

**International Fish Farming
Company (PJSC)**

Consolidated financial statements

31 December 2004

Principal place of business:

P O Box 32872
Dubai (UAE) and
Office no. 346, 3rd floor
Burj 2000 Tower
Sharjah
United Arab Emirates

International Fish Farming Company (PJSC)

Consolidated financial statements

<i>Contents</i>	<i>Page</i>
Directors' Report	i - xi
Auditors' Report	1
Consolidated income statement	2
Consolidated balance sheet	3
Consolidated statement of changes in equity	4
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6 - 22

The Shareholders
International Fish Farming Company (PJSC)
Abu Dhabi

Auditors' Report

We have audited the accompanying consolidated balance sheet of International Fish Farming Company (PJSC) and its subsidiaries (the "Group") as at 31 December 2004 and the related consolidated statements of income, changes in equity and cash flows for the year then ended.

Respective responsibilities of the Company's Management and the Auditors

These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2004, and the results of its operations, and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply, where appropriate, with the Articles of Association and the Federal Law No. 8 of 1984 (as amended).

Other matters

As required by the Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Group, a physical count of the inventories was carried out by management in accordance with established principles, and the contents of the Directors' Report which relates to these consolidated financial statements is in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2004, which may have had a material financial adverse effect on the business of the Group or its financial position.

KPMG
Munther Dajani
Registration No 268

20 March 2005

International Fish Farming Company (PJSC)

Consolidated income statement

for the year ended 31 December 2004

	<i>Note</i>	2004 AED'000	2003 AED'000
Revenue		62,924	62,045
Cost of sales	3,4,6	(68,245)	(72,231)
Gross loss		(5,321)	(10,186)
Fair value adjustments – biological assets		2,621	10,454
General and administrative expenses		(22,249)	(23,329)
Staff costs	4	(10,011)	(11,428)
Time and material costs	13	(46)	(427)
Depreciation	6	(1,864)	(2,184)
Impairment loss		(1,266)	(9,347)
Amortisation/ write off of intangible assets	7	(61)	(1,039)
Loss from operations		(38,197)	(47,486)
Other income		1,464	3,837
Net financing income		396	15
Net investments income		3,249	4,247
Share of profit from associates	8	-	2,753
Gain on disposal of investment in associate		16	6,555
Net loss for the year before minority interest		(33,072)	(30,079)
Minority interest		(70)	211
Net loss for the year		(33,142)	(29,868)
Basic loss per share (AED)	5	(1.10)	(1.00)

The notes on pages 6 to 22 form part of these consolidated financial statements.

The Auditors' Report is set out on page 1.

International Fish Farming Company (PJSC)

Consolidated balance sheet

as at 31 December 2004

	<i>Note</i>	2004 AED'000	2003 AED'000
Non-current assets			
Property, plant and equipment	6	27,570	32,432
Goodwill	7	601	-
Investment in associate	8	-	255
		<u>28,171</u>	<u>32,687</u>
Current assets			
Inventories	9	11,373	19,602
Biological assets	10	11,234	8,613
Investments available for sale	11	85,552	98,066
Trade and other receivables	12	21,526	24,863
Amounts due from related parties	13	119	34,621
Cash and cash equivalents	14	39,690	14,907
		<u>169,494</u>	<u>200,672</u>
Current liabilities			
Bank overdrafts		253	-
Trade and other payables	15	6,860	8,553
Amounts due to related parties	13	49	251
		<u>7,162</u>	<u>8,804</u>
Net current assets		<u>162,332</u>	191,868
Net assets		<u>190,503</u>	<u>224,555</u>
Equity and minority interest			
Share capital	16	300,000	300,000
Statutory reserve	17	478	478
Accumulated losses		(110,347)	(76,601)
		<u>190,131</u>	<u>223,877</u>
Minority interest		372	678
Total equity and minority interest		<u>190,503</u>	<u>224,555</u>

These consolidated financial statements were authorised for issue by the Board of Directors on 20 March 2005 and were signed on their behalf by:

Chairman

Director

Finance Manager

The notes on pages 6 to 22 form part of these consolidated financial statements.
The Auditors' Report is set out on page 1.

International Fish Farming Company (PJSC)

Consolidated statement of changes in equity for the year ended 31 December 2004

	Share capital AED'000	Statutory reserve AED'000	Foreign exchange translation reserve AED'000	Accumulated losses AED'000	Total AED'000
At 1 January 2003	300,000	478	2,467	(46,733)	256,212
Net loss for the year	-	-	-	(29,868)	(29,868)
Foreign exchange translation differences	-	-	2,748	-	2,748
Transferred to investment in associate	-	-	(5,215)	-	(5,215)
At 31 December 2003	300,000	478	-	(76,601)	223,877
At 1 January 2004	300,000	478	-	(76,601)	223,877
Net loss for the year	-	-	-	(33,142)	(33,142)
Minority losses absorbed on acquisition of a subsidiary	-	-	-	(604)	(604)
At 31 December 2004	300,000	478	-	(110,347)	190,131

The notes on pages 6 to 22 form part of these consolidated financial statements.

International Fish Farming Company (PJSC)

Consolidated statement of cash flows for the year ended 31 December 2004

	2004 AED'000	2003 AED'000
Operating activities		
Net loss for the year	(33,142)	(29,868)
<i>Adjustment for:</i>		
Depreciation	6,918	7,032
Amortisation	61	844
Write off of goodwill	-	195
Impairment loss	1,266	9,347
Write off of property, plant and equipment	159	2,582
(Gain) / loss on sale of property, plant and equipment	(100)	698
Gain on disposal of investment	(16)	(6,555)
Net financing income (net)	(396)	(15)
Net investment income	(3,249)	(4,247)
Minority interest	70	(211)
Profit from associates	-	(2,753)
	<hr/>	<hr/>
<i>Operating loss before working capital changes</i>	(28,429)	(22,951)
Decrease / (increase) in inventories	8,229	(11,977)
(Increase) / decrease in biological assets	(2,621)	3,521
Decrease / (increase) in trade and other receivables	3,337	(19,671)
Decrease in amounts due from related parties	34,502	272
(Decrease) / increase in trade and other payables	(1,693)	1,933
Decrease in amounts due to related parties	(202)	(3,494)
	<hr/>	<hr/>
<i>Cash flows from / (used in) operating activities</i>	13,123	(52,367)
Investing activities		
Acquisition of property, plant and equipment	(4,124)	(7,339)
Proceeds from sale of plant & equipment	743	-
Acquisition of subsidiary	(1,666)	(7,500)
Interest received (net)	396	15
Withdrawal of investments available for sale	12,514	52,329
Investment in associates (<i>note 8</i>)	271	(56)
Investment income received (net)	3,249	4,247
Minority interest	24	(11)
	<hr/>	<hr/>
<i>Cash flows from investing activities</i>	11,407	41,685
	<hr/>	<hr/>
Net increase / (decrease) in cash and cash equivalents	24,530	(10,682)
	<hr/>	<hr/>
Cash and cash equivalents at beginning of the year	14,907	25,589
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	39,437	14,907
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 6 to 22 form part of these consolidated financial statements.

The Auditors' Report is set out on page 1.

International Fish Farming Company (PJSC)

Notes to the consolidated financial statements

1 Legal status and principal activities

International Fish Farming Company (PJSC) (“the Company”) is a public joint stock company with limited liability incorporated on 22 May 1999 in the Emirate of Abu Dhabi by Emiri Decree No 15 dated 23 November 1998 and registered under Federal Law No. 8 of 1984 (as amended) relating to commercial companies in the UAE.

The consolidated financial statements of the Company for the year ended 31 December 2004 comprise the results of operation and financial position of the Company and its subsidiaries (*collectively referred to as the “Group”*) and the Group’s interest in associates.

The Group is engaged in the following principal activities:

- Establishing, managing and operating fish farming.
- Producing, selling, preserving, processing all fish, fish products and other aquaculture living resources.
- Trading in fish and other fish products.
- Shareholding in projects and services relating to fish farming and other living aquaculture resources.

2 Principal accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and Federal law No. 8 of 1984 (as amended).

Basis of preparation

The consolidated financial statements are presented in UAE Dirhams, rounded to the nearest thousand. They are prepared on the historical cost basis, except for the adjustment of any change in the fair value of consumable biological assets and investments available for sale.

The accounting policies have been consistently applied by the Group enterprises and are consistent with those used in the previous year.

International Fish Farming Company (PJSC)

Notes to the consolidated financial statements

2 Principal accounting policies *(continued)*

Basis of consolidation

i) Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

ii) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of the associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Financial instruments: recognition and measurement

All financial instruments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the financial instruments.

Subsequent to initial recognition all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised directly in the consolidated income statement.

The fair value of the investments available-for-sale is based on quoted market prices where available, or dealer price quotations or pricing models provided by established price information services.

International Fish Farming Company (PJSC)

Notes to the consolidated financial statements

2 Principal accounting policies *(continued)*

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to UAE Dirhams at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into UAE Dirhams at foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement.

Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at rates approximating the exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised in the foreign exchange translation reserve.

Revenue

Revenue on sale of goods is recognised in the consolidated income statement when the significant risks and rewards of ownership associated with the transaction have been transferred to the buyer and no significant uncertainties remain regarding the recovery of consideration due, associated costs or the possible return of goods.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Costs include all expenses incurred in bringing the asset for its intended use. Cost incurred on the projects that are in progress is classified as capital work in progress and stated at cost until the project is implemented.

Depreciation

Depreciation is charged to the consolidated income statement on a straight line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful lives are as follows:

	<i>Years</i>
Nets	5
Moorings and cages	12
Buildings and improvements	5 to 15
Plant and equipment	3 to 5
Furniture, fixtures and equipment	3 to 5
Vehicles	4 to 5
Marine vessels	10

International Fish Farming Company (PJSC)

Notes to the consolidated financial statements

2 Principal accounting policies *(continued)*

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as an expense as incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with banks, and short term deposits placed with bank with a maturity of three months or less from the balance sheet date.

Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the Company's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction. Goodwill is capitalised in the Group's consolidated financial statements and amortised on a straight line basis over a period of 10 years. If impaired, goodwill is written down to its recoverable amount.

Investment in associates

Investments in associates are accounted for under the equity method of accounting and are carried in the balance sheet at the lower of the equity accounted amount and the recoverable amount.

Impairment

The carrying amounts of the Group's assets other than inventories and biological assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

International Fish Farming Company (PJSC)

Notes to the consolidated financial statements

2 Principal accounting policies *(continued)*

Inventories

Fish products comprise purchased or processed raw fish and are valued at the lower of cost and net realisable value. The cost of fish products is determined under the weighted average method, and includes all costs incurred in acquiring the inventories and bringing them to their existing location and condition. The harvested stock is measured at its fair value less estimated point of sales costs. The fair value of stock held is based on the latest market price achieved by the Group.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

Biological assets

Biological assets represent live fish which are measured at fair value less estimated point of sales costs, with any resultant gain or loss recognised in the consolidated income statement. Point of sales cost include all cost that would be necessary to sell the assets, excluding costs necessary to get the assets to market. The fair value of assets held is based on the latest market price achieved by the Group.

Staff terminal benefits

Provision for staff terminal benefits, included under trade and other payables, is calculated in accordance with the UAE Labour Law and the Sultanate of Oman Law. The provision is based on the liability that would arise if the employment of all staff were terminated at the balance sheet date.

3 Cost of sales

Cost of sales comprises raw material cost, freight and handling expenses, packaging material cost and other costs.

4 Staff costs

Staff costs amounting to AED 16,464,000 (2003: AED 19,302,000) have been included in the consolidated income statements and the cost of biological assets as follows:

	2004 AED'000	2003 AED'000
Cost of sales	3,138	4,987
General and administrative expenses	10,011	11,428
Biological assets <i>(note 10)</i>	3,315	2,887
	<u>16,464</u>	<u>19,302</u>

The Group employed 302 employees as at 31 December 2004 (2003: 330 employees).

International Fish Farming Company (PJSC)

Notes to the consolidated financial statements

5 Basic loss per share

Basic loss per share calculations are based on the net loss of AED 33.14 million (2003: 29.87 million) and 30 million ordinary shares of AED 10 each outstanding at year end.

6 Property, plant and equipment

Details of property, plant and equipment are set out in Schedule I on page 22.

Depreciation expense for the year amounting to AED 6,918,000 (2003: AED 7,032,000) has been included in the consolidated income statement and the cost of biological assets as follows:

	2004 AED'000	2003 AED'000
Cost of Sales	1,867	1,317
General and administrative expenses	1,864	2,184
Biological asset (<i>note 10</i>)	3,187	3,531
	<u>6,918</u>	<u>7,032</u>

7 Goodwill

	AED'000
<i>Cost</i>	
At 1 January 2004	-
Additions	662
At 31 December 2004	<u>662</u>
<i>Amortisation</i>	
At 1 January 2004	-
Charge for year	61
At 31 December 2004	<u>61</u>
<i>Net book value</i>	
At 31 December 2004	<u>601</u>
At 31 December 2003	<u>-</u>

International Fish Farming Company (PJSC)

Notes to the consolidated financial statements

8 Investments

Investment in associate

Name	Domicile	Ownership interest 2004	Ownership interest 2003
Gulf International Aquaculture Co (GIAC)	Kuwait	-	49%

Investment in GIAC was sold during the year.

	AED'000
At 1 January 2004	255
Gain on disposal of investment	16
Disposal of investment	(271)
At 31 December 2004	-
At 31 December 2003	255

Investments in subsidiaries

Subsidiaries	Domicile	Ownership Interest 2004	Ownership interest 2003
Asmak Sea Food Processing Company LLC	UAE	100%	100%
Asmak Consulting Company LLC	UAE	100%	100%
Quriyat Aquaculture Company LLC	Sultanate of Oman	65%	65%
Ocean Fish of Oman LLC (OFO)	Sultanate of Oman	89.5%	54.5%
Alliance Foods Company LLC	UAE	100%	100%

The Company acquired additional 35% shares of Ocean Fish of Oman LLC (OFO) in accordance with a sale of shares agreement dated 26 January 2004 from Nireus Chios Aquaculture S.A. for Omani Riyals 175,000. This additional acquisition resulted in a payment of AED 662,000 as goodwill to the previous shareholder and the same is being amortised over a period of 10 years.

International Fish Farming Company (PJSC)

Notes to the consolidated financial statements

9 Inventories

	2004 AED'000	2003 AED'000
Fish products (net)	10,954	19,120
Material – fish feed	419	482
	<u>11,373</u>	<u>19,602</u>

Fish products are stated after deducting AED 6,633,000 (2003: AED 2,375,000) to reduce the carrying value of certain inventories to their net realisable value.

10 Biological assets

	2004 AED'000	2003 AED'000
Biological assets - cost	15,103	11,865
Less: allowance to reduce cost to fair value less estimated point-of-sales costs attributable to physical and price changes	(3,869)	(3,252)
	<u>11,234</u>	<u>8,613</u>

Biological assets - cost

	AED'000
At 1 January 2004	11,865
Increase due to purchases	4,346
Cost incurred that increases weight of biological assets	15,013
Decrease due to harvest	(10,288)
Decrease due to mortality	(5,833)
At 31 December 2004	<u>15,103</u>

At 31 December 2004 the Group held 742 tonnes of mature fish (2003: 516 tonnes) and 172 tonnes of immature fish (2003: 78 tonnes).

Included in the carrying amount are assets amounting to AED 3 million stated at cost, as the fair value cannot be measured reliably. The fair value of immature biological assets cannot be reliably measured as there is no market available to value these assets.

International Fish Farming Company (PJSC)

Notes to the consolidated financial statements

11 Investments available for sale

These investments are placed with external fund managers and comprise the following:

	2004	2003
	AED'000	AED'000
Investment in a hedge fund (Kuwait)	25,404	23,816
Investment in property fund (UAE)	22,050	22,050
Capital guaranteed investment placement (UAE)	38,098	52,200
	<u>85,552</u>	<u>98,066</u>

An amount of AED 13,673,000 (2003: AED 13,673,000) of the investments in the capital guaranteed investment placement is liened against facilities extended by a commercial bank.

The investment in the property fund is stated at cost as no reliable fair market value information is available for this investment. The investment yielded a return of 4% during the year (2003: 4%).

12 Trade and other receivables

	2004	2003
	AED'000	AED'000
Trade receivables	13,351	16,721
Accrued interest	142	74
Other receivables	10,607	8,936
Prepaid expenses	1,279	554
	<u>25,379</u>	<u>26,285</u>
Less: Provision for doubtful debts	(3,853)	(1,422)
	<u>21,526</u>	<u>24,863</u>

International Fish Farming Company (PJSC)

Notes to the consolidated financial statements

13 Transactions with related parties

These represent transactions with related parties (shareholders of the Company, directors or officers of the Company, enterprises that can exercise influence over the Company or be significantly influenced by the Company). Such transactions are at terms agreed by the management, the Board of Directors, or the Founders' Committee and are in the ordinary course of business.

Under a Management Service Agreement ("the Agreement") dated 21 July 1999 between the Company and Nireus Chios Aquaculture SA ("Nireus"), a shareholder, the Company is provided with various managerial services by Nireus. The lead founders of the Company had ratified this agreement in 1998. This agreement was terminated in 2004.

Furthermore, Nireus provides construction management services in relation to the construction of hatcheries and cages for which time and materials fees are paid. During the year ended 31 December 2004, time and materials fees charged by Nireus amounted to AED 46,000 (2003: AED 570,000) charged to the consolidated income statement (2003: AED 427,000).

The Company provided a loan to Quriyat Aquaculture Company LLC and Ocean Fish of Oman to support their working capital requirements. The loans bear interest at 5% calculated on the monthly outstanding balance. There is no defined repayment schedule for the loan.

The outstanding balance of the loan at year end amounted to AED 29 million (2003: AED 22 million) and AED 2 million (2003: AED 2 million), respectively.

During the year, significant related party transactions with the partially owned subsidiaries are:

	2004	2003
	AED'000	AED'000
Purchases of farmed fish	-	8,639
Purchases of fish (trading)	957	6,194
Sale of fish (trading)	419	171
Sale of fish feed	-	68
Sale of assets	239	156
Consultancy services rendered	-	1,482
Processing services received	-	34

Significant transactions with related parties during the year also include remuneration to directors for additional services amounting to AED 120,000 (2003: 120,000).

International Fish Farming Company (PJSC)

Notes to the consolidated financial statements

14 Cash and cash equivalents

	2004 AED'000	2003 AED'000
Cash in hand	709	705
Call and current accounts	6,727	8,229
Deposits maturing within 3 months from the balance sheet date	32,254	5,973
	<hr/>	<hr/>
Cash and cash equivalents	39,690	14,907
Bank overdrafts	(253)	-
	<hr/>	<hr/>
Cash and cash equivalents for cash flow	<u>39,437</u>	<u>14,907</u>

The Group occasionally avails temporary overdraft from a commercial bank. Interest charged on temporary overdraft ranges between 7.5% to 8%.

15 Trade and other payables

	2004 AED'000	2003 AED'000
Trade payables	2,502	1,948
Other payables	273	2,887
Accrued expenses	2,540	2,080
Provision for staff terminal benefits	1,545	1,638
	<hr/>	<hr/>
	6,860	8,553
	<hr/>	<hr/>

16 Share capital

	2004 AED'000	2003 AED'000
<i>Authorised, issued and fully paid up</i> 30,000,000 shares at AED 10 per share	<u>300,000</u>	<u>300,000</u>

17 Statutory reserve

In accordance with the Federal Law No 8 of 1984 (as amended) and the Company's Articles of Association, 10% of the net profit for the year has to be transferred to a non-distributable statutory reserve. Such transfers are required to be made until the balance of the statutory reserve equals one half of the Company's paid up share capital. During the current year, the Company has incurred net losses and hence no amount has been set aside to the reserve.

International Fish Farming Company (PJSC)

Notes to the consolidated financial statements

18 Contingent liabilities and commitments

	2004	2003
	AED'000	AED'000
Contingent liabilities		
Letters of credit	808	1,608
Guarantees	897	377
	<u>1,705</u>	<u>1,985</u>
Commitments		
Capital expenditure	1,915	848
Inventory items	1,040	473
	<u>2,955</u>	<u>1,321</u>

The Group has concession commitments with the Governments of Fujairah and Ras Al Khaimah and operating lease commitments as follows:

	2004	2003
	AED'000	AED'000
Less than one year	255	288
Between one and five years	1,060	1,160
More than five years	47,501	47,526
	<u>48,816</u>	<u>48,974</u>

The Company has another concession agreement with the Government of Fujairah for a period of twenty years commencing May 2000. As per the terms of the agreement, the Company shall pay an annual amount equal to 3% of the annual gross profit of the project. As the Company incurred gross losses during the year, no provision has been made for the concession fees.

International Fish Farming Company (PJSC)

Notes to the consolidated financial statements

19 Segment analysis

Business segments

For management and internal reporting purposes, the Group is organised into four divisions – trading, fish farming, processing and consulting. Inter-segment pricing is determined, in the management opinion, on an arm’s length basis. The divisions on which the Group reports its primary segment information are as follows:

	Trading		Fish farming		Processing		Consulting		Total 2004	(AED'000) Total 2003
	2004	2003	2004	2003	2004	2003	2004	2003		
Revenue	69,311	56,924	17,392	16,800	4,359	3,438	345	1,658	91,407	78,820
Inter segment revenue	(16,345)	(8,050)	(7,434)	(4,393)	(4,359)	(2,674)	(345)	(1,658)	(28,483)	(16,775)
External revenue	<u>52,966</u>	<u>48,874</u>	<u>9,958</u>	<u>12,407</u>	<u>-</u>	<u>764</u>	<u>-</u>	<u>-</u>	<u>62,924</u>	<u>62,045</u>
<i>Financial performance</i>										
Segment operating loss	(13,713)	(17,795)	(19,499)	(18,919)	(2,430)	(386)	(1,228)	-	(36,870)	(37,100)
Impairment loss	-	(219)	(1,266)	(9,128)	-	-	-	-	(1,266)	(9,347)
Amortisation	(61)	(671)	-	(368)	-	-	-	-	(61)	(1,039)
Minority interest	(70)	205	-	-	-	6	-	-	(70)	211
Net operational loss	<u>(13,844)</u>	<u>(18,480)</u>	<u>(20,765)</u>	<u>(28,415)</u>	<u>(2,430)</u>	<u>(380)</u>	<u>(1,228)</u>	<u>-</u>	<u>(38,267)</u>	<u>(47,275)</u>
Net investment income									3,249	4,247
Share of profit from associates									-	2,753
Gain on disposal of investment									16	6,555
Net financing income									396	15
Other income									1,464	3,837
									<u>(33,142)</u>	<u>(29,868)</u>

International Fish Farming Company (PJSC)

Notes to the consolidated financial statements

19 Segment analysis (continued)

Business segments

	Trading		Fish farming		Processing		Consulting		(AED'000)	
	2004	2003	2004	2003	2004	2003	2004	2003	Total 2004	Total 2003
Non cash expenses other than depreciation										
Amortisation of intangibles	61	671	-	368	-	-	-	-	61	1,039
Impairment loss	-	219	1,266	9,128	-	-	-	-	1,266	9,347
Write off of assets (net)	-	-	159	2,582	-	-	-	-	159	2,582
Total non cash expenses other than depreciation									<u>1,486</u>	<u>12,968</u>

International Fish Farming Company (PJSC)

Notes to the consolidated financial statements

19 Segment analysis (continued)

Geographical segments

	(AED'000)											
	UAE		AGCC		Europe		USA		Other regions		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Revenue from external customers	21,544	24,577	16,950	17,549	12,279	12,452	-	5,445	12,151	2,022	62,924	62,045
	UAE		Oman		Total							
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Segments assets	178,937	211,834	18,728	21,525	197,665	233,359						
Segment liabilities	5,639	7,184	1,523	1,620	7,162	8,804						
Capital expenditure	1,933	3,653	2,191	3,686	4,124	7,339						

International Fish Farming Company (PJSC)

Notes to the consolidated financial statements

20 Risk management strategies

The Group is exposed to financial risks arising for changes in fish prices. The Group does not anticipate the fish price will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of decline in fish prices. The Group reviews its outlook for fish prices regularly in considering the need for active financial risk management. Further the Group is also exposed to financial risk arising for the loss of biological assets.

21 Financial instruments

Financial assets of the Group include trade and other receivables, amounts due from related parties, investments available for sale and cash and cash equivalents. Financial liabilities of the Group includes trade and other payables, bank overdraft and amounts due to related parties.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an on going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the balance sheet date, there were no concentrations of credit risk. Cash is placed with commercial banks. Investments available for sale are managed by external fund managers.

Interest rate risk

Fixed deposits earn fixed interest at prevailing bank rates.

Foreign currency risk

Foreign currency risks comprise transaction and balance sheet risk. Transaction risk relates to the Group's cash flow being adversely affected by a change in the exchange rates of foreign currencies against UAE Dirhams. Balance sheet risk relates to the risk of the Group's monetary assets and liabilities in foreign currencies acquiring a lower or higher value, when translated into UAE Dirhams, as a result of currency movements.

The Company is not exposed to material foreign currency risks as the majority of its transactions are denominated in UAE Dirhams, US Dollars or Omani Riyals, which have maintained their balance against each other since a long period of time.

Fair value

The fair value of financial instruments approximates to the amount at which such could be exchanged in a current transaction between a willing seller and a willing buyer on an arm's length basis. While the Group prepare consolidated financial statements under the historical cost convention, the carrying value of the assets and liabilities approximate to their fair value.

22 Comparative figures

Certain comparative figures have been reclassified, where necessary, to conform with the presentation adopted in these consolidated financial statements.

International Fish Farming Company (PJSC)

Schedule I

Notes to the consolidated financial statements

Property, plant and equipment

	Nets AED'000	Moorings AED'000	Cages AED'000	Buildings and improvements AED'000	Plant and equipment AED'000	Furniture, fixtures and equipment AED'000	Vehicles AED'000	Marine vessels AED'000	Capital work in progress AED'000	Total AED'000
Cost										
At 1 January 2004	6,577	7,185	5,903	7,492	11,115	1,809	5,451	3,487	4,950	53,969
Additions	330	330	-	558	1,437	143	749	292	285	4,124
Disposals	-	-	-	(332)	(69)	(411)	(264)	-	-	(1,076)
Write off	(48)	(75)	-	(83)	(3)	-	-	-	(32)	(241)
At 31 December 2004	6,859	7,440	5,903	7,635	12,480	1,541	5,936	3,779	5,203	56,776
Depreciation										
At 1 January 2004	2,999	1,551	1,257	3,152	4,928	1,083	2,171	1,094	411	18,646
Charge for the year	1,068	556	441	829	2,389	185	1,072	291	87	6,918
Disposals	-	-	-	(127)	(24)	(168)	(114)	-	-	(433)
Write off	(40)	(26)	-	(13)	(3)	-	-	-	-	(82)
At 31 December 2004	4,027	2,081	1,698	3,841	7,290	1,100	3,129	1,385	498	25,049
Net book value										
At 31 December 2004	2,832	5,359	4,205	3,794	5,190	441	2,807	2,394	4,705	31,727
Provision for impairment										
At 1 January 2004	716	563	465	-	-	-	-	239	908	2,891
Provision for the year	-	-	-	-	-	-	-	-	1,266	1,266
At 31 December 2004	716	563	465	-	-	-	-	239	2,174	4,157
Net book value										
At 31 December 2004	2,116	4,796	3,740	3,794	5,190	441	2,807	2,155	2,531	27,570
At 31 December 2003	2,862	5,071	4,181	4,340	6,187	726	3,280	2,154	3,631	32,432