



الهيئة العربية

للإستثمار والإنماء الزراعي

ARAB AUTHORITY

FOR AGRICULTURAL INVESTMENT AND DEVELOPMENT

Annual Report

2017



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2017



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Introduction

The issue of food security is one of the most important matters that receives worldwide attention at all levels, both Arab and international, due to its economic, social and political dimensions. Arab countries are suffering from food shortages in main commodities, which are becoming more severe day by day due to the increasing of population growth and having limited natural agricultural resources which is poorly invested or produced. These factors exacerbate the problem of the food gap in the Arab world, and as the quantity of production of basic food products in Arab countries is not sufficient to cover consumption, importing these products was necessary to resolve the issue. This, in turn, becomes a burden on the economies of these countries by weakening their hard currency reserves as financial resources directed to import food products for resolving food needs are often at the expense of those allocated for development in these countries.

Studies indicate that by 2020, the gap in the main food commodities is expected to be as follows: wheat (51 million metric tons), sugar (9 million metric tons), vegetable oil (2.9 million metric tons), meat (9.7 million metric tons), dairy products (10 million metric tons). Population statistics in Arab countries are expected to increase from 387 million in 2015 to 500 million in 2030.

From this point on, the best strategic option left is to overcome the problem of the food gap in Arab countries is by achieving sustainable agricultural development through optimal utilization of available economic, natural and human resources. It is also through strengthening the efforts to develop agricultural methods in the Arab countries and developing their productive and competitive capacities to meet the increasing demand for food, reducing imports and reducing the increase of migration of rural people to cities, and its impact on the development and preservation of Arab natural resources.

The integration of Arab resources in the agricultural sector is the main basis for achieving sustainable agricultural development in Arab countries because one of the most important challenges facing sustainable agricultural development is the lack of integration of Arab agricultural and financial resources with each other. In some Arab countries, financial resources are available, but arable lands are scarce, while other countries have abundant agricultural and land resources, but they do not have the financial means to utilize these resources.

In recognition of the agricultural development objectives, AAAID has sought a sectoral and geographical distribution of its agricultural investments, benefiting from the comparative advantage of the distribution of agricultural resources in Arab countries. AAAID distributed its agricultural investments in Arab countries in accordance with the availability of agricultural investment opportunities. By the end of 2017, the number of agricultural affiliated companies contributed to by AAAID reached 44 companies in four main sectors as follows: 53% in agricultural manufacturing, 23% in plant production, 20% in animal production and 4% in agricultural services. The value of the assets of these companies is about USD 4.2 billion, with a total available production capacity of; 277 thousand tons of cereals, 1 million tons of sugar, 41 thousand tons of vegetable oils, 260 thousand tons of meat, 178 million liters of milk, 531 thousand tons of fodder, and 127 million table eggs.

In addition to investment, AAAID, in cooperation with Arab, regional and international agricultural research institutions, is making great efforts in the developmental aspect, as it is one of the important pillars to improve the agricultural sector.

In this regard, AAAID implemented a set of applied agricultural research programs and know-hows, and has attained many successful models, which helped to increase agricultural productivity and improving the standards of living of the rural population in different Arab countries. These programs also contributed to making rural women play their role in agricultural development. The number of development and research programs implemented until the end of 2017 reached to about 132 programs benefiting about 57 thousand farmers in numerous Arab countries. These programs included applications of integrated agricultural packages, use of modern irrigation methods, experimentation with new varieties of crops, seeds and improved seeds, and projects to improve the nutritional value of agricultural wastes.

The Authority has also provided funding to agricultural banks to provide financing to small and medium-sized farmers and to provide revolving loans to small and medium-sized farmers, in accordance with the Microfinance and Contract Planting Program through different associations and cooperative societies. The goal of this program is to raise the awareness of farmers and producers about the importance of forming associations or cooperative societies and their role in reducing the cost of production and adding value to farms, increasing cultivated land and producing quantities that can be easily marketed.

Because AAAID believes that the growth and development of the Arab agricultural sector requires joint collective action, and with the cooperation of all governmental and private sector, regional and international research organizations, AAAID - within its strategic activities - has devoted itself to holding and organizing technical seminars, regular meetings, conferences and activities to exchange information and experiences with those interested in agriculture. These activities aim at mobilizing resources to increase agricultural investments as well as creating a platform for dialogue on legislative and administrative policies and means to create an investment climate conducive to attract Arab and foreign capital, to promote agricultural investment opportunities available in the Arab countries and encourage investors to contribute to them. These activities were accompanied by the signing of a wide range of cooperation and partnership agreements in all agricultural fields.

The areas of agricultural investment referred to above are among the most significant means of reaching the objectives of sustainable Arab agricultural development, which will lead to structural changes in Arab agriculture, increase the competitiveness of Arab agricultural exports and increase the exchange of agricultural products.

Recently it has been witnessed that some Arab countries have implemented various programs to achieve agricultural development by optimizing the use of their own resources and developing plans to utilize these resources. It is also important to take advantage of the economic integration characteristics of the Arab countries through the coordination of national development plans and areas of cooperation in production, marketing and transport; to optimize the comparative advantage of agricultural resources and enhance their productive capacities. This is by spreading and adapting modern agricultural technology and adapting it according to environmental conditions, in order to replace foreign imports, which negatively affect the trade balance of the various Arab countries, with Arab products.



Executive Summary

- 01 In 2017, AAAID approved equity participation in a number of new agricultural projects, which are in accordance with AAAID's standards and objectives; and focusing on the production of basic food commodities to resolve the Arab food gap. These projects include Aquaculture Project in the Sultanate of Oman, Poultry Meat Production Project in Kuwait, and Red Meat production Project in the Islamic Republic of Mauritania.
- 02 AAAID also increased its equity participation in a number of its existing companies for the purpose of rehabilitation, enhancing performance and modernizing their production facilities. These companies include; White Nile Sugar Company in Sudan, Arab Company for Crop Production in Sudan, The Arabian for Preserving and Manufacturing Agricultural Crops in Egypt, Arab Company for Drugs Ltd in Sudan, Arab Poultry Production and Processing Company in Sudan, and Arab Sudanese Blue Nile Agricultural Company in Sudan.
- 03 The total value of the investments of AAAID in all its existing companies, as well as those under implementation and establishment is about USD 598 million as at 31/12/2017, representing about 88% of the paid up capital of AAAID, which is about USD 676 million as at 31/12/2017.
- 04 The total AAAID investments in all established, under implementation and establishment companies are divided among four main sectors. These sectors are as follows; 53% in the agricultural manufacturing sector, including manufacturing sugar, oils and other food products. 23% in the plant production sector, including the production of cereals, grains, fodder, vegetables and fruits. 20% in the animal production sector, including the production of poultry, red meat, dairy and fish products, and, 4% in the services sector including provision of different agricultural services.
- 05 By the end of 2017, AAAID has invested in 44 companies; out of which, 29 are existing, 9 under implementation, and 6 companies under establishment distributed as the following: Sudan hosts 63% of its total investments, followed by Egypt 8%, UAE 7%, Iraq 5%, KSA 5% and 12% in the remaining member countries as per the available investment opportunities then.
- 06 The number of agricultural projects reviewed in 2017 reached 99 projects. These include the development of opportunities, the preparation of reference specialists, the evaluation of offers and the preparation and evaluation of feasibility studies. In addition to evaluating some of the offers submitted to AAAID in the form of studies, the provision of advisory services such as the evaluation of companies and the preparation of feasibility studies and structural studies of the affiliate companies of AAAID and others.



- 07 In 2017, AAAID implemented a total of 21 development programs and activities aimed at serving small and medium-sized farmers and producers in a number of Arab countries, with the aim of upgrading production and productivity in the traditional sector of small producers. The program has about 5,000 families, representing about 23 thousand beneficiaries.
- 08 In 2017, AAAID supported and activated a number of research programs and activities in a number of Arab countries in total of 21 agricultural research experience applied that aimed at developing agriculture in these countries, and contribute to the enhancement of Arab food security.
- 09 In 2017, AAAID has implemented a number of programs and promotional activities in and organized a number of conferences and activities in addition to its active participation in conferences, seminars and Arab and international forums. A number of agreements and Memorandums of Understanding were signed in order to achieve the required objectives.
- 10 The total value of the existing and granted loans from AAAID to the companies where AAAID is a shareholder reached about USD 195 million, corporate guarantees that were provided by AAAID amounted to USD 69 million.
- 11 On 31/12/2017, the total value of the assets of AAAID reached to USD 1.171 million, as compared to USD 1.080 million in 2016.
- 12 The total investments of the Arab Authority in the global and regional financial markets - as at 31/12/2017 reached to USD 456 million, compared to USD 395 million at the end of 2016.
- 13 Total shareholders' equity representing paid-up capital and reserves as on 31/12/2017 reached to USD 894 million compared to USD 813 million at the end of 2016, representing an increase of 10%.
- 14 AAAID achieved net profit reached to about USD 21.4 million for the fiscal year ended 31/12/2017.



About AAAID

01

Establishment

The Arab Authority for Agricultural Investment and Development (AAAID) was established on 1 November 1976 as an Arab financial institution with an independent and international legal personality. Its Memorandum and Articles of Association were declared in March 1977.

03

Capital

- Authorized Capital is KWD 336 million, equivalent to USD 1.1 billion.
- Paid-up capital till 31/12/2017 is KWD 204 million, equivalent to USD 676 million.

05

Headquarters and Regional Office

Headquarters:
Khartoum, the Republic of Sudan

Regional Office:
Dubai, the United Arab Emirates

02

Shareholders

AAAID has shareholders of 21 Arab countries.

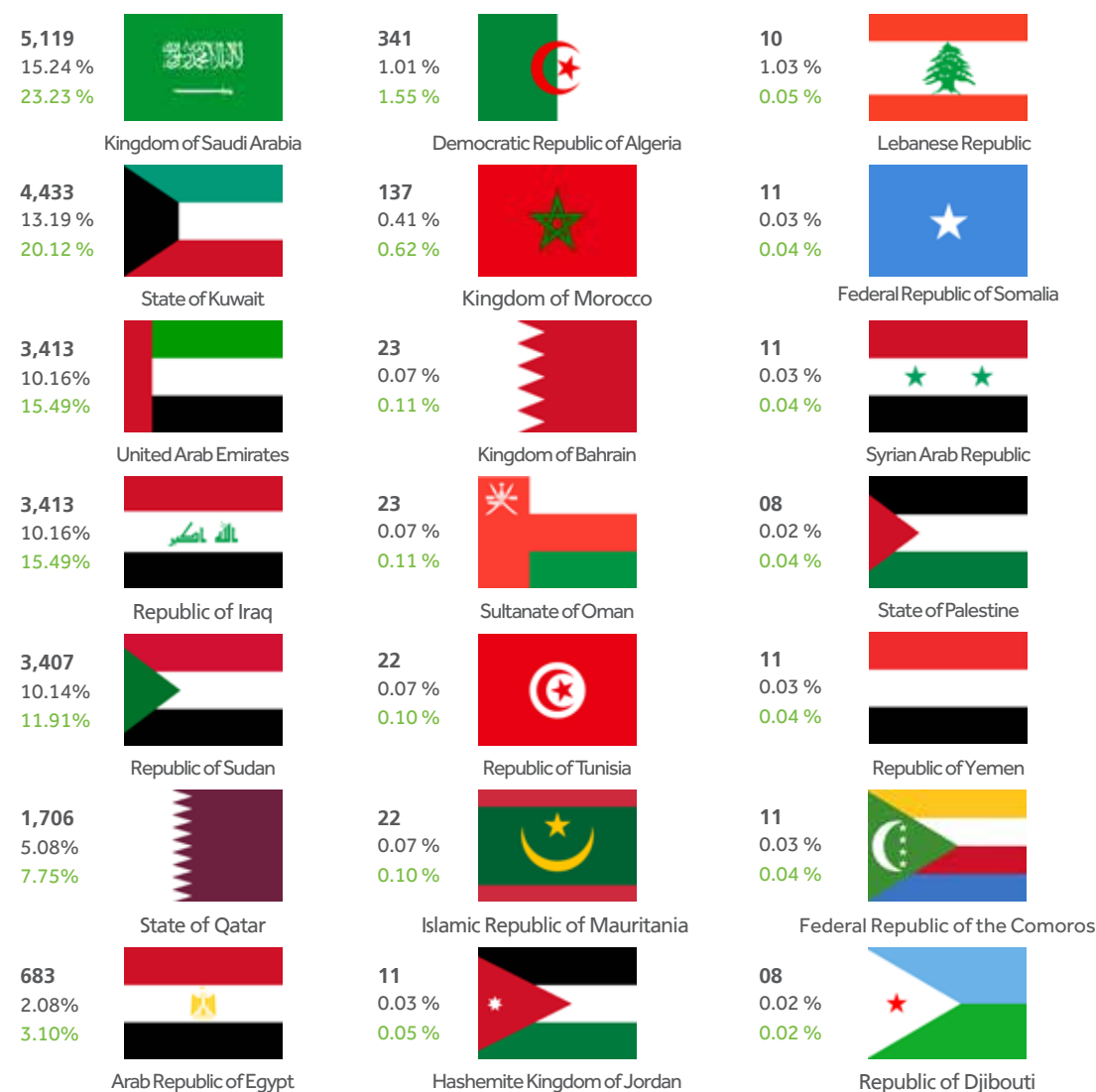
04

Fiscal Year

- The fiscal year commences on 1st January of each year and ends at the end of December each year.

Member States

■ Percentage of the contribution of Member States to the Capital of AAAID























■ Number of Shares
■ Subscription Percentage
■ Paid-Up Shares Percentage




Members of the Board of Shareholders

AAID's Members of the Board of Shareholder as of 31/12/2017

 01 H.E. Mr. Mohammed bin Abdullah Al Jadaan Minister of Finance	 02 ⁰¹ H.E. Dr. Nayef Falah Al-Hajraf Minister of Finance	 03 H.E. Mr. Obaid Humaid Al Tayer Minister of State for Financial Affairs	 04 ⁰² H.E. Dr. Haider Abadi Prime Minister, Acting Minister of Finance	 05 ⁰³ H.E. Dr. Mohamed Osman Soliman Al-Rikabi Minister of Finance and Economic Planning
			Deputy Chairman of the Board of Shareholders of Session 41	Chairman of the Board of Shareholders of Session 41
 06 H.E. Mr. Ali Shareef Al Emadi Minister of Finance	 07 ⁰⁴ H.E. Dr. Abdel-Moneim Abdel-Wadood Al-Banna Minister of Agriculture and Land Reclamation	 08 ⁰⁵ H.E. Mr. Abderrahmane RAOUYA Minister of Finance	 09 H.E. Mr. Mohamed Boussaid Minister of Economy and Finance	 10 H.H. Sheikh Ahmed Bin Muhammad Al Khalifa Minister of Finance
 11 H.E. Mr. Darwish Ismail Al Bulushi Minister of Finance	 12 ⁰⁶ H.E. Dr. Zied Ladhari Minister for Development Investment & International Cooperation	 13 H.E. Mr. Al Mokhtar Ould Ajay Minister of Economy and Finance	 14 H.E. Mr. Omar Zuhair Abdelfattah Malhas Minister of Finance	 15 H.E. Mr. Ali Hassan Khalil Minister of Finance
 16 H.E. Mr. Abdirahman Duale Beyle Minister of Finance	 17 H.E. Dr. Mamoun Hamdan Minister of Finance	 18 H.E. Dr. Sufian Sultan Minister of Agriculture	 19 H.E. Mr. Ahmed bin Obaid Al Fadhli Minister of Finance	 20 H.E. Mr. Said Ali Said Chayhane Minister of Finance and Budget

Former Minister HE Mr. Anas Khalid Al-Saleh
 Former Minister HE Mr. Badr El-Din Mahmoud Abbas
 Former Minister HE Dr. Abdul Razzaq Abdul Jalel Al-Issa
 Former Minister HE Dr. Essam Fayed Othman
 Former Minister HE Mr. Hadji Baba Ammi
 Former Minister HE Mr. Mohammed Al Fadhel AbdelKafi


18
 H.E. Dr.
 Mohamed Ahmed Awaleh
 Minister of Agriculture, Livestock and Fisheries



Board of Directors



His Excellency
Mohammed Bin Obaid Al Mazrooei
President and Chairman of Board of Directors
Arab Authority for Agricultural Investment and Development



His Excellency
Ibrahim Hassan Rashid Al Jarwan
Head of GCC & Arab
Countries Affairs
Ministry of Finance
United Arab Emirates



His Excellency
Yousef Hussein Mohammed Al Roumi
Assistant Undersecretary at
the General Secretariat
Council of Ministers
State of Kuwait



His Excellency
Khalid Bin Sulaiman Al-khudairy
Undersecretary of the
Ministry of Finance for
International Finance
Ministry of Finance
Kingdom of Saudi Arabia



His Excellency
Hamad Saad Hamad Al Kawari
Adviser to the Chair of the
Board of Directors
Hassad Food Co.
State of Qatar



Her Excellency
Muna Elsayid Ismail Abu Harraz
Finance Undersecretary
Ministry of Finance and
Economic Planning
Republic of Sudan



His Excellency
Kutaiba Mohamed Hassan
Director-General of Planning
and Following-up
Department
Ministry of Agriculture
Republic of Iraq



His Excellency
Mubarak Bin Suleiman Al Mundhiri
Government Investment
Adviser
Ministry of Finance
Sultanate of Oman



His Excellency
Abdenour HIBOUCHÉ
Chairman
Financial Intelligence
Processing Unit
Ministry of Finance
Republic of Algeria



His Excellency
Saad Zaki Mohamed Nassar
Adviser to HE The Minister
Ministry of Agriculture and
Land Reclamation
Arab Republic of Egypt

AAAID's Strategy (2014-2018)

01

Vision

To be a leader in the reinforcement of food security in the Arab World.

02

Mission

Providing basic food needs through agricultural investment and development in the Arab World.



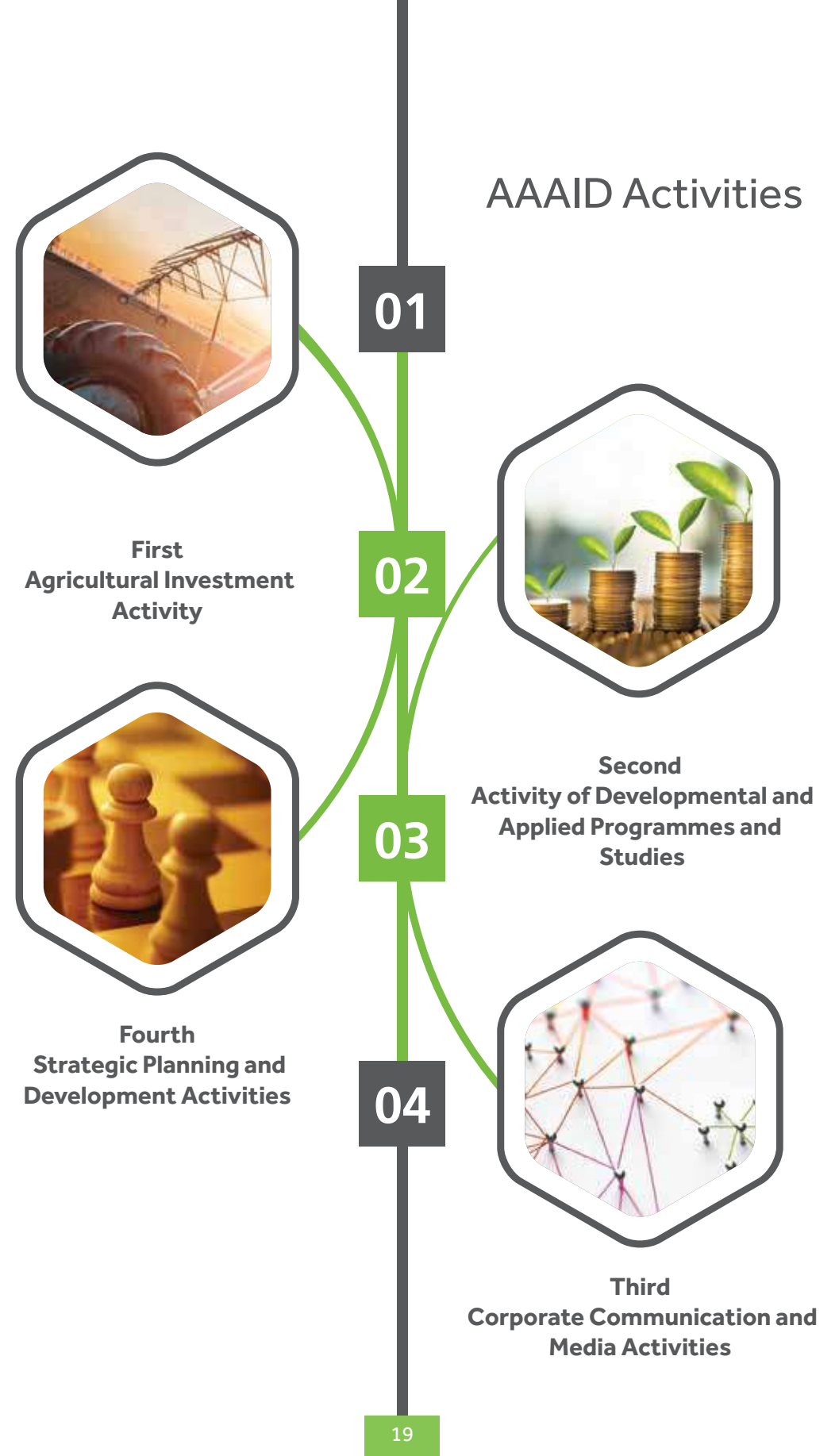
03 Goals

- Provision of basic food commodities.
- Maximize the returns on AAAID's agricultural investments.
- Raise the efficiency and effectiveness of agricultural production.
- Increase trade exchange of agricultural products and production inputs among the member states.
- Sustainable development of agricultural resources in the member states.
- Investment in human capital and best utilizing of resources.

Strategic Guidance



- 01 Reconsidering the geographical distribution of AAAID's investments in order to benefit from the agricultural resources in all Arab countries.
- 02 Restructuring AAAID's affiliate companies to enhance their efficiency in providing food and increase their revenue.
- 03 Addressing existing loans by AAAID to its affiliate companies by restructuring them in order to amend their situations.
- 04 Investing part of the capital in the existing companies that have potential of high growth, by focusing on value added activates in strategic food commodities.
- 05 Giving priority of investing to private sector investors of companies of those who have acquired experience in agricultural and management fields.
- 06 Setting an investment policy for companies to encourage private sector and enable them to benefit from the natural resources of the Arab world
- 07 Setting and developing investment criteria of the projects that AAAID has contributed to.
- 08 Strengthening of developmental programs and applied research to increase production levels of small and medium farmers in the Arab countries.



First: Agricultural Investment Activity

Agricultural investment is considered as one of the main activities of AAAID. AAAID has contributed in establishing several agricultural companies in numerous member states, following up on their performance and providing them with the necessary technical, financial and administrative support. By the end of 2017, the total number of companies in which AAAID is a shareholder has reached to 44 companies of which 29 existing companies, 9 companies under implementation and 6 companies under establishment.

Companies in which AAAID is a Shareholder

The following tables show the companies in which AAAID is a shareholder:

Republic of Sudan

	Company name	Shareholders	Share Portion
1975	Kenana Sugar Company Subscribed Capital: SDG 0.561 Million	AAAID Government of the Republic of Sudan Kuwait Investment Authority Government of the Kingdom of Saudi Arabia Other Shareholders	05.59% 35.33% 30.64% 10.97% 17.47%
1982	Arab Sudanese Blue Nile Agriculture Company, Agadi Subscribed Capital: SDG 39.99 Million	AAAID Government of the Republic of Sudan	51.00% 49.00%
1982	Arab Sudanese Vegetable Oil Company Subscribed Capital: SDG 168.00 Million	AAAID Government of the Republic of Sudan	88.00% 12.00%

	Company name	Shareholders	Share Portion
1987	Arab Company for Agricultural Production and Processing Subscribed Capital: SDG 0.074 Million	AAAID Government of the Republic of Sudan Government of the Kingdom of Saudi Arabia Government of Kuwait Government of the Republic of Iraq	42.50% 20.00% 12.50% 12.50% 12.50%
1997	Arab Sudanese Seeds Company Subscribed Capital: USD 12.00 Million	AAAID Government of the Republic of Sudan Government institutions and banks	34.93% 51.55% 13.52%
2003	Arab Company for Crop Production Subscribed Capital: USD 20.00 Million	AAAID Emirates Rawabi Company	52.76% 47.24%
2004	Arab Poultry Production and Processing Company Subscribed Capital: SDG 19.84 Million	AAAID Government of the Republic of Sudan Government of the Kingdom of Saudi Arabia Government of Kuwait Government of the Republic of Iraq	42.50% 20.00% 12.50% 12.50% 12.50%
2008	Al Mutamayiza for Vegetables and Crops Production Subscribed Capital: SDG 0.012 Million	AAAID Government of the Republic of Sudan Government of the Kingdom of Saudi Arabia Government of Kuwait Government of the Republic of Iraq	42.50% 20.00% 12.50% 12.50% 12.50%
2010	Al Muzdana Zero-Tillage Agricultural Company Subscribed Capital: USD 9.00 Million	AAAID The Agricultural Bank of Sudan Sudanese Ministry of Agriculture Central Commercial Company Unsubscribed Shares	13.40% 39.10% 30.50% 08.70% 08.30%

Arab Republic of Egypt

	Company name	Shareholders	Share Portion
1997	Faiyum Sugar Works Company Subscribed Capital: EGP 445.11 Million	AAAID Delta Sugar Company Egyptian Banks Private Sector	26.93% 26.83% 31.72% 14.52%
1999	The Arabian for Preserving and Manufacturing Agricultural Crops Subscribed Capital: EGP 150.00 Million	AAAID Dr. Moahmed Ahmed Al Ramly and Son Private Institutions and Shareholders	39.70% 44.52% 15.78%

United Arab Emirates

	Company name	Shareholders	Share Portion
1989	Arab Trade Financing Program Subscribed Capital: USD 1,000.00 Million	AAAID Arab Monetary Fund Arab Fund for Economic and Social Development Arab and International Financial and Banking Institutions	00.73% 55.60% 22.30% 21.37%
1992	Arab Poultry and Cattle Equipment Company (APCECO) Subscribed Capital: AED 50.00 Million	AAAID Government of Fujairah Arab Co for Livestock Development Qatar Islamic Bank Arab Company for Poultry Production, Fujairah	27.44% 42.22% 21.11% 05.00% 4.23%
2001	Emirates Rawabi Company Subscribed Capital: AED 217.35 Million	AAAID Government of Dubai Gulf Investment Corporation Private sector	27.56% 14.59% 22.54% 35.31%

Kingdom of Saudi Arabia

	Company name	Shareholders	Share Portion
1979	Arab Fisheries Company Subscribed Capital: SAR 59.50 Million	AAAID Government of the Kingdom of Saudi Arabia Other Arab Countries' Governments	39.00% 28.60% 32.40%
2005	Arabian Shrimp Company Subscribed Capital: SAR 33.77 Million	AAAID Aqua Farms Corporation Aquad for Commerce Ltd. Saudi Offset Ltd. Partnership	45.00% 29.33% 18.33% 07.34%

	Company name	Shareholders	Share Portion
2007	Arabian Cooperative Company Subscribed Capital: SAR 300.00 Million	AAAID Poultry Producers Association of Aseer	20.00% 80.00%

Republic of Iraq

	Company name	Shareholders	Share Portion
1986	Arab Iraqi Diary Production Company Subscribed Capital: IQD 11.40 Million	AAAID Government of the Republic of Iraq	50.00% 50.00%

Republic of Tunisia

	Company name	Shareholders	Share Portion
1982	Al Marga for Cattle and Agricultural Development Company Subscribed Capital: TND 10.46 Million	AAAID Stusid Bank Group Other Shareholders	63.33% 30.00% 06.67%
1995	Agro-Zitex Company Subscribed Capital: TND 7.00 Million	AAAID Ceuzitex Company	25.00% 75.00%

Islamic Republic of Mauritania

	Company name	Shareholders	Share Portion
2013	Arab Company For Agricultural Services Subscribed Capital: USD 4.24 Million	AAAID	100%

State of Qatar

	Company name	Shareholders	Share Portion
1989	Arab Qatari Agricultural Production Company Subscribed Capital: QAR 47.00 Million	AAAID Hassad Food Company	50.00% 50.00%

Syrian Arab Republic

	Company name	Shareholders	Share Portion
1987	Syrian Arab Company for the Development of Agricultural Products Subscribed Capital: SYP 176.00 Million	AAAID Government of the Syrian Arab Republic Private sector	5.00% 25.00% 70.00%
1996	Arab Company for the Manufacturing of Advanced Irrigation Equipment Subscribed Capital: SYP 90.00 Million	AAAID Morgan Capital & Energy Corporation company Capital Trust and others	25.00% 60.00% 15.00%
1996	Al Ahlia Vegetable Oil Company Subscribed Capital: SYP 1,500.00 Million	AAAID Private and Government Sector	40.00% 60.00%

State of Kuwait

	Company name	Shareholders	Share Portion
1974	The Arab Investment & Export Credit Guarantee Corporation Subscribed Capital: USD 295.00 Million	AAAID Arab countries governments Arab financial institutions	01.96% 46.93% 51.11%
1985	Bubiyan Fisheries Company Subscribed Capital: KWD 00.50 Million	AAAID Al Soor Finance Other Shareholders	22.17% 17.88% 59.95%

Sultanate of Oman

	Company name	Shareholders	Share Portion
1996	Omani Euro Food Industries Company Subscribed Capital: OMR 2.00 Million	AAAID Oman and Emirates Investment Holding Company Other Shareholders	17.19% 80.84% 01.97%

Kingdom of Morocco

	Company name	Shareholders	Share Portion
1999	Manafid Al Houboub Company Subscribed Capital: MAD 91.00 Million	AAAID Union of Moroccan Agricultural Cooperatives Moroccan agricultural cooperatives	30.00% 32.08% 37.92%

Companies under Implementation

Syrian Arab Republic

	Company name	Shareholders	Share Portion
2003	White Nile Sugar Company Subscribed Capital: USD 471.00 Million	AAAID Kenana Sugar Company Government of the Republic of Sudan Institutions and Banks Unsubscribed Shares	14.38% 31.08% 09.14% 45.19% 00.21%
2006	Arab Company for Drugs Ltd Subscribed Capital: USD 42.00 Million	AAAID Arab Co. for Drugs Industries & Medical Appliances (ACDIMA) Arab Industrial Investment Company Sudanese Banks and Government Institutions	28.73% 40.00% 17.58% 13.69%
2015	El Bagair Red Meat Subscribed Capital: USD 38.59 Million	AAAID Unsubscribed Shares	30.00% 70.00%

Sultanate of Oman

	Company name	Shareholders	Share Portion
2016	Osool Poultry Company Subscribed Capital: OMR 28.86 Million	AAAID Gulf Investment Corporation Asaffa Foods Company Al Namaa Poultry Company Other Shareholders	17.76% 26.68% 20.00% 20.00% 15.56%
2016	Al Bashaer Meat Company Subscribed Capital: OMR 25.00 Million	AAAID Oman Food Investment Holding Co. Oman National Investments Development Company Omani National Livestock Development Co. Civil Service Employees Pension Fund	20.00% 40.00% 20.00% 10.00% 10.00%
2015	Al Murouj Dairy Company Subscribed Capital: OMR 1.00 Million	AAAID Oman Food Investment Holding Co. Omani National Livestock Development Co. Dhofar Cattle Feed Co (SAOG)	20.00% 30.00% 30.00% 20.00%

Islamic Republic of Mauritania

	Company name	Shareholders	Share Portion
2016	Arab Mauritanian Fish Company (Samak) Subscribed Capital: MRO 700.00 Million	AAAID Private Sector Mauritanian Company for Fish Marketing	45.90% 44.10% 10.00%

Republic of Tunisia

	Company name	Shareholders	Share Portion
2016	Tunisia Aquaculture Fund Subscribed Capital: TND 50.00 Million	AAAID Société Tunisienne de Banque Caisse des Dépôts et Consignations Unsubscribed Shares	15.00% 10.00% 20.00% 55.00%

Kingdom of Morocco

	Company name	Shareholders	Share Portion
2017	Domaine Youssef Company Subscribed Capital: MAD 105.00 Million	AAAID Belkora Family	49.00% 51.00%

Companies under Establishment



Republic of Tunisia

	Company name	Shareholders	Share Portion
2015	The Global Company for Seeds Subscribed Capital: TND 12.50 Million	AAAID Pepiniere Mabrouka Others	49.00% 50.00% 01.00%
2016	Arabiska Fruits Company Subscribed Capital: TND 12.14 Million	AAAID Pepiniere Mabrouka Triki Group	33.33% 33.33% 33.34%

Sultanate of Oman

	Company name	Shareholders	Share Portion
2017	Aquaculture Project Subscribed Capital: OMR 2.25 Million	AAAID Global City Investment (GCI) Shumookh Investment and Services SAOC (SIS) Al- Thabat Holding	30.00% 30.00% 30.00% 10.00%

State of Kuwait

	Company name	Shareholders	Share Portion
2017	Poultry Production Project Subscribed Capital: KWD 8.636 Million	AAAID Azaiz Company for General Trade Others	30.00% 31.60% 38.40%

Islamic Republic of Mauritania

	Company name	Shareholders	Share Portion
2017	Red Meat Project Subscribed Capital: MRO 1,770 Million	AAAID Ainina Ould Eyih Group Zein El Abdin Ould Chiekh Ahmed Group	30.00% 40.00% 30.00%
2017	Arab Mauritanian Poultry Company Subscribed Capital: MRO 6,156.00 Million	AAAID Alemam Wld Ebno Group Wahfazo Wld Ibrahim Group Dulta Bash company	30.00% 40.00% 15.00% 15.00%

AAAID Contribution in Agricultural Companies' Capital



AAID's Total Contribution in Affiliate Companies' Capital

The total value of AAID shares in its existing, under implementation and under establishment companies' capital as of 31/12/2017 is about USD 403.6 million.

Sectoral Distribution

AAID shares in the capital of its affiliate agricultural companies as of 31/12/2017 were distributed among four main sectors:

- Agricultural manufacturing sector: 53%, includes manufacturing sugar, oils and other food products.
- Plant production sector: 23%, includes production of cereals, fodder, vegetables and fruits.
- Animal production sector: 20%, includes poultry, white and red meat, and dairy products.
- Agricultural services sector: 4%, includes provision of different agricultural services.

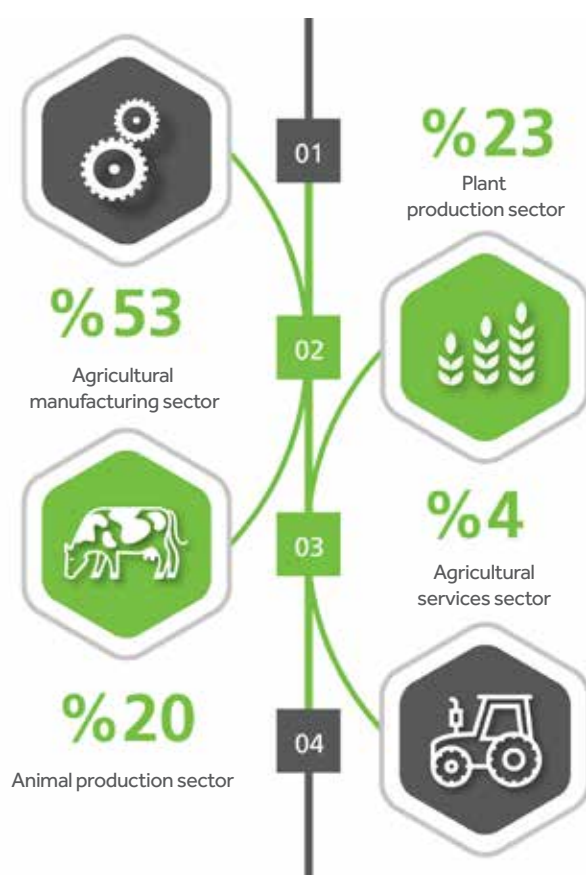


Figure (1): Sectoral Distribution of AAID Investments

Geographical Distribution

AAID shares in the capital of its affiliate agricultural companies are distributed among 12 member states as per the investment opportunities and comparative advantages that were available then in each country. Figure (2) below shows the distribution of AAID shares in the companies of the member states as at 31/12/2017.

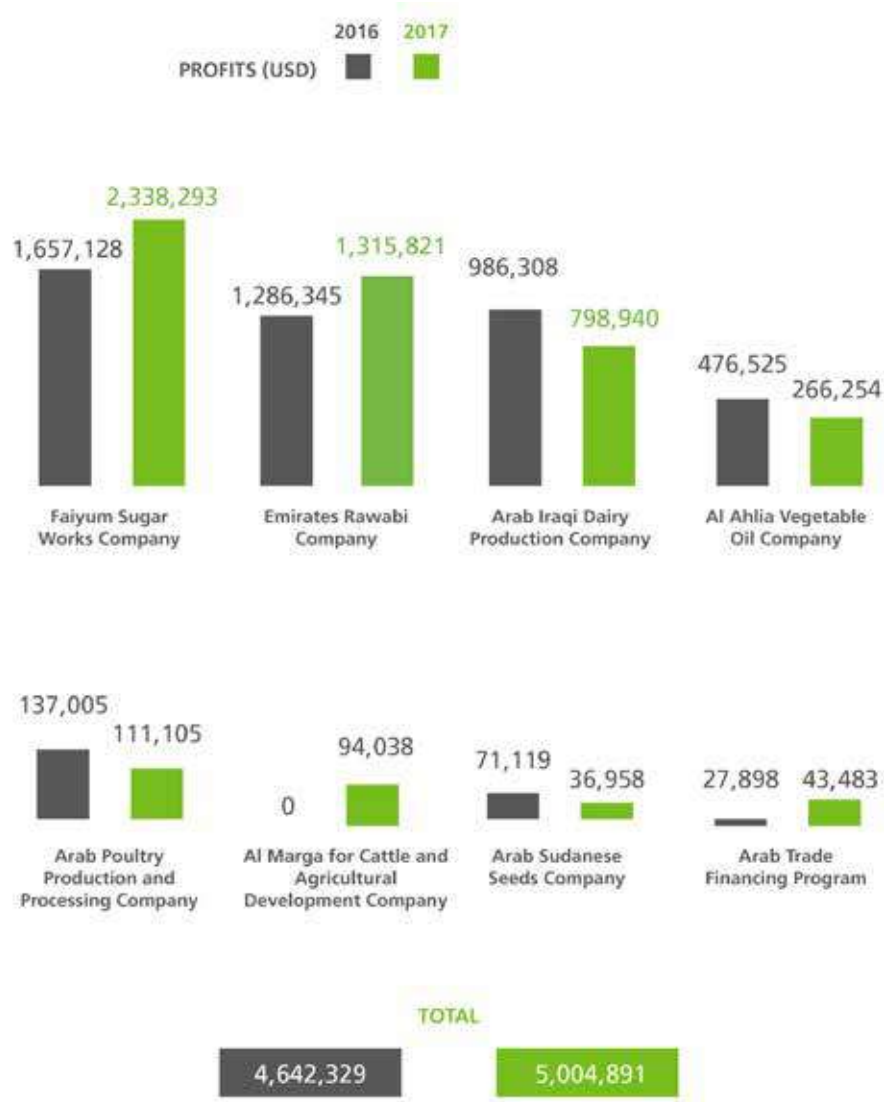


Other Countries means: Kuwait, Qatar, Kingdom of Morocco, Republic of Tunisia, Sultanate of Oman, Islamic Republic of Mauritania and Syrian Arab Republic.

Figure (2): The Geographical Distribution of AAID Shares in the Affiliate Agricultural Companies of the member states

AAAID's Share from Distributed Profits by the Companies

AAAID's shares of the distributed profits of its affiliate companies in 2017 reached to USD 5 million of the profits achieved by the companies from the total profits of USD 12.5 million. Thus a number of companies decided to re-invest their profits to finance qualifying and expansion programs, and enhance their operating capital. The dividends do not include capital gains from increased market value of companies' assets.



- Kenana Sugar Company distributes profits regularly, however, its general assembly meeting was not held in 2017.

Economic Impact of AAAID's Affiliate Companies

1. Contribution to Providing Basic Food Products
2. Introduction of Contract Farming
3. Development of Intra-Arab Trade
4. The Companies' Social Responsibility
5. Provide Employment Opportunities

Economic Impact of AAAID's Affiliate Companies

Contribution to Providing Basic Food Products

Contribution to Providing Basic Food Products:

AAAID's affiliate companies contribute in providing basic food commodities such as cereals, vegetable oils, dairy products, meat and sugar. For example, sugar companies, in which AAAID is a shareholder, produce about 50% of the total sugar in Sudan, and about 8% in Egypt. AAAID companies in the UAE produce more than 35% of dairy and juices and more than 25% in poultry products. AAAID's affiliate companies in Oman produce about 28% of the total production in poultry meat products. Likewise, in Sudan, the Arab Sudanese Seeds Company produces about 60% of the country's improved seed products.



Introduction of Contract Farming

Many of the AAAID companies engage in contract with farmers in order to complete the production chain. These companies provide many services to small farmers by providing production inputs, and technical supervision and guidance services to enhance their production and competitive abilities. For example;

- 01 Faiyum Sugar Works Company in Egypt has contracts with about 72 thousand farmers to produce 1.3 million tons of sugar beet annually.
- 02 The Arabian Cooperative Company in KSA has contracts with about 36 poultry breeders to provide the company with about 30 million bird in 2017. In this regard, AAAID signed a MOU to apply The Arabian Cooperative Company model by other poultry associations in KSA
- 03 The Arab Sudanese Seeds Company in Sudan: it is engaged in contract farming with about 118 farmers and private companies that works in seeds production field to produce 5 thousand tons of assorted seeds.
- 04 The Arab Iraqi Dairy Production Company in Iraq: it has contracts with 40 farmers to utilize its agricultural project in an area of about 4.4 thousand feddan for growing wheat.
- 05 The Arab Sudanese Vegetable Oil Company in Sudan: it has contracts with about 365 farmers for the cultivation and supply of peanuts and deals with about 14 traders for the supply of various oilseeds.
- 06 Al Muzdana Zero-Tillage Agricultural Services Company in Sudan: it provides land preparation, planting, fertilizers, and pesticides application and harvesting services to about 150 small farmers, in an area of more than 81 thousand feddan in the irrigated and rain-fed sector.
- 07 Manafid Al Houboub Company in Morocco: it deals with 100 farmers to supply the company with local wheat grains.
- 08 Agro-Zitex Company in Tunisia: it has contracts with about 180 suppliers to provide it with raw materials to extract oil.
- 09 The Arab Company for Agricultural Services in the Islamic Republic of Mauritania: it provides agricultural services and land preparation to about 1,000 with about 10,000 feddan.
- 10 Domaine Youssef Company in the Kingdom of Morocco: it has contracts with about 45 fruit producers and the number is planned to reach 1,200 farmer.

Development of Intra-Arab Trade

AAAID has participated in the establishment of Domaine Youssef Company in the kingdom of Morocco to work in producing, sorting, storing, packaging, processing and exporting of fruits and vegetables to Arab countries. This is to benefit from the surplus of fruits and vegetables available in Morocco thus to enhance intra-Arab trade in agricultural products (one of the main objectives of AAAID). AAAID has also approved contribution in a similar project in Tunisia.

AAAID has established a project for the fishing, storing, processing and exporting of fish in the Islamic Republic of Mauritania with a capacity of 65 thousand tons annually, for the purpose of exporting to Arab countries.

AAAID established El Bagair Red Meat Project in Sudan, for the production, processing, and marketing of red meat aiming to bridge the red meat supply gap in Arab countries.



The Companies' Social Responsibility

AAAID's affiliate companies play an important role when it comes to social responsibility in the areas where they operate and the surrounding areas providing services as the following:

Provide support for basic services like roads and electricity in the project areas: Osool Poultry Company and Al Bashaer Meat Company in Oman.

Support health and education, as well as providing support in places of worship, schools and health facilities in villages: Kenana Sugar Company in Sudan, which was awarded the National Social Responsibility Award for 2016.

Some companies allocate part of their net profits achieved for charitable work in the areas in which they operate: Faiyum Sugar Works Company in Egypt and Al Ahlia Vegetable Oil Company in Syria.

Organization of activities and entertainment programs for children and their families, and provide support for people with special needs: Emirates Rawabi Company, which become a partner with the Emirates Food Bank.



Provide Employment Opportunities

AAAID's affiliate companies contribute by providing direct and indirect employment opportunities. The employment opportunities provided by these companies reached to more than 115 thousand direct and indirect jobs, of which about 18 thousand were direct positions in various disciplines, and about 97 thousand indirect jobs.



AAAID participation in Increasing Affiliate Companies' Capital

AAAID supports its companies by the contribution in increasing their capital, in order to implement rehabilitation programs, expand and diversify activities, and provide operating capital to benefit from the full productive capacities available in these companies. The Board of Directors of AAAID has agreed to contribute to increasing the capital of the following companies:

Arab Company for Crop Production – The Republic of Sudan:

The capital of the Arab Company for Crop Production was increased by USD 6.6 million and the AAAID share was paid by capitalization of its loans to the company which reached to USD 3.5 million and the other partner (Emirates Rawabi Company) was paid its share of increase with about USD 3.1 million.

The Arabian Company for Preserving and Manufacturing Agricultural Crops The Arab Republic of Egypt:

The capital of The Arabian Company for Preserving and Manufacturing Agricultural Crops was increased by EGP 32 million. AAAID subscribed EGP 20 million which increased its share to 39.7% instead of 28.84%. This is with the aim of providing the required funding to implement the company's operational plan.

White Nile Sugar Company – The Republic of Sudan:

The White Nile Sugar Company had its capital increased by USD 155 million to meet the requirements of the company's five-year plan. AAAID subscribed to its current share of 14.38% to USD 22.29 million and to be paid over a 3 year period according to the plan.

Arab Company for Drugs Ltd – The Republic of Sudan:

The capital of the Arab Company for Drugs (Veterinary) Ltd was increased by USD 5 million, to reach USD 42 million, in order to complete the plant's components and to provide operational capital.

Restructuring of Some Companies

In the framework of supporting and developing some of AAAID's affiliate companies, the Board of Directors of AAAID approved the restructuring of the following companies:

Arab Poultry Production and Processing Company– The Republic of Sudan:

Financial restructuring of the Arab Poultry Production and Processing Company, through increasing the company's capital and capitalizing part of AAAID's outstanding loan with the aim of implementing and developing a plan to increase the company's production and achieving product diversification.

Arab Sudanese Blue Nile Agriculture Company The Republic of Sudan:

Financial restructuring of the Arab Sudanese Blue Nile Agriculture Company, through increasing the company's capital and capitalization of part of the Arab Authority's outstanding loans to implement the company's agricultural rehabilitation plan.



AAAID's Investment in New Projects



In the framework of applying the investment operations program for the year 2017 and for the aim of contributing to the resolving of food gap in commodities, AAAID agreed to contribute in some new projects as the following:

Poultry Meat Production Project–Kuwait:

- The project aims to produce poultry meat to meet the domestic consumer needs of locally produced poultry meat with a production capacity of 6.7 thousand tons at stability year.
- The total investment cost of the project is KWD 12.4 million (equivalent to USD 40.9 million).
- AAAID contributes KWD 2.59 million (USD 8.55 million) to the project, representing 30% of its equity shares.

Fish Farming Project– Sultanate of Oman:

- The project aims to contribute to the development of fish production in Oman, and to meet the growing demand for fish in the Arab world. The project also helps the fish farming sector to preserve the fish resources, under the current depletion of fish stocks.
- The total investment cost of the project is OMR 7.5 million (equivalent to USD 19.5 million).
- AAAID contributes OMR 675 thousand (USD 1.76 million) to the project, representing 30% of its equity shares.

Production and Marketing of Red Meat – Islamic Republic of Mauritania:

- The project aims to produce meat that complies with the international health requirements to be able to export to foreign markets, and modernizing the traditional methods of cutting and marketing of meat in Mauritania. This is in addition to contributing to resolving the food gap in the Arab countries.
- The total investment cost of the project is MRO 3.5 billion (equivalent to USD 9.83 million).
- AAAID contributes MRO 531 million (USD 1.47 million) to the project, representing 30% of its equity shares.

Follow-up of performance of Companies



AAAID aims at making its investments in the affiliate companies successful. This is through performing various tasks related to the operation of direct agricultural investment by closely following-up on their performance, communication, and preparation of reports. In addition to making suggestions, observations on their performance and following up on the meetings of the Boards of Directors and their General Assemblies. AAAID's management opinions are reflected on these subjects to the representatives of AAAID at these meetings, through the implementation of field visits, participation with follow-up teams and other committees, and the preparation and evaluation of studies in cooperation with other administrations.

Meeting with stakeholders to address the challenges facing the companies:

Within the framework of the development and promotion of the performance of the agricultural investment activities of AAAID with in the member states, the Administration conducted field visits to the member states. The meetings included ministers, senior officials and specialists in ministries and concerned parties. The meetings aimed to solve the problems and obstacles facing AAAID's affiliate companies and to overcome these obstacles. Such visits were successful in addressing most of the challenges that AAAID was facing with its investments and more efforts are being put in place to solve the remaining obstacles.

Field Visits to the companies:

AAAID has made many field visits to its companies to assess and monitor their operation, financial and marketing performance, discussing with executive departments about developing the companies' performance and dealing with the problems and challenges facing them.

Second: Activity of Developmental and Applied Programmes and Studies

Developmental Programmes

AAAID's efforts continued in 2017 to meet the requirements of sustainable development through the implementation of development programs, with emphasis on agricultural activity, both in the animal and plant production subsectors, by planning and implementing projects and programs aimed at enhancing food security. The total beneficiaries of these programs and funding lines reached to 4,806 families and 22,791 individuals, as follows:

Republic of Sudan:

- In 2017, AAAID implemented a number of development programs aimed at supporting small farmers, producers, rural women and water supply provision activities.
- The number of beneficiaries in Sudan of the programs for the year 2017 reached about (2,115) families, representing (12,690) individuals.
- The objectives of this program are supporting and developing both animal and plant production subsectors, to make maximum use of the natural resources available in the promising areas, and to provide funding for the basic needs of citizens. This can only be done through specialized credit lines to serve these programs, in order to achieve the following objectives:
 1. Contribute in providing specialized credit services to small producers, extending continuous financing that are adequate with their potential.
 2. Improve opportunities for small producers to achieve good margins.
 3. Enhance the ability of small farmers to improve their standard of living and contribute to food security in their areas.
 4. Contribute in increasing and activating of the work of community institutions and agricultural associations and federations.
 5. Contribute in the preparation of rural areas, with the aim of stabilizing producers.

The program includes the following activities:

Agricultural Production Activity

Table (5): Regions and number of beneficiaries

Region	Area /Feddan	Harvest Type	Beneficiaries (Family)	Beneficiaries (Individuals)
Al Jazeera	1,834	Peanut	274	1,644
Al Jazeera	2,065	Wheat	476	2,856
South Kordofan	1,500	Sorghum, Millet, Sesame, Peanut	150	900
Total	5,399		900	5,400

Peanuts Production Project in Al Matouri Region

Animal Production Activity:

- The program targeted a number of pastoralists in the Alalqa area in the White Nile State, with the aim of supporting and developing the livestock production sector through raising and fattening the sheep, making maximum use of the available natural resources. A typical program was designed in order to possess these pastoralists some herds of sheep, thus, the target number of the program was completed in the planned period.
- The target number of people was able to benefit from the program, and the fourth (final) phase was completed by possessing a number of lambs for the purpose of fattening instead of breeding.
- The herd started with (479) heads of sheep in the first stage, and increased by 70% of the total herd.



Social Activity:

- As part of its efforts to create effective partnerships with organizations involved in the development of rural communities, AAAID has implemented a framework agreement with Al-Suqaya Charitable Organization, under which the organization manages the drilling unit owned by AAAID, which has achieved community services.
- In this regard, a number of wells have been drilled in the various states of Sudan, which suffer from scarcity in drinking water, which has had an effective impact on the stability of farmers' congregations in these areas.
- About 1,200 families, representing some 6,000 people, benefited from the program.



Republic of the Comoros:

Fishing Boat Project

- AAAID implemented a developmental project aimed at providing a number of fishing boats to support the small fishermen on the island of Grande Comore (Ngazidja), Comoros, by introducing motorized boats and providing them with fishing equipment of nets and refrigerators to assist them to improve their livelihood and improve the fishing sector.
- The two-year project started in October 2016 and will end in October 2018.
- The total cost of the project is USD 82,000.
- The project benefited 10 small families, representing about 50 individuals.



Islamic Republic of Mauritania:

In 2017, AAAID implemented a number of developmental programs in Mauritania. The number of beneficiaries of the programs and funding plans reached about 2,351 families representing about 8,251 individuals.

Developmental Programs:

- AAAID implemented three developmental projects for small farmers in the state of Rosso, that were completed in 2017, as follows:
 1. Irrigated vegetables project in Mederdra area, costing around MRO 9 million.
 2. Fish marketing project, costing around MRO 9 million.
 3. Fattening sheep project for sale purposes, costing around MRO 6 million.
 4. Microfinance projects for 16 women's cooperative societies, each with 30 women, and a total of 480 women, representing about 2,400 individuals.

Development projects for small farmers and producers:

- AAAID continued its efforts to support small farmers in Mauritania by implementing two developmental projects in the state of Rosso in 2017:
 1. The irrigated vegetables project in a 10-hectare area at a cost of USD 38,000. The project aims at contributing to the production of vegetables to reduce reliance on imported vegetables. Four cooperatives have benefited from them, each cooperative has 30 women, a total of 120 women, representing about 600 individuals.
 2. Irrigated fodder production project in an area of 15 hectares, at a cost of about USD 69,000. Four cooperatives have benefited from the project.The duration of each project is two years, and is planned to finish by the end of 2018.

Financing line for the Public Funds Network - Mauritania:

- AAAID granted a loan of USD 2 million to the Public Funds Network in Mauritania to implement development programs for small farmers, in accordance with the funding agreement between AAAID and the network. Activities included growing vegetables, animal husbandry and income-generating activities.
- The duration of the project is four years (2017 - 2020), including a one-year grace period.
- Implemented projects included agricultural activities, breeding ruminants including sheep, goats, chickens, and calves.
- The number of families benefiting from the funding line reached 1,751 families, representing about 5251 individuals distributed in 13 states in Mauritania.



Hashemite Kingdom of Jordan:

- A finance line of USD 2 million was granted to the Agricultural Credit Corporation to implement developmental programs to small farmers/producers. A total of 330 small loans were granted to family households to benefit a total number of 1800 beneficiaries across 12 sites in Jordan.
- The project duration is estimated to be 6 years (2015-2020) including a one-year grace period and this experiment will be replicated as a pilot project in some new sites after being evaluated.

Projects supporting the people of Palestine:

AAAID provided finance through the Islamic Development Bank (AGSSA Fund) of 5 developmental projects aimed at the support of the Palestinian people.

In 2017, USD 1.4 million was transferred to ongoing projects from 2016, bringing the total amount transferred to these projects to about USD 2.1 million, distributed as follows:

1. Integrated development project in Marj Sanour: USD 900,000
2. Water harvesting project in the governorates of: Hebron, Jericho, Jenin: USD 300,000
3. Agricultural reclamation and rehabilitation project: USD 700,000
4. Agricultural gene bank project: USD 100,000
5. Fish farming project: USD 100,000
6. AAAID received 5 new proposals for funding of new projects in 2017. The cost for these new projects is estimated to be USD 5.75 million. These proposals were referred for review and recommendation to Al-Aqsa and Al-Quds funds in the Islamic Development Bank as the coordinator of projects to support the people of Palestine.

Applied Research

The Republic of Sudan:

In 2017, AAAID implemented three applied research programs to test varieties of field crops and to qualify and train agricultural staff as follows:

Experiment of cultivation of corn for silage production in saline lands-Sudan

AAAID implemented an applied research experiment in the Arab Company for Agricultural Production and Processing - Dairy Unit in El-Bagair - targeted the cultivation of maize crop in the saline lands in the winter season of 2016/2017, in an area of 220 feddan, for the production of silage, to benefit from its high nutritional value for ruminants of various kinds.

After soil reclamation at the project site, the experiment was carried out in cooperation with a local company and a Turkish company as the entire area was cultivated with varieties of maize certified for silage production which are called (Simon and PL71).

The Results:

1. PL71 seed strain is superior to Simon strain, in terms of vegetative growth and productivity.
2. The average production was about 12 tons per feddan, which is considered a good result.
3. It is possible to grow maize crop in the saline lands in Sudan when the soil is properly treated.

future plans:

Expansion of maize cultivation to include areas of the Arab Company for Agricultural Production and Processing (El-Bagair), with the aim of producing large-scale silage for domestic livestock, and training a number of young graduates to install and operate silage processing machines.



Silage manufacturing stages



Harvesting the crops while still green using a Chopper.



Unloading the crop in the Bailer after cutting



Wrapping the crop with net in the pre-final phase of silage manufacturing



Plastic packaging, the last stage of silage manufacturing.

Program of utilization of processed agricultural residue as animal feed

- In cooperation with the Arab Center for the Studies of Arid Zone and Dryland (ACSAD), AAAID has implemented an applied research project to process the agricultural residue in Sudan, to utilize it as animal feed and benefit from its high nutritional value, as well as training the staff on the process. This program comes as a means to benefit from AAAID's rich and accumulated experience in the field of applied agricultural research, which aims to contribute in the reinforcement of Arab food security.
- The program targeted the providing of a new feed form (as cubes), containing all required nutrients that increase the ruminants' production (milk and meat), through the utilization of agricultural residues and improving their nutritional content.
- In the agreement with ACSAD, an integrated unit with full requirements for the processing and manufacturing of agricultural residue was manufactured.
- The program was implemented on the site of the Arab Company for Production and Agricultural Processing - Dairy Unit in El-Bagair, where a number of agricultural residues were tested.



Agricultural residue processing unit

The Results:

1. Provide a protein-rich animal feed that is less expensive than conventional feeds.
2. Maximizing the profits of small-scale farmers by benefiting from the remaining of their crops to produce whole-value feed.
3. Training a number of young graduates on how to benefit from agricultural residues through processing and producing them in the form of animal feed rich in food needed to feed ruminants.

Future Plans:

1. Implementation of the project «Improving the nutritional value of agricultural residue and their processing» in the Fadasi area - Al Jazirah-state in Sudan (in a cooperation with the Trust Fund in AAAID) to utilize from the huge quantities of agricultural residue available in the region, especially the remnants of peanuts and sorghum crops.
2. Expansion of the project implementation in the small farmers' areas in Sudan and other Arab countries.



A pelleted animal feed in its final form (Molds), which is a mixture of agricultural residues after being grinded and pressed with each other after adding water, gypsum, molasses and salt, which is considered a good source of protein, energy and minerals. Some veterinary medications can also be added to the feed ingredients.

Agricultural graduates training program for agricultural residue utilization and processing

- In 2017, AAAID implemented a specialized training program in the field of optimal investment and processing of agricultural residue, under the supervision of a crop and feed expert from ACSAD, at the Arab Company for Agricultural Production and Processing - Dairy Unit in Al-Baqair. This is to continue AAAID's efforts in qualifying and training Arab agricultural staff through training graduates in order to make use of agricultural residues, improving its quality and manufacturing it.
- The program targeted a number of graduates from colleges and agricultural institutes in Sudan in a different of agricultural specialties: agricultural engineering, soil, mechanics, biotechnology, etc

Components of the training program:

The training program included the installation, operation and maintenance of the production machine of pelleted animal feed from crop and food, processing plants residues and byproducts, as follow:

1. Grain crushing and grinding.
2. Dry agricultural residue crushing.
3. Green agricultural residue chopping.
4. Product improvement – urea added.
5. Silage manufacturing.
6. Feed molds manufacturing.

Results:

Provide the trainees with the requirements and skills of processing agricultural residue as an animal feed.

Future Plans:

To Continue to train a number of graduates on the technology of manufacturing agricultural residue in order to disseminate the idea to other Arab countries.

The stages of implementing the specialized training program in the field of optimal investment and processing of agricultural residues



Starting the installation of the shredding, crushing and mixing agricultural residue machine



Finishing installation of the machine.



Green agricultural residues, before and after processing.



Dry crops residues in its final form (Pelleted)

United Republic of Comoros: Bandismilini Research Station

Description:

A 25-hectare extension and developmental research station established in 2006.

Objectives:

1. Develop the agricultural sector and farmers' capacities in the United Republic of Comoros.
2. Implement a research program for crops and vegetables cultivation, and use the results to guide farmers.
3. Implementation of a research program to test drip irrigation systems in the open fields with the aim of transferring to farmers.
4. Preparation implementation of a training program to eradicate endemic diseases in the United Republic of Comoros through building national capacity in the field of pest control.

Implemented Programs:

In 2017, the station carried out a number of applied research experiments to test varieties of field crops and vegetables, in addition to the rehabilitation and training of agricultural staff, as follows:

5. The implementation of 12 research experiments in autumn and winter seasons in open fields, including trials of varieties and periods for sweet potatoes, tomatoes and potatoes.
6. Due to lack of rainfall in Comoros in 2017, and thus the inability to use drip irrigation, greenhouses were used in training farmers on how to produce crops in the off season.

Results:

1. The results obtained showed the superiority of the Desiree potato variety in both the summer and autumn seasons in the open field, achieving good productivity of about 2.5 tons per feddan.
2. The station achieved expected productivity of crops, especially potatoes, despite the lack of rainfall in 2017.
3. The station continues to play an important role in the training of farmers and students in the Comoros. The station was visited by a number of official delegations and students from the Agricultural Training Institute in the Comoros.

Future plans:

Since the Bandismilini Research Station continues to play a major role in crop production and training farmers, its performance will be improved through the establishment of projects that support farmers, such as creation of a revolving fund to provide loans to farmers in the region.



Stages of cultivation and production of potatoes at Bandismilini station

The Islamic Republic of Mauritania: Dar El Baraka Research Station

Description:

A 10-hectare research, guidance and development station.

Objectives:

The station, in coordination with the Arab Company for Agricultural Services, aims at finding solutions to the problems facing agricultural production through:

1. Implementation of basic and applied research programs.
2. The implementation of productive activities for the purpose of self-financing.
3. Application of modern techniques in the cultivation of field crops and vegetables, in order to improve productivity.
4. Training local staff on the advanced bases in the cultivation of vegetables and field crops.

Implemented programs:

In 2017, the station carried out 6 research experiments in open fields, including:

1. Testing varieties and periods of 7 varieties of potato seeds imported from the Netherlands, as follows: Sagitta, Bartina, Fortus, Rosi, Lucinda, Farida, Flamenco
2. Testing 17 varieties of potato seeds for the purpose of selecting varieties suitable for the Mauritanian environment.
3. Testing two varieties of onion seeds to test their off-season productivity.
4. Testing the cultivation of three varieties of melons and five varieties of watermelons and two varieties of squash, in order to choose the appropriate variety for the Mauritanian environment.
5. Testing the cultivation of varieties of vegetable crops from the Solanaceae family.
6. Testing two varieties of maize seeds using drip irrigation.

Results:

1. The results obtained from the experiment showed that potato cultivation in the Mauritanian environment is promising in the case of early planting which is the period of the end of October and the beginning of November.
2. Sagitta potato variety surpassed other varieties, in terms of productivity and tolerance to the Mauritanian climate.

Future Plans:

1. Cultivation of a substantial area with the Sagitta variety of potatoes due to its high productivity and tolerance to the Mauritania climatic conditions.
2. Cultivation of various varieties of field crops: wheat, barley, maize, sorghum, using central pivot irrigation systems.
3. Cultivation of different varieties of vegetable crops under drip irrigation systems.
4. Off-season cultivation using greenhouses.



Studies

The activity of developing projects, preparing and evaluating feasibility studies is considered the most important phases of the project's cycle activities for AAAID. AAAID has developed and identified ideas for agricultural projects through visits to some Arab countries or in coordination with projects promoters. AAAID's experts and accredited consultancy firms assigned by AAAID have identified and prepared numerous promising investment opportunities. Some of these pre-feasibility studies and detailed feasibility studies were carried out. AAAID also evaluated a number of feasibility studies prepared by consultancy firms, or received from promoters; this is in addition to evaluation of existing companies. As well as providing technical support and consultancy services to its affiliate companies and other clients. The investment opportunities that have been identified during 2017 reached to 99 projects as follows:

1. Investment opportunities identification, preparation of powers of reference and evaluation of offers.
2. Projects in the preparation of studies stage
3. Evaluation of the feasibility studies for green field projects or existing companies
4. Consulting and technical support



Investment opportunities identification, preparation of powers of reference and evaluation of offers

In this stage, AAAID identifies investment opportunities according to the market needs and the food gap. This applies both to new projects and to existing companies. The opportunity is identified as a report or pre-feasibility study that is presented at the different activities, meetings and conferences, which are organized by AAAID, or in which AAAID participates within the Arab countries. After the project's idea identification is completed, the terms of reference for the project's feasibility study is prepared.

The next step is to either invite some consultancy firms to get technical and financial proposals for the study preparation, or for the study to be prepared internally by AAAID experts.

In 2017, the total number of opportunities identified and terms of reference prepared is 38 opportunities, which are divided into the main sectors as shown in table (6).

Number	Sectors	Number of Projects	Sub-Sectors	Number of Projects
1	Agricultural processing	4	Vegetable Oils and Dates	4
2	Plant Production	15	Cereals	6
			Fodder	6
			Fruits and Vegetables	3
3	Animal Production	14	Poultry	2
			Fish	6
			Red Meat	2
			Dairy	4
4	Agricultural Services	5	Miscellaneous	5
Total		38		

Table (6)

Projects in the preparation of studies stage

AAAID prepares detailed or preliminary studies, either by using AAAID's resident experts or by assigning consultancy firm. The projects in this phase reached to (10) projects as shown in table (7).

No	Project	Country	Project Objectives
1	Powder milk production project.	KSA	The project aims at drying the surplus of milk produced in KSA
2	Establishment of a date factory in the eastern region.	KSA	The project aims to Produce and market dates in the eastern region.
3	Production of Poultry meat and Feed in Al Shaqaya.	Kuwait	The project aims at raising broiler chickens (6.4 million birds per year) and producing poultry feed (10 tons per hour) in Al Shaqaya.
4	Silage production and processing Project.	Sudan	The project aims to cultivate 10,000 feddan of maize, to produce about 250,000 tons of silage per year.
5	KATAQUA fish farming project.	Oman	The project aims at production of three difference fish species at the capacity of 1100 tons, (Grouper, European Sea Bream, and Barramundi) in Sur Industrial area.

6	Veterinary Vaccines and Serums Project.	Oman	The project aims to produce viral and bacterial vaccines for common veterinary diseases in the region, to reduce reliance on imported vaccines.
7	The Bougtob Abattoir project.	Algeria	The project aims at establishing a slaughterhouse in Bougtob in the state of El Bayadh, with a capacity of 13.6 thousand tons of red meat per year.
8	Olive Production and Processing Project in Rashidiya.	Morocco	The project aims at planting 1,000 hectares of olive trees and establishing a factory for the straining and filling of olive oil in Rashidiya.
9	Red meat production and marketing Project in Brakna.	Mauritania	The project aims to establish a slaughterhouse for red meat processing for local and export market at the capacity of 90 thousand head per year.
10	Potato Seeds Production Project.	Jordan	The project aims at increasing the production of potato seeds using the aerial mini-tipper, at the capacity of 12,000 tons per year.

Table (7)

Evaluation of the feasibility studies for green field projects or existing companies

AAAID evaluates the feasibility studies of the green field projects submitted by promoters or by existing companies, in order to decide its contribution. In this stage in 2017, AAAID evaluated 35 projects shown in Table (8).

No	Project	Country	Project Objectives
1	Raising and production of broiler breeders Project in Ha'il. Project in Ha'il.	KSA	The project aims at raising broiler breeder's and broiler chickens for producing about 9,000 tons meat per year. As well as establishing a slaughterhouse and fodder factory in Ha'il.
2	The slaughterhouse and livestock market project in Mecca.	KSA	The project aims to provide livestock housing and slaughtering services and renting of feed marketing units in Mecca.
3	Hydroponics Project in Riyadh.	KSA	The project aims to produce 7,000 tons of vegetables and fruits in an area of 15 hectares in Riyadh through hydroponics cultivation system.
4	Fruits juice production Project in Dohuk.	Iraq	The project aims to produce juices and concentrates of fruits and tomatoes in Dohuk, in an area of 70 hectares.
5	Milk production and dairy processing project in Erbil.	Iraq	The project aims to produce milk and process dairy in Erbil, with a capacity of 36 thousand tons per year.
6	Production of table eggs in Al Anbar.	Iraq	The project aims to produce table eggs in Al Anbar, with a capacity of about 22 million eggs per year.
7	Frozen potato production project	Sudan	The project aims to produce 4,600 tons of frozen potatoes per year.
8	Bananas production and export project in Kassala.	Sudan	The project aims to produce 312,000 tons of bananas per year for the local and exported markets.
9	Al Suki sugar production project in Sennar state.	Sudan	The project aims to cultivate sugar cane in an area of 42 thousand feddan, and install a sugar plant for processing 1.2 million tons of cane to raw sugar.
10	Veterinary quarantine project in Umbadda.	Sudan	The project aims at establishing a veterinary quarantine unit with a capacity of 1 million sheep and goats and 56 thousand beef cattle for export.
11	Wheat production Project in the Northern State (Al Shimaliya).	Sudan	The project aims to cultivate wheat in an area of 50 thousand feddan, in Al Dabba in the Northern State.

12	Livestock and Crops production project in the Northern State (Al Shimaliya).	Sudan	The project aims to produce grains, fodder, crops and fruits in an area of 108 thousand feddan in the Northern State, and fattening of 30 thousand head of livestock annually, for the Bahraini government.
13	Production soybean oil and soybean meal project.	Sudan	The project aims to produce 10,800 tons per year of soybean oil and 61,500 tons of soybean meal per year.
14	Peanuts from the field to the consumer project	Sudan	The project aims to construct 4 warehouses in different states for collecting and exporting peanuts.
15	Development of peanut farming and production Project in the state of East Darfur.	Sudan	The project aims at contracting with 1,400 farmers to produce peanuts in an area of 60,000 feddan to supply the peanut processing plant in the state of East Darfur.
16	Prime red meat production project.	Qatar	The project aims to establish a farm for calves fattening; to produce prime red meat.
17	Broiler meat production project in Al Fayoum.	Egypt	The project aims to establish 16 broiler house for raising broiler chickens in Al Fayoum state.
18	Fertilizers and chemicals production Project	Egypt	The project aims to produce 1.28 million tons of chemical fertilizers per year.
19	Dairy production factory Project in Borg El Arab, Alexandria.	Egypt	The project aims to rehabilitate and operate a dairy plant in Borg El Arab with a capacity of 21,000 liters per hour.
20	Animal production and dairy processing plant project.	Egypt	The project aims to produce milk and dairy products.
21	Egg Hatchery project in Al Fayoum.	Egypt	The project aims to establish a hatchery in Al Fayoum Governorate with a capacity of 107 million eggs per year.
22	Fish farming project in Sur.	Oman	The project aims to produce 1,500 tons of barramundi fish per year.
23	Integrated soybean oil extraction project.	Oman	The project aims to build a soybean oil mill, with a capacity of 3,000 tons per day, and feed production.
24	Dates processing project	Oman	The project aims to build a factory for processing of high quality dates for local and export markets, at a capacity of 30 thousand tons per year.
25	Fish canning project.	Oman	The project aims at processing and canning tuna and sardines at a capacity of 51 thousand tons per year.
26	Dairy production project	Algeria	The project aims to raise 1200 cows and produce milk.
27	Agricultural project in El Menia	Algeria	The project aims to produce grain and livestock, and produce and process milk, in an area of 5 thousand hectares.
28	Integrated agricultural and livestock project.	Algeria	The project aims to cultivate 7 thousand hectares of wheat, 6 thousand hectares of olives and 3 thousand hectares of feed, and raising cows for milk.
29	Production of red meat (slaughterhouse and fattening) Project in Mohamedia.	Tunisia	The project aims to produce and process red meat in the state of Mohamedia with a capacity of 456 heads per day.
30	Establishment of an industrial complex for fish processing project.	Mauritania	The project aims to establish an integrated industrial complex for processing of fish, in an area of 300 thousand square meters.
31	Aquaculture and fish farming project Jordan Valley.	Jordan	The project aims to produce tilapia at a capacity of 30,000 tons per year.

32	Establishment of the agricultural services company project.	Jordan	The project aims at providing agricultural services to small farmers in Mafrq Governorate.
33	Regional livestock market project	Jordan	The project aims at establishing 292 barns for cattle, sheep and camels, for the purpose of receiving, inspecting and marketing livestock for the Middle East.
34	Marketing of horticultural products project.	Jordan	The project aims at marketing horticultural products in Jordan.
35	Production of potato tubers Project.	Lebanon	The project aims to establish a tissue culture laboratory in Lebanon to produce potato tubers instead of importing seeds.

Table (8)

Consulting and technical support

Consultations and technical support were provided to existing and third-party companies. This is when AAAID follows up on the implementation of projects, prepares or assess studies and evaluates companies. Consultations and technical support were provided to 16 of AAAID companies and other companies, as shown in Table 9.

No	Consultation	Country	Beneficiary	Objective
1	Study of evaluating small fishermen needs	UAE	IFAD, prepared for the Ministry of Climate Change and Environment of UAE	The study aims at assessing needs of small fishermen and identifying the obstacles and constraints facing the small producers.
2	Supervision of the implementation of the Arab Company for Veterinary Medicines Ltd.	Sudan	Arab Company for Veterinary Medicines Ltd.	The project aims at producing veterinary medicines for local markets and export to the markets of neighborhood countries.
3	Study preparation for the expansion of Kenana Integrated Agricultural Solutions KIAS	Sudan	Kenana Integrated Agricultural Solutions (KIAS)	The project aims at providing integrated agricultural services in the rain fed and irrigated sectors.
4	Study Preparation for rehabilitation of a starch and glucose plant.	Sudan	Arab Sudanese Company for Agricultural Production and Processing	The project aims at rehabilitation and reoperation of the Starch and Glucose plant of the Arab Sudanese Company for Agricultural Production and Processing
5	Study preparation for rehabilitation of El-Bagair Dairy Unit.	Sudan	Arab Sudanese Company for Agricultural Production and Processing	The project aims at rehabilitation and reoperation of the dairy unit of the Arab Sudanese Company for Agricultural Production and Processing
6	Study Preparation for an exit Strategy policy and procedures.	Sudan	AAAID	The study aims at determining an exit Strategy policy and procedures for AAAID to exit from its existing companies.
7	Project of increasing the capital of the White Nile Sugar Company.	Sudan	White Nile Sugar Company	The project aims at increasing the capital of the White Nile Sugar Company to repair the agricultural sector.
8	Preparing a diagnostic study for the Arab Poultry Production and Processing Company	Sudan	Arab Poultry Production and Processing Company	The project aims at restructuring the company for developing competitiveness in the local market.
9	Project of Valuation of Faiyoum Sugar Works Company shares.	Egypt	Faiyoum Sugar Works Company.	The study aims at evaluating the shares of Faiyoum Sugar Works Company, for AAAID decision making of taking of Alahly's Bank shares in the company.
10	Evaluation of the study of the rehabilitation of The Arabian Company for Preserving and Processing Agricultural Crops.	Egypt	The Arabian Company for Preserving and Processing Agricultural Crops	The project aims at rehabilitating The Arabian company for Preserving and Processing Agricultural Crops and developing its competitiveness.
11	Preparing a diagnostic study of the problems and obstacles of the poultry sector.	Bahrain	Delmon Poultry Company	The project aims at developing the company by establishing broiler farms to complete the production units in the company.
12	Evaluation of the expansion project of Al Marga for Cattle and Agricultural Development Company.	Tunisia	Al Marga for Cattle and Agricultural Development Company.	The project aims at adding a dairy processing activity to Al Marga for Cattle and Agricultural Development Company.
13	Evaluation of the feasibility study of the expansion project of a fish farming company in Beni Khair.	Tunisia	Tunisia Aquaculture Fund	The project aims at restructuring a company for farming fish in floating cages.
14	Evaluation of the feasibility study of the expansion project of the Fish Farming Company in Sousse.	Tunisia	Tunisia Aquaculture Fund	The project aims at producing 800 tons of sea bass and sea bream.
15	Evaluation of the feasibility study of expansion of a fish farming company in Monastir.	Tunisia	Tunisia Aquaculture Fund	The project aims at expanding aquaculture activity to produce about 2.3 thousand tons of fish.
16	Preparing a feasibility study for the expansion of the Arab Company for Agricultural Services.	Mauritania	Arab Company for Agricultural Services	The project aims at cultivating an area of 3200 hectares to produce field crops.

Table (9)

Third: Corporate Communication and Media Activities

Fourth: Strategic Planning and Development Activities

Third: Corporate Communication and Media Activities:

AAAID has implemented a series of programs and activities through the Corporate Communication and Media Department, which aims to strengthen its relations with government agencies, Arab and international organizations, investors, businesspersons and those concerned with work and investment in the agricultural sector. This comes as a result of the increasing activities of AAAID and the expansion of its network of Arab, regional and international organizations and establishments, as well as a significant presence in various international exhibitions, conferences and forums dealing with food security in order to enhance the reputation of AAAID on the Arab, regional and international levels.

AAAID is also implementing an informational plan, in cooperation with the media, print and audio broadcasting, and local, Arab and foreign news agencies, to introduce the public to the background of AAAID's investment and development activities, using the finest tools of information technology and modern means of communication. These include; AAAID's official website, social media, and electronic promotional messages.

AAAID is continuously interested in preparing and organizing activities that serve its objectives. In 2017, a number of activities were organized, the most important of which are the following:

1. The Third Arab Conference for Agricultural Investment, under the theme "Our Food, Our Responsibility", on 27 and 28 February in Khartoum, Sudan. The event was under the patronage of HE President Omar Hassan Al Bashir, and was described by officials, investors and the media as an "Arab economic phenomenon", which has achieved unprecedented success. It was attended by more than 1,000 Ministers in Arab countries in the field of agriculture and livestock, businesspersons, sponsors, investors, specialized centers and Arab and international organizations.
2. Mauritania's Livestock Investment Forum that took place on 13 November in Nouakchott, Mauritania. The event was under the patronage of His Excellency Eng. Yahya Ould Hademine, Prime Minister of Mauritania, and was the first of its kind in Mauritania. The forum achieved great response, with the participation of more than 300 local and foreign investors and businesspersons, as well as associations of farmers, farmers and government entities concerned with investment and animal production, at the local and Arab levels.
3. "A Green Culture Awareness Campaign" was launched on September 28 and started its first phase in Sudan. It aims to introduce Arab youth to the importance of agriculture and encourage them to work in the agricultural sector. To reach the objectives of the campaign, AAAID ensured to establish strategic partnerships with the Ministry of Agriculture and Forestry, the Food and Agriculture Organization of the United Nations (FAO), the International Fund for Agricultural Development (IFAD), the Arab Organization for Agricultural Development (AOAD) and the Arab Bank for Economic Development in Africa.
4. Effective partnership of AAAID in a number of activities to promote and identify its work, and to establish strategic collaborations with competent establishments in the field of investment and agricultural innovation. These events include SIAL Middle East Forum and Exhibition 2017, a supportive partner of the 4th Global Forum for Innovations in Agriculture in Abu Dhabi, and as Knowledge Partner at Agra Middle East 2017 Forum and Exhibition in Dubai.
5. Organization of the Third Career Excellence Award Ceremony, to honor the distinguished employees of AAAID.
6. Print and publish AAAID's publications on investment opportunities, newsletters, annual reports and brochures, in order to promote its investments and activities in both Arabic and English.
7. Develop the official website of AAAID and the communication sites to become more interactive and provide access to information easily. The site contains all the information necessary regarding investments of AAAID and its activities. The number of visits reached about 300 thousand visitors in 2017.
8. The Environmental Conservation Campaign was launched under the slogan "Our environment, our responsibility". The Arab Authority contracted with waste paper recycling companies, where it contributed 14 tons of waste paper to preserve the environment in 2017.

Fourth: Strategic Planning and Development Activities

The Department of Strategic Planning and Development works to assess the work of AAAID's departments and key performance indicators, in accordance with the strategic and operational plan, with emphasis on achieving the strategic objectives of AAAID according to the following methodology:

1. Ensure sustainable business performance. The measurement process was automated in a sustainable and systematic manner through the development of a detailed integrated information system (INJAZ) to measure the work of each department, in regards to projects and indicators.
2. Involve all departments in an integrated process of gradual change towards "planning and governance".
3. Changing the culture of planning towards measuring results by the extent of impact and achieving the objectives of AAAID, not just the workload.
4. Apply standard methodologies and the optimal methods of project management: cost, time, quality, outputs.
5. Developing the Key Performance Indicators according to Benchmarking with production and return rates in similar agricultural and financial institutions and organizations.
6. Defining SMART objectives after reviewing the past performance of institutional and financial targets over the years.
7. Performance measurement according to the Balanced Score Card methodology, focusing on financial and return on investment.
8. Future planning and preparation of the strategic plan of AAAID (2019 - 2023), according to three axes:
 - Applying global best practices, by benchmarking comparisons with the financial and agricultural institutions operating in the same field.
 - Raise the current performance ceiling by developing ambitious, institutional and financial performance indicators.
 - Achieve dependence on information technology systems, as a fundamental pillar for the development of business solutions. This is in order achieve the vision and support decision-making of senior management of AAAID.

Fifth: Administrative Activity

Fifth: Administrative Activity

Meetings



Board of Shareholders

The 41st meeting of the Board of Shareholders of AAAID for Agricultural Investment and Development, took place in Rabat, Kingdom of Morocco, on the 18th and 19th of April of 2017. The most prominent of the decisions made during the meeting was the approval of the Investment Operations Programs of AAAID for the year 2017 with an amount of KWD 22.96 million, to be disbursed according to the guidelines of the strategy of the AAAID.

Board of Directors

The Board of Directors of the Arab Authority for Agricultural Investment and Development held four meetings, from March to December 2017, in which it discussed a number of important topics related to investments, agricultural projects and administrative aspects. About 89 decisions were issued, including decisions to approve the contribution of AAAID in a number of important projects, including the red meat project in Mauritania, the poultry production project in Kuwait, and the fish farming project in Oman. There was also the granting of a loan to the local network of savings and loans in Mauritania to aid in the growth of development programs for small farmers and producers in the Islamic Republic of Mauritania. This is in addition to the decision to increase the capital of the following companies; Arab Company for Drugs Ltd - Sudan, Arab Company for Crop Production - Sudan, Arab Sudanese Blue Nile Agricultural Company - Sudan, Arab Poultry Production and Processing Company – Sudan, White Nile Sugar Company Sudan and The Arabian for Preserving and Manufacturing Agricultural Crops – Egypt. The board also took other decisions related to the follow-up of the affiliate companies in which AAAID contributes.

Committees emanating from the Board of Directors

The committees of Board of Directors which are; the executive committee, financial investment committee, and audit and risks committee, held number of meetings during the above-mentioned period. They discussed several subjects and reported their recommendations to the Board to take the necessary decisions.

Developing the organizational structure of AAAID



As a result of the progress of AAAID, the advancement of its activities, and to accommodate the numerous variables and developments, and to enable AAAID to cope with and meet the various challenges, the need to develop AAAID's organizational structure has appeared to achieve the highest degree of efficiency and suitability for its work.

In view of the development and expansion of the functions of the Communication and Media Unit and the Strategic Planning Unit, AAAID's Administration has proposed a development of the organizational structure by transforming these units into two departments. In accordance with the Board Resolution No. 69 of 2017, the Communications and Media Unit was changed to the Corporate Communication and Media Department to support promotional and informative activities. In addition to that and in light of the expansion of the activities of AAAID and the increase in the number of projects it contributes to, comes the transformation of the Strategic Planning Unit into the Strategic Planning and Development Department. This is to create a more professional institutional flow of work by applying the highest international administrative standards and ensuring that all organizational units comply with those standards. The plan comes with the aim of increasing work efficiency and improving productivity.

Services Activities



AAAID has worked with great strides to develop logistics services and buildings. 106% of the infrastructure projects included in the operational plan for the projects of maintenance, improvement and development of the premises of AAAID were completed. Technical services were also provided to a number of AAAID's affiliates, who requested to conduct studies, designs, strategies and schedules, as well as to participate in supervising the implementation of some of the plans in the Arab Poultry Production and Processing Company and El Bagair Red Meat Company. This is in addition to the implementation of the SAP system for procurement of AAAID's requirements, in cooperation between the Service Department and the supervisor of the Information Technology Department.

Information Systems



The pace of the efforts of AAAID increased in the development and modernization of information technology and adoption of information systems applications, which will contribute to the achievement of the strategic objectives of AAAID. Efforts have continued to implement the SAP system which is considered the Number 1 ERP systems. The aim of the program is to unify all of AAAID's processes, and coordinate all resources, information and necessary activities to complete these practical procedures. It also contributes to accelerating the communications in AAAID, as it is implemented with standard features without modification, which will lead to increased efficiency and effectiveness in workflow.

All of these main activities of AAAID are managed through the system and are integrated with supporting activities: finance, human resources, and services in one integrated system (Integrated Business Cycle) where they share one database platform. Thus, providing instantaneous information, procedures and data sharing, and analytical and statistical reports generated by the implemented business intelligence tools. AAAID also developed a new application to the series of the specialized in-house developed applications; this application will ease and automate the execution and follow-up of resolutions from BoD meetings in a timely and secured manner and will provide visualized data views and reporting (dashboards) for the information.

Other Activities



Community Initiatives:

The idea of launching community initiatives in AAAID was a practical step towards achieving greater social cohesion among the members of AAAID and encouraging them to interact positively with the issues and concerns of the external community. Nine initiatives were implemented with the active participation of the members of AAAID.

Visits, Meetings and Events

Visits

AAAID for Agricultural Investment and Development (AAAID) has been keen to strengthen cooperation with Member States, government institutions and similar international organizations through meetings, visits and participation in activities related to agriculture. In 2017, AAAID held a series of meetings with a number of officials in official institutions to coordinate with them to establish new investment projects, develop programs that serve agricultural development, and discuss ways to overcome the obstacles facing the companies and projects of AAAID, as well as many field visits to existing companies. This is in order to identify the development of its companies' productive, financial and marketing performance, to reflect on the methods of technical support necessary to improve their performance, and to participate in many activities, such as scientific forums, seminars and agricultural technical exhibitions as follows:



Visit to HE Mr Mohamed Ould Abdelaziz, President of the Islamic Republic of Mauritania, at the presidential palace in Nouakchott, on 14th November 2017.



Visit to HE Field Marshal Omar Hassan Al Bashir, President of Sudan, by H.E the President and the Board of Directors of AAAID on 27th December 2017.



Visit to HE Dr Ibrahim Ghandour, Former Minister of Foreign Affairs of Sudan at his office on 18 January 2017.



HH Sheikh Hamdan bin Rashid Al Maktoum, Deputy Ruler of Dubai and Minister of Finance, met with His Excellency the President and the Board of Directors of AAAID at Zabeel Palace on 9 February 2017.



Visit to HE Prof Ibrahim Adam El- Dukheri, Former Minister of Agriculture and Forestry of Sudan, at his office in Khartoum on 10 April 2017.



Visit to HE Dr. Fuad Bin Jaafar Al Sagwani, Minister of Agriculture and Fisheries in Oman on 29 January 2017.



Visit to the Minister of Agriculture of the Islamic Republic of Mauritania, HE Lemina Mint El Ghotob Ould , on 21 April 2017.



Meeting with HE Dr. Fatim Bint Aswyne, Minister of Veterinary Medicine of the Islamic Republic of Mauritania, on 20 April 2017.



Visit to HE Dr. Abdul Latif Al-Ajimi, Minister of Agriculture and Forestry of the Republic of Sudan, at his office in Khartoum, on 25 December 2017.



Visit to HE Dr. Mohammed Othman Sulaiman Al-Rikabi, Minister of Finance and Economic Planning of the Republic of Sudan, at his office in Khartoum, on 22 August 2017.



Meeting with HE Dr Thani Bin Ahmed Al Zeyoudi, Minister of Climate Change and Environment of the UAE, on February 6, 2017.



Visit to HE Dr Abdel Moneim El Banna, Minister of Agriculture and Land Reclamation of the Arab Republic of Egypt, on 19 July 2017.



Visit to HE Ould Aziz Akhenouch, Minister of Agriculture, Fisheries and Rural Development in the Kingdom of Morocco, on 19 April 2017.



Meeting with HE Dr. Khalid Hanifat, Minister of Agriculture of the Hashemite Kingdom of Jordan, on the sidelines of the preparatory meeting of the Economic and Social Council and the opening session of the Council of the League of Arab States at the summit level in Amman on 27 April 2017.



Visit to His Excellency Dr. Mohamed Taher Ila, Governor of the Al Jazirah State in the Republic of the Sudan, on 12 April 2017.



Visit to HE Abdul Ghani Al-Naim, Undersecretary of the Ministry of Foreign Affairs of the Republic of Sudan, 1 November 2017.

Meetings



Visit to the White Nile Sugar Company on 01 March 2017.



Visit to HE Abdullah Al-Masaed, Secretary-General of the Tax Court of the Republic of Sudan, at his office in Khartoum on 11 May 2017.



Visit to the Mauritanian People's Bank of the Islamic Republic of Mauritania on 21 April 2017.



Visit to the Plants Company Project in Soba, eastern the Republic of Sudan, 17 January 2017.



Visit to the United Arab Emirates University on 15 December 2017.



Visit to the Agricultural Services Company Project: Dar Al Baraka for Agricultural Production in the Islamic Republic of Mauritania, on 26 April 2017.

Since its establishment in 1976, AAAID has endeavored to maintain cooperation with diplomatic, Arab and international research organizations and centers, in order to serve its investment and development goals and objectives in enhancing Arab food security through continuous communication and meetings. In 2017, the following meetings took place,



HE Dr Musa Mohammed Karama, Minister of Industry of the Republic of Sudan, met with HE the President of AAAID at his office at the headquarters in Khartoum on 19 September 2017.



A meeting of the delegation of Farmers' Associations, of the Gabojja region of the Gezira Scheme, with His Excellency the President of AAAID, at his office at the headquarters in Khartoum, on 18 July 2017.



HE Mr. Ba Samba, Ambassador of Mauritania in Sudan, met with HE the President of AAAID at his office at the headquarters in Khartoum on 04 October 2017.



HE Babagana Ahmadu, FAO Representative in Sudan met with HE the President of AAAID at his office at the headquarters in Khartoum on 19 September 2017.

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Mr. Theodore T. Senasu, Economic Adviser to the Embassy of the United States of America in Khartoum, met with HE the President of AAAID at his office in Khartoum, on 02 November 2017.



HE Prof Ibrahim Adam Al-Dekheiry, Director General of the Arab Organization for Agricultural Development (AOAD) met with the Directors of the departments in the Authority and a delegation from AOAD, together with HE the President of AAAID, at the Regional Office in Dubai on 14 October 2017.



HE Emmanuelle Blatmann, Ambassador of the French Republic in Sudan, met with HE the President of AAAID, at his office at the headquarters in Khartoum, on the 27 November 2017.

HE Mr. Masar Ali Masar, Minister of Animal Resources, South Darfur State, met with HE the President of AAAID, at his office at the headquarters in Khartoum, on 29 November 2017.



Dr Omar Ali Mohammed Al Ameen, Vice Chairman of the Board of the Agricultural Bank, and Managing Director of Al Muzdana Company, met with His Excellency the President of AAAID at his office at the headquarters in Khartoum on 29 November 2017.

Events and partnerships

Events and partnerships

The participation of AAAID in seminars, forums and conferences is one of the important activities that it undertakes annually. These activities are concerned with the collection of investors and decision-makers and those concerned with the field of agriculture in Arab countries to provide appropriate solutions to the obstacles of agricultural investment and industries based on them. AAAID promotes its field of work through these activities, to attract all interested parties in the field of agriculture, from the public and private sectors. In 2017, AAAID participated in the following activities:



Presenting a paper at the 23rd Annual International Meeting of the Arab Fertilizer Union on the presentation of the Arab countries' fertilizer needs to resolve the Arab food gap and data on fertilizer use in the Arab countries, Cairo, Egypt, from 30 January to 02 February 2017.



The Third Arab Conference for Agricultural Investment, under the theme "Our Food, Our Responsibility", was held under the patronage of the President of the Republic of Sudan, Field Marshal Omar Al-Bashir, in the Presidential Friendship Hall, Khartoum, on 27 and 28 February 2017.



The participation of AAAID as a supporting partner in the 4th Global Forum for Innovations in Agricultural at the Abu Dhabi National Exhibition Centre in the United Arab Emirates on 20 and 21 March 2017.



The official celebration of the signing of the establishment of the Tunisian Fish Farming Fund and the participation of AAAID in the Fund in the Republic of Tunisia on 16 March 2017.



AAAID as the Knowledge Partner at the Agra Middle East Forum and Exhibition, at the Dubai International Convention and Exhibition Centre, from 10 to 12 April 2017.



Presentation of a working paper at the 22nd International Fertilizer Forum, entitled Fertilizer Uses in the Arab Countries and the Need for Fertilizers for Food Security in Amman, Jordan, from 27 to 29 March 2017.



Honoring AAAID at the celebration of the Arabian Cooperative Company, Aseer, on the occasion of reaching the production of 30 million birds in the year and honoring in the village of Ben Hamsan in Saudi Arabia on 09 October of 2017.



Presentation of a paper at the Sudanese-French Economic Forum, entitled "The Experience of AAAID in Agricultural Investment in Sudan", in Paris, on 04 July 2017.



The signing of a Memorandum of Understanding and Cooperation between AAAID and the Arab Investment and Export Credit Guarantee Corporation, in Rabat, Kingdom of Morocco, on the 26th of April of 2017.



Participation in the 28th General Meeting of the Arab Trade Financing Program in Abu Dhabi, United Arab Emirates, on 13 April 2017.



Organizing the Third Career Excellence Award Ceremony for its employees on 28 September 2017.



Presenting AAAID's work at the "Prospects for Investment in Food Security - Opportunities and Challenges" Seminar, in Salalah, Oman, on 13 September 2017.



AAAID honored for its achievements in the date palms field at the Khalifa International Award for Date Palm and Agricultural Innovation at its ninth session in Abu Dhabi, United Arab Emirates, on 15 May 2017.



Participation of AAAID as an observer in the preparatory meeting of the Economic and Social Council and the opening session of the Council of the League of Arab States at summit level in Amman, Jordan, on the 27th of April of 2017.



AAAID and the Ministry of Veterinary in cooperation with the Sharjah Chamber of Commerce and Industry and the Federation of GCC Chambers, organized Mauritania's Livestock Investment Forum, under the patronage of His Excellency Eng. Yahya Ould Hademine, Prime Minister of Mauritania on 13 November 2017 in Nouakchott, Mauritania.



Launching A Green Culture Awareness Campaign under the slogan "Our Food, Our Responsibility" on 28 September 2017.



AAAID launched the start of the harvesting of peanuts season, in cooperation with small farmers, in the irrigated area of Gabojja in the Al Jazirah State of the Republic of Sudan, on 26 November 2017.

The financial Situation of AAAID



The Financial Situation of AAAID for the Year Ended 31/12/2017

Total Income

The total income for the year ended 31/12/2017 reached to KWD 17.9 million (USD 59.4 million) compared to KWD 10.5 million (USD 34.8 million) for the same period last year which is an increase of 70%.

The income mainly consists of investment portfolios, the profits of the companies, loans, and other sources as in Figure (3).

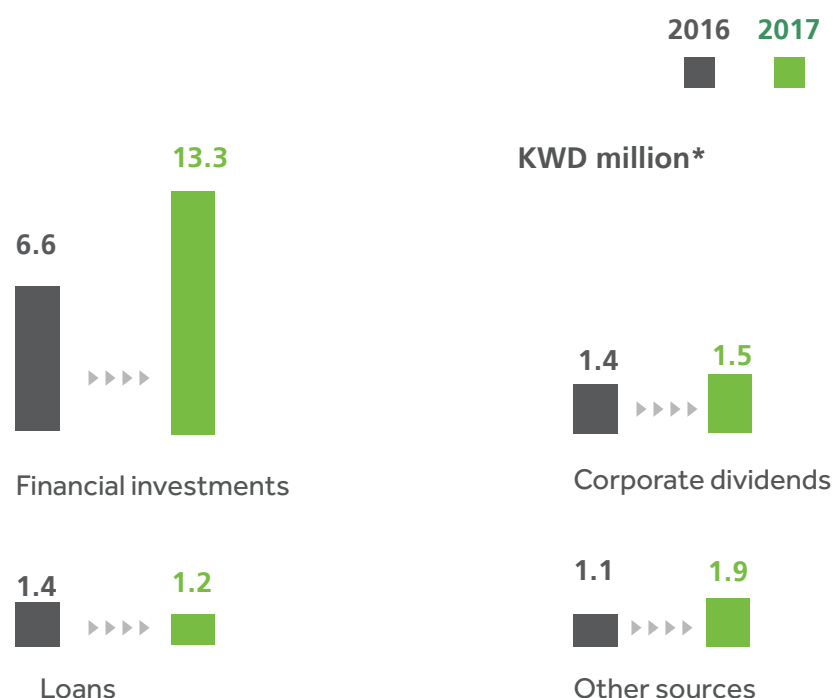


Figure (3): Comparison of income components from 2016 - 2017 (million KWD)

Details of total income are as follows:

1. Income from financial investments:

Net profits achieved from AAAID's affiliate companies' financial investments for the year ended 31/12/2017 reached to KWD 13.3 million (USD 44.1 million), compared to KWD 6.6 million (USD 21.8 million) as of December 31/12/2016 which is an increase of 102%.

2. Income from corporate dividends:

Income from corporate dividends for the fiscal year ended 31/12/2017 reached KWD 1.5 million (USD 5 million) compared to KWD 1.4 million (USD 4.6 million) for the same period last year which is an increase of 7%.

3. Income from loans:

Income from loans for the year ended 31/12/2017 reached KWD 1.2 million (USD 3.9 million) compared to KWD 1.4 million (USD 4.6 million) for the same period last year.

4. Income from other sources:

Income from other sources for the fiscal year ended 31/12/2017 reached to KWD 1.9 million (USD 6.3 million) compared to KWD 1.1 million (USD 3.6 million) for the same period last year which is an increase of 73%.

The value and distribution of the consolidated investment portfolio for the year 2017

At the end of 2017, the total investment portfolio of AAAID stood at KWD 137.7 million (USD 456.3 million), compared to KWD 120.8 million (USD 400.3 million) representing a growth rate of 14%.



The distribution of AAAID's consolidated portfolio is as follows:

1. Equity Investments:

The value of AAAID's investments in equities at the end of 2017 reached to KWD 80.6 million (USD 267.1 million) representing 58.5% of the total consolidated portfolio compared to KWD 70.6 million (USD 234 million) representing 58.4% of the consolidated portfolio, as at the end of 2016.

At the end of 2017, AAAID's investments in equity achieved a profit of KWD 11 million (USD 36.5 million) compared to KWD 5.1 million (USD 16.9 million) at the end of 2016.

2. Bond Investments:

AAAID's investments in bonds at the end of 2017 reached to KWD 57.1 million (USD 189.2 million) representing 41.5% of the total consolidated portfolio compared to KWD 50.2 million (USD 166.4 million) representing 41.6% of total consolidated portfolio, as at the end of 2016 past.

At the end of 2017, the Arab Authority's investments in bonds achieved a profit of KWD 2.3 million (USD 7.6 million) compared to KWD 1.5 million (USD 5 million) at the end of 2016.

Total expenditure

AAAID's total expenditure for the fiscal year ended 31/12/2017 was KWD 11.5 million (USD 38.1 million) compared to KWD 5.4 million (USD 17.9 million) for the same period in 2016. The increase in expenses for 2017 is due to an increase in provisions to offset the decline in the value of the financial assets of AAAID.

Financial Performance:

AAAID's net profit for the year ended 31/12/2017 was KWD 6.5 million (USD 21.4 million) compared to KWD 5.1 million (USD 16.9 million) for the same period last year which is an increase of 27%.

Financial Center:

1. Assets:

AAAID's net assets as of 31/12/2017 reached to KWD 283.7 million (USD 940.2 million), compared to KWD 259.9 million (USD 861.3 million) in 2016 of an increase of 9%.

2. Liabilities:

AAAID's total liabilities as of 31/12/2017 reached to KWD 13.9 million (USD 46.1 million) compared to KWD 14.7 million (USD 48.7 million) as of 31/12/2016, representing a decrease of 5%.

Shareholders' Equity:

AAAID's total shareholders' equity, representing paid-up capital and reserves as of 31/12/2017, reached to KWD 269.8 million (USD 894.1 million) compared to KWD 245.2 million (USD 812.6 million) as of 31/12/2016, representing an increase of 10%.

Profit Distributions to Member States:

AAAID paid a total of KWD 150.4 million (USD 498.4 million) to Member States representing 81% of the paid-up capital as of 31/12/2016.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARAB AUTHORITY FOR AGRICULTURAL INVESTMENT AND DEVELOPMENT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Arab Authority for Agricultural Investment and Development (the "Authority"), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income and expenditure, statement of changes in member countries' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the basis of preparation explained in Note 2 in the accompanying financial statements.

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 Financial Statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of preparation explained in Note 2 in the accompanying financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

Those Charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Arab Authority for Agricultural Investment and Development

FINANCIAL STATEMENTS

31 DECEMBER 2017

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARAB AUTHORITY FOR AGRICULTURAL INVESTMENT AND DEVELOPMENT (continued)

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

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

- Identify and assess the risks of material misstatement of the 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 Authority'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 Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

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.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
(AL-AIBAN, AL-OSAIMI & PARTNERS)

1 March 2018
Kuwait

Arab Authority for Agricultural Investment and Development
STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	2017 KD	2016 KD
ASSETS			
Cash and cash equivalents	4	22,458,571	18,596,473
Investments held for trading	5	137,689,587	120,839,597
Loans, net	6	17,617,218	25,703,531
Contributions and direct investments, net	7	93,077,137	83,105,016
Property and equipment, net	8	1,996,984	1,890,330
Investment property, net	9	3,640,330	3,887,118
Other assets	10	7,207,555	5,925,878
TOTAL ASSETS		283,687,382	259,947,943
LIABILITIES AND EQUITY			
Liabilities			
Borrowings from financial institutions	11	813,330	824,920
Other liabilities	12	10,770,435	11,786,381
Employees' end of service benefits	13	2,327,539	2,137,458
Total liabilities		13,911,304	14,748,759
Member Countries' Equity			
Paid up capital	14	204,038,279	185,328,714
Share premium		208,570	208,570
Statutory reserve	15	23,938,975	23,293,881
General reserve	16	30,434,696	23,476,055
Voluntary reserve	17	8,041,340	8,041,340
Foreign currency translation reserve	18	3,114,218	4,850,624
Total member countries' equity		269,776,078	245,199,184
TOTAL LIABILITIES AND EQUITY		283,687,382	259,947,943



Mohamed Bin Obaid Al-Mazrouei
Chairman



Jafaleldin Mohamed Zain
Director of Finance

Arab Authority for Agricultural Investment and Development

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
Income			
Net gain from investments held for trading	20	13,320,462	6,588,275
Dividend from contributions and direct investments	21	1,510,226	1,420,785
Income from loans		1,175,056	1,392,363
Other income	22	1,907,947	1,063,874
Total income		17,913,691	10,465,297
Expenditure			
Salaries and indemnities		(3,251,443)	(2,965,121)
Travelling and accommodation		(598,933)	(583,282)
Depreciation	8,9	(385,875)	(381,010)
Reversal of impairment losses	23	4,196,559	2,711,932
Impairment losses	24	(10,196,633)	(2,809,441)
Finance costs		-	(224)
Others		(1,226,423)	(1,331,883)
Total expenditure		(11,462,748)	(5,359,029)
Profit for the year		6,450,943	5,106,268
Other comprehensive (loss) income			
Net movement in foreign currency translation reserve		(1,736,406)	1,756,890
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,714,537	6,863,158


 Mohamed Bin Obaid Al-Mazrouei
 Chairman


 Jalaleddin Mohamed Zain
 Director of Finance

Arab Authority for Agricultural Investment and Development
 STATEMENT OF CHANGES IN MEMBER COUNTRIES' EQUITY
 for the year ended 31 December 2017

	Paid-up capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Total KD
as at 1 January 2017	185,328,714	208,570	23,293,881	23,476,055	8,041,340	4,850,624	245,199,184
increase (Note 14)	18,709,565	-	-	(1,853,287)	-	-	18,709,565
decrease (Note 14)	-	-	-	6,450,943	-	-	(1,853,287)
the year	-	-	645,094	(645,094)	-	-	6,450,943
to statutory reserve	-	-	-	3,516,706	-	-	3,516,706
of interest on unpaid dividend	-	-	-	(510,627)	-	-	(510,627)
proportions for donations	-	-	-	-	-	(1,736,406)	(1,736,406)
currency translation reserve	-	-	-	-	-	-	-
December 2017	204,038,279	208,570	23,938,975	30,434,696	8,041,340	3,114,218	269,776,078
as at 1 January 2016	171,759,263	169,365	22,783,254	21,588,418	8,041,340	3,093,734	227,435,374
increase (Note 14)	11,851,858	39,205	-	-	-	-	11,851,858
decrease (Note 14)	-	-	-	-	-	-	39,205
the year	1,717,593	-	-	(1,717,593)	-	-	5,106,268
to statutory reserve	-	-	510,627	5,106,268	-	-	(990,411)
proportions for donations	-	-	-	(990,411)	-	-	1,756,890
December 2016	185,328,714	208,570	23,293,881	23,476,055	8,041,340	4,850,624	245,199,184

Arab Authority for Agricultural Investment and Development

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit for the year		6,450,943	5,106,268
Adjustments to reconcile profit to net cash flows used in operating activities:			
Dividend income	20	(2,077,406)	(1,999,112)
Unrealized gain on investments held for trading	20	(5,720,699)	(1,673,133)
Reversal of provision for impairment losses	23	(4,196,559)	(2,711,932)
Impairment losses on financial assets	24	10,196,633	2,809,441
Depreciation	8,9	385,875	381,010
Finance costs		-	224
Gain on sale of property and equipment		(39,246)	(3,931)
Provision for employees' end of service benefits	13	326,152	365,221
		<u>5,325,693</u>	<u>2,274,056</u>
Operating cash flows before changes in working capital:			
Net movement in investments held for trading		(11,129,291)	(9,508,735)
Net movement in loans, net		(1,107,570)	598,465
Net movement in other assets		(7,038,272)	(561,775)
Net movement in other liabilities		<u>5,192,095</u>	<u>(288,312)</u>
		(8,757,345)	(7,486,301)
Employees' end of service benefits paid	13	(107,544)	(114,468)
Net cash flows (used in) operating activities		<u>(8,864,889)</u>	<u>(7,600,769)</u>
INVESTING ACTIVITIES			
Additions to contributions and direct investments		(5,171,011)	(2,339,433)
Additions to property and equipment	8	(243,095)	(1,541,087)
Additions to investment property	9	(3,038)	(78,202)
Proceeds from sale of property and equipment		39,638	4,429
Dividend income received		<u>2,077,406</u>	<u>1,999,112</u>
Net cash flows (used in) investing activities		<u>(3,300,100)</u>	<u>(1,955,181)</u>
FINANCING ACTIVITIES			
Proceeds from issuance of share capital		18,709,565	11,836,543
Proceeds from share premium		-	39,205
Dividend paid		(1,853,287)	-
Finance costs paid		-	(224)
Net movement in borrowings from financial institutions		-	39,636
Net cash flows from financing activities		<u>16,856,278</u>	<u>11,915,160</u>
Net increase in cash and cash equivalents		<u>4,691,289</u>	<u>2,359,210</u>
Cash and cash equivalents at the beginning for the year		18,596,473	14,464,654
Net movement in foreign currency translation reserve		(829,191)	1,772,609
Cash and cash equivalents at the end for the year	4	<u>22,458,571</u>	<u>18,596,473</u>

Arab Authority for Agricultural Investment and Development

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

1 ACTIVITIES

The Arab Authority for Agricultural Investment and Development (the "Authority") was established as an Independent Arab Financial Authority having administrative and financial independence as per the Establishment Agreement signed by thirteen (13) Arab countries on 1 November 1976, with authorised share capital of KD 150 million. Subsequently, the Board of Shareholders resolved to increase the Authorised share capital to KD 336 million (Note 14).

The objective of the Authority includes the development of agricultural resources with a particular emphasis on maximising the availability of agricultural products within its member states.

The head office of the Authority is located at P.O. Box 2102, Khartoum, Republic of Sudan.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

The accompanying financial statements of the Authority have been prepared in accordance with the requirements of Article No. 17 of the Establishment Agreement, and in accordance with the accounting policies as adopted by the Authority's Board of Directors taking into consideration the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as appropriate to the requirements and nature of the Authority as set out in Note 3.

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared based on the historical cost convention, modified to include the measurement at fair value of investments held for trading and derivatives using the accrual accounting method and going concern assumption.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of the Authority is US Dollar as majority of the transactions undertaken by the Authority are denominated in US Dollar. The financial statements are presented in Kuwaiti Dinar ("KD") which represents the presentation currency according to the Statute and Establishment Agreement of the Authority.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Authority assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Authority has concluded that it is acting as a principal in all of its revenue arrangements.

Interest income

Interest on loans, bank deposits, and fixed income securities are accounted for on accrual basis, except for the overdue interest for six months, which are recognized on receipt basis.

Dividend income

Dividend from contributions and direct investments are recorded when the right to receive the dividend income is established.

Investment income

Gains and losses on sale of investments are included in the statements of comprehensive income and expenditure and are recognized when the transaction takes place.

Unrealised gains and losses arising on revaluation of securities classified as held for trading are included in the statements of comprehensive income and expenditure.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Income from derivatives**

Derivative financial instruments include forward contracts, which are initially measured at cost and are subsequently re-measured at fair value. Fair values are generally obtained by reference to quoted market prices. Any changes in the fair values of derivatives that are held for trading purposes are directly included in the profit for the year. The fair values of derivatives are included in Investments held for trading.

Rental income

Rental income from renting of the investment property and the building is recognized as other income on a straight-line basis over the lease term.

Taxes

In accordance with Article No. 12, Clause No. 3, of the Establishment Agreement, the Authority, its assets, income, dividend and operations in the contracting countries, as well as the subscriptions of member countries, issued bonds, loans granted by the Authority, deposits, and donations received shall be exempted from all taxes and fees including customs duties and local taxes.

The Authority is further exempted from the obligation of collecting or paying any fees or taxes.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. When property and equipment are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting on their disposal is recognised in the statement of comprehensive income and expenditure.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

• Building	20 years
• Furniture	5 years
• Equipment	3 years
• Vehicles	5 years
• Computer accessories	3 years

The residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statements of comprehensive income and expenditure as the expense is incurred.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statements of comprehensive income and expenditure as the expense is incurred.

The Authority capitalises all costs relating to assets as capital work-in-progress until the date of completion and commissioning of these assets. These costs are transferred from capital work-in-progress to the appropriate asset category upon completion, commissioning and depreciated over their useful economic lives from the date of such completion and commissioning.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Investment property**

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for the sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. The investment property held by the Authority is measured at cost less accumulated depreciation.

The investment property is depreciated using the straight-line method over the estimated useful life of 20 years.

Impairment of non-financial assets

The Authority assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Authority estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses recognised in previous years is reversed when there is an indication that such impairment losses are no longer exist or have decreased; and such decrease can be objectively related to an event that occurred after the impairment is recognized.

Reversal of the impairment losses is recorded in the statement of comprehensive income and expenditure to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

Leases

All agreements for lease entered into by the Authority are considered as operating leases. Payments made under operating leases are charged to the statements of comprehensive income and expenditure on a straight line basis over the lease term.

Authority as a lessor

All lease contracts entered into between the Authority and the lessee are considered as operating leases and are recognized in the statements of comprehensive income and expenditure on an accrual basis.

Employees' end of service benefits

Provision for employees' end of service benefits is calculated for the accumulated periods of service at the end of the reporting date in accordance with employees' regulation of the Authority.

Financial instruments**Financial assets****Initial recognition and measurement**

Financial assets are classified as "cash and cash equivalents", "investments held for trading", "loans", "contributions and direct investments", "other assets", or as "derivatives designated as hedging instruments in an effective hedge" as appropriate. The Authority determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not held from trading, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Authority commits to purchase or sell the asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

The Authority's financial assets include cash and cash equivalents, investments held for trading, loans, contributions and direct investments and other assets. At 31 December, the Authority did not have any financial assets held-to-maturity or as derivatives designated as hedging instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand and bank balances.

Investments held for trading

Investments are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the statement of comprehensive income and expenditure.

After initial recognition, investments held for trading are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of income and expenditure.

Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are originated by the Authority with no intention of trading the receivables; and comprise of borrowings to investee companies. Loans are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method.

Contributions and direct investments

In accordance with the Establishment Agreement, and the objectives of the Authority, investments are directed to companies of similar nature consistent with the overall objectives of the Authority's. Since the Authority doesn't exercise or intent to exercise control or significant influence over these companies; it is carried at cost less impairment losses, if any.

Other assets

Other assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Other assets include dividend receivable which are stated at original invoice amount less a provision for any uncollectible amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Derecognition

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive the cash flows from the asset have expired.
- the Authority has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Authority has transferred substantially all the risks and rewards of the asset, or (b) the Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Authority has transferred its rights to receive cash flows from an asset or has entered into pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Authority's continuing involvement in the asset. In that case, the Authority also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Authority has retained.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

The Authority assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and also where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Authority performs a detailed assessment on its direct investment, contributions and related loans at each reporting date to determine whether there are any indications for impairment or there is uncertainty on the recoverability of these amounts. As part of the assessment process, the Authority considers certain factors such as the investees' operations, restructuring plans and expected future profitability.

In case there is an objective evidence of impairment of investment and recoverability of any related loans and if the investee has a restructuring plan, the Authority usually provides the investee a period of time to assess the final outcome and impact. Based on that a decision will be taken to either provide an impairment or consider an alternative plan such as debt to equity conversion and /or injection of additional capital.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as "borrowings from financial institutions", "other liabilities" or as "derivatives designated as hedging instruments in an effective hedge" as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in case of borrowings from financial institutions, plus directly attributable transactions costs.

The Authority's financial liabilities include borrowings from financial institutions and other liabilities. At 31 December, the Authority did not have any financial liabilities at fair value through the statement of comprehensive income and expenditures or derivative financial instruments (if any).

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Payables

Liabilities are recognised for amounts to be paid in the future.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of income and expenditure.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if and only if, the Authority has currently enforceable legal right to offset the recognised amounts and the Authority has an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)****Fair value of financial instruments (continued)**

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same; or
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 26.

Foreign currencies

Foreign currency transactions are translated into functional currency at the spot exchange rates prevailing at transaction dates. Monetary assets and liabilities at the year end, denominated in foreign currencies, are retranslated into functional currency at the exchange rates prevailing at the reporting date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of comprehensive income and expenditure. Non-monetary assets measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value was determined.

For purpose of presentation of the financial statements, results of business and financial position of the Authority are translated into Kuwaiti Dinar (presentation currency) as follows:

- Assets and liabilities are translated at the closing rate at the statement of financial position date, except for the following:
 - Contributions and direct investments;
 - Property and equipment;
 - Investment property;
 - Provision for impairment losses on loans;
 - Unpaid dividend
- Income and expenses are translated at the transaction date exchange rates; and
- All resulting exchange differences are recognized as a separate component of equity as foreign currency translation reserve.

Provisions

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Dividend

Dividend are recognised as liabilities in the period in which they are declared.

Based on board resolution and with reference to the shareholder recommendation, interest on unpaid dividend shall be reversed directly to the general reserve.

Contingencies

Contingent liabilities are not recognised in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits of the Authority is remote.

4 CASH AND CASH EQUIVALENTS

	2017 KD	2016 KD
Cash on hand	15,963	15,641
Bank balances	22,442,608	18,580,832
	<u>22,458,571</u>	<u>18,596,473</u>

5 INVESTMENTS HELD FOR TRADING

Investments held for trading are managed by the portfolio managers appointed by the Authority. Investments held for trading as at 31 December comprise of the following:

	2017 KD	2016 KD
Equity securities	80,632,346	70,630,003
Fixed income securities	56,908,542	49,171,525
Fair value of derivatives (Note 19)	148,699	1,038,069
Total	<u>137,689,587</u>	<u>120,839,597</u>

6 LOANS - NET

In accordance with the Authority's objectives, the Authority grants majority of loans to its investee companies to finance their operations (Note 7). Loans agreements signed between the Authority and these companies contain certain covenants, such as:

- Ensuring commitment of investees to fulfil their obligations as stipulated in the signed loan agreement by creating a floating lien on all their assets to the Authority;
- Obligation of investee companies not to dispose of their assets either by sale, grant, by any other means or assignment of any rights to other companies without obtaining prior written approval from the Authority; and
- Obligation of investee companies to give the priority to the loans borrowed from the Authority in settlement over any other debts.

	2017 KD	2016 KD
Movements in loans:		
Balance at the beginning of the year	65,176,608	66,017,536
Transfer to direct investments	(6,658,586)	(229,538)
Disbursements during the year	1,538,390	1,704,017
Repayments during the year	(430,821)	(2,870,086)
Foreign exchange differences	(947,331)	554,679
Balance at the end of the year	<u>58,678,260</u>	<u>65,176,608</u>
Less: Provision for impairment losses	<u>(41,061,042)</u>	<u>(39,473,077)</u>
	<u>17,617,218</u>	<u>25,703,531</u>

	2017 KD	2016 KD
Movements in impaired loans:		
Balance at the beginning of the year	39,473,077	39,473,077
Reversed during the year	(1,218,157)	(2,058,186)
Charged during the year	2,806,122	2,058,186
Balance at the end of the year	<u>41,061,042</u>	<u>39,473,077</u>

Arab Authority for Agricultural Investment and Development

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

6 LOANS - NET (continued)

Loans as at 31 December is comprise the following:

	Country	2017 KD	2016 KD
<i>Arab Company for Agricultural Production and Processing</i>	Sudan		
Loan for refinancing and production inputs		28,090,596	28,490,893
Emergency loan		679,963	689,653
Loan for financing folder production		766,873	777,801
Loan for re-operation of glucose and starch unit		56,578	57,384
Loan for rehabilitation of glucose and starch unit		226,313	229,538
Loan for financing rehabilitation and modernization program for dairy unit		389,258	394,805
Loan for financing production inputs for year 2001-2002		111,678	113,269
Loan for payment of staff dues		528,063	535,589
		30,849,322	31,288,932
<i>Arab Poultry Production and Processing Company</i>	Sudan		
Loan transferred from Arab Company for Agricultural Production and Processing		7,084,143	7,185,093
Loan for expansion and rehabilitation of Arab Poultry Company		1,714,135	1,779,806
Loan for expansion and rehabilitation /additional		856,199	889,372
		9,654,477	9,854,271
	Country	2017 KD	2016 KD
<i>Arab Sudanese Blue Nile Agricultural Company – (AGADI)</i>	Sudan		
Capital loan to purchase machinery and equipment for the year 2006		918,718	931,810
Operational loan for the year 2006		1,424,260	1,444,556
Capital loan 2007		1,508,750	1,530,250
Operational loan 2007		365,046	370,248
Loan for purchasing AGADI road machinery		109,365	110,923
Operational loan 2011-2012		3,042,744	3,086,104
		7,368,883	7,473,891
<i>Arab Sudanese Vegetable Oil Company</i>	Sudan		
Restructured loans and interest		3,207,709	9,282,604
<i>Arab Company for Crops Production</i>	Sudan		
Financing capital and operational needs		-	412,081
Fall season 2007		-	261,367
Irrigation Axels		813,329	824,920
		813,329	1,498,368
<i>Arabian Shrimps Company *</i>	Saudi Arabia		
Unified loan		2,021,725	2,050,535
Bridging loan		1,176,825	1,193,595
Steering loan		993,752	791,969
The Saudi Fund for Development		804,842	408,047
		4,997,144	4,444,146

Arab Authority for Agricultural Investment and Development

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As at 31 December 2017

6 LOANS - NET (continued)

	Country	2017 KD	2016 KD
<i>Pioneer (Al-Ruwad)</i>	Sudan		
Capital loan 2006		76,355	77,442
Operating loan (2007-2008)		19,289	19,564
Operating loan (2008-2009)		158,237	160,492
		253,881	257,498
<i>Arab Sudanese Seed Company</i>	Sudan		
Emergency loan 2008		46,177	77,440
<i>Al-Mutamayaza for Vegetables and Crops Production (Um-Dome)</i>	Sudan	62,088	62,973
<i>Fadasi Association for Agriculture Production</i>	Sudan	17,096	175,350
<i>Al- Kulaie Association for Agriculture Production</i>	Sudan	9,766	49,911
<i>Kabuja Project for Agricultural Production</i>	Sudan	138,596	40,963
<i>Agricultural Credit Corporation</i>	Jordan	482,800	612,100
<i>Fodder Production Project</i>	Mauritania	21,180	21,267
<i>Agriculture Project</i>	Mauritania	11,750	11,798
<i>Fishing Boats Project</i>	Comoros	25,915	25,096
<i>Others</i>		718,147	-
Total loans		58,678,260	65,176,608
Less: Provision for impairment losses		(41,061,042)	(39,473,077)
		17,617,218	25,703,531

* Arabian Shrimps Company (the "company") ceased its operations and filed a legal case against an entity that contravened the Company's main asset and claimed a compensation for financial loss caused. Based on the judgement and opinion of the authority's legal advisor, the outcome of the legal case will be in favour of the company and most probably will receive a compensation for the financial loss. During previous years, the Authority entered into an agreement to act as a guarantor for a facility obtained by the company with an amount of KD 3.2 Million from Agricultural Development Fund (the "lender"). During the year ended 31 December 2017, the company defaulted in meeting its obligations towards the lender; accordingly, the Authority paid the instalment due of KD 402,529 and recorded it as an amount due from the company as at 31 December 2017. The management of the Authority believes that the company will receive the compensation resulted from the legal case and meets its future obligation towards the lender.

As at the reporting date, the Authority has total provision for impairment of KD 41,061,042 (2016: KD 39,473,077) related to certain loans granted to companies where the Authority invested in. These Companies defaulted in fulfilling its obligations in due dates and there is uncertainty on the recoverability of the outstanding balances. During the year ended 31 December 2017, the Authority recorded an impairment loss on loans of KD 2,806,122 (2016: KD 2,058,186) recognised in the statement of comprehensive income and expenditure. The management believes that the provision recorded is sufficient and there is no doubt about the recoverability of the outstanding balances in accordance with the Authority's accounting policies.

Arab Authority for Agricultural Investment and Development

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

7 CONTRIBUTIONS AND DIRECT INVESTMENTS – NET

In accordance with the Authority's objectives, the Authority participated in establishing certain companies, which are specialized in agriculture field and foodstuff; as well as investment in companies with similar objectives. The equity share of the Authority in most of these investee companies ranges between 20% to 50% in majority of investments; however, these investments are classified under "contributions and direct investments" as the Authority does not exercise any significant influence or has a control over the operations and financial policies of these companies. Therefore, these investments are carried in the financial statements at cost less provision for impairment losses, if any. The following table represents the cost of the outstanding investments as at 31 December:

	Location	Ownership percentage	2017 KD	2016 KD
Arab Sudanese Vegetable Oil Company	Sudan	88.00%	12,157,728	6,163,018
Arab Sudanese Blue Nile Agricultural Company (AGADI)	Sudan	51.00%	7,590,614	7,590,614
Arab Company for Crops Production	Sudan	52.76%	4,102,121	3,044,128
The Arab Iraqi Dairy Company	Iraq	50.00%	6,671,003	6,671,003
The Arab Qatari Agricultural Production Company	Qatar	50.00%	1,893,927	1,893,927
Arab Company for Agricultural Production and Processing Ltd. Sudan	Sudan	42.50%	8,778,375	8,778,375
Arab Company for Processing and Production of Poultry	Sudan	42.50%	3,920,833	3,920,833
Al-Ahliyah Company for Vegetable Oils (Hama)	Syria	40.00%	3,641,475	3,641,475
El Mergi for Livestock and Agricultural Development	Tunisia	63.33%	1,160,709	1,160,709
Omani European Company for Food Manufacturing	Oman	17.19%	259,022	259,022
Manafid Al Hobob Company	Morocco	30.00%	856,898	856,898
Emirates Rawabi Company Limited	UAE	27.56%	4,813,829	4,813,829
Arab Company for Manufacturing of Poultry & Cattle Equipment	UAE	27.44%	1,093,952	1,093,952
Arab Sudanese Seed Company	Sudan	34.93%	1,215,376	1,215,376
Arab Company for Manufacturing Advanced Irrigation Equipment	Syria	25.00%	299,210	299,210
Agro-Zitex Company	Tunisia	25.00%	513,665	513,665
The Arabian Company for Preserving & Manufacturing Agricultural Crops	Egypt	25.84%	825,785	825,785
El Faiyum Sugar Works Company	Egypt	26.93%	8,215,308	8,215,308
The Arab Fisheries Company	KSA	39.07%	620,632	484,118
Bubian Fisheries Company	Kuwait	22.17%	110,843	110,843
Arabian Shrimps Company	KSA	45.00%	1,183,347	1,183,347
Moroccan Arab Company for Agricultural Development (Samada)	Morocco	50.00%	851,387	851,387
Jordanian Kuwaiti for Agricultural & Food Products	Jordan	45.35%	417,336	417,336
Mid-West Milk Processing Project (Sidy Abu Zeid)	Tunisia	25.00%	36,216	36,216
Kenana Sugar Company	Sudan	5.59%	10,703,800	10,703,800
The Arab Syrian Company for Development of Agricultural Products (Gadahg)	Syria	5.00%	164,464	164,464
White Nile Sugar Company	Sudan	14.38%	20,441,755	19,723,874
Veterinary Medicines Company under formation	Sudan	26.88%	3,525,642	2,885,206
Distinguished Arab Company for Poultry Breeding and Processing	Jordan	33.33%	25,440	25,440
Asser Poultry Company	KSA	20.00%	4,500,692	4,500,692
Al-Mutamayaza for Vegetables & Agricultural Crops Production Company (Um-Dome)	Sudan	42.50%	14,258	14,258
Arab Centre for Biotechnology & Genetic Engineering	UAE	33.00%	-	96,730
Agricultural Services (Al Muzdana)	Sudan	15.10%	346,064	287,970
Others			10,493,490	7,217,127
Total cost of investments			121,786,920	109,659,935
Provision for impairment losses			(28,709,783)	(26,554,919)
			93,077,137	83,105,016

Arab Authority for Agricultural Investment and Development

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

7 CONTRIBUTIONS AND DIRECT INVESTMENTS – NET (continued)

The Authority, based on the instructions of the Board of Directors, created a voluntary reserve of KD 8.041 million during 1990 to safeguard its investments from any impairment losses (Note 17). Subsequently, an Impairment Assessment Committee ("the Committee") was formed to review and assess the financial performance of each investee company on the date of the statement of financial position; to determine whether there is a need for further impairment losses. The Committee reviews the historical financial performance and projected future cash flows of each investee company and provides further impairment losses, if any.

As at the reporting date, the Authority has total provision for impairment on its direct investments of KD 28,709,783 (2016: KD 26,554,919) related to certain entities where there is objective evidence of impairment. During the year ended 31 December 2017, the Authority recorded impairment loss on investments of KD 4,918,153 (2016: KD 235,757) recognised in the statement of comprehensive income and expenditure. The management believes that the provision recorded is sufficient in accordance with the Authority's accounting policy.

	2017 KD	2016 KD
Movements in impaired contributions and direct investments		
Balance at the beginning of the year	26,554,919	27,409,848
Written off during the year	(96,730)	(952,438)
Reversed during the year (Note 23)	(2,666,560)	(138,248)
Charged during the year (Note 24)	4,918,153	235,757
Balance at the end of the year	28,709,783	26,554,919

Arab Authority for Agricultural Investment and Development
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2017

8 PROPERTY AND EQUIPMENT- NET

The movement in property and equipment for the year ended 31 December 2017 is as follows:

	Building KD	Furniture and equipment KD	Vehicles KD	Computer accessories KD	Capital work-in- progress KD	Total KD
Cost						
At 1 January 2017	3,052,616	1,086,210	295,368	180,382	1,515,561	6,130,137
Additions during the year	-	54,422	39,611	634	148,428	243,095
Disposals during the year	-	(33,677)	(9,680)	-	-	(43,357)
Transfers	-	37,270	-	-	(37,270)	-
At 31 December 2017	3,052,616	1,144,225	325,299	181,016	1,626,719	6,329,875
Accumulated depreciation						
At 1 January 2017	2,922,292	912,052	225,082	180,381	-	4,239,807
Charged during the year	9,909	93,813	32,273	54	-	136,049
Relating to disposals	-	(33,609)	(9,356)	-	-	(42,965)
At 31 December 2017	2,932,201	972,256	247,999	180,435	-	4,332,891
Net carrying amount						
At 31 December 2017	120,415	171,969	77,300	581	1,626,719	1,996,984

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As at and for the year ended 31 December 2017

8 PROPERTY AND EQUIPMENT- NET (continued)

The movement in property and equipment for the year ended 31 December 2016 is as follows:

	Building KD	Furniture and equipment KD	Vehicles KD	Computer accessories KD	Capital work-in- progress KD	Total KD
Cost						
At 1 January 2016	3,051,722	995,398	274,689	223,900	159,565	4,705,274
Additions during the year	2,632	34,731	20,679	501	1,482,544	1,541,087
Disposals during the year	(1,091)	(71,114)	-	(44,019)	-	(116,224)
Transfers	(647)	127,195	-	-	(126,548)	-
At 31 December 2016	3,052,616	1,086,210	295,368	180,382	1,515,561	6,130,137
Accumulated depreciation						
At 1 January 2016	2,913,916	898,271	212,967	218,553	-	4,243,707
Charged during the year	8,981	84,883	12,115	5,847	-	111,826
Relating to disposals	(605)	(71,102)	-	(44,019)	-	(115,726)
At 31 December 2016	2,922,292	912,052	225,082	180,381	-	4,239,807
Net carrying amount						
At 31 December 2016	130,324	174,158	70,286	1	1,515,561	1,890,330

Arab Authority for Agricultural Investment and Development

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9 INVESTMENT PROPERTY – NET

The movement in investment property for the year ended 31 December 2017 is analyzed as follows:

	<i>Investment Property KD</i>	<i>Capital work- in-progress KD</i>	<i>Total KD</i>
Cost			
At 1 January 2017	5,016,934	58,806	5,075,740
Additions during the year	3,038	-	3,038
Transfers	58,806	(58,806)	-
At 31 December 2017	<u>5,078,778</u>	<u>-</u>	<u>5,078,778</u>
Accumulated depreciation			
At 1 January 2017	1,188,622	-	1,188,622
Charge for the year	249,826	-	249,826
At 31 December 2017	<u>1,438,448</u>	<u>-</u>	<u>1,438,448</u>
Net carrying amount as at 31 December 2017	<u>3,640,330</u>	<u>-</u>	<u>3,640,330</u>

The movement in investment property for the year ended 31 December 2016 is analyzed as follows:

	<i>Investment Property KD</i>	<i>Capital work- in-progress KD</i>	<i>Total KD</i>
Cost			
At 1 January 2016	4,997,538	-	4,997,538
Additions during the year	19,396	58,806	78,202
At 31 December 2016	<u>5,016,934</u>	<u>58,806</u>	<u>5,075,740</u>
Accumulated depreciation			
At 1 January 2016	919,438	-	919,438
Charge for the year	269,184	-	269,184
At 31 December 2016	<u>1,188,622</u>	<u>-</u>	<u>1,188,622</u>
Net carrying amount as at 31 December 2016	<u>3,828,312</u>	<u>58,806</u>	<u>3,887,118</u>

10 OTHER ASSETS

	<i>2017 KD</i>	<i>2016 KD</i>
Current accounts	3,175,677	1,980,531
Accrued interest on loans, net	2,893,146	2,378,939
Advances to employees	136,017	150,327
Others	1,002,715	1,416,081
	<u>7,207,555</u>	<u>5,925,878</u>

Arab Authority for Agricultural Investment and Development

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

11 BORROWINGS FROM FINANCIAL INSTITUTIONS

	<i>2017 KD</i>	<i>2016 KD</i>
Saudi Fund for Development	<u>813,330</u>	<u>824,920</u>

The term loan from the Saudi Fund for Development is not guaranteed and has Libor weighted interest rate + 0.4%.

The term loan is repayable as follows:

	<i>2017 KD</i>	<i>2016 KD</i>
Within one year	<u>813,330</u>	<u>824,920</u>

12 OTHER LIABILITIES

	<i>2017 KD</i>	<i>2016 KD</i>
Accrued interest on dividend	-	3,566,820
Accrued expenses	1,250,877	2,418,146
Rents received in advance	209,734	166,686
Others	9,309,824	5,634,729
	<u>10,770,435</u>	<u>11,786,381</u>

13 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the employees' end of service benefits is as follows:

	<i>2017 KD</i>	<i>2016 KD</i>
Balance at beginning of the year	2,137,458	1,870,986
Charged during the year	326,152	365,221
Paid during the year	(107,544)	(114,468)
Foreign exchange differences	(28,527)	15,719
Balance at end of the year	<u>2,327,539</u>	<u>2,137,458</u>

Arab Authority for Agricultural Investment and Development

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As at 31 December 2017

14 PAID UP CAPITAL

Analysis of the authorised and paid up capital as at 31 December is as follows:

	2017		2016	
	Authorised capital KD	Paid-up capital KD	Authorised capital KD	Paid-up capital KD
<i>Member countries</i>				
The People's Democratic Republic of Algeria	3,410,000	3,157,795	3,410,000	2,905,795
The Republic of Sudan	34,070,000	24,299,388	34,070,000	22,511,768
The Republic of Iraq	34,130,000	31,602,133	34,130,000	26,550,133
Kingdom of Saudi Arabia	51,190,000	47,399,169	51,190,000	43,611,169
The Syrian Arab Republic	110,000	74,921	110,000	71,407
The Arab Republic of Egypt	6,830,000	6,323,651	6,830,000	5,817,651
The State of Kuwait	44,330,000	41,047,885	44,330,000	37,765,885
The Kingdom of Morocco	1,370,000	1,267,954	1,370,000	1,165,954
United Arab Emirates	34,130,000	31,611,546	34,130,000	29,085,546
The State of Qatar – Hassad Company	17,060,000	15,812,973	17,060,000	14,550,973
The Democratic Republic of Somalia	110,000	102,536	110,000	95,646
The Islamic Republic of Mauritania	220,000	206,768	220,000	175,134
The Republic of Tunisia	220,000	206,870	220,000	151,100
The Hashemite Kingdom of Jordan	110,000	103,648	110,000	95,648
Sultanate of Oman	230,000	215,356	230,000	197,356
The Republic of Lebanon	100,000	92,743	100,000	84,743
The Republic of Yemen	110,000	81,939	110,000	81,128
The Republic of United Comoros	110,000	83,036	110,000	82,214
The State of Palestine	80,000	81,608	80,000	81,608
The Kingdom of Bahrain	230,000	215,356	230,000	197,356
Republic of Djibouti	80,000	51,005	80,000	50,500
Unsubscribed capital	107,770,000	-	107,770,000	-
Total	336,000,000	204,038,279	336,000,000	185,328,714

On 8 April 2014, the Board of Shareholders resolved to increase the authorised capital from KD 225 million to KD 336 million.

On May 2013, The Board of Directors passed a resolution to increase the share capital by KD 84.49 million to be paid by the shareholders in five equal instalments starting from 1 January 2014. During the year ended 31 December 2017, the shareholders paid KD 18.710 million (2016: KD 11.86 million) from the instalments.

On 1 March 2018, the Board of Directors of the Authority proposed to distribute 1% cash dividends of the paid up capital as of 31 December 2017. This proposal is subject to the approval by the Board of the Shareholders of the Authority.

The Board of shareholders of the Authority in their meeting held in 18 April 2017, approved a distribution of cash dividends equivalent to 1% of the paid up capital as of 31 December 2016 with total of KD 1,853,287.

Arab Authority for Agricultural Investment and Development

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

15 STATUTORY RESERVE

In accordance with Article No. 19/2 of the Statute of the Authority, the Authority is required to transfer 10% of the profit for the year to the statutory reserve until such reserve equals 20% of the share capital of the Authority, unless the Board of Shareholders resolves to exceed such limit. An amount of KD 645,094 representing 10% of the profit for the year has been transferred to the statutory reserve.

16 GENERAL RESERVE

In accordance with Article No. 19/2 of the Statute of the Authority, the Board of Shareholders are authorised to form any other suitable reserves. The general reserve is formed from transfer of net profit/ (loss) for each year after deduction of outstanding reserves and is available for distribution.

17 VOLUNTARY RESERVE

This reserve has been formed based on the Board of Directors' Resolution No. 13 of 1990, which requires that such reserve shall be set aside from the net profit as appropriate and will be utilised to safeguard the Authority's interests against any impairment losses of the investee companies. This reserve shall not be used for any purpose other than the one it has been formed for.

18 FOREIGN CURRENCY TRANSLATION RESERVE

Foreign currency translation reserve includes the result of translating all balances of the financial statements as at the year end denominated in US Dollar (functional currency) to KD (presentation currency).

19 DERIVATIVES

Unrealised gain/ (loss) on forward foreign exchange contracts:

Forward contracts are contractual agreements to either buy or sell a specified currency at a specified price at a specified date in the future. Accordingly, forward contracts are customised transactions which are executed at over the counter.

The nominal amounts, which provide an indication of the volumes of the outstanding transactions at the year-end, do not necessarily reflect the amounts of future cash flows which resulted from these transactions. Therefore, these nominal amounts are neither indicative of the Authority's exposure to the credit risk, which is generally limited to the positive fair value of the derivatives, nor to the market risk.

All forward contracts are maturing within three months from the statement of financial position date.

20 NET GAIN FROM INVESTMENTS HELD FOR TRADING

	2017 KD	2016 KD
Dividend income	2,077,406	1,999,112
Realized gain on sale of investments held for trading	6,793,811	3,752,812
Unrealised gain from investments held for trading	5,720,699	1,673,133
Change in fair value of forward contracts	(1,271,454)	(836,782)
Total	13,320,462	6,588,275

Arab Authority for Agricultural Investment and Development

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

21 DIVIDEND FROM CONTRIBUTIONS AND DIRECT INVESTMENTS

	2017 KD	2016 KD
El Faiyum Sugar Works Company	705,580	507,164
Emirates Rawabi Company Limited	397,049	393,686
Arab Iraqi Dairy Company	241,080	301,860
Al-Ahliyah Company for Vegetable Oils	80,342	145,841
Arab Company for Processing and Production of Poultry	33,526	41,930
Kenana Sugar Company	28,376	-
Arab Trade Finance Program	13,121	8,538
Arab Sudanese Seed Company	11,152	21,766
	<u>1,510,226</u>	<u>1,420,785</u>

22 OTHER INCOME

	2017 KD	2016 KD
Rental income	486,039	490,208
Miscellaneous income	1,421,908	573,666
	<u>1,907,947</u>	<u>1,063,874</u>

23 REVERSAL OF IMPAIRMENT LOSSES

	2017 KD	2016 KD
Loans (Note 6)	1,218,157	2,058,186
Contributions and direct investments (Note 7)	2,666,560	138,248
Accrued interest on loans	96,533	355,426
Dividend receivable	215,309	160,072
	<u>4,196,559</u>	<u>2,711,932</u>

24 IMPAIRMENT LOSSES

	2017 KD	2016 KD
Loans (Note 6)	2,806,122	2,058,186
Impairment losses on contributions and direct investments (Note 7)	4,918,153	235,757
Accrued interest on loans	239,458	386,017
Dividend receivable	2,232,900	129,481
	<u>10,196,633</u>	<u>2,809,441</u>

25 RISK MANAGEMENT

25.1 Market Risk

25.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. The Authority is exposed to interest rate risk on its granted loans.

Arab Authority for Agricultural Investment and Development

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

25 RISK MANAGEMENT (continued)

25.1.2 Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Authority's exposure to the risk of changes in foreign exchange rates primarily relates to the Authority's operating activities (when income or expenditure is denominated in a currency different from the Authority's presentation currency).

The following analysis details the financial assets and liabilities in foreign currencies:

	2017		2016	
	Financial assets KD	Financial liabilities KD	Financial assets KD	Financial liabilities KD
US dollars	131,807,768	13,459,798	155,386,644	14,561,179
Japanese Yen	15,893,614	-	-	-
Euro	6,785,671	-	9,573,582	-
Great Britain Pound	15,404,579	-	2,658,471	-
Bahraini Dinar	-	-	8,456,455	-
Swiss Franc	7,274,385	-	3,866,867	-
United Arab Emirates Dirham	19,599,558	-	26,037,340	-
Sudanese Pound	2,822,539	-	1,591,353	1,608
Others	26,445,858	-	2,967,845	-
	<u>226,033,972</u>	<u>13,459,798</u>	<u>210,538,557</u>	<u>14,562,787</u>

25.1.3 Price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the individual value of the securities. The Authority is exposed to equity price risk on its investments held for trading. The Authority manages this risk through diversification of investments in terms of industry diversification.

Concentration of equity securities based on geographical areas are as follows:

Markets	2017		2016	
	KD	Percentage	KD	Percentage
USA and Canada	33,981,455	50%	36,021,302	51%
Europe	10,194,436	15%	9,888,200	14%
Japan	7,475,920	11%	8,475,600	12%
South East Asia	3,398,145	5%	3,531,500	5%
Emerging markets	12,233,324	18%	11,300,800	16%
Other	679,630	1%	1,412,601	2%
	<u>67,962,910</u>	<u>100%</u>	<u>70,630,003</u>	<u>100%</u>

25.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Management of the Authority attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the credit worthiness of counterparties. The maximum credit risk is limited to the carrying values of financial assets appearing on the statement of financial position.

The Authority seeks to limit its credit risk with respect to borrowers by monitoring outstanding loans. The Authority limits credit risk with regard to its cash and cash equivalents by only dealing with reputable banks.

With respect to credit risk arising from the other assets, the Authority's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Arab Authority for Agricultural Investment and Development

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

25 RISK MANAGEMENT (continued)

25.2 Credit risk (continued)

a) Maximum exposure to credit risk is as follows:

	2017 KD	2016 KD
Bank balances	22,442,608	18,580,832
Fixed income securities	56,908,542	49,171,525
Loans, net	17,617,218	25,703,531
Other assets	7,207,555	5,925,879
	<u>104,175,923</u>	<u>99,381,767</u>

25.3 Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk is managed by the treasury department of the Authority. To manage this risk, the Authority periodically assesses the financial viability of borrowing companies and invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

26 FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities as disclosed in Note 3.

The fair values of financial instruments except for contributions and direct investments which carried at cost (Note 7) are not materially different from their carrying values. For liquid financial assets and financial liabilities or having a short term maturity (less than twelve months), it is assumed that their carrying amounts are approximately equal to their fair value.

27 CAPITAL RISK MANAGEMENT

The Authority manages its capital to ensure its ability to continue as a going concern and maximising the shareholders' returns through the optimisation benefit of the debt and equity balances. The Authority's overall policy remains unchanged since 2009.

The capital of the Authority comprises contribution from member countries comprising the issued capital as disclosed in Note 14.

28 RELATED PARTIES

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and monitoring the activities of the Authority, either directly or indirectly, including the Board of Directors.

The remuneration of directors and other members of key management during the year were as follows:

	2017 KD	2016 KD
Remuneration paid to directors		
Remuneration	108,053	106,968
Meeting fees	223,722	221,408
	<u>331,775</u>	<u>328,376</u>
Key management compensation		
Short-term benefits	321,779	266,613
Post-employment benefits	378,788	343,727
	<u>700,567</u>	<u>610,340</u>

Arab Authority for Agricultural Investment and Development

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

29 COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2017, the Authority has granted corporate guarantees to commercial banks amounting to KD 4.5 million equivalent to USD 15 million (2016: KD 12.8 million equivalent to USD 42.10 million). These guarantees were provided to certain financial institutions to support the entities, which the Authority has invested in, in order to obtain facilities from these financial institutions.

A green brushstroke graphic with the year 2017 inside a white square frame.

2017



الهيئة العربية

للإستثمار والإنماء الزراعي

ARAB AUTHORITY

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