INTERNATIONAL HOLDINGS COMPANY P.J.S.C.
(formerly International Fish Farming Holding Company (PSC) – ASMAK)

Reports and consolidated financial statements for the year ended 31 December 2017

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Directors' Report
for the year ended 31 December 2017

Dear Shareholders,

It is our pleasure to present the Directors' report of International Holdings Company P.J.S.C. ("the Company") and its Subsidiaries ("the Group") for the year 2017, along with the audited consolidated financial statements as at 31 December 2017.

Financial and Operating Results

The Group achieved revenue of AED 421.1 million during the year 2017 against AED 384.2 million during the year 2016.

The results of the year show net profit (attributed to parent company) of AED 29.4 million compared to AED 26.1 million in 2016.

Analysis of the financial results is as follows:

- Sales and distribution expenses amounted to AED 24.7 million compared to AED 24.6 million in 2016.
- General and administration expenses amounted to AED 48.5 million compared to AED 43.4 million in 2016.
- Investment income amounted to AED 17.5 million compared to AED 16.9 million in 2016.
- The profit of the Group for the year amounted to of AED 31.7 million against AED 26.3 million in 2016.

The management confirms its commitment to support and enhance the core activities of the Group to attain continuous growth.

Corporate Social Responsibility, Exhibitions, Awards and Other Activities during the year 2017

- **Sponsorship and Donations**

  a) During 2017, the Company was considered one of the official sponsors and partners in the Alliance of Food Security which was founded under the auspices of the Food Security Center in Abu Dhabi.

  b) The Company donated AED 76,000 to charities registered in the United Arab Emirates during 2017 (2016: AED 110,000).

- **Financial Reporting**

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs), fairly present its financial position, the result of its operations, cash flows and changes in equity.

Appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgments. There are no matters which call into question the Group's ability to continue as a going concern.

Directors' Report (continued)
for the year ended 31 December 2017

- **Vote of Thanks**

The Board of Directors of International Holdings Company P.J.S.C. would like to take this opportunity to thank those charged with governance, the shareholders, investors, bankers and employees for their continuous commitment, co-operation, confidence and continuous support in achieving the Group's objective.

On behalf of the Board of Directors

Chairman
21 March 2018

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
International Holdings Company P.J.S.C.
(formerly International Fish Farming Holding Company (PSC) – ASMAK)
United Arab Emirates

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of **International Holdings Company P.J.S.C. (formerly International Fish Farming Holding Company (PSC) – ASMAK) ("the Company"), and its subsidiaries (together "the Group")** which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters.
Allowance for slow moving inventories As disclosed in notes 3.11 and 4.2.2 to the consolidated financial statements, inventories are required to be carried at the lower of cost or net realisable value. The nature of the items held and ageing of the inventory could result in an increased allowance. An assessment of the net realisable value of inventory is carried out at each reporting period which is dependent upon Management's estimates which involves significant judgements. Accordingly, a change in the management's estimates can have a material impact on the carrying value of inventories in the Group's consolidated financial statements.	Our procedures in respect of allowance for slow moving items included: • Challenging the reasonableness of key assumptions used in estimating the allowance for slow moving items based on our knowledge of the industry and using historical stock movement of fish and related products and operational performance. • Obtaining the net realisable value calculations, agreeing stock quantities of fish and related inventories in those calculations to the accounting records, and testing prices by reference to externally available data in the market. • Assessing the reasonableness of methods and assumptions used to develop the allowance for slow moving items which included comparing management's calculations for consistency against those used in the prior year. • Testing the reliability of the underlying data used by management to calculate the allowance for slow moving inventories which included the analysis of aged inventory, by re-performing the ageing calculation. Testing the accuracy of the resultant calculation by assessing the calculation criteria and recalculating the allowance for a sample of items.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters.
Allowance for doubtful debts As disclosed in notes 4.2.1 and 12 to the consolidated financial statements, the allowance for doubtful debts is considered to be a matter of significance as it requires the application of judgement and use of subjective assumptions by management. The Group records specific allowances for receivables as deemed appropriate. The Group's analysis of doubtful debts is exposed to the uncertainty due to the subjectivity exercised in the determination of recoverability of debts in terms of assessing the liquidity of the customers and review of the current economic environment.	Our procedures in respect of adequacy of allowance for doubtful debts included, but not limited to: • Testing the underlying controls in the provisioning process. • Challenging management's estimates and assumptions used to calculate the allowance. • Assessing management's consideration of whether allowances appropriately reflect the impact of the current economic conditions by reference to recent collection performance and trends in performance. • Testing the reliability of the underlying data used by management to calculate the allowance for doubtful debts for assessing the adequacy and appropriateness, by obtaining and testing the aged receivable analysis showing latest movements and re-performing the ageing calculation computed by the system. • Performing a review of the recoverability/collection of the prior year outstanding balances and post yearend collections of the current year outstanding balances.
Revenue recognition on construction contracts As disclosed in notes 3.5 and 21 to the consolidated financial statements, the Group has construction contracts where revenue is being recognised based on the stage of completion of contract activity. The stage of completion of individual contracts is calculated on the proportion of total costs at the reporting date compared to the estimated total costs of the contract.	Our work on the recognition of contract revenue, margin and related receivables and liabilities included, but not limited to: • Assessing whether the amounts of contract revenue recognised in the consolidated financial statements were in line with the Group's accounting policies;

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters.</th></tr>
<tr><td>Revenue recognition on construction contracts (continued)

The status of contracts is updated on a regular basis. In doing so, management is required to exercise significant judgement in their assessment of the valuation of contract variations, claims and liquidated damages; the completeness and accuracy of forecast costs to complete; and the ability to deliver contracts within forecast timescales.

The potential final contract outcomes can cover a wide range. Dependent on the level of judgement in each, the range on each contract can be individually material. In addition, changes in these judgements, and the related estimates, as contracts progress can result in material adjustments to revenue and profit margin, which can be both positive or negative.</td><td>• An assessment of forecasted costs by reviewing the basis of the calculation, which included supplier quotes, forecast estimates and supplier contracts and challenging management where there are differences to identify forecast errors in the estimated costs, including inappropriate assumptions based on historical performance and industry knowledge, to ensure complete recognition of expected losses as and when they arise;
• Considering the financial performance of contracts against budget and historical trends to assess the historical accuracy of judgement in the recognition of claims and variations as well as the final out-turn on contracts;
• Selecting a sample of contracts in order to challenge both current and future financial performance, challenging management's key judgements inherent in the forecast costs to complete that drive the accounting under the percentage of completion method, including the following procedures:

- a review of the contract terms and conditions through review of contract documentation;
- testing the existence and valuation of claims and variations costs via inspection of correspondence with customers, project teams and the supply chain;
- an assessment of the forecasts through discussion with the Group's finance, commercial and operational management; and
- an assessment of the ability to deliver contracts within budgeted timescales and any exposures to liquidated damages for late delivery of contract works.

• Reviewing the post-yearend contract performance to support year end judgements.
• An assessment of the recoverability of related receivables, including testing of post year end cash receipts, and completeness of any contract loss provisions through completion of the above procedures.</td></tr>
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INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

The Board of Directors and Management are responsible for the other information. The other information comprises the Directors' report and annual report of the Group. We obtained the Directors' report prior to the date of this auditor's report and the remaining information of the annual report is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining information of the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Those Charged with Governance.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

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

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

The Audit Committee and Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the audit of the consolidated financial statements

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

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure 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 Group to cease to continue as a going concern.

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

iii) The Company has maintained proper books of account;

iv) The financial information included in the report of the Directors' report is consistent with the books of account of the Group;

v) Notes 7, 8 and 3.3 to the consolidated financial statements of the Group disclose purchases or investment in shares during the financial year ended 31 December 2017;

v) Note 11 to the consolidated financial statements discloses material related party transactions and balances and the terms under which they were conducted;

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

viii) Note 28 to these consolidated financial statements discloses the social contributions made during the year ended 31 December 2017.

Deloitte & Touche (M.E.)

Signed by:
Mohammad Khamees Al Tah
Registration Number 717
21 March 2018
Abu Dhabi,
United Arab Emirates

Consolidated statement of financial position
at 31 December 2017

	Notes	2017 AED'000	2016 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	12,119	10,215
Investment properties	6	98,593	98,363
Investment in associates and joint ventures	7	8,815	9,144
Available-for-sale investments	8	12,936	14,877
Total non-current assets		132,463	132,599
Current assets			
Inventories	9	21,347	27,946
Biological assets	10	4,363	10,707
Due from related parties	11	56,824	54,314
Trade and other receivables	12	163,537	140,159
Cash and bank balances	13	293,649	258,769
Total current assets		539,720	491,895
Total assets		672,183	624,494
EQUITY AND LIABILITIES			
Equity			
Share capital	14	510,000	510,000
Statutory reserve	15	10,975	8,040
Cumulative changes on revaluation of investments		(2,264)	87
Retained earnings		35,162	8,346
Equity attributable to owners of the Company		553,873	526,473
Non-controlling interests		6,251	4,271
Total equity		560,124	530,744
Non-current liabilities			
Provision for employees' end of service indemnity	16	15,664	14,937
Obligations under finance leases	17	-	496
Loan from a related party	18	1,705	-
Total non-current liabilities		17,369	15,433
Current liabilities			
Due to related parties	11	2,692	2,906
Loan from a related party	18	4,320	7,465
Obligations under finance leases	17	496	608
Bank borrowings	19	1,105	-
Trade and other payables	20	86,077	67,338
Total current liabilities		94,690	78,317
Total liabilities		112,059	93,750
Total equity and liabilities		672,183	624,494

Chief Financial Officer **Chief Executive Officer** **Director** **Chairman**

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

Consolidated statement of profit or loss
for the year ended 31 December 2017

	Notes	2017 AED'000	2016 AED'000
Revenue	21	**421,139**	384,188
Cost of revenue	22	**(343,382)**	(324,161)
Gross profit		77,757	60,027
General and administrative expenses	23	**(48,548)**	(43,354)
Selling and distribution expenses	24	**(24,737)**	(24,610)
Loss on disposal of investment property	6	-	(112)
Investment income	25	**17,544**	16,938
Change in fair value of biological assets	10	**213**	2,572
Other income	26	**10,157**	15,712
Finance costs		**(655)**	(830)
Profit for the year		**31,731**	26,343
Attributable to:			
Owners of the Company		**29,351**	26,112
Non-controlling interests		**2,380**	231
Profit for the year		**31,731**	26,343
Basic earnings per share (AED)	27	**0.06**	0.05

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017

	Note	2017 AED'000	2016 AED'000
Profit for the year		**31,731**	26,343
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale investments	**8**	**(2,351)**	87
Total other comprehensive (loss)/income		**(2,351)**	87
Total comprehensive income for the year		**29,380**	26,430
Attributable to:			
Owners of the Company		**27,000**	26,199
Non-controlling interests		**2,380**	231
Total comprehensive income for the year		**29,380**	26,430

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

Consolidated statement of changes in equity for the year ended 31 December 2017

	Share capital AED'000	Statutory reserve AED'000	Cumulative changes on revaluation of investments AED'000	Retained earnings/ (accumulated losses) AED'000	Equity attributable to owners of the Company AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 31 December 2015	510,000	5,430	-	(15,156)	500,274	6,693	506,967
Profit for the year	-	-	-	26,112	26,112	231	26,343
Other comprehensive income for the year	-	-	87	-	87	-	87
Total comprehensive income for the year	-	-	87	26,112	26,199	231	26,430
Transfer to statutory reserve	-	2,610	-	(2,610)	-	-	-
Dividends paid	-	-	-	-	-	(4,000)	(4,000)
Net movement in non-controlling interests	-	-	-	-	-	1,347	1,347
Balance at 31 December 2016	510,000	8,040	87	8,346	526,473	4,271	530,744
Profit for the year			-	29,351	29,351	2,380	31,731
Other comprehensive loss for the year	-	-	(2,351)	-	(2,351)	-	(2,351)
Total comprehensive income for the year	-	-	(2,351)	29,351	27,000	2,380	29,380
Transfer to statutory reserve	-	2,935	-	(2,935)	-	-	-
Additional controlling interests arising on acquisition of shares (note 3.3)	-	-	-	400	400	(400)	-
Balance at 31 December 2017	**510,000**	**10,975**	**(2,264)**	**35,162**	**553,873**	**6,251**	**560,124**

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

Consolidated statement of cash flows
for the year ended 31 December 2017

	2017 AED'000	2016 AED'000
Cash flows from operating activities		
Profit for the year	**31,731**	26,343
Adjustments for:		
Depreciation of property, plant and equipment	**3,955**	4,451
Gain on disposal of property, plant and equipment	**(433)**	(481)
Depreciation of investment property	**382**	9,440
Loss on disposal of investment property	**-**	112
Share of profit from associates and joint ventures	**(11,420)**	(10,239)
Change in fair value of biological assets	**(213)**	(2,572)
Provision for employees' end of service indemnity	**2,810**	2,014
Gain on sale of available-for-sale investments	**(410)**	-
Allowance for slow moving inventories written back	**-**	(6)
Allowance for slow moving inventories	**13**	443
Allowance for doubtful accounts	**1,310**	588
Allowance against due from customers for contract work	**1,988**	5,132
Interest and dividends income	**(6,124)**	(6,699)
Finance costs	**655**	830
Operating cash flows before changes in operating assets and liabilities	**24,244**	29,356
Decrease/(increase) in inventories	**6,586**	(8,342)
Decrease in biological assets	**6,557**	1,451
Increase in due from related parties	**(2,510)**	(551)
Increase in trade and other receivables	**(26,378)**	(18,855)
Decrease in due to related parties	**(214)**	(62)
Increase/(decrease) in trade and other payables	**18,739**	(5,099)
Cash generated from/(used in) operations	**27,024**	(2,102)
Employees' end of service indemnity paid	**(2,083)**	(466)
Finance costs paid	**(655)**	(830)
Net cash generated from/(used in) operating activities	**24,286**	(3,398)
Cash flows from investing activities		
Decrease in fixed deposits under lien	**-**	4,117
Increase in fixed deposits with a maturity of more than three months	**(17,085)**	(100,875)
Purchase of property, plant and equipment	**(5,985)**	(3,370)
Purchase of biological assets	**-**	(1,833)
Proceeds from sale of property, plant and equipment	**559**	906
Dividend received from associates and joint ventures	**11,749**	14,840
Purchases of investment properties	**(612)**	(925)
Interest and dividends received	**5,826**	5,415
Net cash used in investing activities	**(5,548)**	(81,725)

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

Consolidated statement of cash flows (continued)
for the year ended 31 December 2017

	2017 AED'000	2016 AED'000
Cash flows from financing activities		
Repayment of bank borrowings	-	(521)
Proceeds from bank borrowings	1,105	-
Repayment of loan from a related party	(1,440)	-
Dividend paid to non-controlling interest	-	(4,000)
Net movement in non-controlling interest	-	1,347
Net decrease in obligations under finance leases	(608)	(1,144)
Net cash used in financing activities	(943)	(4,318)
Net increase/(decrease) in cash and cash equivalents	17,795	(89,441)
Cash and cash equivalents at the beginning of the year	157,894	247,335
Cash and cash equivalents at the end of the year (Note 13)	175,689	157,894
Non cash transactions:		
Purchase of available-for-sale investments	4,410,000	-
Disposal of available-for-sale investments	4,000,000	-

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

1 General information

International Holdings Company P.J.S.C. (formerly International Fish Farming Holding Company (PSC) – Asmak) ("the Company") is a Public Shareholding Company incorporated in Abu Dhabi by an Emiri Decree No.15 issued by His Highness The Ruler of Abu Dhabi on 23 November 1998. The Group comprises International Holdings Company P.J.S.C. (formerly International Fish Farming Holding Company (PSC) – Asmak) and its subsidiaries ("the Group") (Note 3).

The registered office of the Company is P.O. Box 32619, Abu Dhabi, United Arab Emirates.

The main activities of the Group are establishments' management services, investing in aquaculture projects, trading in fish and fish products, exporting, preserving fish products and other sea living resources through cooling and freezing, general trading of foodstuff, buying, selling and dividing plots and real estate, management and leasing of real estate and developing real estate, performing technical, commercial and contracting services, specifically marine works, controls, general contacting and other associate business.

The Shareholders in their Annual General Assembly Meeting held on 17 April 2017 approved to amend the Company's name from International Fish Farming Holding Company (PSC) - ASMAK to International Holdings Company P.J.S.C.

2 Application of new and revised International Financial Reporting Standards (IFRS)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these consolidated financial statements.

Amendments to IAS 12 Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of borrowings (note 19). A reconciliation between the opening and closing balances of these items is provided in note 33. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 33, the application of these amendments has had no impact on the Group's consolidated financial statements.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12

The Group has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group (see note 2.2).

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28.	1 January 2018
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • whether tax treatments should be considered collectively; • assumptions for taxation authorities' examinations; • the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • the effect of changes in facts and circumstances.	
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions	1 January 2018
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014) (a)	1 January 2018
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.	

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	**Effective for annual periods** **<u>beginning on or after</u>**
A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas: • **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. • **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised • **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. • **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	1 January 2018
Amendments to IFRS 9 *Financial Instruments*: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019

<u>Impact assessment of IFRS 9 *Financial Instruments*</u>

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the Directors of the Group have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
Classification and measurement:	1 January 2019

• Quoted investment classified as available-for-sale investments carried at fair value as disclosed in Note 8, these are held within a business model whose objective selling the investment in the open market. Accordingly, the listed investments will continue to be subsequently measured at FVTOCI upon the application of IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the listed investments are derecognised or reclassified;

• Unquoted investment classified as available-for-sale investments carried at cost disclosed in Note 8, these shares qualify for designation as measured at FVTOCI under IFRS 9; however, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income;

• All others financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment:

Trade and other receivables (Note 12) and due from related parties (Note 11) will be subject to the impairment provisions of IFRS 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables, finance lease receivables and amounts due from customer under construction contracts as required or permitted by IFRS 9.

In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Impact assessment of IFRS 15 *Revenue from Contracts with Customers*	1 January 2018

The application of IFRS 15 from the annual period beginning 1 January 2018 will have an impact on the Group's consolidated financial statements in respect of revenue from contracts with customers. Based on the analysis of the Group's revenues from contracts with customers as at 31 December 2017, management of the Group has assessed the impact of IFRS 15 to the Group's consolidated financial statements as follows:

Management has preliminarily assessed that rendering of services in relation to its construction and maintenance contracts represents single performance obligations and accordingly, revenue will be recognised for the performance obligation when control over the corresponding services is transferred to the customer. The transaction price will be allocated to the performance obligation on a relative stand-alone selling price basis. The timing of revenue recognition for the performance obligation will be over the period the services are performed.

Management has assessed the construction contracts and considered IFRS 15's guidance on contract combinations, contract modifications arising from variation orders, variable consideration, and the assessment of whether there is a significant financing component in the contracts, particularly taking into account the reason for the difference in timing between the transfer of control of goods and services to the customer and the timing of the related payments. Management has assessed that revenue from these construction contracts should be recognised over time and the output method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under IFRS 15.

The expected cumulative impact on the opening retained earnings on the Group's consolidated financial statements will be immaterial.

Management intends to use the modified transition approach of transition to IFRS 15.

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 15 *Revenue from Contracts* with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
IFRS 16 *Leases*	1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Impact assessment of IFRS 16 *Leases*

As at 31 December 2017, the Group has non-cancellable operating lease commitments of AED 32 million. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in Note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's financial statements and the directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 17 *Insurance Contracts*	1 January 2021
IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.	
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16 as highlighted in previous paragraphs, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2019.

3 Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and applicable requirements of the UAE Federal Law No. (2) of 2015.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for biological assets and financial instruments that are measured at fair value or amortised cost as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.

The Group presents its consolidated statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

The amounts in the consolidated financial statements are rounded to nearest thousand ("AED'000") except when otherwise indicated.

The principal accounting policies are set out below.

3.3 Basis of consolidation

The consolidated financial statements of International Holdings Company P.J.S.C. (formerly International Fish Farming Holding Company (PSC) – ASMAK) (the "Group") comprise the financial information of the Company and its subsidiaries.

3 Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Control is achieved when the Company:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries:

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3 Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Details of the Company's subsidiaries as at 31 December 2017 and 2016 were as follows:

Name of subsidiary	Place of incorporation and operation	Principal activities	Proportion of ownership interest and voting power held	
			2017	2016
Alliance Foods Company LLC	United Arab Emirates	Trading, processing and packing of seafood products.	100%	100%
Alliance Food Security Holdings L.L.C.	United Arab Emirates	General trading, importing, exporting, storing in public store houses, commercial brokers and storekeepers and warehouses management and operations. Wholesale of fodder trading, canned and preserved foodstuff trading, frozen foodstuff trading and agriculture foodstuff trading.	100%	100%
Emirates Stallions Properties LLC	United Arab Emirates	Buying, selling and dividing plots and real estate management and developing and leasing of real estate.	100%	100%
Abu Dhabi Land General Contracting LLC	United Arab Emirates	Technical, commercial and contracting services specifically marine work contract.	100%	100%
Gulf Dunes Landscaping and Agricultural Services LLC	United Arab Emirates	Landscaping design and execution.	100%	100%
Century Real Estate Investment LLC	United Arab Emirates	Labour camp management	82%	80%
Asmak Al Arab Co. LLC	Kingdom of Saudi Arabia	Wholesale and retail trading of fish, shrimps and other fresh, chilled and frozen aquatic and importing and exporting of those products. Farming of fish, shrimps and other aquatic. Wholesale and retail trading in property and equipment of fish farming.	80%	80%

3 Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Name of subsidiary	Place of incorporation and operation	Principal activities	Proportion of ownership interest and voting power held	
			2017	2016
Alliance Food Security Holdings USA	United States of America	Animal feed trading	100%	-

During the year, the Group has acquired additional 2% interest in a subsidiary "Century Real Estate Investment LLC" increasing its controlling interest to 82%. No consideration was paid for these additional shares. An amount of AED 400 thousand being the proportionate share of the carrying value of the net assets of Century Real Estate Investment LLC has been credited to retained earnings.

During the year, Alliance Food Security Holdings USA was incorporated as a fully owned subsidiary of the Group. This subsidiary is non-operating as of 31 December 2017.

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

3 Significant accounting policies (continued)

3.4 Business combinations (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.5 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, discounts and other similar allowances. Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably.

3.5.1 Sale of goods

Revenue from sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

3 Significant accounting policies (continued)

3.5 Revenue recognition (continued)

3.5.2 Construction contracts

Where the outcome of a construction/maintenance contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs included for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction/maintenance contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is possible that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Costs of contracts include all direct costs of labour, materials, depreciation of property and equipment and costs of subcontracted works, plus an appropriate portion of construction overheads allocated to construction contracts in progress during the year at a fixed rate of the value of work done on each contract. Any under recovery at the end of the fiscal year, is charged to profit or loss as unallocated overheads.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

The effect of a change in the estimates of contract revenue or contract costs or the outcome of a contract, including that arising from liquidated damages and final contract settlements, is used in the determination of the amount of revenue and costs recognised in profit or loss in the period in which the change is made and in subsequent periods.

3.5.3 Rental income

The Group enters into operating leases for its investment property. Rental income from such operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3 Significant accounting policies (continued)

3.5 Revenue recognition (continued)

3.5.4 Services

Revenue from services is accrued and recognised as the services are rendered. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Group.

3.5.5 Dividend income

Dividend income is recognised in profit or loss when the Group's right to receive the dividends is established.

3.5.6 Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

3.6 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3.6.1 The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3.6.2 The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease liability.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Leases payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

3 Significant accounting policies (continued)

3.7 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United Arab Emirates Dirhams ("AED"), which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for foreign operations.

3.8 Property, plant and equipment

Capital work in progress is stated at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Other property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss.

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

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

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

The useful lives considered in the calculation of depreciation for the assets are as follows:

	Years
Fish farming assets	5 - 12
Buildings and leasehold improvements	5 - 15
Plant and equipment	3 - 5
Furniture, fixture and office equipment	3 - 5
Motor vehicles	4 - 5
Marine vessels	10 - 25

3 Significant accounting policies (continued)

3.9 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are stated at cost less accumulated depreciation at the reporting date. Depreciation is provided on the straight-line method based on the anticipated useful life or term of the lease whichever is earlier.

Investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Depreciation is charged so as to write off the cost of a property over its estimated useful life of 8 years, using straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

3.10 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in associates and joint ventures is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates and joint ventures. When the Group's share of losses of associates and joint ventures exceeds the Group's interest in that associates and joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the associates and joint ventures), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates and joint ventures.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of associates and joint ventures recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated income statement in the period in which the investment is acquired.

3 Significant accounting policies (continued)

3.10 Investment associates and joint ventures (continued)

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in associates and joint ventures. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains its interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

In addition, the Group accounts for all amounts previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group's entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint ventures are recognised in the Group's consolidated financial statements only to the extent of interests in the associates or joint venture that are not related to the Group.

3 Significant accounting policies (continued)

3.11 Inventories

3.11.1 Fish and fish products

Fish and fish products are stated at lower of cost or net realisable value, cost is determined using the first-in, first-out (FIFO) basis. Cost includes purchase cost, freight, insurance and other related expenses incurred in bringing the goods to their present condition and location. Net realisable value is based on the normal selling price, less cost expected to be incurred in marketing, selling and distribution. Allowance is made when necessary for obsolete, slow-moving and damaged items.

3.11.2 Packing and raw materials

Packing and raw materials are stated at the lower of weighted average cost and net realisable value. Cost includes all costs incurred in bringing inventory to its present condition and location. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

3.12 Biological assets

Biological assets are measured on initial recognition and at end of each reporting period at fair value less estimated costs to sell. The fair values are determined based on current market prices of similar type of assets. Costs to sell include commission to brokers and dealers.

A gain or loss on initial recognition of biological assets at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of biological assets shall be included in profit or loss in the period in which it arises.

3.13 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3 Significant accounting policies (continued)

3.13 Impairment of tangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.14 Employee benefits

3.14.1 Annual leave and leave passage

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

3.14.2 Provision for employees' end of service indemnity

Provision is also made for the full amount of end of service indemnity due to non-UAE national employees in accordance with the UAE Labour Law and is based on current remuneration and their period of service at the end of the reporting period. Provisions for employees' end of service benefit due to employees working with entities domiciled in other countries are made in accordance with local laws and regulations applicable.

The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

3.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, (where the effect of time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3 Significant accounting policies (continued)

3.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time when the assets are ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.

3.17 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities held for trading are recognised immediately in profit or loss.

A financial asset and financial liability is offset and the net amount is reported in the consolidated financial statements only when there is legally enforceable right to set off the recognised amount and the Group intends either to settle on a net basis or realise the assets and settle the liabilities simultaneously.

3.18 Financial assets

The Group has the following financial assets: cash and cash equivalents, trade and other receivables (excluding advances and prepayments), due from related parties and available-for-sale investments. These financial assets are classified as 'cash and cash equivalents', 'loans and receivables' and 'investments in securities classified as available-for-sale (AFS)'. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3 Significant accounting policies (continued)

3.18 Financial assets (continued)

3.18.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

3.18.2 Loans and receivables

Trade and other receivables and due from related parties that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method less any impairment. Interest income is recognised by applying the effective rate of interest, except for short term receivables or when the recognition of interest would be immaterial.

3.18.3 Available for sale investments (AFS)

Listed shares held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but are also classified as AFS financial assets and stated at cost because management considers that fair value cannot be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the cumulative changes in fair valuation of investments with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative changes in fair valuation is reclassified to profit or loss.

Dividends on AFS investments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS investments denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

3.18.4 Impairment of financial assets

Financial assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For listed and unlisted equity investments classified as AFS investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3 Significant accounting policies (continued)

3.18 Financial assets (continued)

3.18.4 Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3 Significant accounting policies (continued)

3.18 Financial assets (continued)

3.18.5 Derecognition of financial assets

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

3.19 Financial liabilities and equity instruments

3.19.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.19.2 Equity instruments

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

3.19.3 Financial liabilities

Trade and other payables, due to related parties, bank borrowings, loan from a related party and obligations under finance leases are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short term liabilities when the recognition of interest is immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount in initial recognition.

3.19.4 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgements and estimates made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.1.1 Revenue recognition

As described in Note 3, when the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity on the end of the reporting period. In judging whether the outcome of the construction contract can be estimated reliably, management has considered the detailed criterion for determination of such outcome as set out in IAS 11 - *Construction Contracts*. For the purpose of estimating the stage of completion of contract activity, management has considered the contracted revenue and forecasted cost related to the construction contract.

Management has considered the detailed criteria for the recognition of revenue from the sale of goods set out in International Accounting Standard 18: *Revenue*, and in particular whether the Group had transferred risks and rewards of ownership of the goods. Based on the acceptance by the customer of the liability for the goods sold, management is satisfied that the significant risks and rewards have been transferred and the recognition of the revenue is appropriate.

4.1.2 Classification of properties

In the process of classifying properties, management has made various judgments. Judgments are needed to determine whether a property qualifies as an investment property, property, plant and equipment, property under development and/or property held for sale. Management develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property, plant and equipment, property under development and property held for sale. In making its judgment, management has considered the detailed criteria and related guidance set out in IAS 2 – *Inventories*, IAS 16 – *Property, Plant and Equipment*, and IAS 40 – *Investment Property*, with regards to the intended use of the property.

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

4.1 Critical judgements in applying accounting policies (continued)

4.1.3 Classification of investment in securities

Management designates at the time of acquisition of securities whether these should be classified as at available-for-sale (AFS), held for trading or amortised cost. In judging whether investments in securities are as at AFS, held for trading or amortised cost, Management has considered the detailed criteria for determination of such classification as set out in IAS 39 "Financial Instruments: Recognition and Measurement". Management is satisfied that its investments in securities are appropriately classified.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

4.2.1 Allowance for doubtful trade and other receivables and due from customers for contract work

An estimate of the collectible amount of trade receivables, due from customers for contract work and other receivables is made when collection of the full amount is no longer probable. This determination of whether the receivables are impaired entails Management's evaluation of the specific credit and liquidity position of the customers and related parties and their historical recovery rates, including discussion with legal department and review of current economic environment. Management is satisfied that no additional impairment is required on its trade receivables, due from customers for contract work and other receivables in excess of amount already provided.

4.2.2 Allowance for slow moving inventories

Raw materials are stated at the lower of cost or net realisable value. Adjustments to reduce the cost of inventory to its net realisable value, if required, are made at the product level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, technological changes, physical deterioration and quality issues. Revisions to the allowance for slow moving inventories would be required if the outcome of these indicative factors differ from the estimates.

4.2.3 Useful lives of property, plant and equipment and investment properties

The Group determines the estimated useful lives of its property, plant and equipment and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation or amortisation charge would be adjusted where management believes that the useful lives differ from current estimates.

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

4.2.4 Valuation of unquoted equity investments

Valuation of unquoted AFS equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, these investments are carried at cost less recognised impairment losses, if any. Management believes that the carrying values of these unquoted equity investments are not materially different from their fair values.

4.2.5 Impairment of securities and available-for-sale investments

Management regularly reviews indicators of impairment for AFS investments and considers whether there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged decline requires judgment. In making this judgement and to decide if an impairment loss adjustment is necessary, the Management evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows and pay out dividend capability of the investee. In assessing the volatility in the share price, the management also takes into consideration various aspects related to the market, including but not limited to, volume of trading over the past period, whether the listed price is a reflection of a distressed value driven by inactive or illiquid one-way market, and the subsequent performance of the market after the financial position date. Management also considers its intent and ability to hold the investment until its market price recovers.

4.2.6 Impairment of investment in associates and joint ventures

Management regularly reviews its investment in associates and joint ventures for indicators of impairment. This determination of whether investment associates and joint ventures are impaired entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in profit or loss. Management is satisfied that no impairment provision is necessary on its investment in associates and joint ventures.

4.2.7 Valuation of biological assets

Valuation of biological assets is arrived at using the discounted cash flow model. Management reviews the estimates used in arriving at the discounted cash flows as at the reporting date annually and the value would be adjusted where management believes current estimates changed.

**Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)**

5 Property, plant and equipment

	Fish farming assets AED'000	Buildings and leasehold improvements AED'000	Plant and equipment AED'000	Furniture, fixture and office equipment AED'000	Motor vehicles AED'000	Marine vessels AED'000	Capital work in progress AED'000	Total AED'000
Cost								
At 1 January 2016	8,005	9,660	38,316	3,547	15,963	3,330	88	78,909
Additions during the year	-	420	1,951	71	82	-	846	3,370
Disposals	-	-	(287)	-	(1,114)	-	-	(1,401)
At 31 December 2016	8,005	10,080	39,980	3,618	14,931	3,330	934	80,878
Additions during the year	222	87	471	246	-	-	4,959	5,985
Disposals	-	-	(1,843)	(234)	(2,047)	-	-	(4,124)
At 31 December 2017	**8,227**	**10,167**	**38,608**	**3,630**	**12,884**	**3,330**	**5,893**	**82,739**
Accumulated depreciation and impairment								
At 1 January 2016	8,005	8,919	32,367	3,259	11,308	3,330	-	67,188
Charge for the year	-	244	2,729	158	1,320	-	-	4,451
Eliminated on disposals	-	-	(103)	-	(873)	-	-	(976)
At 31 December 2016	8,005	9,163	34,993	3,417	11,755	3,330	-	70,663
Charge for the year	23	330	2,525	123	954	-	-	3,955
Eliminated on disposals	-	-	(1,831)	(206)	(1,961)	-	-	(3,998)
At 31 December 2017	**8,028**	**9,493**	**35,687**	**3,334**	**10,748**	**3,330**	**-**	**70,620**
Carrying amount								
At 31 December 2017	**199**	**674**	**2,921**	**296**	**2,136**	**-**	**5,893**	**12,119**
At 31 December 2016	-	917	4,987	201	3,176	-	934	10,215

At 31 December 2017, capital work in progress comprises mainly license and professional fees incurred for constructing a new factory in Dubai Investment Park (DIP).

At 31 December 2017, the cost of fully depreciated property, plant and equipment that was still in use amounted to AED 46,072 thousand (2016: AED 37,148 thousand).

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

6 Investment properties

	Buildings AED'000	Land AED'000	Total AED'000
Cost			
At 1 January 2016	70,421	97,438	167,859
Additions	925	-	925
Write off	(2,669)	-	(2,669)
At 31 December 2016	68,677	97,438	166,115
Additions	612	-	612
Write off	(874)	-	(874)
At 31 December 2017	**68,415**	**97,438**	**165,853**
Accumulated depreciation			
At 1 January 2016	60,869	-	60,869
Charge for the year	9,440	-	9,440
Eliminated on write off	(2,557)	-	(2,557)
At 31 December 2016	67,752	-	67,752
Charge for the year	382	-	382
Eliminated on write off	(874)	-	(874)
At 31 December 2017	**67,260**	**-**	**67,260**
Carrying amount			
At 31 December 2017	**1,155**	**97,438**	**98,593**
At 31 December 2016	925	97,438	98,363

The fair value of the buildings was determined using discounted cash flow model prepared internally by the management as at 31 December 2017. The fair value of the buildings as at 31 December 2017 is estimated to be 27 million (2016: AED 23 million). Assumptions used by the management are constant future cash flows and discount rate of 10% per annum. For disclosure purpose, these properties are being considered as Level 3. There were no transfers between the levels during the year. The buildings are located in Reem Island, Abu Dhabi.

6 Investment properties (continued)

Investment in plots of land represents the value of three plots of land located in Meena area, Abu Dhabi with carrying amount of AED 97 million (2016: three plots of land with carrying amount of AED 97 million). The fair value of the plots of land as of 31 December 2017 approximates to AED 200 million (2016: AED 261.2 million) was determined based on the market comparable approach that reflects recent transactions prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties was determined to be their current use. For disclosure purpose, these properties are being considered as Level 3. There were no transfers between the levels during the year.

7 Investment in associates and joint ventures

Details of the Group's associates and joint ventures are as follows:

Name of entity	**Principal activities**	**Place of incorporation and operation**	**Ownership interest**	
			2017	2016
Associates				
Abu Dhabi Mountain Gate LLC	Real estate enterprise investment, development, institution and management.	U.A.E.	**47%**	47%
Tafseer Contracting & General Maintenance Company L.L.C.	Real estate enterprise investment, development, institution and management.	U.A.E	**20%**	20%
Joint ventures				
Lazio Real Estate Investment LLC	Real estate enterprise investment, development, institution and management	U.A.E.	**65%**	60%
Progressive Real Estate Dev. LLC	Real estate enterprise investment, development, institution and management	U.A.E.	**65%**	65%

During the current year, the Group has acquired additional shares in Lazio Real Estate Investment LLC for no consideration. In accordance with an amendment to the Joint Venture Agreement, the shareholding in Lazio Real Estate Investment LLC increased in the current year from 60% to 65%, effective as of 1 January 2017.

7 Investment in associates and joint ventures (continued)

Movement in investment in associates and joint ventures was as follows:

	2017 AED'000	2016 AED'000
Balance at the beginning of the year	**9,144**	13,745
Share of the Group's profit for the year (Note 25)	**11,420**	10,239
Dividend received during the year	**(11,749)**	(14,840)
Balance at the end of the year	**8,815**	9,144

Summarised financial information in respect of all of the Group's associates and joint ventures is set out below:

	2017 AED'000	2016 AED'000
Total assets	**26,125**	27,582
Total liabilities	**(10,040)**	(12,026)
Net assets	**16,085**	15,556
Group's share of net assets of associates and joint ventures	**8,815**	9,144
Total revenue	**52,512**	49,838
Total profit for the year	**20,532**	19,488
Group's share in profits, net	**11,420**	10,239

**Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)**

8 Available-for-sale investments

	2017 AED'000	2016 AED'000
Quoted	**2,797**	738
Unquoted	**10,139**	14,139
	12,936	14,877
In U.A.E. markets	**12,936**	14,877

The unquoted investment is recorded at cost since their fair value cannot be reliably estimated. There is no active market for this investment and the Group intends to hold them for a long time. The fair value of this investment is not materially different from their carrying value at the consolidated statement of financial position date.

Movement in available-for-sale investments during the year was as follows:

	2017 AED'000	2016 AED'000
Balance at the beginning of the year	**14,877**	14,790
Purchases during the year	**4,410**	-
Change in fair value	**(2,351)**	87
Disposal of available-for-sale investments	**(4,000)**	-
	12,936	14,877

9 Inventories

	2017 AED'000	2016 AED'000
Fish and fish products	**15,406**	20,383
Fish feed	**114**	549
Other material- packing and raw materials	**1,738**	2,568
	17,258	23,500
Less: allowance for slow moving inventories	**(336)**	(739)
Goods in transit	**4,425**	5,185
	21,347	27,946

9 Inventories (continued)

Movement in allowance for slow moving inventories is as follows:

	2017	2016
	AED'000	AED'000
Balance at the beginning of the year	**739**	869
Amounts charged to income during the year	**13**	443
Allowance written off	**(416)**	(567)
Allowance written back	**-**	(6)
Balance at the end of the year	**336**	739

10 Biological assets

Movement during the year is as follows:

	2017	2016
	AED'000	AED'000
Fair value at the beginning of the year	**10,707**	7,753
Cost of purchased biological assets during the year	**-**	1,833
Cost of growing the biological assets during the year	**7,333**	7,735
Harvested during the year	**(13,890)**	(9,186)
Change in fair value	**213**	2,572
Fair value at the end of the year	**4,363**	10,707

The biological assets comprise juveniles and nursery as at the reporting date.

The fair value of the juveniles is determined by using the discounted cash flow model prepared internally by the management using the future cash flows and discount rate of 7% per annum, which was based on historical pattern and general standards in the industry.

11 Related parties

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

11 Related parties (continued)

11.1 Due from/to related parties

	2017 AED'000	2016 AED'000
11.1.1 Due from related parties (entities under common control)		
Pal Technology Services L.L.C.	**35,143**	36,189
Three 60 Estate Management	**10,283**	413
National Projects and Construction L.L.C.	**3,327**	5,366
Meena Holdings LLC	**3,000**	3,000
Royal Group - Corporate Office	**2,299**	786
Zee Stores L.L.C.	**1,150**	1,148
Mazara L.L.C.	**757**	757
Paragon Mall LLC	**648**	-
Tamouh Investments Company L.L.C.	**360**	-
Trojan General Contracting L.L.C.	**159**	47
Phoenix Timber Factory L.L.C.	**122**	127
Sinyar Property Management LLC	**121**	-
Royal Development Company L.L.C.	**60**	971
Toshiba Elevator Middle East L.L.C.	**53**	80
Royal Group – Corporate Office	**44**	-
Royal Architect Project Management L.L.C.	**41**	6,073
Abu Dhabi Mountain Gate Property Investment L.L.C.	**14**	19
Sinyar Property Management LLC	**-**	95
	57,581	55,071
Less: allowance for doubtful accounts	**(757)**	(757)
	56,824	54,314
11.1.2 Due to related parties (entities under common control)		
Hi-Tech Concrete Projects L.L.C.	**1,449**	680
Al Jaraf Travel and Logistic L.L.C.	**644**	528
Royal Group Holding L.L.C.	**198**	1,312
Reem Ready Mix Co. L.L.C.	**194**	74
Royal Technology Solutions L.L.C.	**101**	16
Tafseer Contracting Co.	**68**	-
Barari Forest Management LLC	**15**	-
Dar Al Ummah Printing and Publishing	**8**	-
Support Center & Catering LLC	**6**	-
Vision Furniture and Decoration Factory L.L.C.	**-**	14
Infinity TV	**-**	158
Others	**9**	124
	2,692	2,906

11 Related parties (continued)

11.2 Transactions

During the year, the Group entered into the following transactions with the related parties:

	2017 **AED'000**	2016 AED'000
Sales of fish and fish products	**6,321**	6,768
Contracting revenue	**37,272**	13,240
Cost of contracting revenue	**22,773**	10,188
Purchases	**-**	1,493
Rental income	**-**	570

11.3 Compensation of key management personnel

	2017 **AED'000**	2016 AED'000
Salaries and other benefits – short term	**9,789**	7,175
End of service benefits – long term	**210**	164
Management fees (Note 23)	**5,860**	3,077

12 Trade and other receivables

	2017 **AED'000**	2016 AED'000
Trade receivables	**112,072**	96,510
Less: allowance for doubtful accounts	**(6,946)**	(5,668)
	105,126	90,842
Prepaid expenses	**8,705**	4,490
Margin deposits	**237**	20
Accrued interest receivable	**1,582**	1,284
Retention receivables	**2,075**	6,335
Due from customers for contract work	**29,358**	29,546
Advances to suppliers and sub-contractors	**15,413**	3,261
Other receivables	**1,041**	4,381
	163,537	140,159

12 Trade and other receivables (continued)

Due from customers for contract work:

	2017 AED'000	2016 AED'000
Contracts costs incurred plus recognised profits less recognised losses to date	**389,562**	326,941
Progress billings to date	**(353,084)**	(292,263)
	36,478	34,678
Less: allowance against due from customers for contract work	**(7,120)**	(5,132)
Balance at the end of the year	**29,358**	29,546

The average credit period on rendering of services is 90 days. No interest is charged on the trade receivables. Trade receivables above 90 days are provided for based on estimated irrecoverable amounts from the rendering of services, determined by reference to past default experience.

Included in the Group's trade receivable balance are debtors with a carrying amount of AED 48,506 thousand (2016: AED 45,686 thousand) which are past due at the end of the reporting period for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. Included in due from customers for contract work AED 9,107 thousand is unbilled for more than one year.

Before accepting any new customer, the Group assesses the potential credit quality of the customer. The Group has policies in place to ensure that credit sales are rendered to customers with an appropriate credit history. The Group has adopted a policy of dealing with only creditworthy counterparties.

	2017 AED'000	2016 AED'000
Not past due	**56,620**	45,156
Past due but not impaired:		
Due for 31 to 60 days	**18,422**	7,163
Due for 61 to 90 days	**5,849**	5,496
Due for more than 91 days	**24,235**	33,027
	105,126	90,842

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

12 Trade and other receivables (continued)

The movement in the allowance for doubtful accounts against trade receivables during the year is as follows:

	2017 AED'000	2016 AED'000
Balance at the beginning of the year	**5,668**	5,127
Amounts charged to income during the year	**1,310**	588
Allowance written off	**(32)**	(47)
Balance at the end of the year	**6,946**	5,668

The movement in the allowance against due from customers during the year is as follows:

	2017 AED'000	2016 AED'000
Balance at the beginning of the year	**5,132**	-
Amounts charged to income during the year	**1,988**	5,132
Balance at the end of the year	**7,120**	5,132

In determining the recoverability of trade receivables and due from customers for contract work, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of reporting period. Accordingly, the management believes that there is no further credit allowance required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables:

	2017 AED'000	2016 AED'000
Due for 271 to 365 days	**47**	299
Due for more than one year	**6,899**	5,369
	6,946	5,668

13 Cash and bank balances

	2017 AED'000	2016 AED'000
Cash on hand	**155**	397
Bank balances:		
Current and call accounts	**23,484**	11,433
Fixed deposits	**270,010**	246,939
Total cash and bank balances	**293,649**	258,769
Less: fixed deposits with a maturity of more than three months	**(117,960)**	(100,875)
Cash and cash equivalents	**175,689**	157,894

14 Share capital

	2017 AED'000	2016 AED'000
Authorised issued and fully paid 510 million shares of AED 1 each (31 December 2016: 510 million shares of AED 1 each)	**510,000**	510,000

15 Statutory reserve

In accordance with UAE Federal Law No. (2) of 2015 and the Company's articles of association, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the share capital. This reserve is not available for distribution except as stipulated by the Law.

16 Provision for employees' end of service indemnity

Movements during the year were as follows:

	2017 AED'000	2016 AED'000
Balance at the beginning of the year	**14,937**	13,389
Amounts charged to income during the year	**2,810**	2,014
Amounts paid during the year	**(2,083)**	(466)
Balance at the end of the year	**15,664**	14,937

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

17 Obligations under finance leases

	2017 **AED'000**	2016 AED'000
Finance lease – vehicle financing	**496**	1,104
Less: long term portion	**-**	(496)
Short term portion	**496**	608

	Minimum lease payments		**Present value of minimum lease payments**	
	2017 **AED'000**	2016 AED'000	**2017** **AED'000**	2016 AED'000
Within one year	**538**	658	**496**	608
In the second to fifth year	**-**	538	**-**	496
	538	1,196	**496**	1,104
Less: future finance charges	**(42)**	(92)	**-**	-
Present value of minimum lease	**496**	1,104	**496**	1,104

The fair value of the finance lease liabilities approximates the carrying amount. The finance lease liabilities are secured by a mortgage over the financed vehicles with a total cost of AED 1,874,500 (2016: AED 4,244,790).

18 Loan from a related party

Details of loan from a related party are as follows:

	2017 **AED'000**	2016 AED'000
Loan from a related party - Royal Group (corporate office)	**6,025**	7,465
Less: non-current portion	**(1,705)**	-
Current portion	**4,320**	7,465

The loan from a related party is non-interest bearing. On 23 May 2017, the Group has agreed to repay the related party a monthly instalment of AED 360,000.

**Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)**

19 Bank borrowings

During the current year, the Group availed a loan facility of AED 71.3 million to finance the construction of a new factory for the processing of frozen and fresh seafood. The loan bears interest at 3 months EIBOR + 3% per annum repayable in quarterly instalments of AED 3,500,000 each. The cumulative drawdown is AED 1.105 million as of 31 December 2017.

20 Trade and other payables

	2017 AED'000	2016 AED'000
Trade payable	**26,879**	23,308
Advances from customers	**11,455**	4,881
Deferred rental income	**820**	1,696
Retention payable	**1,891**	1,203
Provision for projects expected losses	**-**	6,835
Accruals and other payables	**45,032**	29,415
	86,077	67,338

Movement in provision for projects expected losses during the year is as follows:

	2017 AED'000	2016 AED'000
Balance at the beginning of the year	**6,835**	8,870
Amounts utilised during the year	**(6,835)**	(2,035)
	-	6,835

21 Revenue

	2017 AED'000	2016 AED'000
Fish and food products revenue	**295,613**	260,170
Construction contract revenue	**18,104**	2,913
Labour camp management and other related revenue	**26,252**	22,456
Maintenance work revenue	**47,864**	54,185
Landscaping and agriculture revenue	**33,306**	44,464
	421,139	384,188

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

22 Cost of revenue

	2017 AED'000	2016 AED'000
Fish and food products cost	**256,377**	221,623
Subcontracting and maintenance costs	**25,325**	18,456
Provision for project expected losses	**-**	6,835
Direct materials and charges	**21,840**	31,539
Staff costs	**34,572**	31,389
Depreciation	**3,578**	12,989
Others	**1,690**	1,330
	343,382	324,161

23 General and administrative expenses

	2017 AED'000	2016 AED'000
Salaries and wages	**26,720**	23,042
Management fees (Note 11)	**5,860**	3,077
Rent, utilities and communication	**4,167**	3,762
Government fees, professional and legal expenses	**3,091**	2,042
Allowance against due from customers for contract work (Note 12)	**1,988**	5,132
Allowance for doubtful debts (Note 12)	**1,310**	588
Travelling expenses	**1,018**	741
Repairs and maintenance	**942**	1,606
Allowance against advances to suppliers and other receivables	**824**	-
Depreciation	**518**	688
Sales promotion and marketing	**230**	18
Annual general assembly meeting and share listing expenses	**120**	120
Insurance expenses	**87**	82
Inventories written off	**13**	443
Other expenses	**1,660**	2,013
	48,548	43,354

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

24 Selling and distribution expenses

	2017 AED'000	2016 AED'000
Salaries and wages	**8,651**	9,170
Sales promotion and marketing	**5,815**	4,767
Rent, utilities and communication	**4,332**	4,212
Freight and direct sales expenses	**3,032**	3,814
Fuel expenses	**1,073**	732
Insurance expenses	**775**	668
Travelling expenses	**376**	461
Professional fees	**271**	225
Depreciation	**241**	214
Repairs and maintenance	**56**	195
Other expenses	**115**	152
	24,737	24,610

25 Investment income

	2017 AED'000	2016 AED'000
Interest and dividends income	**6,124**	6,699
Share of profit from associates and joint ventures (Note 7)	**11,420**	10,239
	17,544	16,938

26 Other income

	2017 AED'000	2016 AED'000
Royalty income	**2,388**	8,227
Rental income	**3,543**	3,547
Gain on sale of property, plant and equipment	**433**	481
Allowance for slow moving inventories written back	**-**	6
Miscellaneous	**3,793**	3,451
	10,157	15,712

27 Basic earnings per share

Earnings per share are calculated by dividing the profit for the year attributed to the owners of the Company by the weighted average number of shares in issue throughout the year as follows:

	2017	2016
Profit for the year (AED'000)	**29,351**	26,112
Weighted average number of ordinary shares outstanding during the year (in thousands)	**510,000**	510,000
Basic earnings per share (AED)	**0.06**	0.05

28 Social contributions

The social contributions (including donations and charity) made during the current year amounted to AED 76 thousand (2016: AED 110 thousand).

29 Contingent liabilities and commitments

29.1 Contingent liabilities

	2017 AED'000	2016 AED'000
Letters of guarantee	**68,431**	68,220
Letters of credit	**5,059**	5,236

29.2 Commitments for expenditure

	2017 AED'000	2016 AED'000
Commitments for the purchase of property, plant and equipment	**67,700**	-

29.3 Operating lease commitments

Operating lease relates to lease of plot of land with lease term of 25 years commencing on 1 March 2003 and expiring on 31 January 2028. The Group does not have an option to purchase the leased property at the expiry of the lease period.

The Group entered into a new lease agreement for land for factory of Alliance Food Company LLC which expires on 24 October 2046. Operating lease relates to lease of plot of land with lease term of 30 years commencing on 25 October 2016. The Group does not have an option to purchase the leased property at the expiry of the lease period.

29 Contingent liabilities and commitments (continued)

29.3 Operating lease commitments (continued)

Non-cancellable operating lease rental is payable as follows:

	2017 AED'000	2016 AED'000
No later than one year	**400**	200
Later than one year and no later than five years	**5,228**	800
Later than five years	**26,356**	1,200
	31,984	2,200

30 Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders. The Group's overall strategy remains unchanged from 2016.

The capital structure of the Group consists of cash and bank balances, bank borrowings, loan from a related party, obligations under finance leases and equity comprising of share capital, statutory reserve, and cumulative changes on revaluation of investments and retained earnings.

30.1 Gearing ratio

The Group's management reviews the capital structure on regular basis. As part of this review, the Group's management considers the cost of capital and the risks associated with capital.

The gearing ratio at the year-end was as follows:

	2017 AED'000	2016 AED'000
Debt (i)	**7,626**	8,569
Bank balances and cash	**(293,649)**	(258,769)
Net debt	**(286,023)**	(250,200)
Equity (ii)	**553,873**	526,473
Debt/equity ratio	**-**	-

(i) Debt is defined as bank borrowings, loan from a related party and obligations under finance lease.
(ii) Equity includes share capital, statutory reserve, cumulative changes on revaluation of investments and retained earnings.

31 Financial instruments

31.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial statements.

31.2 Categories of financial instruments

	2017	2016
	AED'000	AED'000
Financial assets		
Loans and receivables (including cash and bank balances and available for sale investments)	**502,828**	430,822
Financial liabilities		
At amortised cost	**84,120**	65,401

Management considers that the carrying amounts of the financial assets and financial liabilities recorded in the consolidated statement of financial position approximate their fair values.

31.3 Fair value measurements

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

31 Financial instruments (continued)

31.3 Fair value measurements (continued)

31.3.1 Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair value of these financial assets are determined.

Financial assets	Fair value as at 31 December 2017 AED'000	31 December 2016 AED'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Quoted equity investments – available-for-sale	**2,797**	738	Level 1	Quoted bid prices in an active market.	None	NA
Unquoted equity investments – available-for-sale	**10,139**	14,139	Level 3	Net assets valuation method due to the non-availability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information. The unquoted investment is recorded at cost since their fair value cannot be reliability estimated.	Net assets value	Higher the net assets value of the investees, higher the fair value.

31.3.2 Fair value hierarchy

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

31 Financial instruments (continued)

31.3.2 Fair value hierarchy (continued)

At 31 December 2017

Financial assets	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Available-for-sale investments				
Quoted equity instruments	**2,797**	**-**	**-**	**2,797**
Unquoted equity instruments	**-**	**-**	**10,139**	**10,139**
	2,797	**-**	**10,139**	**12,936**

At 31 December 2016 Financial assets				
Available-for-sale investments				
Quoted equity instruments	738	-	-	738
Unquoted equity instruments	-	-	14,139	14,139
	738	-	14,139	14,877

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

31.4 Financial risk management objectives

The management of the Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

31 Financial instruments (continued)

31.4 Financial risk management objectives (continued)

31.4.1 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

31.4.1.1 Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. There are no significant exchange rate risks as substantially all financial assets and liabilities are denominated in Arab Emirates Dirhams, other GCC currencies and US Dollars to which the Dirham is fixed.

31.4.1.2 Interest rate risk

The Group's exposure to interest rate risk relates to its deposits and bank borrowings. At 31 December 2017, deposits carried an interest rate of 0.25% to 3.15% per annum (31 December 2016: 1.8% to 3.1% per annum) and the bank borrowings are carried at an interest rate of 3 months EIBOR + 3% per annum (31 December 2016: nil).

31.4.1.2.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for interest-bearing financial assets and financial liabilities assuming the amount of financial assets and financial liabilities at the end of the reporting period were outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would increase/decrease by AED 1.5 million (2016: AED 1.2 million).

31.4.1.3 Equity price risk

31.4.1.3.1 Sensitivity analysis

At the reporting date if the prices of investments in equity instruments are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the Group's:

Equity would have increased/decreased by AED 1 million (2016: AED 1.5 million) in the case of available-for-sale investments.

31 Financial instruments (continued)

31.4 Financial risk management objectives (continued)

31.4.1 Market risk (continued)

31.4.1.3 Equity price risk (continued)

31.4.1.3.2 Method and assumptions for sensitivity analysis

The sensitivity analysis has been done based on the exposure to equity price risk as at the reporting date.

As at the reporting date, if the prices of investments in equity instruments are 10% higher/ lower on the market value uniformly for all equities while all other variables are held constant, the impact on profit or loss and equity has been shown above.

A 10% change in the prices of investments in equity instruments has been used to give a realistic assessment as a plausible event.

31.4.2 Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by making binding legal agreements with the counter parties and is monitored by the Management.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

31.4.3 Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date.

The Group manages the liquidity risk through risk management framework for the Group's short, medium and long-term funding and liquidity management requirements by maintaining adequate reserves, sufficient cash and cash equivalent and the availability of financing through banking arrangements to ensure funds are available to meet its commitments for liabilities as they fall due.

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

31 Financial instruments (continued)

31.4 Financial risk management objectives (continued)

31.4.3 Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by Management to ensure adequate liquidity is maintained. The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

	Weighted average effective interest rate	Less than 30 days AED'000	30 to 120 days AED'000	121 to 365 days AED'000	Above 365 days AED'000	Total AED'000
31 December 2017						
Financial assets						
Available for sale investments		-	-	-	12,936	12,936
Due from related parties		56,824	-	-	-	56,824
Trade and other receivables		88,683	45,521	5,215	-	139,419
Cash and bank balances	0.25% to 3.15%	175,689	117,960	-	-	293,649
Total		321,196	163,481	5,215	12,936	502,828
Financial liabilities						
Bank borrowings	3M EIBOR + 3%	-	-	1,105	-	1,105
Due to related parties		2,692	-	-	-	2,692
Loan from a related party		360	1,080	2,880	1,705	6,025
Obligations under finance lease		-	496	-	-	496
Trade and other payables		73,802	-	-	-	73,802
Total		76,854	1,576	3,985	1,705	84,120
31 December 2016						
Financial assets						
Available for sale investments		-	-	-	14,877	14,877
Due from related parties		-	54,314	-	-	54,314
Trade and other receivables		11,788	46,446	44,628	-	102,862
Cash and bank balances	1.8% to 3.1%	10,208	147,686	100,875	-	258,769
Total		21,996	248,446	145,503	14,877	430,822

31 Financial instruments (continued)

31.4 Financial risk management objectives (continued)

31.4.3 Liquidity risk (continued)

	Less than 30 days AED'000	30 to 120 days AED'000	121 to 365 days AED'000	Above 365 days AED'000	Total AED'000
31 December 2016					
Financial liabilities					
Obligations under finance lease	-	608	-	496	1,104
Loan from a related party	-	-	7,465	-	7,465
Due to related parties	2,906	-	-	-	2,906
Trade and other payables	226	40,666	13,034	-	53,926
Total	3,132	41,274	20,499	496	65,401

32 Segmental analysis

For operating purposes the Group is organised into three major business segments as follows:

Fish farming/Trading & processing include freezing fish and seafood, preparing and packing seafood products, fish farming, trading in fish and seafood products and general trading of foodstuff.

Investments include investments in equity securities, investment in associates and joint ventures, investment property and term deposits.

Contracting include technical, commercial and contracting services specifically marine work contract, landscaping design and execution, and labour camp management.

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

32 Segmental analysis (continued)

	Fish farming/ Trading & processing		Investments		Contracting		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	AED '000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Revenue	**295,613**	260,170	**-**	-	**125,526**	124,018	**421,139**	384,188
Result								
Segment results	**(3,736)**	172	**(655)**	(1,103)	**8,208**	(7,836)	**3,817**	(8,767)
Interest and dividends	**-**	-	**6,124**	6,699	**-**	-	**6,124**	6,699
Share of profit from associates and joint ventures	**-**	-	**11,420**	10,239	**-**	-	**11,420**	10,239
Loss on disposal of investment property	**-**	-	**-**	(112)	**-**	-	**-**	(112)
Change in fair value of biological assets	**(644)**	1,275	**-**	-	**857**	1,297	**213**	2,572
Gain on sale of property, plant and equipment	**263**	153	**-**	-	**170**	328	**433**	481
Other income	**620**	925	**-**	-	**9,104**	14,306	**9,724**	15,231
Profit for the year							**31,731**	26,343

32 Segmental analysis (continued)

	Fish farming/ Trading & processing		Investments		Contracting		Total	
	2017 AED'000	2016 AED'000	**2017 AED'000**	2016 AED'000	**2017 AED'000**	2016 AED'000	**2017 AED'000**	2016 AED'000
Segment assets	**114,097**	99,763	**390,354**	369,323	**167,732**	155,408	**672,183**	624,494
Segment liabilities	**32,108**	23,870	**-**	-	**79,951**	69,880	**112,059**	93,750

33 Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those which cash flows were, or future cash flows will be, classified in the Group's consolidated financial statements of cash flows as cash flows from financing activities.

	Loan from a related party AED '000	Obligations under finance leases AED '000	Bank borrowings AED '000	Total AED '000
Balance at 1 January	7,465	1,104	-	8,569
Financing cash flows	(1,440)	(608)	1,105	(943)
Balance at 31 December	**6,025**	**496**	**1,105**	**7,626**

34 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 21 March 2018.