AGTHIA GROUP PJSC

Consolidated financial statements
for the year ended 31 December 2017

Principal business address:

P O Box 37725
Abu Dhabi
United Arab Emirates

Agthia Group PJSC

Report and Consolidated financial statements
for the year ended 31 December 2017

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AGTHIA GROUP PJSC DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present our annual report and consolidated financial statements of Agthia Group PJSC ("the Company) and its subsidiaries ("the Group") for the period ended 31st December 2017.

In addition to the expected hardships associated with adapting to a largely unsubsidized flour and animal feed marketplace, 2017 has also presented us with some other challenges like higher utility price tariffs in Abu Dhabi, and cancellation of concentrated pellet tender. Nonetheless, the Company managed to grow revenues and restrict the adverse impact of these challenges on the profit to a significant degree.

Group revenues grew by 2 percent year-on-year and reached AED 2.05 billion. The Company recorded AED 2.05 billion revenues in 2017, propelled by an astonishing 25 percent growth in Water & Beverages category thanks to strong performance in the UAE and contribution of Delta Water in Saudi Arabia. On the other hand, combined revenues of Flour and Animal Feed categories (aka Agri Business) declined by 13 percent as both businesses have been adapting to new market norms by virtue of reduced subsidies.

Group net profit for the year recorded AED 206 million, AED 48 million less than last year. Lower profit in Flour and Animal Feed due to subsidy rationalization was considerably offset by higher profit in the Water and other consumer businesses. Higher volume with better mix, profit turnaround in most of our underperforming businesses and additional cost savings by virtue of a strict cost optimization program have all helped recover more than 140 million dirhams back from around AED 190 million negative impact on profit of lost subsidies, higher utility and other operating costs in addition to lower exports and a cancelled animal feed tender.

Earnings per share (EPS) has dropped to AED 0.343 following lower net profit.

Total group assets reached AED 2.94 billion, increasing 16 percent over last year. In addition to higher current assets in parallel with growth and expansion, new ventures in Saudi Arabia and Kuwait, and other capital expenditures across our facilities contributed in total assets growth.

The strategic and financial accomplishments in 2017 despite strong headwinds are a testament to the capacity and capability of our brands, leaders and people in addition to the confidence of our stakeholders. This was undoubtedly an outcome of hard, passionate and dedicated work, and I want to assure you that we will continue to work even harder to ensure uninterrupted value creation for all of our stakeholders.

The Agthia Promise
A total commitment to quality, naturally

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DETAILED BUSINESS PERFORMANCE REPORT

CONSUMER BUSINESSES

Our **Consumer** segment **(Water & Beverages, Food)** with higher growth potential at higher margins now constitute 53 percent of Group net revenues, and contribute more than Agri segment (Flour and Animal Feed) for the first time in the history of the Company.

Water and Beverages net revenues for the period reached AED 915 million, growing 25 percent versus last year. Organic growth – excluding thirteen and a half months of Saudi business consolidation in Group results – was 5 percent. Net segment profit at AED 173 million recorded 28 percent growth over last year as a result of higher sales, better product mix and lower operational expenses.

In the UAE, both Bottled Water and 5-gallon segments brought in strong revenues, increasing sales versus last year by 8 percent and 11 percent respectively. Al Ain Water together with Al Ain ZERO reached 28 percent volume share in the UAE, highest ever and 500 basis points higher versus same period last year, with Al Ain ZERO becoming one of the top five brands reaching 4.8 percent volume share. Alpin Natural Spring Water more than doubled volume share to 1.6 percent whereas Al Bayan Bottled Water almost quadrupled to 1.2 percent.

In order to stop ongoing losses in Turkey, a restructuring of the business model was executed in 2017, consequently delivering a near break-even bottom line compared to over AED 7 million losses last year. Sales however fell by 61 percent as local direct distribution go-to-market model was abolished and entire operational focus was deployed behind manufacturing for export businesses.

In Beverages, 2017 has been a tough year for Capri-Sun against a backdrop of a declining market size and a smaller export territory. Despite lower sales (by 4 percent YoY), Capri-Sun gained 40 basis points share in this declining UAE market, and reached 9.5 percent volume share in juice drink-single serve segment, maintaining its number three position. On the other hand, Al Ain Fresh juices continued their growth momentum (13 percent YoY) in a growing retail trade channel by virtue of new SKU launches. 9

Food (Dairy, Bakery, Tomato Paste and Frozen Vegetables including Egypt, Trading Items) recorded AED 174 million net revenues in 2017 with a marginal 1 percent growth over last year. Net segment losses stood at AED 2.0 million, 87 percent less than last year, thanks to outstanding profit turnaround in Egypt and significant loss reduction in Dairy and Bakery businesses.

Revenues of Trading Items displayed a healthy growth of 29 percent over last year. With a range from tea and coffee to tissues, poultry, olive oil and pasta, Trading Items represent majority of our product portfolio in Community Support Division (CSD). Open to all local people of the UAE mainly through Abu Dhabi and Al Ain municipality outlets

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as well Sheikh Khalifa Foundation stores in the Northern Emirates, CSD is also the backbone of our government partnership program that allows members from a wide range of government organizations to purchase various products at discounted prices.

Dairy and TP/FV segments' revenues declined compared to last year (5 percent and 10 percent respectively). In Dairy, moderate growth was recorded in fruit yogurt business in a market which is declining in volume and value against a backdrop of aggressive price reductions. TP/FV in the UAE has been suffering from a similar issue driven by the same consumer concerns, driving discounts and price promotions to such levels where we chose profitability over further volume growth.

In Egypt, revenues in dirhams declined because of currency devaluation but grew healthily in local currency. With more profitable B2C channels slowly but surely taking bigger share from our business, and a complete profit turnaround in 2017, it is well worth mentioning that Egypt is finally moving in the right direction.

Bakery recorded 6 percent growth in revenues following a successful year in terms of new customer acquisitions and introduction of new products ranging from cupcakes to lattices.

AGRI BUSINESSES

Agri segment **(Flour, Animal Feed)** posted AED 959 million in net revenues, lagging 13 percent behind last year. At AED 120 million, net segment profit was half of last year largely due to withdrawal of subsidies.

Flour net revenues were AED 386 million, or 12 percent less than a year ago. With the exception of incremental volume losses due to cheap imported flour flooding the UAE as a side effect of an unregulated market, this level of pressure on revenue and profit was totally expected and communicated to the investment community as a direct consequence of subsidy withdrawal. The Company's response to this unprecedented challenge in the form of new product initiatives and cost optimization efforts to generate more revenue streams and mitigate losses has successfully been implemented all through the year.

Animal Feed posted net revenues of AED 573 million, which was 14 percent behind last year. Subsidy related volume losses have been materialized less than we initially anticipated in this category thanks to a portfolio of new products including a new low-cost value brand range and improved formula products addressing full life cycles of animals. On the other hand, cancellation of the concentrated pellet annual tender negatively impacted business performance versus last year to a significant degree. Although this loss was partially offset by higher grain trading, it still resulted in a profit gap versus 2016.

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SG&A EXPENSES

Total SG&A expenses rose 12 percent year-on-year to AED 499 million. Excluding expenses related to our new ventures in Saudi Arabia and Kuwait, the increase was a marginal 1 percent owing to a strict cost optimization program pursued by the Group all through the year.

CASH FLOW

Cash accumulated from operating activities totaled AED 430 million for the year. Cash, cash equivalents and fixed deposits as at December 31st, 2017 amounted to AED 693 million.

To ensure uninterrupted availability of funds, the Company maintains sufficient bank credit lines at very competitive pricing to cover any short-term working capital requirements.

UNALLOCATED CORPORATE ITEMS

Under segment reporting, an unallocated assets amount of AED 1.02 billion primarily represents cash and bank balances and goodwill.

DIVIDEND

The Board of Directors is pleased to recommend 12.5 percent cash dividend for the year 2017.

CODE OF CORPORATE GOVERNANCE

The Board of Directors and management of the Company are committed to the principles of good governance. A full report of the Company's Corporate Governance activities, endorsed by the Board, has been provided in the Corporate Governance section of the annual report.

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FINANCIAL REPORTING FRAMEWORK

The Directors of Agthia Group PJSC, to the best of their knowledge, believe that:

- The consolidated financial statements, prepared by the management of the Company, fairly present its state of affairs, the results of its operations, cash flows, and change in equity,
- The Company has maintained proper books of accounts,
- Appropriate accounting policies have been consistently applied in preparation of consolidated financial statements, and accounting estimates are based on reasonable and prudent judgment,
- International Financial Reporting Standards (IFRS), as applicable, have been followed in the preparation of these consolidated financial statements,
- The system of internal control is sound in design and has been effectively implemented and monitored,
- There is no doubt about the Company's ability to continue as a going concern.

SUBSEQUENT EVENTS

As of the date of this report, no major event has occurred which may have significant impact on the 2017 Consolidated Financial Statements.

Eng. Dhafer Ayed Al Ahbabi
Chairman of the Board
28 February 2018

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Independent Auditors' Report

To the Shareholders of Agthia Group PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Agthia Group PJSC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters remain similar to the prior year except that the acquisition accounting has been removed as the matter has been concluded in the previous year.

Key audit matter	How our audit addressed the key audit matter

(a) Carrying value of goodwill

Refer to note 2.6 and note 16 of the consolidated financial statements on pages 23 and 50 respectively.

Key audit matter	How our audit addressed the key audit matter
The Group has significant goodwill arising from the acquisition of businesses. The Group's annual impairment testing on goodwill is performed by Group management using cash flow forecasts and projections based on financial budgets approved by the Board and projections estimated by Group management. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which forms the basis of the assessment of recoverability, this is one of the key judgmental areas that our audit concentrated on.	In respect of the assessment of Cash Generating Units ("CGUs"): We challenged the assessment of CGUs given our understanding of the Group's operating and management structure. We considered the Group's procedures used to develop cash flow forecasts and projections and the integrity of its discounted cash flow model and re-performed the calculations of the model results to test its accuracy. We assessed the historical accuracy of the Group's forecasting and challenged the assumptions in the discounted cash flow model for reasonableness, including corroborating the key assumptions with any other evidence available to us. We also tested the projected growth and perpetuity rates for reasonableness. In respect of the discount rate, we compared the Group's assumptions to externally-derived data (for example, bond yields and inflation statistics) where appropriate. We also performed sensitivity analysis of discount rates and forecast cash flows stress-test the valuations of the CGUs' recoverable amounts. We assessed the adequacy of the Group's disclosure in these respects.

KPMG

Other Information

Management is responsible for the other information. The other information comprises the Directors' report but does not include the consolidated financial statements and our auditors' report thereon which we obtained prior to the date of this auditors' report, and the Chairman's Message which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Message, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

(i) We have obtained all the information and explanations we considered necessary for the purposes of our audit;

(ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

(iii) the Group has maintained proper books of account;

(iv) the financial information included in the Directors' Report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

(v) as disclosed in note 28 to the consolidated financial statements, the Group has not purchased any shares during the year ended 31 December 2017;

(vi) note 24 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

(vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2017.

KPMG Lower Gulf Limited

Richard Ackland
Registration No: 1015
Abu Dhabi, United Arab Emirates
Date: 28 FEB 2018

Agthia Group PJSC

Consolidated statement of profit or loss
for the year ended 31 December

	Notes	**2017 AED'000**	2016 AED'000
Revenue		**2,047,957**	2,011,941
Cost of sales	*6*	**(1,369,456)**	(1,317,060)
Gross profit		**678,501**	694,881
Selling and distribution expenses	*7*	**(333,081)**	(291,439)
General and administrative expenses	*8*	**(158,775)**	(147,248)
Research and development costs	*9*	**(6,662)**	(5,472)
Other income - net	*10*	**23,392**	13,504
Operating profit		**203,375**	264,226
Finance income	*11*	**20,174**	17,263
Finance expense	*12*	**(18,869)**	(26,870)
Profit before tax		**204,680**	254,619
Income tax expense	*13*	**(342)**	(349)
Profit for the year including NCI		**204,338**	254,270
Add: loss for the year attributable to Non-controlling interests		**1,752**	-
Profit for the year attributable to the owners of the Company		**206,090**	254,270
Basic and diluted earnings per share (AED)	*14*	**0.343**	0.424

The notes set out on pages 18 to 69 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 6 to 10.

Agthia Group PJSC

Consolidated statement of other comprehensive income
for the year ended 31 December

	2017 AED'000	2016 AED'000
Profit for the year	**204,338**	254,270
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation difference on foreign operations	**(1,733)**	(18,735)
Cash flow hedges – effective portion of changes in fair value (net)	**18,559**	(19,423)
Items that will not be reclassified to profit or loss:		
Re-measurement of end of service benefits	**(5,744)**	163
Other comprehensive income for the year	**11,082**	(37,995)
Total other comprehensive income for the year	**215,420**	216,275
Total comprehensive income attributable to:		
Owners of the Company	**217,172**	216,275
Non-controlling interest	**(1,752)**	-
	215,420	216,275

The notes set out on pages 18 to 69 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 6 to 10.

Agthia Group PJSC

Consolidated statement of financial position
as at 31 December

	Note	2017 AED'000	2016 AED'000
Assets			
Non-current assets			
Property, plant and equipment	*15*	**1,121,578**	1,016,505
Advances for property, plant and equipment		**3,888**	9,957
Goodwill	*16*	**275,933**	188,336
Intangible assets	*17*	**90,387**	32,608
Other financial assets	*27*	**3,887**	1,587
Total non-current assets		**1,495,673**	1,248,993
Current assets			
Inventories	*18*	**313,595**	301,220
Trade and other receivables	*19*	**404,736**	346,699
Due from related parties	*24*	**387**	380
Government compensation receivable	*20*	**35,628**	95,357
Cash and bank balances	*21*	**692,842**	552,455
Total current assets		**1,447,188**	1,296,111
Current liabilities			
Bank borrowings (*current portion)*	*22*	**314,023**	304,959
Trade and other payables	*23*	**425,504**	318,638
Due to related parties	*24*	**2,940**	1,805
Total current liabilities		**742,467**	625,402
Net current assets		**704,721**	670,709
Non-current liabilities			
Provision for end of service benefits	*25*	**74,967**	61,101
Bank borrowings (*non-current portion)*	*22*	**278,928**	165,303
Deferred tax liability	*26*	**-**	323
Other financial liabilities	*27*	**-**	7,289
Total non-current liabilities		**353,895**	234,016
Net assets		**1,846,499**	1,685,686

Continued…

Agthia Group PJSC

Consolidated statement of financial position *(continued)*
as at 31 December

	Note	**2017 AED'000**	2016 AED'000
Equity			
Share capital	*28*	**600,000**	600,000
Legal reserve	*29*	**167,459**	146,850
Translation reserve		**(42,036)**	(40,303)
Other reserve		**(6,445)**	(19,260)
Retained earnings		**1,093,880**	998,399
Equity attributable to owners of the Company		**1,812,858**	1,685,686
Non-controlling interests	*35*	**33,641**	-
Total equity		**1,846,499**	1,685,686

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28-02-2018 and were signed on their behalf by:

HE Eng Dhafer Ayed Al Ahbabi
Chairman

Tariq Al Wahedi
CEO

Fatih Yeldan
CFO

The notes set out on pages 18 to 69 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 6 to 10.

Agthia Group PJSC

Consolidated statement of changes in equity *(continued)*
for the year ended 31 December

	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 2016	600,000	121,423	(21,568)	-	844,556	1,544,411	-	1,544,411
Total comprehensive income for the year								
Profit for the year	-	-	-	-	254,270	254,270	-	254,270
Other comprehensive income:								
Foreign currency translation difference on foreign operations	-	-	(18,735)	-	-	(18,735)	-	(18,735)
Cash flow hedge – effective portion of changes in fair value (net)	-	-	-	(19,423)	-	(19,423)	-	(19,423)
Re-measurement of end of service benefits	-	-	-	163	-	163	-	163
Total comprehensive income	-	-	(18,735)	(19,260)	254,270	216,275	-	216,275
Owners' changes directly in Equity								
Dividend for the year 2015	-	-	-	-	(75,000)	(75,000)	-	(75,000)
Transfer to legal reserve	-	25,427	-	-	(25,427)	-		
Balance at 31 December 2016	600,000	146,850	(40,303)	(19,260)	998,399	1,685,686	-	1,685,686

The notes set out on pages 18 to 69 form an integral part of these consolidated financial statements.

Agthia Group PJSC

Consolidated statement of changes in equity
for the year ended 31 December

	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 year								
Profit/(loss) for the year	-	-	-	-	**206,090**	**206,090**	**(1,752)**	**204,338**
Other comprehensive income:								
Foreign currency translation difference on foreign operations	-	-	**(1,733)**	-	-	**(1,733)**	-	**(1,733)**
Cash flow hedge – effective portion of changes in fair value (net)	-	-	-	**18,559**	-	**18,559**	-	**18,559**
Re-measurement of end of service benefits	-	-	-	**(5,744)**	-	**(5,744)**	-	**(5,744)**
Total comprehensive income	**-**	**-**	**(1,733)**	**12,815**	**206,090**	**217,172**	**(1,752)**	**215,420**
Owners' changes directly in Equity								
Dividend for the year 2016	-	-	-	-	**(90,000)**	**(90,000)**	-	**(90,000)**
Transfer to legal reserve	-	**20,609**	-	-	**(20,609)**	-	-	-
Acquisition of NCI	-	-	-	-	-	-	**35,393**	**35,393**
Balance at 31 December 2017	**600,000**	**167,459**	**(42,036)**	**(6,445)**	**1,093,880**	**1,812,858**	**33,641**	**1,846,499**
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The notes set out on pages 18 to 69 form an integral part of these consolidated financial statements.

Agthia Group PJSC

Consolidated statement of cash flows

for the year ended 31 December

	Note	**2017 AED'000**	2016 AED'000
Cash flows from operating activities			
Profit for the year including NCI		**204,338**	254,270
Adjustments for:			
Depreciation	*15*	**107,361**	90,751
Amortisation of intangible assets	*17*	**2,656**	1,426
Finance expense	*12*	**18,869**	26,870
Finance income	*11*	**(20,174)**	(17,263)
(Gain)/loss on sale of property, plant and equipment	*10*	**(8,745)**	1,898
Movement in provision for slow moving inventory, net	*18*	**5,872**	1,192
Movement in allowance for impairment loss of receivables		**5,297**	5,215
Provision for employees' end of service benefits	*25*	**10,567**	15,016
Income tax expense		**342**	349
		326,383	379,724
Changes in:			
Inventories		**4,623**	(40,242)
Trade and other receivables		**(35,156)**	(81,792)
Due from related parties, net		**(7)**	(140)
Government compensation receivable		**59,729**	(15,254)
Trade and other payables		**88,514**	4,713
Due to related parties		**1,135**	1,292
Other financial liabilities, net		**(3,304)**	(4,786)
Cash generated from operating activities		**441,917**	243,515
Payment of employees' end of service benefits	*25*	**(11,460)**	(3,095)
Net cash from operating activities		**430,457**	240,420
Cash flows from investing activities			
Advances/acquisition of property, plant and equipment	*15*	**(118,629)**	(174,107)
Acquisition of intangible assets		**-**	(207)
Proceeds from sale of property, plant and equipment		**10,766**	1,182
Acquisition of subsidiary, net of cash acquired		**(178,022)**	-
Investment in subsidiary		**(29,197)**	-
Funds (invested in) / divested from fixed deposits	*21*	**(122,200)**	3,443
Interest received		**16,701**	13,334
Net cash used in investing activities		**(420,581)**	(156,355)
Cash flows from financing activities			
Proceeds from term loan – net		**113,625**	**-**
Bank borrowings - net		**23,356**	4,185
Settlement of derivative – net		**(6,285)**	(12,245)
Dividend paid		**(90,000)**	(75,000)
Interest paid		**(17,753)**	(26,408)
Net cash from / (used in) financing activities		**22,943**	(109,468)
Net increase / (decrease) in cash and cash equivalents		**32,819**	(25,403)
Cash and cash equivalents at 1 January		**21,373**	44,155
Effect of foreign exchange		**(339)**	2,621
Cash and cash equivalents at 31 December	*21*	**53,853**	21,373

The notes set out on pages 18 to 69 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 6 to 10.

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 consolidated financial statements of the Company as at and for the year ended 31 December 2017 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 (%)		Principal activities
		2017	2016	
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, frozen baked products and trading of food 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 (%) 2017	2016	Principal activities
Delta Bottled Water Factory Company Limited	KSA	100	-	Production, bottling and sale of bottled water.
Al Rammah National For General Trading and Contracting Company WLL	Kuwait	50	-	Production, bottling and sale of bottled water.
Gulf National Forage Company LLC	UAE	51	-	Import and wholesale of fodder.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations issued by the IFRS Interpretations Committee of the IASB (IFRIC) and applicable requirements of the UAE Federal Law No 2 of 2015 being the Commercial Companies Law ("UAE Companies Law of 2015").

(b) Basis of measurement

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

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These consolidated financial statements are presented in 'United Arab Emirates Dirham' (AED), which is the Group's functional and presentation currency, rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policies and disclosures

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements except for the new standards and interpretations that became applicable and were adopted during the year.

New standards and interpretations adopted:

During the year new standards, amendments to standards and interpretations have become effective for the period and have been applied in preparing these consolidated financial statements. These amendments are listed below:

- *Disclosure initiative (amendments to IAS 7)*

Adoption of these amendments does not have a material impact on the consolidated financial statements of the Group except for some additional disclosures (refer to note 36).

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

IFRS 10 governs the basis for consolidation where it establishes a single control model that applies to all entities including special purpose entities or structured entities.

The definition of control under IFRS 10 is that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all the following three criteria must be met, including:

(a) the investor has power over an investee;
(b) the investor has exposure to, or rights, to variable returns from its involvement with the investee; and
(c) the investor has the ability to use its power over the investee to affect the amount of the investor’s returns.

Subsidiaries
Subsidiaries are investees that are controlled by the Group. The Group controls the investee if it meets the control criteria. The Group reassesses whether it has control if, there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases.

2 Summary of significant accounting policies *(continued)*

2.2 Basis of consolidation *(continued)*

Non-controlling interests
NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Business combination
The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. Gains or losses on disposals of non-controlling interests are also recorded in equity.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's CEO.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which financial information is available (see note 5).

2 Summary of significant accounting policies *(continued)*

2.4 Foreign currency

(a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss within "finance income or finance expense".

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within "finance income or finance expense".

(b) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the Group's functional and presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss are translated at the rate prevailing on the date of the transaction; and

(iii) all resulting exchange differences are recognised in the consolidated statement of comprehensive income.

2.5 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

2 Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment *(continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated though it is subject to impairment testing. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	20-40 years
Plant and equipment	4-20 years
Other equipment	2-3 years
Vehicles	4-8 years
Furniture and fixtures	4-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income' in the consolidated statement of profit or loss.

Capital work in progress
The Group capitalises all costs relating to the construction of property, plant and equipment as capital work in progress, up to the date of completion and commissioning of the assets.

These costs are then transferred from capital work in progress to the appropriate asset classification upon completion and commissioning, and are depreciated over their useful economic lives from the date of such completion and commissioning.

2.6 Intangible assets

2.6.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Calculations are performed based on the expected cash flows of the relevant cash generating units and discounting them at an appropriate discount rate, the determination of which requires the exercise of judgement.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

2 Summary of significant accounting policies *(continued)*

2.6.2 Acquired intangible assets

Intangible assets acquired separately are measured initially at fair value which reflects market expectations of the probability that future economic benefits embodied in the asset will flow to the entity.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group’s loans and receivables comprise ‘trade and other receivables’, ‘due from related parties’, and ‘cash and bank balances’ in the consolidated statement of financial position (notes 2.12 and 2.13). These assets are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

(b) Financial assets at fair value through profit or loss
Financial assets/liabilities at fair value through profit or loss are financial assets held for trading. Derivative financial instruments are also categorised as held for trading unless they are designated as hedges. Assets/liabilities in this category are classified as current assets/liabilities if expected to be settled within 12 months, otherwise they are classified as non-current.

2 Summary of significant accounting policies *(continued)*

2.9 Impairment of financial assets

Impairment losses on financial assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the original effective interest rate. Impairment losses are recognised in the consolidated statement of profit or loss and reflected in an allowance account against such financial assets. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of profit or loss.

2.10 Financial instruments

Financial instruments comprise trade and other receivables, amounts due from related parties, cash and bank balances, trade and other payables, amounts due to related parties, derivative financial instruments, and bank loans. A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument.

Financial instruments are recognised initially at fair value plus, any directly attributable transaction costs.

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire, or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and bank balances comprise unrestricted cash balances and term deposits with original contractual maturities of three months or less.

The fair values of the financial instruments are not materially different from the carrying amount.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Derivative financial instruments
The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss.

Cash flow hedges
When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

Cash flow hedges (continued)
The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged forecast cash flows affects profit or loss or the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

2.11 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion cost and other costs incurred in bringing them to their existing location and condition. In case of manufactured inventories cost includes an appropriate share of production overheads based on normal operating capacity. It excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and bank balances

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of not more than three months and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within current liabilities.

2.14 Share capital

Ordinary shares are classified as equity.

2 Summary of significant accounting policies *(continued)*

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is recognised in the consolidated statement of profit or loss over the period of loan.

2.17 Current and deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.18 Employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(a) Bonus and long-term incentive plans
The Group recognises the liability for bonuses and long-term incentives in the consolidated statement of profit and loss on an accrued basis. The benefits for the management are subject to board’s approval and are linked to business performance.

(b) Defined contribution plan
Monthly pension contributions are made in respect of UAE National employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund.

2 Summary of significant accounting policies *(continued)*

2.18 Employee benefits *(continued)*

(c) Defined benefit plan
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group currently operates an unfunded scheme for defined benefits in accordance with the applicable provisions of the UAE Federal Labour Law and is based on periods of cumulative service and levels of employees' final basic salaries. The Group's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods discounted to determine its present value. Any unrecognised past service costs are deducted. The discount rate is the yield at the valuation date on US AA-rated corporate bonds, which in the absence of a deep market in corporate bonds within the UAE is the relevant proxy market as determined by the actuaries.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When benefits of the plan are improved, the portion of the increased benefit related to past service by employees is recognised in the profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit or loss. The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans within profit or loss.

2.19 Provisions

Provisions for claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required and settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2 Summary of significant accounting policies *(continued)*

2.20 Revenue recognition

i- *Sales of goods*
For the sale of goods, revenue is currently recognised when the customer accepts the goods and related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

For certain contracts that permit the customer to return an item, revenue is currently recognised when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. If a reasonable estimate cannot be made, then revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made.

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods.

Based on its assessment, the Group does not expect the application of IFRS 15 to have a significant impact on its consolidated financial statements.

ii- *Sale of services*
Revenue from services rendered is recognised upon services performed.

iii- *Transition*
The Group plans to adopt 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 will not apply the requirements of IFRS 15 to the comparative period presented.

2.21 Finance income and finance expenses

Finance income comprises interest income on call deposits and gains on derivative financial instruments (note 2.10). Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprises interest expenses on borrowings and foreign exchange losses. All borrowing costs are recognised in the consolidated statement of profit or loss using the effective interest method.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease. The Group leases certain properties and vehicles.

2 Summary of significant accounting policies *(continued)*

2.23 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividend are approved by the Group's shareholders.

2.24 Government compensation and grants

Funds that compensate the Group for selling flour and animal feed at subsidised prices within the Emirate of Abu Dhabi are recognised in the consolidated 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.

2.25 Earnings per share

The Group presents earnings per share data for its shares. Earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Group by the weighted average number of shares outstanding during the period.

2.26 Research and development cost

In accordance with IAS 38 'Intangible Assets', expenditure incurred on research and development, excluding known recoverable amounts on contracts, and contributions to shared engineering programmes, is distinguished as relating either to a research phase or to a development phase. All research phase expenditure is charged to consolidated statement of profit or loss. For development expenditure, this is capitalised as an internally generated intangible asset only if it meets criteria, relating in particular to technical feasibility and generation of future economic benefits. Expenditure that cannot be classified into these two categories is treated as being incurred in the research phase.

2.27 Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the consolidated statement of profit or loss. Additional amounts, if any, that may become due on finalisation of an assessment are accounted for in the year in which assessment is finalized.

2.28 New standards and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

Management has performed its assessment on the following standards and concluded that these standards do not have a material impact on the consolidated financial statements in the period of initial application.

2 Summary of significant accounting policies *(continued)*

2.28 New standards and interpretations issued but not yet effective *(continued)*

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39 Financial Instruments: Recognition and Measurement.

Classification – Financial assets

IFRS 9 contains new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standard eliminates the existing IAS 39 categoreis of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Impairment – Financial assets and contract assets

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

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

Under IFRS 9, loss allowance will be 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. An entity may determine 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.

2 Summary of significant accounting policies *(continued)*

2.28 New standards and interpretations issued but not yet effective *(continued)*

IFRS 9 Financial Instruments *(continued)*

Cash and cash equivalents

The cash and cash equivalents are held with bank and financial institution counterparties as at 31 December 2017.

Classification – Financial liabilities

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.

Hedge accounting

The Group does not have any hedge relationships which are subject to impact assessment as at 31 December 2017.

Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and ECLs. The Group's assessment included an analysis to identify data gaps against current processes and the Group is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take 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 will generally be recognised in retained earnings and reserves as at 1 January 2018.
- The new hedge accounting requirements should generally be applied prospectively. Since there is no hedge relationship as at 31 December 2017, above transition will not have any effect.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held;
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

2 Summary of significant accounting policies *(continued)*

2.28 New standards and interpretations issued but not yet effective *(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.

Sales of goods

For the sale of goods, revenue is currently recognised when the customer accepts the goods and related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

For certain contracts that permit the customer to return an item, revenue is currently recognised when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. If a reasonable estimate cannot be made, then revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made.

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods.

Based on its assessment, the Group does not expect the application of IFRS 15 to have a significant impact on its consolidated financial statements.

Sale of services

Revenue from services rendered is recognised upon services performed.

Transition

The Group plans to adopt 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 will not apply the requirements of IFRS 15 to the comparative period presented.

IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

2 Summary of significant accounting policies *(continued)*

2.28 New standards and interpretations issued but not yet effective *(continued)*

IFRS 16 Leases *(continued)*

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the consolidated financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

No significant impact is expected for the Group's finance leases.

Transition

As a lessee, the Group can either apply the standard using a:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

The Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

2 Summary of significant accounting policies *(continued)*

2.28 New standards and interpretations issued but not yet effective *(continued)*

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the consolidated financial statements.

- *Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28.*
- *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).*
- *Transfers of Investment Property (Amendments to IAS 40).*
- *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28).*
- *IFRIC 22 Foreign Currency Transactions and Advance Considerations.*
- *IFRIC 23 Uncertainty over Income Tax Treatments.*

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value risk, interest rate risk, cash flow risk and price risk), credit risk, liquidity risk and operational risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management

The Group's international operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates (foreign exchange risk), market prices, interest rates, credit risks, liquidity and operational risk. The Group's financing and financial risk management activities are centralised into Group Treasury (GT) to achieve benefits of scale and control. GT manages financial exposures of the Group centrally in a manner consistent with underlying business risks. GT manages only those risks generated by the underlying commercial operations and speculative transactions are not undertaken.

Through the Group's risk management process, risks faced by the Group are identified and analysed to set appropriate actions to mitigate risk, and to monitor risks and adherence to the overall risk strategy. Risk management activities are reviewed when appropriate to reflect changes in market conditions and the Group's activities.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management activities.

The Group's Audit Committee oversees how management manages the Group's risk management process, and reviews the adequacy of the risk management activities in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management activities, the results of which are reported to the Audit Committee.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, GBP, Egyptian Pound, Turkish Lira and Swiss Franc. In respect of the Group's transactions denominated in the US Dollar the Group is not exposed to the foreign exchange risk as the AED is pegged to the US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations (note 30).

(ii) Price risk

The Group does not have investment in securities and is not exposed to equity price risk. The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements, and is exposed to commodities price risk. However, the Group has entered into a derivative financial instrument whereby the Group will earn a minimum return of 1%, the value of which is driven by a combination of interest rate movements and movements in foreign exchange rate of currencies that underlie the derivative financial instrument. The principal amount under the derivative financial instrument is guaranteed in case the Group does not liquidate the structure before the contractual maturity of the instrument.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

***(a) Market risk** (continued)*

(iii) Interest rate risk
The effective rates of interest on the Group's bank liabilities are linked to the prevailing bank rates. The Group does not hedge its interest rate exposure.

(b) Credit risk
Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each subsidiary is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

The Group, in the ordinary course of business, accepts letters of credit/guarantee as well as post dated cheques from major customers. The Group establishes an allowance for impairment that represents its estimated 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 and as per Group policy.

Credit risk arising from cash and bank balances and deposits with banks and financial institutions, is managed by making deposits taking into account the bank's/financial institution's financial position, past experiences and other relevant factors.

(c) Liquidity risk
Cash flow forecasting is performed at a Group level. GT monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the operating entities are transferred to GT as per the Group's cash pooling arrangements with a bank. GT invests surplus cash in time deposits with appropriate maturities or sufficient liquidity to provide adequate head-room as determined by the above-mentioned forecasts.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational and capital expenditures in accordance with the Group's working capital requirements, including servicing financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Group maintains the following lines of credit:

- Facility for AED 767,340 thousand, which includes overdraft, guarantee line and import credit line. These facilities carry interest of EIBOR /LIBOR/ mid corridor rate plus margin.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

***(c) Liquidity risk** (continued)*

- AED 145,195 thousand, short term loans which carries interest rate of EIBOR/LIBOR/ mid corridor rate plus margin.
- AED 278,928 thousand, long term loans which carries interest rate of LIBOR/EIBOR plus margin.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the practicing and managing of key operational risks, for example:

- Adequate internal controls
- Reconciliations and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Policies and procedures compliance
- Business resumption and IT disaster recovery plans
- Code of business conduct
- Adequate insurance coverage
- Commodity Risk Management Committee
- QA compliance function independent of manufacturing
- Enterprise Risk Management
- Monthly and quarterly business reviews
- Training and professional development of talents

Compliance with Group standards is supported by periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

3.2 Capital risks management

Management'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.

The Board seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position.

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

4 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Group's accounting policies, which are described in (note 2), management has made the following judgements which have a significant effect on the amounts of the assets and liabilities recognised in the consolidated financial statements.

Impairment losses on trade receivables
Management reviews its receivables to assess impairment at each reporting date. In determining whether an impairment loss should be recognised in the consolidated statement of profit or loss, management makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows.

Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Provision for obsolescence on inventories
Management reviews the movement in ageing and movements of its inventory items to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in the consolidated statement of profit or loss, management makes judgements as to whether there is any observable data indicating that future saleability of the product and the net realisable value for such product and expired or close to expiry raw material and finished goods.

Useful lives of property, plant and equipment
Management assigns useful lives and residual values to items of property, plant and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from the initial estimates.

Impairment of other assets
At each reporting date, management assesses whether there is any indication that its assets may be impaired. The determination of allowance for impairment loss requires considerable judgment and involves evaluating factors including industry and market conditions.

Impairment of non-current assets
The carrying values of all non-current assets are reviewed for impairment, either on a stand-alone basis or as part of a larger cash generating unit, when there is an indication that the assets might be impaired. Additionally, goodwill and intangible assets with indefinite useful lives are tested for impairment annually. Any provision for impairment is recognised to the consolidated statement of profit or loss. Impairment of goodwill is not reversed. Impairment losses on other non-current assets are only reversed if there is a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortisation, had no impairment loss been recognised.

Subsidiary
The Group has a 50% ownership interest in Al Rammah National For General Trading and Contracting Company WLL, with the other 50% owned by Al Wafir Marketing Services Company K.S.C.C. Al Rammah National For General Trading and Contracting Company WLL is accounted for as a subsidiary of the Group on the basis that the Group is able to exert management control over this entity based on contractual shareholders' agreement.

4 Accounting estimates and judgements *(continued)*

Income tax provision
Management has taken into consideration the requirements for tax provision. Management has estimated the tax provision based on the year's performance after adjustment of non taxable items. The tax provision was calculated based on the tax rate of the country where operations were performed taking into consideration the exemptions that could be claimed by conventions either locally or internationally as at the date of financial position.

Intangibles fair value estimation
Management has estimated the fair value of the spring water usage rights based on ten years estimate. Subsequent changes in the term of license or water capacity levels may change the fair value of the rights.

Measurement of fair values
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) 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).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the relevant notes.

5 Segment reporting

Information about reportable segment for the year ended 31 December

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 operational marketing strategies. For each of the strategic business units, the Group's Executive Management review internal management reports on at least a 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.

5 Segment reporting *(continued)*

Segment wise operating results of the Group, for the year are as follows:

	Agri Business Division (ABD)		Consumer Business Division (CBD)							
	Flour and Animal Feed		*Bottled Water and Beverages*		*Food*		CBD Total		Total	
	31 December 2017	31 December 2016	**31 December 2017**	31 December 2016	**31 December 2017**	31 December 2016	**31 December 2017**	31 December 2016	**31 December 2017**	31 December 2016
	AED’000	AED’000	**AED’000**	AED’000	**AED’000**	AED’000	**AED’000**	AED’000	**AED’000**	AED’000
External revenues	**959,215**	1,105,927	**915,115**	734,675	**173,627**	171,339	**1,088,742**	906,014	**2,047,957**	2,011,941
Gross profit	**207,136**	319,570	**456,062**	369,879	**30,051**	21,336	**486,113**	391,215	**693,249**	710,785
Finance income	**17**	20	**11**	11	**-**	1,827	**11**	1,838	**28**	1,858
Finance expense	**(199)**	(109)	**(4,240)**	(755)	**(873)**	(677)	**(5,113)**	(1,432)	**(5,312)**	(1,541)
Depreciation expense	**27,247**	26,247	**76,102**	59,656	**680**	1,085	**76,782**	60,741	**104,029**	86,988
Reportable segment profit / (loss) after tax	**119,973**	238,941	**173,218**	135,688	**(2,037)**	(12,741)	**171,181**	122,947	**291,154**	361,888
Material non cash items;										
Impairment losses on trade receivables (net)	**1,404**	(546)	**4,025**	5,251	**(133)**	510	**3,892**	5,761	**5,296**	5,215

5 Segment reporting *(continued)*

	Agri Business Division		Consumer Business Division		Total	
	31 December 2017	31 December 2016	**31 December 2017**	31 December 2016	**31 December 2017**	31 December 2016
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Others:						
Segment assets	**564,719**	626,308	**1,355,824**	1,134,168	**1,920,543**	1,760,476
Segment liabilities	**171,694**	133,426	**253,756**	196,582	**425,450**	330,008
Capital expenditure	**13,562**	28,050	**110,692**	167,921	**124,254**	195,971

Reconciliations of reportable segments' gross profit, interest income and expense, depreciation, capital expenditure, revenues, profit or loss, assets and liabilities.

	2017			2016		
	Reportable segment totals AED'000	**Unallocated AED'000**	**Consolidated totals AED'000**	Reportable segment totals AED'000	Un allocated AED'000	Consolidated totals AED'000
Gross profit	**693,249**	**(14,748)**	**678,501**	710,785	(15,904)	694,881
Finance income	**28**	**20,146**	**20,174**	1,858	15,405	17,263
Finance expense	**(5,312)**	**(13,557)**	**(18,869)**	(1,541)	(25,329)	(26,870)
Depreciation	**104,029**	**3,332**	**107,361**	86,988	3,763	90,751
Capital expenditure	**124,254**	**444**	**124,698**	195,971	1,893	197,864

5 Segment reporting *(continued)*

Profit for the year

	31 December 2017 AED'000	31 December 2016 AED'000
Total profit for reportable segments	**291,154**	361,888
Unallocated amounts		
Other operating expenses	**(93,405)**	(97,694)
Net finance income	**6,589**	(9,924)
	204,338	254,270
Non-controlling interest	**1,752**	-
Consolidated profit for the period after income tax	**206,090**	254,270

Reportable segment assets and liabilities are as follows:

	31 December 2017 AED'000	31 December 2016 AED'000
Segment Assets		
Agri Business Division	**564,719**	626,308
Consumer Business Division	**1,355,824**	1,134,168
Total assets for reportable segments	**1,920,543**	1,760,476
Other unallocated amounts	**1,022,318**	784,628
Consolidated total assets	**2,942,861**	2,545,104
Segment Liabilities		
Agri Business Division	**171,694**	133,426
Consumer Business Division	**253,756**	196,582
Total liabilities for reportable segments	**425,450**	330,008
Other unallocated amounts	**670,912**	529,410
Consolidated total liabilities	**1,096,362**	859,418

6 Cost of sales

	31 December 2017 AED'000	31 December 2016 AED'000
Raw materials	**982,002**	950,019
Salaries and benefits	**159,867**	172,897
Depreciation on property, plant and equipment	**91,636**	76,318
Utilities	**52,373**	38,047
Maintenance	**32,566**	30,782
Rent expense	**6,592**	10,721
Others	**44,420**	38,276
	1,369,456	1,317,060

Cost of raw materials for flour and feed products is stated after the deduction of the Abu Dhabi Government compensation amounting to AED 146,752 thousand *(2016: AED 269,024 thousand)*. The purpose of the compensation is to partially reduce the impact of increased and volatile global grain prices on food retail prices for the consumers in the Emirate of Abu Dhabi (note 20).

During the year, the Company has updated its cost centres for a better allocation of salaries and benefit expenses. As a result, some of these expenses have been reclassified from cost of sales to selling and distribution expenses.

7 Selling and distribution expenses

	31 December 2017 AED'000	31 December 2016 AED'000
Salaries and benefits	**187,103**	133,286
Marketing expenses	**41,692**	61,244
Transportation	**55,764**	59,306
Rent expense	**10,561**	7,385
Depreciation on property, plant and equipment	**7,345**	5,648
Maintenance	**7,227**	3,803
Royalty fees	**4,669**	4,692
Others	**18,720**	16,075
	333,081	291,439

8 General and administrative expenses

	31 December 2017 AED'000	31 December 2016 AED'000
Salaries and benefits	**87,821**	82,997
Legal and professional fees	**17,544**	19,292
Maintenance	**13,565**	12,253
Depreciation on property, plant and equipment	**7,864**	8,340
Amortisation of intangible assets	**2,656**	1,426
Allowance for impairment of trade receivables	**6,136**	6,245
Rent expense	**2,111**	1,645
Others	**21,078**	15,050
	158,775	147,248

9 Research and development costs

	31 December 2017 AED'000	31 December 2016 AED'000
Salaries and benefits	**5,481**	4,394
Depreciation on property, plant and equipment	**516**	445
Others	**665**	633
	6,662	5,472

10 Other income - net

	31 December 2017 AED'000	31 December 2016 AED'000
Other income		
Management fee	**8,886**	9,508
Income on sale of raw material / scrap	**1,910**	1,697
Insurance claim	**-**	140
Gain on sale of property, plant and equipment	**8,745**	-
Others	**3,851**	7,365
	23,392	18,710
Other expenses		
Loss on sale of property plant and equipment	**-**	(1,898)
Professional fees	**-**	(3,308)
Other income - net	**23,392**	13,504

Management fee represents the wheat storage fees charged to an Abu Dhabi Government entity as part of food security program.

11 Finance income

	31 December 2017 AED'000	31 December 2016 AED'000
Interest income	**16,496**	12,482
Gain on derivative instrument	**3,678**	4,781
	20,174	17,263

12 Finance expense

	31 December 2017 AED'000	31 December 2016 AED'000
Interest expense	**16,967**	9,964
Foreign exchange losses	**1,902**	16,906
	18,869	26,870

13 Income tax and zakat

The Group's operation in Egypt, Turkey and Oman are subject to corporate taxation. Provision is made for taxes at rates enacted or substantively enacted at the statement of financial position date on taxable profits of overseas subsidiaries in accordance with the fiscal regulations of the countries in which they operate.

However, Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax (GAZT) in Saudi Arabia and on accrual basis. The provision is charged to the consolidated statement of profit or loss. Differences, if any, resulting from the final assessments are adjusted in the year of their finalisation.

14 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2017 and 2016 was based on the profit attributable to shareholders amounting to AED 206,090 thousand *(2016: AED 254,270 thousand)* and the weighted average number of shares outstanding of 600,000 thousand shares *(2016: 600,000 thousand shares).*

15 Property, plant and equipment

	Land and buildings AED'000	Plant and equipment AED'000	Furniture and fixtures AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost						
At 1 January 2016	540,588	897,376	59,842	58,350	87,710	1,643,866
Additions	9,814	24,671	5,109	9,341	148,929	197,864
Transfers	62,782	73,044	4,435	1,825	(142,086)	-
Disposals/write-offs	-	(32,815)	(72)	(1,421)	-	(34,308)
Currency retranslation	(9,015)	(11,823)	(987)	(803)	(4,661)	(27,289)
At 31 December 2016	604,169	950,453	68,327	67,292	89,892	1,780,133
Additions	**3,239**	**18,162**	**1,301**	**3,795**	**98,201**	**124,698**
Transfers	**18,980**	**42,518**	**680**	**184**	**(62,362)**	**-**
Acquisition*	**40,910**	**45,075**	**107**	**4,060**	**1,505**	**91,657**
Disposals/write-offs	**(1,760)**	**(4,591)**	**(107)**	**(4,641)**	**-**	**(11,099)**
Currency retranslation	**(347)**	**(1,446)**	**(57)**	**(21)**	**(467)**	**(2,338)**
At 31 December 2017	**665,191**	**1,050,171**	**70,251**	**70,669**	**126,769**	**1,983,051**
Accumulated depreciation						
At 1 January 2016	183,015	456,528	41,787	29,045	-	710,375
Charge for the year	15,653	58,293	7,373	9,432	-	90,751
Disposals	-	(30,476)	(72)	(682)	-	(31,230)
Currency retranslation	(1,620)	(3,707)	(555)	(386)	-	(6,268)
At 31 December 2016	197,048	480,638	48,533	37,409	-	763,628

15 Property, plant and equipment *(continued)*

	Land and buildings AED'000	Plant and Equipment AED'000	Furniture and fixtures AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
At 1 January 2017	**197,048**	**480,638**	**48,533**	**37,409**	**-**	**763,628**
Charge for the year	**16,635**	**71,123**	**7,340**	**12,263**	**-**	**107,361**
Disposals	**(1,014)**	**(3,378)**	**(101)**	**(4,585)**	**-**	**(9,078)**
Currency retranslation	**(21)**	**(377)**	**(32)**	**(8)**	**-**	**(438)**
At 31 December 2017	**212,648**	**548,006**	**55,740**	**45,079**	**-**	**861,473**
Net book amount						
31 December 2017	**452,543**	**502,165**	**14,511**	**25,590**	**126,769**	**1,121,578**
31 December 2016	407,121	469,815	19,794	29,883	89,892	1,016,505

	31 December 2017 AED'000	31 December 2016 AED'000
Acquisition of property, plant and equipment	**124,698**	197,864
Decrease in advance for property, plant and equipment	**(6,069)**	(23,757)
Acquisition of property, plant and equipment in the statement of cash flows	**118,629**	174,107

* Acquisition represents assets relating to Delta Bottling Water Factory Company Limited and Al Rammah National For General Trading and Contracting Company WLL acquired during 2017.

16 Goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's Cash Generating Units where the goodwill is monitored for internal management purposes. The aggregate carrying amount of goodwill allocated to each unit is as follows:

	2017 AED'000	2016 AED'000
Agri business division	**61,855**	61,855
Consumer business division (UAE operations)	**31,131**	31,131
Consumer business division (Turkish operations)	**2,486**	2,486
Consumer business division (Al Bayan operations)	**92,864**	92,864
Consumer business division (KSA operations)	**87,597**	-
	275,933	188,336

The recoverable amounts of Agri Business Division and Consumer Business Division (UAE operations) cash-generating units were based on their values in use determined by management. The carrying amounts of these units were determined to be lower than their recoverable amounts.

Values in use were determined by discounting the future cash flows generated from the continuing use of the units. Cash flows were projected based on past experience and the five year business plan and were based on the following key assumptions:

	Agri business division	**Consumer business division (UAE operations)**	**Consumer business division (Turkey operations)**	**Consumer business division (Al Bayan operations)**	**Consumer business division (KSA operations)**
Anticipated annual revenue growth (%)	1%-9%	9%-11%	5% - 40%	6% - 10%	3% - 18%
Discount rate (%)	11.00%	11.00%	15.00%	11.00%	13.45%

The values assigned to the key assumptions represent management's assessment of future trends in the food and beverage industry and are based on both external and internal sources.

17 Intangible assets

	Trademark AED'000	License AED'000	Spring water rights AED'000	Others AED'000	Total AED'000
At 1 January 2016	26,733	-	8,114	607	35,454
Additions	-	-		207	207
Amortisation	(1,426)	-	-	-	(1,426)
Currency retranslation	-	-	(1,604)	(23)	(1,627)
At 31 December 2016	25,307	-	6,510	791	32,608
Acquisition	**34,382**	**26,521**	**-**	**-**	**60,903**
Amortisation	**(2,616)**	**-**	**-**	**(40)**	**(2,656)**
Currency retranslation	**-**	**-**	**(308)**	**(160)**	**(468)**
At 31 December 2017	**57,073**	**26,521**	**6,202**	**591**	**90,387**

Spring water rights is considered to have an indefinite life as per the term of agreement. The Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factor which could limit its useful life. Accordingly, it is not amortised.

Values in use were determined by discounting the future cash flows generated from the continuing use of the units.

Cash flows were projected based on past experience and the ten year business plan and were based on the following key assumptions:

Anticipated annual revenue growth (%)	5% - 40%
Discount rate (%)	15.00%

The values assigned to the key assumptions represent management's assessment of future trends in the food and beverage industry and are based on both external and internal sources.

During 2017, the Group acquired trademarks "Al Ain" and "Bambini" relating to Delta Bottled Water Factory Company Limited and license to produce bottled water for Al Rammah National For General Trading and Contracting Company WLL.

18 Inventories

	31 December 2017 AED'000	31 December 2016 AED'000
Raw and packing materials	**149,001**	182,892
Work in progress	**9,932**	8,976
Finished goods	**53,220**	56,053
Spare parts and consumable materials	**57,555**	54,522
Goods in transit	**62,237**	11,045
	331,945	313,488
Provision for slow moving inventory	**(18,350)**	(12,268)
	313,595	301,220

The movement in the provision for slow moving inventory was as follows:

	31 December 2017 AED'000	31 December 2016 AED'000
Opening balance	**12,268**	11,077
Acquired during the year	**210**	-
Charge for the year	**9,696**	4,377
Reversal/write offs	**(3,824)**	(3,185)
Closing balance	**18,350**	12,268

19 Trade and other receivables

	31 December 2017 AED'000	31 December 2016 AED'000
Trade receivables	**359,259**	293,841
Allowance for impairment loss	**(24,561)**	(13,400)
	334,698	280,441
Prepayments	**39,477**	40,786
Other receivables	**30,561**	25,472
	404,736	346,699

The Group's exposure to credit and currency risk, and impairment loss related to trade and other receivables is disclosed in note 30.

20 Government compensation receivable

	31 December 2017 AED'000	31 December 2016 AED'000
Receivable at beginning of the year from the Government of Abu Dhabi	**95,357**	80,103
Compensation for the year	**146,752**	269,024
Amounts received during the year	**(206,481)**	(253,770)
Balance as at 31 December	**35,628**	95,357

21 Cash and bank balances

	31 December 2017 AED'000	31 December 2016 AED'000
Cash in hand	**2,221**	1,362
Current and savings account	**82,604**	65,276
Cash and bank balances	**84,825**	66,638
Escrow account (for dividend distribution 2009 to 2014)	**(26,947)**	(26,948)
Bank overdrafts (note 22)	**(4,025)**	(18,317)
Cash and cash equivalents in the statement of cash flows	**53,853**	21,373
Cash and bank balances	**84,825**	66,638
Fixed deposits	**608,017**	485,817
Cash and bank balances including fixed deposits	**692,842**	552,455

Fixed deposits are for a period not more than one year *(2016*: not more than one year*)* carrying interest rates varying from 2.60% - 3.60% *(2016: 2.20% - 3.30%).*

Escrow account represents the amount set aside for payment of dividends. 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.

22 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.

Current liabilities	**31 December 2017 AED'000**	31 December 2016 AED'000
Credit facilities	**265,917**	231,541
Short term loan	**44,081**	55,101
Bank overdraft	**4,025**	18,317
	314,023	304,959
Non-current liabilities		
Term loans***	**278,928**	165,303

Terms and repayment schedule

Amounts in AED'000

				31 December 2017		31 December 2016	
	Currency	**Interest Rate**	**Year of maturity**	**Face value/ limit**	**Carrying amount**	Face value/ limit	Carrying amount
Short term loan/bank overdraft	USD/ AED/ EGP	LIBOR/ EIBOR/mid corridor rate + margin *	2018	**145,195**	**48,106**	145,023	73,418
Credit facilities**	USD/ AED	LIBOR/ EIBOR + margin *	2018	**717,340**	**265,917**	717,340	231,541
Credit facilities (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**	-	-
Total				**1,191,463**	**592,951**	1,077,666	470,262

22 Bank borrowings *(continued)*

*Margin on the above loans and facilities varies from 0.50% - 1.35% *(2016: 0.50% - 1.25%)*. Average interest rate on loan and facilities in Turkey amounting to AED 1,989 thousand *(2016: AED 3,882 thousand)* is 11.70% *(2016: 11.70%).*

**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 the year. The loan is secured by floating charges over the current assets, inventories and trade receivables of the Group.

23 Trade and other payables

	31 December 2017 AED'000	31 December 2016 AED'000
Trade payables	**154,941**	110,448
Accruals	**197,865**	149,189
Other payables	**72,698**	59,001
	425,504	318,638

24 Transactions with related parties

The Group, in the ordinary course of business, enters into transactions at agreed terms and conditions which are carried out on an arm's length basis, with other business enterprises or individuals that fall within the definition of a related party contained in International Accounting Standard 24. The Company has a related party relationship with the Group entities, its executive officers and business entities over which they can exercise significant influence or which can exercise significant influence over the Group.

The volume of related party transactions, outstanding balances and related expenses and income for the year are as follows:

(a) Due from related parties

	31 December 2017 AED'000	31 December 2016 AED'000
Emirates Iron & Steel Company LLC – associated company		
Opening balance 1 January	**316**	199
Sales during the year	**594**	664
Amount received	**(576)**	(547)
Closing balance at 31 December	**334**	316

24 Transactions with related parties *(continued)*

(a) Due from related parties (continued)

	31 December 2017 AED'000	31 December 2016 AED'000
Dubai Cable Company (Private) Limited - associated company		
Opening balance 1 January	**64**	41
Sales during the year	**185**	177
Amount received	**(196)**	(154)
Closing balance at 31 December	**53**	64
	387	380

(b) Due to related parties

	31 December 2017 AED'000	31 December 2016 AED'000
General Holding Corporation PJSC (SENAAT) – parent		
Opening balance 1 January	**226**	411
Other expenses	**255**	272
Payments	**(60)**	(457)
Closing balance at 31 December	**421**	226
Al Foah Company LLC - associate		
Opening balance 1 January	**1,579**	102
Local purchases	**13,932**	15,108
Other expenses	**-**	(2,097)
Payments	**(12,992)**	(11,534)
Closing balance at 31 December	**2,519**	1,579
	2,940	1,805

Transactions with key management personnel

Key management personnel compensation are as follows:

	2017 AED'000	2016 AED'000
Short term benefits	**17,964**	22,162
Long term benefits	**3,436**	4,713
	21,400	26,875

25 Provision for end of service benefits

	2017 AED'000	2016 AED'000
Amounts recognised in balance sheet		
Balance at start of the year	**61,101**	49,343
Acquisition of subsidiaries	**9,015**	-
Service cost (including interest costs)	**10,567**	15,016
Benefit payments	**(11,460)**	(3,095)
Loss/(gain) on re-measurement	**5,744**	(163)
Balance at end of the year	**74,967**	61,101
Amounts recognised in profit or loss account		
Current service cost	**8,595**	6,664
Past service cost	**-**	6,794
Interest expense	**1,972**	1,558
	10,567	15,016
Amounts recognised in other comprehensive income		
Effect of changes in demographic assumptions	**(242)**	489
Effect of changes in financial assumptions	**2,420**	(4,028)
Effect of experience adjustments	**3,566**	3,376
	5,744	(163)

	2017	2016
Significant actuarial assumptions		
Discount rate	**3.50%**	3.75%
Rate of salary increase	**5.00% for the first year and thereafter 3.00% p.a**	0% in 2017 and 3.00% thereafter
Sensitivity analysis		
Discount rate		
- 50 basis points	**3,465**	1,913
+ 50 basis points	**(3,264)**	(1,782)
Salary increase rate		
- 50 basis points	**(2,997)**	(1,581)
+ 50 basis points	**(3,138)**	1,680

The Group expects total benefit payments of AED 10,453 thousand in 2018 *(2016: AED 13,033 thousand in 2017).*

26 Deferred tax liability

Deferred tax assets and liabilities resulted from the temporary differences between the tax base of an asset and liability and the carrying amount of these assets and liabilities in the consolidated financial statements.

	31 December 2017 AED'000	31 December 2016 AED'000
Balance at 1 January	**323**	918
Tax expense for the year	**342**	349
Currency retranslation	**(665)**	(944)
	-	323

The analysis of deferred income tax is as follows:

	31 December 2017 AED'000	31 December 2016 AED'000
Deferred tax asset		
Current assets	-	296
Current liabilities	-	-
Gross deferred tax assets	-	296
Property, plant and equipment	-	(68)
Others	-	(551)
Gross deferred tax liabilities	-	(619)
Net deferred tax liabilities	-	(323)

27 Other financial assets and liabilities

(a) During 2016, the Group entered into a forward contract with a bank to buy AED against the Turkish Lira (TRY) to hedge its receivables in TRY. Under the arrangement, the Group has fixed the rate for buying AED against TRY to manage its TRY/AED foreign exchange rate risk. This matured on 15 March 2017.

(b) During 2014, the Group entered into a derivative instrument with a bank whereby:

i) Bank lends the Group USD 50,000 thousand at Libor + 0.90%
ii) The Group invests USD 50,000 thousand in a structured product whereby the Group will earn a minimum return of 1% + a rate based on the performance of a foreign exchange index created by the bank.

The principal amount of USD 50,000 thousand is guaranteed in case the Group does not liquidate the structure before the contractual maturity of the instrument (5 years). Under the instrument, lending arrangement and the arrangement to invest in the index are contained in one agreement and not contractually separable.

27 Other financial assets and liabilities *(continued)*

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) are determined by using valuation techniques. The Group uses counterparty valuation at the end of each reporting date. This derivative instrument is classified as a level 2 security.

	31 December 2017 AED'000	31 December 2016 AED'000
Derivative instrument liability	**-**	7,235
Other liability	**-**	54
	-	7,289
Derivative instrument asset	**3,882**	1,587
Other assets	**5**	-
	3,887	1,587

28 Share capital

The share capital includes 526,650 thousand shares of a par value of AED 1 each, which have been issued for in-kind contribution.

	31 December 2017 AED'000	31 December 2016 AED'000
Authorised share capital (1,000,000 thousand ordinary shares of AED 1 each)	**1,000,000**	1,000,000
Issued and fully paid share capital	**600,000**	600,000

During the Annual General Assembly held on March 24, 2016, the shareholders' approved resolutions for authorised capital of AED 1 billion with a remaining issued and paid up capital of AED 600 million.

The Group has not purchased any shares during the year ended 31 December 2017 *(2016: Nil)*.

29 Legal reserve

In accordance with the UAE Federal Law No 2 of 2015 and the Company's Articles of Association, 10% of the profit for each year is transferred to the legal reserve until this reserve equals 50% of the paid up share capital. The legal reserve is restricted and not available for distribution.

30 Financial instruments

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	**31 December 2017 AED'000**	31 December 2016 AED'000
Trade receivables	*19*	**334,698**	280,441
Other receivables	*19*	**30,561**	25,472
Due from related parties	*24*	**387**	380
Government compensation receivable	*20*	**35,628**	95,357
Cash at banks	*21*	**690,621**	551,093
		1,091,895	952,743

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables as estimated by the Group's management based on prior experience and the current economic environment.

The Group has no significant concentration of credit risk, with overall exposure being spread over a large number of customers.

Impairment losses

The ageing of trade receivables at the reporting date was:

	31 December 2017 AED'000	31 December 2016 AED'000
Trade receivables not impaired:		
Not due	**187,472**	177,953
Past Due 0-90 Days	**96,230**	79,028
Past Due 91-180 Days	**32,471**	18,613
Past Due 181-270 Days	**4,773**	3,659
Past Due 271-360 Days	**5,042**	1,041
361 days and Above	**8,710**	147
Trade receivables past due and provided for impairment:		
Past Due 91-180 Days	**1,690**	241
Past Due 181-270 Days	**2,403**	1,341
Past Due 271-360 Days	**1,615**	697
361 days and Above	**18,853**	11,121
	359,259	293,841

30 Financial instruments *(continued)*

Credit risk *(continued)*

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	31 December 2017 AED'000	31 December 2016 AED'000
Balance at 1 January	**13,400**	8,185
Acquired during the year	**5,864**	-
Provision for receivables	**6,136**	6,245
Write offs	**(839)**	(1,030)
	24,561	13,400

Liquidity risk

The following are the contractual maturities of financial liabilities:

31 December 2017

Amounts in AED'000	**Carrying value**	**Contractual cash flows**	**Up to 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Trade and other payables	**425,504**	**425,504**	**425,504**	**-**	**-**	**-**
Due to related parties	**2,940**	**2,940**	**2,940**	**-**	**-**	**-**
Bank borrowings	**592,951**	**621,317**	**324,139**	**8,447**	**288,731**	**-**
Long term liability	**-**	**-**	**-**	**-**	**-**	**-**
Derivative instrument liability	**-**	**-**	**-**	**-**	**-**	**-**
	1,021,395	**1,049,761**	**752,583**	**8,447**	**288,731**	

31 December 2016

Amounts in AED'000	Carrying value	Contractual cash flows	Up to 1 year	1-2 years	2-5 years	More than 5 years
Trade and other payables	318,638	318,638	318,638	-	-	-
Due to related parties	1,805	1,805	1,805	-	-	-
Bank borrowings	470,262	484,859	309,851	3,884	171,124	
Long term liability	377	377	54	323	-	-
Derivative instrument liability	7,235	7,235	7,235	-	-	-
	798,317	812,914	637,583	4,207	171,124	-

30 Financial instruments *(continued)*

Market risk

Foreign currency risk

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

	2017					2016				
Amounts in '000	**EUR**	**SAR**	**CHF**	**GBP**	**BHD**	EUR	SAR	CHF	GBP	BHD
Foreign purchases	**3,948**	**101**	**295**	**240**	**114**	4,568	1,247	834	225	45

The following exchange rates were applicable during the year:

	Average rate		**Reporting date rate**	
	2017	2016	**2017**	2016
EUR (Euro)	**4.149**	4.064	**4.399**	3.861
CHF (Swiss franc)	**3.730**	3.728	**3.761**	3.601
EGP (Egyptian pound)	**0.206**	0.391	**0.206**	0.202
SAR (Saudi riyal)	**0.979**	0.978	**0.979**	0.978
TRY (Turkish lira)	**1.008**	1.218	**0.970**	1.039
GBP (British pound)	**4.732**	4.976	**4.954**	4.530
BHD (Bahraini Dinar)	**9.660**	9.663	**9.700**	9.678

A strengthening / weakening of the AED, as indicated below, against the EUR, CHF, EGP, SAR, TRY, INR, GBP and BHD at 31 December would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2016, except that the reasonably possible foreign exchange rate variances were different, as indicated below.

31 December 2017	**Equity**	**Profit/(loss)**
	AED'000	**AED'000**
EUR (strengthening by 3.75%)	**-**	**(651)**
CHF (strengthening by 4.50%)	**-**	**(50)**
SAR (weakening by 0.07%)	**41**	**-**
GBP (strengthening by 4.93%)	**-**	**(59)**
BHD (strengthening by 0.11%)	**-**	**(1)**
EGP (strengthening by 0.53%)	**95**	**-**
TRY (strengthening by 0.78%)	**387**	**-**
KWD (strengthening by 0.53%)	**(363)**	**-**
	160	**(761)**

30 Financial instruments *(continued)*

Market risk *(continued)*

Foreign currency risk *(continued)*

31 December 2016	Equity AED'000	Profit/(loss) AED'000
EUR (strengthening by 2.05%)	-	(362)
CHF (strengthening by 2.65%)	-	(80)
SAR (strengthening by 0.09%)	-	(1)
GBP (strengthening by 1.42%)	-	(14)
BHD (weakening by 0.08%)	-	-
EGP (weakening by 3.87%)	(334)	-
TRY (weakening by 6.66%)	(1,847)	-
	(2,181)	(457)

The above analysis is based on currency fluctuations during January 2018 *(2016: January 2017).*

Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was;

Fixed rate instruments	**31 December 2017 AED'000**	31 December 2016 AED'000
Financial assets	**608,017**	485,817
Variable rate instruments		
Financial liabilities	**592,951**	470,262

The fair value of the Group's financial instruments is not materially different from their carrying amount.

At 31 December 2017, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been AED 4,883 thousand *(2016: AED 3,686 thousand)* lower/higher, mainly as a result of higher/lower interest expense.

30 Financial instruments *(continued)*

Market risk *(continued)*

Interest rate risk *(continued)*

Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital. In maintaining an appropriate capital structure and providing returns for shareholders in 2017, the Group provided returns to Shareholders in the form of dividends for the year 2016, current details of which are included in the statement of changes in equity for the year.

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 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	**35,628**	**-**	**-**	**-**	**-**
Cash and bank balances	**692,842**	**-**	**-**	**-**	**-**
	1,094,116	**-**	**-**	**-**	**-**

30 Financial instruments *(continued)*

	Carrying value	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Liabilities measured at fair value					
Other financial liabilities	-	-	-	-	-
Liabilities not measured at fair value					
Trade and other payables	**393,992**	-	-	-	-
Bank borrowings	**592,951**	-	-	-	-
Due to related parties	**2,940**	-	-	-	-
	989,883	-	-	-	-

31 December 2016	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	1,587	-	1,587	-	1,587
Assets not measured at fair value					
Loans and receivables net of advances and prepayments	305,913	-	-	-	-
Due from related parties	380	-	-	-	-
Government compensation receivable	95,357	-	-	-	-
Cash and bank balances	552,455	-	-	-	-
	954,105	-	-	-	-
Liabilities measured at fair value					
Other financial liabilities	7,289	-	7,289	-	7,289
Liabilities not measured at fair value					
Trade and other payables	286,875	-	-	-	-
Bank borrowings	470,262	-	-	-	-
Due to related parties	1,805	-	-	-	-
	758,942	-	-	-	-

31 Contingent liabilities and capital commitments

	31 December 2017 AED'000	31 December 2016 AED'000
Bank guarantees and letters of credit	**70,222**	70,327
Capital commitments	**41,317**	60,714

At 31 December 2017 guarantees of AED 59,728 thousand were outstanding *(2016: AED 54,347 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 December 2017 AED'000	31 December 2016 AED'000
Less than one year	**16,231**	20,007
Between one and five years	**30,024**	30,112
More than five years	**31,621**	35,439
	77,876	85,558

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.

Lease expense charged for the year is AED 24,549 thousand *(2016: AED 25,559 thousand).*

32 Dividend

During 2017, the Group paid AED 90,000 thousand cash dividend for the year ended 31 December 2016 (*2016: AED 75,000 thousand for the year ended 31 Dec 2015*) which represents 15% *(2016: 12.5%)* of the issued and paid up capital of the Group.

33 Acquisition of subsidiary

During 2017, the Group acquired 100% shares of Delta Bottled Water Factory Company Limited ("Delta Water") based in Jeddah, Kingdom of Saudi Arabia (KSA) producing "Al Ain" brand water. The acquisitions enable Agthia to enter KSA market for the first time with its "Al Ain" water brand, the leading bottled water brand in UAE. Delta's water business has been present in Saudi Arabia for three decades and is a growing and cash generating operation.

The assets and liabilities recognised as a result of the acquisition in the consolidated financial statements as at 31 December 2017 are as follows:

	Fair value AED'000
Net assets acquired	
Property, plant and equipment	**61,886**
Inventories	**4,311**
Cash and bank	**1,012**
Other current assets	**15,985**
Other current liabilites	**(17,162)**
Provision for end of service benefit	**(8,977)**
Net identifiable assets acquired	**57,055**
Share of net identifiable assets acquired (100%)	**57,055**
Intangible	**34,382**
Goodwill	**87,597**
Total consideration (satisfied by cash)	**179,034**

34 Investment

During 2017, the Group entered into an agreement with Anderson UAE Inc. to establish a company (Gulf National Forage Company LLC) for import, wholesale and distribution of forage products in the UAE and the GCC. The entity is expected to commence its operations by Quarter 1, 2018.

35 Non-controlling interest

During 2016, the Group entered into an agreement with Al Wafir Marketing Services Company K.S.C.C., to establish a joint water bottling plant in Kuwait namely Al Rammah National For General Trading and Contracting Company WLL. The 50% shareholding in Al Rammah National For General Trading and Contracting Company WLL is treated as a subsidiary, rather than as a joint venture, since the contractual shareholders' agreement provide for the management control of the entity by the Group.

The following table summarises the information relating to the Group's subsidiary that have a material NCI:

	31 December 2017 AED'000
NCI percentage	**50%**
Non-current assets	**85,994**
Current assets	**5,122**
Non-current liabilities	**(23,759)**
Current liabilities	**(75)**
Net assets	**67,283**
Net assets attributable to NCI	**33,641**
Loss allocated to NCI	**(1,752)**

36 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		Equity						
	Bank Borrowings AED'000	**Other financial liabilities AED'000**	**Share capital AED'000**	**Legal reserves AED'000**	**Translation reserve AED'000**	**Other reserve AED'000**	**Retained earnings AED'000**	**NCI AED'000**	**Total AED'000**
Changes from financing cash flow									
Balance as at 1 January 2017	470,262	7,289	600,000	146,850	(40,303)	(19,260)	998,399	-	1,685,686
Proceeds from term loan	113,625	-	-	-	-	-	-	-	113,625
Proceeds from bank borrowings	23,356	-	-	-	-	-	-	-	23,356
Settlement of derivative	-	(6,285)	-	-	-	-	-	-	(6,285)
Dividend paid	-	-	-	-	-	-	(90,000)	-	(90,000)
Interest paid	(17,753)	-	-	-	-	-	-	-	(17,753
Total changes from financing cash flow	119,228	(6,285)	-	-	-	-	(90,000)	-	22,943
Effect of changes in foreign exchange rates	-	-	-	-	(1,733)	-	-	-	(1,733)
Other changes									
Liability-related									
Interest expense	18,869	-	-	-	-	-	-	-	18,869
Changes in overdraft and accruals	(15,408)								(15,408)
Total liability-related other changes	3,461	-	-	-	-	-	-	-	3,461
Total equity-related other changes	-	(1,004)	-	20,609	-	12,815	185,481	33,641	251,542
Balance at 31 December 2017	**592,951**	**-**	**600,000**	**167,459**	**(42,036)**	**(6,445)**	**1,093,880**	**33,641**	**2,439,450**