

Juhayna Food Industries
(An Egyptian Joint Stock Company)
Consolidated financial statements
for the period ended 31 March 2011

Translation from Arabic

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(An Egyptian Joint Stock Company)
Consolidated financial statements
for the period ended
31 March 2011
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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 31 March 2012 and the related consolidated statements of income, changes in equity and cash flows for the three-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." Except as described in Basis for qualified conclusion paragraph. 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 financial statements do not present fairly, in all material respects, the financial position of the Company as at 31 March 2012, and of its financial performance and its cash flows for the three-month then ended in accordance with Egyptian Accounting Standards.

 KPMG Hazem Hassan
Public Accountants & Consultancies
Signature: Salah El M. Hassan

KPMG Hazem Hassan



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Grant Thornton - Mohamed Hilal
Public Accountants
The Egyptian Member Firm of
Grant Thornton International

Cairo, 6 May 2012

Same AY

Juhayna Food Industries
(An Egyptian Joint Stock Company)
Consolidated balance sheet
As at 31 March 2012

Translation from Arabic

	Note no.	31/3/2012 L.E.	31/12/2011 L.E.
Assets			
Property, plant and equipment	(11)	1 309 706 680	1 328 743 778
Projects under construction	(12)	275 871 765	214 282 428
Investments in equity - accounted investees	(10)	43 509 341	42 329 048
Other - long term - debit balances		804 524	806 592
Goodwill		97 092 890	97 092 890
Non-current assets		1 726 985 200	1 683 254 736
Inventories	(14)	376 217 545	397 182 013
Trade and other receivables	(15)	175 409 106	188 012 096
Due from related parties	(32-1)	3 448 999	1 481 475
Treasury bills		102 177 290	-
Cash and cash equivalents	(16)	643 328 216	688 413 238
Assets held for sale		-	3 000 000
Current assets		1 300 581 156	1 278 088 822
Provisions	(22)	7 374 821	7 600 466
Banks - overdraft		20 716 026	58 406 259
Banks - credit facilities	(20)	483 275 545	448 000 911
Short term loans	(21)	8 352 761	8 352 761
Creditors and other credit balances	(23)	328 730 578	148 620 953
Income Tax		12 801 847	12 818 649
Long-term loans-current portion	(19)	136 809 926	131 809 926
Current liabilities		998 061 504	815 609 925
Working capital		302 519 652	462 478 897
Total invested funds		2 029 504 852	2 145 733 633
These investments are financed as follows:			
Equity			
Issued and paid up capital	(17)	706 053 811	726 416 332
Legal reserve		390 405 072	390 106 391
General reserve - issuance premium	(17-1)	330 920 428	404 500 682
Retained earnings		205 808 341	201 846 829
Treasury stocks		-	(93 942 775)
Net profit for the period/year		42 969 783	182 867 264
Total equity attributable to the shareholders of the parent company		1 676 157 435	1 811 794 723
Non controlling interest		436 045	411 247
Total equity		1 676 593 480	1 812 205 970
Long term loans	(19)	279 095 807	252 495 807
Other long term liabilities	(24)	31 212 000	36 270 276
Deferred revenues	(25)	8 258 223	8 692 869
Deferred tax liabilities	(26)	34 345 342	36 068 711
Non-current liabilities		352 911 372	333 527 663
Shareholders' equity and non current liabilities		2 029 504 852	2 145 733 633

The notes on pages from (5) to (33) are an integral part of these consolidated financial statements.

Finance Director
Sameh El-hodaiby

Chairman
Safwan Thabet

*Limited review report attached .

Juhayna Food Industries
(An Egyptian Joint Stock Company)
Consolidated income statement
For the period ended 31 March 2012

Translation from Arabic

	Note no.	The financial Period ended 31/03/2012 L.E.	The financial Period ended 31/03/2011 L.E.
Net sales		561 090 436	427 611 051
Cost of sales		(409 717 206)	(299 819 707)
Gross profit		151 373 230	127 791 344
Other income	(5)	4 022 563	4 727 275
Distribution expenses		(70 274 177)	(41 644 144)
General & administrative expenses	(6)	(24 679 162)	(22 831 338)
Other expenses	(7)	(5 961 884)	(3 174 323)
Board of directors remuneration		(355 000)	(162 000)
Results from operating activities		54 125 570	64 706 814
Parent company's share in associates' net income		1 180 292	908 177
Finance income and finance costs	(8)	(12 027 201)	(7 732 803)
Profit before income tax		43 278 661	57 882 188
Taxes differences from previous years		1 679 026	-
Income tax expense		(3 697 889)	(5 482 212)
Deferred tax		1 723 369	(2 263 374)
Net profit for the year after income tax		42 983 167	50 136 602
Distributed as follows			
Holding Company's share in profit		42 969 783	50 116 869
Non controlling interest		13 384	19 733
		42 983 167	50 136 602
Earning per share (L.E./share)	(18)	0.061	0.071

The notes on pages from (5) to (33) are an integral part of these consolidated financial statements.

Juhayna Food Industries
(An Egyptian Joint Stock Company)
Consolidated statement of changes in equity
For the period ended 31 March 2012

	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 for the year L.E.	Total L.E.
Balance as at 1 January 2011	726 416 332	380 489 181	404 500 682	12 405 873	(93 942 775)	213 568 361	1 643 437 654
Reversal of beginning balance adjustments	-	24 447 707	-	(1 022 164)	-	(974 614)	22 450 929
Dividends for 2010	-	-	-	205 982 561	-	(205 982 561)	-
Holding Company's share in reserves & retained earnings of subsidiaries	-	672 948	-	24 912 079	-	-	25 585 027
Consolidation adjustments on 31 March 2011	-	(24 447 707)	-	(17 183 903)	-	(6 611 186)	(48 242 796)
Net profit for the period ended 31 March 2011	-	-	-	-	-	50 116 869	50 116 869
Balance as at 31 December 2011	726 416 332	381 162 129	404 500 682	225 094 446	(93 942 775)	50 116 869	1 693 347 683
Balance as at 1 January 2012	726 416 332	390 106 391	404 500 682	201 846 829	(93 942 775)	182 867 264	1 811 794 723
Reversal of beginning balance adjustments	-	24 322 057	-	6 331 239	-	9 631 669	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 31 December 2012	-	(24 119 274)	-	(10 518 195)	-	(14 049 230)	(48 686 699)
Net profit for the period ended 31 March 2012	-	-	-	-	-	42 969 783	42 969 783
Balance as at 31 March 2012	706 053 811	390 405 072	330 920 428	205 808 341	-	42 969 783	1 676 157 435

The notes on pages from (5) to (33) are an integral part of these consolidated financial statements.

Juhayna Food Industries
(An Egyptian Joint Stock Company)
Consolidated statement of cash flows
For the Period ended 31 March 2012

	Note no.	The Financial Period ended 31/03/2012 L.E.	The Financial Period ended 31/03/2011 L.E.
Cash flows from operating activities			
Profit for the period before income tax		43 278 661	57 882 188
Adjustments for:			
Fixed assets' depreciation		37 161 951	32 866 956
Capital gains		(44 894)	(3 149)
Reversal of impairment in fixed assets		(38 215)	(38 360)
Change in Investments in equity accounted investees (investments in associates)		(1 180 293)	-
Impairment in debtors and other debit balances		-	1 170
Reversal of impairment in debtors and other debit balances		(182 823)	(102 124)
Reversal of write down of inventories		2 511 573	-
Provision for claims-formed		10 000	147 823
Provision for claims-used		(235 645)	(283 021)
Financial lease installments		3 025 331	3 025 331
Time deposits interests		(11 009 770)	-
Finance interests & expenses		23 392 622	18 092 015
		<u>96 688 498</u>	<u>111 588 829</u>
Changes in:			
Inventories		18 452 895	(45 360 340)
Changes in debtors & other debit balances		3 756 847	(35 378 298)
Due from related parties		(1 788 375)	499 998
Creditors & other credit balances		(10 901 652)	(17 944 596)
Collected time deposits interests		23 090 804	-
Paid finance interests & expenses		(18 555 292)	(9 817 733)
Other long term liabilities		-	800 517
Net cash flows from operating activities		<u>110 743 725</u>	<u>4 388 377</u>
Cash flows from investing activities			
Acquisition of fixed assets & projects under construction		(80 368 691)	(103 457 912)
Proceeds from sale of fixed assets		-	1 916 412
Acquisition of treasury stocks		(102 177 290)	-
Proceeds from sale of investments in subsidiaries		583 366	(794 141)
Net cash flows used in investing activities		<u>(181 962 615)</u>	<u>(102 335 641)</u>
Cash flows from financing activities			
proceeds for bank credit facilities		35 274 634	60 868 548
Payment for bank loans		31 600 000	(44 121 159)
Payments for lease installments- sale with the right of lease back		(3 025 331)	(3 025 331)
Increase in minority interest		24 798	87 762
Net cash flows from financing activities		<u>63 874 101</u>	<u>13 809 820</u>
Change in cash & cash equivalents during the period		<u>(7 344 789)</u>	<u>(84 137 444)</u>
Cash & cash equivalents at 1 January		624 906 979	714 168 107
Cash & cash equivalents at 31 March	(16)	<u>617 562 190</u>	<u>630 030 663</u>

The notes on pages from (5) to (33) are an integral part of these consolidated financial statements.

Juhayna Food Industries
(An Egyptian Joint Stock Company)
Notes to the consolidated financial statements
For the financial period ended 31 March 2012

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 Company is domiciled in Egypt. The address of the Company's registered office is 11 Aljihad Street- Lebanon Square- Almohandessien, and the address of the company's factories is 6 of October city- First Industrial Zone- piece no. 39 and 40, Arab Republic of Egypt. 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 4/3/2012.

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(note 4-1).

Biological assets and Agricultural crops at fair value less cost to sell (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 consolidated financial statements for the Period ended 31 March 2012

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 (3-8) : 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 (14) : property, plant and equipment.
- Note (15) : impairment of trade and notes receivable.
- Note (22) : provisions.
- Note (26) : deferred tax.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these 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 denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for the difference which is recognized in equity arising on the retranslation of:

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

- available -for-sale equity investments (except on impairment in which case foreign currency differences that have been recognized in equity are reclassified to profit or loss).

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.

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

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.

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 726 416 332 divided into 726 416 332 shares at par value L.E 1 each.

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 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

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 consolidated financial statements for the Period ended 31 March 2012

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- 5
Tools	1.08 – 6.67
Office equipment & Furniture	1-10
Empty plastic containers & pallets	5
Computers	3.33

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.

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 assets.

3-6 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.

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

3-7 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.

3-8 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.

3-9 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.

3-10 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.

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

3-11 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 recognised 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 amortisation, if no impairment loss had been recognised.

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

3-12 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.

3-13 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.

3-14 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.

3-15 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.

3-16 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 consolidated financial statements for the Period ended 31 March 2012

3-17 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.

3-18 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.

3-19 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.

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.

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

5 Other income

	Financial period ended 31/3/2012 L.E	Financial period ended 31/3/2011 L.E
Export subsidy revenue	2 183 240	1 877 548
Deferred capital gains	434 646	434 646
Capital gain	44 894	3 149
Reversal of impairment of debtors	182 823	102 124
Reversal of impairment of fixed assets	38 215	38 360
Other revenue	1 138 745	2 271 448
	4 022 563	4 727 275

6 General & administrative expense

	Financial period ended 31/3/2012 L.E	Financial period ended 31/3/2011 L.E
Personnel expenses	13 142 467	12 761 547
Depreciation expense	2 735 310	2 578 627
Rents expense	1 495 504	1 301 393
Other administrative expense	7 605 881	6 189 771
	28 679 192	22 831 338

7 Other expenses

	Financial period ended 31/3/2012 L.E	Financial period ended 31/3/2011 L.E
Leasing installment	3 025 331	3 025 331
Losses resulting from theft of money and goods	414 980	-
Impairment of account receivables	-	1 170
Inventory write down	2 511 573	-
Provision for claims-formed	10 000	147 822
	5 961 884	3 174 323

8 Finance income and finance costs

	Financial period ended 31/3/2012 L.E	Financial period ended 31/3/2011 L.E
Interest expense	(23 392 622)	(18 092 015)
Interest income	11 009 770	11 746 723
Net foreign exchange(loss)	355 651	(1 102 554)
Change in present value	-	(284 957)
	(12 027 201)	(7 732 803)

Juhayna Food Industries
Notes to the consolidated financial statements for the period ended 31 March 2012

9- Segmentation reports

9-1 Segmentation reports for the period ended 31 March 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:

	Activity Segments				Agriculture sector L.E	Undistributed items L.E	Elementation of consolidated transactions L.E	
	Dairy sector L.E	Yogurt sector L.E	Juices sector L.E	Concentrates sector L.E			The period ended 31/03/2012	Total L.E The period ended 31/03/2012
Sales	300 418 592	149 242 542	100 295 829	4 676 285	6 457 188	-	-	561 090 436
Sales between segments	271 168 724	130 031 492	84 596 701	21 116 875	-	-	(506 913 792)	-
Total sales	571 587 316	279 274 034	184 892 530	25 793 160	6 457 188	-	(506 913 792)	561 090 436
Cost of sales	(224 093 879)	(98 409 730)	(77 465 472)	(4 510 531)	(5 237 594)	-	-	(409 717 206)
Segments' gross profit	76 324 713	50 832 812	22 830 357	165 754	1 219 594	-	-	151 373 230
Other operating income	3 373 948	158 886	309 809	144 421	35 499	-	-	4 022 563
Distribution expense	(24 902 901)	(30 940 682)	(14 356 068)	(74 526)	-	-	-	(70 274 177)
General & administrative expense	(21 007 123)	(423 151)	(1 129 500)	(535 237)	(1 584 151)	-	-	(24 679 162)
Other operating expense	(3 252 017)	(112 614)	(75 680)	(10 000)	(2 511 573)	-	-	(5 961 884)
Board of Directors' remuneration	(219 163)	(49 423)	(41 414)	-	(45 000)	-	-	(355 000)
Profits from operation	30 317 457	19 465 828	7 537 504	(309 588)	(2 885 631)	-	-	54 125 570
Parent company's share in associates' net profit	-	-	-	-	1 180 292	-	-	1 180 292
Finance cost, (net)	(7 903 931)	(762 534)	(1 796 290)	(1 608 474)	44 028	-	-	(12 027 201)
Net profit for the period before income tax	22 413 526	18 703 294	5 741 214	(1 918 062)	(1 661 311)	-	-	43 278 661
Taxes differences from previous years	-	-	-	-	-	1 679 026	-	1 679 026
Income tax provision	-	-	-	-	-	(3 697 889)	-	(3 697 889)
Deferred tax	-	-	-	-	-	1 723 369	-	1 723 369
Net profit for the period after income tax	22 413 526	18 703 294	5 741 214	(1 918 062)	(1 661 311)	(295 494)	-	42 983 167
Other Information								
Depreciation	12 328 373	5 675 181	12 485 269	3 709 782	2 963 346	-	-	37 161 951
Assets	1240 600 030	478 341 588	687 483 530	202 591 516	320 284 296	98 265 396	-	3 027 566 356
Investments accounted for using Equity method	-	-	-	-	43 509 341	-	-	43 509 341
Liabilities	948 658 283	180 299 701	128 867 152	74 029 686	19 118 054	-	-	1 350 972 876

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

9.2 Segmentation reports for the period ended 31 March 2011

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	Elementation of consolidated transactions		Total
	Dairy sector L.E	Yogurt sector L.E	Juices sector L.E	Concentrates sector L.E	Agriculture sector L.E	The period ended 31/03/2011	The period ended 31/03/2011	The period ended 31/03/2011
Sales	231 167 090	103 130 776	77 648 718	12 577 779	3 086 688	-	-	427 611 051
Sales between segments	206 032 974	68 115 741	92 289 953	4 516 788	-	(370 955 456)	-	-
Total sales	437 200 064	171 246 517	169 938 671	17 094 567	3 086 688	-	(370 955 456)	427 611 051
Cost of sales	(162 188 920)	(68 030 471)	(56 884 345)	(11 439 199)	(1 276 772)	-	-	(299 819 707)
Segments' gross profit	68 978 170	35 100 305	20 764 373	1 138 580	1 809 916	-	-	127 791 344
Other operating income	2 445 658	412 470	197 339	1 667 598	4 210	-	-	4 727 275
Distribution expense	(23 524 063)	(10 134 373)	(7 839 976)	(145 732)	-	-	-	(41 644 144)
General & administrative expense	(10 283 013)	(4 944 582)	(5 283 614)	(598 356)	(1 721 773)	-	-	(22 831 338)
Other operating expense	(3 174 323)	-	-	-	-	-	-	(3 174 323)
Board of Directors' remuneration	(105 612)	(12 503)	(11 885)	(22 000)	(10 000)	-	-	(162 000)
Profits from operation	34 336 817	20 421 317	7 826 237	2 040 090	82 353	-	-	64 706 814
Parent company's share in associates' net profit	-	-	-	-	908 177	-	-	908 177
Finance cost	(3 624 957)	(1 604 404)	(1 071 103)	(1 137 987)	(294 352)	-	-	(7 732 803)
Net profit for the period before income tax	30 711 860	18 816 913	6 755 134	902 103	696 178	-	-	57 882 188
Income tax provision	-	-	-	-	-	(5 482 212)	-	(5 482 212)
Deferred tax	-	-	-	-	-	(2 263 374)	-	(2 263 374)
Net profit for the period after income tax	30 711 860	18 816 913	6 755 134	902 103	-	(7 745 586)	-	50 136 602
Other Information								
Depreciation	12 885 450	3 152 785	12 102 990	3 769 576	956 155	-	-	32 866 956
Assets	1 203 932 773	418 614 269	698 660 609	204 940 714	175 466 918	92 153 868	-	2 793 769 151
Investments accounted for using Equity method	-	-	-	-	-	39 421 178	-	39 421 178
Liabilities	734 416 899	177 085 304	99 708 754	77 603 911	11 196 694	-	-	1 100 011 562

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

Juhayna Food Industries

Notes to the consolidated financial statements for the period ended 31 March 2012

10- 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		Non 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.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
December 31, 2011																					
Meleey's Company	39.988	25 920 191	95 612 648	121 532 839	15 351 078	354 391	15 705 469	89 378 074	79 238 076	10 139 998	42 329 048										
Balance as at 31 December 2011		<u>25 920 191</u>	<u>95 612 648</u>	<u>121 532 839</u>	<u>15 351 078</u>	<u>354 391</u>	<u>15 705 469</u>	<u>89 378 074</u>	<u>79 238 076</u>	<u>10 139 998</u>	<u>42 329 048</u>										
March 31, 2012																					
Meleey's Company	39.988	33 904 440	84 015 665	117 920 105	8 782 402	361 717	9 144 119	18 396 527	15 444 911	2 951 616	43 509 341										
Balance as at 31 March 2012		<u>33 904 440</u>	<u>84 015 665</u>	<u>117 920 105</u>	<u>8 782 402</u>	<u>361 717</u>	<u>9 144 119</u>	<u>18 396 527</u>	<u>15 444 911</u>	<u>2 951 616</u>	<u>43 509 341</u>										

Notes to the consolidated financial statements for the period ended 31 March 2012

11-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											
Cost as at 1/1/2011	67 276 073	358 823 919	973 809 648	73 853 412	27 269 437	23 155 175	3 502 586	8 908 741	8 748 603	32 862 173	1 578 209 767
Adjustments	-	-	-	(1 420 484)	1 420 484	(9 882 372)	-	-	-	-	(9 882 372)
Additions of the year	18 030 265	42 023 740	147 281 112	82 385 296	7 281 805	7 954 357	717 856	9 719 612	1 597 938	11 554 621	328 546 602
Disposals of the year	-	-	(6 609 111)	(10 002 703)	(352 015)	(2 003 812)	-	-	(46 884)	(656 781)	(19 671 306)
Cost as at 31/12/2011	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	43 760 015	1 877 202 691
Reclassification											
Additions of the period	1 061 265	10 554 508	4 179 902	898 480	1 069 477	53 212	-	-	436 378	446 877	18 700 099
Disposals of the period	-	-	(154 244)	(373 000)	(31 838)	(501 288)	-	-	-	(345 010)	(1 405 380)
Cost as at 31/3/2012	86 367 603	411 402 167	1 118 507 307	145 341 001	36 657 350	18 775 272	4 220 442	18 628 353	10 736 035	43 861 880	1 894 497 410
Accumulated depreciation											
Accumulated depreciation as at 1/1/2011	-	17 431 430	313 459 589	46 199 203	10 412 850	14 543 910	97 886	-	3 780 090	21 573 133	427 498 091
Adjustments	-	-	-	(934 629)	934 629	(9 882 372)	-	-	-	-	(9 882 372)
Reclassification	-	-	-	13 470 756	3 619 290	4 967 294	786 764	697 449	815 672	7 957 021	138 565 308
Depreciation of the period	-	8 679 051	97 572 011	(4 512 211)	(133 817)	(1 393 852)	-	-	(38 261)	(240 614)	(7 825 201)
Accumulated depreciation of disposals of the period	-	-	(1 506 446)	(113 425)	-	216 512	-	-	-	-	103 087
Reverse of impairment of fixed assets	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 31/12/2011	-	26 110 481	409 525 154	54 109 694	14 832 952	8 451 492	884 650	697 449	4 557 501	29 289 540	548 458 913
Depreciation of the year											
Depreciation of the year	-	2 660 197	25 170 922	4 213 126	1 056 993	1 296 514	211 023	232 854	230 039	2 090 283	37 161 951
Accumulated depreciation of disposals of the period	-	-	-	(121 225)	(26 932)	(311 176)	-	-	-	(328 278)	(787 611)
Reclassification	-	547 132	(608 210)	25	-	-	-	56 770	-	(25)	(4 308)
Reverse of impairment of fixed assets	-	-	-	-	-	(38 215)	-	-	-	-	(38 215)
Accumulated depreciation as at 31/3/2012	-	29 317 810	434 087 866	58 201 620	15 863 013	9 398 615	1 095 673	987 073	4 787 540	31 051 520	584 790 730
Net book value as at 31/3/2012	86 367 603	382 084 357	684 419 441	87 139 381	20 794 337	9 376 657	3 124 769	17 641 280	5 948 495	12 810 360	1 309 706 680
Net book value as at 31/12/2011	85 306 338	374 737 178	704 956 495	90 705 827	20 786 759	10 771 856	3 335 792	17 930 904	5 742 156	14 470 473	1 328 743 778

Fully depreciated assets are amounted to L.E. 170 531 507 as at 31 March 2012.

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

The land item amounted to L.E 86 367 603 on 31/3/2012 includes an amount of L.E 74 750 756 representing the not registered land thus procedures of registering the land are in progress.

Land of Juhayna Food Industries Co.

Description	Amount L.E	Instrument of possess
Pc. 38	1 103 149	Preliminary contract
Pc. 39	1 103 149	Preliminary contract
Pc. 40	1 104 584	Preliminary contract
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	688 498	
	7 242 414	

Land of Tiba for Trad. & Distr. Co.

Description	Amount L.E	Instrument of possess
Baleares land	15 495 080	Preliminary contract
Olaykat Arab land	2 589 300	Auction
Other	12 184 140	
	30 268 520	

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

Land of Almarwa for Food Industries Co.

Description	Amount L.E	Instrument of possess
Pc. 43 m3 6 th of October	2 117 918	Deed

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
Alsada Land	2 611 004	Registration document
	4 852 865	

Land of Modern Concentration Co.

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

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

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 elementary 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.
- Area of 2 000 Acres amounted to L.E 2 000 000 in the virtue of a contract with Arabya for investment and development Company according to contract with the squatter dated May 4, 2010. The necessary legal procedures with government for legal convey of land are in progress
- Area of 2 000 Acres amounted to L.E 1 200 000 in the virtue of a contract with Abd Elazeem Abdallah according to contract with the squatter dated May 5, 2010. The necessary legal procedures with government for legal convey of land are in progress.
- Area of 3 146 Acres amounted to L.E 4 719 000 in the virtue of a contract with Abd elaziz Aly according to contract with the squatter dated September 5, 2010. The necessary legal procedures with government for legal convey of land are in progress.
- Area of 980 Acres amounted to L.E 870 000 in the virtue of a contract with Abd Elazeem Abdallah according to contract with the squatter dated January 27, 2011. The necessary legal procedures with government for legal convey of land are in progress.
- Area of 700 Acres amount to L.E 1 048 500 in the virtue of a contract with Mohammad Mahroos Ilhamy according to contract with the squatter dated January 3, 2012. according to contract with the squatter dated

12 Projects under constructions

	31/3/2012	31/12/2011
	L.E.	L.E.
Buildings and constructions in progress	104 840 109	60 956 198
Machineries under installation	30 360 404	36 670 541
Advance payments for fixed assets purchase	120 573 076	97 520 366
Land reclamation	13 865 411	13 865 411
Fruit trees and Kazhurana	6 232 765	5 269 912
	275 871 765	214 282 428

13 Tax status**13-1 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

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.

Year 2006

The tax inspection has been performed and the inspection forms have been received.

Years from 2007 till 2010

The tax inspection has not been performed to date.

The Company is 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 consolidated financial statements for the Period ended 31 March 2012

B. Salaries tax

The period from the beginning of operation till year 2003

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

Year 2004

The inspection has been performed. Further, the internal committee finalized its work, settlement was made and an item was referred to appeal committee, payment of tax is in progress.

From year 2005 till 2008

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.

Year 2009 till 2010

The Inspection is in progress by related tax authority.

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 31/12/2009

The tax inspection has been performed and currently receiving the inspection forms.

Year 2010

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

The tax inspection has not been performed to date.

13-2 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	10 years from starting activity

The Companies that are not exempted and have not been inspected as at 31/12/2011.

Egyptian Company for Dairy and Juice Products

-Tiba for Trading and Distributing

-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.

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

Second: Salaries tax

Subsidiaries	Tax inspection ending date
Egyptian Company for Dairy and Juice 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	- Inspection is in progress from 2006 till 2009.
Tiba for Trading and Distributing	- Inspection was performed till 2006 & is in progress from 2007 to 2010 and payments have been made till 2010.
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"	- Inspection is in progress for the period from date of establishment till 31/12/2009. The Company pay tax regularly.
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.

Third: Stamp tax

Subsidiaries	Tax inspection ending date
Egyptian Company for Dairy and Juice Products	- Inspection has been performed and payments have been made till 31/7/2006.
Tiba for Trading and Distribution	- Inspection has been performed till 31/7/2006 and paid, Inspection in progress from 1/8/2006 till 31/12/2008.
Al-Marwa for Food Industries	- Inspection has been performed till 31/7/2006, payments have been made.
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.
Inmaa for Agriculture Development Co.	- Has not been inspected yet.

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

Fourth: Sales tax**Subsidiaries**

Egyptian Company for Dairy and Juice 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.

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 not inspected till date.
- Inspected and paid till 2008.
- 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.
- 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 31/12/2009.
- The company presents sales tax return on monthly & has not been inspected yet

14 Inventories

	31/3/2012	31/12/2011
	L.E.	L.E.
Raw materials	106 044 978	129 478 361
Packaging & packing materials	75 335 777	96 345 638
Finished products	118 869 192	121 406 379
Work in process	11 887 865	9 649
Plant wealth	32 079 245	21 237 972
Spare parts & miscellaneous supplies	31 604 301	29 982 304
L/C's for purchase raw material	396 187	12 932
Less :		
Change in fair value of biological assets	-	(1 291 222)
	376 217 545	397 182 013

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

15 Trade and other receivables

	31/3/2012	31/12/2011
	L.E	L.E
Trade receivables	90 024 578	73 318 247
Less: Impairment in trade receivables	(17 588 862)	(17 473 292)
	72 435 716	55 844 955
Notes receivables	33 084 176	64 511 361
Tetra Pak company	1 031 836	8 043 192
Suppliers – advance payments	20 774 070	10 922 117
Prepaid expenses	13 833 813	6 512 319
Export subsidy	7 193 964	7 287 961
Accrued revenues	132 296	132 294
Tax authority	8 590 048	7 302 091
Customs authority	5 430 315	1 238 442
Deposits with others	2 344 756	2 597 187
Accrued interest payable	5 305 070	17 420 602
Fixed assets debtors	3 434 707	1 966 790
Other debit balances	2 471 421	4 470 887
	176 062 188	188 250 198
Less: Impairment in debtors & other debit balances	(653 082)	(238 102)
	175 409 106	188 012 096

16 Cash and cash equivalents

	31/3/2012	31/12/2011
	L.E	L.E.
Time deposits	575 806 922	651 248 943
Banks – current accounts	43 284 474	21 012 574
Cheques under collection	-	500 000
Cash in hand	19 186 820	10 551 721
L /G's cash margin	5 050 000	5 100 000
	643 328 216	688 413 238
Bank over draft	(20 716 026)	(58 406 259)
L /G's cash margin (due after 3 months)	(5 050 000)	(5 100 000)
Cash and cash equivalents in the statement of cash flows	617 562 190	624 906 979

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

17 Share capital

	31/3/2012	31/12/2011
	L.E	L.E
Authorized capital	5 000 000 000	5 000 000 000
Issued & paid up capital (divided into 726 416 332 shares with nominal value L.E 1 each)	706 053 811	726 416 332

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.

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.

18 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 Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company after deducting employees shares and B.O.D shares by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Earnings per share of the year net profit is calculated using the weighted average method for the number of outstanding shares during the year as follows:

	Financial period ended 31/3/2012	Financial period ended 31/3/2011
	L.E	L.E
Net profit for the year according to consolidated income statement	42 983 167	51 136 602
Less:		
• Employees share	-	-
• B.O.D. shares	-	-
Net due to shareholders	42 983 167	51 136 602
Weighted average number of outstanding shares	706 053 811	706 053 811
Earning per share (L.E./share)	0.061	0.071

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

20 Loans

Details	Long term loans	Long term loan – current portion	Total
	L.E	L.E	L.E
Granted loans to Company's Group from CIB.	150 718 990	64 558 715	215 277 705
Granted loans to Company's Group from HSBC.	128 376 817	72 251 211	200 628 028
Balance at 31/3/2012	279 095 807	136 809 926	415 905 733
Balance at 31/12/2011	252 495 807	131 809 926	384 305 733

21 Banks – credit facilities

This balance which amounted to L.E 483 275 545 as at 31 March 2012 (against L.E 448 000 911 as at 31 December 2011), represents the drawn down portion of the L.E. 891 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. 8 352 761 as at 31 March 2012 (against L.E. 8 352 761 as at 31 December 2011) represents the short term instalments of the loans granted to the Parent Company by the Commercial International Bank, and the refinance granted by Credit Agricole Bank that are due for repayment within three months from the date of drawn down.

23 Provision for claims

Description	31/3/2012	31/12/2011
	L.E	L.E.
Balance at the beginning of the year	7 600 466	7 342 900
Formed during the year	10 000	689 414
Used during the year	(235 645)	(431 848)
Balance at the end of the year	7 374 821	7 600 466

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

24 Creditors and other credit balances

	31/3/2012	31/12/2011
	L.E	L.E
Suppliers	80 575 290	73 568 627
Notes payable	-	11 069
Accrued expenses	33 748 057	40 376 989
Fixed assets' creditors	6 220 783	11 310 670
Income tax	3 697 889	-
Tax authority	6 700 439	4 039 448
Deposits from others	4 517 510	3 619 886
Sales tax installments on the imported machineries and equipments	4 590 222	6 858 400
Deferred capital gains	1 738 584	1 738 584
Social insurance authority	815 499	689 358
Dividends payable for employees	178 602 393	666 522
Advances from customers	3 658 389	2 228 272
Other credit balances	3 865 523	3 513 128
	328 730 578	148 620 953

25 Other long term liabilities

Description	31/3/2012	31/12/2011
	L.E.	L.E.
The value of sales tax installments on the imported machineries and equipments due for settlement starting from February 2009 till December 2025 according to the scheduling agreed upon with the Sales Tax Authority. The installments due within one year amounted to L.E 4 590 222 as at 31/3/2012(L E 6 858 400 as at 31/12/2011) are shown under the item of creditors and other credit balances in the consolidated balance sheet (Note 23).	31 014 020	36 072 296
The value of accrued installments of the purchased land at Al-Wadi Al-Gadeed.	197 980	197 980
	31 212 000	36 270 276

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

26 Deferred revenues

	31/3/2012	31/12/2011
	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 year ended 31/12/2011 amounted to L.E 434 646 while the short term portion amounted to L.E 1 738 584 as at 31/3/2012 (L.E. 1 738 584 as at 31/12/2011) included in the trade & other credit balances item of the consolidated balance sheet (Note 23).	8 258 223	8 692 869
	<u>8 258 223</u>	<u>8 692 869</u>

27 Deferred tax assets and liabilities

Deferred tax liability amounted to L.E 34 345 342 on 31/3/2012 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 1/1/2012	Deferred tax from 1 st Jan To 31 March 2012	Balance on 31/3/2012
	L.E	L.E	L.E
Deferred tax liability from fixed assets	<u>36 068 711</u>	<u>(1 723 369)</u>	<u>34 345 342</u>

Recognized deferred tax assets

Deferred tax assets are representing in the following items:

	Liabilities	
	31/3/2012	31/12/2011
	L.E	L.E
Fixed assets	36 344 705	38 389 409
Deferred revenue	(1 999 363)	(2 320 698)
Net tax liabilities	<u>34 345 342</u>	<u>36 068 711</u>

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

28 Group companies

The following sets out the subsidiaries of Juhayna Food Industries Company that were acquired and controlled by the Company as at 31/3/2012 shown together with this respective contribution percentage held as at the balance sheet date.

Subsidiary Name	Contribution percentage 31/3/2012	Contribution percentage 31/12/2011	Country
Egyptian Co. for Dairy & Juice 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 welth	99.964 Indirect	-	Egypt
Inmaa for Agriculture and improvment	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.

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

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	
		31/3/2012	31/12/2011
		L.E.	L.E.
Trade receivables	(15)	72 435 716	55 844 955
Banks credit facilities	(20)	483 275 545	448 000 911
Short term loans	(21)	8 352 761	8 352 761
Total long term loans	(19)	415 905 733	384 305 733

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 483 275 545 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	483 275 545	891 000 000

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

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, GBP 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.

Currency risk**Exposure to currency risk**

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

	USD	Euro	SAR	DKK	GBP
Trade and other debit balances	2 476 520	5 057 229	-	-	-
Cash and cash equivalents	182 151	64 090	1 996	-	-
Credit facilities	(2 244 274)	-	-	-	-
Creditors and other credit balances	(21 452)	(272 132)	-	-	-
31 March 2012	392 945	4 849 187	1 996	-	-
31 December 2011	24 977 507	(205 522)	1 996	(167 230)	(31 051)

The following significant exchange rates applied during the year:

	Average rate		Actual closing Rate	
	2012	2011	2012	2011
USD	6.037	5.916	6.027	6.047
Euro	7.910	7.739	7.887	7.933

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.

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

	31/3/2012	31/12/2011
	L.E	L.E
Total liabilities	1 350 972 876	1 149 316 737
Less: cash and cash equivalents	(643 328 216)	(688 413 238)
Net debt	707 644 660	460 903 499
Total equity	1 676 593 480	1 813 685 933
Net debt to adjusted equity ratio	42.21%	25.41%

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	Purchase value at end of contract	Monthly lease value
	Contractual value	Accrued interest			
	L.E	L.E	Months	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. 195 500 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 General and administrative expenses and other operating expenses item in the income statement. Thus, total installments of the financial year ended 31/3/2012 amounted to L.E. 3 025 331.

31 Contingencies

On 31 March 2012 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 12 649 548 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 488 756 289 on 31/3/2012.

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

Notes to the consolidated financial statements for the Period ended 31 March 2012

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.

32-1 Due from related parties

Company's name	Nature of transaction	Total value of transactions		Balance as at	
		31/12/2011	31/12/2011	31/12/2011	31/12/2011
				L.E.	L.E.
Bonian for Development & Investment	Current account	-	(500 000)	294 863	294 863
Milkiez	Customer	3 147 427	1 516 543	3 154 136	1 186 612
	Vendor	323 591	299 149		
				3 448 999	1 481 475

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.