AGTHIA GROUP PJSC

Condensed consolidated interim financial information
for the period ended 31 March 2018

Principal business address:

P O Box 37725
Abu Dhabi
United Arab Emirates

Agthia Group PJSC

Report and condensed consolidated interim financial information
for the period ended 31 March 2018

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AGTHIA GROUP PJSC DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present our quarterly report and consolidated financial statements of Agthia Group PJSC ("the Company) and its subsidiaries ("the Group") for the period ended 31st March 2018.

We started 2018 with two major steps within the framework of our strategy and as a testament to our dedication to be the innovation leaders in our industries. In Water, we launched 'Al Ain Water with Vitamin D' that offers consumers an easy to consume Vitamin D supplement as a convenient way of helping address our nation's vitamin D deficiency. In Animal Feed, we entered into an innovation and technology partnership with Trouw Nutrition Hifeed, a Nutreco Company who is the global leader in animal nutrition and aquafeed, aiming at developing a portfolio of products and services for optimized nutrition, enhanced animal performance and improved economic efficiency in poultry and ruminants for Agrivita brand.

It was also in this quarter that the Company signed an agreement with the Department of Urban Planning and Municipalities to manage Abu Dhabi's and Al Ain's food service centers. i.e. the municipality retail outlets. Open to all local people of the UAE, these outlets provide a range of fast moving consumer products at discounted prices, where, as Agthia, we have been present with our trading items portfolio as well as our water, beverages, dairy, flour and even animal feed. This agreement provides Agthia a strong security for sustainability of our operations and further growth potential in a channel that already has a significant share in our Group business.

Group net revenues at AED 491 represent 3.7 percent like-for-like growth versus last year. Please note that revenues in the corresponding period last year included additional months of consolidation pertaining to the acquisition of the Saudi water entity, opportunistic bulk trading of grains, and a part of our exports within the GCC that do not exist in this year. Consumer Business contributed 53 percent or AED 260 million, driven by Water that continues its strong growth momentum.

Group net profit for the period recorded AED 47 million, in which all of our Consumer businesses displayed increased profitability versus last year. Like-for-like profit growth excluding one-time extra-ordinary income booked in last year on transfer of lease of the Ice Crystal factory was 10.1 percent. Better performance was driven by cost optimization efforts including progressive production efficiencies resulting in higher gross profit margins.

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---------------------- DETAILED BUSINESS PERFORMANCE REPORT -----------------

CONSUMER BUSINESSES

*Agthia's **Consumer** segment **(Water & Beverages, Food)** posted AED 260 million in revenues and AED 39 million segment profit for the period ending as of 31 March 2018.*

***Water and Beverages** net revenues for the period reached AED 212 million, growing 3.0 percent like-for-like. Across the Group, Water drove this growth while Beverages suffered from changing consumer preferences toward cheaper products in a continuously declining market. The launch of Al Ain Vitamin D in UAE in January offered yet another innovative product to our consumers, following up highly successful launch of AL AIN ZERO two years back, and further positioned Agthia as a leader in providing the best quality, nutritious and responsibly produced products to our nation and the region.*

***Food** (Dairy, Bakery, Tomato Paste and Frozen Vegetables including Egypt, Trading Items) net revenues for the period reached AED 48 million, increasing by 16.8 percent from last year. Trading Items drove the growth of this category; we are optimistic that the new agreement we signed with Abu Dhabi, Al Ain and Al Dhafra Region Municipalities will create new growth potential for this category. Tomato Paste and Frozen Vegetables posted strong growth too, propelled by the Egypt business unit. Dairy remained short of last year in a declining market both in volume and value where consumers show a tendency to switch to lower-priced products. What is to highlight in Dairy, though, is the size of net loss reduction; a combination of eliminating low-margin slow-moving products and lower raw material costs has resulted in a remarkable 72 percent net loss reduction in the first quarter.*

AGRI BUSINESSES

*Agri segment (**Animal Feed, Flour)** posted AED 231 million in revenues and AED 30 million segment profit for the period ending as of 31 March 2018.*

***Animal Feed** net revenues for the period reached AED 143 million, increasing 5.1 percent over last year. The recovery from the impact of reduced subsidies in this category has been remarkable owing to our management's decisive, creative, and fast action to generate alternative revenue streams commensurate with strict cost optimization. Excluding the impact of bulk grain trading of last year, Animal Feed business grew by 13.4 percent like-for-like, driven by higher volume in still-subsidized commercial farms and municipality outlets in addition to price increases in the unsubsidized open market, following recent commodity cost price increases.*

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***Flour** net revenues for the period reached AED 89 million, and stayed AED 31 million behind last year which included AED 19 million bulk grain trading. Main driver of the remaining shortfall is continued presence of cheap imported flour in the market which overshadows the steady growth in the Retail channel. The last tranche of subsidy withdrawal in this category will come into effect on July 1 this year in the Bakery channel, removing existing 50 percent subsidy entirely.*

I am glad to witness Agthia's determination and resilience in the past two years against a backdrop of unprecedented changes in the operating environment, and our agility to adapt to these changes. I am confident that our commitment to deliver increased shareholder value will drive us to more success in the coming periods and years.

Eng. Dhafer Ayed Al Ahbabi
Chairman
26 April 2018

The Agthia Promise
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KPMG

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To the Shareholders of Agthia Group PJSC

Introduction

We have reviewed the accompanying 31 March 2018 condensed consolidated interim financial information of Agthia Group PJSC and its subsidiaries (collectively referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 31 March 2018;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2018;
- the condensed consolidated interim statement of other comprehensive income for the three-month period ended 31 March 2018;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2018;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2018; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2018 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Richard Ackland
Registration No: 1015
Abu Dhabi, United Arab Emirates
Date: 26 APR 2018

Agthia Group PJSC

Condensed consolidated interim statement of profit or loss (unaudited)
for the period ended 31 March

	Three months ended 31 March 2018 AED'000	Three months ended 31 March 2017 AED'000
Revenue	**490,888**	520,671
Cost of sales	**(322,178)**	(345,741)
Gross profit	**168,710**	174,930
Selling and distribution expenses	**(83,509)**	(91,032)
General and administrative expenses	**(38,697)**	(41,742)
Research and development expenses	**(1,852)**	(1,609)
Other income, net	**2,834**	11,078
Operating profit	**47,486**	51,625
Finance income	**3,613**	5,707
Finance expense	**(4,463)**	(4,349)
Profit before tax	**46,636**	52,983
Income tax expense	**(155)**	(549)
Profit for the period including non-controlling interests	**46,481**	52,434
Add: loss for the period attributable to non-controlling interests	**619**	**-**
Profit for the period attributable to the owners of the Company	**47,100**	52,434
Basic and diluted earnings per share (AED)	**0.079**	0.087

The notes on pages 10 to 26 form an integral part of these condensed consolidated interim financial information.
The independent auditors' report on review of these condensed consolidated interim financial information is set out on pages 1 and 2.

Agthia Group PJSC

Condensed consolidated interim statement of other comprehensive income (unaudited)
for the period ended 31 March

	Three months ended 31 March 2018 AED'000	Three months ended 31 March 2017 AED'000
Profit for the period	**46,481**	52,434
Other comprehensive income		
Items that are or may be subsequently reclassified to profit or loss		
Foreign currency translation difference on foreign operations	**(1,591)**	(827)
Cash flow hedge – effective portion of changes in fair value	**864**	651
Cash flow hedge – reclassified to profit or loss	**-**	6,519
Items that will not be reclassified to profit or loss:		
Re-measurement of end of service benefits	**1,449**	-
Other comprehensive income for the period	**722**	6,343
Total other comprehensive income for the period	**47,203**	58,777
Total comprehensive income attributable to:		
Owners of the Company	**47,635**	58,777
Non-controlling interest	**(432)**	-
	47,203	58,777

The notes on pages 10 to 26 form an integral part of these condensed consolidated interim financial information.
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Agthia Group PJSC

Condensed consolidated interim statement of financial position

as at

	Note	**31 March 2018 (unaudited) AED'000**	31 December 2017 (audited) AED'000
Assets			
Non-current assets			
Property, plant and equipment	*6*	**1,115,889**	1,121,578
Advances for property, plant and equipment		**3,685**	3,888
Goodwill	*7*	**275,933**	275,933
Intangible assets		**89,829**	90,387
Other financial assets		**2,468**	3,887
Total non-current assets		**1,487,804**	1,495,673
Current assets			
Inventories	*8*	**332,315**	313,595
Trade and other receivables	*9*	**495,636**	404,736
Due from related parties		**162**	387
Government compensation receivable		**70,126**	35,628
Cash and bank balances	*10*	**725,301**	692,842
Total current assets		**1,623,540**	1,447,188
Current liabilities			
Bank borrowings (*current portion*)	*11*	**379,458**	314,023
Trade and other payables	*13*	**460,701**	425,504
Due to related parties	*14*	**3,261**	2,940
Total current liabilities		**843,420**	742,467
Net current assets		**780,120**	704,721
Non-current liabilities			
Provision for end of service benefits		**75,668**	74,967
Bank borrowings (*non-current portion*)	*11*	**298,554**	278,928
Total non-current liabilities		**374,222**	353,895
Net assets		**1,893,702**	1,846,499

Continued…

Agthia Group PJSC

Condensed consolidated interim statement of financial position *(continued)*
as at

	31 March 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
Equity		
Share capital	**600,000**	600,000
Legal reserve	**167,459**	167,459
Translation reserve	**(43,814)**	(42,036)
Other reserve	**(4,132)**	(6,445)
Retained earnings	**1,140,980**	1,093,880
Equity attributable to owners of the Company	**1,860,493**	1,812,858
Non-controlling interests	**33,209**	33,641
Total equity	**1,893,702**	1,846,499

The condensed consolidated interim financial information were approved and authorised for issue by the Board of Directors on 26 APR 2018 and were signed on their behalf by:

HE Eng Dhafer Ayed Al Ahbabi
Chairman

Tariq Al Wahedi
CEO

Fatih Yeldan
CFO

The notes on pages 10 to 26 form an integral part of these condensed consolidated interim financial information.
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Condensed consolidated interim statement of changes in equity (unaudited)

for the three month period ended 31 March

	Share capital AED'000	Legal reserve AED'000	Translation reserve AED'000	Other reserve AED'000	Retained earnings AED'000	Attributable to owners of Company AED'000	Non-controlling interest AED'000	Total AED'000
Balance at 1 January 2017	600,000	146,850	(40,303)	(19,260)	998,399	1,685,686	-	1,685,686
Total comprehensive income for the period								
Profit for the period	-	-	-	-	52,434	52,434	-	52,434
<u>*Other comprehensive income:*</u>								
Foreign currency translation difference on foreign operations	-	-	(827)	-	-	(827)	-	(827)
Cash flow hedge – effective portion of changes in fair value (net)	-	-	-	651	-	651	-	651
Re-measurement of end of service benefits	-	-	-	6,519	-	6,519	-	6,519
Total comprehensive income	**-**	**-**	**(827)**	**7,170**	**52,434**	**58,777**	**-**	**58,777**
Owners' changes directly in Equity								
Dividend for the year 2016	-	-	-	-	-	-	-	-
Balance at 31 March 2017	**600,000**	**146,850**	**(41,130)**	**(12,090)**	**1,050,833**	**1,744,463**	**-**	**1,744,463**
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Agthia Group PJSC

Condensed consolidated interim statement of changes in equity (unaudited) *(continued)*

for the three month period ended 31 March

	Share capital AED'000	Legal reserve AED'000	Translation reserve AED'000	Other reserve AED'000	Retained earnings AED'000	Attributable to owners of Company AED'000	Non-controlling interest AED'000	Total AED'000
Balance at 1 January 2018	**600,000**	**167,459**	**(42,036)**	**(6,445)**	**1,093,880**	**1,812,858**	**33,641**	**1,846,499**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	**47,100**	**47,100**	**(619)**	**46,481**
Other comprehensive income:								
Foreign currency translation difference on foreign operations	-	-	**(1,778)**	-	-	**(1,778)**	**187**	**(1,591)**
Cash flow hedge – effective portion of changes in fair value (net)	-	-	-	**864**	-	**864**	-	**864**
Re-measurement of end of service benefits	-	-	-	**1,449**	-	**1,449**	-	**1,449**
Total comprehensive income	**-**	**-**	**(1,778)**	**2,313**	**47,100**	**47,635**	**(432)**	**47,203**
Balance at 31 March 2018	**600,000**	**167,459**	**(43,814)**	**(4,132)**	**1,140,980**	**1,860,493**	**33,209**	**1,893,702**

The notes on pages 10 to 26 form an integral part of these condensed consolidated interim financial information.

Agthia Group PJSC

Condensed consolidated interim statement of cash flows (unaudited)
for the three month period ended 31 March

	Note	2018 AED'000	2017 AED'000
Cash flows from operating activities			
Profit for the period including NCI		**46,481**	52,434
Adjustments for:			
Depreciation	*6*	**26,318**	27,000
Amortisation of intangible assets		**611**	276
Finance income		**(3,613)**	(5,707)
Finance expense		**4,463**	4,349
Gain on sale of property, plant, and equipment	*6*	**(87)**	(6,093)
Movement in provision for slow moving inventories, net	*8*	**12**	1,059
Movement in allowance for impairment loss	*9*	**1,401**	1,531
Provision for employees' end of service benefits		**3,632**	2,728
Income tax expense		**155**	549
		79,373	78,126
Change in:			
Inventories		**(18,732)**	6,949
Trade and other receivables, net		**(92,940)**	(35,191)
Due from relates parties	*14*	**225**	220
Government compensation receivable		**(34,498)**	11,335
Due to related parties	*14*	**321**	1,144
Trade and other payables		**37,451**	52,604
Other financial liabilities, net		**1,419**	(125)
Cash (used in) / generated from operating activities		**(27,381)**	115,062
Payment of employees' end of service benefits		**(618)**	(4,549)
Tax paid		**(155)**	(872)
Net cash (used in) / from operating activities		**(28,154)**	109,641
Cash flows from investing activities			
Acquisition of property, plant and equipment	*6*	**(23,544)**	(32,378)
Proceeds from disposal of property, plant and equipment	*6*	**458**	6,744
Acquisition of subsidiary		**-**	(187,751)
Other advances		**-**	(34,021)
Funds withdrawn from fixed deposits		**(15,829)**	19,135
Interest received		**4,252**	5,644
Net cash used in investing activities		**(34,663)**	(222,627)
Cash flows from financing activities			
Bank borrowings - net	*11*	**74,536**	163,201
Interest paid		**(6,627)**	(2,637)
Net cash from financing activities		**67,909**	160,564
Increase in cash and cash equivalents		**5,092**	47,578
Cash and cash equivalents as at 1 January		**53,853**	21,373
Effect of foreign exchange		**1,103**	668
Cash and cash equivalents as at 31 March	*10*	**60,048**	69,619

The notes on pages 10 to 26 form an integral part of these condensed consolidated interim financial information.
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1 Legal status and principal activities

Agthia Group PJSC ("the Company") was incorporated as a Public Joint Stock Company pursuant to the Ministerial Resolution No. 324 for 2004 in the Emirate of Abu Dhabi. General Holding Corporation PJSC (SENAAT) owns 51% of the Company's shares which is wholly owned by the Government of Abu Dhabi. The principal activities of the Company are to establish, invest, trade and operate companies and businesses that are involved in the food and beverage sector.

The condensed consolidated interim financial information of the Company as at and for the three month period ended 31 March 2018 comprise the Company and its below mentioned subsidiaries (together referred to as the "Group").

Name of subsidiaries	Country of incorporation and operation	Share of equity (%) 2018	2017	Principal activities
Grand Mills Company PJSC	UAE	100	100	Production and sale of flour and animal feed.
Al Ain Food and Beverages PJSC (AAFB-UAE)	UAE	100	100	Production and sale of bottled water, flavored water, juices, yogurt, tomato paste, frozen vegetables and frozen baked products.
Agthia Group Egypt LLC (Agthia Egypt)	Egypt	100	100	Processing and sale of tomato paste, chilli paste, fruit concentrate and frozen vegetables.
Agthia Grup Icecek ve Dagitim Sanayi ve Ticaret Limited Sirketi (Agthia Turkey)	Turkey	100	100	Production, bottling and sale of bottled water.
Al Bayan Purification and Potable Water LLC	UAE	100	100	Production, bottling and sale of bottled water.
Shaklan Plastic Manufacturing Co. LLC	UAE	100	100	Production of plastic bottles and containers
Al Manal Purification and Bottling of Mineral Water LLC	Oman	100	100	Production, bottling and sale of bottled water.

1 Legal status and principal activities *(continued)*

Name of subsidiaries	Country of incorporation and operation	Share of equity (%) 2018	2017	Principal activities
Delta Bottled Water Factory Company Limited	KSA	100	100	Production, bottling and sale of bottled water.
Al Rammah National For General Trading and Contracting Company WLL	Kuwait	50	50	Production, bottling and sale of bottled water.
Gulf National Forage Company LLC	UAE	51	51	Import and wholesale of fodder.

2 Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial information have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual consolidated financial information, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

(b) Basis of measurement

These condensed consolidated interim financial information have been prepared under the historical cost basis except for derivative financial instruments, which are carried at fair value.

(c) Functional and presentation currency

These condensed consolidated interim financial information are presented in United Arab Emirates Dirhams ("AED"), which is the functional currency, rounded to the nearest thousand.

3 Significant accounting policies

The accounting policies and methods of computation applied by the Group in these condensed consolidated interim financial information are the same as those applied by the Group in the consolidated financial statements as at and for the year ended 31 December 2017 except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the condensed consolidated interim financial information of the Group.

3 Significant accounting policies *(continued)*

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Group has not applied the requirements of IFRS 15 to the comparative period presented.

The Group is in the business of production and sale of various goods in the food and beverages sector. The goods are generally sold on their own in separately identified contracts with customers.

(a) Sale of goods

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition and the amount of revenue to be recognised.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has taken advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 is generally recognised in retained earnings and reserves as at 1 January 2018. The new hedge accounting requirements are also applied prospectively. Since there is no hedge relationship as at 31 December 2017, above transition have no effect.

Based on its assessment, the Group concluded that the application of IFRS 9 has no material impact on its consolidated financial statements.

3 Significant accounting policies *(continued)*

IFRS 9 Financial Instruments (continued)

Financial assets

The Group initially recognises financial assets on the trade date at which the Group becomes a party to the contractual provisions of the contract. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value. The Group subsequently measures financial assets either at amortised cost or fair value.

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

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Classification of financial assets

On initial recognition, the Group classifies its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group had the following financial assets as at 31 March 2018: trade and other receivables, due from related parties, government compensation receivable and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with banks in current accounts and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value.

Loans and receivables

Trade receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3 Significant accounting policies *(continued)*

IFRS 9 Financial Instruments (continued)

Financial assets measured at fair value

Financial assets other than those classified as financial assets measured at amortised cost are subsequently measured at fair value with all changes in fair value recognised in profit or loss.

However, for investments in equity instruments that are not held-for-trading, at initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income (FVTOCI). Investments in equity instruments at FVTOCI, are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in the 'other income' line item in the profit or loss.

Impairment of non-derivative financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This requires considerable judgement about how changes in economic factors affect ECLs, which determine on a probability-weighted basis.

The new impairment model applies to the financial assets measured at amortised cost or FVTOCI, except for investment equity instruments, and to contract assets.

Under IFRS 9, loss allowance is measured on either of the following bases:

- *12-month* ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *Lifetime* ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. The Group determines that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component. The Group has chosen to apply this policy also for trade receivables and contract assets with a significant financing component.

3 Significant accounting policies *(continued)*

IFRS 9 Financial Instruments (continued)

Financial liabilities and equity instruments

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

The Group's financial liabilities comprise trade and other payables, due to related parties, bank borrowings, which are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except, for short-term liabilities when the recognition of interest would be immaterial.

Government compensation receivable

Funds that compensate the Group for selling flour and animal feed at subsidised prices in the Emirate of Abu Dhabi are recognised in the condensed consolidated interim statement of profit or loss, as a deduction from the cost of sales, on a systematic basis in the same period in which the sales transaction is affected.

Cost of sales as stated in the condensed consolidated interim statement of profit or loss is after the deduction of Abu Dhabi Government compensation amounting to AED 35,570 thousand *(31 March 2017: AED 38,732 thousand)*. The purpose of the compensation was to partially reduce the impact of increased and volatile global grain prices on food retail prices for the consumers in the Abu Dhabi Emirate.

4 Accounting estimates and judgements

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2017.

5 Financial risk management

The Group's financial risk management objectives and processes are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2017.

6 Property, plant and equipment

Acquisitions and disposals

During the three month period ended 31 March 2018, the Group invested in property, plant and equipment for a net amount of AED 23,544 thousand (*31 March 2017: AED 32,378 thousand*) of which acquisition of assets amounted to AED 23,747 thousand and advances released amounted to AED 203 thousand *(31 March 2017: assets acquired AED 25,888 thousand and advances paid of AED 6,490 thousand).*

Assets with a carrying amount of AED 371 thousand were disposed during the three month period ended 31 March 2018 *(31 March 2017: AED 651 thousand)*, resulting in a gain of AED 87 thousand *(31 March 2017: profit of AED 6,093 thousand)* which is included in net other income.

Furthermore, the depreciation charge on property, plant and equipment during the three month period ended 31 March 2018 amounted to AED 26,318 thousand *(31 March 2017: AED 27,000 thousand).*

7 Goodwill

For the purpose of impairment testing goodwill is allocated to four cash generating units within the Group where goodwill is monitored for internal management purposes. Impairment testing is conducted on an annual basis.

8 Inventories

During the three months ended 31 March 2018, the Group recorded a provision for slow, non-moving and obsolete inventory of AED 675 thousand *(31 March 2017: AED 1,433 thousand).* The charge is included in cost of sales.

Furthermore, the Group has written off a previous provision for slow, non-moving and obsolete inventory of AED 687 thousand *(31 March 2017: AED 374 thousand).*

9 Trade and other receivables

	31 March 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Trade receivables	**405,701**	359,259
Allowance for impairment loss	**(25,915)**	(24,561)
	379,786	334,698
Prepayments	**65,601**	39,477
Other receivables	**50,249**	30,561
	495,636	404,736

During the three months ended 31 March 2018, the Group recorded an allowance for impairment loss of AED 1,401 thousand *(31 March 2017: AED 1,554 thousand)*. Further, the Group has written off an allowance for impairment loss of AED nil thousand *(31 March 2017: AED 23 thousand).*

10 Cash and bank balances

Cash and cash equivalents in the condensed consolidated interim statement of cash flows comprise:

	31 March 2018 AED '000 (unaudited)	31 March 2017 AED '000 (unaudited)	31 December 2017 AED '000 (audited)
Cash in hand	**3,302**	1,750	2,221
Current and saving accounts	**98,153**	102,421	82,604
Cash and bank balances	**101,455**	104,171	84,825
Escrow account (for dividend distribution 2009 to 2014)	**(26,857)**	(26,917)	(26,947)
Bank overdraft (Note 11)	**(14,550)**	(7,635)	(4,025)
Cash and cash equivalents in the statement of cash flows	**60,048**	69,619	53,853
Cash and bank balances	**101,455**	104,171	84,825
Fixed deposits	**623,846**	466,682	608,017
	725,301	570,853	692,842

Fixed deposits above are for a period not more than one year (*31 March 2017: not more than one year*) carrying interest rates varying from 2.60%-3.60% *(31 March 2017: 2.95%-3.30%).*

Escrow account represents amounts set aside for payment of dividend. Equivalent amount has been recorded as liability in trade and other payables. This restricted cash balance has not been included in the cash and cash equivalents for the purpose of cash flow statements.

11 Bank borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortised cost.

	31 March 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Current liabilities:		
Credit facilities	**298,581**	265,917
Short term loan	**66,327**	44,081
Bank overdraft	**14,550**	4,025
	379,458	314,023
Non-current liabilities:		
Term loans***	**298,554**	278,928

Terms and repayment schedule

Amounts in AED'000

	Currency	**Interest Rate**	**Year of maturity**	**31 March 2018 (unaudited) Facility value/ limit**	**31 March 2018 (unaudited) Carrying amount**	31 December 2017 (audited) Facility value/ limit	31 December 2017 (audited) Carrying amount
Short term loan / bank overdraft **	USD/ AED/ EGP	LIBOR/ EIBOR/ mid corridor rate + margin*	2018	**145,264**	**80,877**	145,195	48,106
Credit Facility**	USD/ AED	LIBOR/ EIBOR/ + margin*	2018	**717,340**	**298,581**	717,340	265,917
Credit Facility (Capex)**	USD/ AED	LIBOR/ EIBOR + margin*	2018	**50,000**	**-**	50,000	-
Term loan 1 ***	USD	LIBOR + margin*	2020	**165,303**	**165,303**	165,303	165,303
Term loan 2***	AED	EIBOR + margin*	2022	**113,625**	**113,625**	113,625	113,625
Term loan 3****	KWD	KIBOR + margin*	2022	**21,359**	**19,626**	-	-
Total				**1,212,891**	**678,012**	1,191,463	592,951

*Margin on the above loans and facilities varies from 0.50% - 1.35% *(2017: 0.50% - 1.35%)* for UAE and 1.25% - 3.00% for overseas credit facilities except Turkey. Average interest rate on loan and facilities in Turkey, amounting to AED 1,067 thousand, *(2017: AED 3,882 thousand)* is 15.10% *(2017: 11.70%).*

11 Bank borrowings *(continued)*

**Credit facilities includes facilities with face value AED 350,000 thousand and credit facility (Capex) of face value AED 50,000 thousand which are secured by a floating charge over the current assets, inventory and receivables of the Group.

*** The Group has a long-term loan of AED 165,303 thousand for a tenure of five years. The loan is secured by floating charges over the current assets, inventory and receivables of the Group.

*** During 2017, the Group availed a loan of AED 183,625 thousand for a tenure of five years repayable in 2022 with an option for early payment. The Group has repaid an amount of AED 70,000 thousand during 2017. The loan is secured by floating charges over the current assets, inventories and trade receivables of the Group.

**** During 2018, the Group availed a loan of AED 21,359 thousand for a tenure of four years repayable in 2022. The loan is secured by corporate guarantee from shareholders.

12 Segment reporting

Information about reportable segment for the three months ended 31 March

The Group has two reportable segments, as described below. The reportable segments offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Board of Directors review internal management reports on at least quarterly basis.

The following summary describes the operations in each of the Group's reportable segment:

- **Agri Business Division (ABD)**
  - Flour and Animal Feed, includes manufacturing and distribution of flour and animal feed.

- **Consumer Business Division (CBD)**
  - Bottled Water and Beverages includes manufacturing and distribution of drinking water, water based drinks and juices.
    - Business operation in Turkey is of similar nature as "Bottled Water" hence it is also reported under CBD.
    - Business operation of Al Bayan is manufacturing and distribution of drinking water, hence, it is also reported under CBD.
    - Business operation of Delta Water is manufacturing and distribution of drinking water, hence, it is also reported under CBD.
  - Food includes manufacturing and distribution of tomato and chilli paste, fruit concentrate, frozen vegetables, fresh dairy products and frozen baked products.
    - Business operation in Egypt is of similar nature as "Food" hence it is also reported under CBD.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports data reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Notes to the condensed consolidated interim financial information *(continued)*
for the period ended 31 March 2018

12 Segment reporting *(continued)*

Segment wise operating results of the Group, for the three month period are as follows:

	Agri Business Division (ABD)		Consumer Business Division (CBD)							
	Flour and Animal Feed		*Bottled Water and Beverages*		*Food*		CBD Total		Total	
	31 March 2018 AED'000	31 March 2017 AED'000	**31 March 2018 AED'000**	31 March 2017 AED'000	**31 March 2018 AED'000**	31 March 2017 AED'000	**31 March 2018 AED'000**	31 March 2017 AED'000	**31 March 2018 AED'000**	31 March 2017 AED'000
External revenues	**231,456**	255,509	**211,635**	224,250	**47,797**	40,912	**259,432**	265,162	**490,888**	520,671
Gross profit	**52,001**	60,904	**108,295**	111,450	**10,698**	6,595	**118,993**	118,045	**170,994**	178,949
Finance income	**3**	4	**89**	131	**-**	158	**89**	290	**92**	293
Finance expense	**-**	-	**244**	(95)	**(180)**	(239)	**64**	(332)	**64**	(332)
Depreciation	**6,597**	6,735	**19,170**	19,251	**181**	162	**19,351**	19,413	**25,948**	26,148
Reportable segment profit/(loss)	**29,796**	38,211	**37,475**	37,633	**1,962**	(2,498)	**39,437**	35,135	**69,233**	73,346
Material non cash items;										
Impairment losses on trade receivables (net)	**701**	136	**700**	1,397	**-**	(2)	**700**	(1,395)	**1,401**	1,531

12 Segment reporting *(continued)*

Reconciliations of reportable segments' profit or loss

Gross profit for the three months period ended

	31 March 2018 AED'000 (unaudited)	31 March 2017 AED'000 (audited)
Total gross profit for reportable segments	**170,994**	178,949
Unallocated amounts		
Other operating expenses	**(2,284)**	(4,019)
Consolidated gross profit for the period	**168,710**	174,930
Profit for the three months period ended		
Total profit for reportable segments	**69,233**	73,346
Unallocated amounts		
Other operating expenses	**(21,127)**	(22,468)
Net finance income	**(1,006)**	1,556
	47,100	52,434
Non-controlling interest	**(619)**	-
Consolidated profit for the period	**46,481**	52,434

Reportable segment assets and liabilities are as follows:

	31 March 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Segment assets		
Agri Business Division	**631,124**	564,719
Consumer Business Division	**1,416,679**	1,355,824
Total assets for reportable segment	**2,047,803**	1,920,543
Other unallocated amounts	**1,063,541**	1,022,318
Consolidated total assets	**3,111,344**	2,942,861
Segment liabilities		
Agri Business Division	**189,246**	171,694
Consumer Business Division	**292,080**	253,756
Total liabilities for reportable segment	**481,326**	425,450
Other unallocated amounts	**736,316**	670,912
Consolidated total liabilities	**1,217,642**	1,096,362

13 Trade and other payables

	31 March 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Trade payables	**158,381**	154,941
Accruals	**220,549**	197,865
Other payables	**81,771**	72,698
	460,701	425,504

14 Transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, related parties comprise the major shareholder, key management personnel, Board of Directors and their related companies. In the normal course of business, the Group had various transactions with its related parties. Transactions are entered into with the related parties on terms and conditions approved by either the Group's management, or its Board of Directors.

a. Key management personnel compensation

Key management personnel compensation for the three month period was as follows:

	31 March 2018 AED'000 (unaudited)	31 March 2017 AED'000 (audited)
Short term employment benefits	**5,005**	4,113
Long term employment benefits	**1,083**	831
	6,088	4,944

b. Amounts due from related parties

	31 March 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Emirates Iron & Steel Company LLC – associated company		
Opening balance	**334**	316
Sales during the period / year	**114**	594
Amount received	**(334)**	(576)
Closing balance	**114**	334

14 Transactions with related parties *(continued)*

b. Due from related parties (continued)

	31 March 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Dubai Cable Company (Private) Limited - associated company		
Opening balance	**53**	64
Sales during the period / year	**39**	185
Amount received	**(44)**	(196)
Closing balance	**48**	53
Total amounts due from related parties	**162**	387

c. Due to related parties

	31 March 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
General Holding Corporation PJSC (SENAAT) – parent		
Opening balance	**421**	226
Other expenses	**-**	255
Payments	**-**	(60)
Closing balance	**421**	421

	31 March 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Al Foah Company LLC – associated company		
Opening balance	**2,519**	1,579
Local purchases	**3,179**	13,932
Payments	**(2,858)**	(12,992)
Closing balance	**2,840**	2,519
Total amounts due to related parties	**3,261**	2,940

15 Contingent liabilities and capital commitments

	31 March 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Bank guarantees and letters of credit	**66,623**	70,222
Capital commitments	**45,221**	41,317

At 31 March 2018, guarantees of AED 57,149 thousand were outstanding *(31 December 2017: AED 59,728 thousand)* and is included in bank guarantees and letter of credit above.

The above bank guarantees and letters of credits were issued in the normal course of business. These include deferred payment credit, performance bonds, tender bonds, deferred payment bills, inward bill and margin deposit guarantees.

Non-cancellable operating lease rentals are payable as follows:

	31 March 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)
Less than one year	**16,201**	16,231
Between one and five years	**32,991**	30,024
More than five years	**30,866**	31,621
	80,058	77,876

The Group has leasehold land, building and vehicles under operating leases. The lease terms are with option to renew the lease at the time of expiry.

16 Dividend

At the Board of Directors' meeting held on 28 February 2018, the directors proposed a cash dividend of 12.5% of the issued and paid up capital, amounting to AED 75 million (2017: AED 90 million). The dividend is subject to shareholders' approval in the Annual General Meeting to be held on 26 April 2018.

17 Financial instruments

Fair value hierarchy

The fair value hierarchy levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as priced) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 March 2018

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Assets measured at fair value					
Other financial assets	**2,468**	-	**2,468**	-	**2,468**
Assets not measured at fair value					
Loans and receivables net of advances and prepayments	**430,035**	-	-	-	-
Due from related parties	**162**	-	-	-	-
Government compensation receivable	**70,126**	-	-	-	-
Cash and bank balances	**725,302**	-	-	-	-
	1,225,625	-	-	-	-
Liabilities not measured at fair value					
Trade and other payables	**401,871**	-	-	-	-
Bank borrowings	**678,012**	-	-	-	-
Due to related parties	**3,261**	-	-	-	-
	1,083,144	-	-	-	-

17 Financial instruments *(continued)*

31 December 2017

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Assets measured at fair value					
Other financial assets	3,887	-	3,887	-	3,887
Assets not measured at fair value					
Loans and receivables net of advances and prepayments	365,259	-	-	-	-
Due from related parties	387	-	-	-	-
Government compensation receivable	35,623	-	-	-	-
Cash and bank balances	692,842	-	-	-	-
	1,094,116	-	-	-	-
Liabilities not measured at fair value					
Trade and other payables	393,992	-	-	-	-
Bank borrowings	592,951	-	-	-	-
Due to related parties	2,940	-	-	-	-
	989,883	-	-	-	-