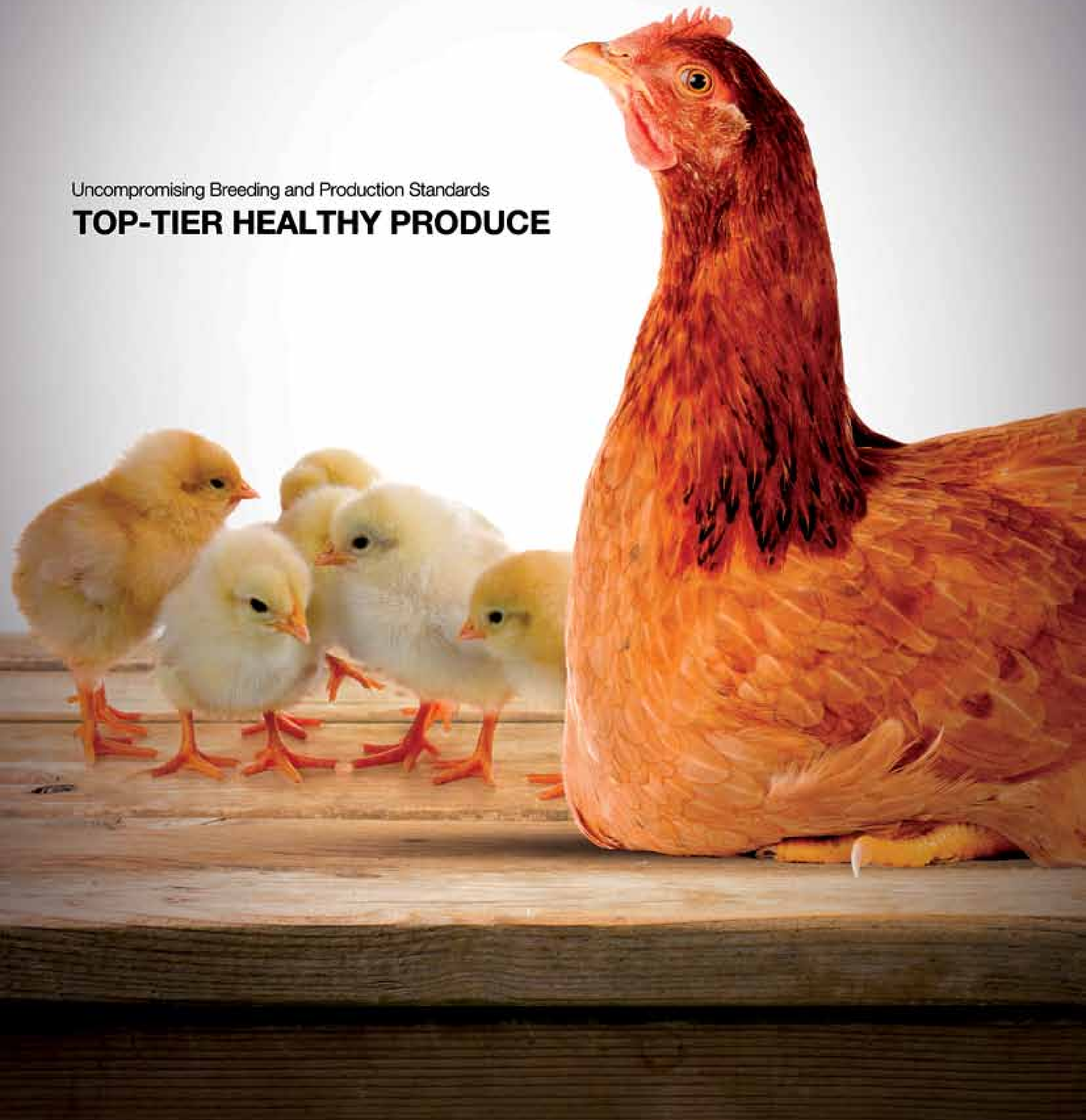
CPC

CAIRO POULTRY COMPANY

Uncompromising Breeding and Production Standards

# TOP-TIER HEALTHY PRODUCE



ANNUAL REPORT 2012

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# Chairman's Letter

Dear Shareholders,

As you will find from listening to other leaders of corporations catering primarily to consumer demand in Egypt, 2012 was in many ways more challenging than the previous year — the year of the 25 January Revolution. I am accordingly pleased to report that — amid the turbulence attendant to the transition period — we have reported both top-line growth and continued market leadership.

I am confident going forward that the same business model that allowed us to weather 2012 will see us post another strong performance in 2013 as we position the company to capture the natural upside of both expanding export territories and, critically, the return to growth of our home market.

In the year just ended, our focus was on maintaining profitability and agility in the face of a turbulent market through carefully managed pricing, operational diversity and our unmatched balance sheet strength.

This strategy proved clearly fitting, as we grew top line sales by 10.5%, even as our operating and net profits came under pressure from market and economic conditions out of our control.
It is moreover important to note that widespread dumping in the poultry market in Egypt affected our margins in 2012, and we have called on the relevant authorities to take immediate action to protect this crucial domestic sector from unfair trade practices by offshore parties.

As we look to the future of Egypt, community investment remains a high priority for CPC. We continue to promote the development of our employees through special training programs and scholarships for higher education, and continue our research collaboration with the Ministry of Agriculture. In 2012, we signed a five-year agreement with the Damanhur University to help nominated students prepare for the poultry labor market through specialized managerial and technical training. This is equally an investment in our industry and in the youth of our nation.

## Outlook

Looking forward, it appears likely that 2013 will be in many respects at least as challenging as last year. That said, I am confident we have the people, processes and fundamentals in place to navigate our company through an environment of high inflation, currency devaluation, rising costs of inputs, and a dynamic political environment.

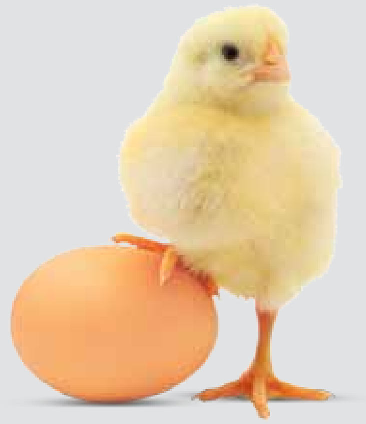
As a consumer foods venture, we have a natural buffer from the full impact of these shocks: People must eat. And the natural desire for high-quality, affordable, safe meals does not diminish even as uncertainty niggles at consumer confidence. Unfortunately, we will not be fully immune, as continued constraints on the country's tourism sector will impact sales to hotels and restaurants. We may also expect to see some challenges in our business-to-business sales, although our export team is increasingly seeing strong results — from core poultry-related products to those of Egyptian Starch and Glucose.

From grandparents and parents to hatcheries, broilers and processing; from secondary starch and glucose products including animal feed and corn oils, CPC brings to the table a safe, healthy and globally competitive offering. I am confident that our team will harness the full competitive advantages of our vertically integrated approach to not only weather 2013, but to capture the upside presented by a return to growth at home and widening export horizons.

Yours truly,

Professor Mamdouh Sharafeldin
*Chairman*

# KEY FACTS



## 36 years as market leader

With over three decades of experience, CPC is an established leader in the Egyptian poultry industry.

## 3 main feed production facilities

following the completion of a new feed mill in Nubaria, which will be operational during the second quarter of 2012 with a production capacity of 600,000 tons per annum.

## 2 large slaughtering facilities

CPC's processing operation began in 1992 with its Koki factory located in the 10th of Ramadan City.
A second production facility was opened in 2008 in Nubaria.

## 19 Koki retail outlets

Koki's retail presence now includes 20 outlets across the country. CPC's ambitious expansion strategy has helped solidify Koki's presence in Greater Cairo, the North Coast, 10th of Ramadan City, and Nubaria.

## 1 new facility

ESGC launches new facility with environmentally friendly technology in 2012.

## 3 complementary lines of business

In addition to its core business, CPC has expanded its lines of business to include the processing and distribution of derivative products, animal feed and starch and glucose products

## 6 farms, hatcheries and production facilities

CPC's operations are spread throughout Egypt in Nubaria, Regwa, Sadat City, 10th of Ramadan City, El Saff, Anshas, Salehia, and Wadi el Natroon.

## 12 retail outlets

for the direct sale of feed and one-day-old chicks throughout Egypt's governorates.

# 2012 AT A GLANCE

# BUILDING FOR GROWTH

Cairo Poultry Company (CPC) is the leading vertically integrated poultry company in the region. Our business model is based on expert control of the supply chain, minimizing costs for customers and maximizing profits for shareholders, with operations that cover all steps of the production cycle, including grandparents, parents, hatcheries, broilers, processing, and secondary starch and glucose products such as animal feed and corn oils.

Since our founding in 1977, CPC has maintained a strong financial position and stayed true to our commitment to position ourselves for growth through prudent management of today's challenges and investment in tomorrow's future.

## Sales (in EGP million)

| | |
|---|---|
| 2008 | 1962.3 |
| 2009 | 1935.1 |
| 2010 | 1961.6 |
| 2011 | 1885.9 |
| 2012 | 2051.2 |

## EBITDA (in EGP million)

| | |
|---|---|
| 2008 | 383.7 |
| 2009 | 465.5 |
| 2010 | 575.1 |
| 2011 | 341.3 |
| 2012 | 334.6 |

## Net Worth (in EGP million)

| | |
|---|---|
| 2008 | 894.50 |
| 2009 | 1022.70 |
| 2010 | 1103.5 |
| 2011 | 972.00 |
| 2012 | 952.00 |

## Net Profit (in EGP million)

| | |
|---|---|
| 2008 | 163.4 |
| 2009 | 205.4 |
| 2010 | 228 |
| 2011 | 189.7 |
| 2012 | 82.9 |

## Long Term Assets Trend (in EGP million)

| | |
|---|---|
| 2008 | 1134 |
| 2009 | 1293 |
| 2010 | 1301 |
| 2011 | 1276 |
| 2012 | 1321 |

## Dividends (in EGP million)

| | |
|---|---|
| 2008 | 36.3 |
| 2009 | 108.9 |
| 2010 | 147.6 |
| 2011 | 186.9 |
| 2012 | 109.4 |

### EGP 2.05 bn Net Sales in 2012

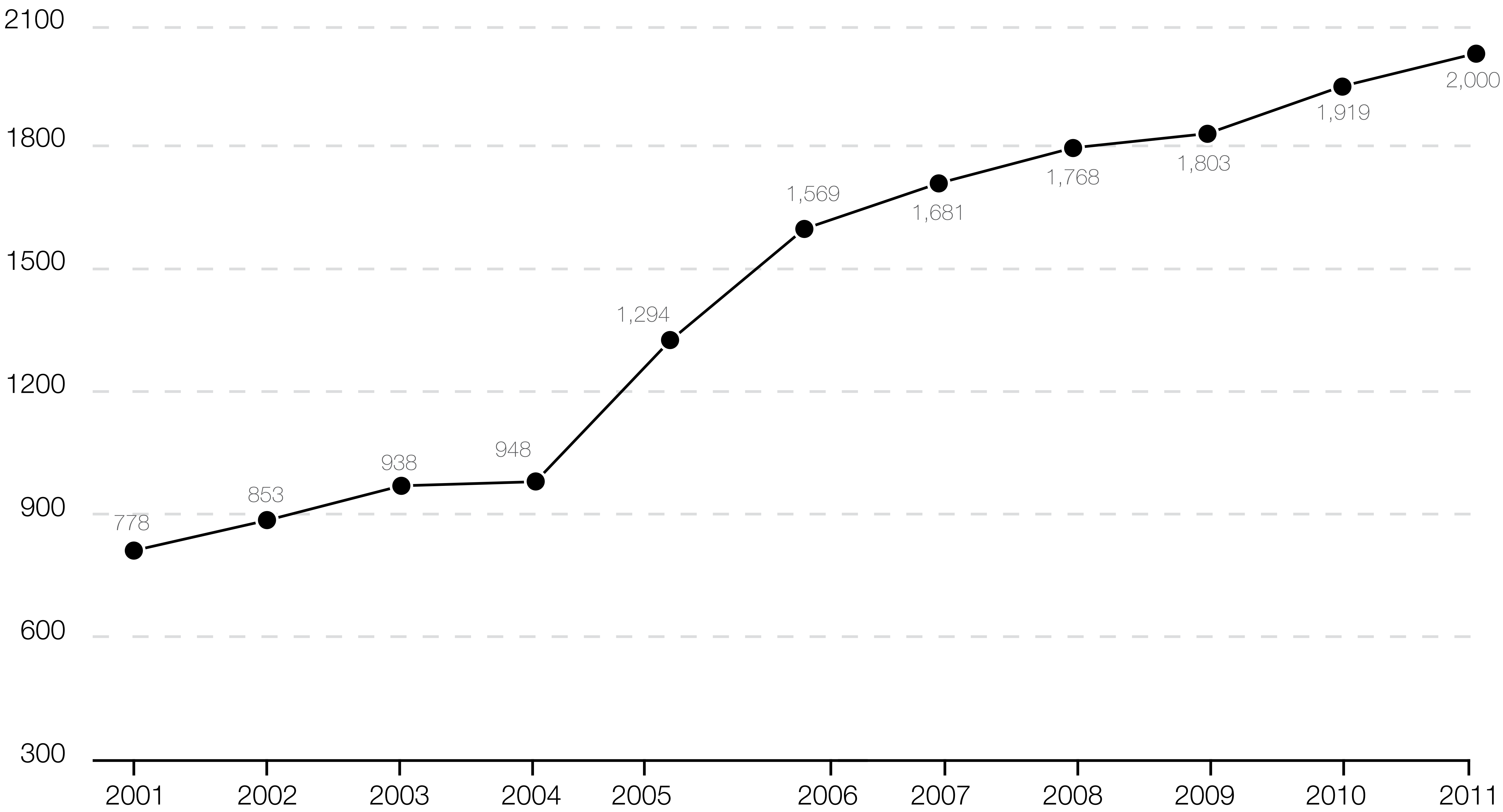
With over 36 years of experience in the poultry industry, CPC has solidified its position as a market leader and maintained a solid financial position in spite of economic challenges. Despite the continuing difficulties facing the Egyptian economy, CPC saw an increase in net sales, which rose from EGP 1.89 billion in 2011 to EGP 2.05 billion in 2012, a 8.8% increase year-on-year.

### EGP 2 bn Total Assets in 2012

We are continually investing in the future and building for growth. This year, CPC's total assets grew over 4% to EGP 2 billion, up from EGP 1.92 billion in 2011.

# RELIABILITY

Since its founding, CPC has seen a remarkable growth. Since 2007 the CPC total assets have been growing at an average of 5% year on year. This consistency remained true and proven in the tumultuous years of 2011 and 2012, which proved chaotic for the business environment in general



# WHO WE ARE

Cairo Poultry Company (CPC) is the leading vertically integrated poultry company in the region with a business model based on expert control of the value chain, minimizing costs for customers and maximizing profits for shareholders. Our operations cover all steps of the production cycle, including grandparents, parents, hatcheries, broilers, processing, and the related industry of starch and glucose products such as animal feed.

Founded in 1977 by the Americana Group, CPC boasts 14 subsidiaries with star brands such as Koki and Americana Meats, offering a wide variety of chilled, frozen, and value-added products. Customer favorites include pre-seasoned ready-to-cook and pre-cooked ready-to-serve meals. We have dominated the market on retail and value-added food sales in Egypt, and are poised to absorb customers switching from live chicken purchases to more hygienic providers.

CPC is listed on the Egyptian Exchange (POUL:EY) and is a vital exporter to the GCC and African markets, with important contracts with the Egyptian Army, the US Department of Defense in the Middle East, and the Multinational Forces. We are also a key supplier for a number of prominent restaurants in the region, including KFC, Pizza Hut, Domino's Pizza, Burger King, and McDonald's, as well as the Marriott, Sheraton, and Hyatt Regency hotel chains.

Our deep industry experience and dedicated team of professionals have helped make CPC the success that it is today. Part of our responsibility includes giving back to the communities in which we operate and our employees, which we do through scholarship programs, summer training courses, and programs with local universities.



# STRATEGY

Our vertically integrated business model remains at the heart of CPC's strategy for success. By optimizing control of each and every step in the supply chain, CPC maximizes profits while minimizing costs. CPC is unique among poultry producers in Egypt, with an adept integration of grandparents, parents, hatcheries, broilers, processing, feed, marketing, and distribution. This business model also has the added advantage of insulating CPC from cyclical downturns in market sub-sectors, with stronger divisions compensating for exposure to downturns, as demonstrated by the historical stability of CPC balance sheets.

## Brand Recognition

CPC's unparalleled brand recognition and market share are the result of long-term, effective marketing coupled with high-quality underlying fundamentals congruent with our larger strategic vision. In line with our commitment to vertical integration, CPC has maintained its place as the sole agent for Hubbard and Arbor Acres grandparents, and the first in Egypt to introduce this technology to the wider market.


*CPC is unique among poultry producers in Egypt, with an adept integration of grandparents, parents, hatcheries, broilers, processing, feed, marketing, and distribution.*

CPC's intensive marketing strategy for flagship brands KOKI and Americana is based upon the use of exclusive retail outlets and aggressive marketing to build strong brand identity. Clever and widespread advertising campaigns that seek to increase local brand recognition, deepen market penetration and expand market share have been carried out consistently over the past 35 years, resulting in a strong brand identity and widespread market recognition reflecting CPC's equity and real value in the consumer market.

Our parents division has also achieved a sizeable market share, thanks to the partial acquisition of parents farms from public sector companies and investment in upgrading facilities. In the spirit of economies of scale and profit optimization, CPC opened a new feed mill in 2011, which is set to double capacity after operations begin at year end 2012. In terms of distribution strategy, with a fleet of 400 refrigerator trucks owned and operated by the company, CPC is unmatched. In addition to covering over 90% of Egypt's retail freezing capacity, CPC accounts for 100% of modern trade.

## The Egyptian Poultry Market

Understanding the dynamics of the Egyptian poultry market is key to CPC's successful strategy, and has helped us harness growth drivers with maximum effect. Nationally, production of chicken meat exceeds that of all other meats combined. At 9.5 kilograms/year, Egypt's per capita chicken consumption remains well below the international average of 36 kilograms/year with room to grow. With most of the chicken in Egypt still sold in live form , and much-needed public and food safety regulations on the rise, CPC is excellently positioned to take advantage of the market shift to processed, packaged chicken—a value-added, high-profit area of operations. As the clear market leader for value-added chicken, CPC has the potential to pick up a large portion of consumers switching to more reliable, hygienic sources of chicken in the future. And with significant investments in the near-to-medium term to increase capacity at all stages in the supply chain, CPC will be well prepared to meet growing demand.

## Quality

Internal standards of excellence are also crucial to CPC's strategic integrity. We conform to international best practices in terms of both health and safety regulations to ensure the well being of our world-class staff, first-rate facilities, and unparalleled products. CPC complies with HACCP, GMP, and ISO safety standards and adheres to the strictest guidelines for technology and hygiene. The company's financial modeling and reporting protocols and dedicated personnel also ensure the highest standard of performance through the use of Oracle and MTECH software platforms, helping to coordinate group-wide activity to maximize efficiency and minimize waste.

1) Starch and Glucose Manufacturing operations are not consolidated under CPC, as the Company owns c.27% of the entity, and hence are treated as an investment.

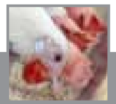
# Vertically Integrated Operations

As part of its strategic business model, CPC maintains robust operations at all points in the supply chain, ranging from feed to processing. An internal standard of quality and sizeable market shares across the divisions help make CPC the region's leading vertically integrated poultry producer. Each line of business feeds internal supply chains as well as business-to-business sales in the market at large.

## Feed

CPC produces poultry-compounded animal feed in the form of pellets and mash from a mix of yellow corn, soya meal, and premixed concentrates. We are committed to the highest standards of quality, and use no animal ingredients in our premium animal feed.

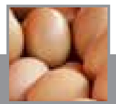
The Feed line of business also has trading operations, both in buying and selling. Our highly experienced traders closely follow the commodities markets to help mitigate cost fluctuations and optimize profitability. This line of business is increasingly crucial, amidst rising grain prices and foreign exchange risk.



## Grandparents

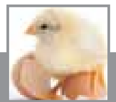
CPC has a sophisticated grandparents operation that is the only of its kind in Egypt. We raise one-day-old grandparents who then produce one-day-old parents for either sale in the market or transfer to in-house parent division farms.

We use only the most sophisticated science and technology and strictest standards of quality control in our grandparent operations. Feed ingredients are checked on a daily basis and grandparents are monitored for salmonella, microbes, and other bacteria to protect the health of our consumers.



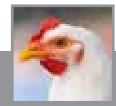
## Parents

Our parent operations raise one-day-old parents to produce ready-to-hatch eggs for our hatcheries division. After being raised for 24 weeks, parents go through a rigorous, two-stage selection and inspection process, designed to ensure that only the highest quality birds advance further along the supply chain.



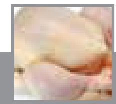
## Hatcheries

CPC's hatcheries line of business produces ready-to-hatch eggs, which in turn produce one-day-old broiler chicks for sale to the market or for internal supply. In keeping with our unwavering commitment to quality, all our eggs are Ministry of Agriculture certified and vaccinated upon birth.



## Broilers

Our broilers line of business is integral to the production of our high quality final products. We raise one-day-old broilers intended for sale in the market or transfer to our in-house slaughtering facilities.

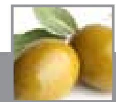


## Processing

Our processing division specializes in the slaughter of broilers to produce fresh and frozen chicken products, as well as value added items for retail sale.

## Distribution

In the final step in the supply chain, CPC's excellent distribution system supplies our extensive retail network. With roughly 400 refrigerator trucks, 65 of which are directly owned and operated by the company, our distribution line of business serves our major retail locations and hospitality industry clients.



## Auxiliary Services

Olive cultivation for oil production and security services for CPC facilities are additional auxiliary services that the company provides in furtherance of its vertically integrated business model. These businesses complement CPC's core poultry operations by keeping key services in-house.

# CORE SEGMENTS

## A FOCUS ON RETAIL, VALUE ADDED

Retail and value added operations are a key strategic focus for CPC. With healthy margins and opportunities for growth in the Egyptian poultry market, this segment is poised and ready to capitalize on accelerating consumer demand through its diverse product offering and wide retail and distribution networks.

### Koki

Koki is Cairo Poultry Company (CPC)'s highly successful, internationally recognized flagship brand which has allowed the company to rapidly grow into one of the Middle East's leading suppliers of healthy, hygienic and nutritious poultry products. Our technologically sophisticated production lines and modern processing methods have endowed the Koki brand with an expansive range of products which includes Frozen Whole Chickens and Frozen Chicken Parts, as well as Value Added processed chicken products ready to be eaten within minutes. As part of its ongoing efforts to meet the customer needs for variety, Koki has recently launched a Fresh Chicken range.

Koki brand products are produced in technologically advanced poultry production. Out of a total of six production lines operated by the company, four are dedicated to poultry. These facilities are centered on two slaughterhouses, located in 10th of Ramadan and the Nubaria industrial zone.

As a fully integrated operation, we are able to both enforce and guarantee the highest internationally defined standards of quality and hygiene. We ensure the highest product quality standards by supervising every stage of the production process, from the sourcing of poultry parent stock, to poultry ranches, hatcheries, and slaughterhouses, culminating in the manufacturing and packaging of our wide range of Koki brand chicken products. All products are ISO 9001 compliant, and are slaughtered and prepared in accordance with Islamic Sharia (HALAL).

We operate a vast distribution network that covers over 90 percent of retail freezing capacity nationwide. Our extensive distribution network is served by over 700 direct and indirect sales team members, and 400 specially equipped refrigerated trucks covering thousands of supermarkets and grocers nationwide. Our effective distribution network is enhanced by the use of modern display methods in all sales points, including customized display refrigerators.

Koki Shop is a chain of company-owned outlets covering Cairo and Alexandria. All outlets provide our clients with Koki and Americana products, exclusively. Furthermore, the Koki Shop provides a convenient home-delivery service managed by our call center. Our clients can be assured of receiving the excellent standard of service they have come to associate with the Koki brand.



Koki's local marketing plans rely on regular publicity campaigns through all media channels, as well as specialized annual campaigns. As a rapidly growing competitor in global markets successfully supplying over 30 countries worldwide, we rely on our Export Department's understanding of international market needs to expand our international market outreach even further in the coming period.

As a result of continuing and expanding consumer trust in the Koki brand over the years, Koki is currently leading the Egyptian chicken market with over 41 percent of the total chicken market, and over 67 percent of Value Added products. We are proud to say that Koki is the region's leading brand in all market segments, whose products are served in prominent restaurants in the region, including KFC, Pizza Hut, Domino's Pizza, Burger King, McDonald's, Hardees, Johnny Carino's and Chicken Tikka as well as the Marriott, Sheraton, and Hyatt Regency hotel chains.

### Americana

Americana is one of the most notable and well recognized food brands in the MENA region with a long standing market presence and penetration. Americana labeled products are present in 13 countries in the region, and has achieved tremendous success across its lines of business.

With high quality, 100% halal ingredients, Americana products are made with the customer in mind, offering a wide range of dishes that require minimal preparation or are ready-to-serve. Family favorites include burgers, nuggets, frankfurters, kebabs, and kofta, as well as popcorn-style minces. In addition to distributing high quality chicken and meats through this brand, we also provide our products through other high profile brands such as California Garden and Farm Frites.

## The Egyptian Starch and Glucose Company (ESGC)

The Egyptian Starch and Glucose Company (ESGC) is a leading manufacturer of starch and glucose products, which are integral to the food and beverage and packaging material sectors in Egypt. The company's manufacturing scope also encompasses the production of animal feed designed to meet the nutrition needs of targeted small and large animals.

For over 50 years ESGC has processed and sold starch and glucose products to a diverse array of industries. The glucose syrup we produce has traditional applications for confections, pastries, and beverages, all strong and growing businesses in Egypt. The corn starches we also produce have more diverse applications—ranging from chips and crackers to adhesives and packaging materials. Corn oil has been a successful product as well thanks to its popularity as a staple ingredient for salad dressings, fried foods, and desserts.

Animal feed, a by-product of starch and glucose processing, is sold business-to-business. ESGC specializes in two main types of animal feed: Gluten Feed (GF), which is designed for dairy cows, camels, horses, and sheep; and Corn Gluten Feed (CGF), which is better suited for poultry, fish, shrimp, pigeons, and rabbits.

ESGC is committed to pioneering the Egyptian starch and glucose industry by integrating top of the line facilities and technology and world class safety standards. To this end, facilities have been fully upgraded in 2012 to incorporate the latest environmentally-friendly technology in a three-phase plan that included successful improvement of starch and glucose derivatives, and complete upgrades to both the starch and glucose operations, followed by a total facility renovation.

Together with an aggressive growth strategy and a strong brand identity bolstered by a large and growing product line, ESGC has managed to capture and maintain a strong share in the Egyptian market, a position that the company looks forward to expanding upon into the future.

**www.esgc.com.eg**



## Market Trends

To understand today's Egyptian poultry market, it is important to note the continuing prevalence of live chicken sales, which still account for roughly 70% of total sales—with value added sales through retail outlets and supermarkets making up the remaining 30%. This is where CPC truly excels, providing customers with value for money and unbeatable products, as reflected by our impressive market share. As consumers switch to more hygienic sources of chicken in the coming years through a combination of increased public awareness and food safety regulations, CPC is best positioned to absorb the bulk of transitioning consumers.

## Derivative Products

CPC is also a market leader in the manufacturing of starch and glucose products, which are integral to the food & beverage and packaging material sectors in Egypt. We also produce two varieties of animal feed, each designed to meet the nutrition needs of targeted small and large animals.

Through our two plants—one in Mostorod and one in Torah—we handle an annual output of 145,000 tons of ground corn: 65% of which is designated for main products (starch and glucose); 35% for by-products (corn oil and animal feed).

We have achieved great success in recent years thanks to our exceptional and diverse product offering and our shrewd growth and branding strategies.

# YEAR IN REVIEW

## New Feed Mill

In 2012, we made great progress on our new feed mill, established in Nubaria to address increased demand for pellet feed and facilitate distribution. The facilities will become operational in the first half of 2013, and will nearly double CPC's overall feed production capacity.

## Quantitative Highlights

Despite the political, economic and security conditions in 2012, CPC managed to grow its top line sales 8.8% from EGP 1.89 billion to EGP 2.05 billion. Net profit fell year-on-year, as we saw downward pressure on gross profit and EBITDA, but remained comfortably positive. CPC's total assets grew over 4% in 2012 to EGP 2 billion, up from EGP 1.92 billion in 2011.

Our new feed plant in Nubaria promises to boost earnings in the coming period. The facility has a production capacity of 600,000 tons per annum.

# CORPORATE GOVERNANCE & CORPORATE SOCIAL RESPONSIBILITY

## Corporate Governance

CPC is committed to accountability and transparency, and relies on its Board of Directors, Audit Committee and General Assembly to ensure fairness and good governance at all levels. We adhere to international best practices in formulating our internal framework for corporate governance, sound management, financial reporting, and legal & regulatory compliance.

## Board of Directors

The CPC Board of Directors is made up of nine members, elected by the General Assembly, and tasked with overseeing company operations and acting in the interest of shareholders to promote growth. A supermajority of the board—six of the nine seats—are non-executive members, helping to assure the neutrality and independence of the Board when making decisions on behalf of the company.

## General Assembly

Made up of the entirety of CPC's shareholder base, the General Assembly is CPC's definitive governing body. Besides electing the Board of Directors, the General Assembly is responsible for approving financial results, ratifying dividend distribution, and appointing external auditors to ensure the objective financial soundness of the group.

## Audit Committee

The Audit Committee is a crucial institution of CPC's corporate governance, charged with maintaining legal and regulatory compliance overall, and on a market-by-market basis. Our actions are clearly outlined in the Audit Committee Charter, whose procedures and guidelines are reviewed on an annual basis. In addition to overseeing internal and external audits, the Audit Committee authorizes and conducts investigations where prudent.

## Corporate Social Responsibility

Corporate Social Responsibility programs are close to CPC's heart, both in local communities and within our employee family. At CPC, we aim to not only nourish people's stomachs, but also their lives through a combination of targeted donations and internal programs.



## Employee Support, Training, and Education

- CPC supports employee higher education through scholarship programs because we know that when we invest in talent, we are investing in ourselves.
- We also put on summer programs, with opportunities for employees to further their training in courses at home and abroad.
- Our unique mentoring culture helps us retain talented employees and transfer our more than 30 years of experience from mentor to mentee.
- The strictest standards of health and bio-safety help to foster a productive work environment.

## Community Programs

- CPC has helped fund renovations of the agriculture faculties of Cairo, Alexandria, and Ain Shams universities.
- We sponsored attendance to the 2011 American University in Cairo Poultry Pathology conference.
- As part of our commitment to community health, CPC provided much needed funding to both the Kasr al Aini Hospital and its Friends Association.

## Damanhur University Program

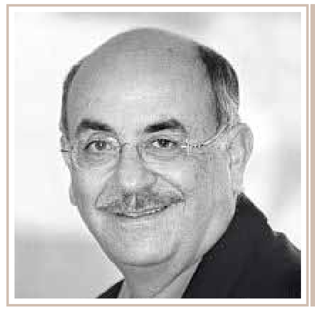
- CPC has signed a five-year commitment to train 100 students from the Faculty of Agriculture (20 per year) to work in the field of poultry production.
- Damanhur University, with the help of CPC, will establish a new division specializing in poultry production within the existing Faculty of Agriculture.
- CPC will prepare nominated students for entrance into the poultry labor market by providing them with technical training and basic managerial skills to groom them for careers as specialized managers in the Grandparents, Parents, Broilers, Feed, and Hatcheries lines of business.
- CPC will also sponsor monthly performance incentives for participating students.

## Research and Development

- CPC collaborates with the Ministry of Agriculture on a number of research and development projects, including providing facilities and funding for testing farms.
- In the interests of advancing the technology and know-how of our industry as a whole, we donate one-day-old chicks as well as animal feed to poultry research groups.

# BOARD OF DIRECTORS

Prof. Mamdouh Sharafeldin
Chairman

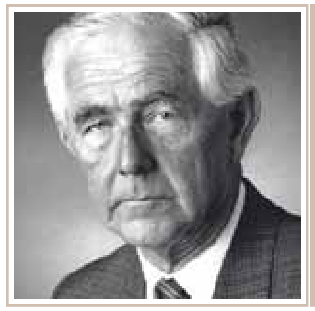


Mr. Moataz Al-Alfi
Board Member

Eng. Tarek Tawfik
Managing Director

Mr. Adel Al Alfi
Managing Director

Mr. Mahmoud Al Afifi
Board Member



Mr. Hans Nagel
Board Member

Mr. El-Sayed Nasef
Board Member

Mr. Ahmed Donia
Board Member

# EXECUTIVE MANAGEMENT

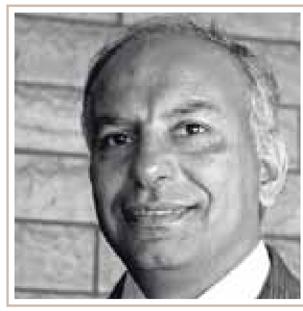
Eng. Tarek Tawfik
Managing Director

Mr. Adel Al Alfi
Managing Director

Mr. Hazem Zayed
Assistant Managing Director Corporate Finance & Business Development

Dr. Nabil Darwish
Managing Director Grandparent Division

Mr. Mostafa Rashed
Cairo Poultry Processing Division Chairman



Mr. Mohamed Taha
Chief Financial Officer

Dr. Mohamed Hamoud
Technical Director

Mr. Ayman Roushdy
HR Director

Eng. Basem Aboul Wafa
Projects Director

# OPERATIONS MANAGEMENT

Dr. Eng.
Khaled Badr
Starch & Glucose Division Manager

Mr. Ahmed Refaat
Processing Division Manager

Dr. Khaled Moustafa
Grandparent Division Manager

Eng. Mohsen Abdel Megeed
Parent Division Manager

Eng. Ali Mowafak
Feed Division Manager

Dr. Amir Iskandar
Broilers Division Manager

Mr. Aysar Abu Elenen
Hatchery Division Manager

# FINANCIAL REVIEW

Cairo Poultry Company
(An Egyptian Joint Stock Company)

## Consolidated financial statements for the year ended December 31, 2012

Contents

KPMG Hazem Hassan
Public Accounts & Consultant

Nasr Abou ElAbas-Morsion International
Public Accounts & Consultant

# AUDITORS' REPORT

To the shareholders of Cairo Poultry Company
"An Egyptian joint stock Company"

## Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Cairo Poultry Company S.A.E, which comprise the consolidated balance sheet as at 31 December 2012 , and the related consolidated statements of income, changes in shareholders' equity, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Management's Responsibility for the 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 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. Except as described below, 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 consolidated financial statements are free from material misstatement.

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

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

## Basis for Qualified Opinion

As described in note no. (31) the consolidated financial statements include assets, liabilities, revenues and expenses refers to subsidiaries that were audited by other auditors amounted to L.E 636 464 684, L.E, 336 447 327 and L.E 589 567 095 and 802 302 088 with a percentage of 31.95 %, 29 %, 27.32 %and 38.67% respectively to total consolidated assets, liabilities, expenses and revenues as at 31 December 2012. Against 31.44% 27.21%35.25% and 32.05% respectively to total consolidated assets, liabilities, expenses and consolidated revenues as at 31 December 2011, So we couldn›t determine whether there is an important adjustments to be made of the value of these assets, liabilities, expenses and revenues recorded in the consolidated financial statements to be relevant in accordance with Egyptian Accounting Standards.

## Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we audited the financial statements of such subsidiary companies referred to in paragraph above, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2012 and the results of its operations and its cash flows for the financial year then ended, in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations that related to prepare this consolidated financial statements.

**Ahmed Salem**
**Capital Authority Controller**
**Register N0.(94)**

**Nasr Abou ElAbas**
**Public Accounts**
**Capital Authority Controller**
**Register N0.(106)**

Cairo, 15 January 2013

# Consolidated Balance Sheet

As at 31 December 2012

| | Note no. | 31/12/2012 L.E. | 31/12/2011 L.E. |
|---|---|---|---|
| Non-current assets | | | |
| Property, Plant and equipment | (12) | 892 944 196 | 934 061 517 |
| Breeders | (13) | 52 404 344 | 28 393 801 |
| Plant Wealth | (14) | 1 117 796 | 1 197 580 |
| Projects under construction | (15) | 130 166 389 | 97 713 872 |
| Other financial investments | (16) | 1 328 846 | 1 516 971 |
| Investments in associate companies | (17) | 65 868 086 | 83 731 964 |
| Other investments | (18) | 176 850 646 | 129 697 622 |
| Other non-current assets | | 341 235 | 356 969 |
| Total non-current assets | | 1 321 021 538 | 1 276 670 296 |
| Current assets | | | |
| Inventories | (19) | 370 691 165 | 404 644 964 |
| Trade receivables & other debit balances | (20) | 143 892 043 | 125 662 695 |
| Due from related parties | (32-1) | 139 955 230 | 97 339 641 |
| Cash and cash equivalent | (21) | 25 245 342 | 14 749 778 |
| Total current assets | | 679 783 780 | 642 397 078 |
| Current liabilities | | | |
| Provision for Contingency | (22) | 5 399 940 | 19 695 126 |
| Provision for claims | (23) | 45 238 121 | 41 945 583 |
| Banks-credit facilities | (24) | 320 803 090 | 212 975 682 |
| Banks-overdrafts | | 143 588 658 | 86 946 432 |
| Tax authority creditors-income tax | | 1 673 011 | 7 947 722 |
| Trade payables & other credit balances | (25) | 146 065 548 | 143 386 698 |
| Due to related parties | (32-2) | 1 712 223 | 1 512 871 |
| Long term loans - current portion | (35) | 99 679 127 | 101 540 366 |
| Total current liabilities | | 764 159 718 | 615 950 480 |
| Working capital | | (84 375 938) | 26 446 598 |
| Total investment | | 1 236 645 600 | 1 303 116 894 |
| Financed as follows: | | | |
| Shareholders' Equity | | | |
| Issued & paid - up capital | (33) | 290 304 000 | 290 304 000 |
| Reserves | | 181 163 967 | 170 427 961 |
| Special reserve- change in value of investments available for sale | (34) | 96 420 751 | 49 267 727 |
| Revaluation surplus | | 46 820 572 | 46 820 572 |
| Retained earnings | | 241 571 894 | 212 060 711 |
| Parent company's share in profits of treasury stocks sale | | 196 446 | 196 446 |
| Net profit for the year | | 82 579 935 | 189 740 360 |
| Total equity attributable to the shareholders of the parent company | | 939 057 565 | 958 817 777 |
| Minority interest | | 13 373 489 | 13 782 518 |
| Total Shareholders' Equity | | 952 431 054 | 972 600 295 |
| Non-current liabilities | | | |
| Long term loans | (35) | 227 897 311 | 300 010 406 |
| Deffered tax liabilities | (26-1) | 53 808 648 | 27 450 981 |
| Long term notes payable | | - | 14 195 |
| Deffered sales tax installments | | 2 508 587 | 3 041 017 |
| Total non-current liabilities | | 284 214 546 | 330 516 599 |
| Total shareholders' equity and non-current liabilities | | 1 236 645 600 | 1 303 116 894 |

Notes in pages from 38 to 70 form an integral part of the consolidated financial statements.

Auditors' report "Attached"

| Chief financial officer | Managing Director | Managing Director | Chairman |
|---|---|---|---|
| Mr. Mohammed Taha | Mr. Adel Al-Alfi | Eng. Mohamed Tarek Zakaria | Prof. Dr. Mamdouh Abdelwahab Sharafeldien |





# Consolidated Income Statement

For the financial year ended 31 December 2012

| | Note no. | The year ended 31/12/2012 L.E. | The year ended 31/12/2011 L.E. |
|---|---|---|---|
| Net Sales | | 2 051 234 544 | 1 885 960 197 |
| Cost of Sales | | (1 735 034 459) | (1 539 113 680) |
| Gross profit | | 316 200 085 | 346 846 517 |
| Other operating revenues | (5) | 105 531 462 | 99 908 632 |
| Selling & Distribution expenses | | (97 300 414) | (84 577 665) |
| General & Administrative expenses | (6) | (85 076 015) | (84 907 312) |
| Other operating expense | (7) | (53 351 203) | (24 125 965) |
| Board of Directors remunerations | | (273 000) | (273 000) |
| Operating income | | 185 730 915 | 252 871 207 |
| Revenue from investments available for sale | | 6 575 126 | 9 699 669 |
| The group's share in the net loss of associate companies | (17) | (15 437 652) | (3 514 609) |
| Finance interest and expense | (9) | (65 976 836) | (56 618 906) |
| Net profit for the year before income tax | | 110 891 553 | 202 437 361 |
| Income tax | | (1 673 011) | (7 947 722) |
| Prior year tax adjustment | | 118 467 | - |
| Deferred tax | (26-1) | (26 357 667) | (3 802 563) |
| Net profit after income tax | | 82 979 342 | 190 687 076 |
| Distributed as follows: | | | |
| Parent company's share in profit | | 82 579 935 | 189 740 360 |
| Non controlling interest share in profit | | 399 407 | 946 716 |
| | | 82 979 342 | 190 687 076 |
| Earning per share for the year (L.E./Share) | (36) | 0.43 | 1.04 |

Notes in pages from 38 to 70 form an integral part of the consolidated financial statements.

# Consolidated Statements of Changes in Shareholders' Equity

For the year ended 31 December 2012

| Description | Note No. | Share capital L.E. | reserves L.E. | Special reserves evaluation differences of available for sale investments L.E. | Re-evaluation surplus L.E. | Retained earnings L.E. | Parent company's share in profits of treasury stocks sale L.E. | Net Profit for the year L.E. | Total L.E. |
|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1/1/2011** | | **290 304 000** | **159 619 218** | **135 214 004** | **46 820 572** | **227 167 654** | **196 446** | **227 963 711** | **1 087 285 605** |
| Close 2010 profit in retained earnings | | - | - | - | - | 227 963 711 | - | (227 963 711) | - |
| Transferred to reserves | | - | 19 049 983 | - | - | (19 049 983) | - | - | - |
| Dividends for the year 2010 | | - | (8 000 000) | - | - | (222 803 703) | - | - | (230 803 703) |
| Adjustments | | - | (241 240) | - | - | (1 216 968) | - | - | (1 458 208) |
| Available for sale financial investment evaluation differences | (34) | - | - | (85 946 277) | - | - | - | - | (85 946 277) |
| Net profit for the year | | - | - | - | - | - | - | 189 740 360 | 189 740 360 |
| **Balance as at 31/12/2011** | | **290 304 000** | **170 427 961** | **49 267 727** | **46 820 572** | **212 060 711** | **196 446** | **189 740 360** | **958 817 777** |
| Balance as at 1/1/2012 | | 290 304 000 | 170 427 961 | 49 267 727 | 46 820 572 | 212 060 711 | 196 446 | 189 740 360 | 958 817 777 |
| Close 2011 profit in retained earnings | | - | - | - | - | 189 740 360 | - | (189 740 360) | - |
| Transferred to reserves | | - | 10 794 880 | - | - | (10 794 880) | - | - | - |
| Dividends for the year 2011 | | - | - | - | - | (147 936 260) | - | - | (147 936 260) |
| Adjustments | | - | (58 874) | - | - | (1 498 037) | - | - | (1 556 911) |
| Available for sale financial investment evaluation differences | (34) | - | - | 47 153 024 | - | - | - | - | 47 153 024 |
| Net profit for the year | | - | - | - | - | - | - | 82 579 935 | 82 579 935 |
| **Balance as at 31/12/2012** | | **290 304 000** | **181 163 967** | **96 420 751** | **46 820 572** | **241 571 894** | **196 446** | **82 579 935** | **939 057 565** |

Notes in pages from 38 to 70 form an integral part of the consolidated financial statements.



CAIRO POULTRY COMPANY
(An Egyptian Joint Stock Company)

Translation From Arabic

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

| | Note No. | The year ended 31/12/2012 L.E. | The year ended 31/12/2011 L.E. |
|---|---|---|---|
| Cash Flows from Operating Activities | | | |
| Net profit for the year before income tax and minority interest in profits | | 110 891 553 | 202 437 361 |
| Adjustments to reconcile net profit for the year to net cash flows from operating activities: | | | |
| Depreciation of fixed assets | (12) | 75 317 676 | 76 137 101 |
| Depreciation of plant wealth | | 72 503 | 73 090 |
| Capital gain | | (472 580) | (865 259) |
| Amortization of breeders | | 83 005 195 | 89 505 169 |
| Profits from sale of breeders | (13) | (25 494 892) | (21 387 147) |
| Impairment in fixed assets | | 186 356 | 220 412 |
| Loss from sale of plant wealth | | 36 403 | - |
| Impairment in investment | | - | 8 406 |
| Impairment in breeders | | 1 249 370 | 4 922 117 |
| Impairment in trade receivables and other debit balances - formed | | 4 017 766 | 1 375 542 |
| Reverse the impairment in trade receivables and other debit balances | | (1 877 125) | (290 270) |
| Impairment in inventories - formed | | - | 3 539 607 |
| Reverse the impairment inventories | | (29 122) | - |
| Reverse in breeding wealth impairment | | (12 953 658) | (14 096 169) |
| Reverse the impairment in inventories | | (455 072) | (46 278 640) |
| The group's share in the net profits of associates companies | | 15 437 652 | 3 514 609 |
| Provision for Contigencies - formed | | 4 048 860 | 7 000 |
| Provision for Contigencies - no longer required | | (18 344 046) | (10 533 804) |
| Provision of claims - formed | (23) | 10 493 688 | 8 987 454 |
| Provision of claims- no longer required | | (6 060 451) | (9 880 616) |
| Investments revenue | | (6 575 126) | (9 699 669) |
| Credit interests | (9) | (22 320) | (205 580) |
| Finance interests & expense | (9) | 67 935 078 | 60 373 450 |
| | | **300 407 708** | **337 864 164** |
| Changes in working capital | | | |
| Change in inventories | | 34 408 871 | (33 933 215) |
| Change in trade receivables & other debit balances | | (20 326 451) | (4 572 341) |
| Change in trade payables & other credit balances | | (44 979 893) | (68 762 795) |
| Change in due from related parties | | (42 427 873) | (52 447 811) |
| Change in due to related parties | | 199 352 | (4 659 468) |
| Provisions for contengencies - used | | (1 140 699) | (47 399) |
| Financial interests paid | | (66 457 097) | (60 373 450) |
| Net cash flows generated from operating activities | | **159 683 918** | **113 067 685** |
| Cash Flows From Investing Activities | | | |
| Proceeds from sale of fixed assets | | 2 096 837 | 8 469 164 |
| Payments for acquisition of fixed assets & projects under constructions | | (68 236 913) | (143 643 345) |
| Payments for purchase of Poultry breeders | | (125 560 766) | (110 108 794) |
| Proceeds from sale of Poultry breeders | | 55 744 208 | 45 393 107 |
| Payments for purchase of investments | | (61 875) | (1 369 000) |
| Collected interests | | 22 320 | 205 580 |
| Proceeds from sale of financial investments | | 6 575 126 | 9 699 669 |
| Collected investments revenue | | - | 600 129 |
| Net cash flow used in investing activities | | **(129 421 063)** | **(190 753 490)** |
| Cash Flows From Financing Activities | | | |
| Change in banks - credit facilities | | 107 827 408 | 158 302 550 |
| Change in banks - overdraft | | 56 642 226 | 60 505 147 |
| Change in loans | | (73 974 334) | 56 310 686 |
| Decrease in minority interest | | (808 436) | (3 470 085) |
| Cash dividends paid for shareholders | | (109 454 155) | (186 876 311) |
| Net cash flows used in financing activities | | **(19 767 291)** | **84 771 987** |
| Net change in cash & cash equivalents during the year | | 10 495 564 | 7 086 182 |
| Cash and cash equivalents at 1 January | | 14 749 778 | 7 663 596 |
| Cash and cash equivalents at 31 Dec. | (21) | **25 245 342** | **14 749 778** |

Notes in pages from 38 to 70 form an integral part of the consolidated financial statements.

# Notes To The Consolidated Financial Statements

Translation From Arabic

For the financial year ended 31 December 2012

**1. Company's and subsidiaries' background**

Cairo Poultry Company – An Egyptian Joint Stock Company – was established in year 1977 according to the provisions of Investment Law No. 230 of 1989.which was replaced by the Investment Incentives and Guarantees Law No. 8 of 1997

The Company was registered under the commercial register on 26/7/1977 under No. 42444, The Company's life was extended to be 25 Years starting from 19/7/2002.

Company location : 32(B) Murad st – Giza – Egypt. Chairman of the board Prof. Dr. / Mamdouh Abdel Wahab Sharf EL Dien.

The Company is a subsidiary to the Kuwait Company for the food (Kuwait joint stock Company).

**The Company's purpose**

The Company's objective is represented in :

- Production and breeding chickens and produce animal feed and mix preliminary ingredients and production of hatching eggs from parent.
- Production of hatching eggs produced by parent.
- Production of chicks from hatching eggs.
- Production of broilers (breeding chicks).
- Establishment of cooling rooms to serve the purposes of the Company
- Production of eggs from breeding chicken egg.
- The establishment and operation of feed mills to produce all kinds of feeds and its concentrates of the animal, poultry, fish and non-conventional feed.
- Establishment of automated slaughterhouse for poultry.
- Manufacturing residues of slaughterhouse.
- Conduct export of the Company's products.
- Conduct import for Company's purposes.
- Open branches and granting agencies for selling the Company's products in all over the Arab Republic of Egypt.
- Trade in all products and requirements of the Company's production.
- Participating in similar projects domestically and overseas.

**Registration in the Stock Exchange**

The Company is listed in the Egyptian Stock Exchanges.

**2. Basis of preparation**

**2-1 Statement of compliance**

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards ("EAS"), and incompliance with applicable Egyptian laws and regulations.

The consolidated financial statements were approved by the Company's Board of Directors in its meeting held on 10/1/2013 for issuance.

**2-2 Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following items of assets & liabilities which are stated by its fair value:

- financial instruments at fair value through profit or loss are measured at fair value
- Semi-Finished production ( Chicks broilers barns)
- Semi-Finished production (eggs in hatcheries)



CAIRO POULTRY COMPANY
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Notes To The Consolidated Financial Statements

Translation From Arabic

For the financial year ended 31 December 2012

- Available for sale investments

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 and its subsidiaries 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.

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

| | | |
|---|---|---|
| Note (3-6) | : | Breeding wealth |
| Note (3-1) | : | Business combination |

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

| | | |
|---|---|---|
| Note(12) | : | Property, plant and equipment. |
| Note(19) | : | Inventory impairment. |
| Note(20-1) | : | trade receivables and other debit balances impairment. |
| Note(22) | : | Provisions and Contingent liabilities. |
| Note(26-1) | : | deferred tax. |

**3. Significant accounting policies**

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

Certain comparative amounts have been reclassified to conform with the current year's presentation (see note 37).

**3-1 Basis of consolidation**

Subsidiary companies

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. And when evaluating this power, the present and possible voting rights in the consolidated financial statements' date. And the subsidiaries' financial statements are consolidated in the consolidated financial statements from the acquisition date till the holding company loses its power.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant

# Notes To The Consolidated Financial Statements

Translation From Arabic

For the financial year ended 31 December 2012

influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group 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 Group'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 (other than functional and presentation currency the Egyptian Pound) are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss except for differences resulted from translation of available for sale investments which is to be recognized directly in shareholders' equity. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

## 3-3 Financial instruments

### 3-3-1 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.

### Derivative financial assets

A contract to buy or sell a non-financial item (inventory) which can be settled net in cash or another financial instrument, or if the non-financial item is readily convertible to cash, then they are included in the scope of the financial instruments standards.





# Notes To The Consolidated Financial Statements

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If the purchase contract is considered to be a derivative, then the purchase contract and the initial recognition of the non-financial item on settlement of the derivative are treated as separate transactions, the derivative is measured at fair value through profit or loss, and the consideration paid for the non-financial item is the cash paid plus the fair value of the derivative on settlement.

### Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that have been classified as available for sale.

### Loans and receivables

Loans and 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. Subsequent to initial recognition, loans are measured at amortised cost using the effective interest method, less any impairment losses. Generally, trade and other receivables are stated at their nominal value less an allowance for any doubtful debts.

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

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances in banks and call deposits with original maturities of three months or less. 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.

### Available -for - sale investments

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. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (note 18) and foreign currency differences on available-for sale debt instruments, are presented in fair value reserve in equity. When an investment is derecognised, gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise equity securities and debt securities.

### Non-derivative financial liabilities

The company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities ( including liabilities designated at fair value through profit and 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.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when,

# Notes To The Consolidated Financial Statements

Translation From Arabic

For the financial year ended 31 December 2012

and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liabilities simultaneously.

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.

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 statement of cash flows.

Capital

Authorized capital

The Company's authorized capital amounts to L.E one Billion.

Issued and paid up capital

The holding Company's issued and paid up capital amounts to L.E 290 304 000 divided into 145 152 000 shares at par value L.E 2 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. Any profit or loss from selling or purchasing or issuing these equity instruments should not be recognaised in profit or loss.

## 3-4 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (note: 12).

Cost includes expenditures that are 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, and the costs of dismantling and removing the items and restoring the site on which they are located. and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment . the cost of borrowing for the acquisition, construction or production of assets included in the income statement when incurred When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

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.

B- Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will





# Notes To The Consolidated Financial Statements

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flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

C- Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part 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 Lives (Years) |
|---|---|
| Buildings & Constructions | 10 - 40 |
| Machinery and equipments | 7 - 14 |
| Motor Vehicles & Transportation means | 5 |
| Tools & Equipments | 5 |
| Furniture and office equipment | 3-8 |

Depreciation commences when the fixed asset is completed and made available for use. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## 3-5 Grants

Granted assets gained by group companies from grantee are recorded after deduction the cost of purchasing till reaches the book value for the assets, the grants are recorded as revenue at consolidated income statement during the estimated life time for the asset with reducing the annual depreciation burden.

## 3-6 Breeders

The grand Parent and parents Poultry are recorded at cost after deducting accumulated amortization for every station which consists of the cost of purchasing chicks (parent chicks) aged one day in addition to all expenses during the breeding of parents and grand parents before parents and grand parents started producing hatching eggs for each station of grand parents and parents breeding. Expenses for each station are ammorized based on estimated production period for grand parents and parents at the station and the expected production (hatching egg production). The disposal of parents and grand parents is recognized at the end of production period.

## 3-7 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.

## 3-8 Plant wealth

All the expenditures of planting olive trees are being capitalized as assets in the balance sheet under the plant wealth item until reaching the marginal production, and to be depreciated on 50 years according to its nature taking the value of accumulated impairment losses into consideration.

## 3-9 Goodwill

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

## 3-10 Leases

Leases are classified as operating leases. The costs in respect of operating leases are charged on a

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straight-line basis over the lease term (after deducting any discounts and rent-free periods effect). The accrued value from lease incentive received to take on an operating lease is recognised as income.

**3-11 Inventories**

Inventories of raw materials, packing materials and spare parts are measured at the lower of cost or net realizable value.Net realizable value is the estimated selling price, in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost includes any other costs directly attributable to bringing the inventory to a working condition for their intended use.

The cost of inventory determined as follows:

Raw materials and packing materials are determined at cost according to first in First out method.

Spare parts and supplies are determined at cost according to weighted average method.

The work in progress (Chicks in broilers) at fair value determined by career's specialists after deducting estimated cost of sales, the increase or decrease in fair value are recorded to income statement on selling price basis after taking to account the current value at the date of the financial statements.

Finished goods of (Feed and frozen chickens) are 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.

**3-12 Impairment**

Financial assets

A financial asset 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.

Loans and receivables and held – to maturity investment securities

The Company considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held to-maturity investment securities 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 a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.



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Available – for – sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the loss accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time application of the effective interest method  are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in equity.

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 or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash –generating unit (CGU) exceeds its estimated 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 that cannot be tested individually 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.

The Company's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. An impairment loss in respect of other assets, that recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**3-13 Defined contribution plans**

The Company contributes to the government social insurance system for the benefits of its employees according to the social insurance Law No. 79 of 1975 and its amendments, 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 recognised 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. Provisions are determined by

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discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**3-15 Revenue recognition**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, and are stated net of returns, less trade discounts and sales tax.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. 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.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. In usually times transfer occurs when the product is received at the customer's warehouse. No revenue is recognised in case of uncertainty to collect the receivables or its related cost or sales return or continuing management involvement with the goods.

**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.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

**3-17 Finance income and expenses**

Finance income comprises interest income on invested funds, 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 when company right to this dividends arises in the financial period in which dividends are approved by the investees General assemblies .

Finance cost comprise interest expense on borrowings, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method Foreign currency gains and losses are reported on a net basis as either finance income .

**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 providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount





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of deferred tax provided is 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 consolidated balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized through incoming years.

**3-20 Segmentation reports**

Each sector of the companies' activity segments considers as a unit that contributes in providing variant products different that the other activities (Activity segments) and each unit have risks and utilities different than the other unit exist on the company according to its activity.

## 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 based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes concerning that asset or liability.

**4-1 Semi finished - production (Chicks in broilers)**

Determined by fair value based on its present value.

**4-2 Semi finished - production (eggs in hatcheries)**

Determined by fair value based on its present value.

**4-3 Available for sale investments**

Available for sale investments in active market is determined by fair value.

**4-4 financial instruments at fair value through profit or loss**

financial instruments at fair value through profit or loss are measured at fair value and recognise the change in faire value through profit & loss.

## 5. Other operating revenue

| | The year ended 31/12/2012 *L.E.* | The year ended 31/12/2011 *L.E.* |
|---|---|---|
| Export support revenue | 2 648 300 | - |
| Profit from selling Grand's/Parents | 25 494 892 | 21 387 147 |
| Capital gain | 953 478 | 865 259 |
| *Recovery of service duties | 7 914 875 | 16 182 979 |
| Other revenues | 21 125 716 | 24 384 250 |
| Provision no longer required | 24 404 496 | 20 414 421 |
| Reversed impairments in breeding wealth | 12 953 658 | 14 096 169 |
| Reversed impairments in plant wealth | 29 122 | - |
| Reversed social insurance (Company's share) | 984 909 | - |
| **Profit of Macquarie Company's contract | 7 144 891 | - |
| Reversed impairments in trade receivable | 1 877 125 | 2 578 407 |
| | **105 531 462** | **99 908 632** |

* This item represents the amounts recovered from custom related to the service duties that has been paid to custom duty for several years on which the company has won the suit to recover the duties.

** This item recorded in the financial year ended 31/12/2012 represents the profit of the contract with Macquarie Company (note no. 20).

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## 6. General and administrative expenses

| | The year ended 31/12/2012 *L.E.* | The year ended 31/12/2011 *L.E.* |
|---|---|---|
| Salaries | 62 005 604 | 60 635 972 |
| Depreciations | 3 524 056 | 3 723 722 |
| Other expenses | 19 546 355 | 20 547 618 |
| | **85 076 016** | **84 907 312** |

## 7. Other operating expenses

| | The year ended 31/12/2012 *L.E.* | The year ended 31/12/2011 *L.E.* |
|---|---|---|
| Bad debts | - | 3 166 757 |
| Impairment in assets | 186 356 | 220 412 |
| Impairment in investments | 188 485 | 8 406 |
| Impairment in breeding wealth | 1 249 370 | 4 922 117 |
| Impairment in inventory | 483 290 | 3 539 607 |
| Impairment in debtors & other debit accounts | 4 017 766 | 209 900 |
| Capital losses | 480 898 | - |
| Provision for claims-formation | 10 493 688 | 8 987 454 |
| Provision for Contingencies-formation | 4 048 860 | 7 000 |
| *Water price difference | 3 274 133 | - |
| **Stealing cash losses | 1 725 056 | - |
| ***RBC contract losses | 6 173 014 | - |
| ****Professional fees | 597 401 | 2 022 872 |
| *****Early retirement | 13 935 689 | - |
| Others | 6 497 197 | 1 041 440 |
| | **53 351 203** | **24 125 965** |

* This item represents the amount of water claim in Cairo Poultry Processing Company –Koki- for the years 2008,2009,2010 and 2011 that arose due to the change in the prices.

** The Company has insurance against the risk of breach of trust and the risk of robbery within the insurance policies of subsidiaries Companies.

*** This item represents the losses of the contract with RBC Company (note no. 20).

**** This item represents the professional fees to recover the services duties from custom duty- Port said custom duty (note no. 5).

***** On January 10, 2013 the Board of Directors approved the formation of the early retirement provision with an amount of L.E. 18 041 788 based on the study made by the Company's management on 26/12/2012 by increasing the provision after deducting an amount of L.E. 4 106 099 which is the surplus of the early retirement provision pre-formed.

## 8. Personnel expenses

| | The year ended 31/12/2012 *L.E.* | The year ended 31/12/2011 *L.E.* |
|---|---|---|
| Wages and salaries | 218 864 643 | 203 078 600 |
| Compulsory social security contributions | 18 565 788 | 16 312 397 |
| Contributions to defined contribution plans | 3 290 034 | 3 105 945 |
| | **240 720 465** | **222 496 942** |

## 9. Finance expenses

| | The year ended 31/12/2012 *L.E.* | The year ended 31/12/2011 *L.E.* |
|---|---|---|
| Credit interest | 22 230 | 205 580 |
| Debit interest | (67 935 078) | (60 373 450) |
| Foreign currencies exchange gain | 1 936 012 | 3 548 964 |
| | **(65 976 836)** | **(56 618 906)** |





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- Debit interest have been reduced by an amount of L.E 8 290 010 which represents the amount of the refunded interest from Cairo Company for Starch and Glucose for the total finance transferred to the Company during 2012 from Cairo Poultry Company according to the netting contract which is approved by the General Assembly of Cairo Company for Starch and Glucose on 26 December 2012.

## 10. Tax status

### 10-1 Cairo Poultry Company(Holding)

#### 10-1-1 Corporate tax

The Company's profits shall be subjected to corporate tax according to the provisions of Tax Law No. 187/1993 that was amended, and superseded by Law No. 91/2005.

Years till 1993

The company made final tax reconciliation with Tax Authority regarding the corporate tax and settled the due tax differences thereon. Some disputed points pertaining to the period from 9/10/1993 till 31/12/1993 were referred to the court for consideration and are still being considered before the court, & there was a form of reconciliation has been applied on January 6, 2010, & the reconciliation committee has been signed, & the court decision issued on 10 March, 2010 to finish that dispute .

Years from 1994 till 2002

Tax amounts due were paid.

Years 2003/2004

Tax inspection is under proceeding for these periods.

Years 2005/2011

Tax inspection has not been made until this date, & the tax returns are being delivered on dates.

#### 10-1-2 Salary tax

Years till 1993

There was a dispute between the company, & Tax authority in the court, the company has applied for a reconciliation according to Law No. 91/2005, & the court decision issued on 29 March, 2010 to finish that dispute .

Years from 1994 till 2008

Tax amounts due were paid to the Tax Authority.

Years 2009/2010

Tax inspection is under proceeding for these periods.

#### 10-1-3 Stamp tax

Tax inspection was made for the company and the tax amounts due were paid to the Tax Authority.

#### 10-1-4 General sales tax

The company's activity is exempted from general sales tax according to clause No. (11) of schedule No. (1) Attached to Law No. (2) for the year 1997

### 10-2 Subsidiaries companies

**First: Companies that are subject to corporate tax.**

| Subsidiaries | Tax status |
|---|---|
| New Cairo Poultry Company | Inspected till 31/12/2004 |
| Incubation lab / Noubarya project/ Salehya | |
| Cairo Poultry Processing | Inspected till 31/12/2007 |
| Misr Grand Parents Co. | Inspected till 31/12/2006 |
| Cairo Grand Parents Co | Inspected till 31/12/1998 |
| Madina Poultry Company | Inspected till 30/4/2012 |

**Second: Companies that are exempted from the corporate tax**

| Subsidiaries | Date ends tax exemption |
|---|---|
| New Cairo Poultry Company(Sina 2000 for fatten chicks | 2016/2014/2019 |
| Incubation Lab ,mechanical processing & Hasbo project | |
| Cairo Feed Company | 2014/2019/2013 |
| | 31/12/2013 |
| | 9/7/2013 |
| Cairo Broilers Company | |
| Cairo Misr grandparents co. | 31/12/2014 |
| Wadi Al Natron for Parents | 31/12/2017 |
| Cairo Leasing Company | 31/12/2014 |
| Al-Madena for poultry production | 27/3/2015 |
| Wadi Al Natron for Broilers Company(Alkadsia) | 22/10/2020 |
| Cairo Poultry company for Broilers | Exemption is under taken |
| | To be exempted for 5 years |

**Third:** Companies that are not exempted from the corporate tax and have been inspected until 31/12/2008 and the tax amounts due were paid.
Corporation Guard Services
El Delta Trading & Importing

**Fourth: Companies have not commenced its activities**
Cairo for Oil Extraction
Cairo Cold Stores
New Cairo Grand Parents
Wadi Al Natron for Grand Parents

**Fifth:** Withdraws & deposits under tax account

1- All the Companies apply the withholding tax and pay in the due dates.
2- "New Cairo Poultry Company"- subsidiary Company

Years from 1994 to 2003

Based on estimation, the Sales tax authority charged the company for LE 10 125 714. The company objected on this estimation, further based upon the company's prospective, the company paid LE 11 251 159 representing the tax dues in addition to the payments provided every 3 months according to the quarterly tax return .The company settled the dispute with the tax authority and paid the tax difference of L.E 149 464 in excess to what were previously paid.

Years, from 2004 to 2006

The company received a tax claim amounting to LE 1 815 297 represents the difference in the income statements for the years 2004, 2005, 2006. The company applies the withholding tax -withdraws and deposits under tax account - .Total payments paid by the Company on these periods amounted to LE 1 337 288 .The company settled the dispute with regard to the withdraw tax and paid the tax difference of LE 285 580.

### 11. Segmentation reports

The segmentation reports was prepared on activity segments basis, the primary report for the activity segments was prepared in accordance with organizational and managerial chart of the company and its subsidiaries.

Activities segmentations results include a direct participation unit in each sector activity.

The primary report for activity segmentations:





### 11-1 Segmentation reports for the year ended 31 December 2012

| | Activity Segments | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Feed Sector L.E. 31/12/2012 | Broiler Sector L.E. 31/12/2012 | Hatchery Sector L.E. 31/12/2012 | Processing Sector L.E. 31/12/2012 | Grand Parents Sector L.E. 31/12/2012 | Security Sector L.E. 31/12/2012 | Agriculture Sector L.E. 31/12/2012 | Undistributable items L.E. 31/12/2012 | Elemenation of Consolidated transactions L.E. 31/12/2012 | Total L.E. 31/12/2012 |
| Sales | 863 582 299 | 187 243 605 | 96 796 444 | 822 341 725 | 63 539 002 | 14 572 448 | 3 159 021 | - | - | 2 051 234 544 |
| Sales between segments | 473 242 071 | 408 213 164 | 270 807 073 | 205 510 998 | 35 188 621 | 9 148 489 | 190 585 | - | (1 402 301 001) | - |
| Total sales | **1 336 824 370** | **595 456 769** | **367 603 517** | **1 027 852 723** | **98 727 623** | **23 720 937** | **3 349 606** | **-** | **(1 402 301 001)** | **2 051 234 544** |
| Segments' gross profit | **211 877 390** | **632 761** | **(27 991 857)** | **113 945 848** | **14 311 249** | **3 916 242** | **(491 548)** | **-** | **-** | **316 200 085** |
| Distribution & sales expenses | (22 277 786) | (85 750) | - | (69 731 593) | (5 205 285) | - | - | - | - | (97 300 414) |
| General & administrative expense | (14 053 927) | (4 509 163) | (2 236 744) | (19 578 622) | (2 613 634) | (2 030 764) | - | (40 053 161) | - | (85 076 015) |
| Other operating expenses | (31 261 087) | (9 121 842) | (1 551 008) | (4 463 636) | (5 854 384) | (100 000) | (36 402) | (962 844) | - | (53 351 203) |
| Board of Directors remunerations | - | - | - | - | - | - | - | (273 000) | - | (273 000) |
| Other operating profit | 25 019 950 | 4 032 964 | 36 134 907 | 9 010 996 | 16 301 375 | 44 619 | 36 122 | 14 950 529 | - | 105 531 462 |
| Profits results from operation | **169 304 540** | **(9 051 030)** | **4 355 298** | **29 182 993** | **16 939 321** | **1 830 097** | **(491 828)** | **(26 338 476)** | **-** | **185 730 915** |
| Revenue of available for sale investments | - | - | - | - | - | - | - | 6 575 126 | - | 6 575 126 |
| The group's share in the net profit of associate companies | - | - | - | - | - | - | - | (15 437 652) | - | (15 437 652) |
| Finance expenses & interests | (22 262 298) | (9 146 897) | (5 973 419) | (12 536 409) | (1 396 894) | 16 868 | (120 980) | (14 556 807) | - | (65 976 836) |
| Net profit for the year before income tax | **147 042 242** | **(18 197 927)** | **(1 618 121)** | **16 646 584** | **15 542 427** | **1 846 965** | **(612 808)** | **(49 757 809)** | **-** | **110 891 553** |
| Income tax | - | (101 895) | - | (369 499) | (756 771) | (444 846) | - | 118 467 | - | (1 554 544) |
| Deffered tax | (1 360 982) | (6 725 618) | (9 623 783) | (7 906 051) | (259 523) | (6 253) | (112 310) | (363 147) | - | (26 357 667) |
| Net profit for the year after income tax | **145 681 260** | **(25 025 440)** | **(11 241 904)** | **8 371 034** | **14 526 133** | **1 395 866** | **(725 118)** | **(50 002 489)** | **-** | **82 979 342** |
| Other Informations | | | | | | | | | | |
| Depreciation | 12 258 335 | 15 651 747 | 15 552 359 | 28 493 231 | 2 851 380 | 293 397 | 208 674 | 3 554 | - | **75 312 677** |
| Assets | 700 570 600 | 443 769 014 | 349 874 761 | 441 709 015 | 49 560 442 | 6 245 236 | 9 076 250 | - | - | **2 000 805 318** |
| Liabilities | 567 283 950 | 193 265 031 | 102 812 483 | 164 965 009 | 13 903 079 | 2 622 740 | 3 521 974 | - | - | **1 048 374 266** |

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## 11-2 Segmentation reports for the year ended 31 December 2011

| | Activity Segments | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Feed Sector L.E. 31/12/2011 | Broiler Sector L.E. 31/12/2011 | Hatchery Sector L.E. 31/12/2011 | Processing Sector L.E. 31/12/2011 | Grand Parents Sector L.E. 31/12/2011 | Security Sector L.E. 31/12/2011 | Agriculture Sector L.E. 31/12/2011 | Undistributable items L.E. 31/12/2011 | Elemenation of Consolidated transactions L.E. 31/12/2011 | Total L.E. 31/12/2011 |
| Sales | 821 478 861 | 140 515 560 | 68 735 265 | 762 795 286 | 77 788 974 | 12 215 701 | 2 430 550 | - | - | 1 885 960 197 |
| Sales between segments | 517 293 874 | 483 311 152 | 244 537 644 | 258 703 075 | 40 855 689 | 7 341 000 | - | - | (1 552 042 434) | - |
| Total sales | **1 338 772 735** | **623 826 712** | **313 272 909** | **1 021 498 361** | **118 644 663** | **19 556 701** | **2 430 550** | **-** | **(1 552 042 434)** | **1 885 960 197** |
| Segments' gross profit | **285 709 777** | **5 326 216** | **(62 374 147)** | **80 559 313** | **33 768 604** | **2 854 876** | **1 001 878** | **-** | **-** | **346 846 517** |
| Distribution & sales expenses | (17 415 794) | - | - | (62 138 992) | (5 022 879) | - | - | - | - | (84 577 665) |
| General & administrative expense | (12 758 185) | (5 145 573) | (3 425 856) | (19 595 737) | (3 177 993) | (1 804 961) | - | (38 999 008) | - | (84 907 313) |
| Other operating expenses | (11 076 607) | (118 715) | (6 808 232) | (4 731 313) | (1 283 132) | (107 966) | - | - | - | (24 125 965) |
| Board of Directors remunerations | - | - | - | - | - | - | - | (273 000) | - | (273 000) |
| Other operating profit | 19 438 638 | 6 127 082 | 40 030 332 | 2 250 477 | 12 444 323 | 124 999 | (1 145 802) | 20 638 583 | - | 99 908 632 |
| Profits results from operation | **263 897 829** | **6 189 010** | **(32 577 903)** | **(3 656 252)** | **36 728 923** | **1 066 948** | **(143 924)** | **(18 633 425)** | **-** | **252 871 206** |
| Revenue of available for sale investments | - | - | - | - | - | - | - | 9 699 669 | - | 9 699 669 |
| The group's share in the net profit of associate companies | - | - | - | - | - | - | - | (3 514 609) | - | (3 514 609) |
| Finance expenses & interests | (11 978 585) | (7 233 947) | (5 556 113) | (11 400 887) | (490 686) | 11 237 | (103 810) | (19 866 115) | - | (56 618 906) |
| Net profit for the year before income tax | **251 919 244** | **(1 044 937)** | **(38 134 016)** | **(15 057 139)** | **36 238 237** | **1 078 185** | **(247 734)** | **(32 314 480)** | **-** | **202 437 360** |
| Income tax | - | - | - | - | (3 176 859) | (216 544) | - | (4 554 319) | - | (7 947 722) |
| Deffered tax | (654 318) | - | (1 013 967) | (256 485) | (219 332) | (27 969) | - | (1 630 492) | - | (3 802 563) |
| Net profit for the year after income tax | **251 264 926** | **(1 044 937)** | **(39 147 983)** | **(15 313 624)** | **32 842 046** | **833 672** | **(247 734)** | **(38 499 291)** | **-** | **190 687 075** |
| Other Informations | | | | | | | | | | |
| Depreciation | 10 069 116 | 15 576 629 | 17 650 327 | 29 704 491 | 2 659 129 | 253 535 | 223 875 | - | - | 76 137 102 |
| Assets | 619 496 867 | 436 271 467 | 351 450 040 | 461 945 973 | 42 954 431 | 4 978 260 | 9 284 884 | - | - | **1 926 381 922** |
| Liabilities | 471 206 531 | 179 262 935 | 104 794 248 | 169 267 779 | 15 780 954 | 2 206 775 | 3 202 758 | - | - | 945 721 980 |





# Notes To The Consolidated Financial Statements



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## 12. Property, plant and equipment

| | Lands L.E. | Buildings L.E. | Machinery & equipments L.E. | Vehicles L.E. | Tools and equipments L.E. | Furniture & office supplies L.E. | Total L.E. |
|---|---|---|---|---|---|---|---|
| Cost as at 1 January 2011 | 103 738 798 | 511 464 375 | 591 079 924 | 97 916 841 | 43 796 725 | 24 019 244 | 1 372 015 907 |
| Adjustment | (296 456) | (1 152 052) | 242 455 | 14 605 | (605 312) | 2 449 274 | 652 514 |
| Cost as at 1 January 2011 after adjustment | **103 442 342** | **510 312 323** | **591 322 379** | **97 931 446** | **43 191 413** | **26 468 518** | **1 372 668 421** |
| Additions of the year | - | 47 388 718 | 29 784 618 | 13 953 072 | 4 196 605 | 3 660 718 | 98 983 731 |
| Disposals of the year | - | (6 338 879) | (2 465 382) | (10 534 171) | (4 096 570) | (985 130) | (24 420 132) |
| Cost as at 31 December 2011 | **103 442 342** | **551 362 162** | **618 641 615** | **101 350 347** | **43 291 448** | **29 144 106** | **1 447 232 020** |
| Cost as at 1 January 2012 | 103 442 342 | 551 362 162 | 618 641 615 | 101 350 347 | 43 291 448 | 29 144 106 | 1 447 232 020 |
| Adjustment | - | - | 32 751 | (214 646) | - | - | (181 895) |
| Cost as at 1 January 2012 after adjustment | **103 442 342** | **551 362 162** | **618 674 366** | **101 135 701** | **43 291 448** | **29 144 106** | **1 447 050 125** |
| Additions of the year | - | 13 737 944 | 17 191 865 | 2 570 991 | 1 131 437 | 1 378 731 | 36 010 968 |
| Disposals of the year | - | (417 908) | (3 726 013) | (2 897 084) | (3 541 260) | (2 583 513) | (13 165 778) |
| Cost as 31 December 2012 | **103 442 342** | **564 682 198** | **632 140 218** | **100 809 608** | **40 881 625** | **27 939 324** | **1 469 895 315** |
| Accumulated depreciation as at 1/1/2011 | - | 91 651 586 | 248 225 488 | 67 997 952 | 28 497 166 | 16 604 511 | 452 976 703 |
| Adjustment | - | (83 400) | 24 307 | 21 614 | (55 455) | 745 443 | 652 509 |
| Cost as at 1 January 2011 after adjustment | **-** | **91 568 186** | **248 249 795** | **68 019 566** | **28 441 711** | **17 349 954** | **453 629 212** |
| Depreciation of the year | - | - | 40 284 768 | 12 722 344 | 3 969 378 | 2 804 344 | 76 137 101 |
| Disposals accumulated depreciation | - | (1 025 420) | (1 836 168) | (9 389 948) | (3 382 019) | (962 255) | (16 595 810) |
| Accumulated depreciation as at 31/12/2011 | **-** | **106 899 033** | **286 698 395** | **71 351 962** | **29 029 070** | **19 192 043** | **513 170 503** |
| Accumulated depreciation as at 1/1/2012 | - | 106 899 033 | 286 698 395 | 71 351 962 | 29 029 070 | 19 192 043 | 513 170 503 |
| Adjustment | - | (5 248) | 1 698 | (178 524) | 30 230 | (30 051) | (181 895) |
| Cost as at 1 January 2012 after adjustment | **-** | **106 893 785** | **286 700 093** | **71 173 438** | **29 059 300** | **19 161 992** | **512 988 608** |
| Depreciation of the year | - | 17 707 015 | 41 039 400 | 10 417 830 | 3 498 598 | 2 654 833 | 75 317 676 |
| Disposals accumulated depreciation | - | (337 911) | (2 777 462) | (2 576 292) | (3 493 339) | (2 356 517) | (11 541 521) |
| Impairment | - | - | 58 439 | - | - | 127 917 | 186 356 |
| Accumulated depreciation as at 31/12/2012 | **-** | **124 262 889** | **325 020 470** | **79 014 976** | **29 064 559** | **19 588 225** | **576 951 119** |
| Net book value as at 31/12/2012 | **103 442 342** | **440 419 309** | **307 119 748** | **21 794 632** | **11 817 066** | **8 351 099** | **892 944 196** |
| Net book value as at 31/12/2011 | **103 442 342** | **444 463 129** | **331 943 220** | **29 998 385** | **14 262 378** | **9 952 063** | **934 061 517** |

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**12-1** The following represents the fixed assets items which were purchased through the group companies based on initial selling contracts, the necessary regulatory procedures for registering and transferring its possession under the company's name are currently under progress :-

| | *L.E.* |
|---|---|
| Land | 85 666 877 |
| Building& Construction | 26 709 976 |
| | **112 367 853** |

**12-2** The machinery and equipment balance includes L.E. 10 934 739, representing in the cost for acquiring a treatment line for solid wastes purposes (Cairo processing company), this amount was partially financed by the Ministry of Environment (The project of controlling the industrial pollution- financed by the World Bank-). The amount of L.E. 1 108 279 equal to 20% of total finance represents a non-refundable grant. Based on the accounting policy no. (3-5), the value of this grant was deducted from cost value of the said treatment line.

**12-3** The building caption includes the amount of L.E 2 340 812 represents total finance cost capitalized to this caption during the period of its construction in the previous years  and an amount of LE 787 442 capitalized during 2012.

**12-4** The machinery and equipment caption includes the amount of L.E 2 972 379 represents total finance cost capitalized to this caption in the previous years.

## 13. Breeding wealth

| | 31/12/2012 *L.E.* | 31/12/2011 *L.E.* |
|---|---|---|
| Cost | | |
| Beginning of the year | 27 028 538 | 32 263 857 |
| Additions for the year | 40 737 247 | 31 146 842 |
| Disposals for the year | (30 249 316) | (23 929 243) |
| Amortization for the year | (5 885 584) | (12 452 918) |
| End of the year | **31 630 885** | **27 028 538** |
| Breeding expense | | |
| Beginning of the year | 43 268 250 | 41 358 550 |
| Breeding additions | 84 823 519 | 78 961 951 |
| *Amortization for the year | (77 119 611) | (77 052 251) |
| End of the year | **50 972 158** | **43 268 250** |
| Breeding wealth | 82 603 043 | 70 296 788 |
| *Deduct impairment | (30 198 699) | (41 902 987) |
| Net book value as at 31 December | **52 404 344** | **28 393 801** |

*   The company's management formed an impairment of the year represents the impairment in the value of Breeding wealth(Breeders) represents the impairment in the value of Grandparents according to the study of the Company's technical based on the expected mortality rate of Breeding





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## 14. Plant Wealth

| | 31/12/2012 *L.E.* | 31/12/2011 *L.E.* |
|---|---|---|
| Cost as at 1 January | **10 625 290** | **10 625 290** |
| Disposals for the year | (38 864) | - |
| Cost at 31 December | **10 586 426** | **10 625 290** |
| less | | |
| Amortization for the year | (481 625) | (408 535) |
| Adjustments amortization | 2 461 | - |
| wealth amortization | (72 503) | (73 090) |
| Total amortization as at 31 December | **(551 667)** | **(481 625)** |
| Impairment | **(8 916 963)** | **(8 946 085)** |
| Net book value as at 31 December | **1 117 796** | **1 197 580** |

The company's management formed impairment by percentage of 90% from the value of the plant wealth based on technical specialist study which clarify the inability of the plant wealth to reach its marginal production.

## 15. Projects under construction

| | Balance as at 1/1/2012 *L.E.* | Additions *L.E.* | Transferred to fixed assets *L.E.* | Adjustments *L.E.* | Balance as at 31/12/2012 *L.E.* |
|---|---|---|---|---|---|
| Buildings & construction in progress | 59 205 775 | 41 127 171 | (10 475 842) | (793 352) | 89 063 752 |
| Machinery & Equipment under installation | 10 810 064 | 4 648 814 | (8270 061) | (1 738 407) | 5 450 410 |
| Vehicles under preparation | - | 994 320 | (994 320) | - | - |
| Advance payments for fixed assets acquisition | 24 839 118 | 6 810 736 | (703 282) | (27 225) | 30 919 347 |
| L/Cs for purchasing fixed assets | 70 292 | 5 736 842 | (1 935 771) | (1 244 238) | 2 627 125 |
| Plant life stock – land reclamation | 1 859 350 | 608 610 | - | (763 567) | 1 704 393 |
| Furniture under installation | 929 273 | 116 994 | (167 548) | (477 357) | 401 362 |
| | **97 713 872** | **60 043 487** | **(22 546 824)** | **(5 044 146)** | **130 166 389** |

- The building caption includes the amount of L.E 8 138 240 represents total finance cost capitalized to this caption, an amount of L.E. 7 516 880 during the year 2012 only.

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## 16. Other financial investments

| | | Country of establishment | Number of purchased shares | Participation percentage % | Nominal value per share L.E. | investee nominal value as at 31/12/2012 L.E. | Percentage paid up till 31/12/2012 % | Investment value as at 31/12/2012 L.E. | investment value as at 31/12/2011 L.E. |
|---|---|---|---|---|---|---|---|---|---|
| | A -Investments of Cairo poultry Company (The parent company) | | | | | | | | |
| * | Cairo Feed Ingredients Trading | Egypt | 42 000 | 84 | 100 | 4 200 000 | 25 | 1 050 000 | 1 050 000 |
| ** | Cairo Reyer Breeding Company | Egypt | 6 000 | 60 | 100 | 600 000 | 100 | 600 000 | 600 000 |
| *** | Cairo for Oil Extraction | Egypt | 4 900 | 98 | 100 | 490 000 | 25 | 122 500 | 122 500 |
| *** | Cairo Cold Stores | Egypt | 4 900 | 98 | 100 | 490 000 | 25 | 122 500 | 122 500 |
| **** | New Cairo grand parent Poultry Company | Egypt | 4 900 | 98 | 100 | 490 000 | 25 | 122 500 | 122 500 |
| **** | Wadi Al -Natron for grand parent company | Egypt | 4 900 | 98 | 100 | 490 000 | 25 | 122 500 | 122 500 |
| | Less: | | | | | | | | |
| | Impairment in investment value | | | | | - | | (1 200 000) | (1 200 000) |
| | **Total** | | | | | **6 760 000** | | **940 000** | **940 000** |
| | B -Investments of Cairo Misr poultry grand parent( subsidiary) | | | | | | | | |
| * | Cairo Feed Ingredients Trading | Egypt | 500 | 5 | 100 | 50 000 | 25 | 12 500 | 12 500 |
| | Wadi Al -Natron for Agricultural Development | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |
| | Wadi Al - Natron for land reclamation | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |
| | Cairo company for land reclamation | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |
| | Cairo Company for Agriclatural Development | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |
| | Al - Frafra for Agricultural development | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |
| *** | Cairo for Oil Extraction | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |
| *** | Cairo Cold Stores | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |
| **** | New Cairo grand parent Poultry Company | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |
| **** | Wadi Al -Natron for grand parent company | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |
| | Less: | | | | | | | | |
| | Impairment in investment value | | | | | - | | (12 500) | (12 500) |
| | **Total** | | | | | **95 000** | | **11 250** | **11 250** |
| | C-Investments in New Cairo Poultry company (Subsidiary) | | | | | | | | |
| ** | Cairo Reyer Breeding Company | Egypt | 2 000 | 20 | 100 | 200 000 | 100 | 200 000 | 200 000 |
| | Wadi Al - Natron for land reclamation | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |
| | Wadi Al -Natron for Agricultural Development | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |
| | Cairo company for land reclamation | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |
| | Cairo Company for Agriclatural Development | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |
| | Al - Frafra for Agricultural development | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |
| *** | Cairo for Oil Extraction | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |
| **** | Cairo Cold Stores | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |
| **** | New Cairo grand parent Poultry Company | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |





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| | | Country of establishment | Number of purchased shares | Participation percentage % | Nominal value per share L.E. | investee nominal value as at 31/12/2012 L.E. | Percentage paid up till 31/12/2012 % | Investment value as at 31/12/2012 L.E. | investment value as at 31/12/2011 L.E. |
|---|---|---|---|---|---|---|---|---|---|
| **** | Wadi Al -Natron for grand parent company | Egypt | 50 | 1 | 100 | 5 000 | 25 | 1 250 | 1 250 |
| | Less: | | | | | | | | |
| | Impairment in investment value | | | | | - | | (50 000) | (50 000) |
| | **Total** | | | | | **245 000** | | **161 250** | **161 250** |
| D- | Investments of Cairo Poultry processing (subsidiary) | | | | | | | | |
| | Cairo Trading & Importing Company | Egypt | 5 100 | 51 | 100 | 510 000 | 25 | 127 500 | 127 500 |
| | El Delta Trading & Importing | Egypt | 9 800 | 98 | 100 | 980 000 | 25 | - | 245 000 |
| | Less: | | | | | | | | |
| | Impairment in investment value | | | | | - | | (123 029) | (123 029) |
| | **Total** | | | | | **1 490 000** | | **4 471** | **249 471** |
| | E-Investments of Cairo Broilers Company (subsidiary) | | | | | | | | |
| ** | Cairo Reyer Breeding Company | Egypt | 2 000 | 20 | 100 | 200 000 | 100 | 200 000 | 200 000 |
| | Less: | | | | | | | | |
| | Impairment in investment value | | | | | | | (50 000) | (50 000) |
| | **Total** | | | | | **200 000** | | **150 000** | **150 000** |
| | F-Investements of Wadi Al -Natron for grand parent company(subsidiary) | | | | | | | | |
| | El Delta Trading & Importing | Egypt | 100 | 1 | 100 | 10 000 | 25 | - | 2 500 |
| | **Total** | | | | | **10 000** | | **-** | **2 500** |
| | H-Invesrements of Cairo Poultry company for Broilers(subsidiary) | | | | | | | | |
| | Green Cairo for Developed Industries | Egypt | 25 | 1 | 100 | 2 500 | 25 | 625 | - |
| | El Delta Trading & Importing | Egypt | 100 | 1 | 100 | 10 000 | 25 | - | 2 500 |
| | **Total** | | | | | **12 500** | | **625** | **2 500** |
| | G-El Delta Trading & Importing (subsidiary) | | | | | | | | |
| | Green Cairo for Developed Industries | Egypt | 2 450 | 98 | 100 | 245 000 | 25 | 61 250 | - |
| | | | | | | **245 000** | | **61 250** | **-** |
| | Balance as at 31/12/2012 | | | | | **9 057 500** | | **1 328 846** | **1 516 971** |

* Cairo Feed Ingredients Trading company is temperorly inactive according to board of director desicion dated 21 February 2007.

** Cairo Reyer Breeding Company has been under liquidation according to the general assembly on 23 January 2010

*** Cairo for Oil Extraction & Cairo Cold Stores have been under liquidation according to the general assembly on 5 July 2010

**** both New Cairo grand parent Poultry & Wadi Al -Natron for grand parent companies were put into liquidation according to General assembly meeting on 22/2/2011

## 17. Investements in associates

| Description | Country of establishment | Number of purchased shares | Participation percentage % | Nominal value per share L.E. | investee nominal value as at 31/12/2012 L.E. | Percentage paid up till 31/12/2012 % | The value of investement according to equity method as at 31/12/2012 L.E. | as at 31/12/2011 L.E. |
|---|---|---|---|---|---|---|---|---|
| Egyptation Company for Starch & Glucose industry | Egypt | 8 413 533 | 27.23 | 10 | 84 135 330 | 100 | 63 620 755 | 81 209 872 |
| * Cairo Company for Starch & Glucose industry | | | | | | | 2 247 331 | 2 522 092 |
| Total value of investment in associates | | | | | | | **65 868 086** | **83 731 964** |

### 17-1 A brief of financial statements of Egyptation Company for Starch & Glucose industry

| | Participation percentage % | Non current assets | Current assets | Total assets | Current liabilities | Long term liabilities | Total liabilities | Revenues | Expenses | Loss for consolidated period | Group share in associate companies' net loss |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Direct participation (26.01%), Indirect participation (1.22%) | 27.23 | 573 355 129 | 163 082 720 | 736 437 849 | 370 042 858 | 132 044 554 | 502 087 412 | 364 145 872 | 420 148 179 | (56 002 307) | (15 437 652) |

* Investment in Cairo Company for Strach and Glucose Industry was considered as investments in associate company as that company is a subsidiary for Egyptation Company for Starch & Glucose industry.





## 18. Other investments

| Name of the company | 31/12/2012 L.E. | 31/12/2011 L.E. |
|---|---|---|
| Available-for-sale investments | | |
| First: quoted investments (with active market) | | |
| National Development Bank | 721 133 | 335 188 |
| *Egyptian Kuwaiti Holding | 175 000 513 | 128 233 434 |
| Second: unquoted investments (with inactive market) | | |
| The cooperative Productive society for the owners of fodder factoroies in Kalyoubia | 10 000 | 10 000 |
| Modern Egypt Transport Company | - | - |
| Middle east for Nile Transportation | 1 119 000 | 1 119 000 |
| | **176 850 646** | **129 697 622** |

| Name of the company | Country of establishment | Number of purchased shares | Participation percentage % | Nominal value per share | Currency | Fair value 31/12/2012 | Investee nominal value per share 31/12/2012 | Percent-age paid % | Investment cost 1/1/2012 L.E. | Total investment cost as at 31/12/2012 L.E. | Raising/ Impairement in the value of investment as at 31/12/2012 L.E. | Net book value of investment as at 31/12/2012 L.E. | Investements evaluation differences as at 31/12/2012 L.E. | Net book value of investment as at 31/12/2011 L.E. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Available-for-sale investments | | | | | | | | | | | | | | |
| First: quoted investments (with active market) | | | | | | | | | | | | | | |
| National Development Bank | Egypt | 95 768 | - | 10 | L.E. | 7.53 | 980 529 | 100 | 980 529 | 980 529 | (259 396) | 721 133 | (259 396) | 335 188 |
| Egyptian Kuwaiti Holding | Egypt | 21 735 954 | 2.57 | 0.25 | USD | 1.28 | 5 433 989 | 100 | 78 320 366 | 78 320 366 | 96 680 147 | 175 000 513 | 96 680 147 | 128 233 434 |
| Second: unquoted investments (with inactive market) | | | | | | | | | | | | | | |
| The cooperative productive society for the owners of fodder factoroies in Kalyoubia | Egypt | 1 000 | - | 10 | L.E. | - | 10 000 | 100 | 10 000 | 10 000 | - | 10 000 | - | 10 000 |
| Modern Egypt Transport Company | Egypt | 4 200 | | 100 | USD | - | 420 000 | 100 | 1 428 000 | 1 428 000 | (1 428 000) | - | - | - |
| Middle east for Nile Transportation | Egypt | 750 000 | 5 | 1 | USD | - | 750 000 | 25 | - | 1 119 000 | - | 1 119 000 | - | 1 119 000 |
| | | | | | | | | | **80 738 895** | **81 857 895** | **94 992 751** | **176 850 646** | **96 420 751** | **129 697 622** |

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## 19. Inventory

| | 31/12/2012 L.E. | 31/12/2011 L.E. |
|---|---|---|
| Raw materials | 158 487 854 | 177 516 857 |
| *Spare parts & supplies | 56 089 546 | 61 408 640 |
| **Packing material | 7 722 180 | 7 910 206 |
| Work in process | 44 433 451 | 40 407 852 |
| Finished goods | 85 928 542 | 97 178 272 |
| | **352 661 573** | **384 421 827** |
| L.C's for purchasing raw materials & supplies | 18 029 592 | 20 223 137 |
| | **370 691 165** | **404 644 964** |

* The Spare parts & supplies inventory was reduced by an amount of LE 3 365 670 as at 31/12/2012 represent inventory obsolete against LE 3 764 790 as at 31/12/2011.

** The Packing material inventory was reduced by an amount of LE 2 569 243 as at 31/12/2012 represent inventory obsolete against LE 2 267 185 as at 31/12/2011

## 20. Trade receivables and other debit balances

| | 31/12/2012 L.E. | 31/12/2011 L.E. |
|---|---|---|
| Trade receivables | 92 669 285 | 85 098 488 |
| Notes receivable | 10 529 817 | 13 471 327 |
| Impairment in trade receivables(21-1) | (43 546 134) | (41 179 087) |
| | **59 652 968** | **57 390 728** |
| Suppliers – advance payments | 22 322 454 | 18 588 593 |
| Debit balances – Macquarie Company | 27 049 630 | - |
| Debit balances-RBC Dominion Securities Inc | - | 18 929 786 |
| Tax Authority – withholding tax | 22 732 678 | 19 477 401 |
| Other debit balances | 13 669 232 | 12 286 008 |
| Accrued revenues | 148 700 | 195 149 |
| Prepaid expenses | 3 117 644 | 3 795 844 |
| L/G's margin | 15 000 | 15 000 |
| Deposits with others | 988 632 | 1 029 453 |
| Employees imprests | 274 998 | 266 992 |
| | **149 971 936** | **131 974 954** |
| Impairment in debtors & other debit balances | (6 079 893) | (6 312 259) |
| | **143 892 043** | **125 662 695** |

### 20-1 Impairment in Receivables

| | 31/12/2012 L.E. | 31/12/2011 L.E. |
|---|---|---|
| Balance at beginning of the year | (41 179 087) | (44 207 497) |
| Formed during the year | (3 763 765) | - |
| Impairment reversed | 1 390 758 | 2 578 410 |
| Utilized during the year | 5 960 | - |
| Reclassification (to Impairment in debtors & other debit balances) | - | 450 000 |
| Balance at the year end | **(43 546 134)** | **(41 179 087)** |

## 21. Cash at banks & in hand

| | 31/12/2012 L.E. | 31/12/2011 L.E. |
|---|---|---|
| *Banks - time deposits | 10 985 794 | 1 141 504 |
| Banks - current accounts | 9 784 138 | 5 972 400 |
| **Checks under collection | 3 384 002 | 4 345 746 |
| Cash in hand | 1 091 408 | 3 290 128 |
| | **25 245 342** | **14 749 778** |

* Banks – time deposits represents in banks deposits at banks that is not exceed three months period.

** Checks under collection represents checks which its due date till 31/12/2012.



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(An Egyptian Joint Stock Company)

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## 22. Provision for Contingency

| | Balance as at 1/1/2012 LE. | Additions during the year LE. | Used during the year LE. | No longer required LE. | Balance as at 31/12/2012 LE. |
|---|---|---|---|---|---|
| Provision for Contingency | **19 695 126** | **4 048 860** | **-** | **(18 344 046)** | **5 399 940** |

## 23. Provision for Claims

| | 31/12/2012 L.E. | 31/12/2011 L.E. |
|---|---|---|
| Balance at the beginning of the year | 41 945 583 | 61 223 190 |
| Formed during the year | 10 493 688 | 8 987 454 |
| Used during the year | (1 140 699) | (47 399) |
| Not longer required for the year | (6 060 451) | (9 880 616) |
| Reclassification (to provision for contingency) | - | (18 337 046) |
| Balance at year end | **45 238 121** | **41 945 583** |

## 24. Banks – Credit Facilities

This item amounting to L.E 320 803 090 (against to LE.212 975 682 at 31/12/2011) is represented in the value of the used portion of the bank facilities granted by banks dealing with the company amounted to L.E. 673million at an average interest rate between 10 % and 11.45% annually on facilities granted in the Egyptian currency obtained by the company with regard to these facilities granted in U.S Dollars the interest rate would be varying from 1%to 2.5 % annually in addition to the labor including the commission of the highest debit balance for various guarantees that the banks obtained for the facilities were granted to the group.

## 25. Trade payables and Other Credit Balances

| | 31/12/2012 L.E. | 31/12/2011 L.E. |
|---|---|---|
| Suppliers & contractors | 48 142 911 | 55 707 550 |
| Notes Payable | 10 212 438 | 17 771 976 |
| Customers – credit balances | 7 589 823 | 7 158 162 |
| Other credit balances | 6 901 683 | 8 251 993 |
| Accrued wages & bonus | 11 023 361 | 9 310 762 |
| Accrued interest | 8 621 785 | 7 143 804 |
| Accrued sales & distribution expense | 6 307 704 | 6 107 713 |
| Other accrued expenses | 5 236 038 | 4 130 501 |
| Tax Authority | 3 569 165 | 3 478 163 |
| Deposits from others | 4 638 088 | 5 020 105 |
| Installments of sales tax due within one year | 1 240 084 | 1 155 662 |
| Employees & Board Dividends payable | 9 716 213 | 8 511 104 |
| Shareholders' Dividends payable | 162 738 | 162 738 |
| Social insurance Authority | 2 605 908 | 2 373 691 |
| Employees and service fund | 2 034 457 | 2 314 230 |
| Advanced revenue | 21 364 | 1 779 |
| * Early retirement | 18 041 788 | 4 786 765 |
| | **146 065 548** | **143 386 698** |

* The board of directors decided on its meeting dated 17/1/2010 the approval of the employees retirement plan regarding the employees in the Company with an amount of LE 5.5 million applied from year 2011. On 26 December 2012 all the remaining amount have been reversed according to an approved memorandum by the Company Managing Director member because there are no economic benefits for the additional retirements related to first plan retirements.

On January 10, 2013 the Board of Directors approved the formation of the early retirement provision with an amount of L.E. 18 041 788 based on the study made by the Company's management on 26/12/2012 by increasing the provision after deducting an amount of L.E. 4 106 099 which is the surplus of the early retirement provision pre-formed (note no. 7).

** An amount of LE 680 666 was paid to employees resigned through the year ended 31/12/2012.

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For the financial year ended 31 December 2012

## 26. Deferred tax assets / liabilities

### 26.1 Deferred Tax Liabilities

| | 31/12/2012 | 31/12/2011 |
|---|---|---|
| | *L.E.* | *L.E.* |
| Deferred Tax Liabilities balance at year beginning | 27 450 981 | 23 648 418 |
| Fixed assets Deferred tax – liability | 26 357 667 | 3 802 563 |
| Deferred Tax Liabilities balance at year end | **53 808 648** | **27 450 981** |

### 26.2 Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following item:

| | 31/12/2012 | 31/12/2011 |
|---|---|---|
| | *L.E.* | *L.E.* |
| Impairments in trade receivable | 8 709 227 | 8 325 817 |
| Impairments in debtors | 1 215 979 | 1 172 452 |
| Provision for contingencies | 1 079 988 | 271 616 |
| | **11 005 194** | **9 769 885** |

Deferred tax assets have not been recognized in respect of the above items as it is not probable that future taxable profit will be available against which the company can utilize the benefits there from.

## 27. 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 analyze 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 management.

### 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.





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### Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Credit risk is considered limited due to the Company's policy that points to dealing with a different customers sector and changing the Company's policy to cash sales.

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

Most of the Company's customers have been transacting with the Company for many years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Company's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the Management, and future sales are made on a prepayment basis.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Company may have a secured claim. The Company does not require collateral in respect of trade and other receivables.

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

The Company held cash and cash equivalents of L.E 25 245 342 at 31 December 2012 (2011: L.E 14 749 778), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties.

### 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 credit facility amounted to L.E 143 588 658 with interest rate between 11% (9.5% 2011).

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### 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 optimizing the return. The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Management.

### Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company, primarily the Euro & U.S. Dollars (USD).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures 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.

### Interest rate risk

The Company adopts a policy of ensuring that between 10 and 11 percent of 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.

### Other market price risk

Investments at fair value through profit or loss. Management of the Company monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the B.O.D.

### 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.

The Company's net debt to adjusted equity ratio at the reporting date was as follows:

| | 31/12/2012 *L.E.* | 31/12/2011 *L.E.* |
|---|---|---|
| Total liabilities | 1 048 374 264 | 946 467 079 |
| Less: cash and cash equivalents | 25 245 342 | 14 749 778 |
| Net debt | **1 023 128 922** | **931 717 301** |
| Total equity | **952 431 054** | **972 600 295** |
| Net debt to adjusted equity ratio at 31 December | **107.42%** | **95.8%** |

There were no changes in the Group's approach to capital management during the year.



CAIRO POULTRY COMPANY
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For the financial year ended 31 December 2012

## 28. Financial Instruments and Related Risk Management

### 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 | Carrying amount 31/12/2011 |
|---|---|---|---|
| Other Investments | 16 | 1 328 846 | 1 516 971 |
| Cash and cash equivalents | 21 | 25 245 342 | 14 749 778 |
| Credit facilities | 24 | 320 803 090 | 212 975 682 |
| Loans | 35 | 327 576 438 | 401 550 772 |

The maximum exposure to credit risk for trade and receivables at the reporting date by type of counterparty was:

| | Carrying amount 31/12/2012 | Carrying amount 31/12/2011 |
|---|---|---|
| Trade and Receivables | 103 199 102 | 98 569 815 |

#### Impairment losses

The aging of trade and receivables at the reporting date was:

| | Gross Impairment 31/12/2012 *L.E.* | Gross Impairment 31/12/2011 *L.E.* |
|---|---|---|
| Past due 45 days | 34 087 795 | 36 386 092 |
| Past due 90 days | 22 405 222 | 18 847 484 |
| Past due 180 days | 2 436 221 | 2 226 168 |
| More than one year | 44 269 864 | 41 110 071 |
| | **103 199 102** | **98 569 815** |

The allowance accounts in respect of receivables and held-to-maturity investments are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable and is written off against the financial asset directly. At 31 December 2012 the Company does not have any collective impairment on its receivables or its held-to-maturity investments.

### 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 2012 | Contractual cash flows 2011 |
|---|---|---|---|
| Secured bank loans | 327 576 438 | 450 000 000 | 450 000 000 |
| Credit facilities | 320 803 090 | 934 000 000 | 793 000 000 |

### Currency risk

#### Exposure to currency risk

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

| | USD | Euro 31 December 2012 | GBP |
|---|---|---|---|
| Receivables & other debit balances | 4 961 114 | - | - |
| Suppliers & credit balances | (377 465) | (187 802) | (70 457) |
| Cash and cash equivalents | 444 245 | 5 792 | 1 |
| 31/12/2012 | **5 027 894** | **(182 010)** | **(70 456)** |
| 31/12/2011 | **3 326 538** | **32 484** | **9 273** |

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The following significant exchange rates applied during the year:

| | Average rate | | Reporting date Closing rate | |
|---|---|---|---|---|
| | 31/12/2012 | 31/12/2011 | 31/12/2012 | 31/12/2011 |
| Euro | 7.75 | 8.24 | 8.63 | 7.63 |
| USD | 6.03 | 5.92 | 6.35 | 6.02 |

## 29. Contingent Liabilities

In addition to the amounts considered as part of the consolidated balance sheet, there are other contingent liabilities at 31/12/2012 representing amounts against uncovered portion of L/G's issued by the banks on behalf of the group for the benefit of others. And in addition to the uncovered part of letter of credits existent at year end, the following are contingent liabilities:-

| | 31/12/2012 *L.E.* | 31/12/2011 *L.E.* |
|---|---|---|
| Letters of guarantee | 4 184 828 | 12 167 092 |
| Letters of Credits | 1 144 279 | 56 289 469 |
| guarantees for credit facilities granted to associates | 321 949 567 | 321 462 647 |
| | **327 278 674** | **389 919 208** |

## 30. Capital commitment

The company's capital commitments at the consolidated balance sheet date are:

| | 31/12/2012 *L.E.* | 31/12/2011 *L.E.* |
|---|---|---|
| Unpaid capital contribution in investments in subsidiaries which are not yet due | 4 016 250 | 4 016 250 |
| Commitments to incur capital expenditure | 58 760 046 | 97 552 261 |
| | **62 776 296** | **101 568 511** |

## 31. Group Companies

The following represents subsidiaries of Cairo Poultry Company that are acquired and controlled by the Company as at 31/12/2012 demonstrated alongside with its contribution percentage held as at the consolidated balance sheet date:

| Subsidiary name | Contribution Percentage | Country |
|---|---|---|
| New Cairo Poultry Company | 96.82 | Egypt |
| Cairo Poultry Processing | 99.97 | Egypt |
| • Misr Grand Parents Co | 94.76 | Egypt |
| • Cairo Grand Parents Co. | 96.42 | Egypt |
| • Cairo Feed Company | 99.97 | Egypt |
| • Cairo Broilers Company | 99.97 | Egypt |
| • Cairo Misr Grand Parents Co. | 95.10 | Egypt |
| • Corporation Guard Services | 67.33 | Egypt |
| • Cairo Leasing Company | 99.92 | Egypt |
| • Wadi Al Natron for Parent Company | 99.92 | Egypt |
| • Wadi Al Natron for Broilers Production Co. | 99.92 | Egypt |
| • Cairo Poultry company for Broilers | 99.96 | Egypt |
| • Al madena for Poultry Production-indirect share (Talaea) | 99.97 | Egypt |
| • Al madena Poultry(Almadena) - indirect share | 99.97 | Egypt |
| • El Delta Trading & Importing – indirect share | 99.97 | Egypt |

- The financial statement of the companies referred to above represent 31.95% of total consolidated assets, 29% of total consolidated liabilities, 27.31% of total consolidated revenue and 38.66% of total consolidated expenses of the financial year ended 31 December 2012.





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| Companies under liquidation | Contribution Percentage | Country |
|---|---|---|
| Cairo for Oil Extraction | 99.92 | Egypt |
| Cairo Cold Stores | 99.92 | Egypt |
| New Cairo Grand Parents | 99.92 | Egypt |
| Wadi Al Natron for Grand Parents | 99.92 | Egypt |
| Cairo Reyer Breeding Company | 99.36 | Egypt |
| Cairo feed ingredients trading | 84.95 | Egypt |
| Cairo for Trading & Importing | 50.98 | Egypt |

* Cairo Feed Ingredients Trading was temporarily discontinued from practicing its trading activities according to the decision of the board of director dated 21 February 2007.

** Net assets of Cairo for trading and importing Company as at 31 December 2012 amounted L.E 8 767.

- The Group's management is of the opinion that there is no necessity to consolidate the above mentioned companies whether it is solely or consolidated as its effect will not be significant to the consolidated balance sheet either on group performance or on its cash flows at that date.

- Cairo Reyer Eggs Company was put under liquidation according to the company's ordinary meeting on 23/1/2010.

- Cairo for Oil Extraction & Cairo Cold Stores companies were put under liquidation according to the company's ordinary meeting on 5/7/2010.

- New Cairo Grand Parents & Wadi Al Natron for Grand Parent Companies were put under liquidation according to the company's ordinary meeting on 22/2/2011.

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## 32. Related parties transaction

The related parties are represented in the shareholders of the Company and the Companies in which they directly own shares on it, which gives them a significant influences or great control over these companies.

The following presents a brief summary of important transactions made between the Company and its related parties during the year:

| Name of the Company | Nature of transactions | Volume of transactions during the year L.E. | Balance as at 31/12/2012 L.E. | Balance as at 31/12/2011 L.E. |
|---|---|---|---|---|
| **32-1 Due from Related Parties** | | | | |
| The Egyptian Company for Starch & Glucose | Materials Purchases | 2 844 335 | 107 808 315 | 63 181 394 |
| Americana Kuwait Meet sector | Frozen chicken sales | 20 859 759 | 3 388 465 | 2 131 557 |
| Americana Egypt for Stores & Cool Stores | Services | - | - | 9 351 |
| Cairo feed ingredients trading | Payment of expenses on behalf of the company | - | 253 415 | 308 365 |
| Egyptian Company for touristic projects | Sales | 233 643 640 | 27 072 994 | 31 042 163 |
| | Purchasing services | 848 534 | - | - |
| Kuwaiti Company - Sharjah | Sales | 571 596 | 588 195 | - |
| Americana group for food and beverages | Current account | - | 97 368 | 5 331 |
| Green Cairo | Current account | - | 3 569 | - |
| Farm Frites Company | Raw material purchases | 3 572 640 | 11 675 | - |
| | Sales | 92 966 | - | - |
| Kuwaiti Company for Food | Current account | - | 43 318 | - |
| Green Land | Purchases | 456 207 | 687 916 | 661 480 |
| | | | **139 955 230** | **97 339 641** |

| | Nature of transactions | Volume of transactions during the year L.E. | Balance as at 31/12/2012 L.E. | Balance as at 31/12/2011 L.E. |
|---|---|---|---|---|
| **33-2 Due to Related Parties** | | | | |
| Cairo Reyer Breeding Company | Current account | - | 744 031 | 744 166 |
| Farm Frites Company | New materials Purchases | - | - | 282 834 |
| New Cairo Trading & Importing Company | Payment of expenses on behalf of the company | - | 366 | 478 |
| Americana Egypt for Stores & Cool Stores | Services | 14 982 | 308 561 | - |
| Americana group for food and beverages | Current account | - | - | 24 554 |
| Kuwaiti Company for Food | Current account | - | - | 10 274 |
| Cairo for Oil Extraction | Current account | - | 109 249 | 109 249 |
| Cairo Cold Stores | Current account | - | 109 249 | 109 249 |
| El Delta Trading and Importing | Current account | - | - | 228 854 |
| Beafy | Purchases | - | - | 15 |
| Heinz - Egypt | Ketchup purchases | 161 329 | - | - |
| Americana for cans | Current account | - | - | 3 198 |
| Arab Company for cold stores & transporting | Cars rent | 1 450 602 | 71 771 | - |
| International for agriculture manufacturing | Potatos purchases | 377 429 | 150 908 | - |
| New Cairo Grand Parents Company | Current account | - | 109 039 | - |
| Wadi Al Natron for Grand Parent Company | Current account | - | 109 049 | - |
| | | | **1 712 223** | **1 512 871** |





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## 33. Capital

**- Authorized capital**

The Company's authorized capital is determined to be L.E. 1 000 000 000 (One Billion Egyptian Pound).

**- Issued and paid up capital**

The holding company's issued and fully paid up capital is L.E 290.304 million is distributed over 145.152 million shares at a nominal value of L.E. 2 each.

## 34. Special reserve – Change in value of investments available for sale

| | Notes No | 31/12/2012 L.E. | 31/12/2011 L.E. |
|---|---|---|---|
| The balance at the beginning of the year | | 49 267 727 | 135 214 004 |
| Add: | | | |
| Change in value of investments available for sale at year end | (18-2) | 47 153 024 | (85 946 277) |
| Balance at the end of the year | | **96 420 751** | **49 267 727** |

## 35. Long Term Loans

| | Long term loans L.E. | Long term loans Current portion L.E. | Total L.E. |
|---|---|---|---|
| Balance of the loans granted by group of domestic Banks | 227 896 311 | 99 679 127 | 327 575 438 |
| Balance as at 31/12/2012 | **227 896 311** | **99 679 127** | **327 575 438** |
| Balance as at 31/12/2011 | **300 010 406** | **101 540 366** | **401 550 772** |

## 36. Earnings Per Share

Earning per share for the year was determined by using the weighted average method for the existent number of shares during the years, as follows:

| | Year ended 31/12/2012 L.E. | Year ended 31/12/2011 L.E. |
|---|---|---|
| Net profit for the year | 82 579 935 | 189 740 360 |
| Less: | | |
| Employees share | (10 988 921) | (22 408 525) |
| Board of directors remuneration | (9 202 823) | (16 073 851) |
| | **62 388 191** | **151 257 984** |
| Outstanding shares | 145 152 000 | 145 152 000 |
| Earnings per share (L.E / share) | **0.43** | **1.04** |

## 37. Comparative figures

Certain corresponding figures have been reclassified to conform to the current year presentation:

| | The year ended 31/12/2011 L.E. | Reclassification L.E. | The year ended 31/12/2011 L.E. |
|---|---|---|---|
| Provision for contingency | 1 358 080 | 18 337 046 | 19 695 126 |
| Provision for claims | 60 282 629 | (18 337 046) | 41 945 583 |
| Impairment in trade receivables | 41 629 087 | (450 000) | 41 179 087 |
| Impairment in debtors & other debit balances | 5 862 259 | 450 000 | 6 312 259 |
| Other operating revenue | 146 187 272 | (46 278 640) | 99 908 632 |
| Cost of sales | 1 585 392 320 | (46 278 640) | 1 539 113 680 |

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**38. Economical & political 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.

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.

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