

RAS AL KHAIMAH POULTRY & FEEDING CO. P.S.C.

**Review report and interim financial information
for the six months period ended 30 June 2018**

Ras Al Khaimah Poultry & Feeding Co. P.S.C.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**To the Board of Directors
Ras Al Khaimah Poultry & Feeding Co. P.S.C.
Ras Al Khaimah, United Arab Emirates**

Introduction

We have reviewed the accompanying condensed statement of financial position of **Ras Al Khaimah Poultry & Feeding Co. P.S.C. (the "Company") - Ras Al Khaimah, United Arab Emirates**, as at 30 June 2018 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the six months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

- The Company's investment in RAK AMI Hotel FZ-LLC, an associate, was acquired during the period ended 30 June 2018 and accounted for by the equity method, is carried at AED 75.1 million on the condensed statement of financial position as at 30 June 2018. We were unable to obtain sufficient appropriate information about the carrying amount of the Company's investment in RAK AMI Hotel FZ-LLC at 30 June 2018 because we were unable to obtain access to the financial information, management and the auditors of RAK AMI Hotel FZ-LLC. Consequently, we were unable to determine whether any adjustments related to this investment were necessary.

(Cont'd...)

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF RAS AL KHAIMAH POULTRY AND FEEDING CO.
P.S.C. (CONTINUED)***Basis for Qualified Conclusion (continued)*

- As disclosed in Note 19 to the condensed financial statements, the Poultry Segment has generated losses for the period ended 30 June 2018 amounting to AED 9,913,360 (for the year ended 31 December 2017: AED 5,794,412). We were unable to obtain sufficient and appropriate audit evidence to support the carrying amount of the Poultry Segment's non – current assets as of 30 June 2018 and 31 December 2017 because management of the Company has not completed an impairment test in accordance with International Accounting Standards 36 – Impairment of Assets. Until the date of this report, the management of the Company has not completed an impairment assessment of the Poultry Segment's non – current assets. Consequently, we were unable to determine whether any adjustments to the Poultry Segment's non-current assets were necessary.

Qualified Conclusion

Based on our review, except for the possible effects of the matters mentioned in the Basis for Qualified Conclusion, nothing has come to our attention that causes us to believe that the accompanying interim financial information are not prepared, in all material respects, in accordance with International Accounting Standard 34, “*Interim Financial Reporting*”.

Deloitte & Touche (M.E.)



Signed by:
Samir Madbak
Registration Number 386
12 August 2018
Sharjah, United Arab Emirates

**Condensed statement of financial position
as at 30 June 2018**

	Notes	30 June 2018 AED (unaudited)	31 December 2017 AED (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	13,962,305	13,933,078
Investment properties	7	92,380,000	92,380,000
Other assets	8	-	75,000,000
Investment in associates	9	83,195,445	8,002,256
Investments carried at fair value through other comprehensive income (FVTOCI)	10	146,935,657	152,211,737
Loan to a related party – non current	11	9,000,000	9,000,000
Total non-current assets		345,473,407	350,527,071
Current assets			
Biological assets		1,558,922	4,115,018
Inventories	12	2,980,772	4,059,219
Loan to a related party – current	11	2,000,000	3,000,000
Due from related parties	11	1,477,774	1,584,576
Trade and other receivables	13	9,882,874	8,236,732
Bank balances and cash	14	39,882,929	43,784,354
Total current assets		57,783,271	64,779,899
Total assets		403,256,678	415,306,970
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	86,400,000	86,400,000
Reserves	16	139,088,431	139,088,431
Cumulative changes in fair value of investments carried at FVTOCI	10	86,185,348	101,841,428
Retained earnings		56,996,782	53,488,540
Total equity		368,670,561	380,818,399
Non-current liabilities			
Provision for employees' end of service indemnity		3,337,851	3,261,741
Current liabilities			
Unclaimed dividends		23,572,915	23,622,585
Trade and other payables		7,675,351	7,604,245
Total current liabilities		31,248,266	31,226,830
Total liabilities		34,586,117	34,488,571
Total equity and liabilities		403,256,678	415,306,970

Mohamed Humaid Abdulla Al Qasemi
Chairman



Mohamed Elsiddig Elimam Abdelgadir
General Manager

The accompanying notes form an integral part of these condensed financial statements.

**Condensed statement of income (unaudited)
for the six months period ended 30 June 2018**

	Notes	Six months period ended 30 June		Three months period ended 30 June	
		2018	2017	2018	2017
		AED	AED	AED	AED
Revenue		15,522,243	21,513,503	6,335,606	8,721,787
Cost of sales		(20,497,387)	(19,402,597)	(10,837,176)	(10,258,713)
Gross (loss)/ profit		(4,975,144)	2,110,906	(4,501,570)	(1,536,926)
General and administrative expenses		(3,117,017)	(2,536,541)	(1,852,249)	(1,310,103)
Selling and distribution expenses		(2,066,073)	(2,016,319)	(1,134,919)	(1,033,409)
Investment income		7,368,413	6,091,584	1,237,166	3,626,614
Other income		287,358	414,302	147,220	94,257
Finance costs		(42,484)	(6,830)	(9,287)	(2,924)
Share of profit of an associate	9	93,189	702,387	11,784	361,593
(Loss)/profit for the period		(2,451,758)	4,759,489	(6,101,855)	199,102
Basic (loss)/earnings per share (AED)	17	(0.028)	0.055	(0.07)	0.002

The accompanying notes form an integral part of these condensed financial statements.

**Condensed statement of comprehensive income (unaudited)
for the six months period ended 30 June 2018**

	Six months period ended 30 June 2018		Three months period ended 30 June 2017	
	AED	AED	AED	AED
(Loss)/profit for the period	<u>(2,451,758)</u>	<u>4,759,489</u>	<u>(6,101,855)</u>	<u>199,102</u>
Other comprehensive income:				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
(Decrease)/increase in fair value of investments carried at FVTOCI	<u>(5,276,080)</u>	<u>(63,004,642)</u>	<u>9,271,687</u>	<u>(39,135,544)</u>
Total other comprehensive (loss)/income for the period	<u>(5,276,080)</u>	<u>(63,004,642)</u>	<u>9,271,687</u>	<u>(39,135,544)</u>
Total comprehensive (loss)/income for the period	<u>(7,727,838)</u>	<u>(58,245,153)</u>	<u>3,169,832</u>	<u>(38,936,442)</u>

The accompanying notes form an integral part of these condensed financial statements.

**Condensed statement of changes in equity
for the six months period ended 30 June 2018**

	Share capital AED	Reserves AED	Cumulative changes in fair value of investments carried at FVTOCI AED	Retained earnings AED	Total AED
Balance at 31 December 2016 (audited)	86,400,000	138,971,532	162,917,101	62,076,448	450,365,081
Profit for the six months period ended 30 June 2017	-	-	-	4,759,489	4,759,489
Other comprehensive loss for the period	-	-	(63,004,642)	-	(63,004,642)
Total comprehensive loss for the period	-	-	(63,004,642)	4,759,489	(58,245,153)
Dividends distribution (Note 18)	-	-	-	(8,640,000)	(8,640,000)
Board of Directors' remuneration	-	-	-	(1,000,000)	(1,000,000)
Balance at 30 June 2017 (unaudited)	86,400,000	138,971,532	99,912,459	57,195,937	382,479,928
Balance at 31 December 2017 (audited)	86,400,000	139,088,431	101,841,428	53,488,540	380,818,399
Impact of adopting IFRS 9 (Note 4)	-	-	(10,380,000)	10,380,000	-
Balance at 1 January 2018 (unaudited)	86,400,000	139,088,431	91,461,428	63,868,540	380,818,399
Loss for the six months period ended 30 June 2018	-	-	-	(2,451,758)	(2,451,758)
Other comprehensive loss for the period	-	-	(5,276,080)	-	(5,276,080)
Total comprehensive loss for the period	-	-	(5,276,080)	(2,451,758)	(7,727,838)
Dividends distribution (Note 18)	-	-	-	(4,320,000)	(4,320,000)
Board of Directors' remuneration	-	-	-	(100,000)	(100,000)
Balance at 30 June 2018 (unaudited)	86,400,000	139,088,431	86,185,348	56,996,782	368,670,561

The accompanying notes form an integral part of these condensed financial statements.

**Condensed statement of cash flows (unaudited)
for the six months period ended 30 June 2018**

	Six months period ended 30 June	
	2018	2017
	AED	AED
Cash flows from operating activities		
(Loss)/profit for the period	(2,451,758)	4,759,489
Adjustments for:		
Depreciation of property, plant and equipment	957,036	800,230
Share of profit of an associate	(93,189)	(702,387)
Gain on sale of property, plant and equipment	(4,250)	(75,000)
Provision for employees' end of service indemnity	175,885	115,543
Dividends income	(5,681,267)	(4,246,729)
Rental income from investment properties	(943,036)	(968,796)
Interest income	(744,110)	(876,059)
Finance costs	42,484	6,830
Operating cash flows before changes in operating assets and liabilities	(8,742,205)	(1,186,879)
Decrease in biological assets	2,556,096	75,887
Decrease in due from related parties	106,802	160,048
Decrease in inventories	1,078,447	1,208,619
Increase in trade and other receivables	(1,646,142)	(929,491)
Increase/(decrease) in trade and other payables	71,106	(38,653)
Net cash used in operations	(6,575,896)	(710,469)
Employees' end of service indemnity paid	(99,775)	(720,323)
Finance costs paid	(42,484)	(6,830)
Net cash used in operating activities	(6,718,155)	(1,437,622)
Cash flows from investing activities		
Purchase of property, plant and equipment	(990,833)	(789,610)
Additions in investment in associates	(100,000)	-
Proceeds from sale of property, plant and equipment	8,820	168,699
Dividends received	5,681,267	4,246,729
Rental income from investment properties	943,036	968,796
Interest received	744,110	876,059
Proceeds from loan to a related party	1,000,000	1,000,000
Proceeds from disposal of fixed deposits with maturity over 3 months	-	4,620,365
Payments to acquire of fixed deposits with maturity over 3 months	(354,846)	(385,878)
Net cash generated from investing activities	6,931,554	10,705,160
Cash flows from financing activities		
Board of directors' remuneration paid	(100,000)	(1,000,000)
Dividends paid	(4,369,670)	(8,640,000)
Net cash used in financing activities	(4,469,670)	(9,640,000)
Net decrease in cash and cash equivalents	(4,256,271)	(372,462)
Cash and cash equivalents at the beginning of the period	7,820,504	2,872,594
Cash and cash equivalents at the end of the period (Note 14)	3,564,233	2,500,132
Non-cash transaction:		
Transfer from other assets to investment in associates	75,000,000	-

The accompanying notes form an integral part of these condensed financial statements.

**Notes to the condensed financial statements
for the six months period ended 30 June 2018****1. General**

Ras Al Khaimah Poultry & Feeding Co. (a public shareholding company) “the Company” - Ras Al Khaimah, is incorporated as a public shareholding company by Emiri decree No. 76/8 of 1976 issued by His Highness, The Ruler of Ras Al Khaimah.

The address of the Company’s registered office is P.O. Box 184, Ras Al Khaimah, United Arab Emirates.

The principal activities of the Company are all the agricultural, manufacturing and trading activities and other technical production activities relating to poultry production.

2. Application of new and revised International Financial Reporting Standards (“IFRSs”)**2.1 New IFRS applied with material effect on the interim condensed financial statements**

IFRS 9 which has become effective on and after 1 January 2018, has been adopted in these interim condensed financial statements. The application of IFRS 9, summarised in Note 4, has had a material impact on the amounts reported for the current and prior years.

IFRS 9 Financial Instruments: A new measurement category of fair value through other comprehensive income (FVTOCI) applies for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. A new impairment model based on expected credit losses applies to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.

2.2 New and revised IFRSs applied with no material effect on the interim condensed financial statements

The application of the following standards, has not had material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements:

- IFRS 15 Revenue from Contracts with Customers: The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition. Management has preliminarily assessed that sale of goods represents a single performance obligation and accordingly, revenue will be recognised for the performance obligation when control over the corresponding goods is transferred to the customer. The timing of revenue recognition of this performance obligation will be at a point in time for sale of goods when the goods are delivered to the customer. Accordingly, no impact will be observed on revenue recognition for the Company in 2018.
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 28 *Investments in Associates and Joint Ventures* (2015).
- Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*.

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

2. Application of new and revised International Financial Reporting Standards (“IFRSs”) (continued)

2.3 New and revised IFRSs in issue but not yet effective and not early adopted

The Company has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 16 <i>Leases</i>	1 January 2019
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2019
Amendments to IAS 19 <i>Employee benefits</i> : relating to plan amendments, curtailments or settlements	1 January 2019
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company’s financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements of the Company in the period of initial application. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards as the Company is in the process of performing a detailed review.

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

3. Summary of significant accounting policies

3.1 Basis of preparation

These condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, “*Interim Financial Reporting*” and also comply with the applicable requirements of the laws in the U.A.E.

The condensed financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company’s transactions are denominated.

These condensed financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties, valuation of biological assets and certain financial instruments that have been measured at fair value.

The accounting policies, presentation and methods used in these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2017, except for those stated in note 4.

These condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company’s audited annual financial statements as at and for the year ended 31 December 2017. In addition, results for the six months period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

As required by the Securities and Commodities Authority (“SCA”) notification dated 12 October 2008, accounting policies relating to investment properties, investment in securities, investment in an associate and property, plant and equipment have been disclosed in the condensed financial statements.

3.2 Property, plant and equipment

Land is carried at cost less impairment loss (if any).

Buildings are stated at revalued amounts less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Other property, plant and equipment, except capital work in progress, are carried at cost less accumulated depreciation and any identified impairment loss.

Properties in the course of construction for production or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Any increase arising on the revaluation of buildings is credited to properties revaluation reserve under the equity caption, except for the increase in value that represents a recapture of revaluation losses previously recognised in profit or loss, in which case the increase is charged to profit or loss.

Any decrease in the carrying amount arising on the revaluation of property is charged to profit or loss to the extent that such decrease exceeds the previously recognised property revaluation reserve.

The revaluation surplus on revalued buildings, which is included in equity is transferred on a systematic basis to retained earnings over the useful lives of the buildings to the extent of the difference between the depreciation based on revalued carrying amount and the depreciation based on the original cost.

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

3. Summary of significant accounting policies (continued)

3.2 Property, plant and equipment (continued)

The transfer from revaluation reserve to retained earnings, whether done on derecognition or a systematic basis, is not made through profit or loss.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained earnings.

Depreciation is charged so as to write off the cost of assets, other than capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Maintenance, renewals and betterments which enhance the economic life of the asset its capacity, improving the quality of output or reducing substantially operating costs are capitalised.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Depreciation is provided based on the anticipated useful lives, as follows:

	<u>Years</u>
Buildings	20
Motor vehicles	4
Furniture and fixtures	5
Plant and machinery	5 - 10

3.3 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the period of retirement or disposal.

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation or commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of the change in use.

Fair value is determined by open market values based on valuations performed by independent surveyors and consultants.

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

3. Summary of significant accounting policies (continued)

3.4 Financial assets at FVTOCI

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated under equity in the cumulative changes in fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments. When the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not transferred to income statement, but is reclassified to retained earnings.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

4. Impact of changes in accounting policies due to adoption of new standards

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Effective 1 January 2018 the Company has adopted two new accounting standards, the impact of the adoption of these standards is elaborated below.

Other amendments and interpretations which are applied for the first time in 2018, do not have an impact on the interim condensed financial statements of the Company.

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

4. Impact of changes in accounting policies due to adoption of new standards (continued)

4.1 IFRS 9: Financial instruments

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to amounts previously recognized in the interim condensed financial information. The Company did not early adopt any of IFRS 9 requirements in previous periods.

As permitted by transitional provisions of IFRS 9, the Company elected not to restate the comparative figures. Any adjustments to carrying amount of financial assets and liabilities at the date of transitions were recognized in opening retained earnings and other reserves of the current period.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

There were no changes to the classification and measurement of financial liabilities. The accounting policies of financial instruments as per IFRS 9 are disclosed in note 3.4 to the condensed financial statements. Comparatives for statement of cash flows are not affected on account of this adoption of IFRS 9.

Classification and measurement - Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- (i) debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- (ii) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

4. Impact of changes in accounting policies due to adoption of new standards (continued)

4.1 IFRS 9: Financial instruments (continued)

Classification and measurement - Financial assets (continued)

- (iii) all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL. However, the Company may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:
- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and
 - the Company may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Bank balances and cash, trade and other receivables, due from related parties and loan to a related party

Bank balances and cash, trade and other receivables, due from related parties and loan to a related party are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

Equity instruments at FVTOCI

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value of securities reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments, but reclassified to retained earnings. The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

4. Impact of changes in accounting policies due to adoption of new standards (continued)

4.1 IFRS 9: Financial instruments (continued)

Debt instruments at amortised cost or at FVTOCI

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Company has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Financial assets at FVTPL

Financial assets at FVTPL are:

- (i) assets with contractual cash flows that are not SPPI; or/and
- (ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- (iii) assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Fair value option: A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an "accounting mismatch").

Reclassifications

If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Company's financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made.

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

4. Impact of changes in accounting policies due to adoption of new standards (continued)

4.1 IFRS 9: Financial instruments (continued)

Impairment

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an expected credit loss model (ECLs). The Company recognises loss allowances for expected credit losses on the following financial instruments that are not measured at FVTPL:

- Bank balances and cash;
- Trade and other receivables;
- Due from related parties; and
- Loan to a related party;

With the exception of purchased or originated credit impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Company has elected to measure loss allowances for bank balances and cash, trade and other receivables, due from related parties, and loan to a related party at an amount equal to life time ECLs.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset’s EIR.

Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets. For debt securities at FVTOCI, the loss allowance is recognized in the OCI, instead of reducing the carrying amount of the asset.

When determining whether the credit risk of a financial asset has increase significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on Company’s historical experience and informed credit assessment and including forward-looking information.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

4. Impact of changes in accounting policies due to adoption of new standards (continued)

4.1 IFRS 9: Financial instruments (continued)

Impairment (continued)

Impairment losses related to bank balances and cash, trade and other receivables, due from related parties and loan to a related party, are presented separately in the condensed statement of income.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of the grade of the investment.

Measurement of ECL

The Company employs statistical models for ECL calculations. ECLs are a probability-weighted estimate of credit losses. For measuring ECL under IFRS 9, the key input would be the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters will be derived from our internally developed statistical models and other historical data. They will be adjusted to reflect forward-looking information.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. At each reporting date, the Company assesses whether financial assets carried at amortised costs and debt securities at FVTOCI are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact in the estimated future cash flows of the financial asset have occurred.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost or measured at FVTPL, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair value of investments reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

4. Impact of changes in accounting policies due to adoption of new standards (continued)

4.1 IFRS 9: Financial instruments (continued)

Presentation of allowance for ECL in the interim condensed financial information

Loss allowances for ECL are presented in the in the interim condensed financial information as follows:

- for financial assets measured at amortised cost (bank balances and cash, trade and other receivables, due from related parties, and loan to a related party): as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the interim condensed statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in revaluation reserve and recognised in other comprehensive income;

The following table reconciles the original measurement categories and carrying amounts in accordance with IAS 39 and the new measurement categories with those under IFRS 9 for the Company's financial assets and financial liabilities as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 AED	New carrying amount under IFRS 9 AED
Financial assets				
Bank balances and cash (a)	Loans and receivables	Amortised cost	43,784,354	43,784,354
Due from related parties (a)	Loans and receivables	Amortised cost	1,584,576	1,584,576
Loan to a related party (a)	Loans and receivables	Amortised cost	12,000,000	12,000,000
Trade and other receivables (a)	Loans and receivables	Amortised cost	8,236,732	8,236,732
Investments carried at fair value through other comprehensive income (FVTOCI) (b)	AFS - equity	FVTOCI - equity	152,211,737	152,211,737

- (a) Bank balances and cash, due from related parties, loan to a related party, and trade and others receivables that were classified as loans and receivables under IAS 39 are now classified as amortised cost. No increase in the allowance for impairment over these receivables was recognized at 1 January 2018 on adoption of IFRS 9.
- (b) Investments carried at fair value through other comprehensive income (FVTOCI) represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measure at FVTOCI. Unlike IAS 39, the accumulated fair value reserve related these investments will never be reclassified to profit or loss.

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

4. Impact of changes in accounting policies due to adoption of new standards (continued)

4.1 IFRS 9: Financial instruments (continued)

Presentation of allowance for ECL in the interim condensed financial information (continued)

The impact from the adoption of IFRS 9 as at 1 January 2018 is summarised as follow:

	Retained earnings AED	Cumulative changes in fair value reserve AED
Closing balance under IAS 39 as at 31 December 2017 (audited)	53,488,540	101,841,428
Impact of impairment losses on equity investments previously charged to the profit or loss transferred to cumulative changes in fair value of investments carried at FVTOCI	10,380,000	(10,380,000)
Opening balance under IFRS 9 on date of initial application of 1 January 2018 (unaudited)	63,868,540	91,461,428

4.2 Revenue recognition

IFRS 15 “*Revenue from contracts with customers*” outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new five-step model that will apply to revenue arising from contracts with customers:

- Step 1 Identify the contract with a customer:** A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.
- Step 2 Identify the performance obligations in the contract:** A performance obligation in a contract is a promise to transfer a good or service to the customer.
- Step 3 Determine the transaction price:** Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.
- Step 4 Allocate the transaction price to the performance obligations in the contract:** For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

4. Impact of changes in accounting policies due to adoption of new standards (continued)

4.2 Revenue recognition (continued)

Step 5 Recognise revenue as and when the entity satisfies a performance obligation: The Company recognises revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance obligation completed to date.
- The Company allocates the transaction price to the performance obligations in a contract based on the input method which requires revenue recognition on the basis of the Company's efforts or inputs to the satisfaction of the performance obligations. The Company estimates the total costs to complete the projects in order to determine the amount of revenue to be recognised.
- When the Company satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.
- Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent and has concluded that it is acting as a principal in all of its revenue arrangements.
- Revenue is recognised in the interim condensed financial statements to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if and when applicable, can be measured reliably.

5. Critical accounting judgements and key sources of estimation uncertainty

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

In preparing these condensed financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements for the year ended 31 December 2017, except for the adoption of IFRS 9 which has resulted in changes in accounting judgements for recognition of financial assets and liabilities and impairment of financial assets, as set out below:

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

5.1 Critical judgments in applying the Company's accounting policies

- Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.
- Significant increase of credit risk: ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.
- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics (e.g. instrument type, credit risk grade, collateral type, date of initial recognition, remaining term to maturity, industry, geographic location of the borrower, etc). The Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.
- Models and assumptions used: The Company uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

5.2 Key sources of estimation uncertainty

The following are key estimations that the management has used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in interim condensed financial statements:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario: When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of Default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

6. Property, plant and equipment

During the period, additions to property, plant and equipment amounted to AED 990,833 (six months period ended 30 June 2017: AED 789,610) and depreciation for the six months period ended 30 June 2018 amounted to AED 957,036 (six months period ended 30 June 2017: AED 800,230).

All property, plant and equipment are located in U.A.E.

7. Investment properties

	Six months period ended 30 June 2018 (unaudited) AED	Year ended 31 December 2017 (audited) AED
Balance at the beginning of the period/year	92,380,000	94,400,000
Additions during the period/year	-	49,600
Decrease in fair value	-	(2,069,600)
Balance at the end of the period/year	92,380,000	92,380,000

Investment properties comprise the fair value of plots of land and buildings located in the United Arab Emirates.

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

7. Investment properties (continued)

Details of the Company's investment properties and their fair values are as follows:

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Plots of land	56,480,000	56,480,000
Buildings	35,900,000	35,900,000
	<u>92,380,000</u>	<u>92,380,000</u>

8. Other assets

As at 31 Decemeber 2017, other assets amounting to AED 75 million represented advance paid during 2010 to Al Hamra Real Estate Development LLC ("Al Hamra") against the agreement to purchase a plot of land in Island "B" in Al Hamra Village – Ras Al Khaimah. During 2016 and after discussing the matter with Al Hamra management, the Company's Board of Directors has resolved to change the objective of this investment to financial investment through entering into a partnership with other strategic partners to form a limited liability company aims to invest in the hospitality sector in Ras Al Khaimah. Accordingly, this amount was reclassified as other assets awaiting the completion of the relevant documentations and registration of the proposed hospitality investments company with concerned authorities.

On 6 May 2018, the Company entered into a Plot Retrieving and Shares Transfer Agreement with Al Hamra to transfer 5,276,020 shares (the "Shares") of RAK AMI Hotel FZ-LLC (the "Hotel") which represent 27.7528% of the Hotel's share capital, held by Al Hamra, to the Company as a settlement of the outstanding advance payment of AED 75 million, in addition to AED 100,000 payable to Al Hamra in the final settlement of the shares transferred.

Movement of other assets during the period/year was as follows:

	For the six months period ended 30 June 2018 (unaudited) AED	For the year ended 31 December 2017 (audited) AED
Balance at the beginning of the period/year	75,000,000	75,000,000
Transfer to investment in associates (note 9)	(75,000,000)	-
Balance at the end of the period/year	<u>-</u>	<u>75,000,000</u>

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

9. Investment in associates

Details of the Company's associates at the end of the reporting period were as follows:

<u>Name of associate</u>	<u>Principal activity</u>	Proportion of ownership interest held by the Company 30 June 2018 (unaudited)	Proportion of ownership interest held by the Company 31 December 2017 (audited)
Ras Al Khaimah Packaging Co. Ltd. (L.L.C.)	Manufacturing of carton boxes and containers and whole sale of paper trading.	50%	50%
RAK AMI Hotel FZ-LLC	Real estate development construction	27.75%	-

The above associates are accounted for using the equity method in these condensed financial statements.

Movements in the investment in associates were as follows:

	For the six month period ended 30 June 2018 (unaudited) AED	For the year ended 31 December 2017 (audited) AED
Balance at the beginning of the period/year	8,002,256	7,137,877
Company's share of profit for the period/year	93,189	864,379
Transfer from other assets (note 8)	75,000,000	-
Additions during the period/year	<u>100,000</u>	<u>-</u>
Balance at the end of the period/year	<u>83,195,445</u>	<u>8,002,256</u>

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

9. Investment in associates (continued)

Summarised financial information in respect of the Company's associates are set out below:

Ras Al Khaimah Packaging Co. Ltd. (L.L.C.)

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Current assets	<u>14,226,389</u>	<u>12,727,105</u>
Non-current assets	<u>19,454,793</u>	<u>20,009,927</u>
Current liabilities	<u>7,942,158</u>	<u>7,175,266</u>
Non-current liabilities	<u>9,548,134</u>	<u>9,557,254</u>
Net assets	<u>16,190,890</u>	<u>16,004,512</u>
Proportion of the Company's ownership interest in the associate	<u>50%</u>	<u>50%</u>
Carrying amount of the Company's interest in the associate	<u>8,095,445</u>	<u>8,002,256</u>

	Six month period ended 30 June		Three months period ended 30 June	
	2018 (unaudited) AED	2017 (unaudited) AED	2018 (unaudited) AED	2017 (unaudited) AED
Revenue for the period	<u>10,979,217</u>	<u>13,041,252</u>	<u>5,431,448</u>	<u>6,611,652</u>
Profit for the period	<u>186,378</u>	<u>1,404,774</u>	<u>23,568</u>	<u>723,186</u>
Total comprehensive income for the period	<u>186,378</u>	<u>1,404,774</u>	<u>23,568</u>	<u>723,186</u>
Company's share of profit for the period	<u>93,189</u>	<u>702,387</u>	<u>11,784</u>	<u>361,593</u>

RAK AMI Hotel FZ LLC

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Net assets	<u>270,603,035</u>	<u>-</u>
Proportion of the Company's ownership interest in the associate	<u>27.75%</u>	<u>-</u>
Carrying amount of the Company's interest in the associate	<u>75,100,000</u>	<u>-</u>

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

10. Investments carried at fair value through other comprehensive income (FVTOCI)

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Quoted – at fair value	116,593,157	121,869,237
Unquoted – at fair value	<u>30,342,500</u>	<u>30,342,500</u>
	<u>146,935,657</u>	<u>152,211,737</u>
In U.A.E.	<u>146,935,657</u>	<u>152,211,737</u>

Movements of carried at FVTOCI were as follows:

	For the six months period ended 30 June 2018 (unaudited) AED	For the year ended 31 December 2017 (audited) AED
Fair value at the beginning of the period/year	152,211,737	213,287,410
Decrease in fair value	<u>(5,276,080)</u>	<u>(61,075,673)</u>
Fair value at the end of the period/year	<u>146,935,657</u>	<u>152,211,737</u>

The cumulative changes in fair value of investments carried at FVTOCI amounting to AED 86,185,348 (2017: AED 101,841,428) is shown under equity.

Pursuant to SCA letter ref. no SHS/KH/411/2018 dated 9 July 2018, the Company confirms that it does not have any direct or indirect investments in Abraaj Holdings, Abraaj Investment Management Limited and/or its related funds or projects.

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

11. Related party transactions

Related parties include the Company's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

Loan account:

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Ras Al Khaimah Packaging Co. Ltd (L.L.C.)	<u>11,000,000</u>	<u>12,000,000</u>
Loan repayment is as follows:		
In the first year	2,000,000	3,000,000
In the second year	3,000,000	3,000,000
from third to sixth year	<u>6,000,000</u>	<u>6,000,000</u>
	11,000,000	12,000,000
Less: Due within 12 months from the reporting date (shown as current assets)	<u>(2,000,000)</u>	<u>(3,000,000)</u>
Due after 12 months from the reporting date (shown as non-current assets)	<u>9,000,000</u>	<u>9,000,000</u>

A long term loan was granted to Ras Al Khaimah Packaging Co. Ltd. LLC of AED 16 million to finance the construction of its new plant. The loan is repayable in six annual instalments of AED 2 million for the first two years and AED 3 million for the remaining four years commencing from December 2016. The loan is unsecured and carries interest rate of 4% per annum effective 1 August 2015 onwards.

Current accounts:

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Ras Al Khaimah Packaging Co. Ltd. LLC	1,037,312	1,188,122
Al Bustan Import and Foodstuff Supply	<u>440,462</u>	<u>396,454</u>
	<u>1,477,774</u>	<u>1,584,576</u>

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

11. Related party transactions (continued)

Transactions:

During the period, the Company entered into the following transactions with related parties:

	Six months period ended 30 June		Three months period ended 30 June	
	2018	2017	2018	2017
	(unaudited) AED	(unaudited) AED	(unaudited) AED	(unaudited) AED
Sales	1,092,466	1,479,324	440,900	854,953
Purchases	378,844	440,048	167,821	182,405
Interest income	228,034	280,000	109,699	140,000
Settlement of a loan installment by a related party	1,000,000	1,000,000	-	1,000,000

Transactions with related parties were carried out at terms agreed by management.

Compensation of key management personnel:

	Six months period ended 30 June		Three months period ended 30 June	
	2018	2017	2018	2017
	(unaudited) AED	(unaudited) AED	(unaudited) AED	(unaudited) AED
Key management personnel benefits	525,075	498,700	310,725	214,350
Board of Directors' remuneration	100,000	1,000,000	100,000	1,000,000

12. Inventories

	30 June	31 December
	2018 (unaudited) AED	2017 (audited) AED
Finished goods	1,793,366	2,455,539
Raw materials	27,510	169,700
Medicines and vaccinations	346,171	532,585
Filling and packaging materials	649,794	529,677
Spare parts and others	4,042,236	4,250,023
	<u>6,859,077</u>	<u>7,937,524</u>
Allowance for slow moving inventories	(3,878,305)	(3,878,305)
Total	<u>2,980,772</u>	<u>4,059,219</u>

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

13. Trade and other receivables

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Trade receivables	5,480,368	5,255,776
Notes receivables	315,145	656,762
Allowance for doubtful debts	<u>(403,945)</u>	<u>(403,945)</u>
	5,391,568	5,508,593
Prepaid expenses	442,016	466,724
Advances to suppliers	1,173,989	819,807
Staff receivables	874,322	833,183
Other receivables	<u>2,000,979</u>	<u>608,425</u>
	<u>9,882,874</u>	<u>8,236,732</u>

14. Bank balances and cash

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Cash on hand	102,562	206,810
Bank balances:		
Current accounts	209,056	218,216
Call deposits	3,252,615	7,395,478
Fixed deposits	<u>36,318,696</u>	<u>35,963,850</u>
	39,882,929	43,784,354
Less: Fixed deposits with maturity over 3 months from the date of placement	<u>(36,318,696)</u>	<u>(35,963,850)</u>
Cash and cash equivalents	<u>3,564,233</u>	<u>7,820,504</u>

15. Share capital

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Issued and fully paid:		
86,400,000 ordinary shares of AED 1 each	<u>86,400,000</u>	<u>86,400,000</u>

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

16. Reserves

According to the Company's Article of Association and the requirements of the U.A.E. Federal Law No. (2) of 2015, 10% of the annual profit is transferred to the statutory reserve. The transfer to statutory reserve shall be suspended when it reaches 50% of the paid-up share capital. The statutory reserve is not available for distribution except as stipulated by the Law. Any remaining amount of the annual profit after dividends distribution and Board of Directors remuneration shall be either kept in retained earnings for the coming year or appropriated to a voluntary reserve made for specific purposes and may not be used for other purposes unless resolved by the Shareholders general assembly.

	Statutory reserve	Voluntary reserve	Special reserve	Total
	AED	AED	AED	AED
Balance at 31 December 2016 (audited)	39,424,261	19,547,271	80,000,000	138,971,532
Movement during the period	-	-	-	-
Balance at 30 June 2017 (unaudited)	<u>39,424,261</u>	<u>19,547,271</u>	<u>80,000,000</u>	<u>138,971,532</u>
Balance at 31 December 2017 (audited)	39,541,160	19,547,271	80,000,000	139,088,431
Movement during the period	-	-	-	-
Balance at 30 June 2018 (unaudited)	<u>39,541,160</u>	<u>19,547,271</u>	<u>80,000,000</u>	<u>139,088,431</u>

No transfers to statutory reserve, voluntary reserve or special reserve have been made during the six months period ended 30 June 2018 (six months period ended 30 June 2017: Nil), as this will be based on the audited results for the year.

17. Basic (loss)/earnings per share

	Six months period ended		Three months period ended	
	2018	30 June	2018	30 June
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss)/profit for the period (AED)	(2,451,758)	4,759,489	(6,101,855)	199,102
Number of shares (share)	<u>86,400,000</u>	<u>86,400,000</u>	<u>86,400,000</u>	<u>86,400,000</u>
Basic (loss)/earnings per share (AED)	<u>(0.028)</u>	<u>0.055</u>	<u>(0.07)</u>	<u>0.002</u>

18. Dividends

At the Annual General Meeting held on 21 April 2018, the Shareholders approved cash dividends distribution at 5% of share capital amounting to AED 4,320,000 (AED 5 fils per share) for the year 2017. Cash dividends at 10% of share capital amounting to AED 8,640,000 (AED 10 fils per share) approved during 2017 for the year 2016.

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

19. Segment information

There are no transactions between the business segments.

The Company is organized into two main business segments: poultry includes breeding and poultry trading, and investments segment includes investments carried at FVTOCI, investment in associates, investment properties, loan to a related party, other assets and fixed deposits held with banks.

	Six months period ended 30 June 2018			Six months period ended 30 June 2017		
	Poultry (unaudited) AED	Investments (unaudited) AED	Total (unaudited) AED	Poultry (unaudited) AED	Investments (unaudited) AED	Total (unaudited) AED
Segment revenues	15,522,243	-	15,522,243	21,513,503	-	21,513,503
Segment results	(9,913,360)	7,461,602	(2,451,758)	(2,034,482)	6,793,971	4,759,489
Depreciation	957,036	-	957,036	800,230	-	800,230
Share of profit of an associate	-	93,189	93,189	-	702,387	702,387
Additions to non-current assets	990,833	-	990,833	789,610	-	789,610
	30 June 2018					
	Poultry (unaudited) AED	Investments (unaudited) AED	Total (unaudited) AED	Poultry (audited) AED	Investments (audited) AED	Total (audited) AED
Segment assets	33,426,880	369,829,798	403,256,678	51,749,127	363,557,843	415,306,970
Segment liabilities	34,586,117	-	34,586,117	34,488,571	-	34,488,571
	31 December 2017					

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

20. Commitments and contingent liabilities

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Letters of guarantee	200,000	200,000

21. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial and non-financial assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2017.

The following table provides an analysis of financial and non-financial instruments that are measured subsequent to initial recognition at fair value on a recurring basis, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

30 June 2018 (unaudited):

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets:				
Investments carried at FVTOCI				
Quoted equities	116,593,157	-	-	116,593,157
Unquoted equities	-	-	30,342,500	30,342,500
Non-financial assets:				
Investment properties	-	-	92,380,000	92,380,000
	<u>116,593,157</u>	<u>-</u>	<u>122,722,500</u>	<u>239,315,657</u>

**Notes to the condensed financial statements
for the six months period ended 30 June 2018 (continued)**

21. Fair value measurement (continued)

Valuation techniques and assumptions applied for the purposes of measuring fair value (continued)

31 December 2017 (audited):

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets:				
Investments carried at FVTOCI				
Quoted equities	121,869,237	-	-	121,869,237
Unquoted equities	-	-	30,342,500	30,342,500
Non-financial assets:				
Investment properties	-	-	92,380,000	92,380,000
	<u>121,869,237</u>	<u>-</u>	<u>122,722,500</u>	<u>244,591,737</u>

There were no transfers between the levels during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

22. Seasonality of results

Investment income includes dividend income of AED 5.7 million for the six months period ended 30 June 2018 (six months period ended 30 June 2017: AED 4.2 million), which is of a seasonal nature.

23. Approval of condensed financial statements

The condensed financial statements were approved by the Board of Directors and authorised for issue on 12 August 2018.