Palms Agro Production Company K.S.C.P. and its subsidiary
State of Kuwait

Consolidated financial statements and independent auditor’s report
For the year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P.
STATE OF KUWAIT

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Palms Agro Production Company K.S.C.P. (the "Parent Company") and its subsidiary (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, 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.

Other Matter
The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor, who expressed an unmodified opinion on those statements on 6 April 2023.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit 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 (CONTINUED)
TO THE SHAREHOLDERS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P.
STATE OF KUWAIT

Report on the Audit of the Consolidated Financial Statements (Continued)

Key Audit Matters (continued)

Expected credit losses ("ECL") on contract assets and trade and other receivables (excluding advances to suppliers and prepaid expenses)	How our audit addressed the matter
As at 31 December 2023, trade and other receivables amounted to KD 1,488,734 (excluding advances to suppliers and prepaid expenses) (2022: KD 1,100,069) and contract assets amounted to KD 94,176 (2022: KD 221,818) net of provision for expected credit losses of KD 837,632 and KD 2,896, respectively (2022: KD 787,324 and KD 11,675), constituting approximately 23% (2022: 20%) of the Group's total assets. The Group applies the simplified approach under IFRS 9: 'Financial Instruments' ("IFRS 9") to measure ECL on trade receivables and other receivables (excluding advances to suppliers and prepaid expenses), which allows for lifetime ECL to be recognised from initial recognition of the trade and other receivables (excluding advances to suppliers and prepaid expenses). The Group determines the ECL on trade receivables by using a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the individual trade receivables and the economic environment. Due to the significance of trade and other receivables and the complexity involved in the ECL calculation, this was considered as a key audit matter. Refer to the following notes to the consolidated financial statements: Note 5.10.1 – Financial assets; Note 6 – Material accounting judgements and estimation uncertainty; Note 12 – Contract assets; Note 13 – Trade and other receivables; Note 30.2 – Credit risk.	Our work performed include the below procedures: - We assessed the reasonableness of the assumptions used in the ECL calculation by comparing them with historical data adjusted for current market conditions and forward-looking information; - We recalculated the provision for expected credit losses ("ECL") charged against the trade receivables, retention receivables and contract assets balances of the Group to ensure that the ECL is adequate, accurate and sufficient. - We performed substantive procedures to test, on a sample basis, the completeness and accuracy of the information included in the debtors' ageing report; - We tested the subsequent settlements made for the selected sample of customers; - We considered management's criteria of aggregating trade receivables into segments and assessed whether the criteria for each segment is indicative of similar credit characteristics; - Further, to evaluate the appropriateness of management judgements, we verified on a sample basis, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P.
STATE OF KUWAIT

Report on the Audit of the Consolidated Financial Statements (Continued)

Key Audit Matters (continued)

Carrying value of inventories	How our audit addressed the matter
As at 31 December 2023, the carrying amount of the inventories amounted to KD 1,081,150 (2022: KD 1,138,242), net of provision for obsolete and slow-moving inventories of KD 235,738 (2022: KD 400,712). These inventories consist of seeds, fertilizers and other agricultural products and are valued at the lower of cost and net realisable value. As at 31 December 2023, inventories represent approximately 16% (2022: 17%) of the Group's total assets. Management determines the level of provisioning by considering their nature, aging profile and sales expectations using historic trends and other qualitative factors. At each reporting date, the cost of inventories is reduced where inventories are forecasted to be sold at below cost. Judgment is required to assess the appropriate level of provision for such inventories, which may be sold below cost as a result of a reduction in consumer demand. Such judgments include the inventory profile and ageing, historical data of sales, management's expectations of future sales and forecast inventory markdowns, product expiry dates and plans to dispose of inventories that are close to expiry. We considered the valuation of inventories as a key audit matter given the relative size of the balance in the consolidated statement of financial position and the material accounting judgments and key assumptions applied by the management in determining the provision and the level of inventories write down required based on net realisable value ("NRV") assessment. Refer to the following notes to the consolidated financial statements: Note 5.7 - Inventories; Note 6 – Material accounting judgments and estimation uncertainty; Note 10 - Inventories.	Our work performed include the below procedures: - We have observed the count procedures for the physical inventory count at year-end for all significant locations, and for a sample of inventory, performed test counts to assess the existence and condition of inventory. - We have obtained an understanding and evaluated the management's process in place to identify and recognise provision for obsolete and slow-moving inventories. - For a sample of selected inventory items, determined the net realisable value by reference to recent selling prices compared with net realisable value as determined by management. - Evaluating the appropriateness of the assumptions used based on our knowledge and information of the Group and the industry. - Tested the ageing report used by the management to check whether management correctly aged inventory items by agreeing samples of aged inventory items to the last recorded invoice. - Assessed whether the Group policies have been consistently applied and the adequacy of the Group's disclosures in respect of inventories. - Assessed the appropriateness of the management's estimation of NRV by tracing inventory items in the listing, on a sample basis, to sales during and subsequent to the reporting period.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P.
STATE OF KUWAIT

Report on the Audit of the Consolidated Financial Statements (Continued)

Other Information
Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group for the year ended 31 December 2023, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report of the Group for the year ended 31 December 2023 is expected to be made available to us after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P.
STATE OF KUWAIT

Report on the Audit of the Consolidated Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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.

- 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P.
STATE OF KUWAIT

Report on the Audit of the Consolidated Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law 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.

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors' relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies' Law No. 1 of 2016, its Executive Regulations, as amended, or Law No. 7 of 2010 concerning the establishment of Capital Markets Authority and Organization of Securities Activity and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, except for the fact that the Parent Company violated Articles (4-1-1) of Module Ten (Disclosure and Transparency) and (1-16-1) of Module Twelve (Listing Rules) of the Executive Regulations, as amended, of Law No. 7 of 2010 concerning the establishment of Capital Markets Authority and Organization of Securities Activity and its Executive Regulations, as amended, no violations of the Companies' Law No. 1 of 2016 and its Executive Regulations, as amended, or Law No. 7 of 2010 concerning the establishment of Capital Markets Authority and Organization of Securities Activity and its Executive Regulations, as amended, or the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2023 that might have had a material effect on the business of the Group or its consolidated financial position.

Other Matter
We draw attention to Note 33 to the consolidated financial statements with respect to the penalties and violations report that were imposed on the Group by the Capital Markets Authority during the financial year ended 31 December 2022.

Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Kuwait: 28 March 2024

Palms Agro Production Company K.S.C.P. and its subsidiary
State of Kuwait

Consolidated statement of financial position
As at 31 December 2023

	Notes	2023 KD	2022 KD
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,699,375	1,367,947
Right of use assets	8	74,933	117,494
Investment in an associate	9	469,447	213,992
		2,243,755	1,699,433
Current assets			
Inventories	10	1,081,150	1,138,242
Biological assets	11	241,416	254,329
Contract assets	12	94,176	221,818
Trade and other receivables	13	1,532,643	1,249,105
Due from a related party	14	6,464	6,464
Financial assets at fair value through profit or loss ("FVTPL")	31	19,024	37,102
Term deposit	15	1,050,000	-
Cash and cash equivalents	16	590,411	2,104,248
		4,615,284	5,011,308
Total assets		6,859,039	6,710,741
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	5,239,900	5,239,900
Share premium	18	225,000	225,000
Statutory reserve	19	1,033,497	1,033,497
Voluntary reserve	19	429,242	429,242
Treasury shares	20	(3,573)	(3,573)
Foreign currency translation reserve		56,874	57,102
Accumulated losses		(1,421,810)	(1,623,058)
Total equity		5,559,130	5,358,110
LIABILITIES			
Non-current liabilities			
Lease liabilities	8	47,493	76,389
Employees' end of service benefits	21	509,567	497,748
		557,060	574,137
Current liabilities			
Lease liabilities	8	32,890	49,101
Contract liabilities	12	69,207	93,298
Trade and other payables	22	640,752	636,095
		742,849	778,494
Total liabilities		1,299,909	1,352,631
Total equity and liabilities		6,859,039	6,710,741

The notes on pages 12 to 47 form an integral part of these consolidated financial statements.

Abdullah Muslim Al-Zamil
Chairman

Khaled Abdulaziz Al-Ghanim
Vice Chairman

Consolidated statement of profit or loss
For the year ended 31 December 2023

	Notes	2023 KD	2022 KD
Operating revenue	23	4,298,553	3,385,078
Operating costs	24	(2,652,509)	(1,740,881)
Gross profit		1,646,044	1,644,197
Gain on sale of property, plant and equipment		1,700	31,449
Finance costs	8	(4,600)	(6,735)
Change in fair value of biological assets	11	57,912	(33,485)
Write-back of provision for obsolete and slow-moving inventories	10	164,974	135,312
Write-back of provision for expected credit losses on contract assets	12	8,779	19,330
Provision for expected credit losses on trade and other receivables	13	(50,308)	(20,337)
General and administrative expenses	25	(871,156)	(922,727)
Selling and distribution expenses	26	(1,051,661)	(987,820)
Operating loss		(98,316)	(140,816)
Share of results of an associate	9	141,120	84,112
Reversal of impairment loss of an associate	9	114,563	-
Changes in fair value of financial assets at fair value through profit or loss (“FVTPL”)	31	(18,078)	(14,149)
Other income	27	65,210	368,455
Profit before National Labour Support Tax (“NLST”) and Zakat		204,499	297,602
NLST	22	(2,322)	-
Zakat	22	(929)	-
Profit for the year		201,248	297,602
Basic and diluted earnings per share (fils)	28	3.847	5.689

The notes on pages 12 to 47 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2023

	Note	2023 KD	2022 KD
Profit for the year		201,248	297,602
Other comprehensive loss items:			
Items that may be reclassified subsequently to the consolidated statement of profit or loss:			
Foreign exchange differences on translation of foreign operations	9	(228)	(38,309)
Total other comprehensive loss for the year		(228)	(38,309)
Total comprehensive income for the year		201,020	259,293

The notes on pages 12 to 47 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2023

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Foreign currency translation reserve	Accumulated losses	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD
At 1 January 2022	5,239,900	225,000	1,033,497	429,242	(3,573)	95,411	(1,920,660)	5,098,817
Profit for the year	-	-	-	-	-	-	297,602	297,602
Other comprehensive loss for the year	-	-	-	-	-	(38,309)	-	(38,309)
Total comprehensive (loss)/income for the year	-	-	-	-	-	(38,309)	297,602	259,293
At 31 December 2022	5,239,900	225,000	1,033,497	429,242	(3,573)	57,102	(1,623,058)	5,358,110
At 1 January 2023	5,239,900	225,000	1,033,497	429,242	(3,573)	57,102	(1,623,058)	5,358,110
Profit for the year	-	-	-	-	-	-	201,248	201,248
Other comprehensive loss for the year	-	-	-	-	-	(228)	-	(228)
Total comprehensive (loss)/income for the year	-	-	-	-	-	(228)	201,248	201,020
At 31 December 2023	5,239,900	225,000	1,033,497	429,242	(3,573)	56,874	(1,421,810)	5,559,130

The notes on pages 12 to 47 form an integral part of these consolidated financial statements.

Palms Agro Production Company K.S.C.P. and its subsidiary
State of Kuwait

Consolidated statement of cash flows
For the year ended 31 December 2023

	Notes	2023 KD	2022 KD
OPERATING ACTIVITIES			
Profit before National Labour Support Tax ("NLST") and Zakat		204,499	297,602
Adjustments for:			
Depreciation on property, plant and equipment	7	274,876	214,537
Gain on sale of property, plant and equipment		(1,700)	(31,449)
Amortization on right of use assets	8	60,286	50,530
Rent concession	8	-	(139)
Finance costs	8	4,600	6,735
Share of results of an associate	9	(141,120)	(84,112)
Reversal of impairment loss of an associate	9	(114,563)	-
Write-back of provision for obsolete and slow-moving inventories	10	(164,974)	(135,312)
Biological assets written-off	11	23,626	51,604
Change in fair value of biological assets	11	(57,912)	33,485
Write-back of provision for expected credit losses on contract assets	12	(8,779)	(19,330)
Provision for expected credit losses on trade and other receivables	13	50,308	20,337
Provision for employees' end of service benefits	21	74,896	121,616
Interest income	27	(65,210)	(10,455)
Changes in fair value of financial assets at fair value through profit or loss ("FVTPL")	31	18,078	14,149
Reversal of provision for a legal case	27	-	(358,000)
		156,911	171,798
Changes in working capital:			
Inventories		222,066	90,688
Biological assets		47,199	138,258
Contract assets		136,421	172,341
Trade and other receivables		(333,846)	(64,987)
Amounts due from a related party		-	(1,325)
Trade and other payables		3,795	(209,011)
Contract liabilities		(24,091)	28,240
Net cash flows generated from operations		208,455	326,002
Employees' end of service benefits paid	21	(63,077)	(181,508)
Net cash flows generated from operating activities		145,378	144,494
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(606,307)	(98,950)
Proceeds from sale of property, plant and equipment		1,703	31,472
Placement of term deposit		(1,050,000)	-
Interest income received		65,210	10,455
Net cash flows used in investing activities		(1,589,394)	(57,023)
FINANCING ACTIVITIES			
Dividends paid		(2,389)	(2,318)
Lease liabilities paid	8	(67,432)	(69,426)
Net cash flows used in financing activities		(69,821)	(71,744)
Net (decrease)/increase in cash and cash equivalents		(1,513,837)	15,727
Cash and cash equivalents at the beginning of the year		2,104,248	2,088,521
Cash and cash equivalents at the end of the year	16	590,411	2,104,248

The Group has the following non-cash transaction during the year which is not reflected in the consolidated statement of cash flows:

	Notes	2023 KD	2022 KD
Non-cash transaction:			
Additions to right of use assets and lease liabilities	8	(17,725)	(4,289)

The notes on pages 12 to 47 form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Palms Agro Production Company K.S.C.P. (the “Parent Company”), is a public shareholding company incorporated as per the Memorandum of Incorporation dated 23 May 1982 under the Laws of the State of Kuwait and is listed on the Boursa Kuwait.

The Group comprises of the Parent Company and its subsidiary (together referred to as the “Group”) as described in Note 5.2.

The Group principally operates in Kuwait and engages in import and export business of agricultural supplies, the execution of agricultural contracting work, establishment and management all types of nurseries and farms, reclamation and development of agricultural land, landscape gardening and ornamentation of public places and cities, utilising of financial surplus available to the Parent Company through investing it in portfolios managed by specialised companies and entities, import and circulation of veterinary medicines and concluding agency agreements, inaugurating and operation of veterinary clinics and centres and practicing the professional of veterinary medicine, trading in the Kuwait stock exchange, breeding and trading of chicken and eggs and execution of construction contracts work.

The Parent Company’s head office is located at Al Rai, 4th ring road, plot No. 56 and its registered postal address is P.O. Box 1976, Safat 13020, State of Kuwait.

The Parent Company is a subsidiary of Bayan Holding Company K.S.C. (the “Ultimate Parent Company”).

The consolidated financial statements of the Group for the year ended 31 December 2023 were authorised for issue by the Parent Company’s Board of Directors on 28 March 2024. The shareholders Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared under the historical cost convention except for biological assets and financial assets at fair value through profit or loss ("FVTPL”) that are measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars (“KD”), which is also the functional and presentation currency of the Parent Company.

Certain information in the comparative consolidated statement of financial position and the consolidated statement of profit or loss has been reclassified to conform to the current year’s presentation. Such reclassification did not have any effect on the profit for the year and the consolidated statement of equity of the Group (Note 34).

3. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and the IFRS interpretations Committee applicable to Companies reporting under IFRS as issued by the International Accounting Standards Board (“IASB”), and applicable requirements of the Companies’ Law No. 1 of 2016, its Executive Regulations, as amended.

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Group’s management to exercise judgement in applying the Group’s accounting policies. The areas of material judgements and estimates made in preparing the consolidated financial statements and their effect are disclosed in Note 6.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("ACCOUNTING STANDARDS")

a) New standards, interpretations, and amendments effective from 1 January 2023

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'material' accounting policies with a requirement to disclose their 'material' accounting policies information and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no material impact on the Group's consolidated financial statements.

IFRS 17 Insurance Contracts
IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:
• A specific adaptation for contracts with direct participation features (the variable fee approach).
• A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The new standard had no material impact on the Group's consolidated financial statements.

Amendments to IAS 8 - Definition of Accounting Estimates
The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

There are other amendments related to IAS 12 "Income Taxes" that has no impact on the Group's consolidated financial statements.

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2024:
- *Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);*
- *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);*

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("ACCOUNTING STANDARDS") (CONTINUED)

b) New standards, interpretations and amendments not yet effective (Continued)

- *Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and*
- *Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)*

The following amendments are effective for the period beginning 1 January 2025:

- *Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)*

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability. The Group does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Group.

5. MATERIAL ACCOUNTING POLICY INFORMATION

5.1 Current versus non-current classification

The Group presents the assets and liabilities in the consolidated statement of financial position based on their classification to current and non-current. An asset is current when it is:

- Expected to be recognized, intended to be sold, or depreciated within the normal operational cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve month period after the date of consolidated financial statements or;
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the date of consolidated financial statements; or
- There is no conditional right for postponing settlement of the liability for a period of at least twelve months after the reporting date.

All other liabilities are classified by the Group as non-current.

5.2 Basis of consolidation

Subsidiary

The consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiary. Control is achieved when the Parent Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects its returns.

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.2 Basis of consolidation (Continued)

Subsidiary (continued)

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:
- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights.
- Substantive potential voting rights held by the Parent Company and by other parties.
- Other contractual arrangements.
- Historic patterns in voting attendance.

The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company losses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss or other comprehensive income from the date the Parent Company gains control until the date when Parent Company ceases to control the subsidiary.

Profit and loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interest. Total comprehensive income of subsidiary is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policy.

All intra-group transactions, balances, income and expenses 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 resulting gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The details of the subsidiary is as follows:

Name of subsidiary	Principal activity	Voting rights and equity interest		Country of incorporation
		2023	2022	
Palm Trees Company K.S.C. (Closed)*	Producing and packing of black honey	100%	100%	Kuwait

*Palm Trees Company K.S.C. (Closed) is a dormant Company. The Commercial Register of the Company ended on 8 February 2008.

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.3 Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

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

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

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

5.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised.

Freehold land is not depreciated, depreciation is calculated based on estimated useful life of the applicable assets on a straight-line basis. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

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

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.5 Leases

The Group as a lessee
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

Right of use assets
The Group recognizes 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 amortization and impairment losses, and adjusted for any re-measurement of lease liabilities, the cost of right of use assets includes the amount of lease liabilities recognized, 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 recognized right of use assets are amortized 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.

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 recognized 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 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 (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.

The Group as a lessor
The Group does not act as a lessor during the year ended 31 December.

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.6 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 is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these 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 in accordance with IFRS 5: Current Assets Held for Sale and Discontinued Operations.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associate. When the Group’s share of losses of an associate exceeds the Group’s interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the 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, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in consolidated statement of profit or loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group’s consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The associate’s financial statements are prepared either to the Group’s consolidated financial position date or to a date not earlier than three months of the Group’s consolidated financial position date. Amounts reported in the financial statements of associate have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the consolidated financial position date of the associate and the Group’s consolidated financial position date.

When the Group discontinues the use of the equity method as a result of disposal of the investment in an associate, the Group shall account for all amounts previously recognised in the consolidated statement of comprehensive income in relation to the investment in an associate on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from the consolidated statement of equity to the consolidated statement of profit or loss (as a reclassification adjustment) when the equity method is discontinued.

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.7 Inventories

Inventories are valued at the lower of cost and net realizable value, after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Write-down is made for obsolete and slow-moving items based on their expected future use and net realizable value.

5.8 Agriculture and biological assets

Agricultural activity is defined by the management as an activity of the biological transformation of biological assets for sale into agricultural produce or into additional biological assets. Agricultural produce is defined as the harvested product of the Group's biological assets and a biological asset is defined as a living animal or plant. The Group has determined the groups of its biological assets to be livestock and growing crops (non-bearer plants mostly used for gardens and in-house setup).

Biological assets are measured on initial recognition and at each balance sheet date at its fair value less cost to sell. Agricultural produce harvested from the Group's biological assets is measured at its fair value less cost to sell and is subsequently recorded as inventories and measured in accordance with the material accounting policy information in (section 5.7 - Inventories).

If an active market exists for a biological asset or agricultural produce, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If an active market does not exist the most proximate market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the reporting date, is used in determining fair value. A gain or loss arising on initial recognition of a biological asset at fair value less cost to sell and from a subsequent change in fair value less cost to sell is included in consolidated statement of profit or loss for the year in which it arises as "changes in fair value of biological assets".

The biological assets are recorded as current biological assets based on the operational cycle of the respective biological assets. In general, biological assets of the Group are recognised as current assets because the operational cycle is less than 12 months.

5.9 Impairment of non-financial assets

At each consolidated financial position date, the Group reviews the carrying amounts of its non-financial 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, group 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.

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.9 Impairment of non-financial assets (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

5.10 Financial instruments

The Group classifies its financial instruments as financial assets and financial liabilities. Financial assets and financial liabilities are recognized when the Group becomes a party of the contractual provisions of such instruments.

Financial assets and financial liabilities carried on the consolidated statement of financial position include contract assets, trade and other receivables (excluding advances to suppliers and prepaid expenses), due from a related party, financial assets at fair value through profit or loss (“FVTPL”), term deposit, cash and cash equivalents, lease liabilities, contract liabilities and trade and other payables.

5.10.1 <u>Financial assets</u>

Recognition, initial measurement and derecognition
To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Group’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of ‘Sell’ business model and measured at FVPL. The Group’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Purchases and sales of those financial assets are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. With the exception of trade receivables that do not contain a significant financing component, 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.

Trade receivables that do not contain a significant financing component are measured at the transaction price.

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.10 Financial instruments (Continued)

5.10.1 Financial assets (continued)

Classification of financial assets
The Group classifies its financial assets upon initial recognition into the following categories:
- Financial assets at amortized cost.
- Financial assets at fair value through profit or loss ("FVTPL").

Subsequent measurement

Financial assets at amortized cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets carried at amortized cost are subsequently measured at amortized cost using the effective interest method adjusted for impairment losses if any. Gains and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified or impaired.

Financial assets carried at amortised cost consist of contract assets, trade and other receivables (excluding advances to suppliers and prepaid expenses), due from a related party, financial assets at fair value through profit or loss ("FVTPL"), term deposit and cash and cash equivalents.

Effective interest rate method ("EIR")
The EIR method is a method of calculating the amortized cost of a financial asset and of allocating interest over the relevant period. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Trade and other receivables
Trade receivables are amounts due from customers for goods sold in the ordinary course of business and recognized initially at transaction price. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

Receivables which are not designated under any of the above are classified as "other receivables".

Term deposit
Term deposit is placed with a local bank and have an original maturity of more than three months from placement date and less than one year from the consolidated statement of financial position date.

Cash and cash equivalents
Cash and cash equivalents comprise of current accounts at banks, short-term deposit, cash held in a portfolio and cash on hand. Cash and cash equivalents (excluding cash on hand) are subject to an insignificant risk of changes in value.

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.10 Financial instruments (Continued)

5.10.1 Financial assets (continued)

Financial assets at fair value through profit or loss ("FVTPL")
The financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are measured at FVTPL. Specifically investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment as at FVOCI on initial recognition.

Changes in fair value, gain on disposal, interest income and dividends are recorded in consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

Impairment of financial assets
The Group recognises a provision for expected credit losses (ECLs) for financial assets measured at amortised cost.

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. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

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).

For trade and other receivables (excluding advances to suppliers and prepaid expenses), the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Accordingly, the Group does not track changes in credit risk and assesses impairment on a collective basis. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship where applicable.

For due from a related party, the Group has applied a forward looking approach wherein recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

For term deposit and cash and cash equivalents for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, the Group's policy to measure ECLs on such instruments on a 12-month basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment that includes forward-looking information.

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.10 Financial instruments (Continued)

5.10.1 Financial assets (continued)

Impairment of financial assets (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, 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.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and charged to consolidated statement of profit or loss.

Derecognition
A financial asset is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Group has transferred its rights to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

5.10.2 Financial liabilities

All financial liabilities within IFRS 9 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 lease liabilities, and contract liabilities, and trade and other payables.

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value, net of directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.10 Financial instruments (Continued)

5.10.2 Financial liabilities (continued)

Derecognition of financial liabilities

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

Offsetting of financial assets and liabilities

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 recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

5.11 Contract assets/contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are assessed for impairment under the simplified approach in accordance with IFRS 9: Financial Instruments.

A contract liability arises if a customer pays consideration, or if the Group has a right to consideration that is unconditional, before the good or service is transferred to the customer. Contract liabilities are recognized as revenue when the Group performs under the contract.

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivables in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

5.12 Treasury shares

Treasury shares consist of the Parent Company’s own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued, sold or cancelled. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the treasury shares. Consideration paid or received is directly recognised in equity. When the treasury shares are sold, gains are credited to a separate account in shareholders’ equity (treasury shares reserve) which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then to reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of share premium, accumulated losses and treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.13 Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination at the consolidated financial position date.

With respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

5.14 Provisions

A provision is recognised in the consolidated statement of consolidated financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

5.15 Dividends

The dividends are recognised as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders in the Annual General Assembly meeting.

5.16 Contingent assets and contingent liabilities

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

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

5.17 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group follows a 5-step process:

- Identifying the contract with a customer.
- Identifying the performance obligations.
- Determining the transaction price.
- Allocating the transaction price to the performance obligations.
- Recognising revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.17 Revenue recognition (Continued)

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group recognizes revenue either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Control is transferred at a point in time if none of the criteria for a good or service to be transferred over time are met. Revenue is recognised at a point in time when the Group satisfies performance obligations by transferring the control of promised goods or services to its customers.

The Group considers the following factors in determining whether control of an asset has been transferred:
- The Group has a present right to payment for the goods or services.
- The customer has legal title to the goods or services.
- The Group has transferred physical possession of the goods or services.
- The customer has the significant risks and rewards of ownership of the goods or services.
- The customer has accepted the goods or services.

Revenue for the Group arises from:

Sale of goods – agricultural equipment
Revenue from the sale of agricultural equipment is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

Sale of biological assets
The revenue is recognised at the point in time when control of the biological assets is transferred to the customer, generally on delivery of the biological assets.

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.17 Revenue recognition (Continued)

Revenue from contracting services ("Contracting revenue")
Contracting revenue is recognized over time on a cost-to-cost method, i.e. based on the proportion of contracting costs incurred for work performed to date relative to the estimated total contracting costs. Profit is only recognized when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. Claims, variation orders and incentive payments are included in the determination of contract profit when approved by contract owners. Anticipated losses on contracts are recognized in full as soon as they become apparent.

Where the outcome of a contract cannot be estimated reliably, contracting revenue is recognized to the extent of contracting costs incurred that it is probable will be recoverable. Contracting costs are recognized as expenses in the period in which they are incurred.

Interest income from term deposit
Interest income from term deposit is recognised using the effective interest rate method.

Other income
Other income is recognized on accrual basis.

5.18 Foreign currencies

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD).

Transactions and balances
Foreign currency transactions are translated to Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Monetary items in foreign currencies are re-translated at the dates of the consolidated statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Group companies
The results and consolidated financial position of all the Group entities that have a functional currency different from the presentation currency (except for companies which are operated in countries with very high inflation rates) are translated into the presentation currency as follows:

- Assets and liabilities for each reporting date presented are translated at the closing rate at the reporting date.
- Income and expenses for each statement of profit or loss are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of other comprehensive income.

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

5.19 Taxation

KFAS and Zakat
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat represent levies/taxes imposed on the Parent Company at the flat percentage of profit for the year less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent levies/taxes regulations, no carry forward of losses is permitted and there are no significant differences between the levies/taxes bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Tax/statutory levy	*Rate*
Contribution to KFAS	1.0% of net profit less permitted deductions
Zakat	1.0% of net profit less permitted deductions

National Labour Support tax
The Group calculates National Labour Support Tax ("NLST") in accordance with the Ministry of Finance resolution No.19 of 2000. NLST is imposed at 2.5% of net profit less permitted deductions.

6. MATERIAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Material accounting judgements

In the process of applying the Group's accounting policies, management has made the following material judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Useful lives of non-financial assets
As described in Note 5, the Group reviews the estimated useful lives over which its tangible assets are depreciated. The Group's management is satisfied that the estimates of useful lives are appropriate.

6. MATERIAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

Material Accounting Judgements (Continued)

Determining the lease term of contracts with renewal and termination 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. The Group has lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the options to renew these leases. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. 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 (e.g., construction of significant leasehold improvements or significant customisation to the leased asset). The Group included the renewal period as part of the lease term for leases of land with shorter non-cancellable period. The Group typically exercises its option to renew for this leases because there will be a significant negative effect on production if a replacement asset is not readily available.

Classification of financial instruments
On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss”, "at fair value through other comprehensive income" or “at amortised cost”. IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group’s business model for managing the assets of the instrument’s contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets and is explained in Note 5.

Principal versus agent considerations
The Group enters into contracts to sell goods and render services to its customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group determined that it is a principal in all its contracts with its customers.

- The Group controls the promised goods or services before the Group transfers the goods or services to the customer.
- The Group satisfies the performance obligations by itself and does not engage another party in satisfying its performance obligations in its contracts with customers.

Determining the timing of satisfaction of contracting services
The Group concluded that the revenue from contracting services be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the contracting services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group’s performance as it performs.

The Group determined that the input method is the best method in measuring progress of the contracting services because this method will faithfully depict the Group’s performance towards complete satisfaction of the performance obligations. The Group recognises revenue on the basis of the percentage that actual costs incurred to date bear to total estimated costs for each contract. The revenue recognition as per the above criteria should correspond to the actual work completed. The determination of estimated costs and the application of the input method involve estimation. Further, the budgeted cost and revenue should consider the claims and variations pertaining to the contract.

6. MATERIAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated financial position 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:

Impairment of non-financial assets
The Group reviews tangible assets on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of profit or loss. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

Impairment of investment in an associate
After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associate, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in "share of results of an associate" in the consolidated statement of profit or loss.

Estimating the incremental borrowing rate for leases
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 or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Impairment of inventories
Inventories are held at cost and net realisable value whichever is lower. When inventories become old or obsolete, an estimate is made of the required impairment. For individually significant amounts, this estimation is performed on an individual basis. Amount which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Fair value of biological assets
The Group carries its biological assets at fair value less costs to sell. The fair value is determined by reference to market prices and significant estimates are required to determine the expected market price of the biological assets.

The key assumptions used to determine the fair value are provided in Note 31.

Provision for expected credit losses of contract assets, trade receivables and retention receivables
The Group uses a provision matrix to calculate ECLs for contract assets, trade receivables and retention receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geographical region, services type, customer and type). 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.

6. MATERIAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

Estimation uncertainty (Continued)

Provision for expected credit losses of contract assets, trade receivables and retention receivables (continued)

For instance, if forecast economic conditions (i.e., gross domestic product, stock market capitalization) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. 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. The information about the ECL on the Group's contract assets, trade receivables and retention receivables is disclosed in Note 30.2.

Profit on uncompleted contracts
Profit on uncompleted contracts is only recognised when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. This requires the Group's management to determine the level at which reasonable estimates can be reached.

7. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land*	Buildings and greenhouses**	Equipment and motor vehicles	Store fabrication, furniture and computers	Total
	KD	KD	KD	KD	KD
Cost					
At 1 January 2022	566,667	1,595,740	2,212,856	598,557	4,973,820
Additions	-	35,787	41,661	21,502	98,950
Disposals	-	-	(128,203)	-	(128,203)
At 31 December 2022	566,667	1,631,527	2,126,314	620,059	4,944,567
Additions	-	148,755	377,671	79,881	606,307
Disposals	-	-	(18,930)	-	(18,930)
At 31 December 2023	566,667	1,780,282	2,485,055	699,940	5,531,944
Accumulated depreciation					
At 1 January 2022	-	1,165,386	1,859,150	465,727	3,490,263
Charge for the year	-	73,015	127,562	13,960	214,537
Related to disposals	-	-	(128,180)	-	(128,180)
At 31 December 2022	-	1,238,401	1,858,532	479,687	3,576,620
Charge for the year	-	90,663	160,773	23,440	274,876
Related to disposals	-	-	(18,927)	-	(18,927)
At 31 December 2023	-	1,329,064	2,000,378	503,127	3,832,569
Net book value					
At 31 December 2023	566,667	451,218	484,677	196,813	1,699,375
At 31 December 2022	566,667	393,126	267,782	140,372	1,367,947
Annual depreciation (in years)`	-	10-25	4-7	6-7	

*Freehold land is represented by plot 83, Block 50, located in Abu Halifa, on an area of 597 square meters.

**Buildings are constructed on land leased from the Ministry of Finance which expires on 31 March 2024 and renewable annually.

Depreciation charges are included in the consolidated statement of profit or loss under the following categories:

	2023	2022
	KD	KD
Operating costs (Note 24)	43,756	5,142
General and administrative expenses (Note 25)	10,539	10,203
Selling and distribution expenses (Note 26)	220,581	199,192
	274,876	214,537

8. LEASES

The carrying amount of the Group's right of use assets and the movement during the year is as follows:

	2023	**2022**
	KD	KD
At 1 January	117,494	163,735
Additions	17,725	4,289
Amortization	(60,286)	(50,530)
At 31 December	74,933	117,494

Amortization charges are included in the consolidated statement of profit or loss under the following categories:

	2023	**2022**
	KD	KD
Operating costs (Note 24)	4,206	4,287
General and administrative expenses (Note 25)	56,080	46,243
	60,286	50,530

Set out below, are the carrying amounts of the Group's lease liabilities and the movement during the year:

	2023	**2022**
	KD	KD
At 1 January	125,490	184,031
Additions	17,725	4,289
Finance costs	4,600	6,735
Rent concessions	-	(139)
Paid during the year	(67,432)	(69,426)
At 31 December	80,383	125,490

The lease liabilities are classified in the consolidated statement of consolidated financial position as follows:

	2023	**2022**
	KD	KD
Non-current portion	47,493	76,389
Current portion	32,890	49,101
	80,383	125,490

9. INVESTMENT IN AN ASSOCIATE

The details of the Group's associate is as follows:

		Voting rights and equity interest (%)			**Carrying value**	
Name of associate	**Country of incorporation**	**2023**	**2022**	**Activity**	**2023**	**2022**
		%	%		KD	KD
Al Dhafra Irrigation Systems L.L.C.	Emirate of Abu Dhabi, United Arab Emirates	33	33	Operation and maintenance for landscape, irrigation and forest	469,447	213,992

9. INVESTMENT IN AN ASSOCIATE (CONTINUED)

Summarised financial information in respect of the Group's associate is set out below:

	2023	2022
	KD	KD
Associate's financial position		
Current assets	2,006,480	1,212,507
Non-current assets	153,927	165,488
Total assets	2,160,407	1,377,995
Current liabilities	(336,190)	(418,746)
Non-current liabilities	(401,649)	(310,788)
Total liabilities	(737,839)	(729,534)
Net assets	1,422,568	648,461
Equity interest %	33%	33%
Group's share of associate's net assets	469,447	213,992
Associate's revenue and results		
Revenue	3,389,472	2,017,833
Expenses	(2,961,837)	(1,762,949)
Profit for the year	427,635	254,884
Group's share of results for the year	141,120	84,112

Reconciliation to carrying amount:

	2023	2022
	KD	KD
At 1 January	213,992	168,189
Share of results	141,120	84,112
Reversal of impairment loss	114,563	-
Foreign currency translation reserve	(228)	(38,309)
At 31 December	469,447	213,992

The associate has contingent liabilities equivalent to KD 1,429,342 (2022: KD 1,257,580) relating to letters of guarantee issued in the ordinary course of business. The associate had no other contingent liabilities or capital commitments as at 31 December 2023 and 2022.

10. INVENTORIES

	2023	2022
	KD	KD
Seeds, fertilizers and other agricultural products	1,316,888	1,538,954
Less: provision for obsolete and slow-moving inventories	(235,738)	(400,712)
	1,081,150	1,138,242

The movement in the provision for obsolete and slow-moving inventories is as follows:

	2023	2022
	KD	KD
At 1 January	400,712	536,024
Write-back during the year	(164,974)	(135,312)
At 31 December	235,738	400,712

The cost of goods sold related to inventories recognized as an expense during the year ended 31 December 2023 amounted to KD 2,054,562 (2022: KD 1,427,764) and are included under 'operating costs' (Note 24).

11. BIOLOGICAL ASSETS

	2023	2022
	KD	KD
Consumable biological assets	56,128	48,515
Bearer biological assets	185,288	205,814
	241,416	254,329

As at 31 December, the movement of biological assets is as follows:

	2023	2022
	KD	KD
At 1 January	254,329	477,675
Change in fair value due to biological transformation	32,562	54,786
Change in fair value due to price changes	25,350	(88,271)
Net change in fair value	57,912	(33,485)
Purchases during the year	351,329	90,704
Disposals during the year	(398,528)	(228,961)
Written-off during the year	(23,626)	(51,604)
At 31 December	241,416	254,329

The fair value measurements of livestock and non-bearer plants have been categorised as Level 2 fair values based on observable market sales information (Note 31).

12. CONTRACT ASSETS

	2023	2022
	KD	KD
Contract costs incurred to date plus recognized profits (less recognized losses)	1,690,786	663,218
Less: progress billings	(1,662,921)	(523,023)
Less: provision for expected credit losses	(2,896)	(11,675)
	24,969	128,520

Included in the consolidated statement of financial position as follows:

	2023	2022
	KD	KD
Contract assets	94,176	221,818
Contract liabilities	(69,207)	(93,298)
	24,969	128,520

The movement in the provision for expected credit losses as follows:

	2023	2022
	KD	KD
At 1 January	11,675	31,005
Write-back during the year	(8,779)	(19,330)
At 31 December	2,896	11,675

13. TRADE AND OTHER RECEIVABLES

	2023	**2022**
	KD	KD
Trade receivables	1,804,656	1,441,995
Less: provision for expected credit losses	(523,333)	(529,017)
	1,281,323	912,978
Retention receivables	441,332	378,992
Less: provision for expected credit losses	(314,299)	(258,307)
	127,033	120,685
Advances to suppliers	27,368	132,677
Prepaid expenses	16,541	16,359
Other receivables	80,378	66,406
	1,532,643	1,249,105

The movement in the provision for expected credit losses is as follows:

	2023	**2022**
	KD	KD
At 1 January	787,324	858,662
Charge for the year	50,308	20,337
Utilized during the year	-	(91,675)
At 31 December	837,632	787,324

Disclosures relating to credit risk exposures and analysis relating to the provision for expected credit losses are set forth in Note 30.2.

14. RELATED PARTY BALANCES AND TRANSACTIONS

The Group's related parties includes its associate, major shareholders, entities under common control, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

The related party balances and transactions as at and for the year ended 31 December were as follows:

	Associate	**Other related parties**	**2023**	**2022**
	KD	KD	KD	KD
Consolidated statement of financial position				
Due from a related party				
Al Dhafra Irrigation Systems L.L.C.	6,464	-	6,464	6,464
Financial assets at fair value through profit or loss ("FVTPL")	-	9,565	9,565	18,185
Consolidated statement of profit or loss				
Change in fair value of financial assets at fair value through profit or loss	-	8,620	8,620	33,065

As at 31 December 2023, the Group has receivables from the Ultimate Parent Company of KD 8,911 (2022: KD 8,911) on which the Group has recognized full provision. The balance at the reporting date is Nil (2022: Nil).

14. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

Compensation of key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions and outstanding balances related to key management personnel were as follows:

	2023	2022
	KD	KD
Salaries and short-term employee benefits	48,000	48,000
End of services benefits	13,802	13,846
	61,802	61,846

15. TERM DEPOSIT

As at 31 December 2023, term deposit represent deposit denominated in Kuwaiti Dinars and placed with a local bank having an original maturity period of more than three months from the placement date and less than one year from the consolidated statement of financial position date and yield an effective interest rate of 4.375% per annum.

16. CASH AND CASH EQUIVALENTS

	2023	2022
	KD	KD
Bank balances	443,941	582,374
Short-term deposit*	125,223	1,500,000
Cash held in a portfolio	10,497	10,524
Cash on hand	10,750	11,350
	590,411	2,104,248

*The effective rate of interest on short-term deposit is 4% (2022: 4.75%) per annum having an original maturity of less than three months from the placement date.

17. SHARE CAPITAL

The authorized, issued and paid up share capital is KD 5,239,900 (2022: KD 5,239,900) comprising of 52,399,000 shares of 100 fils each (2022: 52,399,000 shares of 100 fils each) and all shares are paid in cash.

18. SHARE PREMIUM

This represents the difference between the nominal value of the shares issued and the subscription or issue price. The reserve is not available for distribution except in cases stipulated by the Companies Law.

19. RESERVES

Statutory reserve

As required by the Companies' Law, as amended, and the Parent Company's Articles of Association, as amended, at least 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax, Zakat and Board of Directors' remuneration is transferred per annum to statutory reserve as per a resolution issued by the Parent Company's Ordinary General Assembly. Such Transfer may be discontinued as per a resolution issued by the Parent Company's Ordinary General Assembly when the reserve exceeds 50% of the share capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association, as amended. No transfer has been made to the statutory reserve during the year due to accumulated losses as at 31 December.

19. RESERVES (CONTINUED)

Voluntary reserve

As required by the Parent Company's Articles of Association, as amended, no more than 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax, Zakat and Board of Directors' remuneration may be deducted per annum, as per a resolution issued by the Parent Company's Ordinary General Assembly, in order to form voluntary reserve, which is allocated for the purposes specified by the Assembly. No transfer has been made to the voluntary reserve during the year due to accumulated losses incurred by the Group.

20. TREASURY SHARES

	2023	**2022**
Number of shares	83,200	83,200
Percentage to issued shares (%)	0.16%	0.16%
Market value (KD)	3,798	6,490
Cost (KD)	3,573	3,573

The Parent Company is committed to retain reserves, share premium and retained earnings equivalent to the cost of treasury shares throughout the year, in which they are held by the Parent Company, pursuant to instructions of the relevant regulatory authorities.

21. EMPLOYEES' END OF SERVICE BENEFITS

	2023	**2022**
	KD	KD
At 1 January	497,748	557,640
Charge for the year	74,896	121,616
Payment during the year	(63,077)	(181,508)
At 31 December	509,567	497,748

22. TRADE AND OTHER PAYABLES

	2023	**2022**
	KD	KD
Trade payables	104,244	42,213
Retention payables	2,078	-
Accrued expenses	216,016	222,802
Dividends payable	219,375	221,764
NLST	2,322	-
Zakat	929	-
Other payables	95,788	149,316
	640,752	636,095

23. OPERATING REVENUE

The disaggregation of the Group's operating revenue is set out below:

	2023	**2022**
	KD	KD
Type of revenue		
Trading revenue	2,592,377	2,580,511
Contracting revenue	1,706,176	804,567
Revenue from contracts with customers	4,298,553	3,385,078

23. OPERATING REVENUE (CONTINUED)

	2023	2022
	KD	KD
Geographical markets		
Kuwait	4,298,553	3,385,078
Revenue from contracts with customers	4,298,553	3,385,078
***Timing of revenue* recognition**		
Goods transferred at a point in time	2,592,377	2,580,511
Services transferred over time	1,706,176	804,567
Revenue from contracts with customers	4,298,553	3,385,078

Contract balances

	2023	2022
	KD	KD
Contract assets (Note 12)	94,176	221,818
*Contract liabilities (Note 12)	69,207	93,298

*Contract liabilities amounting to KD 69,207 (2022: KD 93,298) include advances received to render plantation project services.

24. OPERATING COSTS

	2023	2022
	KD	KD
Cost of goods sold (Note 10)	2,054,562	1,427,764
Staff costs	366,709	214,785
Depreciation on property, plant and equipment (Note 7)	43,756	5,142
Amortization of right of use assets (Note 8)	4,206	4,287
Insurance expense	4,213	7,982
Repairs and maintenance	41,098	30,493
Machinery and equipment rent	51,561	18,532
Bank charges	41,547	9,476
Others	44,857	22,420
	2,652,509	1,740,881

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
	KD	KD
Staff costs	330,342	256,278
Depreciation on property, plant and equipment (Note 7)	10,539	10,203
Amortization of right of use assets (Note 8)	56,080	46,243
Repairs and maintenance	65,007	55,542
Utilities	96,382	77,377
Professional and legal fees	18,350	16,095
Insurance expense	41,737	32,745
Bank charges	25,100	39,027
Legal expenses	28,987	177,040
Others	198,632	212,177
	871,156	922,727

26. SELLING AND DISTRIBUTION EXPENSES

	2023	2022
	KD	KD
Staff costs	816,736	776,217
Depreciation on property, plant and equipment (Note 7)	220,581	199,192
Others	14,344	12,411
	1,051,661	987,820

27. OTHER INCOME

	2023	2022
	KD	KD
Interest income	65,210	10,455
Reversal of provision for a legal case*	-	358,000
	65,210	368,455

*In prior years, a customer has commenced an action against the Parent Company demanding compensation amounting to KD 358,000 in relation to an alleged breach of contractual terms for which an unfavourable judgment was issued against the Group by the Court of First Instance. However, after taking appropriate legal advice, the Group has decided to appeal against the decision. On 6th October 2020, the Court of Appeal ruled to assign an expert committee to verify the elements of the lawsuit and submit their findings. The expert report was issued on 16 May 2022 in favour of the Parent Company and consequently a favourable judgement was issued by the Court of Appeal on 15 June 2022. As a result, the Group reversed the previously recognised provision of KD 358,000 as part of 'other income' in the consolidated statement of profit or loss for the year ended 31 December 2022.

28. BASIC AND DILUTED EARNINGS PER SHARE (FILS)

Basic and diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year after deducting treasury shares as follows:

	2023	2022
	KD	KD
Profit for the year	201,248	297,602
Weighted average number of shares outstanding:		
Number of issued shares	52,399,000	52,399,000
Less: weighted average number of treasury shares	(83,200)	(83,200)
Weighted average number of shares outstanding	52,315,800	52,315,800
Basic and diluted earnings per share (fils)	3.847	5.689

29. SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group conducts its activities through the below main operating segments:

Commercial: Production and sale of nurseries and ornamental plans.

Projects: Gardening and maintenance services.

Investments: Investment in an associate, equity securities, term deposit and short-term deposit.

The following is an analysis of the Group's revenue and results by operating segments for the year:

	31 December 2023			
	Commercial	**Projects**	**Investments**	**Total**
	KD	KD	KD	KD
Assets	3,780,611	1,397,773	1,680,655	6,859,039
Liabilities	781,890	518,019	-	1,299,909
Income	2,921,462	1,436,710	302,815	4,660,987
Expenses	(3,063,258)	(1,396,481)	-	(4,459,739)
Segment (loss)/profit	(141,796)	40,229	302,815	201,248
Other disclosures:				
Cost of inventories recognised as an expense	(2,054,562)	-	-	(2,054,562)
Depreciation of property, plant and equipment	(224,471)	(50,405)	-	(274,876)
Amortization of right of use assets	(56,080)	(4,206)	-	(60,286)
Capital expenditure	293,821	312,486	-	606,307
Share of results of an associate	-	-	141,120	141,120

29. SEGMENT REPORTING (CONTINUED)

	31 December 2022			
	Commercial	**Projects**	**Investments**	**Total**
	KD	KD	KD	KD
Assets	4,090,756	858,368	1,761,617	6,710,741
Liabilities	1,032,435	320,196	-	1,352,631
Income	2,804,739	584,325	457,665	3,846,729
Expenses	(2,784,036)	(534,326)	(230,765)	(3,549,127)
Segment profit	20,703	49,999	226,900	297,602
Other disclosures:				
Cost of inventories recognised as an expense	(1,427,764)	-	-	(1,427,764)
Depreciation of property, plant and equipment	(202,906)	(11,631)	-	(214,537)
Amortization of right of use assets	(46,210)	(4,320)	-	(50,530)
Capital expenditure	89,580	9,370	-	98,950
Share of results of an associate	-	-	84,112	84,112

30. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Group's activities expose it to variety of financial risks: e.g. market risk (i.e. foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's management policies for reducing each of the risks are discussed below. The Group does not use derivative financial instruments based on future speculations.

30.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of, foreign currency risk, interest rate risk and equity price risk.

a) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has no significant foreign currency exposure and is therefore not exposed to foreign currency risk at the reporting date.

b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group is not exposed to interest rate risk on term deposit, short-term deposit and lease liabilities since they carry fixed interest rates.

30. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

c) Equity price risk

The Group is exposed to price risk through its investments classified in the financial statements as financial assets at fair value through profit or loss. The Group manages this risk by diversifying its investments based on pre-determined asset allocation across various categories, continuous appraisal of market conditions and trends and management's estimate of changes in fair value.

The following table shows the impact on the financial assets sensitive to equity price risk considering a 5% change with other factors constant.

	Effect on profit for the year and equity	
	2023	**2022**
	KD	KD
Financial assets at FVTPL	951	1,855

There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

The effect of decrease in equity price is expected to be equal and opposite to the effect of the increases shown above.

30.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge a contractual obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of contract assets, trade and other receivables (excluding advances to suppliers and prepaid expenses), due from a related party, term deposit, and cash and cash equivalents (excluding cash on hand).

Contract assets, Trade receivables and retention receivables
The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all contract assets, trade receivables and retention receivables as these items do not have a significant financing component. In measuring the expected credit losses, trade receivables have been assessed on a collective basis and grouped based on shared credit risk characteristics and the days past due.

The contract assets and retention receivables have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, service type and customer type). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the due date and failure to engage with the Group on alternative payment arrangement among others is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

30. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

30.2 Credit risk (Continued)

Set out below is the information about the credit risk exposure on the Group's trade and retention receivables using a provision matrix:

31 December 2023	0-90 days	91-180 days	181-365 days	Above 365 days	Total
	KD	KD	KD	KD	KD
Expected credit loss rate (%)	0.34%	1.49%	6.71%	100%	
Gross carrying amount	996,586	298,625	129,703	821,074	2,245,988
Expected credit losses	3,408	4,453	8,697	821,074	837,632
31 December 2022	**0-90 days**	**91-180 days**	**181-365 days**	**Above 365 days**	**Total**
	KD	KD	KD	KD	KD
Expected credit loss rate (%)	0.98%	5.87%	50.38%	100%	
Gross carrying amount	443,479	339,587	553,965	483,956	1,820,987
Expected credit losses	4,332	19,932	279,104	483,956	787,324

Term deposit, and cash and cash equivalents (excluding cash on hand)
The Group's term deposit, and cash and cash equivalents (excluding cash on hand) measured at amortized cost are considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's term deposit, and cash and cash equivalents (excluding cash on hand) are placed with high credit rating financial institutions with no recent history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly since initial recognition.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum net exposure to credit risk by class of assets at the reporting date is as follows:

	2023	2022
	KD	KD
Contract assets	94,176	221,818
Trade and other receivables (excluding advances to suppliers and prepaid expenses)	1,488,734	1,100,069
Due from a related party	6,464	6,464
Term deposit	1,050,000	-
Cash and cash equivalents (excluding cash on hand)	579,661	2,092,898
	3,219,035	3,421,249

30. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

30.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the consolidated financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The carrying amounts of the Group's liabilities with maturity less than 12 months are not materially different from their contractual undiscounted figures.

2023	**On demand**	**Less than one year**	**More than one year**	**Total**
	KD	KD	KD	KD
Lease liabilities	-	35,733	50,176	85,909
Trade and other payables	219,375	421,377	-	640,752
	219,375	457,110	50,176	726,661

2022	**On demand**	**Less than one year**	**More than one year**	**Total**
	KD	KD	KD	KD
Lease liabilities	-	53,345	80,705	134,050
Trade and other payables	221,764	414,331	-	636,095
	221,764	467,676	80,705	770,145

30.4 Capital risk management

A key objective of the Group is to maximize shareholders' value with optimal levels of risk, whilst maintaining a strong capital base to support the development of its business. The Group's management of capital risks is supported by a risk committee that advises on these risks and the appropriate risk governance framework for the Group. The risk committee provides assurance that the Group's capital risk activities are governed by appropriate policies and procedures and that risks are identified, measured, and managed in accordance with the Groups' policies and risk objectives.

31. FAIR VALUE MEASUREMENT

The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date.

In the opinion of the Group's management, the fair value of financial assets and liabilities are not materially different from their carrying value at the consolidated financial position date.

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

31. FAIR VALUE MEASUREMENT (CONTINUED)

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs are those derived from valuation techniques that include inputs for the asset or liability by either directly or indirectly.

The level within which the financial and non-financial assets are classified is determined based on the lowest level of significant input to the fair value measurement.

The financial and non-financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2023	**Level 1**	**Level 2**	**Total**
	KD	KD	KD
Financial assets at FVTPL	9,565	9,459	19,024
Biological assets	-	241,416	241,416
	9,565	250,875	260,440

31 December 2022	**Level 1**	**Level 2**	**Total**
	KD	KD	KD
Financial assets at FVTPL	18,185	18,917	37,102
Biological assets	-	254,329	254,329
	18,185	273,246	291,431

There have been no transfers between levels during the year.

The following methods and assumptions were used to estimate the fair values:

1- Listed investment in equity securities.

2- Fair values of publicly traded equity securities are based on quoted market prices in an active market for identical assets without any adjustments. The Group classifies the fair value of these investments within Level 1 of the fair value hierarchy.

The movement for financial assets at fair value through profit or loss (“FVTPL”) is as follows:

	2023	**2022**
	KD	KD
At 1 January	37,102	51,251
Changes in fair value	(18,078)	(14,149)
At 31 December	19,024	37,102

Biological assets

The fair value of biological assets is determined by reference to expected yields and quality, expected costs to reach maturity, and the market prices for each variety of asset in the local area and the market price paid to independent growers. Any gains or losses on remeasuring fair value are included within in consolidated statement of profit or loss. The Group classifies the fair value of biological assets within Level 2 of the fair value hierarchy.

32. CONTINGENT LIABILITIES

	2023	2022
	KD	KD
Contingent liabilities		
Letters of guarantee	1,524,578	1,471,556

33. ANNUAL GENERAL ASSEMBLY MEETING AND BOARD OF DIRECTORS' PROPOSAL

The Annual Ordinary General Assembly of the shareholders of the Parent Company held on 30 August 2023 approved the following:
- The consolidated financial statements of the Group for the financial year ended 31 December 2022.
- Not to distribute dividends for the year ended 31 December 2022.
- Approval of the penalties and violations report, that were imposed on the Group by the Capital Markets Authority during the financial year ended 31 December 2022.

The Annual Ordinary General Assembly of the shareholders of the Parent Company held on 11 May 2022 approved the following:
- The consolidated financial statements of the Group for the financial year ended 31 December 2021.
- Not to distribute dividends for the financial year ended 31 December 2021.

The Board of Directors in their meeting held on 28 March 2024 proposed the following:
- Extinguishment of accumulated losses utilizing the reserves by taking the necessary measures and required approvals from the regulatory authorities.
- Distribution of dividends for the financial year ended 31 December 2023 of 4 fils per share after the extinguishment of accumulated losses and taking the required approvals from the regulatory authorities.

34. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain information in the comparative consolidated statement of financial position and the consolidated statement of profit or loss has been reclassified to conform to the current year's presentation. Such reclassification did not affect previously reported consolidated statement of profit or loss, consolidated equity or opening balances of the earliest comparative year presented and accordingly a third consolidated statement of financial position is not presented. Details of the reclassifications are shown below:

31 December 2022	As previously reported	Effect of reclassification	After Reclassification
	KD	KD	KD
Consolidated statement of financial Position			
Contract assets	-	221,818	221,818
Trade and other receivables	1,134,796	114,309	1,249,105
Prepayments and other receivables	336,127	(336,127)	-
Consolidated statement of profit or loss			
Gain on sale of property, plant and equipment	-	31,449	31,449
Finance costs	-	(6,735)	(6,735)
Change in fair value of biological assets	-	(33,485)	(33,485)
Write-back of provision for obsolete and slow-moving inventories	-	135,312	135,312
Write-back of provision for expected credit losses on contract assets	-	19,330	19,330
Provision for expected credit losses on trade and other receivables	-	(20,337)	(20,337)
General and administrative expenses	(919,895)	(2,832)	(922,727)
Financial assets at fair value through profit or loss ("FVTPL")	-	(14,149)	(14,149)
Other income	477,008	(108,553)	368,455