International Holdings Company PJSC

DIRECTORS' REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS

31 DECEMBER 2019

International Holdings Company PJSC

DIRECTORS’ REPORT

31 DECEMBER 2019

DIRECTORS' REPORT
31 December 2019

Dear Shareholders,

It is our pleasure to present the Directors' report of International Holding Company PJSC (the "Company'') and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2019.

Results for the year
During the year ended 31 December 2019, the Group reported a profit of AED 505,625 thousand (2018: AED 20,185 thousand) and total comprehensive income of AED 506,120 thousand (2018: AED 19,029 thousand).

Auditors
A resolution proposing the reappointment of Ernst & Young as auditors of the Group for the year ending 31 December 2020 will be put to the shareholders at Annual General Meeting.

On behalf of Board of Directors

Chairman
Date:

International Holdings Company PJSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF INTERNATIONAL HOLDINGS COMPANY PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of International Holdings Company PJSC (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 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 Code of Ethics for Professional Accountants* (*including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF INTERNATIONAL HOLDINGS COMPANY PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

Revenue recognition
Revenue recognition is considered to be a key area of focus given there are multiple revenue streams associated with the Group which come from various decentralized operational locations. In addition, there are a number of different IT systems and applications in place for the recording of revenue transactions. The Group has a variety of customer contracts and revenue arrangements that require careful consideration and judgement to determine the appropriate revenue recognition. Further, revenue is also a key performance indicator for the Group's performance. During the year ended 31 December 2019, total revenue of the Group amounted to AED 1,259,073 thousand (note 21).

We reviewed the revenue recognition policies applied by the Group to assess their compliance with IFRS requirements. For each material operational location with significant revenue streams, we performed or involved component auditors to perform substantive audit procedures which included substantive analytical procedures at the Group, division and subsidiary level and performed testing on transactions around the year end, to assess whether revenues were recognised in the correct accounting period.

Business combinations within the scope of IFRS 3
During the year, the Group has acquired control over three companies as disclosed in note 6.1. Independent external valuation specialists were engaged by the Group to perform the purchase price allocation exercise, fair valuation of acquired assets and liabilities, and identification and valuation of the acquiree's assets / businesses. The acquisition of assets/ businesses is a key audit matter as these are significant transactions during the year which require significant judgement regarding the allocation of the purchase price to the assets and liabilities acquired and adjustments made to align accounting policies of the newly acquired assets / businesses with those of the Group.

We have obtained the purchase price allocation reports prepared by the independent valuers engaged by the Group. We involved our internal valuation specialists in reviewing the report. The review included discussions with management and consideration of the overall reasonableness of the assumptions and valuations in line with our expectations. We also assessed the key assumptions including cash flows focusing on revenues and earnings before interest, tax depreciation and amortisation ('EBITDA') and appropriateness of discount and growth rates, whilst considering the risk of management bias.

Other information
Other information consists of the information included in the Directors' report and annual report other than the consolidated financial statements and our auditor's report thereon.We obtained the Directors' report prior to the date of our audit report and we expect to obtain the annual report after the date of our auditor's report. Management is responsible for the other information.

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF INTERNATIONAL HOLDINGS COMPANY PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

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

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 IFRSs and in compliance with the applicable provisions of the Articles of Association of the Company and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF INTERNATIONAL HOLDINGS COMPANY PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

Auditor's responsibilities for the audit of the consolidated financial statements continued

- 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 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 period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those consoldiated financial statements on 12 March 2019.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF INTERNATIONAL HOLDINGS COMPANY PJSC continued

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Group has maintained proper books of account;

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

v) investments in shares and stocks are included in notes 2.2, 6, 10 and 11 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2019;

vi) note 26 reflects the disclosures relating to material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2019, 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 consolidated financial position as at 31 December 2019; and

viii) during the year, the Group made no social contributions.

Signed by:
Raed Ahmad
Partner
Ernst & Young
Registration No 811

19 March 2020
Abu Dhabi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Notes	***2019*** ***AED'000***	*2018* *AED'000*
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1,220,662**	68,624
Intangible assets and goodwill	8	**351,988**	-
Right-of-use assets	2.3	**85,666**	-
Investment properties	9	**328**	98,180
Investment in associates and joint ventures	10	**7,331**	12,928
Financial assets at fair value through other comprehensive income	11	**43,183**	22,868
Loans and advances		**571**	-
Loan to a related party	26	**1,200**	1,200
Deferred tax assets	29	**1,143**	-
		1,712,072	203,800
Current assets			
Inventories	12	**137,824**	37,113
Biological assets		**5,283**	1,504
Due from related parties	26	**200,848**	67,327
Trade and other receivables	13	**616,937**	187,914
Cash and bank balances	14	**1,305,185**	293,496
		2,266,077	587,354
TOTAL ASSETS		**3,978,149**	791,154
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**1,821,429**	510,000
Merger reserve	6.2	**(219,722)**	-
Statutory reserve	16	**45,191**	12,820
Cumulative changes on revaluation of investments		**8,394**	7,668
Currency translation reserve		**(287)**	(102)
Retained earnings		**517,476**	46,644
Equity attributable to owners of the Company		**2,172,481**	577,030
Non-controlling interests		**22,428**	9,269
Total equity		**2,194,909**	586,299

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
At 31 December 2019

	Notes	***2019*** ***AED'000***	*2018* *AED'000*
Non-current liabilities			
Provision for employees' end of service benefit	17	**49,544**	16,900
Lease liabilities	2.3	**76,133**	-
Bank borrowings	18	**326,937**	25,144
Other long term liabilities	20	**161,413**	-
Deferred tax liabilities	29	**1,599**	-
		615,626	42,044
Current liabilities			
Due to related parties	26	**179,139**	7,684
Lease liabilities	2.3	**8,828**	-
Loan from a related party	26	**-**	3,145
Bank borrowings	18	**117,935**	3,500
Trade and other payables	19	**861,712**	148,482
		1,167,614	162,811
Total liabilities		**1,783,240**	204,855
TOTAL EQUITY AND LIABILITIES		**3,978,149**	791,154

Chief Financial Officer

Managing Director

Chairman

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

	Notes	***2019*** ***AED'000***	*2018* *AED'000*
Revenue	21	**1,259,073**	570,241
Cost of revenue	22	**(920,425)**	(490,914)
Gross profit		**338,648**	79,327
General and administrative expenses	23	**(119,635)**	(57,618)
Selling and distribution expenses	24	**(41,638)**	(31,461)
Investment and other income	25	**49,783**	27,447
Gain on acquisition of subsidiary	6	**293,000**	2,490
Finance costs		**(13,958)**	-
Profit before tax		**506,200**	20,185
Income tax expense	29	**(575)**	-
Profit for the year		**505,625**	20,185
Attributable to:			
Owners of the Company		**505,560**	18,451
Non-controlling interests		**65**	1,734
Profit for the year		**505,625**	20,185
Earnings per share based on weighted average shares	27	**0.43**	0.04

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	***2019*** ***AED'000***	*2018* *AED'000*
Profit for the year		**505,625**	20,185
Other comprehensive income (loss):			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange difference on translation of foreign operations		**(231)**	(146)
Items that will not be reclassified subsequently to profit or loss:			
Change in the fair value of financial assets at fair value through other comprehensive income	11	**726**	(1,010)
Total other comprehensive income (loss)		**495**	(1,156)
Total comprehensive income for the year		**506,120**	19,029
Attributable to:			
Owners of the Company		**506,101**	17,339
Non-controlling interests		**19**	1,690
		506,120	19,029

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Attributable to equity holders of the Company								
	Share capital AED'000	*Merger reserve AED'000*	*Statutory reserve AED'000*	*Cumulative changes on revaluation of investments AED'000*	*Currency translation reserve AED'000*	*Retained earnings AED'000*	*Total AED'000*	*Non controlling-interests AED'000*	*Total AED'000*
Balance at 1 January 2018	510,000	-	10,975	(2,264)	-	35,162	553,873	6,251	560,124
Effect of changes in accounting policy for IFRS 9	-	-	-	10,942	-	(5,169)	5,773	(497)	5,276
Balance at 1 January 2018 (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 33)	-	-	-	-	-	-	-	(4,000)	(4,000)
Disposal of partial interest in subsidiary	-	-	-	-	-	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
Balance at 1 January 2019	510,000	-	12,820	7,668	(102)	46,644	577,030	9,269	586,299
Profit for the year	-	-	-	-	-	505,560	505,560	65	505,625
Other comprehensive income (loss) for the year	-	-	-	726	(185)	-	541	(46)	495
Total comprehensive income (loss) for the year	-	-	-	726	(185)	505,560	506,101	19	506,120
Issue of share capital (note 15)	1,311,429	-	-	-	-	-	1,311,429	-	1,311,429
Transfer to statutory reserve	-	-	32,371	-	-	(32,371)	-	-	-
Business combination of entities under common control (note 6.2)	-	(219,722)	-	-	-	-	(219,722)	-	(219,722)
Acquisition of non-controlling interest (note 2.2)	-	-	-	-	-	(2,357)	(2,357)	2,357	-
Dividends (note 33)	-	-	-	-	-	-	-	(3,780)	(3,780)
Acquisition of subsidiary (note 6.1)	-	-	-	-	-	-	-	14,563	14,563
Balance at 31 December 2019	**1,821,429**	**(219,722)**	**45,191**	**8,394**	**(287)**	**517,476**	**2,172,481**	**22,428**	**2,194,909**

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	*2019* *AED'000*	*2018* *AED'000*
OPERATING ACTIVITIES			
Profit for the year		**505,625**	20,185
Adjustments for:			
Depreciation of property, plant and equipment	7	**22,014**	2,858
Depreciation of right of use asset	2.3	**1,804**	-
Amortisation of intangible assets	8	**10,935**	-
Depreciation of investment properties	9	**414**	413
Amortisation of biological asset		**224**	-
Share of profit from investment in associates and joint ventures	10	**(4,776)**	(7,062)
Change in fair value of biological assets		**(670)**	535
Provision for employees' end of service benefit	17	**5,125**	2,882
Gain on disposal of property, plant and equipment		**(36)**	(640)
Gain on acquisition of a subsidiary	6	**(293,000)**	(2,490)
Gain on disposal of investment property	9	**(152,562)**	-
Allowance for slow moving inventories	12	**246**	404
Allowance for expected credit losses	13	**8,479**	2,311
Reversal of losses on financial assets	13	**(1,259)**	-
Interest and dividend income		**(15,492)**	(11,296)
Fair value gain on revaluation of acquirers' previously held equity interest	10	**(5,495)**	-
Write of property, plant and equipment		**539**	-
Finance costs		**13,958**	-
Operating cash flows before changes in operating assets and liabilities		**96,073**	8,100
Increase in inventories		**(41,544)**	(16,296)
Decrease in biological assets		**-**	2,324
Increase in due from related parties		**(116,408)**	(10,588)
Decrease (increase) in trade and other receivables		**144,079**	(30,535)
Increase in loans and advances		**(572)**	-
Increase in due to related parties		**92,869**	4,992
Increase in other non current liabilities		**95,685**	-
Increase in trade and other payables		**73,905**	61,390
Cash generated from operations		**344,087**	19,387
Employees' end of service indemnity paid	17	**(8,338)**	(1,646)
Finance costs paid		**(13,958)**	-
Net cash generated from operating activities		**321,791**	17,741
INVESTING ACTIVITIES			
Decrease (increase) in fixed deposits		**181,392**	(83,764)
Addition to property, plant and equipment	7	**(78,559)**	(52,583)
Addition to intangible assets	8	**(322)**	-
Proceeds from sale of property, plant and equipment		**36**	1,190
Acquisition of subsidiaries	6.1	**199,502**	(3,648)
Business combination of entities under common control	6.2	**334,673**	-
Purchase of investment in associate		**-**	(3,486)
Proceeds from disposal of investment property	9	**250,000**	-
Purchase of financial assets at FVTOCI	11	**(19,589)**	-
Dividend received from associates and joint ventures	10	**6,509**	6,435
Loan provided to related party		**-**	(1,200)
Interest and dividend received		**12,350**	9,511
Net cash generated from (used in) investing activities		**885,992**	(127,545)
FINANCING ACTIVITIES			
Net (repayment of) proceeds from bank borrowings	18	**(6,661)**	27,539
Repayment of loan from related parties		**(3,145)**	(2,880)
Dividend paid to non-controlling interest	33	**(3,780)**	(4,000)
Net movement in non-controlling interest		**-**	5,870
Lease rentals paid	2.3	**(829)**	(496)
Net cash (used in) generated from financing activities		**(14,415)**	26,033
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**1,193,368**	(83,771)
Cash and cash equivalents at beginning of the year		**91,772**	175,689
Effect of foreign exchange rate changes		**(287)**	(146)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	**1,284,853**	91,772

The attached notes 1 to 34 form part of these consolidated financial statements.

1 GENERAL INFORMATION

International Holdings Company PJSC (the "Company") is a Public Shareholding Company incorporated in Abu Dhabi by an Emiri Decree No.15 issued by His Highness The Ruler of Abu Dhabi on 23 November 1998. The Group comprises International Holdings Company PJSC (the "Company") and its subsidiaries (the "Group").

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

The main activities of the Group are 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 associated business.

In addition, the Group added new verticals during the year which has activities of installation of district cooling and air conditioning, repair of district cooling, investment in infrastructure projects, brokerage services, sale of food items and management of cinema shows, sale of spare parts and repair of military equipment, sports enterprises investment and management and sale of poultry products.

The consolidated financial statements for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 18 March 2020.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis, except for the re-measurement of certain financial instruments and biological assets at fair value.

The consolidated financial statements are presented in UAE Dirhams ("AED"), which is the presentation currency of the Group and all values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of laws of the United Arab Emirates.

2.2 Basis for consolidation

The consolidated financial statements of 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 Group 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.

2 BASIS OF PREPARATION continued

2.2 Basis for consolidation continued

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

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

- The contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group 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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2 BASIS OF PREPARATION continued

2.2 Basis for consolidation continued

Details of subsidiaries as at 31 December 2019 and 31 December 2018 were as follows:

Name of subsidiary	*Place of incorporation and operation*	*Principal activities*	*Proportion of ownership interest and voting power held*	
			2019	*2018*
Alliance Foods Company LLC	United Arab Emirates	Trading, processing and packing of seafood products.	**100%**	100%
Alliance Food Security Holdings LLC*	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.	**80%**	70%
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 Management 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%
Alliance Food Security Holdings USA*	United States of America	Animal feed trading	**80%**	70%
Forrajes San Mateo, S.L.U.*	Spain	Trading and production of animal feed	**80%**	70%
Asmak Holding Company Limited	United Arab Emirates	Holding companies and investment in commercial enterprises and management	**100%**	100%
The Gombos Company, L.L.C. **	United States of America	Trading and production of animal feed	**50%**	30%
PAL Cooling Holding LLC ***	United Arab Emirates	Installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.	**100%**	-
PAL Cooling Services LLC ***	United Arab Emirates	Installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.	**100%**	-

2 BASIS OF PREPARATION continued

2.2 Basis for consolidation continued

Name of subsidiary	*Place of incorporation and operation*	*Principal activities*	*Proportion of ownership interest and voting power held*	
			2019	*2018*
PAL Tamouh Cooling LLC ***	United Arab Emirates	Installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.	**100%**	-
PAL Danat Cooling LLC ***	United Arab Emirates	Installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.	**100%**	-
PAL Saraya Cooling LLC ***	United Arab Emirates	Installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.	**100%**	-
PAL Shams Cooling LLC ***	United Arab Emirates	Installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.	**100%**	-
PAL Najamat Cooling LLC ***	United Arab Emirates	Installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.	**100%**	-
PAL 4 Reem Cooling LLC ***	United Arab Emirates	Installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.	**100%**	-
Al Ajban Poultry LLC***	United Arab Emirates	Rearing, hatching, feed processing and sale of poultry products.	**100%**	-
Palms Sports LLC***	United Arab Emirates	Providing sport enterprises investment, institution and management.	**100%**	-
Zee Stores LLC***	United Arab Emirates	Trading and import of fresh consumables, canned, preserved and frozen foods.	**100%**	-
Cine Royal Cinema LLC***	United Arab Emirates	Establishment, management services, sale of food and cafeteria items and cinema shows.	**100%**	-
Shuaa Securities LLC***	United Arab Emirates	Share brokerage services.	**100%**	-
Trust International Group LLC***	United Arab Emirates	Sale of spare parts and repairs for military equipment.	**100%**	-

* Effective 1 April 2019, the Group increased its ownership interest in Alliance Food Security Holdings LLC from 70% to 80% by subscribing for additional 18 million shares out of 20 million total new shares issued by Alliance Food Security Holdings LLC. As Alliance Food Security Holdings LLC owns 100% of Alliance Food Security Holdings USA and Forrajes San Mateo, S.L.U., accordingly the Group's ownership in these entities also increased from 70% to 80%.

** The Group increased its ownership interest in The Gombos Company, L.L.C. from 30% to 50% effective 1 January 2019 (note 6.1).

*** During the year, the Group acquired 100% ownership interest in these entities (note 6).

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

Annual improvements 2015-2017 cycle

- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income Taxes
- IAS 23 Borrowing Costs

The Group applied IFRS 16 Leases for the first time. The nature and effect of these changes are disclosed below. The other amendments and interpretations applied for the first time in 2019 do not have an impact on the consolidated financial statements of the Group.

Impact on adoption of IFRS 16

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’), and lease contracts for which the underlying asset is of low value (‘low-value assets’).

2.3 CHANGES IN ACCOUNTING POLICIES continued

Transition to IFRS 16
The effect of adoption of IFRS 16 as at 1 January 2019 is as follows:

	At 1 January 2019 AED'000
Assets	
Right-of-use assets (land)	**14,139**
Prepayments	**(263)**
Total assets	**13,876**
Liabilities	
Lease liabilities	**13,876**
Total liabilities	**13,876**

Nature of the effect of adoption of IFRS 16
The Group has various lease contracts, where prior to the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. The leased asset was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under 'trade and other receivables' and 'trade and other payables' respectively. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

Operating lease commitments as at 31 December 2018 (AED'000)	**31,584**
Incremental borrowing rate as at 1 January 2019	**5.8%**
Lease liabilities as at 1 January 2019 (AED'000)	**13,876**

2.3 CHANGES IN ACCOUNTING POLICIES continued

Amounts recognised in the consolidated statement of financial position and consolidated statement of profit or loss

Set out below, are the carrying amounts of the Group's right-of-use asset and lease liabilities and the movements during the year:

	Right-of-use asset (land) AED'000	*Lease liability AED'000*
As at 1 January 2019	**14,139**	**13,876**
Acquired in business combinations (note 6)	**73,838**	**70,322**
Depreciation expense	**(2,311)**	**-**
Interest expense	**-**	**1,592**
Repayment made during the year	**-**	**(829)**
As at 31 December 2019	**85,666**	**84,961**

Lease liabilities are analysed in the consolidated statement of financial position as follows:

	2019 AED'000
Current	**8,828**
Non-current	**76,133**
	84,961

Depreciation and interest expense are recognised in the consolidated financial statements as follows:

	2019 AED'000
Depreciation expense charged to consolidated statement of profit or loss	**1,804**
Depreciation expense charged to capital work in progress (note 7)	**507**
	2,311
Interest expense charged to consolidated statement of profit or loss	**802**
Interest expense charged to capital work in progress	**790**
	1,592

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Business combinations and goodwill continued
When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Business combination of entities under common control
Transactions giving rise to transfer of interest in entities that are under common control are accounted for at the date the transfer occurred without restatement of prior periods. The assets and liabilities acquired are recognised at the carrying amounts recognized previously in the books of transferor entity. The components of the equity of the acquired entities are added to the same components within Group entity. Any cash paid for the acquisition is recognizsd directly in equity.

Interest in a joint venture
Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangement and determined it to be a joint venture.

Joint ventures are accounted using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment in an associate
An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but has no control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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 the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part 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 profit or loss.

Where the Group transacts with an associate, profits and losses are eliminated to the extent of the Group interest in the relevant associate.

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.

Inventories
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.

Animal feed products
Inventory consists primarily of alfalfa hay, materials, supplies and parts and are stated at the lower of cost and net realizable value. Alfalfa hay is valued using the weighted average cost method. Materials, supplies and parts are valued using the first in first out method.

Packing and raw materials, food and non-food items, other finished goods and spares and consumables
These 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Inventories continued
Poultry products
Boiler chicken, hatching eggs and finished goods are stated at lower of cost and net realisable value. Cost is calculated using the weighted average cost method. The cost comprises of a proportion of the cost of the egg produced by the parent chicken or purchased, and feed, vaccine medicines consumed by the flock, slaughtering expenses and packing charges.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and services rendered, stated net of allowances and rebates. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods
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.

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.

The gross amount contract liabilities to customers classified under trade and other payables, 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued

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.

District cooling

Revenue from providing the district cooling services in the course of ordinary activities is measured at fair value of the consideration received or receivable. Revenue is recognised when pervasive evidence exists, usually in the form of an executed sales agreement, the significant risks and rewards of ownership have been transferred to the customer and the service has been rendered to the customer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement with the service, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Connection fees

Connection fees are recognised on a straight line basis over the term of the respective customer contracts unless it represents a separately identifiable service and satisfies other criteria for upfront recognition to the consolidated statement of profit or loss.

Services

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

Dividends

Dividend income from investments is recognised in the consolidated statement of profit and loss when the shareholders' rights to receive payment is established.

Interest income

Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Employee benefits

An accrual is made for 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 reporting period.

Provision is also made for the full amount of end of service benefits due to employees in accordance with the Group's policy, which is at least equal to the benefits payable in accordance with UAE Labour Law, for their period of service up to the end of the reporting period. The accrual relating to annual leave and leave passage is classified as a current liability, while the provision relating to end of service benefits is classified as a non-current liability.

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 as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific loans pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period during which they are incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it 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. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the 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.

Foreign currencies
For the purpose of these consolidated financial statements UAE Dirhams (AED) is the functional and the presentation currency of the Group.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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.

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to consolidated statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Leases continued
Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short- term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Biological assets
Biological assets are measured on initial recognition and at end of each reporting period at fair value less estimated costs to sell, unless at initial recognition that fair value cannot be measured reliably. In such cases, the entity measures the biological asset at historic cost less any accumulated depreciation and any accumulated impairment losses unless/until fair value becomes reliably measurable. 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.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Intangible assets continued
Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

Concession rights
These include cost incurred to obtain certain concession rights and are amortised on a straight-line basis in the consolidated statement of profit or loss over their estimated useful life of 37 years from the date of construction of DC Plant.

Customer contracts
Customer contracts have a finite useful life and are carried at cost less accumulated amortisation and impairment and mainly represent long term non-cancellable contracts with customers for the supply of services which were acquired during the year (note 6). Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful life of 4 years.

Customer relationship
Customer relationship represents future economic benefits in the form of future business with a customer beyond the amount secured by any current contractual arrangements. Customer relationship acquired in a business combination that does not arise from a contract may nevertheless be identifiable because the relationship is separable. These mainly represent non-contractual relationships, which were acquired during the year (note 6) and meet the criteria for recognition as intangible assets under IAS 38. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful life of 6 years.

Property and equipment
Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Assets under construction are stated at cost, net of accumulated impairment losses, and are not depreciated. When commissioned, assets under construction are transferred to the appropriate property and equipment asset category and depreciated in accordance with the Group's policies.

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 consolidated statement of profit or loss in the period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

Fish farming assets	5 - 12
Buildings and leasehold improvements	5 - 33
Plant, machinery and equipment	3 - 35
Furniture, fixtures and office equipment	3 - 7
Motor vehicles	4 - 5
Marine vessels	10 – 25

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property and equipment continued
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 and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated statement profit or loss.

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

Impairment of tangible assets
At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine 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.

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 to the extent that it reverses previously recorded revaluation gains.

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.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at amortised cost (debt instruments, cash and cash equivalents and trade receivables)
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at fair value through profit or loss

The Group has the following financial assets:

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
b) 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.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost include a certain portion of trade and other receivables, due from related parties, and cash and bank balances.

Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash at hand and deposits held with banks with an original maturity of three months or less.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued
Impairment of financial assets continued
For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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.

Financial liabilities and equity instruments
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables and borrowings.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at amortised cost (loans and borrowings)
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in consolidated statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities and equity instruments continued
Financial liabilities at amortised cost (loans and borrowings) continued
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

This category generally applies to a certain portion of trade and other payables, due to related parties, lease liabilities and bank borrowings.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

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

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:
- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Value added tax ("VAT")

- Expenses and assets are recognised net of the amount of VAT, except:
- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of VAT included
- The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Fair value measurement

The Group measures financial instruments such as financial assets at fair value through other comprehensive income, trade and other receivables, due from related parties and cash and bank balances at fair value at each consolidated statement of financial position date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

4 STANDARDS ISSUED BUT NOT EFFECTIVE

The following new standards/ amendments to standards which were issued up to 31 December 2019 and are not yet effective for the year ended 31 December 2019 have not been applied while preparing these consolidated financial statements. The Group does not expect that the adoption of these standards/amendments will have a material impact on its consolidated financial statements:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 3: Definition of a Business
- Amendments to IAS 1 and IAS 8: Definition of Material.

5 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date 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.

While applying the accounting policies as stated in note 3, management of the Group has made certain judgments, estimates and assumptions 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. Revision to accounting estimates are recognised in the period of the revision 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.

Key sources of estimation of uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment and investment properties
The management 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 charge would be adjusted where management believes that the useful lives differ from previous estimates.

Impairment assessment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Properties classified under property and equipment and investment properties, as well as investments in joint ventures and associates are assessed for impairment based on the assessment of cash flows on individual cash-generating units when there is an indication that those assets have suffered an impairment loss.

Business combinations
Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires judgment by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of assets and market multiples. The Group’s management uses all available information to make these fair value determinations.

5 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

Key sources of estimation of uncertainty continued

Allowance for slow moving inventories

Inventories 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.

Valuation of unquoted equity investments

Valuation of unquoted 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.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating etc.).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At the reporting date, gross trade receivables were AED 377,688 thousand (2018: AED 121,704 thousand), contract assets were AED 37,712 thousand (2018: AED 44,092 thousand) and the provision for expected credit losses was AED 37,293 thousand (2018: AED 21,621 thousand). Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the consolidated statement of profit or loss.

Leases - estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Critical accounting judgments in applying accounting policies

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgments that have the most significant effect on the amounts recognised in the consolidated financial statements.

5 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

Critical accounting judgments in applying accounting policies continued

Determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

6 BUSINESS COMBINATIONS

6.1 ACQUISITIONS DURING THE YEAR

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

	Gombos AED'000	*Trust AED'000*	*Shuaa AED'000*	*Total AED'000*
Assets				
Intangible assets	8,514	240,400	2,831	251,745
Property and equipment	11,748	1,586	1,156	14,490
Due from related parties	-	-	37	37
Inventories	37,078	-	-	37,078
Right of use assets	3,972	7,213	-	11,185
Cash and bank balances	-	83,068	231,173	314,241
Trade and other receivables	16,422	203,645	72,206	292,273
	77,734	**535,912**	**307,403**	**921,049**
Liabilities				
Trade and other payable	19,858	133,323	223,745	376,926
Borrowings	25,943	-	13,822	39,765
Due to related parties	-	930	-	930
Lease liabilities	2,807	6,059	-	8,866
Provision for employees' end of service benefit	-	2,600	1,082	3,682
	48,608	**142,912**	**238,649**	**430,169**
Net assets of acquiree	**29,126**	**393,000**	**68,754**	**490,880**
Proportionate share of identifiable net assets acquired	**14,563**	**393,000**	**68,754**	**476,317**
Goodwill arising on acquisition (note 8)	1,035	-	29,746	30,781
Gain on acquisition	-	(293,000)	-	(293,000)
Purchase consideration	**15,598**	**100,000**	**98,500**	**214,098**
The breakup of purchase consideration is as follows:				
Fair value of previously held equity interest (note 10)	9,359	-	-	9,359
Purchase consideration paid	6,239	10,000	98,500	114,739
Purchase consideration payable	-	90,000	-	90,000
	15,598	**100,000**	**98,500**	**214,098**

The fair value assessment of identifiable net assets is complete for all entities.

6 BUSINESS COMBINATIONS continued

6.1 ACQUISITIONS DURING THE YEAR continued

Analysis of cash flows on acquisitions is as follows:

	Gombos ***AED'000***	***Trust*** ***AED'000***	***Shuaa*** ***AED'000***	***Total*** ***AED'000***
Cash paid	**(6,239)**	**(10,000)**	**(98,500)**	**(114,739)**
Net cash acquired with the subsidiaries	**-**	**83,068**	**231,173**	**314,241**
Net cash flow on acquisition	**(6,239)**	**73,068**	**132,673**	**199,502**

Acquisition of The Gombos Company, L.L.C.
Effective 1 January 2019, the Group increased its ownership interest in The Gombos Company, L.L.C ("Gombos") from 30% to 50% by making additional capital contribution of AED 6,239 thousand (USD 1,700 thousand). The Gombos Company, L.L.C. is a private limited liability company based in the United States of America that is involved in trading and production of animal feed. The acquisition has been accounted for using the acquisition method. The Group has concluded that it controls Gombos as the Group exercises power over Gombos through the supply and distribution agreement between the Group and Gombos, its representation on the board of directors and the right to appoint the managing member of the board of directors of Gombos. The Group recognized non-controlling interest at acquisition of AED 14,563. From the date of acquisition, Gombos contributed revenue and profit to the Group amounting to AED 130,883 thousand and AED 1,512 thousand, respectively.

Acquisition of Trust International Group LLC
Effective 1 November 2019, the Group acquired a 100% interest in Trust International Group L.L.C ("Trust") for AED 100 million payable in 4 instalments over a period of 3 years. Trust is a private limited liability company based in the United Arab Emirates that is involved in sale of spare parts and repairs for military equipment. The acquisition has been accounted for using the acquisition method under IFRS 3 Business combination. From the date of acquisition, Trust contributed revenue and profit to the Group amounting to AED 29,141 thousand and AED 2,155 thousand, respectively. If the acquisition had taken place at the beginning of the year, Trust would have contributed revenue and profit to the Group amounting to AED 436,041 thousand and AED 29,093 thousand respectively.

With respect to the bargain gain on acquisition, the Group re-assessed whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviewed the procedures used to measure the amounts to be recognised at the acquisition date. The reassessment still resulted in an excess of the fair value of net assets acquired over the aggregate consideration transferred. Even though the business was doing well financially, due to its special nature and advice from Trust's major customer, the previous owners decided to divest their respective shares in Trust, so they could concentrate on their considerable other business interests.

Acquisition of Shuaa Securities LLC
Effective 1 November 2019, the Group acquired a 100% interest in Shuaa Securities L.L.C ("Shuaa") for AED 98.5 Million. Shuaa is a private limited liability company based in the United Arab Emirates that is involved in provision of share brokerage services. The acquisition has been accounted for using the acquisition method. From the date of acquisition, Shuaa contributed revenue and profit to the Group amounting to AED 3,882 thousand and AED 2,776 thousand, respectively. If the acquisition had taken place at the beginning of the year, Shuaa would have contributed revenue and profit to the Group amounting to AED 18,403 thousand and AED 7,938 thousand respectively.

6 BUSINESS COMBINATIONS continued

6.2 BUSINESS COMBINATIONS UNDER COMMON CONTROL

The acquisition during the year of entities mentioned below are excluded from the scope of International Financial Reporting Standard 3 (IFRS 3) “Business Combinations” as it is business combination of entities under common control given that the Company and the acquired entities are ultimately controlled by the same party before and after the acquisition. The acquisitions have been accounted for in the consolidated financial statements using the pooling of interest method, which reflects the economic substance of the transaction. The Group has elected to consolidate the income, expenses, assets and liabilities of acquired entities from the date of acquisition.

PAL Cooling Holding LLC
On 30 June 2019, the Company issued 1,311,428,571 new shares and completed the acquisition of 100% of the issued share capital of PAL Cooling Holding LLC and its subsidiaries (“PAL”). The new shares were issued to the previous owners of PAL. PAL is based in the United Arab Emirates and is involved in installation of district cooling and air conditioning, repair of district cooling and investment in infrastructure projects. From the date of acquisition, PAL contributed revenue and profit to the Group amounting to AED 119,311 thousand and AED 45,459 thousand, respectively. If the acquisition had taken place at the beginning of the year, PAL would have contributed revenue and profit to the Group amounting to AED 207,402 thousand and AED 71,068 thousand respectively.

Al Ajban Poultry LLC
On 1 November 2019, the Company acquired 100% shares in Al Ajban Poultry LLC (“Al Ajban”) for nil consideration. Al Ajban is based in Abu Dhabi, United Arab Emirates and is involved in Rearing, hatching, feed processing and sale of poultry products. From the date of acquisition, Al Ajban contributed revenue and profit to the Group amounting to AED 12,254 thousand and AED 1,829 thousand, respectively. If the acquisition had taken place at the beginning of the year, Al Ajabn would have contributed revenue and profit to the Group amounting to AED 76,957 thousand and AED 10,380 thousand respectively.

Palms Sports LLC
On 1 November 2019, the Company acquired 100% shares in Palms Sports LLC (“Palms Sports”) for nil consideration. Palms Sports is based in the United Arab Emirates and is involved in providing sport enterprises investment, institution and management. From the date of acquisition, Palms Sports contributed revenue and profit to the Group amounting to AED 54,694 thousand and AED 20,735 thousand, respectively. If the acquisition had taken place at the beginning of the year, Palms Sports would have contributed revenue and profit to the Group amounting to AED 308,729 thousand AED 76,702 thousand respectively.

Zee Stores LLC
On 1 November 2019, the Company acquired 100% shares in Zee Stores LLC (“Zee Stores”) for nil consideration. Zee Stores is based in the United Arab Emirates and is involved in the trading and importing of fresh consumables, canned, preserved and frozen foods. From the date of acquisition, Zee Stores contributed revenue and profit to the Group amounting to AED 48,177 thousand and AED 2,959 thousand, respectively. If the acquisition had taken place at the beginning of the year, Zee Stores would have contributed revenue and profit to the Group amounting to AED 302,999 thousand and AED 18,636 thousand respectively.

6 BUSINESS COMBINATIONS continued

6.2 BUSINESS COMBINATIONS UNDER COMMON CONTROL continued

Cine Royal Cinema LLC

On 1 November 2019, the Company acquired 100% shares in Cine Royal Cinema LLC (“Cine Royal”) at nil consideration. Cine Royal is based in the United Arab Emirates and is involved in establishment, management services, sale of food and cafeteria items and cinema shows. From the date of acquisition, Cine Royal contributed revenue and profit to the Group amounting to AED 13,888 thousand and AED 579 thousand respectively. If the acquisition had taken place at the beginning of the year, Cine Royal would have contributed revenue and profit to the Group amounting to AED 88,059 thousand AED 7,101 thousand respectively.

	Pal *AED'000*	*Al Ajban* *AED'000*	*Palms Sports* *AED'000*	*Zee Stores* *AED'000*	*Cine Royal* *AED'000*	*Total* *AED'000*
Assets						
Intangible assets	80,000	124	-	-	-	80,124
Property, plant and equipment	788,157	196,222	1,064	15,887	80,349	1,081,679
Right of use assets	-	-	751	7,273	54,629	62,653
Inventories	-	14,611	1,656	5,224	844	22,335
Due from related parties	1,903	1,221	-	5,701	8,251	17,076
Biological assets	-	3,853	-	-	-	3,853
Cash and bank balances	13,850	10,411	211,789	57,855	40,768	334,673
Trade and other receivables	89,634	21,926	74,508	90,351	12,888	289,307
	973,544	**248,368**	**289,768**	**182,291**	**197,729**	**1,891,700**
Liabilities						
Trade and other payable	131,428	11,852	50,741	33,463	17,546	245,030
Bank borrowings	383,124	-	-	-	-	383,124
Due to related parties	29,874	44,037	304	1,387	2,054	77,656
Deferred revenue	-	728	-	-	-	728
Lease liabilities	-	-	651	7,522	53,283	61,456
Provision for employees' end of service benefit	4,080	932	22,370	3,248	1,369	31,999
	548,506	**57,549**	**74,066**	**45,620**	**74,252**	**799,993**
Proportionate share of identifiable net assets acquired	425,038	190,819	215,702	136,671	123,477	1,091,707
Shares issued for the acquisition	(1,311,429)	-	-	-	-	(1,311,429)
Consideration paid	-	-	-	-	-	-
Merger reserve	**(886,391)**	**190,819**	**215,702**	**136,671**	**123,477**	**(219,722)**

If the business combinations mentioned above and in note 6.1 had taken place at the beginning of the year, revenue and profit of the Group would have been AED 2,416,316 thousand and AED 650,051 thousand respectively.

6 BUSINESS COMBINATIONS continued

6.3 ACQUISITION IN PRIOR YEAR

During 2018, 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 amounted to AED 2,489 thousand being the excess of fair value of net assets acquired over the consideration transferred.

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

	2018 *AED'000*
Prepayments and other current assets	29
Inventories	126
Property, plant and equipment (note 7)	7,330
Other assets	22
Trade and other payables	(187)
Net assets acquired	7,320
Gain on acquisition	(2,490)
Purchase consideration	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.

Analysis of cash flows on acquisition is as follows:

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

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

During the year ended 31 December 2018, the newly acquired subsidiary contributed revenue and profit to the Group amounting to AED 10.7 million and AED 0.3 million, respectively.

7 PROPERTY, PLANT AND EQUIPMENT

	Fish farming assets AED'000	*Building and leasehold improvements AED'000*	*Plant and equipment AED'000*	*Furnitures, fixtures and office equipments AED'000*	*Motor vehicles AED'000*	*Marine vessels AED'000*	*Capital work in progress AED'000*	*Total AED'000*
Cost								
At 1 January 2018	8,227	10,167	38,608	3,630	12,884	3,330	5,893	82,739
Acquisition of subsidiaries (note 6)	-	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
At 1 January 2019	6,452	15,207	38,590	3,713	12,113	3,195	57,616	136,886
Acquisition of subsidiaries (note 6)	-	226,599	774,444	5,753	4,377	-	84,996	1,096,169
Additions during the year	-	3,753	13,026	1,179	89	-	60,512	78,559
Disposals during the year		-	(921)	(1,821)	(1,327)	-	-	(4,069)
Write off during the year	-	-	-	-	-	-	(508)	(508)
Transfers during the year	-	-	129	169	-	-	(298)	-
At 31 December 2019	**6,452**	**245,559**	**825,268**	**8,993**	**15,252**	**3,195**	**202,318**	**1,307,037**
Accumulated depreciation								
At 1 January 2018	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
At 1 January 2019	6,452	9,878	35,703	3,368	9,666	3,195	-	68,262
Charge for the year	-	3,045	16,935	798	1,236	-	-	22,014
Eliminated on disposals	-	-	(856)	(1,718)	(1,327)	-	-	(3,901)
At 31 December 2019	**6,452**	**12,923**	**51,782**	**2,448**	**9,575**	**3,195**	**-**	**86,375**
Carrying amount								
At 31 December 2019	**-**	**232,636**	**773,486**	**6,545**	**5,677**	**-**	**202,318**	**1,220,662**
At 31 December 2018	-	5,329	2,887	345	2,447	-	57,616	68,624

7 PROPERTY, PLANT AND EQUIPMENT continued

At 31 December 2019, capital work in progress mainly comprises costs incurred towards construction of district cooling plant and construction of a new factory in Dubai Investment Park (2018: towards constructing a new factory in Dubai Investment Park).

During the year ended 31 December 2019, the Group capitalised finance costs related to its bank loans of AED 2,100 thousand (2018: 487 thousand). The capitalisation rate used to determine these finance costs was EIBOR + 3%.

Plant and equipment with a carrying value of AED 592,296 thousand (2018: nil) are mortgaged as security against bank borrowing (note 18).

	2019	*2018*
	AED'000	*AED'000*
Cost of revenue (note 22)	**19,998**	2,041
General and administrative expenses (note 23)	**1,928**	697
Selling and distribution expenses (note 24)	**88**	120
	22,014	2,858

8 INTANGIBLE ASSETS AND GOODWILL

	Goodwill	*Concession rights*	*Customer relationship*	*Customer contracts*	*Others*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
At 1 January 2019	-	-	-	-	-	-
Relating to business combinations (note 6)	**30,781**	**80,000**	**166,893**	**84,800**	**127**	**362,601**
Additions during the year	-	-	-	-	**322**	**322**
Amortisation during the year	**-**	**(1,802)**	**(5,511)**	**(3,533)**	**(89)**	**(10,935)**
At 31 December 2019	**30,781**	**78,198**	**161,382**	**81,267**	**360**	**351,988**

Goodwill

Goodwill primarily comprises sales growth, new customers and expected synergies arising from the acquisitions. Goodwill is allocated to respective cash generating units. Management has assessed that no impairment loss is required to be recognised against goodwill at the reporting date.

Customer contracts and customer relationship

These represent long term non-cancellable contracts with customers and non-contractual relationships which were acquired during the year (note 6) and meet the criteria for recognition as intangible assets under IAS 38.

Concession rights

In December 2018, a subsidiary acquired rights and obligations attached to district cooling concessional contract relating to part of the Sector 4, Reem Island Development Area, Abu Dhabi for AED 80 million to provide district cooling services to customers in concession area developed by Tamouh. An amount of AED 58.6 million has been settled and the remaining balance is payable on demand. The duration of the contract is 35 years from the date of commencement of original contract.

9 INVESTMENT PROPERTIES

	Land *AED'000*	*Building* *AED'000*	*Total* *AED'000*
2019			
Cost:			
At 1 January 2019	97,438	68,415	165,853
Disposals during the year	(97,438)	-	(97,438)
At 31 December 2019	**-**	**68,415**	**68,415**
Accumulated depreciation:			
At 1 January 2019	-	67,673	67,673
Charge for the year	-	414	414
At 31 December 2019	**-**	**68,087**	**68,087**
Net carrying amount:			
At 31 December 2019	**-**	**328**	**328**
2018			
Cost:			
At 1 January and 31 December 2018	97,438	68,415	165,853
Depreciation:			
At 1 January 2018	-	67,260	67,260
Charge for the year	-	413	413
At 31 December 2018	-	67,673	67,673
Net carrying amount:			
At 31 December 2018	97,438	742	98,180

The fair value of investment property was determined by using discounted cash flow model prepared internally by the management as of 31 December 2019. 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 2019 is estimated to be around AED 14 million (2018: AED 30 million). Assumption used by the management are constant future cash flows and discount rate of 10% per annum For disclosure purpose these investment properties are being considered as level 3.

During the year, the Group entered into an agreement for the sale of plots of land located in the Meena area, Abu Dhabi for a consideration of AED 250 million. This resulted in a gain of AED 152,562 thousand. The Group has recorded revenue from sale of land of AED 250,000 thousand (note 21) and cost of revenue of AED 97,438 thousand (note 22) as the performance obligations stipulated in the agreement were satisfied before 31 December 2019. The legal formalities to transfer the ownership of the plots of land are yet to be completed at the reporting date.

10 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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

Name of entity	*Principal activities*	*Place of incorporation and operation*	*Ownership interest*	
Associates			**2019**	*2018*
Abu Dhabi Mountain Gate LLC	Real estate enterprise investment, development, institution and management.	U.A.E.	**47%**	47%
Tafseer Contracting & General Maintenance Company L.L.C.	Real estate enterprise investment, development, institution and management.	U.A.E	**20%**	20%
Joint ventures				
Lazio Real Estate Investment LLC	Real estate enterprise investment, development, institution and management	U.A.E.	**65%**	65%
Progressive Real Estate Dev. LLC	Real estate enterprise investment, development, institution and management	U.A.E.	**65%**	65%

During 2018, the directors of Lazio Real Estate Investment LLC, a joint venture, elected to liquidate the joint venture. As at 31 December 2019, carrying amount of the investment is AED 0.2 million (31 December 2018: AED 0.2 million). The liquidation process is still on going.

Tafseer Contracting & General Maintenance Company LLC, an associate, is under liquidation. As at December 2019, the carrying amount of the investments is AED Nil (2018: AED nil).

Movements in investment in associates and joint ventures are as follows:

	2019 ***AED'000***	*2018* *AED'000*
Balance at 1 January	**12,928**	8,815
Acquisition during the year	**-**	3,486
Disposal during the year*	**(3,864)**	-
Group's share in profit for the year (note 25)	**4,776**	7,062
Dividend received during the year	**(6,509)**	(6,435)
Balance at 31 December	**7,331**	12,928

* Gain on derecognition of associate following acquisition of additional interest resulting in control is as follows:

	2019 ***AED'000***
Fair value of equity interest (note 6.1)	**9,359**
Less: carrying value of associate	**(3,864)**
Fair value gain on previously held equity interest (note 25)	**5,495**

10 INVESTMENT IN ASSOCIATES AND JOINT VENTURES continued

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

	2019 AED’000	*2018 AED’000*
Total assets	**22,595**	92,709
Total liabilities	**(8,603)**	(51,211)
Net assets	**13,992**	41,498
Group’s share of net assets of associates and joint ventures	**7,331**	12,928
Total revenue	**32,873**	144,401
Total profit for the year	**9,669**	13,307
Group’s share in associates and joint ventures	**4,776**	7,062

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 AED’000	*2018 AED’000*
Quoted	**2,127**	1,787
Unquoted	**41,056**	21,081
	43,183	22,868
In U.A.E. markets	**43,183**	22,868

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 recognizing 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 realizing 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 30.

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

	2019 AED’000	*2018 AED’000*
Balance at 1 January	**22,868**	12,936
Investments acquired during the year	**19,589**	10,942
	42,457	23,878
Net fair value gain (loss) on investments at FVTOCI during the year	**726**	(1,010)
	43,183	22,868

12 INVENTORIES

	2019 *AED'000*	*2018* *AED'000*
Fish and fish products	**44,328**	34,701
Animal feed	**58,940**	-
Poultry products	**3,889**	-
Food and non-food items	**6,213**	-
Other finished goods	**4,749**	-
Packing and raw material	**9,093**	2,589
Spares and consumables	**751**	-
	127,963	37,290
Less: allowance for slow moving inventories	**(2,430)**	(740)
Goods in transit	**12,291**	563
	137,824	37,113

Movement in allowance for slow moving inventories is as follows:

	2019 *AED'000*	*2018* *AED'000*
Balance at 1 January	**740**	336
Acquired in business combinations	**1,444**	-
Change for the year	**246**	404
Balance at 31 December	**2,430**	740

13 TRADE AND OTHER RECEIVABLES

	2019 *AED'000*	*2018* *AED'000*
Trade receivables	**377,688**	121,704
Less: allowance for expected credit loss	**(29,915)**	(14,456)
	347,773	107,248
Contract assets from customers	**30,334**	36,972
	378,107	144,220
Retention receivables	**11,511**	7,713
Prepayments	**9,039**	1,154
Due from security markets	**5,445**	-
Margin receivables *	**118,862**	-
Accrued interest receivable	-	3,367
Advances to suppliers and sub-contractors	**32,123**	21,384
Deposits and other receivables	**61,850**	10,076
	616,937	187,914

13 TRADE AND OTHER RECEIVABLES continued

* Margin receivable relate to net receivable from customers from margin trading services. Margin trading is the funding by the Group of a proportion of the market value of the securities financed on a margin, and are secured by the securities available in the margin trading account as a collateral. As at 31 December 2019, due from customers and due from security markets are neither past due nor impaired.

Contract assets from customers:

	2019	*2018*
	AED'000	*AED'000*
Contracts costs incurred plus recognised profits less recognised losses to date	**396,830**	293,764
Progress billings to date	**(359,118)**	(249,672)
	37,712	44,092
Less: allowance against due from customers for contract work	**(7,378)**	(7,165)
	30,334	36,927

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 measures the loss allowance for trade receivables, contract assets and other receivable 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.

Below is the information about the credit risk exposure on the Group's trade receivables:

	Total	*Not past due*	*<30 days*	*31-60 days*	*>60 days*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
31 December 2019					
Expected credit loss rate		**0-5%**	**1-13%**	**3-41%**	**4-100%**
Estimated total gross carrying amount at default	**377,688**	**194,135**	**68,741**	**24,020**	**90,792**
Life time ECL	**29,915**	**6,244**	**3,045**	**1,219**	**19,407**
31 December 2018					
Expected credit loss rate		3%	7%	21%	58%
Estimated total gross carrying amount at default	121,704	89,331	11,916	2,473	17,984
Life time ECL	14,411	2,624	785	514	10,488

13 TRADE AND OTHER RECEIVABLES continued

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

	2019 AED'000	2018 AED'000
Balance at 1 January	**14,411**	6,946
Adjustment upon application of IFRS 9	**-**	5,482
Acquired in business combinations	**8,746**	-
Charge for the year (note 23)	**8,266**	2,311
Reversals during the year	**(1,259)**	-
Allowance written off during the year	**(249)**	(328)
Balance at 31 December	**29,915**	14,411

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

	2019 AED'000	2018 AED'000
Balance at 1 January	**7,165**	7,120
Adjustment upon application of IFRS 9	**-**	45
Charge for the year (note 23)	**213**	-
Balance at 31 December	**7,378**	7,165

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 2019.

14 CASH AND CASH EQUIVALENTS

	2019 AED'000	2018 AED'000
Cash on hand	**1,164**	258
Bank balances:		
Current and call accounts	**1,134,068**	22,855
Term deposits	**170,007**	270,437
Adjustment upon application of IFRS 9	**-**	(54)
Less: allowance for expected credit loss	**(54)**	-
	1,305,185	293,496
Less fixed deposits with a maturity of more than three months	**(20,332)**	(201,724)
Cash and cash equivalents	**1,284,853**	91,772

Term deposits are placed with commercial banks. These are mainly denominated in the UAE Dirhams and earn interest at market rates. These deposits have original maturity between 1 to 12 months.

15 SHARE CAPITAL

	2019 AED'000	2018 AED'000
Authorised issued and fully paid		
1,821 million shares of AED 1 each		
(31 December 2018: 510 million shares of AED 1 each)	**1,821,429**	510,000

During the year, the Company issued additional 1,311,428,571 shares of AED 1 each to acquire PAL Cooling Holding LLC group (note 6).

16 STATUTORY RESERVE

In accordance with United Arab Emirates 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.

17 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2019 AED'000	2018 AED'000
At 1 January	**16,900**	15,664
Acquired in business combinations (note 6)	**35,681**	-
Charge for the year	**5,125**	2,882
Paid during the year	**(8,338)**	(1,646)
Transfers	**176**	-
At 31 December	**49,544**	16,900

18 BANK BORROWINGS

	2019 AED'000	2018 AED'000
Term loan 1	**55,022**	28,644
Term loan 2	**53,771**	-
Term loan 3	**40,998**	-
Term loan 4	**197,653**	-
Term loan 5	**33,277**	-
Term loan 6	**9,246**	-
Term loan 7	**4,115**	-
Term loan 8	**344**	-
Other loan	**9,992**	-
Short term loan	**40,454**	-
	444,872	28,644

18 BANK BORROWINGS continued

Disclosed in the consolidated statement of financial position as follows:

	2019	*2018*
	AED'000	*AED'000*
Non-current portion	**326,937**	25,144
Current portion	**117,935**	3,500
	444,872	28,644

Term loan 1
Term loan 1 was obtained by a subsidiary in 2017 from a commercial bank in the UAE amounting to AED 71.3 million to finance the construction of a new factory for the processing of frozen and fresh sea food. The principal is repayable in quarterly instalments of AED 3.5 million each starting 30 June 2020. The loan carries interest at variable market rates plus a spread. The cumulative drawdown is AED 55 million on the loan as of the reporting period. Borrowing cost included in the cost of qualifying assets amounted to AED 2,179,544. The loan is secured by the corporate guarantee of another subsidiary and is mortgaged over the factory under construction.

Term loan 2
Term loan 2 was obtained by a subsidiary in March 2013 from a commercial bank in the UAE with a total limit of AED 92 million to finance 50% of the total cost of the Abu Dhabi National Exhibitions Company (ADNEC) District Cooling Plant project in Abu Dhabi. The principal is repayable in 15 semi-annual instalments of AED 7.7 million each starting from 31 December 2016 till 30 June 2023 and a bullet payment of the residual amount in December 2023. The loan carries interest at variable market rates plus a spread. The loan is secured against plant and machinery are mortgaged in favour of local financial institutions and commercial banks as security against financing facilities obtained.

Term loan 3
Term loan 3 was obtained by a subsidiary from a commercial bank in the UAE amounting to AED 40.9 million. The principal is repayable in six annual instalments starting from 31 December 2023. The loan carries interest at fixed rate, repayable in twelve annual interest payments starting 31 December 2018. The loan is secured by the registered mortgage over the Musataha rights granted to the subsidiary in respect of district cooling plot, pledge over the equipment that has been installed at capital center - Phase 4 District Cooling Project and subordination of Royal Group of Companies LLC loan for AED 36.8 million

Term loan 4
Term loan 4 by was obtained by a subsidiary from a commercial bank in the UAE amounting to AED 197.6 million for financing construction of district cooling plants. In the year 2016, the loan was restructured, including revision of interest rates (margins) based on variable market rates. The restructured term loan is repayable in 8 annual instalments with a bullet payment of the residual amount to be paid on 31 December 2024. The loan is secured by way of a personal guarantee from the shareholders of the Group and by a mortgage over the property constructed.

Term loan 5
Term Loan 5 was obtained by a subsidiary from a commercial bank in the UAE with a total limit of AED 46.5 million to finance 60% of the total cost of the Saraya District Cooling Plant project in Abu Dhabi. The loan is repayable in 16 semi-annual instalments starting from 30 June 2017 till 30 June 2024 and a bullet payment of the residual amount in December 2024. The loan carries interest at variable market rates plus a spread. The loan is secured against plant and machinery are mortgaged in favour of local financial institutions and commercial banks as security against financing facilities obtained.

18 BANK BORROWINGS continued

Term loan 6
Term Loan 6 loan was obtained by a subsidiary from a commercial bank in the UAE with a total limit of AED 33.3 million to finance the District Cooling Plant (DCP) Phase l at Danat. The loan is repayable in 7 half yearly instalments of AED 4.75 million each starting from 30 June 2017 till 30 June 2020 and a bullet payment of the residual amount in December 2020. The loan carries interest at variable market rates plus a spread. The loan is secured by the registered mortgage over plant, machineries and equipment of District Cooling Plant at Danat, in favour of the bank and an irrevocable Corporate Guarantee of a related party covering the overall facility.

Term loan 7
Term loan 7 was obtained by a subsidiary from a financial institution to purchase equipment. The loan is repayable in quarterly installments maturing in August 2021. The loan carries interest at fixed rate. The loan is secured by mortgage over equipment of the subsidiary.

Term loan 8
Term loan 8 was obtained by a subsidiary from a financial institution to purchase equipment. The loan is repayable in monthly installments maturing in August 2024. The loan carries interest at variable market interest rate. The loan is secured by mortgage over equipment of the subsidiary.

Other loan
Other loan was obtained by a subsidiary from Al Dar Properties PJSC in July 2013 and was novated to another subsidiary upon incorporation, without any changes to the terms and conditions of the original loan agreement. The loan was obtained for construction of district cooling plant. The loan does not carry any interest and was initially recognised at fair value, which is equal to the present value of the expected future cash flows discounted using the average rate of interest applicable to internal borrowings and is repayable in 8 yearly instalments commencing on l April 2016 and ending on l April 2023. The loan is secured against plant and machinery are mortgaged in favour of local financial institutions and commercial banks as security against financing facilities obtained.

Short term loan
A subsidiary has an AED 44 million (USD 12 million) short term loan with a lender. At the reporting date, the balance of the short term loan totaled AED 35 million. Short term loan bears interest at variable market rates plus a spread. Short term loan matures on 30 June 2020 and is secured against property and equipment of the subsidiary and corporate guarantees of the shareholders.

Movement in bank borrowings during the year is as follows:

	2019 ***AED'000***	*2018* *AED'000*
Balance at 1 January	**28,644**	1,105
Acquired in business combinations (note 6)	**422,889**	-
Drawdowns during the year	**31,525**	27,539
Repayments during the year	**(38,186)**	-
	444,872	28,644

18 BANK BORROWINGS continued

Amounts are repayable as follows:

	2019 AED'000	2018 AED'000
Within 1 year	**117,935**	-
Between 1 - 2 years	**128,737**	-
Between 2 - 5 years	**188,700**	3,500
More than 5 years	**9,500**	25,144
	444,872	28,644

19 TRADE AND OTHER PAYABLES

	2019 AED '000	2018 AED '000
Trade payables	**581,827**	70,871
Advances from customers	**13,967**	15,876
Deferred rental income	**5,795**	104
Retention payable	**20,576**	8,946
Accruals and other payables	**239,547**	52,685
	861,712	148,482

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

20 OTHER LONG TERM LIABILITIES

	2019 AED '000	2018 AED '000
Deferred revenue	**45,522**	-
Advances from customers	**33,083**	-
Deferred rental income	**15,385**	-
Other non current payables	**67,423**	-
	161,413	-

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.

	2019 AED '000	2018 AED '000
Fish and food products revenue	**626,849**	369,320
Sale of land (note 9)	**250,000**	-
District cooling	**119,311**	-
Maintenance and service revenue	**112,901**	33,855
Construction contract revenue	**105,350**	94,020
Landscaping and agriculture revenue	**23,623**	46,516
Labour camp management and other related revenue	**17,157**	26,530
Others	**3,882**	-
	1,259,073	570,241
Timing of revenue recognition		
Revenue at a point in time	**949,313**	369,320
Revenue over time	**309,760**	200,921
	1,259,073	570,241
Geographical markets		
UAE	**962,190**	369,320
Outside UAE	**296,883**	200,921
	1,259,073	570,241

Revenue expected to be recognized in the future related to performance obligation that are unsatisfied or partially unsatisfied.

	2019 AED '000	2018 AED '000
Within one year	**3,914**	-
After one but no more than five years	**7,781**	-
More than five years	**37,741**	-
	49,436	-

22 COST OF REVENUE

	2019 AED '000	2018 AED '000
Fish and food products cost	**465,093**	323,053
Direct materials and charges	**147,373**	50,758
Subcontracting and maintenance costs	**96,570**	84,648
Cost of land	**97,438**	-
Staff costs	**76,184**	30,346
Depreciation (note 7)	**19,998**	2,041
Others	**17,769**	68
	920,425	490,914

23 GENERAL AND ADMINISTRATIVE EXPENSES

	2019	*2018*
	AED '000	*AED '000*
Salaries and wages	**56,711**	28,012
Management fees (note 26)	**6,220**	5,341
Rent, utilities and communication	**6,630**	4,162
Government fees, professional and legal expenses	**16,839**	9,294
Allowance for expected credit loss (note 13)	**8,266**	2,311
Depreciation (note 7)	**1,928**	697
Other expenses	**23,041**	7,801
	119,635	57,618

24 SELLING AND DISTRIBUTION EXPENSES

	2019	*2018*
	AED '000	*AED '000*
Salaries and wages	**14,083**	11,102
Sales promotion and marketing	**13,619**	6,237
Rent, utilities and communication	**3,957**	4,502
Freight and direct sales expenses	**6,706**	3,808
Depreciation (note 7)	**88**	120
Other expenses	**3,185**	5,692
	41,638	31,461

25 INVESTMENT INCOME AND OTHER INCOME

	2019	*2018*
	AED '000	*AED '000*
Interest and dividends income	**15,492**	11,296
Royalty income	**1,024**	1,937
Rental income	**3,659**	3,660
Gain on disposal of property, plant and equipment	**36**	640
Commission income	**1,079**	-
Change in fair value of biological assets	**670**	(535)
Fair value gain on revaluation of previously held equity interest (note 10)	**5,495**	-
Share of profit from associates and joint ventures (note 10)	**4,776**	7,062
Others	**17,552**	3,387
	49,783	27,447

26 RELATED PARTY TRANSACTIONS AND BALANCES

These represent transactions with related parties, i.e. shareholders, associates, affiliates, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

26 RELATED PARTY TRANSACTIONS AND BALANCES continued

Balances with related parties included in the consolidated statement of financial position are as follows:

	2019 **AED'000**	2018 AED'000
Due from related parties (entities under common control):		
Pal Technology Services L.L.C	**34,306**	34,393
Meena Palace L.L.C	**25,752**	-
AFKAR Financial & Property Investment LLC	**21,765**	-
RG Procurement RSC LTD	**15,170**	14,816
International Golden Company LLC	**8,110**	-
Meena Holdings LLC	**6,465**	6,188
Al Yasat Catering and Restaurant Supplies LLC	**4,542**	-
Three 60 Estate management	**3,463**	-
Pal Group of Companies	**3,306**	-
Royal Group – Corporate Office	**1,582**	-
Paragon Mall LLC	**1,169**	-
Multiply Marketing Consultancy LLC	**812**	-
TSL Properties LLC	**774**	-
PAL 4 Solar Energy	**58**2	-
Affiliates	**59,691**	-
Others	**14,664**	12,772
Allowance for expected credit loss	**(1,305)**	(842)
	200,848	67,327
Due to related parties (entities under common control):		
Trojan General Contracting LLC	**27,415**	-
Al Tamouh Investments Company LLC	**15,673**	-
Pal Technology Services LLC	**10,045**	-
National Projects and Construction L.L.C	**9,743**	4,000
Al Maha Modular Industries LLC	**6,512**	-
Royal Group Management LLC	**2,611**	452
Royal Group Procurements RSC LTD	**1,478**	-
Al Jaraf Travel & Tourism	**1,121**	230
Multiply Marketing Consultancy LLC	**752**	-
Hi-Tech Concrete Projects LLC	**563**	2,750
Others	**103,226**	252
	179,139	7,684
Loan to a related party	**1,200**	1,200

The Group has 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.

	2019 **AED'000**	2018 AED'000
Loan from a related party	**-**	3,145

The loan from a related party was non-interest bearing and repaid in full during the year.

26 RELATED PARTY TRANSACTIONS continued

During the year, the Group entered into the following transactions with related parties (entities under common control):

	2019 *AED '000*	*2018* *AED '000*
Revenue	**115,635**	59,969
Purchases	**32,622**	41,097
General and administrative expenses	**2,241**	3,081
Interest income	**636**	-

Key management remuneration

	2019 *AED '000*	*2018* *AED '000*
Salaries and other benefits – short term	**8,729**	10,866
End of service benefits – long term	**159**	231
Management fees (note 23)	**6,220**	5,341

27 BASIC EARNINGS PER SHARE

Basic 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:

	2019	*2018*
Profit attributable to owners of the Company (AED '000)	**505,560**	18,451
Weighted average number of shares (shares in '000)	**1,165,715**	510,000
Basic earnings per share for the year (AED)	**0.43**	0.04

28 CONTINGENT LIABILITIES AND COMMITMENTS

	2019 *AED'000*	*2018* *AED'000*
Contingent liabilities		
Letters of guarantee	**173,376**	76,343
Letters of credit	**55,254**	26,392
Commitments for capital expenditure	**205,268**	44,419

29 TAXATION

The Group's subsidiaries in United States of America and Spain are subject to taxation. Income tax for the current year is provided on the basis of estimated taxable income computed by the Group using tax rates, enacted or substantially enacted at the reporting date, applicable in the respective countries in which the subsidiaries operate and any adjustment to tax in respect of previous years. The Group is not subject to income tax in the UAE. Providing the product of the consolidated accounting profit multiplied by the applicable tax rates is therefore not meaningful. The consolidated accounting profit has been reconciled to the accounting profit attributable to tax and the reconciliation between tax expense and the product of accounting profit attributable to tax multiplied by effective income tax rate for the year ended 31 December as follows:

	2019	*2018*
	AED'000	*AED'000*
Accounting profit before tax	**506,200**	20,185
Income not subject to tax	**(505,467)**	(20,185)
Accounting profit subject to tax	**733**	-
At effective tax rate of 16% (2018: nil)	**119**	-
Temporary differences	**354**	-
Others	**102**	-
Income tax charge reported in the consolidated statement of profit or loss	**575**	-

The major components of income tax expenses are as follows:

	2019	*2018*
	AED'000	*AED'000*
Current income tax:		
Current income tax charge – current year	**119**	-
Deferred income tax:		
Timing differences – current year	**456**	-
Income tax expense reported in the statement of comprehensive income	**575**	-

As at 31 December 2019, the Group had no uncertain tax positions (2018: same)

Amounts reported in the consolidated statement of financial position are as follows:

	2019	*2018*
	AED'000	*AED'000*
Deferred tax assets	**1,143**	-
Deferred tax liabilities	**1,599**	-
	456	-
Provision for income tax (recorded under trade and other payables)	**119**	-

30 FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

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 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 and gives information about how the fair value of these financial assets are determined

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

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.

	Fair value as at 2019 AED'000	*Fair value as at 2018 AED'000*	*Fair value hierarchy*	*Valuation techniques and key inputs*	*Significant unobservable input*	*Unobservable inputs to fair value*
Quoted equity investments – financial assets at fair value through other comprehensive income	**2,127**	1,787	Level 1	Quoted bid prices in an active market.	None	NA
Unquoted equity investments – financial assets at fair value through other comprehensive income	**41,056**	21,081	Level 3	Discounted cash flow method.	Net asset value	Higher the net assets value of the investees, higher the fair value.
Biological assets*	**1,206**	1,504	Level 2	Significant observable inputs	None	NA

There were no transfers between each of levels 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.

* As of 31 December 2019, biological assets include nursery plants which are carried at fair value and chicken livestock which is carried at cost.

30 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

Fair value of nursery plants is determined based on current market prices of similar type of assets. There are no quoted market prices for chicken livestock in the Gulf Cooperation Council, and alternatives for measuring fair value are determined by management to be unverifiable. Accordingly, the cost of parent chicken, determined on the basis of monthly average expenditure, comprises purchase price of the day old chicken ("DOC") and all expenses incurred in bringing the DOCs to the farm from overseas, together with costs such as feed costs, incurred in rearing and maintaining the flock until the egg production commences.

31 SEGMENTAL ANALYSIS

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

District Cooling includes the installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.

Contracting/real estate includes technical, commercial and contracting services specifically marine work contract, landscaping design and execution, labour camp management and sale of properties.

Digital includes providing services with respect to sport enterprises investment, institution, management services, sale of food and cafeteria items and cinema shows.

Industrial includes sale of spare parts and repairs for military equipment.

Food belongs to IHC food vertical includes freezing fish and seafood, preparing and packing food products, trading in general trading of foodstuff. It also includes sourcing, processing and sales of forage and animal feed to securing the food from milk, meat and poultry industry.

Capital belongs to IHC capital vertical includes brokerage services provided with respect to securities.

Others (unallocated) includes head office expenses and income not allocated to any segment.

31 SEGMENTAL ANALYSIS continued

	District cooling		*Contracting/ real estate*		*Digital*		*Industrial*		*Food*		*Capital*		*Others*		*Total*	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*
	AED'000	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*
Revenue	**119,311**	-	**440,449**	200,921	**68,582**	-	**29,141**	-	**597,708**	369,320	**3,882**	-	**-**	-	**1,259,073**	570,241
Cost of sales	**(65,683)**	-	**(261,501)**	(167,861)	**(42,822)**	-	**(24,027)**	-	**(526,392)**	(323,053)	**-**	-	**-**	-	**(920,425)**	(490,914)
Gross profit	**53,628**	-	**178,948**	33,060	**25,760**	-	**5,114**	-	**71,316**	46,267	**3,882**	-	**-**	-	**338,648**	79,327
S&D expenses	**-**	-	**-**	-	**-**	-	**-**	-	**(41,638)**	(31,461)	**-**	-	**-**	-	**(41,638)**	(31,461)
G&A expenses	**(5,799)**	-	**(26,653)**	(27,247)	**(8,146)**	-	**(4,120)**	-	**(43,874)**	(30,371)	**(2,233)**	-	**(28,810)**	-	**(119,635)**	(57,618)
Operating profit (loss)	**47,829**	-	**152,295**	5,813	**17,614**	-	**994**	-	**(14,196)**	(15,565)	**1,649**	-	**(28,810)**	-	**177,375**	(9,752)
Investment income	**-**	-	**14,692**	13,487	**4,331**	-	**-**	-	**5,534**	4,336	**1,283**	-	**591**	-	**26,431**	17,823
Gain on acquisition of subsidiary	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**293,000**	2,490	**293,000**	2,490
Other income/expense	**6,975**	-	**6,202**	3,712	**15**	-	**1,215**	-	**8,759**	5,912	**186**	-	**-**	-	**23,352**	9,624
Finance costs	**(9,347)**	-	**(798)**	-	**(646)**	-	**(53)**	-	**(2,640)**	-	**(342)**	-	**(132)**	-	**(13,958)**	-
Income tax	**-**	-	**-**	-	**-**	-	**-**	-	**(575)**	-	**-**	-	**-**	-	**(575)**	-
Profit (loss) for the year	**45,457**	-	**172,391**	23,012	**21,314**	-	**2,156**	-	**(3,118)**	(5,317)	**2,776**	-	**264,649**	2,490	**505,625**	20,185
Add: depreciation and amortisation	**15,041**	-	**1,789**	1,743	**1,681**	-	**162**	-	**8,812**	1,115	**139**	-	**7,772**	-	**35,396**	2,858
Add: finance costs	**9,347**	-	**798**	-	**646**	-	**53**	-	**2,640**	-	**342**	-	**132**	-	**13,958**	-
Add: income tax	**-**	-	**-**	-	**-**	-	**-**	-	**575**	-	**-**	-	**-**	-	**575**	-
Less: gain on acquisition of subsidiary	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(293,000)**	-	**(293,000)**	-
EBITDA	**69,845**	-	**174,978**	24,755	**23,641**	-	**2,371**	-	**7,759**	(4,202)	**3,257**	-	**(20,447)**	2,490	**261,404**	23,043
Segment assets	**964,043**	-	**561,534**	573,329	**397,665**	-	**206,035**	-	**848,131**	217,825	**684,435**	-	**316,306**	-	**3,978,149**	791,154
Equity	**470,496**	-	**458,511**	453,050	**259,231**	-	**152,666**	-	**504,480**	133,249	**135,731**	-	**213,794**	-	**2,194,909**	586,299
Segment liabilities	**493,547**	-	**103,019**	120,279	**138,434**	-	**53,370**	-	**343,651**	84,576	**548,704**	-	**102,515**	-	**1,783,240**	204,855

32 FINANCIAL RISK MANAGEMENT

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and short term deposits. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

	2019	*2018*
	AED'000	*AED'000*
Bank borrowings	**444,872**	28,644
Lease liabilities	**85,666**	-
Loan from a related party	**-**	3,145
Bank balances and cash	**(1,305,185)**	(293,496)
Net debt	**(774,647)**	(261,707)
Equity	**2,172,481**	577,030
Debt/equity ratio	**-**	-

Financial risk management objectives

The Group is exposed to the following risks related to financial instruments – market risk (including foreign exchange risk, price risk and cash flow risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to optimise potential adverse effects on the Group's financial performance.

Market risk management

Foreign exchange risk

The Group does not have any significant exposure to currency risk as most of its monetary assets and liabilities are denominated in UAE Dirhams or in US Dollars, the latter being pegged to the UAE Dirham.

Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified in the consolidated statement of financial position as financial assets at fair value through other comprehensive income. The Group's investment portfolio amounted to AED 43,183 thousand (2018: AED 22,868 thousand). At the reporting date if the prices of investments were 5% higher/lower with all other variables held constant, the Group's equity would have increased/decreased by AED 2,159 thousand (2018: 1,143 thousand).

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates and bank deposits. At 31 December 2019, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, profit for the year would have been AED 4.4 million (2018: AED 286 thousand) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

32 FINANCIAL RISK MANAGEMENT continued

Credit risk management
Credit risk is managed on Group basis, except for credit risk relating to accounts receivables balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Individual risk limits are based on management's assessment on a case by case basis. The utilisation of credit limits is regularly monitored. The Group's policy is to place cash and cash equivalents and short terms deposits with reputable banks and financial institutions.

There are no significant concentrations of credit risk within the Group. There are policies in place to ensure that services are rendered to customers with an appropriate credit history. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk management
Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The maturity profile of financial liabilities is monitored by management to ensure adequate liquidity is maintained.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group Finance. The Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debts financing plans, covenant compliance and compliance with internal consolidation statement of financial position targets.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	On demand AED'000	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*More than 5 years AED'000*	*Total AED'000*
At 31 December 2019						
Bank borrowings	**-**	**-**	**118,039**	**341,554**	**9,671**	**469,264**
Lease liabilities	**-**	**-**	**8,828**	**84,199**	**-**	**93,027**
Due to related parties	**-**	**179,139**	**-**	**-**	**-**	**179,139**
Accounts payable and accruals	**58,600**	**388,613**	**394,746**	**-**	**-**	**841,959**
Other non-current liabilities	**-**	**-**	**-**	**67,423**	**-**	**67,423**
Total	**58,600**	**567,752**	**521,613**	**493,176**	**9,671**	**1,650,812**
At 31 December 2018						
Bank borrowings	-	-	-	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

33 DIVIDENDS

During the current year, the Group declared dividends attributable to non-controlling interest amounting to AED 3,780 thousand (2018: AED 4,000 thousand).

34 SUBSEQUENT EVENTS

On 12 November 2019, the Group's Board of Directors resolved to approve the acquisition of the following entities:

(i) Al Tamouh Investments Company LLC – 100% equity interest
(ii) Pure Health Medical Supplies LLC – 31% equity interest

The acquisition of Al Tamouh Investments Company LLC was completed on 17 February 2020 and was accounted as a business combination of entities under common control using the pooling of interest method.

The acquisition of Pure Health Medical Supplies LLC was completed on 11 February 2020 and was accounted as an investment in associate using the equity method.

On 02 February 2020 the Group's Board of Directors resolved to approve the acquisitions of 6,000,000 shares representing 20% of issued share capital of Emirates Refreshment Company. The acquisition was completed on 11 February 2020.