



International
Holdings
Company
الشركة العالمية القابضة

Annual Report 2018

General Assembly Meeting (April 2019)





H.E. Hamad Abdulla Al Shamsi
Chairman of IHC



Mr. Nadir Ahmad Al Hammadi
Vice Chairman



Mr. Hamad Salem Al Ameri
Board Member



Mr. Adel Hassan Al Nowais
Board Member



Mr. Hamad Khalfan Al Shamsi
Board Member



Mr. Laith Bin Jerry Al Fraih
Board Member



Mr. Abdur-Raheem Mungrue
Board Member

Chairman's Message

Since establishment in 1999, International Holdings Company (IHC) has evolved from being a company primarily involved in the aquaculture industry into an investment holding company featuring various operating assets. Today, IHC is a public joint stock company with investments in diversified operating companies. IHC's core business purpose includes investing and developing quality food and feed supply business in the UAE and across the world, and actively participating in UAE economic development projects by investing in real estate and industrial sector.

IHC current business focus includes Asmak, a leading provider of fresh and frozen seafood, Alliance, that supplies high-quality animal feed with a specialty in forage, roughage, and containerized-feed commodities; and ESPL, that owns and operates real estate and general construction in addition to designing and building services for landscape, irrigation, construction, maintenance and labour accommodation.

IHC demonstrated a solid performance in the year 2018 despite of expected market challenges recording a 35% year on year revenue growth which stood at AED 570 Million.

Each one of our businesses has been established to solve unique challenges in the region and across the world. Through carefully planned and highly targeted investment strategies covering various operating assets, we evaluate and execute value-accretive financial opportunities, creating value for our stakeholders, diversifying investments across operating asset classes, generating fair returns, and mitigating risk. Our active presence currently in UAE, Middle East, Europe, the North American territories, and the Far East.

IHC decided to strengthen the organization's position by diversifying the portfolio of high-quality investments. Where IHC signed an implementation agreement to acquire PAL Cooling Holding LLC (PAL). This agreement sees IHC enter into one of the region's core utility sectors, with attractive margins and high growth potential.

IHC is a highly governed and regulated holding group of companies, and I am honored to work with highly qualified and talented board and team members. Thanks to our vast business experience and unique industry focus, we have been able to build a company culture based on exceptional performance. This allows us to consistently align shareholders and management's interests.

We are passionate about sustainability across all of our businesses, taking into consideration the communities in which each company operates, and keeping people and surrounding environments top of mind through a wide range of CSR initiatives.

I am confident that by continuing to keep our focus trained on cost, reliable performance, IHC will be able to develop and nurture all of its businesses consistently. Through the pursuit of profitable opportunities and by offering our stakeholders long-term value, we look forward to a prosperous future.

H.E. Hamad Abdulla Al Shamsi,
Chairman of IHC



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**Invitation to the International Holdings Company
PJSC annual general assembly**



INVITATION TO THE INTERNATIONAL HOLDINGS COMPANY PJSC ANNUAL GENERAL ASSEMBLY

The Board of Directors of International Holdings Company PJSC (the "Company") hereby cordially invites all the esteemed shareholders of the Company to attend the general meeting of the Company (the "IHC General Meeting") which will be held at 5 p.m. on Wednesday, 10 April 2019, at Abu Dhabi Chamber of Commerce & Industry, for the purpose of considering the following resolutions:

ORDINARY RESOLUTIONS

1. Review and approval of the Board of Directors' annual report for the financial year ending on 31 December 2018.
2. Review and approval of the external auditors' report on the financial position of the Company for the financial year ending on 31 December 2018.
3. Review and approval of the balance sheet and profit and loss and financial statements for the financial year ending on 31 December 2018.
4. Review and approval of the Board of Directors' recommendation not to distribute dividends for the financial year ending on 31 December 2018.
5. Discharge of the members of the Board of Directors from their liability for the performance for the year ending on 31 December 2018.
6. Discharge of external auditors from any liability for the financial year ending on 31 December 2018.
7. Approval of the remuneration of the members of the Board of Directors' for the financial year 2018.
8. Appointment of the external auditors of the Company for the financial year ending on 31 December 2019 and determination of their remuneration for such year.

SPECIAL RESOLUTIONS:

1. Approval of the entry of PAL Group of Companies LLC and PAL Technology Services LLC (the "Strategic Investors") as shareholders in the Company, based on the study which was submitted by the Board of Directors of the Company to the IHC General Meeting regarding the benefits that such entry will offer to the Company, all in accordance with Articles 223 and 224 of the Commercial Companies Law and Article 31 of the SCA Listing Rules.
2. Approval of the increase of the share capital of the Company by AED 1,311,428,571 through the entry of a strategic investor by an in-kind contribution, from AED 510,000,000 to AED 1,821,428,571, through the issuance of 1,311,428,571 new shares of AED1.00 each in the capital of the Company to the Strategic Investors (the "Capital Increase") and the listing of such new shares of the Company on the Abu Dhabi Securities Exchange.

3. Approval of the proposed "strategic investment" to be made in the Company by the Strategic Investors through:
 - (i) the transfer of the entire issued share capital of PAL Cooling Holding LLC (the "PAL Shares") by the Strategic Investors to the Company (or, if applicable, any of its subsidiaries); and
 - (ii) the issuance of 1,311,428,571 new shares of AED1.00 each by the Company to the Strategic Investors in exchange for the PAL Shares,
 in each case, in accordance with Articles 223 and 224 of Federal Law of No. 2 of 2015 Concerning Commercial Companies (the "Commercial Companies Law") of the United Arab Emirates ("UAE") and Article 31 of the SCA Decision No. 11 RM Concerning the Listing and Issuance of Securities in Public Joint Stock Companies (the "SCA Listing Rules") (the "Transaction").

4. Approval that the articles of association circulated to the shareholders of the Company together with this notice of general meeting which include the amendments to reflect the Capital Increase as required in accordance with the Commercial Companies Law, be adopted as the articles of association of the Company in substitution for and to the exclusion of all existing articles of association.

5. Granting Mr. Hamad Abdulla Al Shamsi, Chairman of the Board of Directors of the Company, general and unconditional authority to adopt any resolution or take any action as may be necessary to implement any of the Special Resolutions, including:
 - (i) applying for the final approval of the Securities and Commodities Authority of the UAE in respect of the issuance of shares, the increase in share capital of the Company and the amendments to the Company's articles of association;
 - (ii) applying for the listing of new shares of the Company on the Abu Dhabi Securities Exchange; and
 - (iii) corresponding and negotiating on behalf of the Company with any person, entity (official and/or otherwise), governmental department, ministry or judicial authority inside or outside the UAE and adopting such resolutions and taking any such action as may be necessary or desirable to obtain the necessary approvals, "no objection" letters, dispensations or confirmations to effect the Transaction.

By Order of the board of directors of the Company

Hamad Abdulla Al Shamsi

Chairman

International Holdings Company PJSC



**Annual Performance Report of the Board of
Directors for the Year 2018**



Annual Performance Report of the Board of Directors for the Year 2018

Dear Shareholders,

I, and on behalf of the board members, would be pleased to present the Board's report in addition to the Company's audited attached Financial Statements for the year 2018.

Operational Performance

The company's activities are divided into the following:

- I. Trading
- II. Real Estate Activity
- III. Administrative Matters

Commercial Operations:

IHC - Trading Segment have Two verticals

- 1) Fresh and frozen seafood "Asmak"
- 2) Animal feed "Alliance"

"Asmak" is developing its status in the market through enhancing its products' competitive position through robust presence across the GCC, Middle East and North Africa. The Company's products are distributed through relationships built with the best distributors and trade partners all over the GCC countries, the Arab Orient and the MENA region, where the sold quantities during 2018 exceeded 14,550 tons VS. 11,900, tons in 2017 with almost 22% increase, and the Company is planning to achieve a 16,900 tons in year 2019.

In year 2018, the Company managed to reach a leading position as for the manufacture and supply of fresh and frozen fish products for all the trade channels. The Company is deemed one of the greatest centers in the region, carrying out manufacturing activities, processing and distributing all sorts of seafood. Fishery sector revenues amounted to AED 355 million in 2018 VS. AED 281 million in 2017, with 26% growth. The Company is planning to achieve revenues strategic growth in this sector in the coming years, by way of a strategic plan covering all production and sales channels.

2) Animal feed "Alliance"

Alliance mainly focusing on Sourcing, processing and sales of forage and animal feed to securing the food from milk, meat and poultry industry in the United Arab Emirates, the Gulf and the Arab region in general. The Company maintains share in existing key markets in Asia, Middle East and Africa.

Revenues of animal feed sector amounted to AED 14 million in 2018 VS. AED 14 million in 2017. The Company is planning to significant growth in the revenues of this sector in the coming years via a unique model 'Alliance vertically integrated supply chain'.

Real Estate Activity:

- As for contracting sector, facilities' services and landscaping sectors, what the company has achieved in this field has contributed in bolstering its financial position in 2018, and the performance was enhanced in the Contracting, Landscaping and Real Estate during the year, where revenues amounted to AED 200 million in 2018 VS. AED 125 million in 2017, with a 60% growth.

The Administrative Matters:

- The Management is continuously performing some procedures that lead to the improvement of its administrative and productive performance as well as strengthening the level of transparency. These ongoing improvements contribute to the development of the group work environment and opens the way to innovation, and has actually contributed to increasing the human resources' level of efficiency and skills in recent years.

Financial Analysis:

- The total sales revenues in 2018 amounted AED 570 million vs AED 421 million in the last year.
- Sales and Distribution expenses amounted to AED 31.5 million in 2018 vs AED 24.7 million in 2017.
- The administrative and general expenses amounted to AED 57.6 million in 2018 vs AED 48.5 million in 2017.
- The income from investment amounted to AED 18.4 million in 2018 vs AED 17.5 million in 2017.
- The net profits of the Company's shareholders amounted to AED 18.5 million in 2018 against the net profits of AED 29.4 million in 2017.

Year 2019 Plans:

IHC has considered various strategic initiatives to achieve growth in its revenues and profits, including diversification of investments and expansion of existing businesses in the UAE and abroad. As part of its strategy to add shareholder value and diversify its investments, IHC continues to evaluate various opportunities that provide increase in revenues and profits, reduce volatility.

IHC is currently developing and establishing an integrated hub of production and processing fish and seafood in UAE, with a capacity of 40,000 tons of production. Thus, it will be deemed one of the major regional specialized hubs in this field. This plan aims to strengthen the food security field in the Country and the region.

Factory will be operational as of the 3rd quarter of 2019.

IHC, decided to strengthen the organization's position by entering into the utilities market.

Company signed Implementation agreement to acquire PAL Cooling Holding LLC (PAL) subject to final shareholders and regulatory approval. The utilities space is one of the GCC's most promising growth sectors, and by acquiring PAL's portfolio, IHC will gain a number of advantages. These include a higher certainty of continuous cash flow, enhanced profitability, and various cost efficiencies across the company's current pool of assets.

The Company seeks to reinforce its main activities in 2019 and in the future in order to achieve the following aims:

- The continuous strengthening of "Asmak" trademark and its geographic prevalence, exportation transactions, and revenues out of all product.
- Increase its investments in Food Security through the investment in the Animal Feed sector, and create around 450,000 MT of animal feed supply capacity to maintain sustainable future supply.
- Asmak will implement ERP SAP, supporting the major expansion and factory operation. ERP scheduled go live plan by the Q4 of 2019 with implementation starting on April 2019.
- Support and participate with the Governmental Institutions for the success and development of food security plans adopted by the Country for the purpose of enriching the fish stock and maintaining the marine environment within the framework of the program that aims to strengthen the strategy of fish sources sustainability inside the United Arab Emirates.



H.E. Hamad Abdulla Al Shamsi,
Chairman of IHC



**Reports and consolidated financial statements for
the year ended 31 December 2018**



Asmak new sea food processing factory at Dubai Industrial City

Director's report for the year ended 31 December 2018

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 2018, along with the audited consolidated financial statements as at 31 December 2018.

Financial and Operating Results

The Group achieved revenue of AED 570.2 million during the year 2018 against AED 421.1 million during the year 2017.

The results of the year show net profit (attributed to parent company) of AED 18.5 million compared to AED 29.4 million in 2017.

Analysis of the financial results is as follows:

- Selling and distribution expenses amounted to AED 31.5 million compared to AED 24.7 million in 2017.
- General and administrative expenses amounted to AED 57.6 million compared to AED 48.5 million in 2017.
- Investment income amounted to AED 18.4 million compared to AED 17.5 million in 2017.
- The profit of the Group for the year amounted to AED 20.2 million compared to AED 31.7 million in 2017.

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 2018

- Sponsorship and Donations

The Group has not made social contributions in 2018 (2017: AED 76 thousand) to charities registered in the United Arab Emirates.

- Financial Reporting

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

Appropriate accounting policies have been consistently applied except for the initial application of IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers as disclosed in Note 2 to the consolidated financial statements 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.

- 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, shareholders, investors, bankers and employees for their continuous commitment, co-operation, confidence and support in achieving the Group's objectives.

On behalf of the Board of Directors



Chairman
12 March 2019

INDEPENDENT AUDITOR'S REPORT

The Shareholders
International Holdings Company P.J.S.C.
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. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, 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 and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, 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 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.

INDEPENDENT AUDITOR'S REPORT(CONT) KEY AUDIT MATTERS (CONT) KEY AUDIT MATTERS (CONT)

Key audit matters	How our audit addressed the key audit matters.
<p>Allowance for slow moving inventories</p> <p>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.</p> <p>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.</p>	<p>Our procedures in respect of allowance for slow moving items included:</p> <ul style="list-style-type: none"> • Challenged 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. • Obtained the net realisable value calculations, agreeing stock quantities of fish and related inventories in those calculations to the accounting records, and tested prices by reference to externally available data in the market. • Assessed 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. • Tested 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. • Tested the accuracy of the resultant calculation by assessing the calculation criteria and recalculating the allowance for a sample of items.

KEY AUDIT MATTERS (CONT)

Key audit matters	How our audit addressed the key audit matters.
<p>Application of IFRS 9 Financial Instruments</p> <p>The Group adopted IFRS 9 Financial Instruments ("IFRS 9") with effect from 1 January 2018. IFRS 9 supersedes the requirements of IAS 39 Financial Instruments – Recognition and Measurement.</p> <p>IFRS 9 addresses the classification, measurement and hedge accounting for financial instruments at amortised cost. IFRS 9 introduces new impairment model for financial assets and contract assets. Management has determined that the most significant impact of the new standard on the Group's consolidated financial statements relates to the expected credit loss ("ECL") for impairment of trade receivables and contract assets.</p> <p>As at 31 December 2018, the carrying value of trade receivables and contract assets from customers amounted to AED 107,293 thousand and AED 36,927 thousand, respectively (Note 12). ECL computed for trade receivables and contract assets from customers amounted to AED 14,411 thousand and AED 7,165, respectively (Note 12).</p> <p>The Group assesses at each reporting date whether the financial assets carried at amortised cost are credit-impaired. Management has applied simplified approach for measurement of ECL for trade receivables. The ECL model involves use of various assumptions, macro-economic factors and study of historical trends relating to the Group's trade collections experience.</p> <p>We consider this a key audit matter due to the judgments and estimates involved in the application of the expected credit loss model.</p> <p>Refer to note 2.1 which explains the impact application of IFRS 9, Note 3 for accounting policy and Note 12 for related disclosures in the accompanying consolidated financial statements.</p>	<p>We performed the following procedures in relation to the application of IFRS 9:</p> <ul style="list-style-type: none"> • Reviewed management's assessment of the application of IFRS 9 in terms of the classification and measurement of financial assets and liabilities, and understood the approach taken towards implementation. We specifically considered the validity of management's conclusion that the main area of impact was in respect of impairment of trade receivables and other receivables, using our experience and knowledge of similar entities; • Compared the ECL model developed by management to that required by IFRS 9 and reviewed the reasonableness of the methodology in comparison to accepted best practice. We also tested the arithmetical accuracy of the model; • Tested key assumptions, such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also considered the incorporation of forward looking factors to reflect the impact of future events on expected credit losses; • Involved our internal subject matter specialist to review the methodology used in the ECL model and compared this against the accepted practices. <p>We have also assessed the appropriateness of the disclosures provided in Note 2, Note 3 and Note 12 to the consolidated financial statements.</p>

KEY AUDIT MATTERS (CONT)

Key audit matters	How our audit addressed the key audit matters.
<p>Revenue recognition on construction contracts</p> <p>As disclosed in notes 3.5 and 21 to the consolidated financial statements, the Group enters into construction contracts with customers. Revenue from these contracts is recognised over time as performance obligations are fulfilled as services are performed.</p> <p>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.</p> <p>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.</p>	<p>Our work on the recognition of contract revenue, margin and related receivables and liabilities included, but not limited to:</p> <ul style="list-style-type: none"> • Selected sample of contracts and determined performance obligations associated with each construction contract and assessing whether revenue recognition policy of the Group is in line with how control over the contract asset is transferred to the customer; • An assessment of cost to cost method 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; • Selected 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 cost to cost method, including the following procedures: <ul style="list-style-type: none"> - A review of the contract terms and conditions through review of contract documentation; - Tested the existence and valuation of claims and variations 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;

Key audit matters	How our audit addressed the key audit matters.
	<p>- An assessment of the ability to deliver contracts within budgeted timescales and any exposures to liquidated damages for late delivery of contract works.</p> <ul style="list-style-type: none"> • Reviewed the post-year-end contract performance to support year end judgements.

Other Information

The Board of Directors and Management are responsible for the other information. The other information comprises the Directors' report and the 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.

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 risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- 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;
- The Company has maintained proper books of account;
- The financial information included in the report of the Directors' report is consistent with the books of account of the Group;
- Notes 3.3, 7, 8 and 27 to the consolidated financial statements of the Group disclose purchases or investment in shares during the financial year ended 31 December 2018;

- Note 11 to the consolidated financial statements discloses material related party transactions and balances and the terms under which they were conducted;
- 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 2018, contravened any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2018; and
- Note 29 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2018.

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah
Registration Number 717
12 March 2019
Abu Dhabi,
United Arab Emirates

Consolidated statement of financial position as at 31 December 2018

	Notes	2018	2017
		AED'000	AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	68,624	12,119
Investment properties	6	98,180	98,593
Investment in associates and joint ventures	7	12,928	8,815
Financial assets at fair value through other comprehensive income	8	22,868	12,936
Loan to a related party	11	1,200	-
Total non-current assets		203,800	132,463
Current assets			
Inventories	9	37,113	21,347
Biological assets	10	1,504	4,363
Due from related parties	11	67,327	56,824
Trade and other receivables	12	187,914	163,537
Cash and bank balances	13	293,496	293,649
Total current assets		587,354	539,720
Total assets		791,154	672,183
EQUITY AND LIABILITIES			
Equity			
Share capital	14	510,000	510,000
Statutory reserve	15	12,820	10,975
Cumulative changes on revaluation of investments		7,668	(2,264)
Currency translation reserve		(102)	-
Retained earnings		46,644	35,162
Equity attributable to owners of the Company		577,030	553,873
Non-controlling interests		9,269	6,251
Total equity		586,299	560,124
Non-current liabilities			
Provision for employees' end of service indemnity	16	16,900	15,664

Loan from a related party	18	-	1,705
Bank borrowings	19	25,144	-
Total non-current liabilities		42,044	17,369
Current liabilities			
Due to related parties	11	7,684	2,692
Loan from a related party	18	3,145	4,320
Obligations under finance leases	17	-	496
Bank borrowings	19	3,500	1,105
Trade and other payables	20	148,482	86,077
Total current liabilities		162,811	94,690
Total liabilities		204,855	112,059
Total equity and liabilities		791,154	672,183

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 2018

	Notes	2018	2017
		AED'000	AED'000
Revenue	21	570,241	421,139
Cost of revenue	22	(490,914)	(343,382)
Gross profit		79,327	77,757
General and administrative expenses	23	(57,618)	(48,548)
Selling and distribution expenses	24	(31,461)	(24,737)
Investment income	25	18,358	17,544
Change in fair value of biological assets	10	(535)	213
Other income	26	12,114	10,157
Finance costs		-	(655)
Profit for the year		20,185	31,731
Attributable to:			
Owners of the Company		18,451	29,351
Non-controlling interests		1,734	2,380
Profit for the year		20,185	31,731
Basic earnings per share (AED)	28	0.04	0.06

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 2018

	Note	2018	2017
		AED'000	AED'000
Profit for the year		20,185	31,731
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange difference on translation of foreign operations		(146)	-
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at FVTOCI	8	(1,010)	(2,351)
Total other comprehensive loss		(1,156)	(2,351)
Total comprehensive income for the year		19,029	29,380
Attributable to:			
Owners of the Company		17,339	27,000
Non-controlling interests		1,690	2,380
Total comprehensive income for the year		19,029	29,380

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

Consolidated statement of changes in equity for the year ended 31 December 2018

	Share capital AED'000	Statutory reserve AED'000	Cumulative changes on revaluation of AED'000 investments	Foreign exchange translation reserve AED'000	Retained earnings/ AED'000 (accumulated losses)	Equity attributable to owners of the Company AED'000	Non-controlling interests AED'000	Total AED'000
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 (as previously reported)	510,000	10,975	(2,264)	-	35,162	553,873	6,251	560,124
Cumulative effect of first time adoption of IFRS 9	-	-	10,942	-	(5,169)	5,773	(497)	5,276
Balance at 1 January 2018 (as restated)	510,000	10,975	8,678	-	29,993	559,646	5,754	565,400
Profit for the year	-	-	-	-	18,451	18,451	1,734	20,185
Other comprehensive loss for the year	-	-	(1,010)	(102)	-	(1,112)	(44)	(1,156)
Total comprehensive income for the year	-	-	(1,010)	(102)	18,451	17,339	1,690	19,029
Transfer to statutory reserve	-	1,845	-	-	(1,845)	-	-	-
Dividends (Note 35)	-	-	-	-	-	-	(4,000)	(4,000)
Disposal of partial interest in a subsidiary (Note 3.3)	-	-	-	-	45	45	5,825	5,870
Balance at 31 December 2018	510,000	12,820	7,668	(102)	46,644	577,030	9,269	586,299

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

Consolidated statement of cash flows for the year ended 31 December 2018

	2018 AED'000	2017 AED'000
Cash flows from operating activities		
Profit for the year	20,185	31,731
Adjustments for:		
Depreciation of property, plant and equipment	2,858	3,955
Gain on disposal of property, plant and equipment	(640)	(433)
Depreciation of investment property	413	382
Share of profit from associates and joint ventures	(7,062)	(11,420)
Change in fair value of biological assets	535	(213)
Provision for employees' end of service indemnity	2,882	2,810
Gain on sale of available-for-sale investments under IAS 39	-	(410)
Allowance for slow moving inventories	404	13
Impairment/(reversals) losses on financial assets	(2,311)	1,310
Impairment losses on contract assets from customers	-	1,988
Interest and dividends income	(11,296)	(6,124)
Gain on acquisition of a subsidiary	(2,490)	-
Finance costs	-	655
Operating cash flows before changes in operating assets and liabilities	3,478	24,244
(Increase)/decrease in inventories	(16,296)	6,586
Decrease in biological assets	2,324	6,557
Increase in due from related parties	(10,588)	(2,510)
Increase in trade and other receivables	(25,913)	(26,378)
Increase/(decrease) in due to related parties	4,992	(214)
Increase in trade and other payables	61,390	18,739
Cash generated from operations	19,387	27,024
Employees' end of service indemnity paid	(1,646)	(2,083)
Finance costs paid	-	(655)
Net cash generated from operating activities	17,741	24,286
Cash flows from investing activities		
Increase in fixed deposits with a maturity of more than three months	(83,764)	(17,085)
Purchase of property, plant and equipment	(52,583)	(5,985)
Proceeds from disposal of property, plant and equipment	1,190	559
Acquisition of a subsidiary	(3,648)	-
Purchase of investment in associates	(3,486)	-
Dividend received from associates and joint ventures	6,435	11,749
Purchases of investment properties	-	(612)
Loan provided to related party	(1,200)	-
Interest and dividends received	9,511	5,826
Net cash used in investing activities	(127,545)	(5,548)

Consolidated statement of cash flows (continued) for the year ended 31 December 2018

	2018 AED'000	2017 AED'000
Cash flows from financing activities		
Proceeds from bank borrowings	27,539	1,105
Repayment of loan from a related party	(2,880)	(1,440)
Dividend paid to non-controlling interest	(4,000)	-
Net movement in non-controlling interest	5,870	-
Net decrease in obligations under finance leases	(496)	(608)
Net cash from/(used in) financing activities	26,033	(943)
Net (decrease)/increase in cash and cash equivalents	(83,771)	17,795
Cash and cash equivalents at the beginning of the year	175,689	157,894
Effect of foreign exchange rate changes	(146)	-
Cash and cash equivalents at the end of the year (Note 13)	91,772	175,689
Non cash transactions:		
Purchase of available-for-sale investments	-	4,410
Disposal of available-for-sale investments	-	4,000

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

Notes to the consolidated financial statements for the year ended 31 December 2018

1 General information

International Holdings Company P.J.S.C. 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. ("the Company") 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 change 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 (IFRSs)

2.1 New and revised IFRSs effective for accounting periods beginning on or after 1 January 2018

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2018, have been adopted in these consolidated financial statements.

The Group applies, for the first time, IFRS 9 Financial Instruments (as revised in July 2014) and IFRS 15 Revenue from contracts with customers and the related consequential amendments to other IFRS Standards that are effective for annual period that begins on or after 1 January 2018. The impact of the initial application of these standards is disclosed as below.

In the current year, the Group has also applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018 as below:

- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions
- IFRS 4 (amendments) Forthcoming New Insurance Contracts Standard
- IAS 40 (amendments) Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle amending IFRS 1 and IAS 28
- Amendments to IAS 28 Investments in Associates and Joint Ventures
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

December 2018 (continued) Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Transition provisions of IFRS 9 allow an entity not to restate comparatives.

Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures about 2018.

Impact of initial application of IFRS 9 Financial Instruments

Details of these IFRS 9 new requirements as well as their impact on the Group's financial statements are described below.

a. Classification and measurement

The Group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

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

The management of the Group reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

- the Group's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets under IAS 39 have been designated as at FVTOCI. The change in fair value on these equity instruments are accumulated in the investment revaluation reserve;
- there will be no change in the measurement of the Company's investments in equity instruments that are held for trading; those instruments were and continue to be measured at FVTPL;
- financial assets classified as loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

b Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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

2.1 New and revised IFRSs effective for accounting periods beginning on or after 1 January 2018 (continued)

Impact of initial application of IFRS 9 Financial Instruments

In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on due from related parties (Note 11), trade and other receivables (Note 12) and cash and bank balances (Note 13).

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated creditimpaired financial asset.

b. Impairment of financial assets (continued)

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated creditimpaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Because the Group has elected not to restate comparatives, for the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 (i.e. 1 January 2018), the management has compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 January 2018.

c. Classification and measurement of financial liabilities

The application of IFRS 9 has had no material impact on the classification and measurement of the Group's financial liabilities.

d. Disclosures in relation to initial application of IFRS 9

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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

2.1 New and revised IFRSs effective for accounting periods beginning on or after 1 January 2018 (continued)

Impact of initial application of IFRS 9 Financial Instruments

The result of the assessment is as follows:

Items existing as at 1 January 2018 that are subject to the impairment provisions of IFRS 9	Credit risk attributes at January 2018	Cumulative additional loss allowance recognised on 1 January 2018 and corresponding impact on equity
Cash and bank balances (note 13)	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.	(54)
Due from related parties (note 11)	The Group applies the simplified approach and recognises lifetime ECL for these assets.	(85)
Trade and other receivables (note 12)	The Group applies the simplified approach and recognises lifetime ECL for these assets.	(5,527)
Financial assets at fair value through other comprehensive income (note 8)	The Group has applied Discounted Cash Flow (DCF) Model to assess fair value of these financial assets.	10,942
		5,276

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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

2.1 New and revised IFRSs effective for accounting periods beginning on or after 1 January 2018 (continued)

d. Disclosures in relation to initial application of IFRS 9 (continued)

Below note tabulates the change in classification and the related adjustments arising from such reclassifications and re-measurement of the Group's financial assets upon initial application of IFRS 9 as of 1 January 2018.

	Financial assets	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39	Re measurements other than ECL	Additional loss allowance recognised under IFRS 9	New carrying amount under IFRS 9
1.	Trade receivables and other receivables	Loans and receivables	Financial assets at amortised cost	163,537	-	(5,527)	158,010
2.	Due from related parties	Loans and receivables	Financial assets at amortised cost	56,824	-	(85)	56,739
3.	Cash and bank balances	Loans and receivables	Financial assets at amortised cost	293,649	-	(54)	293,595
4.	Investments in equity instruments	Available-for-sale investments	Financial assets at FVTOCI	12,936	10,942	-	23,878
5.	Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	86,077	-	-	86,077

e. General hedge accounting

The Group does not have any hedges and hence this is not applicable.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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

2.1 New and revised IFRSs effective for accounting periods beginning on or after 1 January 2018 (continued)

Amendments to IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is mandatorily effective for an accounting period that begins on or after 1 January 2018. Details of the new requirements as well as their impact on the Group's financial statements are described below.

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.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in IFRS 15 to describe such balances.

The application of the amendments in IFRS 15 had no impact on the financial position and/or financial performance of the Group.

2.2 New and revised IFRS in issue but not yet effective

The Group has not 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
IFRS 16 Leases	1 January 2019
<u>General impact of application of IFRS 16 Leases</u>	
IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019.	
The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether the existing contracts contains lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019	
The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).	

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

2 Adoption 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 (continued)	Effective for annual periods beginning on or after
Impact on Lessee Accounting	1 January 2019
Operating leases	
IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, as off-balance sheet items.	
On initial application of IFRS 16, for all leases the Group will:	
a. Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position;	
b. Estimate the incremental borrowing rate and use it to determine the present value of the future lease payments;	
c. Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and	
d. Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest expense (presented within operating activities) in the statement of cash flow.	
For short-term leases and leases of low-value assets, the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.	
The Group plans to apply modified retrospective approach upon adoption of IFRS 16.	
Management has carried out an initial assessment of the impact of IFRS 16 based on certain practical expedients for certain leasing arrangements as of 31 December 2018 which are expected to continue as at 1 January 2019. It is anticipated that the Group will need to recognise right-of-use assets of AED 14,084 thousand and obligation under finance lease of AED 13,808 thousand. The resulting difference of AED 276 thousand will be directly adjusted against opening retained earnings at the initial application date. The impact analysis above is provisional and may be subject to adjustments once management completes its review.	
Annual Improvements to IFRSs 2015–2017 Cycle amending IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing costs.	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments in IFRS 9 Financial Instruments relating to prepayment features with negative compensation.	1 January 2019

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

2 Adoption 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 (continued)	Effective for annual periods beginning on or after
Amendment to IAS 19 Employee Benefits relating to amendment, curtailment or settlement of a defined benefit plan	1 January 2019
Amendments in IAS 28 Investments in Associates and Joint Ventures relating to long-term interests in associates and joint ventures.	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	1 January 2020
Amendment to IFRS 3 Business Combinations relating to definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8 relating to definition of material	1 January 2020
IFRS 17 Insurance Contracts	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 financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for 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.

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 and the Company's articles of association.

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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Significant accounting policies (continued)

3.2 Basis of preparation (continued)

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. (the "Group") comprise the financial information of the Company and its subsidiaries.

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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

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 IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Details of the Company's subsidiaries as at 31 December 2018 and 2017 were as follows:

Name of subsidiary	Place of incorporation and operation	Principal activities	Proportion of ownership interest and voting power held	
			2018	2017
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.	70%	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%	82%
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%

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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	
			2018	2017
Alliance Food Security Holdings USA	United States of America	Animal feed trading	100%	100%
Forrajes San Mateo, S.L.U.	Spain	Trading and production of animal feed	70%	-
Asmak Holding Company Limited	United Arab Emirates	Holding companies and investment in commercial enterprises and management	100%	-

In 2017, Alliance Food Security Holdings USA was incorporated as a fully owned subsidiary of the Group. This subsidiary is non-operating as of 31 December 2018.

During the current year, the Alliance Food Security Holdings acquired 100% interest in a new subsidiary "Forrajes San Mateo, S.L.U" for a total consideration of EUR 1,065,000 (AED 4,830,222). Out of the total consideration, the Group has paid EUR 800,000 (AED 3,648,000) and the balance consideration of EUR 265,000 (AED 1,182,222) is payable in 2019. The Group appointed an independent valuer for the purchase price allocation related to the acquisition. The fair value of identifiable net assets was AED 7,319,536 and the Group recognised gain on acquisition amounting to AED 2,489,313.

During the current year, the Group disposed of 30% of its interest in Alliance Food Security Holdings LLC, reducing its controlling interest to 70% for a consideration amounting to AED 5,869,967. An amount of AED 5,824,942 (being the proportionate share of the carrying amount of the net assets of the subsidiary) has been transferred to non-controlling interest. The difference of AED 45,025 between the increase in the non-controlling interest and the consideration received has been credited to retained earnings.

During the current year, Asmak Holding Company Limited was incorporated as a wholly owned subsidiary of the Group. This subsidiary is non-operating as of 31 December 2018.

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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Significant accounting policies (continued)

3.4 Business combinations (continued)

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.

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 IFRS 9 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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Significant accounting policies (continued) 3.5 Revenue recognition

Revenue is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties. Revenue is reduced for estimated customer returns, rebates, discounts and other similar allowances. Revenue is recognised only when the Group has transferred control over goods or services to its customers.

The stand-alone selling prices are determined based on the observable price at which the Group sells the products and services on a standalone basis.

3.5.1 Upon adoption of IFRS 15 – applicable from 1 January 2018

3.5.1.1 Sale of goods

The Group sells fish and fish products to customers. Revenue from sale of goods is recognised when control of the goods has transferred, being when the goods have been shipped to the customer. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

3.5.1.2 Construction contracts

The Group provides construction with services with customers. Such contracts are entered into before rendering of services begins. Under the terms of the contracts, the Group is contractually restricted from reducing the structure under construction to another customer and has enforceable right to payment for work done. Revenue from construction is therefore recognised over time on a cost to cost method based the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The management consider that this input method is an appropriate measure of the progress towards complete satisfaction of the performance obligations under IFRS 15 Revenue from Contracts with Customers.

Where the outcome of a construction contract cannot be estimated reliably, revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. 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 and general and administrative expenses of the year 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.

The gross amount of contract assets from customers classified under trade and other receivables, is the net amount of costs incurred plus recognised profits; less recognised losses and progress billings, for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Significant accounting policies (continued) 3.5 Revenue recognition (continued)

3.5.1.2 Construction contracts (continued)

The gross amount contract liabilities to customers classified under accounts payable, is the net amount of costs incurred plus recognised profits less recognised losses and less progress billings, for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

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.

3.5.1.3 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.

3.5.1.4 Services

Revenue relating to services is recognised over time. The transaction price is straight lined over the period of service.

3.5.1.5 Dividend income

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

3.5.1.6 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.

3.5.2 Revenue recognition under IAS 18 - applicable before 1 January 2018

3.5.2.1 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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Significant accounting policies (continued)

3.5 Revenue recognition (continued)

3.5.2 Revenue recognition under IAS 18 - applicable before 1 January 2018 (continued)

3.5.2.2 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.

3.5.2.3 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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Significant accounting policies (continued)

3.5 Revenue recognition (continued)

3.5.2 Revenue recognition under IAS 18 - applicable before 1 January 2018 (continued)

3.5.2.4 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.

3.5.2.5 Dividend income

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

3.5.2.6 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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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 - 33
Plant and equipment	3 - 5
Furniture, fixtures and office equipment	3 - 5
Motor vehicles	4 - 5
Marine vessels	10 - 25

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Significant accounting policies (continued)

3.10 Investment associates and joint ventures (continued)

The requirements of IAS 36 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 IFRS 9. 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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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

Policy applicable from 1 January 2018

Financial assets and financial liabilities are recognised in the Group's consolidated statements of financial position 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.

3.18 Financial assets

3.18.1 Upon adoption of IFRS 9 – applicable from 1 January 2018

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

(i) Debt instruments designated at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Significant accounting policies (continued)

3.18 Financial assets (continued)

(i) Debt instruments designated at amortised cost

Amortised cost and effective interest rate method

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

(ii) Financial assets at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

Impairment of financial assets

The Group always recognises lifetime ECL for trade and receivables, due from related parties and cash and bank balances. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Significant accounting policies (continued)

3.18 Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Significant accounting policies (continued)

3.18 Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

The Group considers an event of default if the debtor is unlikely to pay its credit obligation in full, without recourse by the Group to actions such as realizing security (if held).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Significant accounting policies (continued)

3.18 Financial assets (continued)

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.

3.18.2 Policy under IAS 39 – applicable before 1 January 2018

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.

3.18.2.1 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.

3.18.2.2 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.

3.18.2.3 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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Significant accounting policies (continued)

3.18 Financial assets (continued)

3.18.2.3 Available for sale investments (AFS) (continued)

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.

3.18.2.4 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.

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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Significant accounting policies (continued)

3.18 Financial assets (continued)

3.18.2.4 Impairment of financial assets (continued)

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.

3.18.2.5 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 Upon adoption of IFRS 9 – applicable from 1 January 2018

3.19.1.1 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.

3.19.1.2 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.

3.19.1.3 Financial liabilities

Trade and other payables, bank borrowings, obligations under finance leases, loan from a related part and due to related parties are classified as 'financial liabilities' 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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

3 Significant accounting policies (continued)

3.19 Financial liabilities and equity instruments (continued)

3.19.1.3 Financial liabilities (continued)

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.

3.19.1.4 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.

3.19.2 Policy under IAS 39 – applicable before 1 January 2018

3.19.2.1 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.

3.19.2.2 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.

3.19.2.3 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.

3.19.2.4 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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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

4.1.1.1 applicable from 1 January 2018

Management considers recognising revenue over time, if one of the following criteria is met, otherwise revenue will be recognised at a point in time:

- a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- c) the Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

As further described in note 3, revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it performs service to a customer. Revenue from construction is recognised over time on a costto cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Group consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

Management has considered the detailed criteria for the recognition of revenue from the sale of goods set out in IFRS 15: Revenue from contracts with customers, and in particular whether the Group had transferred control of the goods to the customers. Based on the acceptance by the customer of the liability for the goods sold, management is satisfied that control has been transferred upon acceptance of delivery and the recognition of the revenue is appropriate.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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

4.1 Critical judgements in applying accounting policies (continued)

4.1.1 Revenue recognition (continued)

4.1.1.1 applicable from 1 January 2018 (continued)

Contract variations are recognised as revenues only to the extent that it is probable that they will not result in a significant reversal of revenue in subsequent periods. Management considers prior experience, application of contract terms and the relationship with the customers in making their judgement.

Contract claims are recognised as revenue only when management believes that only to the extent that it is probable that they will not result in a significant reversal of revenue in subsequent periods. Management reviews the judgment related to these contract claims periodically and adjustments are made in the future periods, if assessments indicate that such adjustments are appropriate.

4.1.1.2 applicable before 1 January 2018

The Group uses the percentage-of-completion method in accounting for its ongoing contract services. Use of percentage-of-completion method requires the Group to estimate the proportion of work performed to date (based on the project managers' judgment) which management considers provides the most appropriate measures of percentage-of-completion.

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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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

4.1 Critical judgements in applying accounting policies (continued)

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.

4.1.3 Upon adoption of IFRS 9 – applicable from 1 January 2018

4.1.3.1 Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

4.1.3.2 Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

4.1.4 Financial instruments under IAS 39, applicable before 1 January 2018

4.1.4.1 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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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

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 Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Management is satisfied that no additional impairment is required on its trade receivables, contract assets from customers 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.

4.2.4 Valuation of unquoted equity investments

4.2.4.1 applicable from 1 January 2018

Valuation of unquoted AFS equity investments is normally based market observable data to the extent practicable. When level 1 inputs are not available the Group determines fair value based another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. Management believes that the carrying values of these unquoted equity investments are appropriately measured at their fair values.

Notes to the consolidated financial statements for the year ended 31 December 2018 (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 (continued)

4.2.4.1 applicable before 1 January 2018

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 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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

5 Property, plant and equipment

	Fish farming assets	Buildings and leasehold improvements	Plant and equipment	Furniture, fixtures and office equipment	Motor vehicles	Marine vessels	Capital work in progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost								
At 1 January 2017	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
On acquisition (Note 27)	-	5,104	1,335	-	891	-	-	7,330
Additions during the year	-	-	396	108	356	-	51,723	52,583
Disposals	(1,775)	(64)	(1,749)	(25)	(2,018)	(135)	-	(5,766)
At 31 December 2018	6,452	15,207	38,590	3,713	12,113	3,195	57,616	136,886
Accumulated depreciation and impairment								
At 1 January 2017	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
Charge for the year	199	449	1,741	58	411	-	-	2,858
Eliminated on disposals	(1,775)	(64)	(1,725)	(24)	(1,493)	(135)	-	(5,216)
At 31 December 2018	6,452	9,878	35,703	3,368	9,666	3,195	-	68,262
Carrying amount								
At 31 December 2018	-	5,329	2,887	345	2,447	-	57,616	68,624
At 31 December 2017	199	674	2,921	296	2,136	-	5,893	12,119

At 31 December 2018, capital work in progress mainly comprises costs incurred towards constructing a new factory in Dubai Investment Park (DIP).

At 31 December 2018, the cost of fully depreciated property, plant and equipment that was still in use amounted to AED 58,842 thousand (2017: AED 46,072 thousand).

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

5 Property, plant and equipment (continued)

The depreciation expense are apportioned as follows:

	2018 AED'000	2017 AED'000
Cost of revenue (Note 22)	2,041	3,196
General and administrative expenses (Note 23)	697	518
Selling and distribution expenses (Note 24)	120	241
	2,858	3,955

6 Investment properties

	Buildings AED'000	Land AED'000	Total AED'000
Cost			
At 1 January 2017	68,677	97,438	166,115
Additions	612	-	612
Write off	(874)	-	(874)
At 31 December 2017 and 2018	68,415	97,438	165,853
Accumulated depreciation			
At 1 January 2017	67,752	-	67,752
Charge for the year	382	-	382
Eliminated on write off	(874)	-	(874)
At 31 December 2017	67,260	-	67,260
Charge for the year	413	-	413
At 31 December 2018	67,673	-	67,673
Carrying amount At 31 December 2018	742	97,438	98,180
At 31 December 2017	1,155	97,438	98,593

The fair value of investment property was determined by using discounted cash flow model prepared internally by the management as of 31 December 2018. The fair value of the investment property is not lower than the carrying value. The fair value of the investment property as at 31 December 2018 is estimated to be around AED 30 million (2017: AED 27 million). Assumption used by the management are constant historic cash flows and discount rate of 10% per annum. For disclosure purpose these investment properties are being considered as level 3.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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 (2017: three plots of land with carrying amount of AED 97 million). The fair value of the plots of land as of 31 December 2018 approximates to AED 177 million (2017: AED 200 million) and was determined by an independent appraiser using 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 purposes, 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 Associates	Principal activities	Place of incorporation and operation	Ownership interest	
			2018	2017
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%
The Gombos Company LLC	Trading and production of animal feed	USA	30%	-
Joint ventures				
Lazio Real Estate Investment LLC	Real estate enterprise investment, development, institution and management	U.A.E.	65%	65%
Progressive Real Estate Dev. LLC	Real estate enterprise investment, development, institution and management	U.A.E.	65%	65%

During the current year, the Group acquired 30% interest in "The Gombos Company L.L.C." The consideration paid amounted to AED 3.5 million.

During the current year, the Directors of Lazio Real Estate Investment LLC has elected to liquidate the joint venture. As of December 31, 2018, carrying amount of the investments is AED 0.2 million. The liquidation process is still on going.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

7 Investment in associates and joint ventures (continued)

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

	2018 AED'000	2017 AED'000
Balance at the beginning of the year	8,815	9,144
Acquisition during the year	3,486	-
Share of the Group's profit for the year (Note 25)	7,062	11,420
Dividend received during the year	(6,435)	(11,749)
Balance at the end of the year	12,928	8,815

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

	2018 AED'000	2017 AED'000
Total assets	92,709	26,125
Total liabilities	(51,211)	(10,040)
Net assets	41,498	16,085
Group's share of net assets of associates and joint ventures	12,928	8,815
Total revenue	144,401	52,512
Total profit for the year	13,307	20,532
Group's share in profits, net	7,062	11,420

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

8 Financial assets at fair value through other comprehensive income

	2018 AED'000	2017 AED'000
Quoted	1,787	2,797
Unquoted	21,081	10,139
	22,868	12,936
In U.A.E. markets	22,868	12,936

These investments in equity instruments are not held for trading. Instead, they are held for long-term strategic purposes. Accordingly, the management of the Group has elected to designate these investments in equity instruments as FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The unquoted investment is recorded at fair value using income approach. Valuation technique used to derive fair value is disclosed in note 32.3.1.

Movement in financial assets at FVTOCI during the year was as follows:

	2018 AED'000	2017 AED'000
Balance at the beginning of the year (as previously reported under IAS 39)	12,936	14,877
Change in fair value of unquoted investments due to adoption of IFRS 9	10,942	-
	23,878	14,877
Purchases during the year	-	4,410
Change in fair value	(1,010)	(2,351)
Disposal of financial assets at FVTOCI	-	(4,000)
	22,868	12,936

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

9 Inventories

	2018 AED'000	2017 AED'000
Fish and fish products	34,701	15,406
Fish feed	-	114
Other material- packing and raw materials	2,589	1,738
	37,290	17,258
Less: allowance for slow moving inventories	(740)	(336)
Goods in transit	563	4,425
	37,113	21,347

Movement in allowance for slow moving inventories is as follows:

	2018 AED'000	2017 AED'000
Balance at the beginning of the year	336	739
Amounts charged to income during the year	404	13
Allowance written off	-	(416)
Balance at the end of the year	740	336

10 Biological assets

Movement during the year is as follows:

	2018 AED'000	2017 AED'000
Fair value at the beginning of the year	4,363	10,707
Cost of growing the biological assets during the year	631	7,333
Harvested during the year	(2,955)	(13,890)
Change in fair value	(535)	213
Fair value at the end of the year	1,504	4,363

As of 31 December 2018, the biological assets comprise the fair value of nursery plants.

As of 31 December 2017, the biological assets comprise of nursery plants and juveniles. 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, as defined in International Accounting Standard 24: Related Party Disclosures, include associate companies, major shareholders, directors and other key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

11 Related parties (continued)

11.1 Due from/to related parties

	2018 AED'000	2017 AED'000
11.1.1 Due from related parties (entities under common control)		
Pal Technology Services L.L.C.	34,393	35,143
RG Procurement RSC LTD	14,816	-
Meena Holdings LLC	6,188	3,000
National Projects and Construction L.L.C.	5,457	3,327
Tafawuq Facility Management (Formerly Three 60 Estate Management)	3,695	10,283
Zee Stores L.L.C.	1,356	1,150
Mazara L.L.C.	757	757
Paragon Mall LLC	749	648
Tamouh Investments Company L.L.C.	162	360
Trojan General Contracting L.L.C.	159	159
YOSH Hospitality LLC	144	-
Phoenix Timber Factory L.L.C.	122	122
Royal Development Company L.L.C.	60	60
Toshiba Elevator Middle East L.L.C.	49	53
Royal Architect Project Management L.L.C.	41	41
Abu Dhabi Mountain Gate Property Investment L.L.C.	21	14
Sinyar Property Management LLC	-	121
Royal Group - Corporate Office	-	2,343
	68,169	57,581
Less: allowance for expected credit loss	(757)	(757)
Adjustment upon application of IFRS 9	(85)	-
	67,327	56,824
11.1.2 Due to related parties (entities under common control)		
Hi-Tech Concrete Projects L.L.C.	2,750	1,449
National Projects and Construction LLC	4,000	-
Al Jaraf Travel and Logistic L.L.C.	230	644
Royal Group Holding L.L.C.	452	198
Royal Group - Corporate Office	141	-
Reem Ready Mix Co. L.L.C.	81	194
Zee Stores L.L.C.	13	-
Dar Al Ummah Printing and Publishing	10	8
Support Center & Catering LLC	7	6
Royal Technology Solutions L.L.C.	-	101
Tafseer Contracting Co.	-	68
Barari Forest Management LLC	-	15
Others	-	9
	7,684	2,692
11.1.3 Loan to a related party		
Key management personnel	1,200	-

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

11 Related parties (continued)

11.2 Transactions

During the year, the Group granted loan to a key management personnel amounting to AED 1.2 million which is unsecured and non-interest bearing and due on 31 December 2020.

Further, the Group entered into the following transactions with the entities under common control:

	2018 AED'000	2017 AED'000
Sales of fish and fish products	7,200	6,321
Contracting revenue	52,769	37,272
Cost of contracting revenue	41,097	22,773
Purchases	3,081	-

11.3 Compensation of key management personnel

	2018 AED'000	2017 AED'000
Salaries and other benefits – short term	10,866	9,789
End of service benefits – long term	231	210
Management fees (Note 23)	5,341	5,860

12 Trade and other receivables

	2018 AED'000	2017 AED'000
Trade receivables	121,704	112,072
Less: allowance for expected credit loss	(8,929)	(6,946)
Adjustment upon application of IFRS 9	(5,482)	-
	107,293	105,126
Contract assets from customers	36,972	29,358
Adjustment upon application of IFRS 9	(45)	-
	144,220	134,484
Retention receivables	7,713	2,075
Prepaid expenses	1,154	8,705
Margin deposits	2,295	237
Accrued interest receivable	3,367	1,582
Advances to suppliers and sub-contractors	21,384	15,413
Other receivables	7,781	1,041
	187,914	163,537

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

12 Trade and other receivables (continued)

Contract assets from customers:

	2018 AED'000	2017 AED'000
Contracts costs incurred plus recognised profits less recognised losses to date		
less recognised losses to date	293,764	389,562
Progress billings to date	(249,672)	(353,084)
Less: allowance against due from customers for contract work	44,092 (7,165)	36,478 (7,120)
Balance at the end of the year	36,927	29,358

The average credit period on sale of goods and rendering of services is 60 - 90 days. No interest is charged on the outstanding trade receivables.

The Group always measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime ECL. The expected credit losses on financial assets and contract assets are estimated using a provision matrix based on the Group's historical credit loss experience and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The following table details the risk profile of trade receivables based on the Group's provision matrix:

31 December 2018	Trade receivables – Days Past Due				
	Not past due	<30	31-60	>60	Total
Expected credit loss rate	3%	7%	21%	58%	
Estimated total gross carrying amount at default	89,331	11,916	2,473	17,984	121,704
Life time ECL	2,624	785	514	10,488	14,411

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

12 Trade and other receivables (continued)

31 December 2017	Not past due AED'000	Trade receivables – Days Past Due			
		<30 AED'000	31-60 AED'000	>60 AED'000	Total AED'000 (Restated)
Expected credit loss rate	6%	6%	37%	73%	
Estimated total gross carrying amount at default	56,019	9,749	8,385	37,919	112,072
Life time ECL	940	481	674	10,333	12,428

The movement in the allowance for expected credit loss against trade receivables during the year is as follows:

	2018 AED'000	2017 AED'000
Balance at the beginning of the year (as previously reported)	6,946	5,668
Adjustment upon application of IFRS 9	5,482	-
Balance at the beginning of the year (as restated)	12,428	5,668
Amounts charged to income during the year	2,311	1,310
Allowance written off	(328)	(32)
Balance at the end of the year	14,411	6,946

The movement in the allowance for expected credit loss against contract assets from customers during the year is as follows:

	2018 AED'000	2017 AED'000
Balance at the beginning of the year (as previously reported)	7,120	5,132
Adjustment upon application of IFRS 9	45	-
Balance at the beginning of the year (as restated)	7,165	5,132
Amounts charged to income during the year	-	1,988
Balance at the end of the year	7,165	7,120

There has not been any significant change in the gross amounts and movements in lifetime ECL for of trade receivables and contract assets that has affected the estimation of the loss allowance as of 31 December 2018.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

13 Cash and bank balances

	2018 AED'000	2017 AED'000
Cash on hand	258	155
Bank balances:		
Current and call accounts	22,855	23,484
Fixed deposits	270,437	270,010
Adjustment upon application of IFRS 9	(54)	-
Total cash and bank balances	293,496	293,649
Less: fixed deposits with a maturity of more than three months	(201,724)	(117,960)
Cash and cash equivalents	91,772	175,689

14 Share capital

	2018 AED'000	2017 AED'000
Authorised issued and fully paid 510 million shares of AED 1 each (31 December 2017: 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:

	2018 AED'000	2017 AED'000
Balance at the beginning of the year	15,664	14,937
Amounts charged to income during the year	2,882	2,810
Amounts paid during the year	(1,646)	(2,083)
Balance at the end of the year	16,900	15,664

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

17 Obligations under finance leases

This represents the carrying amount of the vehicle finance lease entered by the Group in the previous years that has matured during the year.

Shown below is the maturity analysis of minimum lease payments:

	Minimum lease payments		Present value of minimum lease payments	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Within one year	-	538	-	496
In the second to fifth year	-	-	-	-
		538	-	496
Less: future finance charges	-	(42)	-	-
Present value of minimum lease payments	-	496	-	496

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 nil (2017: AED 1,874,500).

18 Loan from a related party

Details of loan from a related party are as follows:

	2018 AED'000	2017 AED'000
Loan from a related party - Royal Group (corporate office)	3,145	6,025
Less: non-current portion	-	(1,705)
Current portion	3,145	4,320

The loan from a related party is non-interest bearing. 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 2018 (continued)

19 Bank borrowings

Details of bank borrowings are as follows:

	2018 AED'000	2017 AED'000
Bank borrowings	28,644	1,105
Less: non-current portion	25,144	-
Current portion	3,500	1,105

In 2017, 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 payable quarterly which is repayable in quarterly instalments of AED 3,500,000 each starting 31 December 2019. The cumulative drawdown is AED 28.6 million (2017: AED 1.1 million). Borrowing costs included in the cost of qualifying assets amounted to AED 487,200 (2017: AED Nil).

20 Trade and other payables

	2018 AED'000	2017 AED'000
Trade payables	70,871	26,879
Advances from customers	15,876	11,455
Deferred rental income	104	820
Retention payable	8,946	1,891
Accruals and other payables	52,685	45,032
	148,482	86,077

The Group's trade and other payables have usual credit terms of 30 to 90 days from the invoice date.

21 Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with revenue information that is disclosed for each reportable segment under IFRS 8, Operating Segments.

	2018 AED'000	2017 AED'000
Fish farming/trading & processing:		
Fish and food products revenue	369,320	295,613
Contracting:		
Construction contract revenue	94,020	18,104
Labour camp management and other related revenue	26,530	26,252
Maintenance work revenue	33,855	47,864
Landscaping and agriculture revenue	46,516	33,306
	570,241	421,139

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

22 Cost of revenue

	2018 AED'000	2017 AED'000
Fish and food products cost	323,053	256,377
Subcontracting and maintenance costs	84,648	25,325
Direct materials and charges	50,758	21,840
Staff costs	30,346	34,572
Depreciation	2,041	3,196
Others	68	2,072
	490,914	343,382

23 General and administrative expenses

	2018 AED'000	2017 AED'000
Salaries and wages	28,012	26,720
Management fees (Note 11)	5,341	5,860
Rent, utilities and communication	4,162	4,167
Government fees, professional and legal expenses	9,294	3,091
Allowance against contract assets from customers (Note 12)	-	1,988
Allowance for doubtful debts (Note 12)	2,311	1,310
Travelling expenses	1,546	1,018
Repairs and maintenance	242	942
Depreciation	697	518
Sales promotion and marketing	11	230
Annual general assembly meeting and share listing expenses	520	120
Insurance expenses	477	87
Allowance for slow moving inventories	404	13
Allowance against advances to suppliers and other receivables	-	824
Other expenses	4,601	1,660
	57,618	48,548

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

24 Selling and distribution expenses

	2018 AED'000	2017 AED'000
Salaries and wages	11,102	8,651
Sales promotion and marketing	6,237	5,815
Rent, utilities and communication	4,502	4,332
Freight and direct sales expenses	3,808	3,032
Travelling expenses	2,155	376
Fuel expenses	1,460	1,073
Insurance expenses	683	775
Professional fees	404	271
Depreciation	120	241
Repairs and maintenance	34	56
Other expenses	956	115
	31,461	24,737

25 Investment income

	2018 AED'000	2017 AED'000
Interest and dividends income	11,296	6,124
Share of profit from associates and joint ventures (Note 7)	7,062	11,420
	18,358	17,544

26 Other income

	2018 AED'000	2017 AED'000
Royalty income	1,937	2,388
Rental income	3,660	3,543
Gain on disposal of property, plant and equipment	640	433
Gain on acquisition of a subsidiary (Note 27)	2,490	-
Miscellaneous	3,387	3,793
	12,114	10,157

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

27 Business combination

During the current year, Alliance Food Security Holdings acquired 100% ownership in Forrajes San Mateo, S.L.U for a total consideration of EUR 1,065,000 (AED 4,830,222).

The gain on acquisition of subsidiary amounting to AED 2,489,313 being the excess of fair value of net assets acquired over the consideration transferred.

27.1 Details of the acquisition and purchase price allocation

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	1 March 2018 AED'000
Prepayments and other current assets	29
Inventories	126
Property, plant and equipment (Note 5)	7,330
Other assets	22
Trade and other payables	(187)
Net assets acquired	7,320
Gain on acquisition	(2,490)
Acquisition-date fair value of the total consideration transferred	4,830

The fair value of the property, plant and equipment was verified by an independent appraiser. For disclosure purpose, the fair value of property is classified under level 3.

27.2 Consideration transferred

	1 March 2018 AED'000
Cash paid	3,648
Payable to Forrajes San Mateo, S.LU ("the acquiree")	1,182
	4,830

There is no contingent consideration included in the purchase price of the subsidiary.

27.3 Result of operations of newly acquired subsidiary

During the year, the newly acquired subsidiary contributed revenue and profit to the Group amounting to AED 10.7 million and AED 0.3 million, respectively.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

28 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:

	2018	2017
Profit for the year (AED'000)	18,451	29,351
Weighted average number of ordinary shares outstanding during the year		
during the year (in thousands)	510,000	510,000
Basic earnings per share (AED)	0.04	0.06

29 Social contributions

Social contributions (including donations and charity) made during the current year amounted to nil (2017: AED 76 thousand).

30 Contingent liabilities and commitments

30.1 Contingent liabilities

	2018 AED'000	2017 AED'000
Letters of guarantee	76,343	68,431
Letters of credit during the year	26,392	5,059

30.2 Commitments for capital expenditure

	2018 AED'000	2017 AED'000
Commitments for the purchase of property, plant and equipment	44,419	67,700

30.3 Operating lease commitments

Operating lease relates to lease of plot of land in Dubai Industrial City 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 in Dubai Industrial Park 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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

30 Contingent liabilities and commitments (continued)

30.3 Operating lease commitments (continued)

Non-cancellable operating lease rental is payable as follows:

	2018 AED'000	2017 AED'000
No later than one year	1,229	400
Later than one year and no later than five years	5,435	5,228
Later than five years	24,920	26,356
	31,584	31,984

31 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 2017.

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.

31.1 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:

	2018 AED'000	2017 AED'000
Debt (i)	31,789	7,626
Bank balances and cash	(293,496)	(293,649)
Net debt	(261,707)	(286,023)
Equity (ii)	577,030	553,873
Debt/equity ratio	-	-

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

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

32 Financial instruments

32.1 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.

32.2 Categories of financial instruments

	2018 AED'000	2017 AED'000
Financial assets		
Loans and receivables (including cash and bank balances and Financial assets at fair value through other comprehensive income but excluding contract assets)	505,627	502,828
Financial liabilities		
At amortised cost	171,975	84,120

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.

32.3 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.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

32 Financial instruments (continued)

32.3 Fair value measurements (continued)

32.3.1 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		Fair value Hierarchy	Valuation techniques and key inputs	Significant nobservable input	Relationship of nobservable inputs to fair value
	31 December 2018	31 December 2017				
	AED'000	AED'000				
Quoted equity investments – financial assets at FVTOCI	1,787	2,797	Level 1	Quoted bid prices in an active market.	None	NA
Unquoted equity investments – financial assets at FVTOCI	21,081	10,139	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.	Long-term dividend growth rates, taking into account management's experience and knowledge of market conditions of the investee.	Higher the dividend return of the investee, the higher the fair value.
	22,868	12,936				

32.3.2 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:

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

32 Financial instruments (continued)

32.3 Fair value measurements (continued)

32.3.2 Fair value hierarchy (continued)

At 31 December 2018

Financial assets	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
Financial assets at FVTOCI				
Quoted equity instruments	1,787	-	-	1,787
Unquoted equity instruments	-	-	21,081	21,081
	1,787		21,081	22,868
At 31 December 2017				
Financial assets				
Financial assets at FVTOCI				
Quoted equity instruments	2,797	-	-	2,797
Unquoted equity instruments	-	-	10,139	10,139
	2,797	-	10,139	12,936

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.

32.4 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 2018 (continued)

32 Financial instruments (continued)

32.4 Financial risk management objectives (continued)

32.4.1 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.

32.4.1.1 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 for financial assets and liabilities that are denominated in Arab Emirates Dirhams, other GCC currencies, EUR and US Dollars to which the Dirham is fixed.

32.4.1.2 Interest rate risk

The Group's exposure to interest rate risk relates to its deposits and bank borrowings. At 31 December 2018, deposits carried an interest rate of 0.25% to 3.15% per annum (31 December 2017: 0.25% to 3.15% per annum) and the bank borrowings carried at an interest rate of 3 months EIBOR + 3% per annum (31 December 2017: 3 months EIBOR + 3% per annum).

32.4.1.2.1 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 2018 would increase/decrease by AED 1.5 million (2017: AED 1.5 million).

For borrowings, if interest rates had been at the minimum or maximum EIBOR rate and all other variables were held constant, the Group's capitalised borrowing costs for the year ended 31 December 2018 would decrease/increase by AED 0.3 million (2017: nil).

32.4.1.3 Equity price risk

32.4.1.3.1 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 2.3 million (2017: AED 1 million) in the case of financial assets at FVTOCI.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

32 Financial instruments (continued)

32.4 Financial risk management objectives (continued)

32.4.1 Market risk (continued)

32.4.1.3 Equity price risk (continued)

32.4.1.3.2 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.

32.4.2 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.

Further, the Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL using the simplified approach. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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.

32.4.3 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 2018 (continued)

32 Financial instruments (continued)

32.4 Financial risk management objectives (continued)

32.4.3 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 2018						
Financial assets						
Financial assets at fair value through other comprehensive income (FVTOCI)		-	-	-	22,868	22,868
Loan to a related party		-	-	-	1,200	1,200
Due from related parties		67,327	-	-	-	67,327
Trade and other receivables		102,623	10,617	7,496	-	120,736
Cash and bank balances	0.25% to 3.15%	91,772	-	201,724	-	293,496
Total		261,722	10,617	209,220	24,068	505,627
Financial liabilities						
Bank borrowings	3M EIBOR + 3%	-	-	3,500	25,144	28,644
Due to related parties		7,684	-	-	-	7,684
Loan from a related party		360	1,080	1,705	-	3,145
Trade and other payables		-	132,502	-	-	132,502
Total		8,044	133,582	5,205	25,144	171,975
31 December 2017						
Financial assets						
Financial assets at fair value through other comprehensive income (FVTOCI)		-	-	-	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

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

32 Financial instruments (continued)

32.4 Financial risk management objectives (continued)

32.4.3 Liquidity risk (continued)

	Weighted average effective interest rate	Less than 30 days	30 to 120 days	121 to 365 days	Above 365 days	Total
		AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2017						
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

33 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 2018 (continued)

33 Segmental analysis (continued)

	Fish farming/Trading & processing		Investments		Contracting		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Revenue	369,320	295,613	-	-	200,921	125,526	570,241	421,139
Result								
Segment results	(13,471)	(3,736)	-	(655)	3,719	8,208	(9,752)	3,817
Interest and dividends	-	-	11,296	6,124	-	-	11,296	6,124
Share of profit from associates and joint ventures	-	-	7,062	11,420	-	-	7,062	11,420
Gain on acquisition of subsidiary	-	-	2,490	-	-	-	2,490	-
Change in fair value of biological assets	(1,517)	(644)	-	-	982	857	(535)	213
Gain on sale of property, plant and equipment	68	263	-	-	572	170	640	433
Other income	1,747	620	-	-	7,237	9,104	8,984	9,724
Profit for the year	217,825	114,097	306,927	390,354	266,402	167,732	791,154	672,183
Segment assets	84,576	32,108	-	-	120,279	79,951	204,855	112,059
Segment liabilities								

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

34 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	Obligations under finance leases	Bank borrowings	Total
	AED '000	AED '000	AED '000	AED '000
Balance at 1 January	6,025	496	1,105	7,626
Financing cash flows	(2,880)	(496)	27,539	24,163
Balance at 31 December	3,145	-	28,644	31,789

35 Dividends

During the current year, the Group declared dividends attributable to non-controlling interest amounting to AED 4 million.

36 Subsequent Events

On 27 January 2019, the Group's Board of Directors resolved to initiate the completion of the procedures required for the acquisition of full shares of PAL Cooling LLC, which is currently wholly owned by Royal Group LLC. The acquisition will be in exchange of 1,311,428,571 ordinary shares of the Group.

On 19 February 2019, the implementation agreement for the acquisition was signed in addition to the entry of PAL Holding as strategic partner in the Group subject to final shareholders and regulatory approval.

37 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 12 March 2019.





Corporate governance report for the year 2018



1. Introduction

International Holdings Company (formerly: International Fish Farming Holdings Company) was established in 1999 and is a public joint stock company registered in Abu Dhabi Securities Exchange since 2005. The rules and provisions mentioned in the Board of Directors' Chairman of the Securities and Commodities Authority resolution No. 7 /C for 2016 regarding standards of corporate discipline and governance of public shareholding companies, do apply on the company.

International Holdings Company PJSC (hereafter referred to as the "Company") is committed to adopting sound corporate governance, accountability and responsibility principles and ensuring highest levels of transparency in its business. The following are the governance requirements to be fulfilled by the company

2. Corporate Governance Practices

A statement of how the company implements the principles stated in the resolution issued by the Chairman of the Board of Directors of the Securities and Commodities Authority No. (7 / C) for the year 2016 on the standards of institutional discipline and the governance of public shareholding companies.

The company is committed to Corporate Governance and Ministerial Decision No. of 2016 on Corporate Governance and Institutional Discipline Standards, implementing best practices, reflecting the Boards of Directors and the Executive Management's commitment, through implementing its core values of transparency, fairness, accountability and responsibility, thus enhancing relationship between the shareholders, the Board of Directors and its clients.

The company is managed by the Board of Directors composed of seven independent members elected by the ordinary general assembly through cumulative secret ballot for a period of three years. The Board of Directors elect the Chairman and the Vice Chairman from among its members.

Taking into consideration, not to combine the position of the Chairman of the Board of Directors and the position of the Company Manager or Managing Director.

The company amended the Articles of Association in accordance with Federal Law No. 2/2015 regarding commercial companies, and its amendments.

An Audit Committee and a Nomination and Remuneration Committee have been established.
An Internal Control Department has been set up directly for The Board of Directors.

The International Holdings Company is committed to the highest standards of ethical and professional conduct, and the company employees are bound to adhere to such behaviors.

An invitation was made to all shareholders to attend the General Assembly through announcement in two local daily newspapers published in Arabic, and through registered letters, 15 (fifteen) days before the scheduled date. The announcement of the invitation was included on the agenda and the balance sheet and final accounts were presented on the website of Abu Dhabi Securities Exchange and the company's website.

The Board of Directors nominate the External Auditor on the recommendation of the Audit Committee. His appointment and fees shall be determined by the Company's General Assembly resolution.

A. A Report on whether the company implements the provisions contained in the Ministerial Resolution No. (7) /2016.

Yes, the Company is committed to implementing and executing the provisions contained in this resolution.

3. The Board of Directors Transactions in Securities

Transactions report of the members of the Board of Directors, their spouses and their sons in the company's securities during the year 2018:
No transactions or dealings were carried out in the year 2018 by members or their spouses or sons in relation to company shares.

Statement of balance of shares owned by the directors and their spouses and their children as of 31/12/2018 according to the table in the report:

S.	Position/ Relationship	Name	Shares owned as of 31/12/2018	Total Sales Process	Total Purchase Process
1.	Chairman	Mr. Hamad Abdulla Rashid Obeid Al Shamsi	388,680	N/A	N/A
2.	Board Member	Mr. Adel Hassan Mohamed Ali Al Nuwais	30,000	N/A	N/A

3.1 Rules and Procedures Governing the Transactions of Company Shares

Statement of business rules adopted by the Company regarding the transactions of the Board of Directors in securities issued by the Company or any of its affiliates or sister companies.

The rules and procedures governing the transactions of the Board of Directors of the Company and its employees in securities issued by the parent company or its affiliates or sister companies.

1. The Company and its Board of Directors, Managers and employees shall abide by the resolution of the Authorities' Management Board of Directors No. (2)/2001 regarding the special system for trading, clearing, settlement, transfer of ownership and custody of securities.
2. The Chairman and the members of the Board of Directors, directors and employees of the Company shall be prohibited from exploiting their company internal information to purchase or sell shares in the Market, and any transactions thereof shall be considered null and void.

The Chairman, members of the board of directors of the company, its general manager or any of the employees who are familiar with the basic data of the company may not act on their own or through others by dealing in the securities of the company itself or that of the parent company or affiliate or sister company during the following periods:

- Ten (10) business days before the announcement of any material information that would affect the price of the up or down share, unless the information is the result of abrupt and sudden events.
- Fifteen (15) days prior to the end of the quarterly, semi-annual and annual financial periods and until disclosure of its financial statements.

Considerations of the provisions of the law shall be taken, when the above-mentioned persons take action by themselves or through others to deal in the securities of the company itself or that of the parent company, affiliate or subsidiary or sister company, and any transaction contrary thereto shall be null and void.

In addition to the Board of Directors' commitment to ADX regulations relating to organization of transactions of the members of the listed companies' management, board of directors and other inside traders.

A. The extent to which the Board members are committed to comply with disclosure requirements prescribed by the provisions of the Law and the regulations and decisions issued pursuant thereto in respect of their transactions in securities.

Members of the Board of Directors have complied with the disclosure requirements prescribed by the provisions of the law, regulations and decisions issued pursuant thereto in respect of their transactions in securities issued by the Company. As no sale or purchase was made during the year 2018 to any of the members of the Board of Directors or their immediate relatives.

4. The Board of Directors Structure

4.1 Board of Directors Composition

The current Board of Directors consists of seven independent - non-executive members, who were elected to the General Assembly held on 17/04/2017 for a period of three years. All members signed the approval of the Independent Board Member.

Members of the Board of Directors

Board of Directors	Attribute	Category
Mr. Hamad Abdulla Al Shamsi	Chairman-Board of Directors	Independent, non-executive
Mr. Nadir Ahmed Al Hammadi	Vice Chairman	Independent, non-executive
Mr. Hamad Salim Al Ameri	Member	Independent, non-executive
Mr. Adel Hassan Al Nowais	Member	Independent, non-executive
Mr. Hamad Khalfan Al Shamsi	Member	Independent, non-executive
Mr. Laith Bin Jerry Al Fraih	Member	Independent, non-executive
Mr. Abdur-Raheem Mungrue	Member	Independent, non-executive

The Board of Directors Membership and Positions in Other Companies / Establishments

Mr. Hamad Abdullah Rashid Obeid Al Shamsi

Category:
Chairman-Board of Directors

Experiences and Qualifications:
Independent- non-executive:

Bachelor of Business Administration
Holding master's degree in business administration, specializing in finance and banking.

Duration of term as a member of the Board of Directors of the Company from the date of his first election: Since 2005

Membership and positions in any other joint stock companies:
Marka Company - Board Member
Dubai Islamic Bank – Board Member

Mr. Nader Ahmed AL Hammadi

Category:
Deputy Chairman of the Board

Independent – non-executive

Experiences and Qualifications:
Post Graduate Award in Engineering Business Management – Warwick University – London, UK
Bachelor of Science in Avionics – Embry Riddle Aeronautical University – Florida, USA
Currently- Managing Director & CEO of Presidential Flight
Was the Managing Director of Abu Dhabi Aviation for 3 years

Duration of term as a member of the Board of Directors of the Company from the date of his first election: Since 2011

Membership and positions in any other joint stock companies:
Abu Dhabi Aviation - Chairman
Tamouh Real Estate Company – Chairman

Mr. Adel Hassan Al Nowais

Category:
Independent – non-executive

Experiences and Qualifications:
Bachelor of Business Administration - USA

Duration of term as a member of the Board of Directors of the Company from the date of his first election: Since 2005

Membership and positions in any other joint stock companies:
Emirates holding company - Executive director
Al Nuwais investment LLC - Executive director
Amircom company - Director
Arab Development Corporation- Director

Mr. Hamad Salem Al Ameri

Category:
Independent – non-executive

Experiences and Qualifications:
Bachelor degree in civil engineering from the American University in Dubai.
Holding a Master's degree in Business Administration from the Canadian University in Dubai.

Duration of term as a member of the Board of Directors of the Company from the date of his first election: Since 2017

Membership and positions in any other joint stock companies:
Member Board of Directors of the following companies:
Tamouh Investment
Hydra Properties
ALDAR Properties
Al Reem Building Materials
Al-Jazeera Technical Solutions
Royal Development Company (RDC)
Eltizam Assets Management State LLC
Meena Holdings LLC

Positions held in any other important regulatory, governmental or commercial positions:
Managing Director of Trojan Holding

Mr. Laith Bin Jerry Al Fraih

Category:
Independent – non-executive

Experiences and Qualifications:
Bachelor of Finance and Accounting from UK.
Holding US Associate Degree as Chartered Accountant (CPA).

Duration of term as a member of the Board of Directors of the Company from the date of his first election: Since 2011

Membership and positions in any other joint stock companies:
Head of Internal Audit-Mubadala

Positions held in any other important regulatory, governmental or commercial positions:
Abu Dhabi Securities Exchange Member of the Audit and Risk Committee (May 2016-Until now)
Twofour54 - Abu Dhabi Member of the Audit and Risk Committee (December 2015- until now)
Global Foundries Member of the Audit and Risk Committee (May 2014-Until now)
Department of Municipal Affairs Member of Internal Auditing Committee (May 2014 Until now)
Emirates Global Aluminum (EGA)- Member of the Audit and Risk Committee (January 2014 until Now)
Mubadala secretary of the Audit and Risk Committee - (April) 2013- until Now)
Emirates Nuclear Energy Corporation (ENEC) Member of the Audit and Risk Committee (July 2013 – until now)

Mr. Hamad Khalfan Al Shamsi

Category:
Independent – non-executive

Experiences and Qualifications:
Businessman

Duration of term as a member of the Board of Directors of the Company from the date of his first election: Since 2008

Membership and positions in any other joint stock companies:

General Manager of "Sheikha Fatima Bint Mubarak Al Ketbi" Ishraq Real Estate Company - Board Member

Mr. Abdur-Raheem Mungrue

Category:
Independent – non-executive

Experiences and Qualifications:
Bachelor of Finance degree from Boston, USA
Chartered Financial Analyst (CFA Fellow)
Financial Risk Management Charter (FRM Fellow)
MBA from the University of the West Indies
EMBA from INSEAD University

Duration of term as a member of the Board of Directors of the Company from the date of his first election: Since 2017

Membership and positions in any other joint stock companies:

Head Risk Management - Investment Risk Management

Positions held in any other important regulatory, governmental or commercial positions:
Climax Company Ltd. (affiliated) to Royal Group

5. Report of Representation Percentage of Women in The Board of Directors For 2018

Currently there is no representation of the female component in the company's Board of Directors.

5.1 Reason for No Female Candidates in the Current Board of Directors:

During the opening of the candidacy for membership of the Board of Directors in 2018, the company has not received any female request to run for membership of the Board of Directors, knowing that the company has complied with all the procedures in accordance with the law and related instructions.

5.2 Total Remunerations Paid to the Members of Board of Directors in 2018.

No additional fees or rewards have been paid to any committee member for years 2017 & 2018.

The Annual General meeting approved in April 2018 the distribution of bonuses to the members of the Board of Directors and was paid to them according to the table below in 2018:

Members of the Board of Directors	Fees paid in year 2018, which relate to fees of 2017 (AED)
Mohamed Helal Al Muhairi	29,589.00
Muammar Ibrahim Al Hadidi	29,589.00
Hamad Salem Al Ameri	70,411.00
Adel Hassan Al Nowais	100,000.00
Laith Bin Jerry Al Fraih	100,000.00
Abdur Raheem Mungrue	70,411.00
Total	400,000.00

The Board of Directors proposes to distribute AED 400,000 to board members as remuneration for year 2018, subject to the discussion and approval during the Annual General meeting to be held in 2019 and paid in the same year.

6. The Board of Directors Other Statements

6.1 Method of Determining the Remunerations of Board of Directors:

The Board of Directors' remuneration shall be set forth in the Articles of Association of the Company, subject to the provisions of Federal Law No. (2)/2015 regarding commercial companies. The remuneration of the members of the Board of Directors shall consist of a percentage of the net profit as provided for in Article)39(of this Law.

The Company may also pay additional expenses or fees or monthly salary to the extent determined by the Board of Directors for any of its members, if this member is working in any committee, or exerts exceptional efforts or performs additional work to serve the company, beyond his normal duties as a member of the board of directors of the company. In all cases, directors' remuneration should not exceed 10% of the net profit after deducting depreciation and reserve.

Total remunerations of the Board of Directors members for 2018: The proposed remunerations will be presented at the Annual General Assembly meeting, for approval, and accordingly, the Governance report will be updated and the Authority will be provided with the latest updates.

6.2 The Board Meetings

Statement of the number of meetings held by the Board of Directors during the fiscal year
The Board of Directors had convened five (5) meetings during 2018 as follows:

No.	Meeting Date	Attendance	Proxy	Names of Absent Members
1.	14/2/2018	6	-	Mr. Hamad Salem Al Ameri
2.	21/3/2018	4	-	Mr. Nadir Ahmad Al Hammadi Mr. Hamad Salem Al Ameri Mr. Laith Bin Jerry Al Fraih
3.	17/4/2018	7	-	N/A
4.	13/5/2018	5	-	Mr. Hamad Khalfan Al Shamsi Mr. Laith Bin Jerry Al Fraih
5.	5/11/2018	7	-	N/A

Below details of Board meetings attendance during the year 2018 as follows:

Board of Directors	No. of Absence/ No. of Meetings	First Meeting 14/2/2018	Second Meeting 21/3/2018	Third Meeting 17/4/2018	Fourth Meeting 13/5/2018	Fifth Meeting 5/11/2018
Mr. Hamad Abdulla Al Shamsi	-	√	√	√	√	√
Mr. Nadir Ahmad Al Hammadi	1	√	x	√	√	√
Mr. Hamad Salem Al Ameri	2	x	x	√	√	√
Mr. Adel Hassan Al Nowais	-	√	√	√	√	√
Mr. Hamad Khalfan Al Shamsi	1	√	√	√	x	√
Mr. Laith Bin Jerry Al Fraih	2		√	√	x	√
Mr. Abdur-Raheem Mungrue	-	√	√	√	√	√

6.3 Responsibilities Assigned to the Executive Management

Executive Management, represented by the Group's Chief Executive Officer, has been designated to perform the following functions:

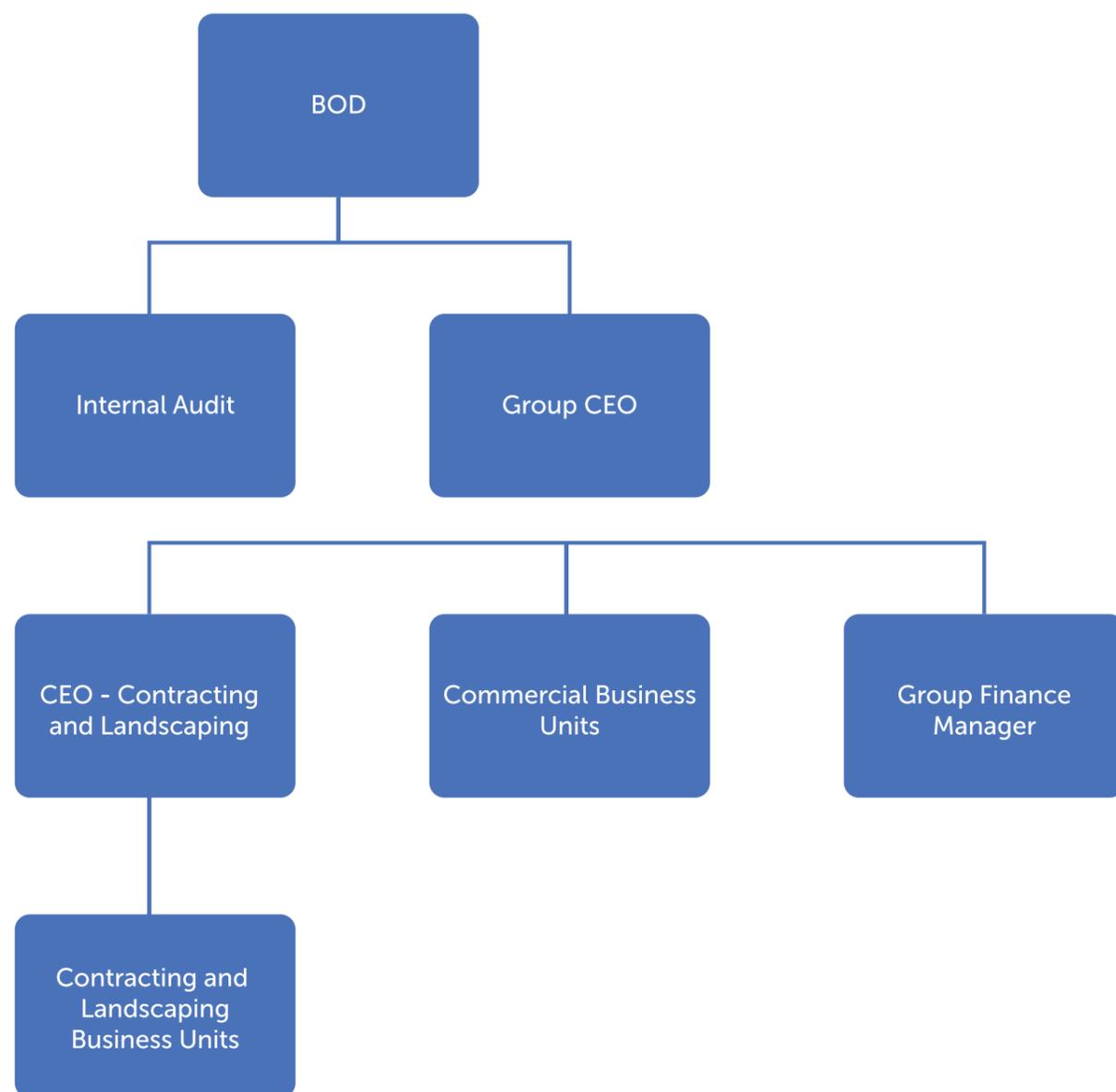
Name	Responsibilities/Authorities	Authorization Validity
Mr. Mamoon Abdullah Othman	<ul style="list-style-type: none"> Appointing and negotiating workers and employees, determining their salaries and ending their services when necessary. Registration of accounts and financial transactions, issuing periodic and analytical financial reports for submission to the Board of Directors. The normal daily business of the company. Concluding and signing purchase contracts from suppliers and sales contracts to customers. Work on the implementation of the company's strategic plans, approved by the Board of Directors. Representing the company before governmental and non-governmental entities in relation to the company's ordinary work. 	October 2020

The mandate of the Administration shall be effective until the expiry of the current Board of Directors' term in April 2020.

Report of transactions details carried out with relevant parties (stakeholders) during the year 2018 explaining the nature of the relationship and the type of dealing:

Due to related parties	Related Party Name	2,018
		AED"000"
Associates related to major shareholders	Pal Technology Services L.L.C.	34,393
Associates related to major shareholders	Royal Group Companies	14,816
Associates related to major shareholders	Meena Holdings L.L.C.	6,188
Associates related to major shareholders	National Projects and Construction L.L.C.	5,457
Associates related to major shareholders	Tafawuq Facility Management(Formerly Three 60 Estate Management	3,695
Associates related to major shareholders	Zee Stores L.L.C.	1,356
Associates related to major shareholders	Mazara L.L.C.	757
Associates related to major shareholders	Paragon Mall L.L.C.	749
Associates related to major shareholders	Tamouh Investments Company L.L.C.	162
Associates related to major shareholders	Trojan General Contracting L.L.C.	159
Associates related to major shareholders	YOSH Hospitality L.L.C.	144
Associates related to major shareholders	Phoenix Timber Factory L.L.C.	122
Associates related to major shareholders	Royal Development COmpany L.L.C.	60
Associates related to major shareholders	Toshiba Elevator Middle East L.L.C.	49
Associates related to major shareholders	Royal Architect Project Management L.L.C.	41
Associates related to major shareholders	Abu Dhabi Mountain Gate Property Investment L.L.C	21
	Less allowance for expected credit loss	(757)
	Effect of change in accounting policy for IFRS 9	(85)
	Total	67,327
Due to Related Parties	Related Party Name	
Associates related to major shareholders	Hi-Tech CONcrete Projects L.L.C.	2,750
Associates related to major shareholders	National Projects and Construction L.L.C.	4,000
Associates related to major shareholders	Al Jaraf Travel and Logistic L.L.C.	230
Associates related to major shareholders	Royal Group Holding L.L.C.	452
Associates related to major shareholders	Royal Group - Corporate Office	141
Associates related to major shareholders	Reem Ready Mix Co. L.L.C.	81
Associates related to major shareholders	Zee Stores L.L.C.	13
Associates related to major shareholders	Dar Al Ummah Printing and Publishing	10
Associates related to major shareholders	Support Center & Catering L.L.C.	7
Associates related to major shareholders	Loan to a related party	1,200
		8,884
	Transaction with related parties during the year 2018	AED"000"
	Sales of fish and fish products	7,200
	Contracting revenue	52,769
	Cost of contracting revenue	41,097
	Purchases	3,081

6.4 Group Organizational Chart



6.5 Executive Management

The following chart showing senior executives in the company, their designations, appointment dates and total salaries, allowances & bonuses paid to them during the year 2018:

Employee	Position	Appointment Date	Total salaries and allowances paid during the year 2018 - in dirham	Total bonuses paid during the year 2018 - in dirham	Any other bonuses to be paid in the future for the year 2018 - in dirham
Mr. Mamoon Othman	Group CEO	01/04/2012	1,741,419	190,937	NA
Mr. Sayed Basar	CEO for Construction and landscaping	01/01/2011	840,000	659,167	NA
Mr. Mohamed Yaser Bader	Group Finance Manager	24/03/2011	690,335	88,000	NA
Mr. Ishtiaque Ahmed	Internal Audit Manager	18/06/2017	85,343	NA	NA
Mr. Fadi Hammad	Chief Commercial Officer – trading business units	18/10/2017	1,231,384	NA	NA

7. External Auditor:

7.1 Brief About the Company's External Auditor

Deloitte & Touche (Middle East) is Deloitte Touche company, who is a member of Tohmatsu Limited (DTTL), the first Arab professional services company established in the Middle East with continuous presence since 1926.

Deloitte the leading professional service provider in the region, providing audit, taxation, consultancy and financial advisory services through 26 offices located in more than 150 countries worldwide and a number of partners, directors and employees exceeding 210,000. Deloitte Company is the first GCC tax advisor to be appointed in 2010 (in accordance with international ratings for international tax audit services). It has attained many

awards in recent years, including Best Employer in the Middle East, Best Consulting Firm, and the Middle East Award for Training, Development and Excellence from Chartered Accountants' Institute in England and Wales (ICAEW).

7.2 List of Services Provided by the External Auditor:

The General Assembly held in April 2018 decided to appoint Deloitte & Touche to audit the accounts of the Company and its subsidiaries for the year 2018. Their fees were set at AED 425,000/=, including quarterly review fees (within the United Arab Emirates and Saudi Arabia).

Nature of services provided by the auditor is as follows:

- Ensure the preparation of final accounts and inventory works.
- Ensure that all financial transactions were organized, recorded and prepared in a sound rightful way - in accordance with accounting standards.
- Ensure compliance with the accounting assumptions in handling all company business.
- Preparation of the external auditor's report

Services were provided to the Company by other external auditors mentioned below, during the year 2018:

Company's Name	Amount Paid in AED	Services Provided
KPMG company	669,508/=	Provide Tax services, and evaluation reports for expansion plans.
PWC (Price Waterhouse Cooper)	274,228/=	Provide due diligence services for expansion plans.
EY (Earnest and Young)	437,850/=	Provide financials advices for the expansion plans.
Total	1,381,586/=	

Knowing that 2018 is the Fifth year that Deloitte & Touche has audited the consolidated financial statements of International Holding and its subsidiaries.

7.3 Summary of The Company's Auditors During the Year 2018:

Name of Auditor	M/s. Deloitte & Touche
Number of years spent as external auditor of the company.	Five years
Total audited financial statements for the year 2018.	AED 475,000/=
Fees and charges for special services other than auditing financial statements- 2018 paid to Deloitte & Touche	AED4,000/=
Details and nature of other provided services.	Deposit Services of audited financial statements of a subsidiary through the Electronic Portal of the Saudi Ministry of Commerce systems.

7.4 Summary of Services Provided by Other External Auditors:

Company's Name	Paid Amount in AED	Services Provided
KPMG Company	669,508/=	Provide VAT services, and evaluation reports for expansion plans
PWC (Price Waterhouse Couper)	274,228/=	Provide due diligence services for the expansion plans
E & Y (Earnest and Young)	437,850/=	Provide financials advices for the expansion plans
Total	1,381,586/=	

Clarification on the reservations made by the Company's auditor which were included in the interim and annual financial statements for the year 2018.

The Company's external auditor did not have any reservations to any item of the interim financial statements during 2018.

8. Board of Directors Committees

8.1 Audit Committee

8.1.1 Committee Members:

1. Mr. Laith Bin Jerry Al Fraih- Non-executive member/Independent/ Committee Chairman
2. Mr. Hamad Khalfan Al Shamsi- Non-executive member /Independent/ Committee Deputy Chairman
3. Mr. Abdur Raheem Mungrue- Non-Executive Member/ Independent/ Committee Member

Audit Committee meetings during the year 2018:

Board of Directors	No. of absence/ No. of Meetings	First Meeting 11/2/2018	Second Meeting 20/3/2018	Third Meeting 13/5/2018	Fourth Meeting 5/11/2018
Mr. Laith Jerry Al Fraih	-	√	√	√	√
Mr. Hamad Khalfan Al Shamsi	3	X	X	X	√
Mr. Abdur-Raheem Mungrue	-	√	√	√	√

8.1.2 Committee Functions:

- Review policies, financial and accounting procedures of the company.
- Monitor the integrity of the company's financial statements and reports (annual, semi-annual and quarterly) and review them as part of its normal work during the year, and should particularly focus on the following:
 - Any changes in accounting policies and practices.
 - Highlight areas subjugated to management's discretion.
 - Substantial adjustments resulting from the audit.
 - Assuming continuity of business.
 - Compliance with accounting standards determined by the Authority.
 - Compliance with management and disclosure rules and other legal requirements related to the preparation of financial reports.
 - Coordinating with the company's board of directors, senior executive management, financial director and the existing manager with the same tasks in the company in order to perform its duties.
 - Consider any important and unusual items that should be included in such reports and accounts and shall give due attention to any matters raised by the CFO of the company, the manager with the same functions, the compliance officer or the auditor.
- The Board of Directors has issued a recommendation on the selection or

resignation of the auditor. If the Board of Directors does not approve the recommendations of the Audit Committee, the Board of Directors should include in its report a statement explaining the recommendations of the Audit Committee and the reasons for the Board of Directors, not to adopt it.

- Develop and apply the contracting policy with the auditor and submit a report to the Board of Directors, identifying issues it considers important to take action about, recommending necessary steps to be taken.
- Ensure that the auditor fulfils the conditions stipulated in the laws, regulations and decisions in force and the company's articles of association, following up and monitoring his independence.
- Meeting with the company's auditor without the attendance of any of the senior executive management or its representatives, at least once a year, and discuss the nature and scope of the audit and its effectiveness in accordance with the approved auditing standards.
- Investigate all matters relating to the auditor's work, his work plan and correspondence with the company, his observations, suggestions and reservations, and any material questions raised by the auditor to senior executive management, regarding the accounting records, financial accounts or control systems, and follow up the response of the company management, providing necessary facilities to carry out his work.
- Ensuring that the Board of Directors responds in a timely manner to the clarifications and material issues raised in the auditor's letter.
- Review and evaluate the Company's internal control and risk management systems.
- Discuss the internal control system with the Board of Directors and ensure that it fulfils its duty to establish an effective internal control system.
- Consider the results of the main investigations in the internal control matters assigned to them by the Board of Directors or are initiated by the Committee and approved by the Board of Directors.
- Review the auditor's assessment of the internal control procedures and ensure that there is coordination between the internal auditor and the external auditor.
- Ensure that resources are available for internal control management and to review and monitor the effectiveness of this department.
- Studying internal control reports and following up the implementation of the corrective measures of the observations contained therein.
- Establish controls that enable company employees to report any potential irregularities in financial reports, internal controls or other matters in secret, and steps to ensure independent and fair investigations of such violations.
- Monitor the company's compliance with the Code of Professional Conduct.
- Review the transactions of related parties with the company and ensure that there is no conflict of interest and recommend them to the Board of Directors before they are concluded.
- Ensure implementation of the work rules related to its functions and powers entrusted to it by the Board of Directors.
- Present reports and recommendations to the Governing Council on the above issues mentioned in this Article.
- Consider any other topics determined by the Board of Directors.

8.2 Nominations and Remunerations Committee

8.2.1 Committee Members:

1. Mr. Adel Hassan Al Nowais – non-executive member/ Independent/ Committee Chairman
2. Mr. Hamad Salem Al Ameri- non-executive member/ Independent/ Committee Vice-Chairman
3. Mr. Abdur Raheem Mungrue- non-executive member/ Independent/ Committee member

Members of Nominations and Bonuses Committee	Number of Absences/ Number of meetings	Meeting dated 27/8/2018
Mr. Adel Hassan Al Nowais	-	√
Mr. Hamad Salem Al Ameri	-	√
Mr. Abdur-Raheem Mungrue	-	√

8.2.2 Committee Functions:

- 1.1 To establish a policy on membership candidacy for the Board of Directors and Executive Management, which aims at taking into account gender diversity within the formation and encouraging women through motivations and incentive programs and providing the Authority with a copy of this policy and any amendments thereto.
- 1.2 Organizing and following up the procedures for nomination to the Board of Directors in accordance with the applicable laws and regulations and the provisions of this resolution.
- 1.3 Ensure continuous independence of independent members.
- 1.4 If the Committee finds that a member has lost the conditions of independence, it must submit the matter to the Board to notify the member of a registered letter to the company's fixed address for reasons of non-independence. The member must respond to the Board within fifteen days from the date of notification. The member is independent or not independent at the first meeting following the member's reply or the expiration of the period referred to in the preceding item without a reply.
- 1.5 Subject to the provisions of Federal Law No. 2 of 2015 and the corporate governance procedures issued by Resolution 7 (M), if the

Board of Directors' decision to deny the reasons or justifications for the independence of the Member has an effect on the minimum percentage required of its independent members, If the member refuses to submit the resignation, the board of directors shall submit the matter to the General Assembly for a decision to approve the appointment of another member or to open the door for the election of a new member.

1.6 To prepare the policy for the granting of bonuses, benefits, incentives and salaries for the members of the Board of Directors of the Company and its employees, and to review them on an annual basis. The Committee shall verify that the remuneration and benefits granted to the Senior Executive Management are reasonable and proportionate to the performance of the Company.

1.7 Annual review of the required skills requirements for Board membership and preparation of a description of the capabilities and qualifications required for membership of the Board of Directors, including determining the time required to be assigned by the member to the work of the Board of Directors.

1.8 Review the structure of the Board and make recommendations regarding possible changes.

1.9 Identify the company's needs of competencies at the level of senior executive management and employees and the bases of their selection.

1.10 Develop and review the HR policy and training in the company, control its implementation and review it annually.

1.11 Any other matters determined by the Board of Directors.

8.3 Follow-Up and Insider Transaction Supervision Committee

The Board of Directors has formed a committee to manage, follow up and observe the transactions of interested persons and their property, maintain their register and submit statements and periodic reports to the market.

The Committee is composed of the following members:

No.	Member Name	Position in the Committee	Position according to Organizational Chart	Meeting date 25/9/2018
1.	Mr. Laith Al Fraih	Committee Chairman	Chairman Audit Committee	Attended
2.	Mr. Mamoon Othman	Member	Group Chief Executive Officer	Attended
3.	Mr. Mohamed Yaser Bader	Member	Group Finance Manager	Attended

8.3.1 Committee Functions and Responsibilities:

1. The Committee shall include the names of persons familiar with any data pertaining to the company that may have an effect on the price of the company's shares in the market, in a manner that ensures the highest standards of transparency and disclosure.
2. The Committee shall maintain a special register recording all necessary data for the insiders and determining the period of their knowledge, the number of securities traded in the sale and purchase during the year, the dates of execution of trading operations, and other relevant data.
3. The Committee shall have the right to include the name of the conversant person if he is from within the company employees or an external party.
4. The Committee shall be entitled to determine the nature of the person's term of office (permanent/ temporary).
5. The Committee shall abide by the rules and procedures of corporate governance and discipline and all instructions and laws issued from time to time.
6. An annual report shall be sent to the Board of Directors stating the names of the interested persons and the volume of their transactions in the company's securities.
7. The Committee shall ensure that all persons who have expressed their wishes have made the necessary representations.
8. The Committee meets at least once a year.

8.3.2 Summary of The Committee Work During the Year 2018

The committee reviewed the rules of dealing for controlling private transactions of conversant persons, reviewing the mechanism of keeping related records. In addition, the committee has taken necessary procedures to ensure the highest levels of compliance with legislation and best practice for corporate governance.

9. Internal Control System

9.1 The Board of Directors' Acknowledgement of its Responsibility for the Internal Control System and its review and effectiveness

The Board of Directors acknowledges its responsibility for the Company's internal control system and its review and effectiveness.

9.2 Internal Control Department In-charge's Profile:

Mr. Ishtiaque Ahmed is an Internal Control Manager and Compliance Officer: (Date of appointment 18/06/2017), performing the duties of the Internal Control Department Manager, in addition to the work of compliance officer.

He holds Bachelor of Commerce, and Certified Internal Auditor (CIA) from the Institute of Internal Auditors (USA), He has more than ten years of experience in accounting, finance and auditing with chartered accountant firm, commercial companies and contracting companies.

The Internal Control Department's mechanism in tackling any of the major problems that may occur in the company or those disclosed in the annual reports and accounts:

The Internal Control Department shall promptly inform the Audit Committee in the event of any significant problem (if any), and the senior management of the company, as well as the mechanism of processing and following up the implementation of the proposed solutions and procedures, for the he Audit Committee to play its role by taking necessary measures to preserve the shareholders' rights in accordance with best practices and standards.

9.3 Working Mechanism of the Internal Control Department:

The company adopts international standards of internal control in order to achieve the required objectives, represented in the Internal Control bases to ensure:

- Compatibility of information and data.
- Adherence to policies, plans, procedures and laws.
- Appropriate range of operations and activities with specific objectives and check

extent of their applicability.

- Emphasize preventive control to avoid undesirable events.

9.4 The Annual Review Includes the Following Components in Particular:

1. Key control elements including financial control, operations and risk management.
2. Changes since the last annual review on the nature and extent of the major risks and the Company's ability to respond to changes in its business and external environment.
3. The scope and quality of the Board's ongoing control of risks, the internal control system and the internal auditor's work.
4. The number of times the Board of Directors or its committees have been informed about audit work results to enable it assess the internal control position of the Company and the effectiveness of risk management.
5. Failures or weaknesses in the detected control system or unexpected contingencies which have affected or may have a material impact on the performance or financial position of the Company.
6. The effectiveness of the Company's financial reporting and compliance with listing and disclosure rules.
7. Verifying all transactions in terms of whether they are carried out with a related party or involving a conflict of interests and verifying compliance with the procedures governing such transactions.

10. Violations Committed by the Company During the year 2018

No violations were recorded during 2018.

11. Statement of Cash and Kind Contributions

A statement of cash and kind contributions made by the company during the year 2018 in the development of the community and preservation of the environment.

- a. The company is one of the most important sponsors of the Food Security Alliance, which was established in 2015 under the auspices of the Abu Dhabi Food Control Authority.
- b. The company participated in the number of seminars and lectures related to environment, fish farming and food security, some of which are within the country and some are beyond.
- c. Participation in the "SEFEX 2018" food exhibition by displaying the company's products in all categories.
- d. Participation in Food Exhibition (Gulf food 2018) by introducing fresh, frozen and value-added products.
- e. Participation in the number of seminars and lectures specialized in envi-

ronment and sustainability.

f. The company provides comprehensive quality management systems and has attained the following certificates:

- Certificate of integrated management systems for quality management system according to the ISO 9001: 2000 standard
- Certificate of environmental management systems according to ISO 14001: 1996 standards
- Health and safety management system certificate according to OHSAS 18001: 1999
- ISO 22000: 2005 - processing, packaging and distribution of fresh and frozen sea food.
- Certificate (HACCP) 2006 - processing, packaging and distribution of fresh and frozen seafood
- European union approval for the processing and packing of seafood and fresh and frozen fish.

11.1 Projects and Innovative Initiatives Undertaken by The Company or Those Under Development During 2018.

The company is currently working on the establishment of a plant specialized in the production of seafood within the country through one of its subsidiaries. The Board of Directors approved the design of the new plant (which is under construction) with a design based on modern technology to generate part of the energy for the lighting of plant through solar system.

12.General Information

Comparative Performance Statement of the Company's Shares with the Market and Sector during the Year 2018.

The following table shows the performance of the company's share with the sector index and the general index of the market:

Month الشهر	OPEN(AED) ممتازة المرسى	CLOSE (AED) قالب المرسى	HIGH (AED) العلوى	LOW (AED) الادنى	Value (AED) القيمة المضافة	VOLUME عدد الاسهم المتداولة	TRADES عدد العقود	ADX مؤشر السوق	ADCM مؤشر القطاع
Jan-18	1.430	1.440	1.540	1.400	25,616,772	17,589,181	322	4,602	2,088
Feb-18	1.440	1.400	1.460	1.370	9,232,383	6,522,627	206	4,598	2,070
Mar-18	1.400	1.480	1.490	1.390	25,410,594	17,610,726	273	4,585	2,086
Apr-18	1.450	1.450	1.480	1.300	8,775,218	6,161,881	137	4,670	2,065
May-18	1.390	1.360	1.440	1.300	5,516,419	4,076,998	138	4,605	2,114
Jun-18	1.310	1.280	1.360	1.170	5,626,775	4,377,722	104	4,560	2,074
Jul-18	1.280	1.250	1.340	1.240	7,254,739	5,639,638	104	4,859	2,064
Aug-18	1.170	1.230	1.310	1.120	3,267,833	2,696,896	117	4,987	2,090
Sep-18	1.220	1.190	1.240	1.040	3,784,774	3,235,052	108	4,935	1,935
Oct-18	1.190	1.170	1.230	1.080	2,772,944	2,441,001	76	4,902	1,825
Nov-18	1.100	1.140	1.200	1.070	2,626,241	2,274,687	75	4,770	1,736
Dec-18	1.090	0.948	1.130	0.880	7,302,750	7,426,779	246	4,915	2,026
Total المجموع					107,187,442	80,053,188	1,906		

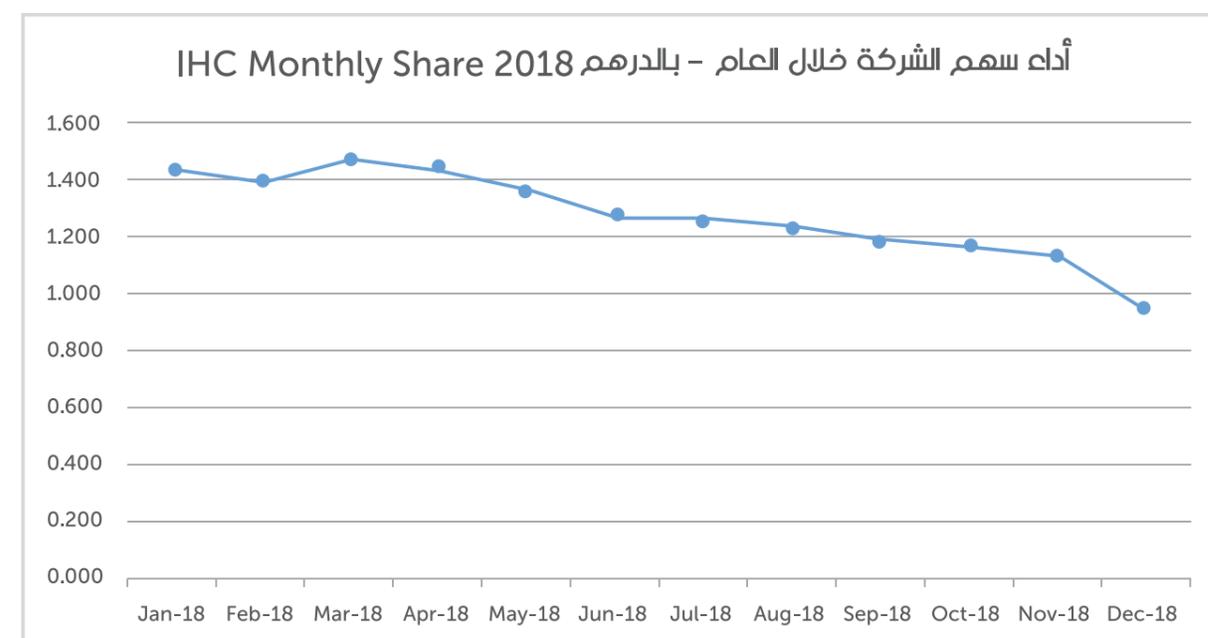
12.1 Consumer Goods Index during 2018

Month الشهر	High العلوى	Low الادنى	Close انغلاق
Jan-18	2,219.080	2,061.590	2,088
Feb-18	2,085.430	1,931.410	2,070
Mar-18	2,204.130	1,841.400	2,086
Apr-18	2,204.720	1,989.470	2,065
May-18	2,197.940	2,008.890	2,114
Jun-18	2,152.880	1,983.970	2,074
Jul-18	2,118.840	2,031.180	2,064
Aug-18	2,134.740	1,999.980	2,090
Sep-18	2,113.710	1,853.520	1,935
Oct-18	1,913.860	1,684.800	1,825
Nov-18	1,858.060	1,649.010	1,736
Dec-18	2,031.430	1,577.250	2,026

12.2 The Overall Index for Abu Dhabi Securities Exchange During the Year 2018

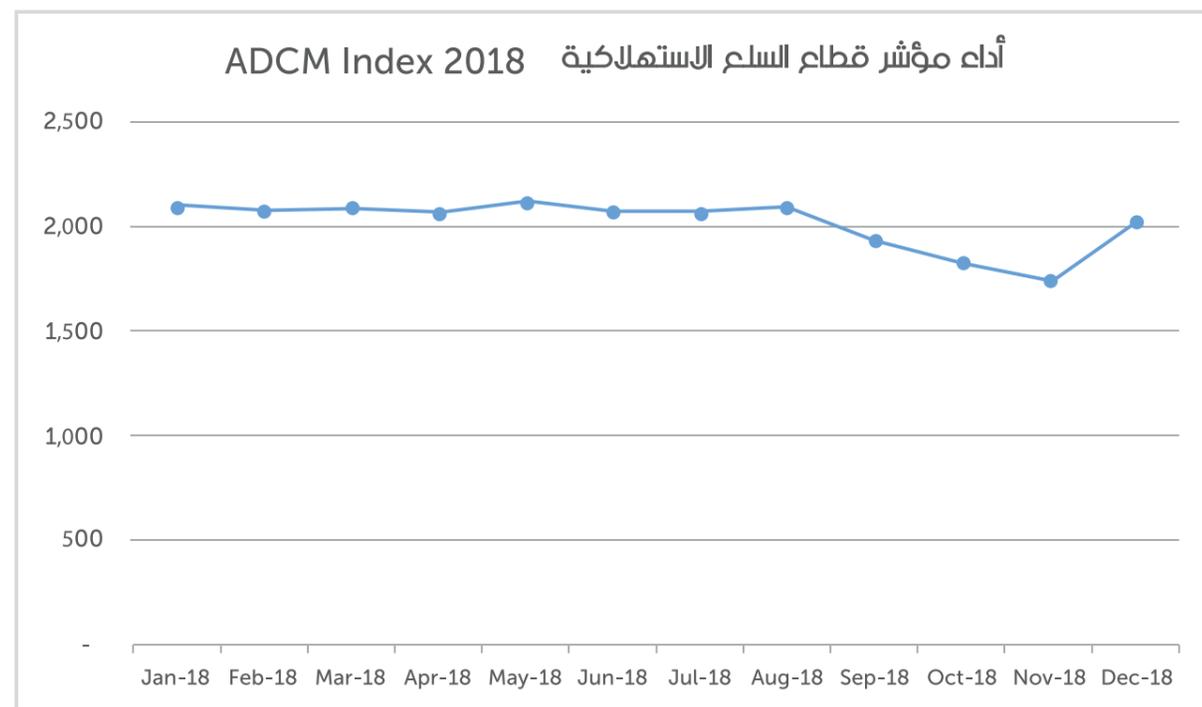
Month الشهر	High العلوى	Low الادنى	Close انغلاق
Jan-18	4,637.58	4,595.86	4,602
Feb-18	4,616.16	4,591.65	4,598
Mar-18	4,585.44	4,486.78	4,585
Apr-18	4,688.34	4,664.30	4,670
May-18	4,619.24	4,555.83	4,605
Jun-18	4,565.81	4,537.67	4,560
Jul-18	4,859.72	4,824.74	4,859
Aug-18	5,039.83	4,955.99	4,987
Sep-18	4,951.51	4,929.73	4,935
Oct-18	4,902.12	4,851.90	4,902
Nov-18	4,915.41	4,770.08	4,770
Dec-18	4,915.07	4,823.81	4,915

12.3 International Holdings Company's Share Performance During the Year 2018



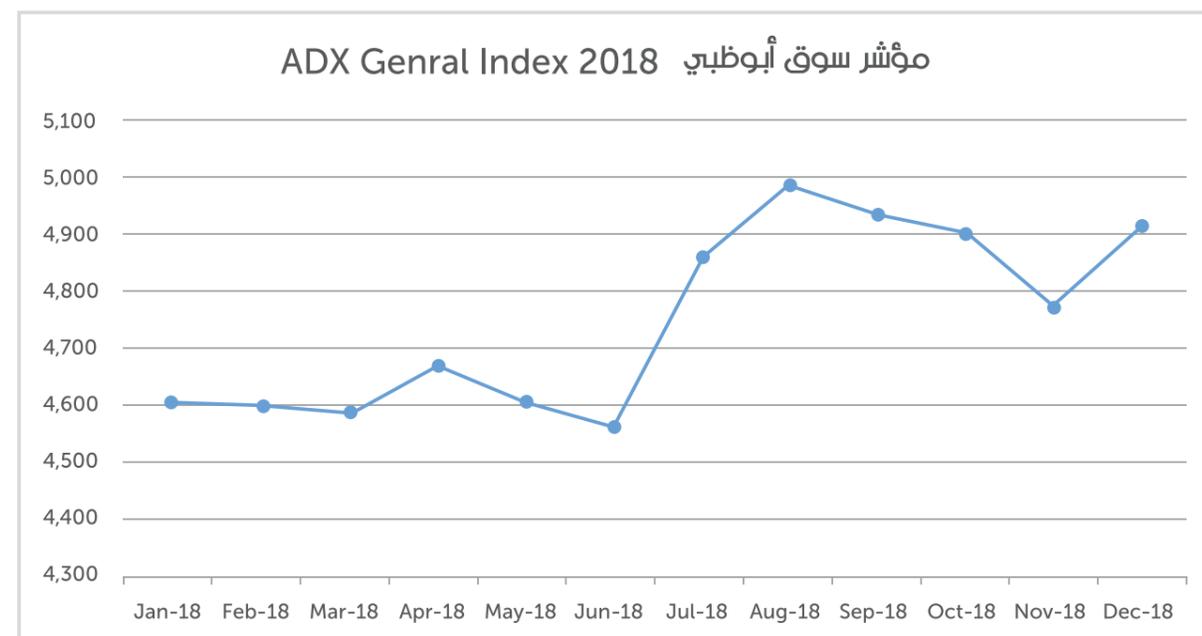
12.4 Sector Index (Consumer Goods)

The Consumer Price Index (CPI) during 2018 (point)



12.5 Abu Dhabi Securities Exchange Index (2018)

Performance of Abu Dhabi Securities Exchange Index for 2018 (point)



12.6 Distribution of Shareholders' Ownership as on 31/12/2018:

Description	Gover- nments	Individuals	Companies	Total	Percentage
Local	-	145,247,078	342,401,597	487,648,675	96%
GCC	-	568,208	751,106	1,319,314	0%
Arabs	-	13,800,949	102,000	13,902,949	3%
Foreigners	-	5,220,609	1,908,453	7,129,062	1%
Total	-	164,836,844	345,163,156	510,000,000	100%
Percentage		32%	68%	100%	

12.7 Statement of Shareholders Who Own More Than 5% as on 31/12/2018:

Name of Shareholders	Shareholders Share %
Royal Group for Corporate Management LLC	33.4%
Shimira Investment LLC	11.3%
Humaid Darwish Ahmed Al Ketbi	6.0%
TV Infiniti Free Zone LLC	5.6%
AL BAZI HOLDINGS RSC LTD	5.25%
Total	61.55%

12.8 A Statement of The Distribution of The Shareholders as Per the Volume of Ownership as on 31/12/2018:

Ownership of Shares	Number of Shareholders	Number of owned shares	Ownership %
Less than 50.000	8,540	19,984,797	3.92%
From 50.000- Less than 500.000	178	30,801,958	6.04%
From 500.000- Less than 5.000.000	50	89,947,885	17.64%
More than 5.000.000	12	369,265,360	72.40%
Total	8,780	510,000,000	100%

13. Investor Relations Affairs

The company has established a department specialized in managing the affairs of the shareholders. The following summary clarifies what has been achieved in compliance with the provisions of the law and the Memorandum of Association and Resolution No. 7 regarding corporate governance regulations and related circulars:

1. The Shareholder's Relations Officer has been appointed and holds the following qualifications:

- Holds a degree suitable for work.
- Has experience in managing the affairs of shareholders and legal matters within the State, including companies and banks.
- Aware of the relevant legal and legislative requirements.
- Has full knowledge of the company's activities and opportunities.
- Has the ability to use different channels of communication, and has the skills to communicate with investors in securities.

2.A special investor relations page has been created on the company's website to be constantly updated and maintained in line with international standards, including: Investor Relations Department data and contact information such as: a dedicated phone number and e-mail, providing all reports on financial results whether recorded or published , Financial year data, including the dates of publication of financial results data, minutes of meetings of the General Assemblies, and any other important events.

3. Information and data disclosed to regulators, markets or the public are posted on the company's website at the following link:

<http://www.ihcuae.com>

4. Contact details with Shareholder's Relations Officer, Miss Linda Ballout
Address: Unit# 404, 4th floor, Silver Wave Tower Meena Road,
Abu Dhabi – United Arab Emirates
Tel.: 02-6448090
Fax 02-6447060
P.O. Box 32619,
Abu Dhabi – United Arab Emirates
Email: linda.b@ihcuae.com
Email: investors@asmak.ae
Responding to Shareholders' enquiries
from Sunday to Thursday, 10am to 2pm.

14. The Special Resolutions That Were Presented at The General Assembly in April 2018:

There were no special resolutions at the General Assembly meeting.

15. Rapporteur of Board Meetings:

Name of Rapporteur: Mr. Mohamed Yaser Bader

Job title: Group Finance Manager

Appointment Date: 24/3/2011

Highlights of Company's Major Events During 2018:

During 2018, there was no significant event that requires disclosure.

16. Emiratization at the End of The Year (excluding construction workers)

Number of Employees	Emirates Citizens	Non-Emirates	Total
Total	6	470	476
Ratio	1%	99%	100%

17. Highlights of the Company's Major Events During 2018:

During 2018 there was no significant event requiring disclosure.

Note: Copies of this report (after approval) will be provided to the shareholders at the Company's Head Office and on the Company's website, as well as other copies to be provided to shareholders at the Annual General Assembly.

Report Issue Date: 03/03 / 2019



Hamad Abdulla Al Shamsi
Chairman Board of Directors
International Holdings Company PJSC



International
Holdings
Company

الشركة العالمية القابضة

International Holdings Company PJSC

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