designated financial liabilities.

#### Euro/EGP

At 31 December 2016, if the Egyptian Pounds had weakened / strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been LE 25,664,871 (2015: LE 18,665,791) higher / lower, mainly as a result of foreign exchange gains/ losses on translation of Euro-denominated financial assets and liabilities.

#### USD/EGP

At 31 December 2016, if the Egyptian Pounds had weakened / strengthened by 10% against the US Dollars with all other variables held constant, post tax profit for the year would have been LE 15,910,377 (2015: LE 3,473,018) higher / lower, mainly as a result of foreign exchange gains/ losses on translation of US dollar-denominated financial assets and liabilities.

On 3 November 2016, the central bank of Egypt announced the floating of the Egyptian pound and raised the overnight interest rates on lending and deposits by 3%. Accordingly, the official exchange rates of the foreign currencies against the Egyptian pound shall be determined in the local banks based on the market's supply and demand rather than a binding rate imposed by the central bank.

#### (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 main interest rate risk arises from long-term Loans variable rates, which expose the group to cash flow interest rate risk. Group policy is to maintain short term time deposits which are renewed with the applicable interest rate at the time of renewal to offset the changes in the interest rates on Loans. Loans measured at amortized cost with fixed rates do not expose the company to fair value interest rate risk



At 31 December 2016, if interest rates on Egyptian pound -denominated net interest bearing liabilities had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been LE 708,762 (2015: LE 342,889) lower/higher, mainly as a result of higher/lower interest expense on floating rate Loans.

Loans at the balance sheet date with variable interest rate amounted to LE 674,058,091 (2015: LE 480,905,613).

Overdraft at the balance sheet date amounted to LE 240,473,897 (2015: LE 73,698,428).

## (B) Credit risk

### (i) Risk management

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, treasury bills, as well as credit exposures to customers, including outstanding receivables

### (ii) Security

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

For the customers, the Group assesses the credit quality of the customers, taking into account its financial position, and their market reputation, past experience and other factors.

### (lii) Credit Quality

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

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties except for the impairment of accounts receivables presented in (Note 8).

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

The group sells to retail customers which are required to be settled in cash, therefore there is no significant concentration of credit risk.

### Trade receivables

Counter parties without external credit rating:

	2016	2015
Trade and notes receivables	32,249,179	7,092,479
	<b>32,249,179</b>	<b>7,092,479</b>

Outstanding trade receivables are current and not impaired

### Cash at bank and short-term bank deposits:

	2016	2015
AA	78,888,032	823,278
A	6,350,075	156,075,388
BBB	-	137,853,764
B	2,610,544	1,201,037
<b>Total</b>	<b>87,848,651</b>	<b>295,953,467</b>

The table below summarizes the maturities of the Company's trade receivables at 31 December 2016 and 31 December 2015:

	2016	2015
Less than 30 days	22,961,936	4,591,020
From 31 to 60 days	7,354,413	1,645,476
From 61 to 90 days	369,120	65,896
From 91 to 120 days	33,499	85,526
	<b>30,718,968</b>	<b>6,387,918</b>

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	2016	2015
At 1 January	20,556	138,785
Provision for impairment recognized during the year	-	-
Receivables written off during the year as uncollectible	-	(118,229)
	<b>20,556</b>	<b>20,556</b>

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The group does not hold any collateral in relation to these receivables.

### (C) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the group held deposits at call of EGP 59,960,840 (2015 – EGP 260,360,840) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants) on any of its borrowing facilities. Such forecasting takes into consideration the company debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

The table below summarizes the maturities of the Group's undiscounted financial liabilities at 31 December 2016 based on contractual payment dates and current interest rates as we had excluded the taxes payable, advances from customers and social insurance:



2016	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
Loans	82,314,203	63,918,131	148,571,413	379,254,344
Future interest payments	15,734,086	35,601,580	59,198,436	71,312,725
Trade and other payables	191,751,313	-	-	-
Bank overdraft	240,473,897	-	-	-
Notes payable	32,925,768	-	-	-
<b>Total</b>	<b>563,199,267</b>	<b>99,519,711</b>	<b>207,769,849</b>	<b>450,567,069</b>
<b>At 31 December 2015</b>				
Loans	63,735,176	70,953,151	97,684,524	248,532,762
Future interest payments	2,578,269	3,240,990	6,307,605	15,705,858
Trade and other payables	199,550,963	-	-	-
Bank overdraft	73,698,428	-	-	-
Notes payable	45,087,494	10,546,825	-	-
<b>Total</b>	<b>384,650,330</b>	<b>84,740,966</b>	<b>103,992,129</b>	<b>264,238,620</b>

The unused amount of Loans is amounted to EGP 154,586,942 as of 31 December 2016, also the Group will have future interest payments related to Loans amounting to LE 181,846,827 (2015: LE 27,832,722).

## (2) Capital management

The group's objectives when managing capital is to safeguard their 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 group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net loan represents all loans and overdraft, 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 2016 and 2015 were as follows:

	2016	2015
Total Loans and long term notes payable	674,058,091	491,452,438
Bank overdraft	240,473,897	73,698,428
<b>Total Loans and Overdraft</b>	<b>914,531,988</b>	<b>565,150,866</b>
Less: Cash and cash equivalents	(90,465,545)	(313,344,052)
<b>Net debt</b>	<b>824,066,443</b>	<b>251,806,814</b>
Total equity	1,151,357,048	1,174,822,535
<b>Total capital</b>	<b>1,975,423,491</b>	<b>1,426,629,349</b>
<b>Gearing ratio</b>	<b>42%</b>	<b>18%</b>

The increase in net debt to total capital is mainly due to the increase in total Loans and overdraft and the decrease in cash and cash equivalents as a result of dividends distribution.

## Loan covenants

Under the terms of the major borrowing facilities, the group is required to comply with the following financial covenants:

The debt to equity ratio must be not more than 1:1

## (3) Fair value estimation

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

## 4. Critical accounting estimates and judgments

### 1. Critical accounting estimates and assumptions

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

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

### Fixed assets useful lives

Fixed assets are depreciated based on useful lives and estimated residual values of each asset which is determined in accordance with the Group's policy and in the light of the technical study prepared for each asset separately by the group's technical resources. In order on conformity with Egyptian accounting standards, the management will regularly reviews residual value and useful lives of assets and modified annually.

### Intangible assets impairment (Trade Mark & know how )

The Group estimates the useful life of the trademark and know how to be indefinite useful life based on trademark agreement which give the Group the license with perpetual, irrevocable and exclusive including the knowhow in the territory, accordingly, the Group's management annually test the impairment of intangible assets (Trade Mark & know how), that have an indefinite useful life based on the financial and operational performance in previous years and the management expectation for the market developments in the future by preparing a business plan by using the growth rate and the discount rate prevailing

### Income tax

The group is subject to corporate income tax. The group estimates the income tax provision by using the advice of an expert. In case there are differences between the final and preliminary results, these differences will affect the income tax provision in these years.

## 2. Critical judgments in applying the group's accounting policies

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

## 5. Property, plant and equipment

	Land	Buildings	Machinery & equipment	Vehicles	Tools & equipment	Furniture & office equipment	Projects under construction	Total
<b>At 1 January 2015</b>								
Cost	62,226,931	358,756,888	467,724,860	130,514,617	39,346,149	46,442,136	197,420,789	1,302,432,370
Accumulated depreciation	-	(42,535,772)	(132,481,461)	(63,583,055)	(22,910,791)	(25,051,641)	-	(286,562,720)
<b>Net book amount</b>	<b>62,226,931</b>	<b>316,221,116</b>	<b>335,243,399</b>	<b>66,931,562</b>	<b>16,435,358</b>	<b>21,390,495</b>	<b>197,420,789</b>	<b>1,015,869,650</b>
<b>Year ended 31 December 2015</b>								
Opening net book amount	62,226,931	316,221,116	335,243,399	66,931,562	16,435,358	21,390,495	197,420,789	1,015,869,650
Additions	44,487,197	94,541	17,057,231	36,072,030	7,893,495	15,670,686	240,492,430	361,767,610
Depreciation charge	-	(13,706,638)	(28,914,338)	(17,301,950)	(7,678,036)	(9,165,525)	-	(76,766,487)
Disposal depreciation	-	-	200,543	26,531,920	519,333	2,869,226	-	30,121,022
Disposals	-	(75,478)	(322,961)	(27,647,439)	(528,669)	(2,887,516)	-	(31,462,063)
Transfers from projects under construction	-	119,313,063	151,186,774	-	11,206,129	198,924	(281,904,890)	-
<b>Closing net book amount</b>	<b>106,714,128</b>	<b>421,846,604</b>	<b>474,450,648</b>	<b>84,586,123</b>	<b>27,847,610</b>	<b>28,076,290</b>	<b>156,008,329</b>	<b>1,299,529,732</b>
<b>At 31 December 2015</b>								
Cost	106,714,128	478,089,014	635,645,904	138,939,208	57,917,104	59,424,230	156,008,329	1,632,737,917
Accumulated depreciation	-	(56,242,410)	(161,195,256)	(54,353,085)	(30,069,494)	(31,347,940)	-	(333,208,185)
<b>Net book amount</b>	<b>106,714,128</b>	<b>421,846,604</b>	<b>474,450,648</b>	<b>84,586,123</b>	<b>27,847,610</b>	<b>28,076,290</b>	<b>156,008,329</b>	<b>1,299,529,732</b>
<b>Year ended 31 December 2016</b>								
Opening net book amount	106,714,128	421,846,604	474,450,648	84,586,123	27,847,610	28,076,290	156,008,329	1,299,529,732
Additions	14,194,132	-	14,874,049	10,906,147	10,323,755	10,240,089	213,607,854	274,146,026
Depreciation charge	-	(18,759,872)	(36,518,579)	(18,773,364)	(11,068,526)	(11,841,474)	-	(96,961,815)
Disposal depreciation	-	-	1,480,969	4,479,770	826,086	1,337,475	-	8,124,300
Disposals	-	-	(2,454,633)	(5,712,850)	(842,344)	(1,367,173)	-	(10,377,000)
Transfers from Projects under construction	-	14,526,630	177,790,647	-	12,302,435	1,923,504	(206,543,216)	-
<b>Closing net book amount</b>	<b>120,908,260</b>	<b>417,613,362</b>	<b>629,623,101</b>	<b>75,485,826</b>	<b>39,389,016</b>	<b>28,368,711</b>	<b>163,072,967</b>	<b>1,474,461,243</b>
<b>At 31 December 2016</b>								
Cost	120,908,260	492,615,644	825,855,967	144,132,505	79,700,950	70,220,650	163,072,967	1,896,506,943
Accumulated depreciation	-	(75,002,282)	(196,232,866)	(68,646,679)	(40,311,934)	(41,851,939)	-	(422,045,700)
<b>Net book amount</b>	<b>120,908,260</b>	<b>417,613,362</b>	<b>629,623,101</b>	<b>75,485,826</b>	<b>39,389,016</b>	<b>28,368,711</b>	<b>163,072,967</b>	<b>1,474,461,243</b>

During the year, the Group has capitalized borrowings costs amounting to LE 4,872,184 (2015: LE 9,971,079) on qualified assets. Borrowings costs were capitalized at the weight average rate of its general borrowings of 13%.

	2016	2015
<b>Allocation of the borrowing cost on Qualified Assets</b>		
Projects under construction – Buildings	3,234,209	7,363,397
Projects under construction – Machinery	1,637,975	2,607,682
<b>Total</b>	<b>4,872,184</b>	<b>9,971,079</b>

## 6. Intangible assets

	Net Book Value	
	2016	2015
A- Trademark	131,480,647	131,480,647
B- Know how	31,430,995	30,488,065
<b>Balance as of</b>	<b>162,911,642</b>	<b>161,968,712</b>

### A. Trademarks

	Trade Mark (HOHOS, Twinkies & Tiger Tail)	
Cost	2016	2015
Opening Balance	131,480,647	68,618,658
Additions during the year	-	62,861,989
<b>Balance as of</b>	<b>131,480,647</b>	<b>131,480,647</b>

The intangible assets in the amount of ten million US Dollars equivalent to LE 68,618,658 paid against buying all the rights to the trademarks (HOHOS, Twinkies & Tiger Tail) and the consequences of this acquisition of the trademark in the countries of Egypt, Jordan, Libya and Palestine these rights do not have a definite time, and on the 16th of April 2015 the Company had signed a new contract for the expanding the scope of the rights to the trademarks (Hohos, Twinkies, and Tiger Tail) to include Algeria, Bahrain,, Iraq,, Kuwait, , Lebanon, Morocco, Oman, Qatar, Kingdom of Saudi Arabia, Syria, Tunisia, United Arab Emirates and this trademarks have infinite useful lives, and the this is against USD 8 Million equivalent to EGP 62,861,989.

### B. Know how

	Know How	
Cost	2016	2015
Opening balance	31,430,995	-
Additions during the year	-	31,430,995
<b>Balance as of</b>	<b>31,430,995</b>	<b>31,430,995</b>

	2016	2015
<b>Accumulated amortization</b>		
Opening Balance	(942,930)	-
Amortization expense during the year	942,930	(942,930)
<b>Balance as of</b>	<b>-</b>	<b>(942,930)</b>
<b>Net book value for know how</b>	<b>31,430,995</b>	<b>30,488,065</b>



On the 16th of April 2015 the group had signed a “License and Technical Assistance Agreement” with the owner of the know how with purpose to acquire the license, know how and technical assistance for some Hostess Brands products in the countries Egypt, Libya, Palestine, Jordan, Algeria, Bahrain, Iraq, Jordan, Lebanon, Kuwait, Morocco, Oman, Qatar, Kingdom of Saudi Arabia, Syria, Tunisia, and the United Arab Emirates, and this is against an amount of USD 4 Million equivalent to EGP 31,430,995.

#### Impact of change in accounting policy

- The accounting policy of intangible asset “Know how” have been changed during the year from intangible assets have finite useful lives, amortized over the company life span (25 years) and measured at cost less amortization in the consolidated financial statements to became intangible assets have an indefinite useful live measured at cost in the consolidated financial statements, and impairment is tested on an annual basis.
- Intangible asset “Know how” have been recognized in the consolidated financial statements for the year ended 31 December 2015, as a finite useful live intangible assets, based on significant incompleteness of its related production lines and that these new products is considered have new trade mark in the market and no actual marketing testing for these products took place at the consolidated financial statements date.
- Later during 2016, these production lines completed and genuine marketing for these products have been started. This provides the company’s management with the ability to establish assumptions on developing the market in the future.
- For the purpose of uniting the accounting policy for all intangible assets and to provide reliable and more relevant information, the company’s management changed the know how accounting policy from cost less amortisation based on finite useful live determined on 25 years to indefinite useful live measured at cost with impairment tested annually, considering the ability to establish reliable assumptions of future sales.
- The retrospective application of change in accounting policy resulted with adjustment of EGP 942,930 represents the amortization of 2015 fiscal year. Management concluded to recognize such adjustment on current year statement of profit or loss, as the resulting adjustment from changing the accounting policy has an immaterial impact on 2016 retained earnings opening balance, net profit for the year, basic and diluted earnings per share and comparative figures for the year ended 31 December 2015.

The impairment of intangible assets is reviewed annually to ensure that the carrying value of the intangible assets does not exceed the recoverable value.

Assumptions used by the Group when testing the impairment of intangible assets as of 31 December 2016 as follows:

Average gross profit	26 %
Discount rate	23 %
Growth rate	3 %

The group test the impairment of intangible assets depending on financial, operational, marketing position in the prior years, and its expectation for the market in the future by preparing a business plan using the growth rate and the discount rate prevailing. At the statement of financial position date the carrying value of the intangible assets is not less than its recoverable amount.

#### Sensitivity of recoverable amounts

At 31 December 2016, if the discount rate had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make an impairment.

At 31 December 2016, if the growth rate had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make an impairment.

At 31 December 2016, if the gross profit rate had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make an impairment.

## 7. Inventories

	2016	2015
Raw and packaging materials	250,308,760	96,827,316
Spare parts	26,269,668	26,436,664
Finished goods	25,381,892	10,177,972
Consumables	9,849,632	5,887,149
Work in process	6,881,927	1,935,464
<b>Total</b>	<b>318,691,879</b>	<b>141,264,565</b>
Less: provision for slow moving and obsolete inventory	(263,320)	(967,094)
<b>Net</b>	<b>318,428,559</b>	<b>140,297,471</b>

The cost of individual items of inventory are determined using moving average cost method.

During the year ended 31 December 2016, there has been a slow moving and obsolete inventory addition amounted to LE 595,504 (2015: LE 738,482) (Note 24) and utilized amounted to LE 1,299,278 (2015: LE 550,388).

The cost of inventory recognized as an expense and included in cost of sales amounted to LE 1,249,637,425 during the year ended 31 December 2016 (2015: LE 1,052,610,030)

## 8. Trade and other receivables

	2016	2015
Trade receivables	30,718,968	6,387,918
Notes receivable	1,530,211	704,561
<b>Total</b>	<b>32,249,179</b>	<b>7,092,479</b>
Less: Provision for impairment of trade receivables	(20,556)	(20,556)
	<b>32,228,623</b>	<b>7,071,923</b>
Advances to suppliers	138,088,609	43,539,492
Prepaid expenses	12,477,604	4,708,186
Other debit balances	7,419,676	9,861,458
Deposits with others	5,678,541	2,106,229
Letters of credit	581,818	431,169
Employee loans	128,524	77,787
Accrued income	65,079	46,935
<b>Total</b>	<b>196,668,474</b>	<b>67,843,179</b>

## 9. Treasury bills

	2016	2015
Treasury bills par value	198,000,000	151,475,000
Unearned interest	(8,425,680)	(4,830,740)
<b>Amount of treasury bills paid</b>	<b>189,574,320</b>	<b>146,644,260</b>
Interest income recognized to profit or loss	2,570,508	2,946,854
<b>Treasury bills balance</b>	<b>192,144,828</b>	<b>149,591,114</b>

The Group purchased Egyptian treasury bills on 15 November 2016 with par value amounted LE 45,000,000 with an annual interest of 17%. These treasury bills are due in 14th of February 2017. The total recognized interest income amounted to LE 924,903.

The Group purchased Egyptian treasury bills on 23 November 2016 with par value amounted LE 53,000,000 with an annual interest of 17.19%. These treasury bills are due in 21th of February 2017. The total recognized interest income amounted to LE 909,881.

The Group purchased Egyptian treasury bills on 6 December 2016 with par value amounted LE 20,000,000 with an annual interest of 17.95%. These treasury bills are due in 7th of March 2017. The total recognized interest income amounted to LE 235,385.

The Group purchased Egyptian treasury bills on 13 December 2016 with par value amounted LE 20,000,000 with an annual interest of 18.59%. These treasury bills are due in 14th of March 2017. The total recognized interest income amounted to LE 175,213.

The Group purchased Egyptian treasury bills on 13 December 2016 with par value amounted LE 10,000,000 with an annual interest of 18.47%. These treasury bills are due in 14th of March 2017. The total recognized interest income amounted to LE 87,072.

The Group purchased Egyptian treasury bills on 20 December 2016 with par value amounted LE 15,000,000 with an annual interest of 18.95%. These treasury bills are due in 21th of March 2017. The total recognized interest income amounted to LE 81,793.

The Group purchased Egyptian treasury bills on 20 December 2016 with par value amounted LE 5,000,000 with an annual interest of 18.95%. These treasury bills are due in 21th of March 2017. The total recognized interest income amounted to LE 27,252.

The Group purchased Egyptian treasury bills on 20 December 2016 with par value amounted LE 20,000,000 with an annual interest of 18.95%. These treasury bills are due in 21th of March 2017. The total recognized interest income amounted to LE 109,057.

The Group purchased Egyptian treasury bills on 27 December 2016 with par value amounted LE 10,000,000 with an annual interest of 19%. These treasury bills are due in 28th of March 2017. The total recognized interest income amounted to LE 19,952.

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

	2016	2015
Bank deposits	59,960,840	260,360,840
Cash at banks and on hand	30,504,705	52,983,212
<b>Cash and cash equivalents (excluding bank overdrafts)</b>	<b>90,465,545</b>	<b>313,344,052</b>

The average interest rate on local currency time deposits during 2016 is 12.5% (2015: 7.5%).

Bank deposits are having maturity period of less than 3 months from date of the deposit.

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

	2016	2015
Cash and cash equivalents	90,465,545	313,344,052
Bank overdraft (Note 18)	(240,473,897)	(73,698,428)
<b>Total</b>	<b>(150,008,352)</b>	<b>239,645,624</b>

## 11. Loans

	2016			2015		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Loans	146,232,334	527,825,757	674,058,091	134,688,327	346,217,286	480,905,613
	<b>146,232,334</b>	<b>527,825,757</b>	<b>674,058,091</b>	<b>134,688,327</b>	<b>346,217,286</b>	<b>480,905,613</b>

The due short term portion loans according to the following schedule:

	2016	2015
Balance due within 1 year	130,936,262	120,456,761
Accrued interest	15,296,072	14,231,566
	<b>146,232,334</b>	<b>134,688,327</b>



## (1) Edita Food Industries Company

	2016			2015		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
First loan	-	-	-	13,057,767	-	13,057,767
Second loan	-	-	-	12,645,613	-	12,645,613
Third loan	-	-	-	11,830,743	-	11,830,743
Fourth loan	20,464,972	26,250,000	46,714,972	20,558,670	43,749,965	64,308,635
Fifth loan	49,286,230	125,885,836	175,172,066	34,408,847	115,311,417	149,720,264
Sixth Loan	21,486,364	72,000,000	93,486,364	20,438,125	72,000,000	92,438,125
Seventh Loan	36,811,734	164,105,235	200,916,969	162,383	89,431,939	89,594,322
Eighth loan	237,842	130,829,986	131,067,828	-	-	-
	<b>128,287,142</b>	<b>519,071,057</b>	<b>647,358,199</b>	<b>113,102,148</b>	<b>320,493,321</b>	<b>433,595,469</b>

The due short term portion of loans is according to the following schedule:

	2016	2015
Balance due within 1 year	113,929,860	100,161,521
Accrued interest	14,357,282	12,940,627
	<b>128,287,142</b>	<b>113,102,148</b>

- First loan

This first loan is provided by one of the Egyptian banks in August 2011 based on a cross guarantee issued from Digma Trading Company with an amount of LE 100,000,000 and the total withdrawal amount is LE 100,000,000 in addition to accrued interest. The company paid the last due installments amounted to 12,500,000 in addition accrued interests on 1 February 2016.

- Second loan

This second loan is provided by one of the Egyptian banks in August 2012 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000 and the total withdrawal amount is LE 70,000,000 in addition to the accrued interest. The company paid the last due installments amounted to 11,666,667 in addition accrued interests on 6 June 2016.

- Third loan:

This third loan is provided by one of the Egyptian banks in May 2013 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000 and the total withdrawal amount is LE 70,000,000 in addition to the accrued interest. The company paid the last due installments amounted to 11,667,000 in addition accrued interests on 18 May 2016.

- Fourth loan:

This fourth loan is provided by one of the Egyptian banks in January 2014 based on a cross guarantee issued from Digma Trading Company with an amount of LE 70,000,000 and the total withdrawal amount is LE 70,000,000 on 31 December 2016 in addition to accrued interest. The loan outstanding balance at 31 December 2016 after payment of due installments amounted to 43,750,000 in addition accrued interests.

*Terms of payments:*

Edita Food Industries S.A.E. (borrower) is obligated to Pay LE 43,750,000 on 5 equal semi-annual instalments; each instalment is amounted to LE 8,750,000. The first installment is due on 22 February 2017 and the last on 22 February 2019

*Interest:*

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

*Fair value:*

Fair value is approximately equal to book value

- Fifth loan:

This fifth loan is provided by one of the Egyptian banks on September 2014 based on a cross guarantee issued from Digma Trading Company amounted to LE 185,000,000 and the total withdrawal amount is LE 86,857,057 plus 5,587,500 USD on 31 December 2016. The loan outstanding balance at 31 December 2016 after payment of due installments amounted to LE 77,206,280 plus 4,966,666 USD in addition accrued interests.

*Terms of payments:*

Edita Food Industries S.A.E. is obligated to Pay LE 77,206,280 on 8 equal semi-annual installments; each installment is amounted to LE 9,650,785 In addition. The company is obligated to pay 4,966,666 USD on 8 equal semi-annual installments; each installment is amounted to 620,834 USD. The first installment is due on January 2017 and the last on July 2020.

*Interest:*

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

*Fair value:*

Fair value is approximately equal to book value.

- Sixth loan:

This sixth loan is provided by one of the Egyptian banks on April 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 90,000,000 and the total withdrawal amount is LE 90,000,000 in addition to accrued interest.

*Terms of payments:*

Edita Food Industries S.A.E. is obligated to Pay LE 90,000,000 on 10 equal semi-annual installments; each installment is amounted to LE 9,000,000. The first installment is due on 9 April 2017 and the last on 9 October 2021.

*Interest:*

The interest rate is 2% above mid corridor rate of Central Bank of Egypt.

*Fair value:*

Fair value is approximately equal to book value.

- **Seventh loan:**

This seventh loan is provided by one of the Egyptian banks on September 2015 based on a cross guarantee issued from Digma Trading Company amounted to LE 200,581,054 and the total withdrawal amount is LE 94,073,754 plus 5,405,194 Euro plus 60,214 USD plus 90,208 GBP on 31 December 2016 in addition to accrued interest. The bank committed to translate the foreign Currency to Egyptian pound as the company in not obligated to pay the loan back in foreign currency.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 200,581,054 on 11 equal semi-annual instalments; each instalment is amounted to LE 18,233,915, except for the last instalment amounted to LE 18,241,904 the first instalment is due on 19 April 2017 and the last on 19 April 2022. Total loan value and accrued interest to be paid to the bank in local currency without any obligation on the Company to pay foreign currency.

**Interest:**

The interest rate is 1% above mid corridor rate of Central Bank of Egypt and 2.5% above the Euro Libor rate.

**Fair value:**

Fair value is approximately equal to book value.

- **Eighth loan:**

This eighth loan is provided by one of the Egyptian banks on September 2016 based on a cross guarantee issued from Digma Trading Company amounted to LE 170,000,000 and 6,000,000 Euro. The total withdrawal amount is LE 91,698,190 plus 2,046,000 Euro on 31 December 2016 in addition to accrued interest.

**Terms of payments:**

Edita Food Industries S.A.E. is obligated to Pay LE 170,000,000 and 6,000,000 Euro on 11 equal semi-annual instalments; each instalment is amounted to LE 15,454,500 and 545,455 Euro the first instalment is due on September 2018 and the last on September 2023.

**Interest:**

The interest rate is 0.5% above mid corridor rate of Central Bank of Egypt and 4% above the Euro Libor rate.

**Fair value:**

Fair value is approximately equal to book value.

## (2) Digma for Trading

	2016			2015		
	Short term portion	Long term portion	Total	Short term portion	Long term portion	Total
First loan	3,601,575	-	3,601,575	3,733,704	3,333,334	7,067,038
Second loan	3,555,141	1,666,666	5,221,807	3,637,597	5,000,000	8,637,597
Third loan	7,453,134	7,088,034	14,541,168	7,620,274	14,290,631	21,910,905
<b>Net</b>	<b>14,609,850</b>	<b>8,754,700</b>	<b>23,364,550</b>	<b>14,991,575</b>	<b>22,623,965</b>	<b>37,615,540</b>

The due short term portion loans according to the following schedule:

	2016	2015
Balance due within 1 year	13,906,402	14,095,240
Accrued interest	703,448	896,335
	<b>14,609,850</b>	<b>14,991,575</b>

- **The First loan**

The First loan is provided by one of the Egyptian banks in December 2013 based on a cross guarantee issued from Edita Food Industries Company S,A,E. amounted to LE 10,000,000 and the total withdrawal amount is LE 10,000,000 in addition to accrued interest,

**Terms of payments:**

Digma Trading Company S.A.E. is obligated to pay LE 3,333,334 on 2 equal semi-annual instalment, each instalment is amounted to LE 1,666,667 and the instalments come due after 12 months from the date the loan was issued to the company. The next instalments is due on 1th of January 2017 and the last on 15th of July 2017.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

- **The Second loan**

The second loan is provided by one of the Egyptian banks on 20 August 2014 based on a cross guarantee issued from Edita Food Industries Company S.A.E. amounted to LE 10,000,000 and the total withdrawal amount is LE 10,000,000 in addition to accrued interest,

**Terms of payments:**

Digma Trading Company S.A.E. is obligated to pay LE 5,000,000 on 3 equal semi-annual instalments, each instalment is amounted to LE 1,666,667 and the instalments come due after 12 months from the date the loan was issued to the company. The first instalment is due on 20 February 2017 and the last on 20 February 2018.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

- **The Third loan**

The third loan is provided by one of the Egyptian banks on 07 September 2015 based on a cross guarantee issued from Edita Food Industries Company S.A.E. amounted to LE 26,000,000 and the total withdrawal amount is LE 25,339,072 in addition to accrued interest,



**Terms of payments:**

Digma Trading Company S.A.E. is obligated to pay LE 14,327,769 on 4 equal semi-annual instalments, each instalment is amounted to LE 3,619,867 and the last instalment amounted to LE 3,468,167 and the instalments come due after 6 months from the date the loan was issued to the company. The first instalment is due on April 2017 and the last on October 2018.

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

**(3) Edita Confectionery Industries**

	2016			2015		
	Short-term portion	Long-term portion	Total	Short-term portion	Long-term portion	Total
Long-term loan	3,335,342	-	3,335,342	6,594,604	3,100,000	9,694,604
	<b>3,335,342</b>	<b>-</b>	<b>3,335,342</b>	<b>6,594,604</b>	<b>3,100,000</b>	<b>9,694,604</b>

The due short term portion loans according to the following schedule:

	2016	2015
Balance due within 1 year	3,100,000	6,200,000
Accrued interest	235,342	394,604
	<b>3,335,342</b>	<b>6,594,604</b>

This loan is provided by one of the Egyptian banks based on a cross guarantee issued from Edita Food Industries Company amounted to LE 31,000,000.

**Terms of payments:**

Edita Confectionary Industries S.A.E. is obligated to pay LE 3,100,000 on 1 equal semi-annual instalments (each instalment is amounted to LE 3,100,000) and the instalments come due after 6 months from the first withdrawal, the next instalment is due on the last on 17 April 2017 in addition accrued interests

**Interest:**

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

**Fair value:**

Fair value is approximately equal to book value.

**Compliance with debt covenants**

As of 31 December 2016, the group has complied with the financial covenants of its borrowing facilities during 2016 and 2015 reporting periods.

**12. 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 last installment on September 2016.

	2016		2015	
	Notes payable	Present value	Notes payable	Present value
<b>Short-term notes payables</b>				
Current portion of long-term notes payables (Note 17)	-	-	10,546,825	10,546,825
<b>Total short-term liabilities</b>	<b>-</b>	<b>-</b>	<b>10,546,825</b>	<b>10,546,825</b>

The total interest on the loan for the period ended at 31 December 2016 amounting to LE 531,405 (2015: LE 1,131,318) has been charged on the statements of Profit or loss as a finance cost (Note 25).

**13. Deferred income tax liability**

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

	Fixed assets	Acquiring Digma Company for Trading	Unrealized foreign exchange loss	Net deferred tax liabilities	
				2016	2015

**A. Deferred tax assets**

Balance at 1 January	-	-	-	-	-
Charged to statement of profit or loss	-	-	33,608,041	33,608,041	-
<b>Ending balance as of 31 December</b>	<b>-</b>	<b>-</b>	<b>33,608,041</b>	<b>33,608,041</b>	<b>-</b>

**B. Deferred tax liabilities**

Balance at 1 January	(90,720,084)	(3,816,218)		(94,536,302)	(79,424,174)
Charged to statement of profit or loss	(25,804,796)	240,423	-	(25,564,373)	(15,109,724)
Charged to statement of comprehensive income	-	-	-	-	(2,404)
<b>Ending balance as of 31 December</b>	<b>(116,524,880)</b>	<b>(3,575,795)</b>		<b>(120,100,675)</b>	<b>(94,536,302)</b>

<b>Net deferred tax liabilities</b>	<b>(116,524,880)</b>	<b>(3,575,795)</b>	<b>33,608,041</b>	<b>(86,492,634)</b>	<b>(94,536,302)</b>
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Balance at 1 January	(90,720,084)	(3,816,218)	-	(94,536,302)	(79,424,174)
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Charged to statement of profit or loss (Note 26)	(25,804,796)	240,423	33,608,041	8,043,668	(15,109,724)
Charged to statement of comprehensive income	-	-	-	-	(2,404)
<b>Ending Balance as of 31 December</b>	<b>(116,524,880)</b>	<b>(3,575,795)</b>	<b>33,608,041</b>	<b>(86,492,634)</b>	<b>(94,536,302)</b>

According to the tax system in Egypt, the tax losses belongs to Edita Confectionary Industries Company may be changed during the tax inspection by the tax authority, accordingly the management did not recognize deferred tax assets.

#### 14. Employee Benefit obligations

Employees of the company are entitled upon their retirement based on a defined benefit plan. The entitlement is based on the length of service and final remuneration package of the employee upon retirement. The defined benefit obligation is calculated using the projected credit unit method takes into consideration the principal actuarial assumptions as follows:

	2016	2015
Discount rate	14%	10%
Average salary increase rate	10%	7%
Turnover rate	25%	25%
Life table	49-52	49-52

The amounts recognized at the balance sheet date are determined as follows:

	2016	2015
Present value of obligations	1,945,034	2,533,203
<b>Liability at the balance sheet</b>	<b>1,945,034</b>	<b>2,533,203</b>

Movement in the liability recognized in the balance sheet:

	2016	2015
Balance at beginning of the year	2,533,203	-
Additions during year	-	2,533,203
Paid during the year	(588,169)	-
<b>Balance at end of the year</b>	<b>1,945,034</b>	<b>2,533,203</b>

The amounts recognized in the statement of profit or loss are determined as follows:

	2016	2015
<b>Present cost of the service</b>		
Cost of interest	-	2,533,203
<b>Total</b>	<b>-</b>	<b>2,533,203</b>

#### 15. Trade and other payables

	2016	2015
Trade payables	126,406,928	152,325,852
Notes payable	32,925,768	45,087,494
Accrued expenses	49,052,190	37,131,266
Other credit balances	16,292,195	10,093,845
Taxes payable	33,240,605	7,952,953
Advances from customers	2,360,845	2,582,453
Social insurance	75,118	75,118
<b>Total</b>	<b>260,353,649</b>	<b>255,248,981</b>

Trade payables are unsecured and are usually paid within an average of 45 days of recognition.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

#### 16. Current income tax liabilities

	2016	2015
Balance at 1 January	24,281,519	81,588,139
Income tax paid during the year	(24,015,547)	(81,088,673)
Withholding tax	(6,076,107)	(3,789,924)
Income tax for the year (Note 26)	52,932,503	80,743,540
Corporate tax advance payment	(42,965,000)	(50,850,000)
Accrued interest – advance payment (Note 25)	(2,923,815)	(1,821,563)
Tax adjustments	-	(500,000)
<b>Balance at end of year</b>	<b>1,233,553</b>	<b>24,281,519</b>

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

	2016	2015
Short-term loans (Note 11)	146,232,334	134,688,327
Current portion at long-term notes payable (Note 12)	-	10,546,825
<b>Total</b>	<b>146,232,334</b>	<b>145,235,152</b>

#### 18. Bank overdraft

	2016	2015
Bank overdraft (Note 10)	240,473,897	73,698,428
<b>Total</b>	<b>240,473,897</b>	<b>73,698,428</b>

Bank overdraft is an integral part of the Company's cash management. Bank overdraft is secured against guarantees by cross guarantees from the group of shareholders. The effective interest rate for bank overdraft was 15.75 % as of 31 December 2016 (2015: 11.25%).

#### 19. Provisions

	Other provisions	
	2016	2015
Balance at 1 January	16,000,854	10,916,700
Charged during the year (Note 24)	5,800,730	5,489,092
Utilized during the year	(2,591,519)	(404,938)
Provision no longer required (Note 24)	(43,680)	-
<b>Balance at end of year</b>	<b>19,166,385</b>	<b>16,000,854</b>

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

#### 20. Share capital

Authorized capital LE 360,000,000 (1,800,000,000 share, par value LE 0.20 per share).

The issued and paid up capital amounted by LE 72,536,290 presented in 362,681,450 share (par value LE 0.20 per share) after trading are shown as follows:



	No. of shares	Shares value	Percentage of ownership
BERCO Ltd.	151,654,150	30,330,830	41.815%
EXODER Ltd.	47,056,732	9,411,346	12.975%
Africa Samba Corporative	54,402,233	10,880,447	15.000%
Others ( Public stocks)	109,568,335	21,913,667	30.210%
	<b>362,681,450</b>	<b>72,536,290</b>	<b>100%</b>

On the 30th of March 2016 an extra ordinary general assembly meeting were held in which the shareholders approved the increase of issued and paid up capital from 72,536,290 EGP to be 145,072,580 EGP. An increase amounted to 72,536,290 EGP distributed on 362,681,450 shares with a par value of LE 0.2 per share financed from the net profit for the year ended 31 December 2015 distributed as a free share for each original share which has been registered in registration in commercial register on 9 May, 2016.

The issued and paid up capital amounted to LE 145,072,580 presented in 725,362,900 share (par value LE 0.2 per share) will be distributed as follow:

Shareholders	No. of shares	Shares value	Percentage of ownership
BERCO Ltd.	303,308,300	60,661,660	41.815%
THE BANK OF NEW YORK MELLON	185,631,920	37,126,384	25.592%
EXODER Ltd.	94,769,464	18,953,893	13.065%
Africa Samba B.V.	54,402,234	10,880,447	7.500%
Others (Public stocks)	87,250,982	17,450,196	12.029%
	<b>725,362,900</b>	<b>145,072,580</b>	<b>100%</b>

## 21. Legal reserve

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

## 22. Non-controlling interest

	Share Capital	Legal reserves	Revaluation assets reserve	Accumulated losses	Total	
					2016	2015
Balance at 1 January	12,271,000	5,000	38,162	(6,696,725)	5,617,437	1,966,793
Non-controlling share in (loss)/profit of subsidiaries	-	-	-	(929,372)	(929,372)	3,653,048
Assets revaluation reserve	-	-	-	-	-	(2,404)
<b>Total comprehensive income for the year</b>	-	-	-	(929,372)	(929,372)	3,650,644
Issue of ordinary shares of a subsidiary	10,552,330	-	-	-	10,552,330	-
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	(256,627)	(256,627)	-
Transfer to legal reserve	-	247,174	-	(247,174)	-	-
<b>Balance at end of year</b>	<b>22,823,330</b>	<b>252,174</b>	<b>38,162</b>	<b>(8,129,898)</b>	<b>14,983,768</b>	<b>5,617,437</b>

## 23. Other income

	2016	2015
Gain from sale of production waste	4,768,776	4,940,762
Other income	1,705,326	5,634,304
Export subsidies	3,250,926	4,829,951
<b>Total</b>	<b>9,725,028</b>	<b>15,405,017</b>

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

	2016	2015
Provision for slow moving inventory (Note 7)	(595,504)	(738,482)
Other Provisions (Note 19)	(5,800,730)	(5,489,092)
Provision for employee benefit obligation (Note 14)	-	(2,533,203)
Provision no longer required (Note 19)	43,680	-
Gain from sales of fixed assets	3,905,164	13,102,697
Foreign exchange (Losses) / gains	(37,540,451)	1,414,016
<b>Net</b>	<b>(39,987,841)</b>	<b>5,755,936</b>

## 25. Finance cost - net

	2016	2015
<b>Finance income</b>		
Interest income	30,279,881	27,648,656
Interest income – corporate tax payment	2,923,815	1,821,563
	<b>33,203,696</b>	<b>29,470,219</b>
<b>Finance cost</b>		
Interest expense	(57,364,682)	(32,366,845)
Interest on land's instalments (Note 12)	(531,405)	(1,131,318)
Foreign exchange (Losses)	(260,971,778)	-
	<b>(318,867,865)</b>	<b>(33,498,163)</b>
<b>Finance cost – net</b>	<b>(285,664,169)</b>	<b>(4,027,944)</b>

## 26. Income tax expense

The Company is subject to the corporate income tax according to tax law No. 91 of 2005 and its amendments No. 96 of 2015.

	2016	2015
Income tax for the year (Note 16)	(52,932,503)	(80,743,540)
Deferred tax expense for the year (Note 13)	8,043,668	(15,109,724)
<b>Total</b>	<b>(44,888,835)</b>	<b>(95,853,264)</b>

## 27. Earnings per share

### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Profit attributed to owners of the parent	47,439,265	349,077,966
<b>Weighted average number of ordinary shares in issue</b>		
Ordinary shares	725,362,900	725,362,900
	<b>725,362,900</b>	<b>725,362,900</b>
<b>Basic earnings per share</b>	<b>0.07</b>	<b>0.48</b>

### Diluted

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

## 28. Expenses by nature

	2016	2015
Cost of sales	1,604,647,951	1,357,884,821
Distribution cost	308,100,697	282,347,968
Administrative expenses	181,914,459	157,323,657
	<b>2,094,663,107</b>	<b>1,797,556,446</b>
Raw materials used	1,201,719,268	1,048,016,428
Salaries and wages	328,709,239	305,471,201
Advertising and marketing	118,750,550	108,714,342
Depreciation	96,961,815	76,766,487
Gas, oil, water and electricity	50,207,622	39,953,959
Miscellaneous and other expense	58,029,327	39,117,320
Employee benefits	45,178,073	45,708,239
Rent	38,223,402	34,320,999
Profit share employee	26,000,000	21,830,671
Transportation expenses	19,895,559	20,537,246
Maintenance	21,151,087	21,347,708
Vehicle expense	19,649,326	19,005,194
Consumable materials	14,117,656	10,495,081
Collection commission	6,659,781	-
Purchases – goods for resale	47,918,157	4,593,602
Royalty	1,492,245	1,677,969
	<b>2,094,663,107</b>	<b>1,797,556,446</b>

## 29. Cash generated from operations

	2016	2015
Profit for the year before income tax	92,328,100	444,931,230
<b>Adjustments for:</b>		
Provisions	5,800,730	5,489,092
Provision for employee benefit obligations	-	2,533,203
Interest on lands' installments	531,405	1,131,318
Interest expense	57,364,682	32,366,845
Interest income	(30,279,881)	(27,648,656)
Interest income – corporate tax payment	(2,923,815)	(1,821,563)
Depreciation of property, plant and equipment	96,961,815	76,766,487
Amortization of Intangible assets	(942,930)	942,930
Provision of slow moving inventory	595,504	738,482
Gain from sale of property, plant and equipment	<b>(3,905,164)</b>	<b>(13,102,698)</b>
Provision no longer required	(43,680)	-
	<b>215,486,766</b>	<b>522,326,670</b>
Change in working capital		
Inventories	(178,726,592)	(28,554,196)
Trade and other receivables	(128,825,295)	(1,501,056)
Trade and other payables	4,832,653	49,317,790
Provisions used	(2,591,519)	(404,938)
Payments of employee benefit obligations	(588,169)	-
<b>Cash (used in) / generated from operations</b>	<b>(90,412,156)</b>	<b>541,184,270</b>

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

	2016	2015
Net book amount	2,252,700	1,341,041
Profit of disposal of property, plant and equipment	3,905,164	13,102,698
<b>Proceeds from disposal of property, plant and equipment</b>	<b>6,157,864</b>	<b>14,443,739</b>

## 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 during the year ended December 2016 amounted to LE 1,492,245 (2015: LE 1,677,969) Chipita Participation is considered a related party as it owns Exoder Ltd. Company that in turn owns 13.065% of Edita Food Industries S.A.E. shares.

### 2. Key management compensation

During the year ended 31 December 2016 the company paid an amount of LE 61,785,420 as salaries and benefits to the key management members (2015: LE 61,969,936).

## 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 company as of the date of the financial statements preparation

### 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 2010 and all due tax amounts paid.
- For the years 2011-2012 the tax inspection was performed and the difference was sent to internal committee.
- For the years 2013-2015 the Company is submitting the tax return according to law No. 91 of 2005 in its legal period and has not been inspected yet.

#### b) Payroll tax

- The payroll tax inspection was performed till 31 December 2013 and company paid tax due.
- As for the years from 2014 to 2016 the tax inspection has not been performed and the company is submitting the quarterly tax return on due time to the Tax Authority.



**c) Sales tax**

- The sales tax inspection was performed till 31 December 2014 and tax due was paid.
- For the years 2015 and 2016 the tax inspection has not been performed and the monthly tax return were submitted on due time.

**d) Stamp duty tax**

- The stamp duty tax inspection was performed till 2009 and company paid tax due.
- Years from 2010 till 2016 tax inspection has not been performed.

**Digma for Trading Company****a) 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 2009 and the tax resulting from the tax inspection were settled and paid to the Tax Authority.
- For the years from 2010 to 2013 the tax inspection was performed and the difference was sent to internal committee.
- For the years from 2014 to 2015 Company submits its tax returns on due dates according to law No, 91 for the year 2005.

**b) Payroll tax**

- The tax inspection was performed until 31 December 2012 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- For the years from 2013 to 2016 the Company submitted its quarter tax returns to Tax Authority on due dates.

**c) Sales tax**

- The tax inspection was performed until 31 December 2014 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The years 2015-2016 the Company submits its monthly sales tax return on due date.

**d) 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.
- The tax inspection was performed for the years from 2009 to 2012 and the difference were sent to internal committee to study.
- For the years from 2013 to 2016 the Company paid the tax due.

**Edita Confectionary Industries Company****a) Corporate tax**

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

- The corporate tax inspection was performed for the years from 2009 till 2014 and the company has not informed with any results yet.
- For the year 2015 Company submits its tax returns on due dates according to law No, 91 for the year 2005.

**b) Payroll Tax**

- The payroll tax inspection was performed for the years from 2009 till 2012 and the tax due was paid to the Tax Authority.
- The company hasn't been inspected for the year from 2013 till 2016.

**c) Sales Tax**

- The tax inspection was performed for the period from the Company's inception until 2013 and the tax resulting from the tax inspection and assessment were settled and paid to the Tax Authority.
- The company hasn't been inspected for the year from 2014 till 2016.

**d) Stamp Tax**

- The stamp tax inspection was performed from 2009 till 2012 and the tax due was paid to the Tax Authority.
- For the years 2013 and 2014 the tax inspection was performed and the difference was sent to internal committee.
- The Company hasn't been inspected for the year from 2015 till 2016.

**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 50,700,499 as at 31 December 2016 (2015: LE 22,185,404).

**(2) Digma for Trading Company**

The Company guarantees Edita Food Industries against third parties in borrowing from one of Egyptian Bank.

At 31 December 2016 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 27,500 as at 31 December 2016 (2015: 913,869).

**(3) Edita Confectionary Industries Company**

At 31 December 2016 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 at 31 December 2016 amounted to LE 2,237,901 (2015: LE 1,220,616)

### 32. Capital commitments

The Company has capital commitments as of 31 December 2016 amounted to LE 32,978,630 in respect of the construction of a new factory for Edita Food Industries.

### 33. Financial instrument by category

	2016	
	Loans & receivables	Total
<b>Assets as per balance sheet</b>		
Trade and other receivables (excluding prepayments)*	184,190,870	184,190,870
Cash and cash equivalents	90,465,545	90,465,545
Treasury bills	192,144,828	192,144,828
<b>Total</b>	<b>466,801,243</b>	<b>466,801,243</b>

	2016	
	Other financial liabilities at amortised costs	Total
<b>Liabilities as per balance sheet</b>		
Loans*	674,058,091	674,058,091
Trade and other payables (excluding non-financial liabilities)*	224,677,081	224,677,081
Bank overdraft	240,473,897	240,473,897
<b>Total</b>	<b>1,139,209,069</b>	<b>1,139,209,069</b>

	2015	
	Loans & receivables	Total
<b>Assets as per balance sheet</b>		
Trade and other receivables (excluding prepayments)*	63,134,993	63,134,993
Cash and cash equivalents	313,344,052	313,344,052
Treasury bills	149,591,114	149,591,114
<b>Total</b>	<b>526,070,159</b>	<b>526,070,159</b>

	2015	
	Other financial liabilities at amortised costs	Total
<b>Liabilities as per balance sheet</b>		
Loans*	491,452,438	491,452,438
Trade and other payables (excluding non-financial liabilities)	244,638,457	244,638,457
Bank overdraft	73,698,428	73,698,428
<b>Total</b>	<b>809,789,323</b>	<b>809,789,323</b>

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

Trade and other receivables presented above excludes prepaid expenses

Trade and other payables presented above excludes taxes payables, advances from customers and social insurances.

### 34. Segment reporting

(Amounts presented to the nearest thousands EGP)

	Coke		Croissant		Bake		Friska		Mimix		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	1,292,555	1,205,203	830,670	748,680	178,799	94,155	98,278	85,181	95,776	84,281	6,840	7,855	2,502,918	2,225,355
Gross profit	498,404	475,946	281,987	303,756	52,298	26,727	37,513	35,894	25,783	21,581	2,285	3,566	898,270	867,470
Operating profit	237,859	262,722	120,173	158,291	466	4,151	11,008	13,423	7,356	7,987	1,130	2,385	377,992	448,959
Finance cost	(164,670)	(18,141)	(105,826)	(11,270)	(22,779)	(1,417)	(12,520)	(1,282)	(12,202)	(1,269)	(871)	(119)	(318,868)	(33,498)
Finance income	17,146	15,960	11,020	9,915	2,372	1,247	1,304	1,128	1,271	1,116	91	104	33,204	29,470
Income tax	(27,833)	(56,027)	(14,367)	(33,796)	(357)	(1,015)	(1,354)	(2,903)	(845)	(1,609)	(133)	(503)	(44,889)	(95,853)
<b>Net profit</b>	<b>62,502</b>	<b>204,514</b>	<b>11,000</b>	<b>123,140</b>	<b>(20,298)</b>	<b>2,966</b>	<b>(1,562)</b>	<b>10,366</b>	<b>(4,420)</b>	<b>6,225</b>	<b>217</b>	<b>1,867</b>	<b>47,439</b>	<b>349,078</b>

The segment information disclosed in the table above represents the segment confirmation provided to the chief operating decision makers of the Group



Egyptian Accounting Standards – EAS

# CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 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 (the Group) which comprise the consolidated statement of financial position as of 31 December 2016 and the consolidated statements of profit or loss, consolidated comprehensive 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.

### 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 2016, 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.



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

28 February 2017  
Cairo


# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2016

(All amounts in Egyptian Pounds)

	Note	2016	2015
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,474,461,243	1,299,529,732
Intangible assets	6	162,911,642	161,968,712
<b>Total non-current assets</b>		<b>1,637,372,885</b>	<b>1,461,498,444</b>
<b>Current assets</b>			
Inventories	7	318,428,559	140,297,471
Trade and other receivables	8	196,668,474	67,843,179
Treasury bills	9	192,144,828	149,591,114
Cash and cash equivalents (excluding bank overdrafts)	10	90,465,545	313,344,052
<b>Total current assets</b>		<b>797,707,406</b>	<b>671,075,816</b>
<b>Total assets</b>		<b>2,435,080,291</b>	<b>2,132,574,260</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Paid up capital	11	145,072,580	72,536,290
Legal reserve	12	48,745,291	38,947,275
Foreign currency translation reserve		(162,824)	5,568
Retained earnings		945,722,773	1,057,715,965
<b>Total equity attributable to owners of the parent</b>		<b>1,139,377,820</b>	<b>1,169,205,098</b>
Non-controlling interest	13	14,983,768	5,617,437
<b>Total equity</b>		<b>1,154,361,588</b>	<b>1,174,822,535</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term loans	14	527,825,757	346,217,286
Employee benefit obligations	16	1,945,034	2,533,203
Deferred income tax liabilities	17	86,492,634	94,536,302
<b>Total non-current liabilities</b>		<b>616,263,425</b>	<b>443,286,791</b>
<b>Current liabilities</b>			
Provisions	18	19,166,385	16,000,854
Bank overdraft	19	240,473,897	73,698,428
Trade and other payables	20	257,349,109	255,248,981
Current portion of long-term liabilities	21	146,232,334	145,235,152
Current income tax liabilities	22	1,233,553	24,281,519
<b>Total current liabilities</b>		<b>664,455,278</b>	<b>514,464,934</b>
<b>Total equity and liabilities</b>		<b>2,435,080,291</b>	<b>2,132,574,260</b>

The notes are an integral part of these consolidated financial statements and are available for download on [ir.edita.com.eg](http://ir.edita.com.eg).

  
Mr. Sameh Naguib  
Vice President - Finance

  
Eng Hani Berzi  
Chairman

28 February 2017  
Independent auditor's report attached

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

(All amounts in Egyptian Pounds)

	Note	2016	2015
Revenue		2,502,918,189	2,225,354,667
Cost of sales	28	(1,594,247,951)	(1,349,479,274)
<b>Gross profit</b>		<b>908,670,238</b>	<b>875,875,393</b>
Other income	23	9,725,028	15,405,017
Distribution cost	28	(301,300,697)	(276,435,403)
Administrative expenses	28	(173,114,459)	(149,811,098)
Other gains / (losses) - Net	24	(2,447,390)	4,341,921
<b>Operating profit</b>		<b>441,532,720</b>	<b>469,375,830</b>
Finance cost - Net	25	(228,468,914)	(2,613,929)
<b>Profit before income tax</b>		<b>213,063,806</b>	<b>466,761,901</b>
Income tax expense	26	(44,888,835)	(95,853,264)
<b>Net profit for the year</b>		<b>168,174,971</b>	<b>370,908,637</b>
<b>Profit is attributable to</b>			
Owners of the parent		166,494,294	367,255,589
Non-controlling interest		1,680,677	3,653,048
<b>Net profit for the year</b>		<b>168,174,971</b>	<b>370,908,637</b>
Basic earnings per share	27	0.23	0.51
Diluted earnings per share	27	0.23	0.51

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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

(All amounts in Egyptian Pounds)

	2016	2015
Net profit for the year	168,174,971	370,908,637
<b>Other comprehensive income</b>		
Currency translation differences	(168,392)	2,067
Assets revaluation surplus	-	(2,404)
Foreign currency exchange rates losses from revaluation of monetary items at the date of the exchange rate floating	(94,735,706)	-
<b>Total comprehensive income for the year</b>	<b>73,270,873</b>	<b>370,908,300</b>
<b>Attributable to</b>		
Owners of the parent	74,200,245	367,257,656
Non-controlling interest	(929,372)	3,650,644
<b>Total comprehensive income for the year</b>	<b>73,270,873</b>	<b>370,908,300</b>

The notes are an integral part of these consolidated financial statements and are available for download on [ir.edita.com.eg](http://ir.edita.com.eg).

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

(All amounts in Egyptian Pounds)

	Share capital	Legal reserve	Foreign currency translation	Retained earnings	Total owners of the parent	Non-controlling interest	Total owners' equity
<b>Balance at 1 January 2015</b>	<b>72,536,290</b>	<b>31,103,903</b>	<b>3,501</b>	<b>720,134,419</b>	<b>823,778,113</b>	<b>1,966,793</b>	<b>825,744,906</b>
<b>Change of equity in 2015</b>							
Net Profit for the year	-	-	-	367,255,589	367,255,589	3,653,048	370,908,637
Currency translation differences	-	-	2,067	-	2,067	-	2,067
Assets revaluation reserve	-	-	-	-	-	(2,404)	(2,404)
Total comprehensive income for the year	-	-	2,067	367,255,589	367,257,656	3,650,644	370,908,300
Shareholders transactions							
Dividends distribution for 2014	-	-	-	(21,830,671)	(21,830,671)	-	(21,830,671)
Transfer to legal reserve	-	7,843,372	-	(7,843,372)	-	-	-
Total shareholders transactions	-	7,843,372	-	(29,674,043)	(21,830,671)	-	(21,830,671)
<b>Balance at 31 December 2015</b>	<b>72,536,290</b>	<b>38,947,275</b>	<b>5,568</b>	<b>1,057,715,965</b>	<b>1,169,205,098</b>	<b>5,617,437</b>	<b>1,174,822,535</b>
<b>Change of equity in 2016</b>							
Net Profit / (Loss) for the year	-	-	-	166,494,294	166,494,294	1,680,677	168,174,971
Currency translation differences	-	-	(168,392)	-	(168,392)	-	(168,392)
Foreign currency exchange rates losses from revaluation of monetary items at the date of the exchange rate floating	-	-	-	(92,125,657)	(92,125,657)	(2,610,049)	(94,735,706)
Total comprehensive income for the year	-	-	(168,392)	74,368,637	74,200,245	(929,372)	73,270,873
Shareholders transactions							
Bonus share, capital increase	72,536,290	-	-	(72,536,290)	-	-	-
Dividends distribution to non-controlling interests in subsidiaries	-	-	-	-	-	(256,627)	(256,627)
Non controlling interest share in capital increase of subsidiary	-	-	-	-	-	10,552,330	10,552,330
Dividends distribution for 2015	-	-	-	(104,027,523)	(104,027,523)	-	(104,027,523)
Transfer to legal reserve	-	9,798,016	-	(9,798,016)	-	-	-
Total shareholders transactions	72,536,290	9,798,016	-	(186,361,829)	(104,027,523)	10,295,703	(93,731,820)
<b>Balance at 31 December 2016</b>	<b>145,072,580</b>	<b>48,745,291</b>	<b>(162,824)</b>	<b>945,722,773</b>	<b>1,139,377,820</b>	<b>14,983,768</b>	<b>1,154,361,588</b>

The notes are an integral part of these consolidated financial statements and are available for download on [ir.edita.com.eg](http://ir.edita.com.eg).

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	(All amounts in Egyptian Pounds) 2016	2015
<b>Cash flows from operating activities</b>			
<b>Profit for the period before income tax</b>		<b>213,063,806</b>	<b>466,761,901</b>
<b>Adjustments for:</b>			
Provisions	24	5,800,730	5,489,092
Provision for employee benefit obligation	24	-	2,533,203
Interest on lands' installments	25	531,405	1,131,318
Interest expense	25	57,364,682	32,366,845
Interest income	25	(30,279,881)	(27,648,656)
Interest income - corporate tax advances	25	(2,923,815)	(1,821,563)
Depreciation of property, plant and equipment	5	96,961,815	76,766,487
Amortization of intangibles (knowhow)	6	(942,930)	942,930
Provision of slow moving inventory	24	595,504	738,482
Gain from sale of property, plant and equipment	24	(3,905,164)	(13,102,698)
Provision no longer required	24	(43,680)	-
		<b>336,222,472</b>	<b>544,157,341</b>
Inventories		(178,726,592)	(28,554,196)
Trade and other receivables		(121,864,968)	(1,501,056)
Trade and other payables		(28,409,967)	49,094,792
Provisions used	18	(2,591,519)	(404,938)
Payments of employee benefit obligations	16	(588,169)	-
Dividends paid to Company's employees		(22,626,526)	(21,607,673)
<b>Cash (outflow) / inflow from operating activities</b>		<b>(18,585,269)</b>	<b>541,184,270</b>
Interest paid		(56,831,581)	(29,459,700)
Income tax paid		(73,056,654)	(136,228,597)
<b>Net cash (outflow) / inflow from operating activities</b>		<b>(148,473,504)</b>	<b>375,495,973</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment	5	(274,146,026)	(361,767,610)
Purchase of intangible asset	6	-	(94,292,984)
Proceeds from sale of property, plant and equipment	5	6,157,864	14,443,739
Interest received		30,656,227	27,222,993
Payment for purchase of treasury bills		(691,612,480)	(575,914,568)
Proceeds from sale of treasury bills		648,682,420	532,763,241
<b>Net cash outflow from investing activities</b>		<b>(280,261,995)</b>	<b>(457,545,189)</b>
<b>Cash flows from financing activities</b>			
Proceeds from Non controlling interest share in capital increase of subsidiary		10,552,330	-
Dividends paid to Company's shareholders		(81,016,675)	-
Payments against notes payable for acquisition of land		(10,546,825)	(9,985,990)
Repayments of borrowings		(220,436,080)	(163,356,268)
Proceeds from borrowings		329,675,508	322,151,776
<b>Net cash inflow from financing activities</b>		<b>28,228,258</b>	<b>148,809,518</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(400,507,241)</b>	<b>66,760,302</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>239,645,624</b>	<b>172,883,255</b>
Effect of exchange rate on cash and cash equivalents		(168,392)	2,067
Foreign currency exchange rates gains from revaluation of cash at the date of the exchange rate floating		11,021,657	-
<b>Cash and cash equivalents at end of the period</b>	<b>10</b>	<b>(150,008,352)</b>	<b>239,645,624</b>

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## Investor Contacts

### Ms. Menna Shams El Din

Investor Relations & Business  
Development Director  
[menna.shamseldin@edita.com.eg](mailto:menna.shamseldin@edita.com.eg)

### Ms. Yasmine Ghobrial

Senior Investor Relations Specialist  
[yasmine.ghobrial@edita.com.eg](mailto:yasmine.ghobrial@edita.com.eg)





Edita Food Industries S.A.E.