

Translation from Arabic

**Juhayna Food Industries
(An Egyptian Joint Stock Company)
Consolidated financial statements
for the period ended
30 September 2013
and review report**

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A member of Grant Thornton international
87 Ramsis St., Cairo**

Juhayna Food Industries
(An Egyptian Joint Stock Company)
Consolidated financial statements
for the period ended 30 September 2013

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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 September 2013 and the related consolidated statements of income, changes in equity and cash flows for the nine-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 consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 30 September 2013, and of its consolidated financial performance and its cash flows for the nine-month then ended in accordance with Egyptian Accounting Standards.

Without qualifying our opinion, and as described in detail in note (29) of the notes to the 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.

KPMG Hazem Hassan
Public Accountants and Consultants
Salah EL Missary
Capital Authority Controller
Register N0. (364)
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Cairo, 4 November 2013

Grant Thornton - Mohamed Hilal
Public Accountants
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Juhayna Food Industries
(An Egyptian Joint Stock Company)
Consolidated balance sheet
As at 30 September 2013

Translation from Arabic

	Note no.	30/9/2013 L.E.	31/12/2012 L.E.
Assets			
Property, plant and equipment	(11)	1 661 925 663	1 479 724 384
Projects under construction	(12)	903 671 942	530 576 491
Plant wealth	(13)	44 247 857	29 591 345
Investments in equity - accounted investees	(10)	44 252 443	43 109 317
Other - long term - debit balances		792 116	798 320
Goodwill	(34)	97 092 890	97 092 890
Non-current assets		2 751 982 911	2 180 892 747
 Assets held for sale	(14)	538 899	538 899
Inventories	(16)	737 327 085	347 600 094
Trade and other receivables	(17)	192 114 136	145 120 083
Due from related parties	(33-1)	1 351 236	1 337 563
Treasury bills		-	240 029 217
Cash and cash equivalents	(18)	498 717 682	529 817 146
Current assets		1 430 049 038	1 264 443 002
 Provisions	(23)	13 731 579	11 554 532
Banks - overdraft		13 852 044	13 208 561
Banks - credit facilities	(21)	780 515 855	351 097 043
Short term loans	(22)	20 000 000	32 476 634
Creditors and other credit balances	(24)	238 424 929	236 719 943
Income tax		-	43 067 213
Long-term loans-current portion	(20)	290 681 538	152 034 537
Current liabilities		1 357 205 945	840 158 463
Working capital		72 843 093	424 284 539
Total invested funds		2 824 826 004	2 605 177 286
These investments are financed as follows:			
Equity			
Issued and paid up capital	(19)	706 053 811	706 053 811
Legal reserve		406 705 132	401 654 644
General reserve - issuance premium	(19-1)	330 920 428	330 920 428
Retained earnings		391 831 487	236 914 651
Net profit for the period/ year after periodic dividends		308 058 642	312 576 862
Total equity attributable to the shareholders of the parent company		2 143 569 500	1 988 120 396
Minority interest		698 363	520 495
Total equity		2 144 267 863	1 988 640 891
 Long term loans	(20)	571 092 275	525 641 523
Other long term liabilities	(25)	43 243 991	31 969 777
Deferred revenues	(26)	5 650 346	6 954 285
Deferred tax liabilities	(27)	60 571 529	51 970 810
Non-current liabilities		680 558 141	616 536 395
Shareholders' equity and non current liabilities		2 824 826 004	2 605 177 286

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

Finance Director
Sameh El-hodaiby

Chairman
Safwan Thabet

Juhayna Food Industries
(An Egyptian Joint Stock Company)
Consolidated income statement
For the period ended 30 September 2013

Translation from Arabic

		The financial period from 1/1/2013 till 30/09/2013	The financial period from 1/1/2012 till 30/09/2012	The financial period from 1/7/2013 till 30/09/2013	The financial period from 1/7/2012 till 30/09/2012
	Note no.	L.E.	L.E.	L.E.	L.E.
Net sales		2 486 244 649	2 107 757 335	875 589 840	840 317 626
Cost of sales		(1 716 211 303)	(1 452 786 837)	(610 002 734)	(557 204 161)
Gross profit		770 033 346	654 970 498	265 587 106	283 113 465
Other operating income	(5)	23 859 503	18 826 099	5 536 172	5 826 083
Sales & distribution expenses		(284 473 229)	(261 035 726)	(92 286 936)	(99 676 939)
General & administrative expenses	(6)	(97 329 205)	(78 727 704)	(35 552 999)	(24 511 428)
Other expenses	(7)	(30 616 026)	(26 077 233)	(6 296 339)	(15 312 536)
Board of directors remuneration		(735 500)	(840 000)	(340 500)	(150 000)
Results from operating activities		380 738 889	307 115 934	136 646 504	149 288 645
Holding company's share in associates' net income		1 405 225	953 770	-	(471 417)
Finance income and finance costs	(8)	(26 664 622)	(35 358 780)	(29 905 983)	(7 405 393)
Profit before income tax		355 479 492	272 710 924	106 740 521	141 411 835
Taxes differences from previous years		424 456	1 684 087	-	-
Income tax expense		(39 103 483)	(27 127 497)	(13 378 525)	(13 371 511)
Deferred tax		(8 600 719)	(7 260 097)	(211 720)	(7 416 179)
Net profit for the period		308 199 746	240 007 417	93 150 276	120 624 145
Distributed as follows					
Parent Company's share in profit		308 058 642	239 940 004	93 108 846	120 587 890
Minority interest		141 104	67 413	41 430	36 255
		308 199 746	240 007 417	93 150 276	120 624 145

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 September 2013

	Issued & paid up capital L.E.	Legal reserve L.E.	General reserve- issuance premium L.E.	Retained earnings L.E.	Treasury stocks L.E.	Net Profit L.E.	Minority interest L.E.	Total L.E.
Balance as at 1 January 2012	726 416 332	390 106 391	404 500 682	201 846 829	(93 942 775)	182 867 264	411 247	1 812 205 970
Reversal of beginning balance adjustments	-	24 322 057	-	6 331 239	-	9 631 689	-	40 284 965
Dividends for 2011	-	-	-	(152 690)	-	(178 449 703)	-	(178 602 393)
Capital reduction by the treasury stocks value	(20 362 521)	-	(73 580 254)	-	93 942 775	-	-	-
Holding Company's share in reserves & retained earnings of subsidiaries	-	95 898	-	8 301 158	-	-	-	8 397 056
Consolidation adjustments on 30 september 2012	-	(24 119 318)	-	19 090 930	-	(14 049 230)	-	(19 077 618)
Minority interest	-	-	-	-	-	-	7 298	7 298
Net profit for the period ended 30 september 2012	-	-	-	-	-	239 940 004	76 413	240 016 417
Balance as at 30 september 2012	706 053 811	390 405 028	330 920 428	235 417 466	-	239 940 004	494 958	1 903 231 695
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 september 2013	-	(24 064 266)	-	85 702 519	-	(76 397 495)	-	(14 759 242)
Minority interest	-	-	-	-	-	-	36 764	36 764
Net profit for the period ended 30 september 2013	-	-	-	-	-	308 058 642	141 104	308 199 746
Balance as at 30 september 2013	706 053 811	406 705 132	330 920 428	391 831 487	-	308 058 642	698 363	2 144 267 863

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 September 2013

	Note no.	The Financial period from 1/1/2013 till 30/09/2013 L.E.	The Financial period from 1/1/2012 till 30/09/2012 L.E.
Cash flows from operating activities			
Net profit for the period before income tax and minority interest in profits		355 479 492	272 710 924
Adjustments for:			
Fixed assets' depreciation	(11)	126 759 077	110 973 507
Capital gains		(3 732 264)	(2 776 572)
Impairment in fixed assets	(7)	11 879 819	520 486
Change in Investments in equity accounted investees		(1 143 126)	(568 566)
Impairment in trade and other receivables		2 300 000	-
Reversal of impairment in trade and other receivables		(48 580)	(207 914)
Impairment in inventories		861 145	8 380 592
Provision for claims-formed	(23)	5 855 429	4 457 644
Provision for claims-no longer required		(2 927 715)	-
Provision for claims-used	(23)	(750 667)	(272 511)
Financial lease installments		9 075 993	9 075 993
Credit interests		(17 422 369)	(28 456 377)
Finance interests & expenses		82 501 963	71 594 569
		568 688 197	445 431 775
Changes in:			
Inventories		(390 588 136)	7 004 253
Trade and other receivables		(48 837 838)	62 066 423
Due from related parties		(13 673)	298 080
Creditors & other credit balances		(106 662 964)	(47 757 305)
Dividends paid to employees during the period		(26 145 065)	(21 388 961)
Collected time deposits interests		17 020 938	37 537 429
Paid finance interests & expenses		(77 840 100)	(80 739 768)
Other long term liabilities		11 274 214	-
Net cash flows from operating activities		(53 104 427)	402 451 926
Cash flows from investing activities			
Acquisition of fixed assets & projects under construction		(695 245 520)	(436 804 468)
Proceeds from sale of fixed assets		5 042 158	4 307 521
Proceeds from (acquisition of) treasury bills		240 029 217	(158 269 415)
Acquisition of animal wealth		(14 656 512)	(2 917 682)
Proceeds from fire indemnification		-	63 000 000
Net cash flows (used in) investing activities		(464 830 657)	(530 684 044)
Cash flows from financing activities			
Proceeds from bank credit facilities		429 418 812	(11 071 469)
Proceeds from bank loans		171 621 118	152 905 471
Payments for lease installments- sale with the right of release		(9 075 993)	(9 075 993)
Dividends paid to share holders		(105 908 072)	(105 908 072)
Increase in minority interest		136 272	83 711
Net cash flows from financing activities		486 192 137	26 933 648
Increase (Decrease) in cash & cash equivalents during the period		(31 742 947)	(101 298 470)
Cash & cash equivalents at 1 January		511 558 585	624 906 979
Cash & cash equivalents at 30 September	(18)	479 815 638	523 608 509

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 September 2013

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 [1] of 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 4/11/2013.

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.

- Derivative financial instrument measured at fair value
- Non-derivative financial liabilities at fair less costs to sell (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 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 September 2013

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) : Write down of inventories.
- Note (17) : Impairment of trade and notes receivable.
- Note (23) : Provisions & contingent liabilities
- Note (27) : 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 September 2013

3-3 Financial instruments

Non-derivative financial assets

The Company initially recognises loans and 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.

Held - to - maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses, Held – to – maturity financial assets comprise debentures.

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.

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

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.

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

The Company's issued and fully paid up capital at the beginning of the year was amounted to L.E 706 053 811 divided into 706 053 811 shares at par value 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.

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.

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

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 sometimes 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 September 2013

3-7 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.

3-8 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.

3-9 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.

3-10 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.

3-11 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.

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.

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

3-12 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.

Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held –to-maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held – to – maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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.

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

3-13 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.

3-14 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.

3-15 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.

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.

3-16 Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

3-17 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.

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

3-18 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.

3-19 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.

3-20 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.

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.

3-21 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 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.

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

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.

5 Other operating revenue

	Financial period from 1/1/2013 to 30/9/2013 L.E	Financial period from 1/1/2012 to 30/9/2012 L.E	Financial period from 1/7/2013 to 30/9/2013 L.E	Financial period from 1/7/2012 to 30/9/2012 L.E
Export subsidy revenue	8 206 558	9 038 589	-	3 428 393
Deferred capital gains	1 303 938	1 303 938	434 646	434 646
Capital gain	3 972 048	2 789 235	31 076	(65 730)
Provisions- no longer required	2 927 715	-	2 927 715	-
Reversal of impairment of receivables	48 580	207 914	-	(1 958)
Drawback of sales tax	921 784	1 376 449	112 207	523 456
Other revenue	6 478 880	4 109 974	2 030 528	1 507 276
	23 859 503	18 826 099	5 536 172	5 826 083

6 General & administrative expenses

	Financial period from 1/1/2013 to 30/9/2013 L.E	Financial period from 1/1/2012 to 30/9/2012 L.E	Financial period from 1/7/2013 to 30/9/2013 L.E	Financial period from 1/7/2012 to 30/9/2012 L.E
Personnel expenses	52 316 866	42 525 370	17 664 691	14 391 280
Depreciation expense	10 789 004	9 721 030	3 679 178	3 573 553
Rents expense	5 457 453	4 558 503	1 909 785	1 498 909
Other administrative expense	28 765 882	21 922 801	12 299 345	5 047 686
	97 329 205	78 727 704	35 552 999	24 511 428

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

7 Other expenses

	Financial period from 1/1/2013 to 30/9/2013 L.E	Financial period from 1/1/2012 to 30/9/2012 L.E	Financial period from 1/7/2013 to 30/9/2013 L.E	Financial period from 1/7/2012 to 30/9/2012 L.E
Leasing installment	9 075 993	9 075 993	3 025 331	3 025 331
Capital loss	239 784	12 663	7 967	12 663
Losses resulting from thefts of money	–	579 598	–	165 418
Impairment of fixed assets	11 879 819	520 486	–	520 486
Inventory write down	861 145	8 380 592	861 145	5 869 019
Impairment of account receivables	2 300 000	–	2 300 000	–
Provision for claims	5 855 429	4 457 644	–	4 447 644
Other	403 856	3 050 257	101 896	1 271 975
	30 616 026	26 077 233	6 296 339	15 312 536

8 Finance income and finance costs

	Financial period from 1/1/2013 to 30/9/2013 L.E	Financial period from 1/1/2012 to 30/9/2012 L.E	Financial period from 1/7/2013 to 30/9/2013 L.E	Financial period from 1/7/2012 to 30/9/2012 L.E
Interest expense	(82 501 963)	(71 594 469)	(30 568 604)	(24 244 046)
Interest income	17 422 369	28 456 377	4 438 855	8 983 623
Foreign exchange gain/(loss)	38 414 972	7 779 312	(3 776 234)	7 855 030
	(26 664 622)	(35 358 780)	(29 905 983)	(7 405 393)

9- Segmentation reports

9-1 Segmentation reports for the period ended 30 September 2013

The segmentation reports were 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 30/09/2013	Yogurt sector L.E 30/09/2013	Juices sector L.E 30/09/2013	Concentrates sector L.E 30/09/2013	Agriculture sector L.E 30/09/2013	Undistributed items L.E 30/09/2013	Elimination of consolidated transactions L.E 30/09/2013	Total L.E 30/09/2013
Sales	1 185 820 523	702 304 367	471 926 656	78 381 515	47 811 588	-	-	2 486 244 649
Sales between segments	1 034 825 437	583 096 873	399 129 052	51 309 003	-	-	(2 068 360 365)	-
Total sales	2 220 645 960	1 285 401 240	871 055 708	129 690 518	47 811 588	-	(2 068 360 365)	2 486 244 649
Cost of sales	(857 370 852)	(447 979 760)	(326 386 157)	(47 974 492)	(36 500 042)	-	-	(1 716 211 303)
Segments' gross profit	328 449 671	254 324 607	145 540 499	30 407 023	11 311 546	-	-	770 033 346
Other operating income	14 898 785	2 716 614	2 849 585	3 043 323	351 196	-	-	23 859 503
Sales & distribution expense	(131 426 893)	(91 772 463)	(56 875 997)	(923 902)	(3 473 974)	-	-	(284 473 229)
General & administrative expense	(35 714 838)	(35 766 826)	(16 584 762)	(2 457 230)	(6 805 549)	-	-	(97 329 205)
Other operating expense	(13 543 286)	(10 486 815)	(6 001 213)	(19 133)	(565 579)	-	-	(30 616 026)
Board of Directors' remuneration	(403 636)	(148 887)	(102 977)	(55 000)	(25 000)	-	-	(735 500)
Profits from operation	162 259 803	118 866 230	68 825 135	29 995 081	792 640	-	-	380 738 889
Holding company's share in associates' net profit	-	-	-	-	1 405 225	-	-	1 405 225
Finance cost, (net)	(13 554 532)	(9 587 446)	(6 304 111)	(675 165)	3 456 632	-	-	(26 664 622)
Net profit for the period before income tax	148 705 271	109 278 784	62 521 024	29 319 916	5 654 497	-	-	355 479 492
Taxes differences from previous years	-	-	-	-	-	424 456	-	424 456
Income tax expense	-	-	-	-	-	(39 103 483)	-	(39 103 483)
Deferred tax	-	-	-	-	-	(8 600 719)	-	(8 600 719)
Net profit for the period	148 705 271	109 278 784	62 521 024	29 319 916	5 654 497	(47 279 746)	-	308 199 746
Other Information								
Depreciation	46 840 905	19 321 002	39 914 855	11 333 753	9 348 562	-	-	126 759 077
Assets	1 324 229 592	1 190 345 832	865 536 713	257 680 418	445 473 394	98 766 000	-	4 182 031 949
Investments accounted for using Equity method	-	-	-	-	44 252 443	-	-	44 252 443
Liabilities	1040 600 397	663 292 532	237 316 292	77 996 370	18 558 495	-	-	2 037 764 086

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

9-2 Segmentation reports for the period ended 30 September 2012

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	Yogurt sector L.E	Juices sector L.E	Concentrates sector L.E	Agriculture sector L.E	Undistributed items L.E	Elimination of consolidated transactions L.E	Total L.E
	The period ended 30/9/2012	The period ended 30/9/2012	The period ended 30/9/2012	The period ended 30/9/2012	The period ended 30/9/2012	The period ended 30/9/2012	The period ended 30/9/2012	The period ended 30/9/2012
Sales	1 039 364 057	612 393 680	398 610 410	34 856 208	22 532 980	-	-	2 107 757 335
Sales between segments	530 563 217	917 971 914	339 411 556	64 418 546	-	-	(1 852 365 233)	-
Total sales	1 569 927 274	1 530 365 594	738 021 966	99 274 754	22 532 980	-	(1 852 365 233)	2 107 757 335
Cost of sales	(735 307 886)	(386 980 783)	(279 857 951)	(26 850 740)	(23 789 477)	-	-	(1 452 786 837)
Segments' gross profit	304 056 171	225 412 897	118 752 459	8 005 468	(1 256 497)	-	-	654 970 498
Other operating income	13 219 492	1 390 070	2 191 987	1 960 309	64 241	-	-	18 826 099
Sales & distribution expense	(103 538 841)	(95 864 324)	(58 024 653)	(354 813)	(3 253 095)	-	-	(261 035 726)
General & administrative expense	(45 386 239)	(16 537 035)	(9 248 346)	(2 135 438)	(5 420 646)	-	-	(78 727 704)
Other operating expense	(10 264 237)	(6 047 693)	(3 936 476)	(280 097)	(5 548 730)	-	-	(26 077 233)
Board of Directors' remuneration	(475 760)	(117 855)	(106 385)	(95 000)	(45 000)	-	-	(840 000)
Profits from operation	157 610 586	108 236 060	49 628 586	7 100 429	(15 459 727)	-	-	307 115 934
Parent company's share in associates' net profit	-	-	-	-	953 770	-	-	953 770
Finance cost, (net)	(27 129 261)	175 217	(4 331 128)	(4 764 887)	691 279	-	-	(35 358 780)
Net profit for the period before income tax	130 481 325	108 411 277	45 297 458	2 335 542	(13 814 678)	-	-	272 710 924
Taxes differences from previous years	-	-	-	-	-	1 684 087	-	1 684 087
Income tax expense	-	-	-	-	-	(27 127 497)	-	(27 127 497)
Deferred tax	-	-	-	-	-	(7 260 097)	-	(7 260 097)
Net profit for the period	130 481 325	108 411 277	45 297 458	2 335 542	(13 814 678)	(32 703 507)	-	240 007 417
Other Information								
Depreciation	37 001 641	17 959 868	38 015 624	11 288 309	6 708 065	-	-	110 973 507
Assets	1 287 357 190	645 595 768	687 145 891	196 978 471	321 283 526	97 986 349	-	3 236 347 195
Investments accounted for using Equity method	-	-	-	-	42 897 614	-	-	42 897 614
Liabilities	893 016 076	280 529 224	82 812 586	61 818 180	14 939 434	-	-	1 333 115 500

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

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 L.E.	Non current assets L.E.	Total assets L.E.	Current liabilities L.E.	Non current liabilities L.E.	Total liabilities L.E.	Revenues L.E.	Expenses L.E.	Net profit (loss) L.E.	Cost of investment L.E.
December 31, 2012											
Milkiez . Company	39.988	24 184 136	109 800 988	133 985 124	26 183 946	22 551	26 206 497	63 317 507	60 330 904	2 986 603	43 109 317
Balance as at 31 December 2012		<u>24 184 136</u>	<u>109 800 988</u>	<u>133 985 124</u>	<u>26 183 946</u>	<u>22 551</u>	<u>26 206 497</u>	<u>63 317 507</u>	<u>60 330 904</u>	<u>2 986 603</u>	<u>43 109 317</u>
September 30, 2013											
Milkiez Company	39.988	22 708 125	126 610 345	149 318 470	38 555 034	126 138	38 681 172	52 647 695	49 133 578	3 514 117	44 252 443
Balance as at 30 september 2013		<u>22 708 125</u>	<u>126 610 345</u>	<u>149 318 470</u>	<u>38 555 034</u>	<u>126 138</u>	<u>38 681 172</u>	<u>52 647 695</u>	<u>49 133 578</u>	<u>3 514 117</u>	<u>44 252 443</u>

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 1/1/2012	85 306 338	400 847 659	1 114 481 649	144 815 521	35 619 711	19 223 348	4 220 442	18 628 353	10 299 657	43 760 013	1 877 202 691
Additions of the year	38 699 044	111 103 240	111 731 093	28 699 627	10 863 436	5 108 228	3 073	532 781	1 903 680	10 387 230	319 031 432
Disposals of the year	-	(9 445 932)	(34 312 281)	(8 572 897)	(363 896)	(1 896 115)	-	(66 943)	(63 411)	(576 578)	(55 298 053)
Impairment in fixed assets	-	-	(8 998 540)	(609 350)	-	-	-	-	-	-	(9 607 890)
Cost as at 31/12/2012	124 005 382	502 504 967	1 182 901 921	164 332 901	46 119 251	22 435 461	4 223 515	19 094 191	12 139 926	53 570 665	2 131 328 180
Accumulated depreciation as at 1/1/2012	18 351 084	127 190 683	88 451 689	58 787 470	6 621 799	5 491 838	9 465 113	47 659	3 213 371	4 552 157	322 173 063
Disposals of the year	(89 960)	(238 323)	(852 779)	(7 106 935)	(12 805)	(2 313 956)	(12 769)	-	(139 653)	(177 269)	(10 944 449)
Impairment in fixed assets	-	(8 037 110)	(7 047 352)	-	-	-	-	-	-	-	(989 758)
Cost as at 30/9/2013	142 266 506	621 420 217	1 265 668 364	216 013 436	52 728 245	25 613 343	13 675 859	19 141 850	15 632 304	58 516 851	2 430 676 975
Accumulated depreciation as at 31/12/2012	-	35 381 058	473 685 289	65 222 831	19 268 254	12 114 516	1 728 893	1 373 369	5 473 031	37 356 555	651 603 796
Net book value as at 30/9/2013	-	10 415 963	81 315 371	15 969 559	4 107 516	5 665 018	1 165 726	589 981	880 615	6 649 328	126 759 077
Disposals of the year	-	(46 005)	(766 430)	(6 259 339)	(11 696)	(2 313 957)	(4 800)	-	(104 638)	(104 696)	(9 611 561)
Impairment in fixed assets	-	(752 321)	571 833	-	-	-	-	-	33 302	147 186	-
Net book value as at 31/12/2012	-	44 998 695	554 806 063	74 933 051	23 364 074	15 465 577	2 889 819	1 963 350	6 282 310	44 048 373	768 751 312
Cost as at 30/9/2013	142 266 506	576 421 522	710 862 301	141 080 385	29 364 171	10 147 766	10 786 040	17 178 500	9 349 994	14 468 478	1 661 925 663
Cost as at 31/12/2012	124 005 382	467 123 909	709 216 632	99 110 070	26 850 997	10 320 945	2 494 622	17 720 822	6 666 895	16 214 110	1 479 724 384

Fully depreciated assets are amounted to L.E.182 989 943 as at 30 September 2013.

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

The land item amounted to L.E 142 266 506 on 30/9/2013 includes an amount of L.E 132 688 438 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
Service koridor No.1	1 072 585	Registration document
Service koridor No.2	803 205	Registration document
Marsa Allam	1 367 244	Preliminary contract
Other	278 656	
	3 521 690	

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

Description	Amount L.E	Instrument of possess
New Mansheya (Alex.) Land	25 715 403	Preliminary contract
Bolaris land	15 495 080	Preliminary contract
Olaykat Arab land	2 589 300	Auction
Obour land	9 002 650	Preliminary contract
New cairo land pc.60,62	6 852 125	Preliminary contract
Mansoureyia land	7 402 500	Preliminary contract
Damietta land	10 942 734	Preliminary contract
Other	6 114 914	
	84 114 706	

11-3 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	Registration document

11-4 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

11-5 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	Registration document
Pc. 24 B	2 611 004	Registration document
	4 852 865	

11-6 Land of Modern Concentration Co.

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

11-7 Land of Inmaa for Agriculture Development & Biological wealth

The Land item includes as follows:

- Area of 2 500 Acres on Farafra zone amounted to L.E 1 287 500 with the virtue of preliminary contract from Alwadi Algadeed governorate with purpose – only - of reclamation and cultivation.

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

- 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.

11-8 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.

11-9 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.

11-10 Changes in Accounting estimated for Fixed Assets (cars)

Enma company for agriculture development & biological wealth (subsidiary company) held a test on the ending period 30 June 2012 for operating assets where the company owned this test result on change the useful life and economic benefits that estimated for this type of assets and became expected that it will going to produce for a period more than the determined period before which lead to increase the useful life for this assets

Tiba company for trade and distribution (subsidiary company) held attest for operating the cars where the company owned on 31 December 2011 this test result on change the useful life and economic benefits that estimated for this type of assets which board of directors are going to sell it after 5 years and became estimated that its going to produce for 8 years from date of purchased which lead to increase useful life for the cars

Confirmation done by the effevt of this changes during the year 2011 and 2012 on the depreciation expense which stated in the income statement as an expense

	2012	2011
(Decrease) in depreciation expense	5 464 529	7 543 863

11-11 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.

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

12 Projects under constructions

	30/9/2013	31/12/2012
	L.E.	L.E.
Buildings and constructions in progress	444 109 481	248 899 103
Machineries under installation	168 666 688	50 792 185
Wells and pumps	10 396 461	-
Biological production farm	1 103 987	-
materials on site	1 728 384	-
Advance payments for fixed assets purchase	277 666 941	230 885 203
	903 671 942	530 576 491

13 Plant wealth

	30/9/2013	31/12/2012
	L.E.	L.E.
Land reclamation	33 294 435	21 219 345
Fruit trees	10 692 018	8 206 770
Protection trees (Kazhurana)	261 404	165 230
	44 247 857	29 591 345

14 Assets held for sale

This balance amounted to L.E. 538 899 as at 30/9/2013 represents the fair value of the assets available for sale which been classified according to the Company's plan to sell it through a year.

15 Tax status**15-1 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 2004

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

Year 2005, 2007

The tax inspection has been performed and the inspection forms have been received. The Company objected to the results and the internal committee is currently working on it.

Years from 2008 till 2012

The tax inspection has not been performed to date.

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.

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

B. Salaries tax

The period from the beginning of operation till year 2008

The tax inspection has been performed and paid.

Year 2009 till 2010

The Inspection forms have been received. The Company objected to the results and the internal committee is currently working on it.

Year 2011 till 2012

The tax inspection has not been performed to date.

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 31/12/2010

The Inspection is in progress by related tax authority.

Year 2010 till 2012

The tax inspection has not been performed to date.

D. Sales tax

The tax inspection has been performed and paid till 31/12/2009

Year 2010 till 2012

The tax inspection has not been performed to date.

15-2 Subsidiaries

First: Corporation tax

**The Companies that enjoy the corporate tax exemption
Subsidiaries**

Tax inspection ending date

The Egyptian Company For Food Industries
"Egyfood"

31/12/2018

Modern Concentrates Industrial Company

31/12/2018

International Company For Modern Food Industries

31/12/2018

Inmaa for agriculture development & biological
wealth

19/03/2021

Inmaa for agriculture reclamation

Activity has not started yet

Inmaa for live stock

Activity has not started yet

The Companies that are not exempted.

Egyptian Company for Dairy Products

(the tax inspection has been performed and paid till 31/12/2004)

Tiba for Trading and Distributing

(the tax inspection has not been performed to date)

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 Products

- Inspection was performed from starting activity till 2008 and paid & The Company objected inspection is in progress to 2009 till 2010

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 is in progress

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

results.

Tiba for Trading and Distributing	- Inspection is in progress for years from 2006 to 2008.
International Company For Modern Food Industries	- Inspection differences till 2005 have been settled and inspection is in progress from year 2006 to 2010.
The Egyptian Company For Food Industries "Egyfood"	- Has not been inspected yet. The Company pay tax monthly.
Modern Concentrates Industrial Company	- Has not been inspected yet. The Company pay tax monthly.
Inmaa for Agriculture Development Co.	- Has not been inspected yet. The Company pay tax monthly.
Inmaa for agriculture reclamation	- Has not been inspected yet. The Company pay tax monthly.
Inmaa for live stock	- 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 payments have been made till 31/7/2006.
Al-Marwa for Food Industries	- Inspection has been performed till 31/12/2010, payments have been made.
Tiba for Trading and Distribution	- Inspection has been performed till 31/12/2008 and paid, Inspection in progress from 1/1/2009 till 31/12/2012.
International Company For Modern Food Industries	- Has not been inspected yet.
The Egyptian Company for Food Industries "Egyfood"	- Has not been inspected yet.
Modern Concentrates Industrial Company	- The Company was addressed with an estimated claim and a request of re-inspection is in progress in 21/12/2010 .
Inmaa for Agriculture Development Co.	- Has not been inspected yet.
Inmaa for agriculture reclamation	- Has not been inspected yet.
Inmaa for live stock	- Has not been inspected yet.

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

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.

Inmaa for agriculture reclamation

Inmaa for live stock

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 31/12/2010.
- 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 is registered in sales tax and the company present sales tax return on monthly basis. The company's activity is exempted from sales tax, and was inspected from the inception till 31/12/2009 and paid. and inspection differences has been paid
- The company is registered in sales tax and the company present 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 and payments have been made till 31/12/2008 and tax different has been paid
- The company presents sales tax return on monthly & has not been inspected yet
- The company presents sales tax return on monthly & has not been inspected yet
- The company presents sales tax return on monthly & has not been inspected yet

16

Inventories

	30/9/2013 L.E.	31/12/2012 L.E.
Raw materials	378 048 817	88 166 465
Packaging & packing materials	123 083 468	75 213 028
Finished products	159 365 648	127 504 480
Plant wealth	-	10 366 137
Spare parts & miscellaneous supplies	38 308 538	31 940 818
L/C's for purchase raw material	23 260 873	14 409 166
Biological assets	15 259 741	-
	737 327 085	347 600 094

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

17 Trade and other receivables

	30/9/2013	31/12/2012
	L.E.	L.E.
Trade receivables	88 434 200	83 298 619
Less: Impairment in trade receivables	(15 200 619)	(16 661 400)
	73 233 581	66 637 219
Notes receivables	3 202 548	4 173 149
Tetra Pak company	78 171	954 940
Suppliers – advance payments	39 764 440	22 505 790
Prepaid expenses	6 771 555	4 377 743
Export subsidy	12 558 622	11 550 359
Accrued revenues	132 296	132 296
Tax authority	15 328 491	15 493 358
Customs authority	23 350 807	10 587 535
Deposits with others	3 409 892	2 157 741
Accrued interest payable	-	65 587
Other debit balances	15 900 167	8 150 800
	193 730 570	146 786 517
Less: Impairment in debtors & other debit balances	(1 616 434)	(1 666 434)
	192 114 136	145 120 083

18 Cash and cash equivalents

	30/9/2013	31/12/2012
	L.E.	L.E.
Time deposits *	430 800 920	509 216 016
Banks – current accounts	46 228 826	4 621 444
Cheques under collection	-	988 146
Cash in hand	7 685 255	3 908 103
Cash in transit	8 952 681	6 033 437
L /G's cash margin	5 050 000	5 050 000
	498 717 682	529 817 146
Bank over draft	(13 852 044)	(13 208 561)
L /G's cash margin (due after 3 months)	(5 050 000)	(5 050 000)
Cash and cash equivalents in the statement of cash flows	479 815 638	511 558 585

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

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

19 Share capital

	30/9/2013	31/12/2012
	L.E.	L.E.
Authorized capital	5 000 000 000	5 000 000 000
Issued & paid up capital (divided into 706 053 811 shares with nominal value L.E 1 each)	706 053 811	706 053 811

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.

19-1 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.

20 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.	177 156 327	346 906 278	524 062 605
Granted loans to Company's Group from HSBC.	86 251 211	69 767 695	156 018 906
Granted loans to Company's Group from NSGB.	–	103 050 886	103 050 886
Granted loans to Company's Group from Barclays.	27 274 000	51 367 416	78 641 416
Balance at 30/9/2013	290 681 538	571 092 275	861 773 813
Balance at 31/12/2012	152 034 537	525 641 523	677 676 060

21 Banks – credit facilities

This balance which amounted to L.E 780 515 855 as at 30/9/2013 (against L.E 351 097 043 as at 31/12/2012), represents the drawn down portion of the L.E. 1 315 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.

22 Short term loans

This balance which amounted to L.E. 20 000 000 as at 30/9/2013 (against L.E.32 476 634 as at 31/12/2012) represents the short term instalments of the loans granted to the Parent Company by the Commercial International Bank.

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

23 Provision for claims

Description	Balance on 1/1/2013 L.E	Provision formed during the year L.E	Provision - no longer required L.E	Provision used during the year L.E	Balance on 30/9/2013 L.E.
Provision for claims	11 554 532	5 855 429	(2 927 715)	(750 667)	13 731 579
	<u>11 554 532</u>	<u>5 855 429</u>	<u>(2 927 715)</u>	<u>(750 667)</u>	<u>13 731 579</u>

24 Creditors and other credit balances

	30/9/2013 L.E.	31/12/2012 L.E.
Suppliers	71 508 996	134 869 854
Notes payable	-	9 433 940
Accrued expenses	73 455 172	55 786 944
Fixed assets' creditors	12 990 667	4 535 631
Tax authority	12 791 198	7 242 996
Deposits from others	12 793 075	10 986 548
Sales tax installments on the imported machineries and equipments	6 079 657	6 612 857
Deferred capital gains	1 738 584	1 738 584
Social insurance authority	2 829 261	2 761 150
Dividends payable	285 642	133 600
Advances from customers	1 740 761	1 159 541
Income tax	39 103 483	-
Other credit balances	3 108 433	1 458 299
	<u>238 424 929</u>	<u>236 719 943</u>

25 Other long term liabilities

Description	30/9/2013 L.E.	31/12/2012 L.E.
The value of sales tax installments on the imported machineries and equipments due for settlement starting from April 2014 till December 2025 according to the scheduling agreed upon with the Sales Tax Authority. The installments due within one year amounted to L.E 6 776 571 as at 30/6/2013(L E 6 612 856 as at 31/12/2012) are shown under the item of creditors and other credit balances in the consolidated balance sheet (Note 24).	43 243 991	31 969 777
	<u>43 243 991</u>	<u>31 969 777</u>

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

26 Deferred revenues

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 30/6/2013 (L.E. 1 738 584 as at 31/12/2012) included in the trade & other credit balances item of the consolidated balance sheet (Note 24).

30/9/2013	31/12/2012
L.E.	L.E.
5 650 346	6 954 285

<u>5 650 346</u>	<u>6 954 285</u>
------------------	------------------

27 Deferred tax liabilities

Deferred tax liability amounted to L.E 60 571 529 on 30/9/2013 is representing the accrued tax generated from the difference between net book value of assets on accounting basis and net book value of assets on tax basis.

	Balance on 1/1/2013 L.E	Deferred tax from 1 st Jan to 30 September 2013 L.E	Balance on 30/9/2013 L.E
Deferred tax liability from fixed assets	<u>51 970 810</u>	<u>8 600 719</u>	<u>60 571 529</u>

Recognized deferred tax assets and liabilities

Deferred tax assets are representing in the following items:

	Liabilities	
	30/9/2013 L.E.	31/12/2012 L.E.
Fixed assets	62 418 761	54 144 030
Deferred revenue	(1 847 232)	(2 173 220)
Net tax liabilities	<u>60 571 529</u>	<u>51 970 810</u>

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

28 Group companies

The following sets out the subsidiaries of Juhayna Food Industries Company that were acquired and controlled by the Company as at 30/9/2013 shown together with this respective contribution percentage held as at the balance sheet date.

Subsidiary Name	Contribution percentage 30/9/2013	Contribution percentage 31/12/2012	Country
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
Inmaa for Agriculture Development Co.	99.994 %	99.994 %	Egypt
Inmaa for Animal wealth	99.964 Indirect	99.964 Indirect	Egypt
Inmaa for Agriculture and improvement	99.964 Indirect	99.964 Indirect	Egypt
Sister Company			
Milkiez	39.988 % Indirect	39.988 % Indirect	Egypt

29 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 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

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

The Board has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Board; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Most of the Company's customers have been transacting with the Company for many years (over 2 years), and no impairment loss has been recognized against these customers. In monitoring customer credit risk, customers are grouped according to their credit characteristics

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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	
		30/9/2013	31/12/2012
		L.E.	L.E.
Trade receivables	(17)	73 233 581	66 637 219
Banks credit facilities	(21)	780 515 855	351 097 043
Short term loans	(22)	20 000 000	32 476 634
Total long term loans	(20)	861 773 813	677 676 060

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 780 515 855 on which the interest is charged at a variable interest rate for Facilities in Egyptian pound and US Dollars facilities.

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

Liquidity risk

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

	Carrying amount L.E.	Contractual cash flows L.E.
Credit facilities	780 515 855	1 315 000 000

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	CHF	GBP
Trade and other debit balances	574 373	448 797	—	—	—
Cash and cash equivalents	23 608 902	10 412 898	96	—	8
Credit facilities	(4 196 401)	(522)	—	—	—
Creditors and other credit balances	(3 448 767)	(1 374 479)	—	(76 843)	(6 181)
30 September 2013	16 538 107	9 486 694	96	(76 843)	(6 173)
31 December 2012	34 164 595	18 350 413	(1 880)	(166 771)	107

The following significant exchange rates applied during the year:

	Average rate		Actual closing Rate	
	9/2013	2012	9/2013	2012
USD	6.573	6.235	6.910	6.423
Euro	9.138	8.265	10.010	8.597

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

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

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. This is achieved by entering into interest rate swaps.

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.

	30/9/2013 L.E.	31/12/2012 L.E.
Total liabilities	2 037 764 086	1 456 694 858
Less: cash and cash equivalents	(498 717 682)	(529 817 146)
Net debt	1 539 046 404	926 877 712
Total equity	2 144 267 863	1 988 640 891
Net debt to adjusted equity ratio	%71,77	%46.61

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

30 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 L.E.	Accrued interest 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. 195 500 based upon the approval from the leaser's company.

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

Notes to the interim consolidated financial statements for the period ended 30 September 2013

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 year ended 30/9/2013 amounted to L.E. 9 075 993.

31 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 17 053 968 the cover amount to L.E 5 050 000.

32 Capital commitments

The capital commitments related to setting up and acquiring fixed assets amounted to L.E 311 914 195 on 30/9/2013.

33 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 year, between the Company and its related parties.

33-1 Due from related parties

Company's name	Nature of transaction	Total value of transactions		Balance as at	
		30/9/2013	31/12/2012	30/9/2013	31/12/2012
		L.E.	L.E.	L.E.	L.E.
Milkiez	Customer	4 286 721	927 582	1 351 236	1 337 563
	Vendor	30 770	185 652		
				1 351 236	1 337 563

34 Goodwill

	30/9/2013	31/12/2012
	L.E.	L.E.
Goodwill resulting from acquiring the Egyptian Company for Dairy Products	46 433 934	46 433 934
Goodwill resulting from acquiring Al-Marwa for Food Industries Company	50 658 956	50 658 956
	97 092 890	97 092 890

35 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.