

Translation from Arabic

**Juhayna Food Industries
(An Egyptian Joint Stock Company)
Consolidated financial statements
for the year ended
31 December 2012
and Auditors' 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 year ended 31 December 2012

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AUDITORS' REPORT

The Shareholders of Juhayna Food Industries Company
"An Egyptian Joint Stock Company"

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Juhayna Food Industries Company "An Egyptian Joint Stock Company", which comprise the consolidated balance sheet as at 31 December 2012 and the consolidated statements of income, changes in shareholders' equity, and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

These consolidated financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility


Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Juhayna Food Industries Company as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.


Salah EL Messary
Capital Authority Controller
Register N0.(364)
KPMG Hazem Hassan


Hossam Helal
Capital Authority Controller
Register N0.(147)
Mohamed Helal – Grant Thornton

KPMG Hazem Hassan
Public Accountants and Consultants
⑦ Cairo 14 February, 2013

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

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

Translation from Arabic

| | Note no. | 31/12/2012 L.E. | 31/12/2011 L.E. |
|--|----------|----------------------|----------------------|
| Assets | | | |
| Property, plant and equipment | (11) | 1 479 724 384 | 1 328 743 778 |
| Projects under construction | (12) | 530 576 491 | 195 147 105 |
| Plant wealth | (13) | 29 591 345 | 19 135 323 |
| Investments in equity - accounted investees | (10) | 43 109 317 | 42 329 048 |
| Other - long term - debit balances | | 798 320 | 806 592 |
| Goodwill | (34) | 97 092 890 | 97 092 890 |
| Non-current assets | | 2 180 892 747 | 1 683 254 736 |
| Inventories | (15) | 347 600 094 | 397 182 013 |
| Trade and other receivables | (16) | 145 120 083 | 188 012 096 |
| Due from related parties | (33-1) | 1 337 563 | 1 481 475 |
| Treasury bills | | 240 029 217 | - |
| Cash and cash equivalents | (17) | 529 817 146 | 688 413 238 |
| Assets held for sale | | 538 899 | 3 000 000 |
| Current assets | | 1 264 443 002 | 1 278 088 822 |
| Provisions | (23) | 11 554 532 | 7 610 466 |
| Banks - overdraft | | 13 208 561 | 58 406 259 |
| Banks - credit facilities | (21) | 351 097 043 | 448 000 911 |
| Short term loans | (22) | 32 476 634 | 8 352 761 |
| Creditors and other credit balances | (24) | 236 719 943 | 148 610 953 |
| Income tax | | 43 067 213 | 12 818 649 |
| Long-term loans-current portion | (20) | 152 034 537 | 131 809 926 |
| Current liabilities | | 840 158 463 | 815 609 925 |
| Working capital | | 424 284 539 | 462 478 897 |
| Total invested funds | | 2 605 177 286 | 2 145 733 633 |
| These investments are financed as follows: | | | |
| Equity | | | |
| Issued and paid up capital | (18) | 706 053 811 | 726 416 332 |
| Legal reserve | | 401 654 644 | 390 106 391 |
| General reserve - issuance premium | (18-1) | 330 920 428 | 404 500 682 |
| Retained earnings | | 236 914 651 | 201 846 829 |
| Treasury stocks | | - | (93 942 775) |
| Net profit for the year after periodic dividends | | 312 576 862 | 182 867 264 |
| Total equity attributable to the shareholders of the parent company | | 1 988 120 396 | 1 811 794 723 |
| Minority interest | | 520 495 | 411 247 |
| Total equity | | 1 988 640 891 | 1 812 205 970 |
| Long term loans | (20) | 525 641 523 | 252 495 807 |
| Other long term liabilities | (25) | 31 969 777 | 36 270 276 |
| Deferred revenues | (26) | 6 954 285 | 8 692 869 |
| Deferred tax liabilities | (27) | 51 970 810 | 36 068 711 |
| Non-current liabilities | | 616 536 395 | 333 527 663 |
| Shareholders' equity and non current liabilities | | 2 605 177 286 | 2 145 733 633 |

The notes on pages from (5) to (34) are an integral part of these 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 31 December 2012

Translation from Arabic

| | | The financial year ended 31/12/2012 | The financial year ended 31/12/2011 |
|---|----------|---|---|
| | Note no. | L.E. | L.E. |
| Net sales | | 2 854 969 787 | 2 243 609 514 |
| Cost of sales | | (1 962 751 206) | (1 608 646 351) |
| Gross profit | | 892 218 581 | 634 963 163 |
| Other operating income | (5) | 26 598 652 | 25 644 593 |
| Sales & distribution expenses | | (352 867 208) | (255 402 549) |
| General & administrative expenses | (6) | (106 874 171) | (97 569 780) |
| Other expenses | (7) | (43 875 412) | (15 544 312) |
| Board of directors remuneration | | (8 500 000) | (6 702 000) |
| Results from operating activities | | 406 700 442 | 285 389 115 |
| Holding company's share in associates' net income | | 1 165 472 | 4 054 782 |
| Loss on fire factory damage | | - | (40 758 896) |
| Change in biological asset fair value | | - | (1 291 223) |
| Finance income and finance costs | (8) | (25 165 812) | (38 606 526) |
| Profit before income tax | | 382 700 102 | 208 787 252 |
| Taxes differences from previous years | | 1 684 087 | (1 006 955) |
| Income tax expense | | (43 067 213) | (12 818 649) |
| Deferred tax | | (15 902 099) | (9 024 409) |
| Net profit for the period | | 325 414 877 | 185 937 239 |
| Distributed as follows | | | |
| Parent Company's share in profit | | 325 327 227 | 185 887 359 |
| Minority interest | | 87 650 | 49 880 |
| | | 325 414 877 | 185 937 239 |
| Earning per share (L.E./share) | (19) | 0.395 | 0.203 |

The notes on pages from (5) to (34) 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 December 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 | - | 3 023 093 | - | (10 456 203) | - | - | (7 433 110) |
| Consolidation adjustments on 31 December 2011 | - | (24 322 057) | - | (6 331 239) | - | (1 894 813) | (32 548 109) |
| Net profit for the period ended 31 December 2011 | - | - | - | - | - | 185 887 359 | 185 887 359 |
| Profit dividends for 2011 | | | | | | | |
| Share of company from some subsidiary companies on 31 December 2011 | - | 6 468 467 | - | 1 268 001 | - | (7 736 468) | - |
| Balance as at 31 December 2011 | 726 416 332 | 390 106 391 | 404 500 682 | 201 846 829 | (93 942 775) | 182 867 264 | 1 811 794 723 |
| 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 | - | 11 343 915 | - | 9 800 670 | - | - | 21 144 585 |
| Consolidation adjustments on 31 December 2012 | - | (24 117 719) | - | 19 088 603 | - | (26 799 595) | (31 828 711) |
| Net profit for the year ended 31 December 2012 | - | - | - | - | - | 325 327 227 | 325 327 227 |
| Balance as at 31 December 2012 | 706 053 811 | 401 654 644 | 330 920 428 | 236 914 651 | - | 312 576 862 | 1 988 120 396 |

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

| | The Financial year ended 31/12/2012 | The Financial year ended 31/12/2011 |
|---|---|---|
| Note no. | L.E. | L.E. |
| Cash flows from operating activities | | |
| Net profit for the year before income tax and minority interest in profits | 382 700 102 | 208 787 252 |
| Adjustments for: | | |
| Fixed assets' depreciation | 150 641 359 | 138 565 308 |
| Capital gains | (4 297 521) | (7 259 884) |
| loss from egyfood factory fire | - | 40 758 896 |
| Impairment in fixed assets | 9 519 029 | 216 512 |
| Reversal of impairment in fixed assets | - | (113 425) |
| Fair value loss in held for sale assets | 3 319 555 | - |
| Change in Investments in equity accounted investees (investments in associates) | (780 269) | (3 702 011) |
| Change in biological asset current value | - | 1 291 223 |
| Impairment in trade and other receivables | 1 205 551 | 1 483 707 |
| Reversal of impairment in trade and other receivables | (1 260 972) | (461 231) |
| Write-down of inventories | 5 869 019 | 341 807 |
| Provision for claims-formed | 5 407 644 | 689 414 |
| Financial lease installments | 12 101 325 | 12 101 325 |
| Other revenues | (3 764 632) | (3 422 400) |
| Time deposits interests | (38 649 071) | (48 012 541) |
| Finance interests & expenses | 92 614 586 | 83 733 952 |
| | 614 625 705 | 424 997 904 |
| Changes in: | | |
| Inventories | 43 712 900 | (119 201 066) |
| Trade and other receivables | 19 788 193 | 67 418 154 |
| Due from related parties | 143 912 | (865 760) |
| Creditors & other credit balances | 18 165 185 | 112 575 953 |
| Employees profit share | (21 388 961) | - |
| Collected time deposits interests | 55 964 852 | 46 649 656 |
| Paid finance interests & expenses | (103 483 779) | (84 642 925) |
| Provision for claims used | (1 463 578) | (431 848) |
| Net cash flows from operating activities | 626 064 429 | 221 348 162 |
| Cash flows from investing activities | | |
| Acquisition of fixed assets & projects under construction | (655 628 441) | (404 347 212) |
| Proceeds from sale of fixed assets | 7 677 925 | 18 440 925 |
| Acquisition of treasury bills | (231 127 485) | - |
| Acquisition of biological wealth | (8 636 819) | - |
| Proceeds from fire indemnification | 63 000 000 | - |
| Net cash flows used in investing activities | (824 714 820) | (385 906 287) |
| Cash flows from financing activities | | |
| Bank credit facilities payments | (96 903 868) | 220 660 300 |
| Proceeds from (payment for) bank loans | 317 494 200 | (136 793 214) |
| Proceeds for lease installments- sale with the right of release | 3 764 632 | 3 422 400 |
| Payments for lease installments- sale with the right of release for financial | (12 101 473) | (12 101 325) |
| Dividends paid to shareholders | (127 060 742) | - |
| Increase in minority interest | 109 248 | 108 836 |
| Net cash flows from financing activities | 85 301 997 | 75 296 997 |
| Decrease in cash & cash equivalents during the period | (113 348 394) | (89 261 128) |
| Cash & cash equivalents at 1 January | 624 906 979 | 714 168 107 |
| Cash & cash equivalents at 31 December | 511 558 585 | 624 906 979 |

Juhayna Food Industries
(An Egyptian Joint Stock Company)
Notes to the consolidated financial statements
For the financial year ended 31 December 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 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 13/02/2013.

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 consolidated financial statements for the year ended 31 December 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 (3-9) : 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 (15) : write down of inventories.
- Note (16) : 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 consolidated financial statements for the year ended 31 December 2012

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 consolidated financial statements for the year ended 31 December 2012

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 approved a 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**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.

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

Notes to the consolidated financial statements for the year ended 31 December 2012

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

Subsequent costs

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

Depreciation

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

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

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

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

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

Estimates for 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 consolidated financial statements for the year ended 31 December 2012

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2012

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2012

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 consolidated financial statements for the year ended 31 December 2012

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 consolidated financial statements for the year ended 31 December 2012

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 Year ended 31/12/2012 L.E | Financial Year ended 31/12/2011 L.E |
|--|---|---|
| Export subsidy revenue | 11 640 236 | 7 080 454 |
| Deferred capital gains | 1 738 584 | 1 738 584 |
| Capital gain | 4 320 442 | 7 259 884 |
| Reversal of impairment of receivables | 1 260 972 | 461 231 |
| Reversal of impairment of fixed assets | - | 113 425 |
| Refund of sales tax | 1 649 481 | - |
| Other revenue | 5 988 937 | 8 991 015 |
| | 26 598 652 | 25 644 593 |

6 General & administrative expenses

| | Financial Year ended 31/12/2012 L.E | Financial Year ended 31/12/2011 L.E |
|------------------------------|---|---|
| Personnel expenses | 57 507 229 | 54 486 227 |
| Depreciation expense | 13 131 394 | 10 437 947 |
| Rents expense | 6 088 534 | 4 085 934 |
| Other administrative expense | 30 147 014 | 28 559 672 |
| | 106 874 171 | 97 569 780 |

7 Other expenses

| | Financial Year ended 31/12/2012 L.E | Financial Year ended 31/12/2011 L.E |
|---|---|---|
| Leasing installment | 12 101 325 | 12 101 325 |
| Losses resulting from thefts of money & goods | 414 180 | 488 763 |
| Impairment of account receivables / other debit balance | 1 205 551 | 1 483 707 |
| Impairment of fixed assets | 9 519 029 | 216 512 |
| Loss from fair value of assets held for sale | 3 319 555 | - |
| Capital loss | 22 921 | 222 784 |
| Inventory write-down | 5 869 019 | 341 807 |
| Provision for claims | 5 407 644 | 689 414 |
| Other | 6 016 191 | - |
| | 43 875 412 | 15 544 312 |

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

Notes to the consolidated financial statements for the year ended 31 December 2012

8 Finance income and finance costs

| | Financial Year ended 31/12/2012 | Financial Year ended 31/12/2011 |
|------------------------------------|--|--|
| | L.E | L.E |
| Interest expense | (92 614 586) | (83 733 952) |
| Interest income | 38 649 071 | 48 012 541 |
| Net financed interest | (53 965 515) | (35 721 411) |
| Net foreign exchange(loss) / gain | 28 895 311 | (2 810 286) |
| Present value change | (95 608) | (74 829) |
| | (25 165 812) | (38 606 526) |

9- Segmentation reports

9-1 Segmentation reports for the year ended 31 December 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 year ended 31/12/2012 | The year ended 31/12/2012 | The year ended 31/12/2012 | The year ended 31/12/2012 | The year ended 31/12/2012 | The year ended 31/12/2012 | The year ended 31/12/2012 | The year ended 31/12/2012 |
| Sales | 1 440 103 056 | 799 529 589 | 534 976 515 | 52 032 285 | 28 328 342 | - | - | 2 854 969 787 |
| Sales between segments | 1 275 073 876 | 689 538 817 | 456 074 116 | 75 042 900 | - | - | (2 495 729 709) | - |
| Total sales | 2 715 176 932 | 1 489 068 406 | 991 050 631 | 127 075 185 | 28 328 342 | - | (2 495 729 709) | 2 854 969 787 |
| Cost of sales | (1001 015 388) | (503 108 086) | (370 757 232) | (41 256 499) | (46 614 001) | - | - | (1 962 751 206) |
| Segments' gross profit | 439 087 668 | 296 421 503 | 164 219 283 | 10 775 786 | (18 285 659) | - | - | 892 218 581 |
| Other operating income | 17 964 225 | 2 523 380 | 3 291 631 | 2 714 497 | 104 919 | - | - | 26 598 652 |
| Sales & distribution expense | (141 519 393) | (128 734 181) | (78 857 936) | (19 539) | (3 736 159) | - | - | (352 867 208) |
| General & administrative expense | (36 903 545) | (35 892 489) | (23 502 241) | (3 570 594) | (7 005 302) | - | - | (106 874 171) |
| Other operating expense | (33 792 667) | (3 360 889) | (2 763 332) | (281 491) | (3 677 033) | - | - | (43 875 412) |
| Board of Directors' remuneration | (572 093) | (5 116 698) | (2 606 209) | (135 000) | (70 000) | - | - | (8 500 000) |
| Profits from operation | 244 264 195 | 125 840 626 | 59 781 196 | 9 483 659 | (32 669 234) | - | - | 406 700 442 |
| Holding company's share in associates' net profit | (24 938 182) | 6 681 483 | (4 013 799) | (5 830 302) | 1 162 075 | - | - | 1 162 075 |
| Finance cost, (net) | 219 326 013 | 132 522 109 | 55 767 397 | 3 653 357 | 2 934 988 | - | - | (25 165 812) |
| Net profit for the year before income tax | - | - | - | - | (28 572 171) | - | - | 382 696 705 |
| Taxes differences from previous years | - | - | - | - | - | 1 684 087 | - | 1 684 087 |
| Income tax expense | - | - | - | - | - | (43 067 213) | - | (43 067 213) |
| Deferred tax | - | - | - | - | - | (15 902 099) | - | (15 902 099) |
| Net profit for the year | 219 326 013 | 132 522 109 | 55 767 397 | 3 653 357 | (28 572 171) | (57 285 225) | - | 325 411 480 |
| Other Information | | | | | | | | |
| Depreciation | 52 075 487 | 23 778 849 | 50 731 426 | 15 021 282 | 9 034 315 | - | - | 150 641 359 |
| Assets | 1 268 651 221 | 801 550 196 | 708 062 430 | 209 364 567 | 359 696 710 | 98 007 228 | - | 3 445 332 352 |
| Investments accounted for using Equity method | - | - | - | - | 43 105 920 | - | - | 43 105 920 |
| Liabilities | 813 324 091 | 439 529 817 | 127 660 053 | 54 081 197 | 22 099 700 | - | - | 1 456 694 858 |

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 year ended 31 December 2011

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 The year ended 31/12/2011 | Yogurt sector L.E The year ended 31/12/2011 | Juices sector L.E The year ended 31/12/2011 | Concentrates sector L.E The year ended 31/12/2011 | Agriculture sector L.E The year ended 31/12/2011 | Undistributed items L.E The year ended 31/12/2011 | Elimination of consolidated transactions L.E The year ended 31/12/2011 | Total L.E The year ended 31/12/2011 |
|---|---|--|--|--|---|--|---|---|
| Sales | 1135 143 863 | 613 638 128 | 420 926 743 | 44 865 419 | 29 035 361 | - | - | 2 243 609 514 |
| Sales between segments | 987 278 645 | 534 840 284 | 364 758 791 | 59 334 625 | - | - | (1 946 212 345) | - |
| Total sales | 2 122 422 508 | 1 148 478 412 | 785 685 534 | 104 200 044 | 29 035 361 | - | (1 946 212 345) | 2 243 609 514 |
| Cost of sales | (842 510 643) | (401 567 841) | (307 272 238) | (38 312 526) | (18 983 103) | - | - | (1 608 646 351) |
| Segments' gross profit | 292 633 220 | 212 070 287 | 113 654 505 | 6 552 893 | 10 052 258 | - | - | 634 963 163 |
| Other operating income | 12 625 068 | 6 824 882 | 4 915 082 | 1 113 043 | 166 518 | - | - | 25 644 593 |
| Selling & Distribution expense | (124 001 533) | (80 439 757) | (50 877 151) | (84 108) | - | - | - | (255 402 549) |
| General & administrative expense | (47 715 179) | (25 793 958) | (17 693 436) | (919 662) | (5 447 545) | - | - | (97 569 780) |
| Other operating expense | (8 070 947) | (4 363 007) | (2 992 816) | (117 542) | - | - | - | (15 544 312) |
| Board of Directors' remuneration | (3 439 895) | (1 859 545) | (1 275 560) | (72 000) | (55 000) | - | - | (6 702 000) |
| Profits from operation | 122 030 734 | 106 438 902 | 45 730 624 | 6 472 624 | 4 716 231 | - | - | 285 389 115 |
| Holding company's share in associates' net income | - | - | - | - | 4 054 782 | - | - | 4 054 782 |
| Loss on fire factory damage | - | (40 758 896) | - | - | - | - | - | (40 758 896) |
| Change in biological asset fair value | - | - | - | - | (1 291 223) | - | - | (1 291 223) |
| Finance cost, (net) | (19 287 972) | (10 426 726) | (7 152 241) | (1 433 949) | (305 638) | - | - | (38 606 526) |
| Net profit for the year before income tax | 102 742 762 | 55 253 280 | 38 578 383 | 5 038 675 | 7 174 152 | - | - | 208 787 252 |
| Taxes differences from previous years | - | - | - | - | - | (1 006 955) | - | (1 006 955) |
| Income tax expense | - | - | - | - | - | (12 818 649) | - | (12 818 649) |
| Deferred tax | - | - | - | - | - | (9 024 409) | - | (9 024 409) |
| Net profit for the year after income tax | 102 742 762 | 55 253 280 | 38 578 383 | 5 038 675 | 7 174 152 | (22 850 013) | - | 185 937 239 |
| Other Information | | | | | | | | |
| Depreciation | 47 978 867 | 14 099 614 | 54 913 771 | 14 958 081 | 6 614 975 | - | - | 138 565 308 |
| Assets | 1200 314 974 | 475 596 047 | 692 600 173 | 204 920 145 | 289 874 321 | 98 037 898 | - | 2 961 343 558 |
| Investments accounted for using Equity method | - | - | - | - | 42 329 048 | - | - | 42 329 048 |
| Liabilities | 768 865 258 | 156 664 592 | 134 767 347 | 74 065 309 | 14 775 082 | - | - | 1 149 137 588 |

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

0- 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 | | | | | | | | | | | | | | | | | | | | | |
| Milkiez . 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 | | 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 | | | | | | | | | | |
| 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 | | 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 | | | | | | | | | | |

na Food Industries
to the consolidated financial statements for the year ended 31 December 2012

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. |
|--|---------------|--------------------------------------|----------------------------------|---|---------------|--|------------------------|---------------|--|-------------------|---------------|
| | | | | | | | | | | | |
| 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 |
| depreciations | - | - | - | - | - | (9 882 372) | - | - | - | - | (9 882 372) |
| impairment | - | - | - | (1 420 484) | 1 420 484 | - | - | - | - | - | - |
| disposals of the year | 18 030 265 | 42 023 740 | 147 281 112 | 82 385 296 | 7 281 805 | 7 954 957 | 717 856 | 9 719 612 | 1 597 938 | 11 554 621 | 328 546 602 |
| reversals of the year | - | - | (6 609 111) | (10 002 703) | (352 015) | (2 003 812) | - | - | (46 884) | (656 781) | (19 671 306) |
| 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 | 43 760 013 | 1 877 202 691 |
| depreciations of the period | 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 |
| impairment in fixed assets | - | (9 445 932) | (34 312 281) | (8 572 897) | (363 896) | (1 896 115) | - | (66 943) | (63 411) | (576 578) | (55 298 053) |
| 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 |
| related depreciation | - | - | - | - | - | - | - | - | - | - | - |
| related 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 |
| depreciations | - | - | - | - | - | (9 882 372) | - | - | - | - | (9 882 372) |
| impairment | - | - | - | (934 629) | 934 629 | - | - | - | - | - | - |
| disposals of the year | - | 8 679 051 | 97 572 011 | 13 470 756 | 3 619 290 | 4 967 294 | 786 764 | 687 449 | 815 672 | 7 957 021 | 138 565 308 |
| related depreciation of disposals of the year | - | - | (1 506 446) | (4 512 211) | (133 817) | (1 393 852) | - | - | (38 261) | (240 614) | (7 825 201) |
| reversals of the year | - | - | - | (113 425) | - | 216 512 | - | - | - | - | 103 087 |
| 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 period | - | 10 454 314 | 100 886 635 | 18 033 411 | 4 610 631 | 5 559 139 | 844 243 | 742 865 | 966 851 | 8 543 270 | 150 641 359 |
| related depreciation of disposals of the year | - | (1 183 737) | (36 726 500) | (6 831 410) | (175 329) | (1 896 115) | - | (66 945) | (51 321) | (476 255) | (47 407 612) |
| related depreciation of impairment of fixed assets | - | - | - | (88 864) | - | - | - | - | - | - | (88 864) |
| 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 |
| carrying value 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 |
| carrying 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 | 5 743 156 | 14 470 473 | 1 328 743 778 |

depreciated assets are amounted to L.E. 186 703 173 as at 31 December 2012.

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

Notes to the consolidated financial statements for the year ended 31 December 2012

The land item amounted to L.E 124 005 382 on 31/12/2012 includes an amount of L.E 107 611 779 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 | 1 005 171 | |
| | 4 248 205 | |

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 |
| Baleares land | 15 495 080 | Preliminary contract |
| Olaykat Arab land | 2 589 300 | Auction |
| Other | 21 963 839 | |
| | 65 763 622 | |

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 |
| Alsada Land | 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 |

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

Notes to the consolidated financial statements for the year ended 31 December 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 1 426 380 with the virtue of preliminary contract from Alwadi Algadeed governorate with purpose – only - of reclamation and cultivation.
- Area of 7 500 Acres on Farafra zone amounted to L.E 3 750 000 with purpose – only - of cultivation with the virtue of bank cheque no. 1472844 dated September 14, 2009 for the beneficiary the head of the centre office of Farafra city. The necessary legal procedures for convey of land are in progress.

11-8 land of Inmaa for Biological Wealth

- Area of 550 Acres amounted to L.E 550 000 in the virtue of a contract with the squatter dated May 4, 2010. The necessary legal procedures with government for legal convey of land are in progress.

11-9 Land of Inmaa for Agriculture Development

- Area of 1 450 Acres amounted to L.E 1 450 000 in the virtue of a contract with the squatter dated May 4, 2010. The necessary legal procedures with government for legal convey of land are in progress.
- Area of 2000 Acres amounted to L.E 1 200 000 in the virtue of a 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 the squatter dated September 5, 2010. The necessary legal procedures with government for legal convey of land are in progress.
- Area of 980 Acres amount to L.E 870 000 in the virtue of a 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 1 269 750 in the virtue of a contract with the squatter dated January 3, 2012. 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

Confirmation done by the effect of this changes during the current period & further period on the depreciation expense which stated in the income statement as an expense

| | 2012 |
|------------------------------------|---------|
| (Decrease) in depreciation expense | 225 219 |

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 |

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

Notes to the consolidated financial statements for the year ended 31 December 2012

11-11 land grants

Company management has acquired four 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

12 Projects under constructions

| | 31/12/2012 L.E. | 31/12/2011 L.E. |
|--|--------------------|--------------------|
| Buildings and constructions in progress | 248 899 103 | 60 956 198 |
| Machineries under installation | 50 792 185 | 36 670 541 |
| Advance payments for fixed assets purchase | 230 885 203 | 97 520 366 |
| | 530 576 491 | 195 147 105 |

13 Plant wealth

| | 31/12/2012 L.E. | 31/12/2011 L.E. |
|------------------------------|--------------------|--------------------|
| Land reclamation | 21 219 345 | 13 865 411 |
| Fruit trees | 8 206 770 | 5 176 250 |
| Protection trees (Kazhurana) | 165 230 | 93 662 |
| | 29 591 345 | 19 135 323 |

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

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

The period from the beginning of operation till year 2004

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

Year 2005, 2006

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 2007 till 2010

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.

B. Salaries tax**The period from the beginning of operation till year 2008**

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

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

Notes to the consolidated financial statements for the year ended 31 December 2012

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.

14-2 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.

Egyptian Company for Dairy and Juice Products(the tax inspection has been performed and paid till 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 1-1-2011.

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

- Inspected and paid till 2006 and inspection is in progress from 2007 till 2010.

Tiba for Trading and Distributing

- Inspection is in progress for years from 2006 to 2009.

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2012

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. |
| 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 31/12/2011. |
| 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. |

Fourth: Sales tax

| Subsidiaries | Tax inspection ending date |
|--|---|
| Egyptian Company for Dairy and Juice Products | - 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. |
| Al-Marwa for Food Industries | - Inspected and paid till 31/12/2009 |
| International Company For Modern Food Industries | - The company present sales tax return on monthly basis and inspected and paid till 2011. |
| The Egyptian Company For Food Industries "Egyfood" | - Inspected and paid till 2008.and tax differences has been paid |
| Modern Concentrates Industrial Company | - 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 |
| Tiba for Trading and Distribution | - 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 |

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

Notes to the consolidated financial statements for the year ended 31 December 2012

Inmaa for Agriculture Development Co.

31/12/2008 and tax different has been paid

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

15

Inventories

| | 31/12/2012 L.E. | 31/12/2011 L.E. |
|--------------------------------------|--------------------|--------------------|
| Raw materials | 81 190 688 | 129 478 361 |
| Packaging & packing materials | 75 213 028 | 96 345 638 |
| Finished products | 127 504 480 | 121 406 379 |
| Work in process | 6 975 777 | 9 649 |
| Plant wealth | 10 366 137 | 21 237 972 |
| Spare parts & miscellaneous supplies | 31 940 818 | 29 982 304 |
| L/C's for purchase raw material | 14 409 166 | 12 932 |

Less :

Change in fair value of biological assets

| | |
|--------------------|--------------------|
| - | (1 291 222) |
| 347 600 094 | 397 182 013 |

16

Trade and other receivables

| | 31/12/2012 L.E. | 31/12/2011 L.E. |
|--|--------------------|--------------------|
| Trade receivables | 83 298 619 | 73 318 247 |
| Less: Impairment in trade receivables | (16 661 400) | (17 473 292) |
| | 66 637 219 | 55 844 955 |
| Notes receivables | 4 173 149 | 64 511 361 |
| Tetra Pak company | 954 940 | 8 043 192 |
| Suppliers – advance payments | 22 505 790 | 10 922 117 |
| Prepaid expenses | 4 377 743 | 6 512 319 |
| Export subsidy | 11 550 359 | 7 287 961 |
| Accrued revenues | 132 296 | 132 294 |
| Tax authority | 15 493 358 | 7 302 091 |
| Customs authority | 10 587 535 | 1 238 442 |
| Deposits with others | 2 157 741 | 2 597 187 |
| Accrued interest payable | 65 587 | 17 420 602 |
| Fixed assets debtors | - | 1 966 790 |
| Other debit balances | 8 150 800 | 4 470 887 |
| | 146 786 517 | 188 250 198 |
| Less: Impairment in debtors & other debit balances | (1 666 434) | (238 102) |
| | 145 120 083 | 188 012 096 |

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

Notes to the consolidated financial statements for the year ended 31 December 2012

17 Cash and cash equivalents

| | 31/12/2012 | 31/12/2011 |
|---|--------------------|--------------------|
| | L.E. | L.E. |
| Time deposits * | 509 216 016 | 651 248 943 |
| Banks – current accounts | 4 621 444 | 21 012 574 |
| Cheques under collection | 988 146 | 500 000 |
| Cash in hand | 3 908 103 | 10 551 721 |
| Cash in transit | 6 033 437 | - |
| L /G's cash margin | 5 050 000 | 5 100 000 |
| | 529 817 146 | 688 413 238 |
| Bank over draft | (13 208 561) | (58 406 259) |
| | (5 050 000) | (5 100 000) |
| L /G's cash margin (due after 3 months) | | |
| Cash and cash equivalents in the statement of cash flows | 511 558 585 | 624 906 979 |

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

18 Share capital

| | 31/12/2012 | 31/12/2011 |
|--|-------------------|-------------------|
| | 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 | 726 416 332 |

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.

18-1 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.

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

Notes to the consolidated financial statements for the year ended 31 December 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 period net profit is calculated using the weighted average method for the number of outstanding shares during the period as follows:

| | Financial Year ended 31/12/2012 L.E | Financial Year ended 31/12/2011 L.E |
|--|---|---|
| Net profit for the period according to consolidated income statement | 325 414 877 | 185 887 359 |
| <u>Deduct :-</u> | | |
| Employee shares | (26 297 557) | (24 575 725) |
| B.O.D remuneration | (20 137 532) | (18 118 596) |
| Net realized for share holders | 278 979 788 | 143 193 038 |
| Weighted average number of outstanding shares | 706 053 811 | 706 053 811 |
| Earning per share (L.E./share) | 0,395 | 0,203 |

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. | 66 146 326 | 385 960 309 | 452 106 635 |
| Granted loans to Company's Group from HSBC. | 72 251 211 | 76 125 605 | 148 376 816 |
| Granted loans to Company's Group from Barclays. | 13 637 000 | 63 555 609 | 77 192 609 |
| Balance at 31/12/2012 | 152 034 537 | 525 641 523 | 677 676 060 |
| Balance at 31/12/2011 | 131 809 926 | 252 495 807 | 384 305 733 |

21 Banks – credit facilities

This balance which amounted to L.E 351 097 043 as at 31/12/2012 (against L.E 448 000 911 as at 31/12/2011), represents the drawn down portion of the L.E. 915 million (in aggregate principal) bank facilities. Interest is charged on such drawn down amounts at a variable interest rate. These lending banks were provided with various guarantees granted by the group companies against these obtained facilities.

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

Notes to the consolidated financial statements for the year ended 31 December 2012

22 Short term loans

This balance which amounted to L.E. 32 476 634 as at 31/12/2012 (against L.E. 8 352 761 as at 31/12/2011) 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 | Balance on 1/1/2012 | Provision formed during the year | Provision used during the year | Balance on 31/12/2012 |
|----------------------|------------------------|--|--------------------------------------|--------------------------|
| | L.E | L.E | L.E | L.E. |
| Provision for claims | 7 610 466 | 5 407 644 | (1 463 578) | 11 554 532 |
| | <u>7 610 466</u> | <u>5 407 644</u> | <u>(1 463 578)</u> | <u>11 554 532</u> |

24 Creditors and other credit balances

| | 31/12/2012 | 31/12/2011 |
|---|--------------------|--------------------|
| | L.E. | L.E. |
| Suppliers | 134 869 854 | 73 568 627 |
| Notes payable | 9 433 940 | 11 069 |
| Accrued expenses | 55 786 944 | 40 376 989 |
| Fixed assets' creditors | 4 535 631 | 11 310 670 |
| Tax authority | 7 242 996 | 4 039 448 |
| Deposits from others | 10 986 548 | 3 619 886 |
| Sales tax installments on the imported machineries and equipments | 6 612 857 | 6 858 400 |
| Deferred capital gains | 1 738 584 | 1 738 584 |
| Social insurance authority | 2 761 150 | 689 358 |
| Dividends payable | 133 600 | 666 522 |
| Advances from customers | 1 159 541 | 2 228 272 |
| Other credit balances | 1 458 299 | 3 513 128 |
| | <u>236 719 943</u> | <u>148 610 953</u> |

25 Other long term liabilities

| Description | 31/12/2012 | 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 6 612 856 as at 31/12/2012(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 24). | 31 969 777 | 36 072 296 |
| The value of accrued installments of the purchased land at Al-Wadi Al-Gadeed. | - | 197 980 |
| | <u>31 969 777</u> | <u>36 270 276</u> |

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

Notes to the consolidated financial statements for the year ended 31 December 2012

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 31/12/2012 amounted to L.E 1 738 584 while the short term portion amounted to L.E 1 738 584 as at 31/12/2012 (L.E. 1 738 584 as at 31/12/2011) included in the trade & other credit balances item of the consolidated balance sheet (Note 24).

| 31/12/2012 L.E. | 31/12/2011 L.E. |
|--------------------|--------------------|
| 6 954 285 | 8 692 869 |
| <u>6 954 285</u> | <u>8 692 869</u> |

27 Deferred tax liabilities

Deferred tax liability amounted to L.E 51 970 810 on 31/12/2012 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 L.E | Deferred tax from 1 st Jan to 31 December 2012 L.E | Balance on 31/12/2012 L.E |
|--|-------------------------------|--|---------------------------------|
| Deferred tax liability from fixed assets | <u>36 068 711</u> | <u>15 902 099</u> | <u>51 970 810</u> |

Recognized deferred tax assets and liabilities

Deferred tax assets are representing in the following items:

| | 31/12/2012 L.E. | Liabilities 31/12/2011 L.E. |
|----------------------------|--------------------|-----------------------------------|
| Fixed assets | 54 144 030 | 38 389 409 |
| Deferred revenue | (2 173 220) | (2 320 698) |
| Net tax liabilities | <u>51 970 810</u> | <u>36 068 711</u> |

28 Group companies

The following sets out the subsidiaries of Juhayna Food Industries Company that were acquired and controlled by the Company as at 31/12/2012 shown together with this respective contribution percentage held as at the balance sheet date.

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

Notes to the consolidated financial statements for the year ended 31 December 2012

| Subsidiary Name | Contribution percentage 31/12/2012 | 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 improvement | 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

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2012

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 | |
|-------------------------|------|-----------------|-------------|
| | | 31/12/2012 | 31/12/2011 |
| | | L.E. | L.E. |
| Trade receivables | (16) | 66 637 219 | 55 844 955 |
| Banks credit facilities | (21) | 351 097 043 | 448 000 911 |
| Short term loans | (22) | 32 476 634 | 8 352 761 |
| Total long term loans | (20) | 677 676 060 | 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 351 097 043 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 | 351 097 043 | 915 000 000 |

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2012

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.

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 | DKK | GBP |
|-------------------------------------|-------------------|-------------------|-----------------|------------------|------------------|-----------------|
| Trade and other debit balances | 858 558 | 539 711 | - | - | - | - |
| Cash and cash equivalents | 35 896 556 | 18 448 230 | - | - | - | - |
| Credit facilities | (28 103) | - | - | - | - | - |
| Creditors and other credit balances | (2 562 416) | (637 528) | (1 880) | (166 771) | - | (107) |
| 31 December 2012 | 34 164 595 | 18 350 413 | (1 880) | (166 771) | - | (107) |
| 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 | 6.235 | 5.916 | 6.390 | 6.047 |
| Euro | 8.265 | 7.739 | 8.420 | 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.

| | 31/12/2012 | 31/12/2011 |
|--|--------------------|--------------------|
| | L.E. | L.E. |
| Total liabilities | 1 456 694 858 | 1 149 137 588 |
| Less: cash and cash equivalents | (529 817 146) | (688 413 238) |
| Net debt | 926 877 712 | 460 724 350 |
| Total equity | 1 988 640 891 | 1 812 205 970 |
| Net debt to adjusted equity ratio | 46.61 % | 25.42 % |

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

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:

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

Notes to the consolidated financial statements for the year ended 31 December 2012

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

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

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

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

The Company has leased the administration building of Tiba for Trading and Distributing Company (Subsidiary) following the operating lease system for a monthly lease rent of L.E. 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 other operating expenses item in the income statement. Thus, total installments of the financial year ended 31/12/2012 amounted to L.E. 12 101 325

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 L.E 12 826 239 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 556 377 481 on 31/12/2012.

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2012

33-1 Due from related parties

| Company's name | Nature of transaction | Total value of transactions | | Balance as at | |
|-------------------------------------|-----------------------|-----------------------------|------------|------------------|------------------|
| | | 31/12/2012 | 31/12/2011 | 31/12/2012 | 31/12/2011 |
| | | L.E. | L.E. | L.E. | L.E. |
| Bonian for Development & Investment | Current account | (294 863) | (500 000) | - | 294 863 |
| Milkiez | Customer | 927 582 | 1 516 543 | 1 337 563 | 1 186 612 |
| | Vendor | 185 652 | 299 149 | | |
| | | | | <u>1 337 563</u> | <u>1 481 475</u> |

34 Goodwill

| | 31/12/2012 | 31/12/2011 |
|---|-------------------|-------------------|
| | L.E. | L.E. |
| Goodwill resulting from acquiring the Egyptian Company for Dairy & Juice Products | 46 433 934 | 46 433 934 |
| Goodwill resulting from acquiring Al-Marwa for Food Industries Company | 50 658 956 | 50 658 956 |
| | <u>97 092 890</u> | <u>97 092 890</u> |

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.

36 Other events during the year

Several resolutions were issued to amend some income tax laws articles and were published in the Official newspaper on December 6, 2012 that shall come into effect as from the day following the date of publication. These amendments are as follows:

- Amending some articles of income tax law issued by the law no. 91 for the year 2005.
- Amending some articles of general sales tax law issued by the law no. 11 for the year 1991.
- Amending some articles of real estate tax law issued by the law no. 196 for the year 2008.
- Amending some articles of stamp tax law issued by the law no. 111 for the year 1980.

Officials' statements about freezing those decisions have been released so the financial statements were not affected by those amendments, in the case of availability of reliable information about the validity of those decisions and the date of activation it is probable that the mentioned amendments will have an effect on the tax bases and related assets and liabilities, as well as business results and the resulting net profit available for distribution during the fiscal year.