

Juhayna Food Industries

(An Egyptian Joint Stock Company)

**Interim consolidated financial statements
for the period ended 30 June 2014**

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Report on Limited Review of Interim Consolidated Financial Statements

To: The members of board of directors of Juhayna Food Industries S.A.E

Introduction

We have performed a limited review for the accompanying consolidated balance sheet of Juhayna Food Industries S.A.E, as of 30 June 2014 and the related consolidated statements of income, changes in equity and cash flows for the six-month then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.


Scope of Limited Review

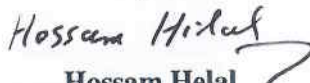
We conducted our limited review in accordance with Egyptian Standard on Review Engagements 2410, "Limited Review of Interim Consolidated Financial Statements Performed by the Independent Auditor of the Entity. A limited review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 30 June 2014, and of its financial performance and its consolidated cash flows for the six-month then ended in accordance with Egyptian Accounting Standards.

Without qualifying our opinion, and as described in detail in note (28) of the notes to the consolidated financial statements, Given the current economic conditions faced by the Arab Republic of Egypt and the shortage of cash in foreign currency by the official banking markets which increased the exchange rates and operation risks, the Company's management applies exceptional policies to manage these risks, by covering some of its foreign currency cash needs with exceptional exchange rates, which differ from quoted prices in official banking markets, after getting approval along with the related internal documents by the Company's senior management, to the best estimate of the price from its point of view.


Salih El-Missary
Public Accountants and Consultants
Capital Authority Controller
Register N0.(364)
KPMG Hazem Hassan


Hossam Helal
Capital Authority Controller
Register N0.(147)
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Cairo, 11 August 2014
Salih El-Missary

Grant Thornton - Mohamed Hilal
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The Egyptian Member Firm of
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Juhayna Food Industries
(An Egyptian Joint Stock Company)
Consolidated balance sheet
As at 30 June 2014

Translation from Arabic

	Note no.	30/6/2014 L.E.	31/12/2013 L.E.
Assets			
Property, plant and equipment	(11)	1 731 260 673	1 698 981 216
Projects under construction	(12)	1 282 330 997	1 071 427 199
Plant wealth	(13)	51 927 129	48 088 049
Investments in equity - accounted investees	(10)	49 048 478	47 658 194
Other - long term - debit balances		785 912	790 048
Goodwill	(33)	97 092 890	97 092 890
Non-current assets		3 212 446 079	2 964 037 596
Inventories	(15)	737 079 649	616 189 984
Trade and other receivables	(16)	276 598 679	190 496 653
Due from related parties	(32-1)	964 395	785 434
Treasury bills		-	-
Cash and cash equivalents	(17)	429 501 618	575 932 728
Assets held for sale		-	-
Current assets		1 444 144 341	1 383 404 799
Current liabilities			
Provisions of claims	(22)	9 076 462	10 090 042
Banks - overdraft		43 803 351	17 509 193
Banks - credit facilities	(20)	893 812 939	765 244 202
Short term loans	(21)	16 000 000	10 000 000
Creditors and other credit balances	(23)	254 662 933	243 344 257
Income tax		-	48 762 310
Long-term loans-current portion	(19)	236 220 965	256 895 019
Current liabilities		1 453 576 650	1 351 845 023
(Net non current assets) working capital		(9 432 309)	31 559 776
Total invested funds		3 203 013 770	2 995 597 372
These investments are financed as follows:			
Equity			
Issued and paid up capital	(18)	941 405 082	706 053 811
Legal reserve		425 541 404	421 792 281
General reserve - issuance premium	(18-1)	330 920 428	330 920 428
Retained earnings		416 325 065	391 834 289
Net profit for the period/year after periodic dividends		82 958 455	313 080 142
Total equity attributable to the shareholders of the parent company		2 197 150 434	2 163 680 951
Minority interest		628 999	639 093
Total equity		2 197 779 433	2 164 320 044
Non-current liabilities			
Long term loans	(19)	841 702 682	675 112 460
Other long term liabilities	(24)	89 870 084	83 995 990
Deferred revenues	(25)	4 346 409	5 215 700
Deferred tax liabilities	(26)	69 315 162	66 953 178
Non-current liabilities		1 005 234 337	831 277 328
Shareholders' equity and non current liabilities		3 203 013 770	2 995 597 372

The notes on pages from (5) to (34) are an integral part of these interim consolidated financial statements.

Finance Director
Sameh El-hodaiby

Chairman
Satwan Thabet

*Limited review report attached .

Juhayna Food Industries
(An Egyptian Joint Stock Company)
Consolidated income statement
For the period ended 30 June 2014

Translation from Arabic

		The financial period from 1/1/2014 till 30/06/2014 L.E.	The financial period from 1/1/2013 till 30/06/2013 L.E.	The financial period from 1/4/2014 till 30/06/2014 L.E.	The financial period from 1/4/2013 till 30/06/2013 L.E.
	Note no.				
Net sales		1 762 184 648	1 610 654 809	949 997 868	893 981 172
Cost of sales		(1 286 555 865)	(1 106 208 569)	(692 522 979)	(617 056 634)
Gross profit		475 628 783	504 446 240	257 474 889	276 924 538
Other income	(5)	10 187 859	18 323 331	6 943 760	13 437 009
Sales & distribution expenses		(244 202 486)	(192 186 293)	(139 527 118)	(105 981 694)
General & administrative expenses	(6)	(61 521 080)	(61 776 206)	(27 097 603)	(32 621 717)
Other expenses	(7)	(11 136 573)	(24 319 687)	(7 525 375)	(11 661 123)
Board of directors remuneration		(650 000)	(395 000)	(220 000)	(70 000)
Results from operating activities		168 306 503	244 092 385	90 048 553	140 027 013
Holding company's share in associates' net income		1 407 127	1 405 225	1 407 127	709 236
End of service bonus	(7-1)	(19 029 441)	-	(19 029 441)	-
Finance income and finance costs	(8)	(48 877 690)	3 241 361	(27 552 134)	(7 011 008)
Profit before income tax		101 806 499	248 738 971	44 874 105	133 725 241
Taxes differences from previous years		601 345	424 456	601 345	424 456
Income tax expense		(17 041 131)	(25 724 958)	(6 315 785)	(8 847 214)
Deferred tax		(2 361 984)	(8 388 999)	659 873	(6 123 116)
Net profit for the period		83 004 729	215 049 470	39 819 538	119 179 367
Distributed as follows					
Parent Company's share in profit		82 958 455	214 949 796	39 791 323	119 127 458
Minority interest		46 274	99 674	28 215	51 909
		83 004 729	215 049 470	39 819 538	119 179 367

The notes on pages from (5) to (34) are an integral part of these interim consolidated financial statements.

Juhayna Food Industries
(An Egyptian Joint Stock Company)
Consolidated statement of changes in equity
For the period ended 30 June 2014

	Issued & paid up capital L.E.	Legal reserve L.E.	General reserve- issuance premium L.E.	Retained earnings L.E.	Net Profit L.E.	Minority interest L.E.	Total L.E.
Balance as at 1 January 2013	706 053 811	401 654 644	330 920 428	236 914 651	312 576 862	520 495	1 988 640 891
Reversal of beginning balance adjustments	-	24 117 719	-	(19 088 603)	26 796 198	-	31 825 314
Dividends for 2012	-	-	-	110 632 405	(262 975 565)	-	(152 343 160)
Holding Company's share in reserves & retained earnings of subsidiaries	-	4 997 035	-	(22 329 485)	-	-	(17 332 450)
Consolidation adjustments on 30 June 2013	-	(24 064 198)	-	85 702 617	(76 397 495)	-	(14 759 076)
Minority interest	-	-	-	-	-	17 363	17 363
Net profit for the period ended 30 June 2013	-	-	-	-	214 949 796	99 674	215 049 470
Balance as at 30 June 2013	706 053 811	406 705 200	330 920 428	391 831 585	214 949 796	637 532	2 051 098 352
Balance as at 1 January 2014	706 053 811	421 792 281	330 920 428	391 834 289	313 080 142	639 093	2 164 320 044
Reversal of beginning balance adjustments	-	24 119 315	-	(85 956 852)	76 397 495	-	14 559 958
Dividends for 2013	235 351 271	-	-	19 325 435	(304 169 677)	-	(49 492 971)
Holding Company's share in reserves & retained earnings of subsidiaries	-	3 581 453	-	(5 793 432)	-	-	(2 211 979)
Consolidation adjustments on 30 June 2014	-	(23 951 645)	-	96 915 625	(85 307 960)	(56 368)	(12 400 348)
Net profit for the period ended 30 June 2014	-	-	-	-	82 958 455	46 274	83 004 729
Balance as at 30 June 2014	941 405 082	425 541 404	330 920 428	416 325 065	82 958 455	628 999	2 197 779 433

The notes on pages from (5) to (34) are an integral part of these interim consolidated financial statements.

Juhayna Food Industries
(An Egyptian Joint Stock Company)
Consolidated statement of cash flows
For the Period ended 30 June 2014

Translation from Arabic

		The Financial period from 1/1/2014 till 30/06/2014	The Financial period from 1/1/2013 till 30/06/2013
	Note no.	L.E.	L.E.
Cash flows from operating activities			
Net profit for the period before income tax and minority interest in profits		101 806 499	248 738 971
Adjustments for:			
Fixed assets' depreciation	(11)	90 702 872	82 519 852
Capital gains		475 781	(3 709 155)
Impairment in fixed assets		-	11 879 819
Change in Investments in equity accounted investees		(1 390 284)	(1 143 126)
Reversal of impairment in trade and other receivables		-	(48 580)
Impairment in inventories		4 294 643	-
Provision for claims-formed		-	5 855 429
Provision for claims-used		(1 013 580)	(750 667)
Financial lease installments		6 050 662	6 050 662
Credit interests		(4 807 484)	(12 983 514)
Finance interests & expenses		70 064 776	51 933 359
		266 183 885	388 343 050
Collected time deposits interests		4 807 484	13 047 263
Paid finance interests & expenses		(69 642 966)	(45 151 803)
Changes in:			
Inventories		(125 184 308)	(393 409 980)
Trade and other receivables		(81 899 629)	(74 733 253)
Due from related parties		(178 961)	(1 347 334)
Creditors & other credit balances		(98 835 673)	(46 726 501)
Dividends paid to employees during the period		-	(26 145 065)
Net cash flows used in operating activities		(104 750 168)	(186 123 623)
Cash flows from investing activities			
Acquisition of fixed assets & projects under construction		(334 565 888)	(541 288 234)
Proceeds from sale of fixed assets		203 980	3 664 589
Proceeds from sale of treasury bills		-	126 136 939
Acquisition of animal wealth		(8 040 940)	(11 306 801)
Net cash flows used in investing activities		(342 402 848)	(422 793 507)
Cash flows from financing activities			
Proceeds from bank credit facilities		128 568 737	461 601 720
Proceeds from bank loans		151 916 168	41 635 803
Payments for lease installments- sale with the right of release		(6 050 662)	(6 050 662)
Dividends paid to share holders		-	(105 908 072)
(Decrease)Increase in minority interest		(10 094)	117 037
Net cash flows from financing activities		274 424 149	391 395 826
(Decrease) in cash & cash equivalents during the period		(172 728 867)	(217 521 304)
Cash & cash equivalents at 1 January		553 373 535	511 558 585
Cash & cash equivalents at 30 June	(17)	380 644 668	294 037 281

The notes on pages from (5) to (34) are an integral part of these interim consolidated financial statements.

Juhayna Food Industries
(An Egyptian Joint Stock Company)
Notes to the interim consolidated financial statements
For the financial period ended 30 June 2014

1 Reporting the entity

The Company was established in 1995 according to the Investment Law No.(230) of 1989 as replaced by the investment incentives and guarantees law No. (8) of 1997 and the decree of the Minister of Economic and Foreign Trade No. 636 of 1994 approving the Company's establishment.

The Company was registered in the commercial registry under No. 100994 on 10/1/1995. Company's period is 25 years starting from the date of registration in the commercial registry.

The address of the Company's registered office is 11 Aljihad Street- Lebanon Square- Almohandessien.

The address of the company's factories is 6 of October city- First Industrial Zone- piece no. 39 and 40,

Mr. Safwan Thabet is the Chairman of the Board of Directors.

The Company is considered a holding Company.

The Company's purpose

The Company primarily is involved in the production, manufacture, packaging and packing of all types of dairy, products and all its derivatives, all types of cheeses, fruit juices, drinks and frozen material, preparing, manufacturing, packaging and packing all types of food materials and in general manufacturing of agriculture products.

Registration in the Stock Exchange

The Company is listed in the Egyptian Stock Exchanges.

2 Basis of preparation

2-1 Statement of compliance

The financial statements have been prepared in accordance with Egyptian Accounting Standards ("EAS"), and in the light of prevailing Egyptian laws.

The financial statements were authorized for issue by the Board of Directors on 6/8/2014.

2-2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the balance sheet.

- Non-derivative financial liabilities at fair value through profit or loss are measured at fair value (note 4-1).

- Biological assets and Agricultural crops at fair value after reduce the cost of sale (note 4-2).

The methods used to measure fair values are discussed further in note (4).

2-3 Functional and presentation currency

These consolidated financial statements are presented in Egyptian pound, which is the Company's functional currency.

2-4 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future periods affected.

Juhayna Food Industries Company (S.A.E.)

Notes to the interim consolidated financial statements for the period ended 30 June 2014

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note (3-9) : lease classification.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial statements are included in the following notes:

- Note (16) : impairment of trade and notes receivable.
- Note (22) : provisions & contingent liabilities
- Note (26) : deferred tax.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these interim consolidated financial statements.

3-1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statement of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in equity accounted investees (associates)

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Investments in associates is accounted for using the equity method and is recognized initially at cost. The cost of the investment include transaction costs. The consolidated financial statements include the Company's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest including any long-term interests that from part thereof is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3-2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Juhayna Food Industries Company (S.A.E.)

Notes to the interim consolidated financial statements for the period ended 30 June 2014

3-3 Financial instruments

Non-derivative financial assets

The Company initially recognises receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non – derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for sale financial assets.

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Generally, short-duration trade and other receivables with no stated interest rate are stated at their nominal value (original invoice amount) less an allowance for any doubtful debts.

Receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available –for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for sale debt instruments, presented in fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

Juhayna Food Industries Company (S.A.E.)

Notes to the interim consolidated financial statements for the period ended 30 June 2014

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non – derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at the fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings , bank overdrafts, and trade and other payables. Generally, trade payables are recorded at their nominal value.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Capital**Authorized capital**

The Company's authorized capital amounts to L.E 5 billion.

Issued and paid up capital**Issued and paid up capital**

The Company's issued and fully paid up capital at the beginning of the year was amounted to L.E 726 416 332 divided into 726 416 332 shares at par value L.E 1 each.

According to the extra ordinary general assembly decree on 5th February 2012, it was agreed to reduce the company's capital by treasury bills with par value of L.E 20 362 521 to be L.E. 706 053 811 after reduction divided into 706 053 811 shares at par value of L.E 1 each.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

3-4 Property, plant and equipment**Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (note 11).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Juhayna Food Industries Company (S.A.E.)

Notes to the interim consolidated financial statements for the period ended 30 June 2014

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognized net within other income/other expenses in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Description	Estimated useful life
	(Years)
Buildings & Construction	13.3- 50
Machinery & Equipment	1-10
Transportation & Transport Vehicles	1.5- 8
Tools	1.08 – 10
Office equipment & Furniture	1-10
Empty plastic containers & pallets	5
Computers	3.33-5
Wells	25 or Wells useful life

Depreciation commences when the fixed asset is completed and made available for use.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Estimates for some of property, plant and equipment have been modified during year 2012 (note 11)

3-5 Projects under construction

Expenditures incurred on purchasing and constructing fixed assets are initially recorded in projects under construction until the asset is completed and becomes ready for use. Upon the completion of the assets, all related costs are transferred to fixed assets. Projects under construction are measured at cost less accumulated impairment losses (note no. 12). No depreciation is charged until the project is completed and transferred to fixed asset

3-6 Government grants

Government grants related to assets – including non monetary grants which recorded at fair value – presented in financial statement as deferred income (grants considered deferred income and recorded in income statement according to regular systematic basis over the estimated useful life of assets)

Juhayna Food Industries Company (S.A.E.)

Notes to the interim consolidated financial statements for the period ended 30 June 2014

4-2 Plant wealth

This item represents in the amounts spent for cultivation of fruit trees and protect trees (Kazhurana) which were recognized as long term assets in the balance sheet in projects in progress caption and when it reaches the planned marginal productivity it will be classified as long-term assets (plant wealth), and will be depreciated over 25 and 50 years respectively according to the nature of those assets.

4-3 Biological assets

A biological asset is measured on initial recognition and on every reporting date at its fair value less costs to the point of sale capability. A biological asset "harvested agricultural product" is measured at the point of harvest at fair value less costs to the point of sale capability. Profit or loss resulting from the initial recognition of a biological asset at fair value costs to the point of sale capability and from the change in fair value less costs to the point of sale capability of the biological asset is recorded in profit or loss for the period in which it arises, profit or loss resulting from the initial recognition of agricultural product at fair value less costs to the point of sale capability is recorded in profit or loss for the period in which it arises .

When there is no market available to determine prices and values, which the alternative estimates of fair value have shown clearly that it cannot be relied upon, in this case the biological asset is measured at its cost less any accumulated amortization and any accumulated impairment of value. Once the possibility of measuring the fair value of these assets are reliably established, the Company measures it at its fair value less costs to the point of sale capability.

4-4 Leases

Company is the lessee:

Leases are classified as operating leases. The costs in respect of operating leases are charged on a straight-line basis over the lease term. The value of any lease incentive received to take on an operating lease (for example, rent-free periods) is recognized as deferred income and is released over the life of the lease.

4-5 Goodwill

Goodwill is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities. After initial recognition, the group measures acquired goodwill at cost less impairment losses. Recognized goodwill impairment losses are not subsequently reversed.

4-6 Inventories

Inventories of raw materials, supplies, packaging & packing materials and spare parts are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price, in the ordinary course of business, less estimated costs of the completion and selling expenses.

The inventory of work in process is measured at the lower of cost, which is determined based on the lower of the cost last process the work in process reached, or net realizable value.

Juhayna Food Industries Company (S.A.E.)

Notes to the interim consolidated financial statements for the period ended 30 June 2014

Finished production is measured at the lower of manufacturing cost or net realizable value. The manufacturing cost comprises raw materials, direct labor, and cost includes an appropriate share of overheads based on normal operating capacity.

4-7 Impairment

Non –derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives, the recoverable amount is tested annually for impairment.

An impairment loss is recognised if the carrying amount of an asset or cash – generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognized in profit or loss. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

4-8 Defined contribution plans

The Company contributes to the government social insurance system for the benefits of its personnel in accordance with according to the social insurance Law No. 79 of 1975 and its amendments. Under this Law the employees and the employers contribute into the system on a fixed percentage – of-salaries basis. The Company's contributions are recognized in income statement using the accrual basis of accounting. The company's obligation in respect of employees' pensions is confined to the amount of aforementioned contributions.

4-9 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

4-10 Revenue

Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

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Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognized.

4-11 Rental income

Rental income from other assets is recognized in other income.

4-12 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income received from investments is recognised in profit or loss on the date of collection.

Finance costs comprise interest expense on borrowings, fair value losses on financial assets at fair value through profit or loss, impairment losses recognized on financial assets.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

4-13 Income tax

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly on equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

4-14 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4-15 Assets held for sale or held for distribution

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale or held-for-distribution if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use.

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Immediately before classification as held-for-sale or held-for-distribution, the assets, or components of a disposal group, are remeasured in accordance with the Company's other accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held-for-sale or held-for-distribution, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

4-16 Legal reserve

According to the Companies Law requirements and the statutes of the Company, 5% of the annual net profit shall be transferred to a legal reserve until the accumulated reserve reaches 50% of the issued share capital. The reserve is un-distributable; however, it can be used to increase the share capital or to offset losses. If the reserve falls below the defined level (50% of the issued share capital), then the Company is required to resume setting aside 5% of the annual profit until it reaches 50% of the issued share capital.

4-17 End of service benefits

End of service benefits are recognized as an expense when the company is committed clearly-without having the possibility of cancellation – a formal detailed plan to either finish the work before the normal retirement date or to provide end of service benefits as a result of the company's offer to encourage resignations (voluntary) / left the work voluntary.

End of service benefits are takedown resulting from voluntary resignations are recognized as an expense if the company makes an offer to encourage voluntary resignations, there is a possibility to accept the offer, and it is possible to determine the approvals on the offer reliably.

If the bonus is payable for a period of more than 12 months after the date of preparation of the financial statements, they is reduced to their present value.

4 Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non- financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4-1 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

4-2 Biological assets

At fair value less costs to the point of sale capability.

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5 Other operating revenue

	Financial period from 1/1/2014 to 30/6/2014 L.E	Financial period from 1/1/2013 to 30/6/2013 L.E	Financial period from 1/4/2014 to 30/6/2014 L.E	Financial period from 1/4/2013 to 30/6/2013 L.E
Export subsidy revenue	5 846 378	8 206 558	4 580 821	5 507 059
Deferred capital gains	869 292	869 292	434 646	434 646
Capital gain	109 247	3 940 972	51 434	3 921 265
Reversal of impairment of receivables	-	48 580	-	-
Drawback of sales tax	698 582	809 577	462 470	604 901
Other revenue	2 664 360	4 448 352	1 414 389	2 969 138
	10 187 859	18 323 331	6 943 760	13 437 009

6 General & administrative expenses

	Financial period from 1/1/2014 to 30/6/2014 L.E	Financial period from 1/1/2013 to 30/6/2013 L.E	Financial period from 1/4/2014 to 30/6/2014 L.E	Financial period from 1/4/2013 to 30/6/2013 L.E
Personnel expenses	33 649 499	34 652 175	13 253 920	16 792 511
Depreciation expense	7 407 811	7 109 826	3 020 455	3 793 722
Rent expense	3 992 354	3 547 668	1 922 537	1 744 354
Other administrative expense	16 471 416	16 466 537	8 900 691	10 291 130
	61 521 080	61 776 206	27 097 603	32 621 717

7 Other expenses

	Financial period from 1/1/2014 to 30/6/2014 L.E	Financial period from 1/1/2013 to 30/6/2013 L.E	Financial period from 1/4/2014 to 30/6/2014 L.E	Financial period from 1/4/2013 to 30/6/2013 L.E
Leasing installment	6 050 662	6 050 662	3 025 331	3 025 331
Capital loss	585 028	231 817	19 161	225 881
Impairment of fixed assets	40 864	11 879 819	40 864	8 107 951
Impairment of inventories	4 294 643	-	4 294 643	-
Provision for claims	-	5 855 429	-	-
Other	165 376	301 960	145 376	301 960
	11 136 573	24 319 687	7 525 375	11 661 123

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7-1 On 15/5/2014, the BOD decided to approve the payment of end of service benefits to some employees of the company, according to Egyptian labor law and within the framework of the administration's plan to restore the organizational structure of the company amounted L.E. 19 029 441 during 2014.

8 Finance income and finance costs

	Financial period from 1/1/2014 to 30/6/2014 L.E	Financial period from 1/1/2013 to 30/6/2013 L.E	Financial period from 1/4/2014 to 30/6/2014 L.E	Financial period from 1/4/2013 to 30/6/2013 L.E
Interest expense	(70 064 776)	(51 933 359)	(36 012 004)	(30 337 738)
Interest income	4 807 484	12 983 514	1 712 796	5 044 889
Foreign exchange (loss)/gain	16 379 602	42 191 206	6 747 074	18 281 841
	<u>(48 877 690)</u>	<u>3 241 361</u>	<u>(27 552 134)</u>	<u>(7 011 008)</u>

9- Segmentation reports

9-2 Segmentation reports for the period ended 30 June 2013

The segmentation reports was prepared on an activity segments basis, the primary report for the activity segments was prepared in accordance with the organizational and managerial chart of the Company and its subsidiaries.
Activity segmentations results include a direct participation unit in each sector activity.

The primary report for activity segmentations:

Revenues and expenses according to activity segmentations were as follows:

	Activity Segments				Undistributed Items L.E	Elementation of consolidated transactions L.E	Total L.E
	Dairy sector L.E	Yogurt sector L.E	Juices sector L.E	Concentrates sector L.E	Agriculture sector L.E		
	30/06/2013	30/06/2013	30/06/2013	30/06/2013	30/06/2013	30/06/2013	30/06/2013
Sales	785 376 804	412 409 315	309 455 117	64 598 339	38 815 234	-	1 610 654 809
Sales between segments	703 849 961	351 907 862	270 347 503	34 022 194	-	-	-
Total sales	1 489 226 765	764 317 177	579 802 620	98 620 533	38 815 234	(1 360 127 520)	1 610 654 809
Cost of sales	(557 129 592)	(266 871 058)	(214 446 702)	(38 425 869)	(29 335 348)	-	(1 106 208 569)
Segments' gross profit	228 247 212	145 538 257	95 008 415	26 172 470	9 479 886	-	504 446 240
Other operating income	10 766 982	1 808 637	2 116 749	3 371 759	259 204	-	18 323 331
Sales & distribution expense	(87 362 767)	(65 762 863)	(36 279 109)	(574 983)	(2 206 571)	-	(192 186 293)
General & administrative expense	(17 650 019)	(28 339 077)	(9 162 426)	(1 674 808)	(4 950 076)	-	(61 776 206)
Other operating expense	(12 088 480)	(6 757 149)	(4 991 262)	(19 133)	(463 683)	-	(24 319 687)
Board of Directors' remuneration	(245 571)	(72 678)	(41 751)	(10 000)	(25 000)	-	(395 000)
Profits from operation	121 667 377	46 415 127	46 650 616	27 265 505	2 093 760	-	244 092 385
Holding company's share in associates' net profit	-	-	-	-	1 405 225	-	1 405 225
Finance cost, (net)	860 908	(261 415)	(534 621)	(416 252)	3 592 741	-	3 241 361
Net profit for the period before income tax	122 528 285	46 153 712	46 115 995	26 849 253	7 091 726	-	248 738 971
Taxes differences from previous years	-	-	-	-	-	-	424 456
Income tax expense	-	-	-	-	-	-	(25 724 958)
Deferred tax	-	-	-	-	-	-	(8 388 999)
Net profit for the period	122 528 285	46 153 712	46 115 995	26 849 253	7 091 726	-	215 049 470
Other Information							
Depreciation	30 821 054	12 175 084	26 071 254	7 388 975	6 063 485	-	82 519 852
Assets	1 449 717 058	1025 216 992	776 212 421	246 256 630	430 207 152	-	4 024 884 175
Investments accounted for using Equity method	-	-	-	-	44 252 443	-	44 252 443
Liabilities	1032 761 909	641 436 403	198 727 704	74 686 984	26 172 823	-	1 973 785 823

The Group operates in one geographical sector - Arab Republic of Egypt. Operating revenues primarily result from activities related to the food industry.

9- Segmentation reports

9-1 Segmentation reports for the period ended 30 June 2014

The segmentation reports was prepared on an activity segments basis, the primary report for the activity segments was prepared in accordance with the organizational and managerial chart of the Company and its subsidiaries.
Activity segmentations results include a direct participation unit in each sector activity.
The primary report for activity segmentations:
Revenues and expenses according to activity segmentations were as follows:

	Dairy sector L.E 30/06/2014	Yogurt sector L.E 30/06/2014	Juices sector L.E 30/06/2014	Activity Segments Concentrates sector L.E 30/06/2014	Agriculture sector L.E 30/06/2014	Undistributed items L.E 30/06/2014	Elementation of consolidated transactions L.E 30/06/2014	Total L.E 30/06/2014
Sales	888 929 702	455 512 936	334 797 164	46 628 457	36 316 389	-	-	1 762 184 648
Sales between segments	768 386 711	374 133 980	275 131 982	46 249 324	-	-	(1 463 901 997)	1 762 184 648
Total sales	1 657 316 413	829 646 916	609 929 146	92 877 781	36 316 389	-	-	(1 286 555 865)
Cost of sales	(668 646 328)	(307 831 952)	(242 215 361)	(30 690 986)	(37 171 238)	-	-	475 628 783
Segments' gross profit	220 283 374	147 680 984	92 581 803	15 937 471	(854 849)	-	-	10 187 859
Other operating income	4 948 432	1 065 445	1 420 781	2 427 489	325 712	-	-	(244 202 486)
Selling & Distribution expense	(95 500 883)	(105 868 047)	(40 263 938)	(538 865)	(2 030 753)	-	-	(61 521 080)
General & administrative expense	(23 245 074)	(16 870 244)	(14 962 061)	(1 754 151)	(4 689 550)	-	-	(11 136 573)
Other operating expense	(6 624 705)	(6 331)	(4 299 296)	(40 864)	(165 377)	-	-	(650 000)
Board of Directors' remuneration	(379 409)	(47 632)	(72 959)	(115 000)	(35 000)	-	-	168 306 503
Profits from operation	99 481 735	25 954 175	34 404 330	15 916 080	(7 449 817)	-	-	1 407 127
Holding company's share in associates' net income	-	-	-	-	1 407 127	-	-	(19 029 441)
End of service bonus	(10 275 307)	(4 553 199)	(1 713 344)	(1 645 036)	(842 555)	-	-	(48 877 690)
Finance cost, (net)	(26 845 283)	(12 440 473)	(9 320 715)	(776 152)	504 933	-	-	101 806 499
Net profit for the year before income tax	62 361 145	8 960 503	23 370 271	13 494 892	(6 380 312)	-	-	601 345
Taxes differences from previous years	-	-	-	-	-	601 345	-	(17 041 131)
Income tax expense	-	-	-	-	-	(17 041 131)	-	(2 361 984)
Deferred tax	-	-	-	-	-	(2 361 984)	-	83 004 729
Net profit for the period after income tax	62 361 145	8 960 503	23 370 271	13 494 892	(6 380 312)	(18 801 770)	-	90 702 872
Other Information								4 656 590 420
Depreciation	33 733 948	15 213 827	27 915 257	7 102 128	6 737 712	-	-	49 048 478
Assets	1 366 378 378	1 373 887 500	1 041 162 345	257 445 130	518 510 719	99 206 348	-	2 458 810 987
Investments accounted for using Equity method	-	-	-	-	-	49 048 478	-	-
Liabilities	1019 258 692	839 573 736	475 092 776	98 181 884	26 703 899	-	-	-

The Group operates in one geographical sector - Arab Republic of Egypt. Operating revenues primarily result from activities related to the food industry.

Mayna Food Industries
Notes to the interim consolidated financial statements for the period ended 30 June 2014

- Equity - accounted investees (investments in associates)

Investments in associate companies are shown in the financial statements of the Group company which has significant influence on the future financial decisions of the investee company.

Name of the investee company	Share percentage %	Current assets		Non current assets		Total assets		Current liabilities		Total liabilities		Revenues		Expenses		Net profit (loss)		Cost of investment	
		L.E.		L.E.		L.E.		L.E.		L.E.		L.E.		L.E.		L.E.		L.E.	
December 31, 2013																			
Milkiez . Company	39.988	28 718 485		109 209 597		137 928 082		18 770 848		18 770 848		116 236 480		104 205 430		12 031 050		47 658 194	
Balance as at 31 December 2013		28 718 485		109 209 597		137 928 082		18 770 848		18 770 848		116 236 480		104 205 430		12 031 050		47 658 194	
* June 30, 2014																			
Milkiez Company	39.988	26 101 789		118 599 985		144 701 774		22 070 789		22 070 789		29 410 228		25 921 354		3 488 874		49 048 478	
Balance as at 30 June 2014		26 101 789		118 599 985		144 701 774		22 070 789		22 070 789		29 410 228		25 921 354		3 488 874		49 048 478	

* Figures of 31 March 2014 have been used to apply the equity method on 30 June 2014.

-Property, plant, and equipment

Description	Land* L.E.	Buildings & constructions L.E.	Machinery & equipment L.E.	Transportation & transport vehicles L.E.	Tools L.E.	Empty plastic containers & Pallets L.E.	Display ref.'s L.E.	Wells L.E.	Office furniture & equipment L.E.	Computers L.E.	Total L.E.
Cost as at 1/1/2013	124 005 382	502 504 967	1 182 901 921	164 332 901	46 119 251	23 861 803	4 223 515	19 094 191	12 139 926	53 570 665	2 132 754 522
Additions of the year	22 614 857	159 947 505	121 607 848	65 202 630	9 217 274	5 299 022	16 014 370	47 659	4 220 119	10 536 030	414 707 314
Disposals of the year	(4 218 733)	(7 125 499)	(15 357 680)	(10 979 499)	(12 805)	(2 506 475)	(37 641)	-	(139 653)	(229 738)	(40 607 723)
Reclassification	9 391 037	(17 428 147)	7 047 352	-	-	-	-	-	418 460	571 298	-
Impairment in fixed assets	-	-	(9 805 516)	-	-	-	-	-	-	-	(9 805 516)
Cost as at 31/12/2013	151 792 543	637 898 826	1 286 393 925	218 556 032	55 323 720	26 654 350	20 200 244	19 141 850	16 638 852	64 448 255	2 497 048 597
Additions of the period	13 733 039	44 201 118	117 145 887	1 048 009	5 085 898	4 585 031	33 074 110	161 432	6 489 058	2 582 721	228 106 303
Disposals of the period	(5 186 673)	(49 918 400)	(224 053 401)	(945 350)	(3 646 272)	(1 567 563)	-	-	(2 215 431)	(1 765 421)	(289 298 511)
Cost as at 30/6/2014	160 338 909	632 181 544	1 179 486 411	218 658 691	56 763 346	29 671 818	53 274 354	19 303 282	20 912 479	65 265 555	2 435 856 389
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 1/1/2013	-	35 381 058	473 685 289	65 222 831	19 268 254	13 540 858	1 728 893	1 373 369	5 473 031	37 356 555	653 030 138
Depreciation of the year	-	13 219 999	110 718 012	22 193 145	5 645 218	5 929 349	2 023 793	823 960	1 218 468	9 169 599	170 941 543
Accumulated depreciation of disposals of the year	-	(1 240 968)	(11 982 846)	(9 909 059)	(11 696)	(2 506 475)	(18 121)	-	(104 638)	(130 497)	(25 904 300)
Reclassification	-	(752 321)	571 833	-	-	-	-	-	33 302	147 186	-
Accumulated depreciation as at 31/12/2013	-	46 607 768	572 992 288	77 506 917	24 901 776	16 963 732	3 734 565	2 197 329	6 620 163	46 542 843	798 067 381
Depreciation of the period	-	7 150 594	57 605 517	10 266 024	3 186 105	2 609 460	3 422 821	476 032	740 635	5 245 684	90 702 872
Accumulated depreciation of disposals of the period	-	(7 488 620)	(170 632 225)	(509 740)	(1 768 709)	(1 285 900)	-	-	(834 228)	(1 695 979)	(184 215 401)
Impairment in fixed assets	-	-	40 864	-	-	-	-	-	-	-	40 864
Accumulated depreciation as at 30/6/2014	-	46 269 742	460 006 444	87 263 201	26 319 172	18 287 292	7 157 386	2 673 361	6 526 570	50 092 548	704 595 716
At book value as at 30/6/2014	160 338 909	585 911 802	719 479 967	131 395 490	30 444 174	11 384 526	46 116 968	16 629 921	14 385 909	15 173 007	1 731 260 673
At book value as at 31/12/2013	151 792 543	591 291 058	713 401 637	141 049 115	30 421 944	9 690 618	16 465 679	16 944 521	10 018 689	17 905 412	1 698 981 216

Fully depreciated assets are amounted to L.E.194 113 769 as at 30 June 2014.

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Notes to the interim consolidated financial statements for the period ended 30 June 2014

The land item amounted to L.E 160 338 909 on 30/6/2014 includes an amount of L.E 148 805 373 representing the not registered land thus procedures of registering the land are in progress.

11-1 Land of Juhayna Food Industries Co.

Description	Amount L.E	Instrument of possess
Marsa Allam	1 367 244	Preliminary contract
	1 367 244	

11-2 Land of Tiba for Trad. & Distr. Co.

Description	Amount L.E	Instrument of possess
New Mansheya (Alex.) Land	25 931 752	Preliminary contract
Bolaris land	15 495 080	Preliminary contract
Demyat land	10 942 734	Preliminary contract
Obour land	9 002 650	Preliminary contract
Mansoureyia land - shabrament	7 408 350	Preliminary contract
New cairo land pc.60,62	6 868 125	Preliminary contract
Olaykat Arab land	2 589 300	Auction
Other	15 638 923	
	93 876 914	

11-3 Land of Egyptian Co. for Dairy & Juice Products

Description	Amount as per Egyptian Co. for Dairy & Juice Products L.E.	Adjustments of Consolidated financial statement L.E.	Amount as per Consolidated financial statement L.E.	Instrument of possess
The service axis 1,2- 6 th of October	2 415 388	(539 598)	1 875 790	Preliminary contract
* Pc38- 6 th of October	4 542 099	(1 231 216)	3 310 883	Preliminary contract
	6 957 487	(1 770 814)	5 186 673	

* These land was purchased from Juhayna company (parent company) on 1/4/2014 and recorded by its name, and The Egyptian Co. for Dairy & Juice Products are recording the land on its behalf.

11-4 Land of Aldawlia for Modern Industries Co.

Description	Amount L.E	Instrument of possess
Pc. 112:118 m3 6 th of October	11 060 593	Specification document

11-5 Land of Almarwa for Food Industries Co.

Description	Amount L.E	Instrument of possess
Pc. 43 m4 6 th of October	2 117 918	Deed

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Notes to the interim consolidated financial statements for the period ended 30 June 2014

11-6 Land of Almasrya Co. (Egyfood)

Description	Amount L.E	Instrument of possess
Pc. 19 A, 9 B m3 6 th of October	2 241 861	Specification document
Pc. 24 B	2 611 004	Specification document
	4 852 865	

11-7 Land of Modern Concentration Co.

Description	Amount L.E	Instrument of possess
Pc. 42 m4 6 th of October	4 333 446	Deed

11-8 Land of Inmaa for Agriculture Development & Biological wealth**The Land item includes the follows:**

- Area of 2 500 Acres on Farafra zone amounted to L.E 1 250 000 with the virtue of preliminary contract from Alwadi Algadeed governorate with purpose – only - of reclamation and cultivation.
- Area of 7 500 Acres on Farafra zone amounted to L.E 3 750 000 with purpose – only - of cultivation with the virtue of bank cheque no. 1472844 dated September 14, 2009 for the beneficiary the head of the centre office of Farafra city. The necessary legal procedures for convey of land are in progress.

11-9 Land of Inmaa for live stock

- Area of 550 Acres amounted to L.E 1 089 000 in the virtue of a preliminary contract from Inmaa for Agriculture Development & Biological wealth. The necessary legal procedures with government for legal convey of land are in progress.

11-10 Land of Inmaa for Agriculture Development

- Area of 8 364 Acres amounted to L.E 16 560 720 in the virtue of a preliminary contract from Inmaa for Agriculture Development & Biological wealth. The necessary legal procedures with government for legal convey of land are in progress.
- Area of 2 000 Acres amounted to L.E 3 000 000 in the virtue of a contract with the seizure (Mohamad Mahrous Ahmad) dated 21 March 2013 and all the necessary legal procedures with government for legal convey of land are in progress.
- Area of 240 Acres amounted to L.E 360 000 in the virtue of a contract with the seizure (Mohamad Ali Farag) dated 21 March 2013 and all the necessary legal procedures with government for legal convey of land are in progress.

11-11 Changes in Accounting estimated for Fixed Assets

- Enma company for agriculture development & biological wealth (subsidiary company) held a capacity test through the period 30 September 2013 for the owned operating assets that resulted on change the estimated useful life and economic benefits for this type of assets and became expected that it will going to produce for a more period than has been determined before which lead to increase in the expected useful life for these assets

Juhayna Food Industries Company (S.A.E.)

Notes to the interim consolidated financial statements for the period ended 30 June 2014

11-12 Changes in Accounting estimated for Fixed Assets

-During the year, The company held a capacity test that resulted on change the estimated useful life and economic benefits for this type of assets and became expected that it will going to produce for a more period than has been determined period before which lead to increase the expected useful life for these assets

	Depreciation before change	Depreciation after change	Difference
	L.E.	L.E.	L.E.
Buildings Under construction	636 077	222 375	(413 702)
Agriculture machinery	3 658 666	3 881 171	222 505
Wells	698 388	698 388	-
Transportation & Transport Vehicles	259 478	250 847	(8 631)
Computers	218 253	365 219	146 966
Office equipment & Furniture	83 906	124 052	40 146
	5 554 768	5 542 052	(12 716)

11-13 Land grants

Company management has acquired five plots of land as a governorate grant for the establishment of projects in the areas and provinces where the lands located and this is by issuing letters of guarantee by the company for the governorate with total value 2 516 750 LE, in case that the company did not obligate the conditions of acquiring these lands , the letters of guarantee will be liquidated to beneficiaries and these are the lands as follows :-

- land plots from 637 to 650 in Assuit its total area 30 000 m² to establish a project for keeping & cooling dairy products in refrigerators for cooling the juices and concentrates
- Plots number (67,68,69,75,76) in Beni suef to its total area 10.335 thousands m² to establish a factory for the production of natural juices , dairy products , white cheese freezing & cooling vegetables , fruits , meat & fish
- Land plot in sohag its total area 10000 m² to establish a refrigerator for keeping foodstuff
- Land plot in qena NO. (186,187,188 , huge area of 185) its total area 5960 m² to establish a factory for keeping , cooling and freezing dairy products , juices and concentrates
- Land plot in Aswan – Industrial area, Al Alaki Valley. its total area 10000 m² to establish a factory for keeping, cooling and freezing foodstuff.

12 Projects under constructions

	30/6/2014	31/12/2013
	L.E.	L.E.
Buildings and constructions in progress	728 732 934	547 049 505
Machineries under installation	407 017 021	260 518 111
Advance payments for fixed assets purchase	146 482 040	263 859 583
Vehicles under installation	99 002	-
	1 282 330 997	1071 427 199

Juhayna Food Industries Company (S.A.E.)

Notes to the interim consolidated financial statements for the period ended 30 June 2014

13 Plant wealth

	30/6/2014	31/12/2013
	L.E.	L.E.
Land reclamation	38 492 305	36 411 757
Fruit trees	13 014 046	11 414 888
Protection trees (Kazhurana)	420 778	261 404
	51 927 129	48 088 049

14 Tax status**14-1 Juhayna Food Industries-S.A.E.(the Parent Company)****A. Corporation tax**

The corporate tax due from the Company is an annual tax according to income tax law No. 91 for the year 2005 and payments due over the operating result on annual basis.

The period from the beginning of operation till year 2005

The Company has been inspected and all tax inspection differences were paid.

Year 2006, 2007

The tax inspection is currently being ended against the internal committee.

Years from 2008 till 2012

The company is under tax inspection.

The Company submits the annual tax returns for the income tax during legal duration required by law and settle the due tax –if any- according to tax return.

B. Salaries tax**The period from the beginning of operation till year 2010**

The tax inspection has been performed & the inspection results forms were received and the differences have been settled.

C. Stamp tax**The period from the beginning of operation till 31/7/2006**

The tax inspection has been performed and paid.

From 1/8/2006 till 31/12/2012

The Inspection is in progress by related tax authority.

D. Sales tax

The tax inspection has been performed and paid till 31/12/2012

14-2 Subsidiaries**First: Corporation tax****The Companies that enjoy the corporate tax exemption****Subsidiaries**

The Egyptian Company For Food Industries
"Egyfood"

Modern Concentrates Industrial Company

International Company For Modern Food Industries

Inmaa for agriculture development & biological
wealth

Tax inspection ending date

31/12/2018

31/12/2018

31/12/2018

10 years from the
beginning of the activity

Juhayna Food Industries Company (S.A.E.)

Notes to the interim consolidated financial statements for the period ended 30 June 2014

The Companies that are not exempted.

Egyptian Company for Dairy and Juice Products

(the tax inspection has been performed and paid till 2004)

Tiba for Trading and Distributing

The Inspection is in progress by related tax authority for year 2009

Al Marwa for Food Industries

(inspected from the beginning of operation till 31/12/2004 and the company submits the annual tax returns during legal duration required by law no 91 of 2005 and company is Subject to tax in 1-1-2010.

Second: Salaries tax

Subsidiaries	Tax inspection ending date
Egyptian Company for Dairy and Juice Products	- Inspection was performed from starting activity till 2011 and paid.
Al-Marwa for Food industries	- Inspected and paid till 2006 and inspected from 2007 till 2010 and inspection forms have been received and the Company objected to the results.
Tiba for Trading and Distributing	- Inspection is in progress for years from 2006 to 2012.
International Company For Modern Food Industries	- Inspection differences till 2005 have been settled and inspection was performed from year 2006 to 2010 and inspection forms have been received and an internal committee is in process.
The Egyptian Company For Food Industries "Egyfood"	Inspection is in progress for years from 2006 to 2012.
Modern Concentrates Industrial Company	- Has not been inspected yet. The Company pay tax monthly.
Inmaa for Agriculture Development Co. and biological wealth	- Has not been inspected yet. The Company pay tax monthly.

Third: Stamp tax

Subsidiaries	Tax inspection ending date
Egyptian Company for Dairy Products	- Inspection has been performed and paid till 31/7/2006.
Al-Marwa for Food Industries	- Inspection has been performed and paid till 31/12/2010.
Tiba for Trading and Distribution	- Inspection has been performed and paid till 2011 .
International Company For Modern Food Industries	- Tax inspection has been performed till 2011.
The Egyptian Company for Food Industries "Egyfood"	- Has not been inspected yet.

Juhayna Food Industries Company (S.A.E.)

Notes to the interim consolidated financial statements for the period ended 30 June 2014

Modern Concentrates Industrial Company

Inmaa for Agriculture development & biological wealth

Fourth: Sales tax

Subsidiaries

Egyptian Company for Dairy Products

Al-Marwa for Food Industries

International Company For Modern Food Industries

The Egyptian Company For Food Industries "Egyfood"

Modern Concentrates Industrial Company

Tiba for Trading and Distribution

Inmaa for Agriculture Development Co.

- An estimated payment form without inspection were received and the Company objected to the results on 31/12/2103 and payments are in progress.
- Has not been inspected yet.

Tax inspection ending date

-The company is exempted from the sales tax and the company presents sales tax return on monthly basis, and the inspection was performed till 31/12/2012.

-Inspected and paid till 31/12/2009

-The company present sales tax return on monthly basis and inspected and paid till 2011.

-Inspected and paid till 2011.and tax differences has been paid

-The company presents sales tax return on monthly basis. The company's activity is exempted from sales tax, and was inspected from the inception till 31/12/2013 and paid and inspection differences has been paid

-The company presents sales tax return on monthly basis and the company is exempted from tax according to law No. (11) of 1991 and its executive tariffs and Inspection has been performed till 31/12/2012 and tax differences were paid

-The company presents sales tax return on monthly &has not been inspected yet

15 Inventories

	30/6/2014	31/12/2013
	L.E.	L.E.
Raw materials	299 149 409	259 267 094
Packaging & packing materials	93 021 264	101 610 456
Finished products	172 001 787	193 212 459
Spare parts & miscellaneous supplies	41 149 216	40 180 050
L/C's for goods purchase	119 761 858	15 744 193
Biological assets	11 996 115	6 175 732
	<u>737 079 649</u>	<u>616 189 984</u>

Juhayna Food Industries Company (S.A.E.)

Notes to the interim consolidated financial statements for the period ended 30 June 2014

	30/6/2014	31/12/2013
	L.E.	L.E.
Trade receivables	123 962 477	86 157 684
Less: Impairment in trade receivables	(12 900 619)	(12 900 619)
	111 061 858	73 257 065
Notes receivables	37 218 745	8 256 033
Tetra Pak company	4 442 426	630 173
Suppliers – advance payments	48 543 834	32 155 658
Prepaid expenses	14 167 745	4 398 132
Export subsidy	11 931 873	13 010 385
Accrued revenues	132 296	132 296
Tax authority	7 814 783	21 644 113
Customs authority	27 874 421	20 766 982
Deposits with others	1 684 927	4 594 981
Other debit balances	13 334 205	13 259 269
	278 207 113	192 105 087
Less: Impairment in other debit balances	(1 608 434)	(1 608 434)
	276 598 679	190 496 653

17 Cash and cash equivalents

	30/6/2014	31/12/2013
	L.E.	L.E.
Time deposits *	374 087 866	558 395 256
Banks – current accounts	28 590 176	7 506 070
Cash in hand	11 064 718	488 227
Cash in transit	8 491 259	4 493 175
Cheques under collection	2 214 000	-
L /G's cash margin	5 053 599	5 050 000
	429 501 618	575 932 728
Bank over draft	(43 803 351)	(17 509 193)
L /G's cash margin (due after 3 months)	(5 053 599)	(5 050 000)
Cash and cash equivalents in the statement of cash flows	380 644 668	553 373 535

* The above mentioned time deposits are maturing within 3 months.

18 Share capital

	30/6/2014	31/12/2013
	L.E.	L.E.
Authorized capital	5 000 000 000	5 000 000 000
Issued & paid up capital (divided into 941 405 082 shares with nominal value L.E 1 each)	941 405 082	706 053 811

Juhayna Food Industries Company (S.A.E.)

Notes to the interim consolidated financial statements for the period ended 30 June 2014

The extra ordinary general assembly meeting dated 5 February 2012 decided capital reduction by the nominal value of treasury stock amounted to L.E 20 362 521 to be amounted to L.E 706 053 811 divided into 706 053 811 shares at par value L.E 1 each. The reduction in capital and in the numbers of shares was registered in the commercial register on 23 April 2012.

Based on the decision of the Board of Directors on February 26, 2014, which included a dividend free shares from the year profits and the decision & approval of the Ordinary General Assembly and of the Company dated 27.03.2014 to increase the company's issued capital from the dividends of the financial year ended December 31, 2013, which amounting to L.E. 235 351 271 equal to 33.33% of the company's issued capital as free shares deduction from the profit for the year ended December 31, 2013 by distributing one free share for each shareholder holds five shares of the company's shares. This increase has been recorded in the commercial register on 29/5/2014.

a- General reserve - issuance premium

The balance of general reserve – issuance premium is representing the net value of issuing capital increase shares during 2010 amounted to L.E 999 379 210 for issuing 205.97 million shares after deducting amount of L.E 350 398 732 for legal reserve completion to be equal to 50 % of paid up capital and amount of L.E 205 972 632 for capital increase after deducting issuance fees amounted to L.E 38 507 164.

The Company had reduced issuance premium during the period by an amount of L.E 73 580 254 representing the difference between nominal value and the cost of purchasing treasury stock which reduced the capital with its value due to the increase more than one year of the acquisition according to extra ordinary general assembly meeting dated February 5th 2012.

19 Loans

Details	Long term loans – current portion L.E	Long term loans L.E	Total L.E
Granted loans to Company's Group from CIB.	152 642 000	382 141 734	534 783 734
Granted loans to Company's Group from European Bank for Reconstruction & Development	-	185 000 000	185 000 000
Granted loans to Company's Group from HSBC.	60 942 591	83 770 366	144 712 957
Granted loans to Company's Group from QNB.	10 000 000	90 000 000	100 000 000
Granted loans to Company's Group from Barclays.	12 636 374	100 790 582	113 426 956
Balance at 30/6/2014	236 220 965	841 702 682	1 077 923 647
Balance at 31/12/2013	256 895 019	675 112 460	932 007 479

20 Banks – credit facilities

This balance which amounted to L.E 893 812 939 as at 30/6/2014 (against L.E 765 244 202 as at 31/12/2013), represents the drawn down portion of the L.E. 1 535 million (in aggregate principal) bank facilities. Interest is charged on such drawn down amounts at a variable interest rate. These lending banks were provided with various guarantees granted by the group companies against these obtained facilities.

Juhayna Food Industries Company (S.A.E.)

Notes to the interim consolidated financial statements for the period ended 30 June 2014

21 Short term loans

This balance which amounted to L.E. 16 000 000 as at 30/6/2014 (against L.E. 10 000 000 as at 31/12/2013) represents the short term instalments of the loans granted to the Parent Company by the Commercial International Bank.

22 Provision for claims

Description	Balance on 1/1/2014 L.E	Provision formed during the period L.E	Provision used during the period L.E	Balance on 30/6/2014 L.E.
Provision for claims	10 090 042	-	(1 013 80)	9 076 462
	10 090 042	-	(1 013 580)	9 076 462

23 Creditors and other credit balances

	30/6/2014 L.E.	31/12/2013 L.E.
Suppliers	110 407 412	130 742 724
Accrued expenses	69 084 773	53 117 628
Fixed assets' creditors	6 471 737	7 782 006
Tax authority	11 628 362	13 865 175
Income tax	16 987 093	-
Deposits from others	8 102 983	10 509 369
Sales tax installments on the imported machineries and equipments	6 698 932	6 435 851
Deferred capital gains	1 738 584	1 738 584
Due to Sodic company- current portion	10 163 770	11 591 680
Social insurance authority	2 868 748	2 557 120
Dividends payable	4 906 291	695 222
Advances from customers	3 280 357	2 343 799
Other credit balances	2 323 891	1 965 099
	254 662 933	243 344 257

24 Other long term liabilities

Description	30/6/2014 L.E.	31/12/2013 L.E.
The value of sales tax installments on the imported machineries and equipments due for settlement starting from July 2015 till December 2025 according to the scheduling agreed upon with the Sales Tax Authority. The installments due within one year amounted to L.E 6 698 932 as at 30/6/2014 (L E 6 435 851 as at 31/12/2013) are shown under the item of creditors and other credit balances in the consolidated balance sheet (Note 23).	89 870 084	83 995 990
	89 870 084	83 995 990

	30/6/2014	31/12/2013
	L.E.	L.E.
The balance is represented in the long term capital gains deferred resulted from the sale of a plot of land located in Zayed city No.21 (Crazy water corridor) and the construction built thereon, The Company had deferred and derecognized the gain of L.E 17 385 789 in the consolidated income statement as the sale transaction was in the form of a sale with a right of re-lease within 10 years starting on January 2008 through to December 2017. The deferred revenue is to be amortized on straight line method base during the lease period starting from 1/1/2008. The amortization during the period ended amounted to L.E 869 292 while the short term portion amounted to L.E 1 738 584 as at 30/6/2014 (L.E. 1 738 584 as at 31/12/2013) included in the trade & other credit balances item of the consolidated balance sheet (Note 23).	4 346 409	5 215 700
	<u>4 346 409</u>	<u>5 215 700</u>

	Balance on	Deferred tax	Balance on
	1/1/2014	from 1 st Jan to	30/6/2014
		30 June 2014	
	L.E	L.E	L.E
Deferred tax liability from fixed assets	66 953 178	2 361 984	69 315 162

	Liabilities	
	30/6/2014	31/12/2013
	L.E.	L.E.
Fixed assets	71 140 665	68 691 754
Deferred revenue	(1 825 503)	(1 738 576)
Net tax liabilities	69 315 162	66 953 178

Juhayna Food Industries Company (S.A.E.)

Notes to the interim consolidated financial statements for the period ended 30 June 2014

27 Group companies

The following sets out the subsidiaries of Juhayna Food Industries Company that were acquired and controlled by the Company as at 30/6/2014 shown together with this respective contribution percentage held as at the balance sheet date.

Subsidiary Name	Contribution percentage 30/6/2014	Contribution percentage 31/12/2013	Countr
Egyptian Co. for Dairy Products	99.99 %	99.99 %	Egypt
International Co. for Modern Food Industries	99.99 %	99.99 %	Egypt
The Egyptian Company for Food Industries "Egyfood"	99.98 %	99.98 %	Egypt
Tiba For Trading & Distributing	99.90 %	99.90 %	Egypt
Al-Marwa for Food Industries	99.91 %	99.91 %	Egypt
Modern Concentrates Industrial Co.	99.81 %	99.81 %	Egypt
	Indirect	Indirect	
Inmaa for Agriculture Development Co.	99.994 %	99.994 %	Egypt
	99.964	99.964	
Inmaa for Live Stock	Indirect	Indirect	Egypt
	99.964	99.964	
Inmaa for Agriculture and improvement	Indirect	Indirect	Egypt
Sister Company			
Milkiez	39.988 % Indirect	39.988 % Indirect	Egypt

28 Financial instruments**Financial risk management****Overview**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Board is assisted in its oversight role by

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Notes to the interim consolidated financial statements for the period ended 30 June 2014

Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the B.O.D.

Credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer including the default risk of the industry in which customers operate, as these factors may have an influence on credit risk

Trade and other receivables

The Company is dealing with one main customer (related party), which in turn distributes the credit risk on a number of customers who enjoy strong and stable financial positions. It also deals with its customers through contracts and agreements concluded with them, in addition the Company (related party) review the credit limits granted to customers on a regular basis as it gets sufficient guarantees from its customers.

Credit risk**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount	
		30/6/2014	31/12/2013
		L.E.	L.E.
Trade receivables	(16)	111 061 858	73 257 065
Banks credit facilities	(20)	893 812 939	765 244 202
Short term loans	(21)	16 000 000	10 000 000
Total long term loans	(19)	1 077 923 647	932 007 479

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains the following lines of credit:

A credit facility in a principal amount of L.E 893 812 939 on which the interest is charged at a variable interest rate for Facilities in Egyptian pound and US Dollars facilities.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows
	L.E.	L.E.
Credit facilities	893 812 939	1 535 000 000

Juhayna Food Industries Company (S.A.E.)

Notes to the interim consolidated financial statements for the period ended 30 June 2014

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

The Company incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Management.

Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company, primarily the L.E. The currencies in which these transactions primarily are denominated are Euro, USD, and Swiss Francs (CHF).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Foreign currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	USD	Euro	SAR	GBP
Trade and other debit balances	847 040	-	-	-
Cash and cash equivalents	30 286 531	429 373	-	-
Credit facilities	(9 383 480)	(10 151)	-	-
Trade and other payables	(5 555 408)	(6 160 468)	-	-
30 June 2014	16 194 683	(5 741 246)	-	-
31 December 2013	21 517 171	591 092	96	(7 283)

The following significant exchange rates applied during the period:

	Average rate		Actual closing Rate	
	6/2014	2013	6/2014	2013
USD	7.070	6.694	7.170	6.964
Euro	9.680	9.093	9.760	9.589

Given the current economic conditions faced by the Arab Republic of Egypt, the Company's management faces the market risks represented in the difficulty of foreign currency cash management declared at official prices, due to the shortage of cash in foreign currency in the official banking markets.

This has affected the Company's ability to provide its foreign currency operating needs to ensure the continuing of its operations / production process on a regular basis.

The Company's management resorted, in the context of applying exceptional policies to manage market and operation risks, to cover some of its foreign currency cash requirements with exceptional exchange rates, during the period, which differ from quoted prices in official banking markets, in light of the circumstances, after getting approval along with the related internal documents by the Company's senior management, to the best estimate of the price from its point of view.

Interest rate risk

The Company adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates.

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Notes to the interim consolidated financial statements for the period ended 30 June 2014

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of paid up capital and retained earnings. The Board of Directors monitors the return on capital, as well as the level of dividends to shareholders.

	30/6/2014	31/12/2013
	L.E.	L.E.
Total liabilities	2 458 810 987	2 183 122 351
Less: cash and cash equivalents	(429 501 618)	(575 932 728)
Net debt	2 029 309 369	1 607 189 623
Total equity	2 197 779 433	2 164 320 044
Net debt to equity ratio	%92.33	%74.26

There were no changes in the company's approach to capital management during the period.

29 Financial lease contracts

The company signed a contract with Sajulis Leasing company to lease land and buildings and of system construction and leasing, as follows:

Land lease contracts (Sale with the right of lease back)

On 30/10/2007 the Company signed a contract with regard to a land lease (including the building built thereon), of land located on plot no. 21 of the Crazy water's corridor in Zayed City with a total area of 15 374.47 m². The contract terms became effective starting 1/1/2008. The following is a summary of the above mentioned contract:

Description	Lease value		Lease period Months	Purchase value at end of contract L.E.	Monthly lease value L.E.
	Contractual value	Accrued interest			
	L.E.	L.E.			
contract from 1/1/2008 to 31/12/2017	73 453 985	47 559 261	120	1	1 008 444

Juhayna for Food Industries Company acquired the above mentioned land and constructed a building thereon. Subsequently, the Company sold the land including the buildings to Segolease subject to the right of finance re-leases.

The Company has leased the administration building of Tiba for Trading and Distributing Company (Subsidiary) following the operating lease system for a monthly lease rent of L.E. 220 500 based upon the approval from the leaser's company.

The monthly finance lease's installments and the expenses related to the issue of this lease contract (sale with the right of re-sale) were allocated to the other operating expenses item in the income statement. Thus, total installments of the financial period ended 30/6/2014 amounted to L.E. 6 050 662.

30 Contingencies

The Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business the Company has given guarantees amounting to LE 10 763 024 the covered amount L.E 5 053 599.

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Notes to the interim consolidated financial statements for the period ended 30 June 2014

31 Capital commitments

The capital commitments related to setting up and acquiring fixed assets amounted to L.E 203 191 914 on 30/6/2014.

32 Related party transactions

The related parties are represented in the Company's shareholders and companies in which they own directly or indirectly shares giving them significant influence or controls over these companies.

The following is a summary of significant transactions concluded, during the current period, between the Company and its related parties.

32-1 Due from related parties

Company's name	Nature of transaction	Total value of transactions		Balance as at	
		30/6/2014	31/12/2013	30/6/2014	31/12/2013
		L.E.	L.E.	L.E.	L.E.
Milkiez	Customer		4 354 419		785 434
	Vendor		42 799	964 395	
				<u>964 395</u>	<u>785 434</u>

33 Goodwill

	30/6/2014	31/12/2013
	L.E.	L.E.
Goodwill resulting from acquiring the Egyptian Company for Dairy & Juice Products	46 433 934	46 433 934
Goodwill resulting from acquiring Al-Marwa for Food Industries Company	50 658 956	50 658 956
	<u>97 092 890</u>	<u>97 092 890</u>

34 Political and economical events

The Arab Republic of Egypt has encountered certain events that have a significant impact on the economic sectors in general, a matter which may lead to a substantial decline in the economic activities in the foreseeable future.

Therefore, there is a possibility that the above mentioned events will have a significant impact on the Company's assets, liabilities, their recoverable/settlement amounts and the results of operations in the foreseeable future.

At the present, it is not possible to quantify the effect on the Company's assets and liabilities included in the company's financial statements, since quantifying the effect of these events relies on the expected extent and the time frame, when these events and their consequences, are expected to be finished.

On 4 June 2014, law no. 44 for the year 2014 has been issued for an additional temporarily annual tax – which is imposed for three years from current tax period – by 5% on taxable income which exceeds one million Egyptian pound for the income of natural and juridical persons according to the provisions of income tax law, assessment and settlement to be in accordance with these provisions. Law is effective from 5 June 2014.