Palms Agro Production Company K.S.C.P and Its Subsidiary

Interim Condensed Consolidated Financial Information
and Independent Auditor's Review Report
for the nine month period ended 30 September 2019 (Unaudited)

Palms Agro Production Company K.S.C.P and Its Subsidiary

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For the nine month period 30 September 2019

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TO THE BOARD OF DIRECTORS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P

Independent auditor's report on review of interim condensed consolidated financial information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Palms Agro Production Company K.S.C.P. ("the parent company") and its subsidiary (together referred to as "the group") as at 30 September 2019 and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended, the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended and other explanatory notes. The parent company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

During the three-month period ended 30 September 2019, management of the group performed an assessment of the expected credit losses of the group's financial assets comprising amounts due from related parties, accounts receivable, retentions receivable and contract assets totalling to KD 1,776,632 and its share of the associate's total financial assets amounting to KD 213,469 as required by IFRS 9 "Financial Instruments". However, we have not received adequate supporting information and evidence regarding the methodology and inputs used as part of this assessment and, consequently, how management has reached its conclusion as to the level of loss provisions required. Accordingly, we were unable to determine whether any adjustments were necessary to the amounts recorded in the interim condensed consolidated statement of financial position as at 30 September 2019 or in the interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended.

Qualified conclusion

Except for any possible adjustments to the interim condensed consolidated financial information that we might have become aware of had it not been the situation described in the preceding paragraph, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

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TO THE BOARD OF DIRECTORS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P

Independent auditor's report on review of interim condensed consolidated financial information (Continued)

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, except for the matters described in the "Basis for qualified conclusion" paragraph, nothing has come to our attention indicating that the interim condensed consolidated financial information is not in agreement with the books of account of the parent company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its executive bylaw during the nine-month period ended 30 September 2019 that might have had a material effect on the business of the group or on its financial position.

Ahmed Mohammed Abdulrahman Al-Rasheed
License No. 39 A
PricewaterhouseCoopers
(Al-Shatti & Co.)

18 November 2019
Kuwait

Palms Agro Production Company K.S.C.P and Its Subsidiary

Interim condensed consolidated statement of income (unaudited)
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2019	2018	**2019**	2018
Revenue from contracts with customers		**728,919**	709,808	**2,081,127**	2,466,375
Cost of revenue		**(498,084)**	(488,290)	**(1,313,698)**	(1,672,661)
Gross profit		**230,835**	221,518	**767,429**	793,714
Change in fair value of biological assets		**23,373**	6,498	**46,353**	42,878
Selling and marketing expenses	3	**(134,595)**	(140,522)	**(403,543)**	(414,133)
General and administrative expenses	4	**(156,992)**	(155,419)	**(542,033)**	(454,452)
Other (expenses) / income	5	**(8,422)**	4,136	**(29,940)**	(12,382)
Operating loss		**(45,801)**	(63,789)	**(161,734)**	(44,375)
Investment (loss) / income	15	**6,747**	(1,013)	**25,918**	7,232
Share of results from investment in associates	6	**(9,400)**	(35,070)	**(118,387)**	(126,558)
Loss for the period		**(48,454)**	(99,872)	**(254,203)**	(163,701)
Basic and diluted losses per share	12	**(0.93 fils)**	(1.91 fils)	**(4.86 fils)**	(3.13 fils)

Interim condensed consolidated statement of comprehensive income (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Three months ended 30 September		**Nine months ended 30 September**	
	2019	2018	**2019**	2018
Loss for the period	**(48,454)**	(99,872)	**(254,203)**	(163,701)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations	**(940)**	881	**(3,218)**	813
Total other comprehensive (loss) / income for the period	**(940)**	881	**(3,218)**	813
Total comprehensive loss for the period	**(49,394)**	(98,991)	**(257,421)**	(162,888)

Palms Agro Production Company K.S.C.P and Its Subsidiary

Interim condensed consolidated statement of financial position (unaudited)
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Note	30 September 2019	31 December 2018 (audited)	30 September 2018
Assets				
Non-current assets				
Property and equipment		**737,451**	841,157	846,062
Investment in associates	6	**216,737**	371,342	366,155
Right-of-use assets	18	**184,924**	-	-
Accounts receivable and prepayments	7	**362,002**	372,560	1,219,597
		1,501,114	1,585,059	2,431,814
Current assets				
Inventories		**1,383,010**	1,374,419	1,350,722
Biological assets		**568,381**	510,567	484,837
Amounts due from related parties	14	**15,072**	21,172	21,172
Contracts assets		**197,276**	194,580	-
Accounts receivable and prepayments	7	**1,303,278**	3,523,881	3,046,660
Financial assets at fair value through profit or	13	**47,235**	47,117	52,195
Cash and cash equivalents	8	**3,268,004**	1,888,057	1,708,506
		6,782,256	7,559,793	6,664,092
Total assets		**8,283,370**	9,144,852	9,095,906
EQUITY AND LIABILITIES				
EQUITY				
Share capital		**5,239,900**	5,239,900	5,239,900
Share premium		**225,000**	225,000	225,000
Treasury shares	11	**(3,573)**	(3,573)	(3,573)
Statutory reserve		**1,033,497**	1,033,497	1,033,497
General reserve		**429,242**	952,400	952,400
Foreign currency translation reserve		**88,851**	92,069	91,820
Accumulated losses		**(289,344)**	(35,141)	(163,701)
Total equity		**6,723,573**	7,504,152	7,375,343
LIABILITIES				
Non-current liabilities				
Employees' end of service benefits		**551,270**	534,109	546,317
Lease liabilities - non-current	18	**135,599**	-	-
		686,869	534,109	546,317
Current liabilities				
Advances on contracts		**67,000**	20,455	91,239
Accounts payable and accruals	10	**770,610**	1,049,662	1,083,007
Contract liabilities		**-**	36,474	-
Lease liabilities – current	18	**35,318**	-	-
		872,928	1,106,591	1,174,246
Total liabilities		**1,559,797**	1,640,700	1,720,563
Total equity and liabilities		**8,283,370**	9,144,852	9,095,906

Bader Hamad Al-Rabiah
Chairman

Faisal Fares Al-Fares
Vice Chairman and CEO

The accompanying notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Share capital	Share premium	Treasury shares	Statutory reserve	General reserve	Foreign currency translation reserve	Accumulated losses	Total equity
Balance as of 1 January 2018 (audited)	5,239,900	225,000	(3,573)	1,033,497	1,033,497	91,007	442,061	8,061,389
Total comprehensive income / (loss) for the period	-	-	-	-	-	813	(163,701)	(162,888)
Dividends distributed (Note 9)	-	-	-	-	(81,097)	-	(442,061)	(523,158)
Balance as of 30 September 2018	5,239,900	225,000	(3,573)	1,033,497	952,400	91,820	(163,701)	7,375,343
Balance as of 1 January 2019 (audited)	**5,239,900**	**225,000**	**(3,573)**	**1,033,497**	**952,400**	**92,069**	**(35,141)**	**7,504,152**
Total comprehensive loss for the period	-	-	-	-	-	**(3,218)**	**(254,203)**	**(257,421)**
Dividends distributed (Note 9)	-	-	-	-	**(523,158)**	-	-	**(523,158)**
Balance as of 30 September 2019	**5,239,900**	**225,000**	**(3,573)**	**1,033,497**	**429,242**	**88,851**	**(289,344)**	**6,723,573**

The accompanying notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

Palms Agro Production Company K.S.C.P and Its Subsidiary

Interim condensed consolidated statement of cash flows (unaudited)
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Note	Nine months ended 30 September 2019	2018
Operating activities			
Loss for the period		**(254,203)**	(163,701)
Adjustments for:			
Depreciation		**145,348**	141,791
Murabaha income	15	**(25,800)**	(17,623)
Provision for obsolete and slow moving inventories		**28,239**	27,930
Provision for impairment of trade receivables		**8,645**	-
Gain on disposal of property and equipment		**(6,944)**	(15,548)
Share of results from investment in associates	6	**118,387**	126,558
Change in fair value of financial assets at fair value through profit or loss	15	**(118)**	10,391
Interest expense – lease liability		**6,580**	-
Employees' end of service benefits		**51,335**	57,509
Operating profits before changes in working capital		**71,469**	167,307
Accounts receivable and prepayments		**2,213,342**	223,840
Inventories		**(36,830)**	17,161
Biological assets		**(57,814)**	(93,871)
Contract assets		**(2,696)**	-
Accounts payable and accruals		**(283,794)**	(111,921)
Contract liabilities		**(36,474)**	-
Advances on contracts		**46,545**	(40,789)
Employees' end of service benefits paid		**(34,174)**	(106,369)
Net cash generated from operating activities		**1,879,574**	55,358
Investing activities			
Purchase of property and equipment		**(31,041)**	(53,653)
Proceeds from disposal of property and equipment		**23,750**	16,450
Amounts due from related parties		**6,100**	-
Term deposits		**-**	252,532
Redemption of share capital from liquidation of an associate	6	**33,000**	-
Murabaha income received		**25,800**	17,623
Net cash generated from investing activities		**57,609**	232,952
Financing activities			
Cash dividends paid		**(518,416)**	(501,836)
Principal elements of lease payments		**(38,820)**	-
Net cash used in financing activities		**(557,236)**	(501,836)
Increase / (decrease) in cash and cash equivalents		**1,379,947**	(213,526)
Cash and cash equivalents at beginning of the period		**1,888,057**	1,922,032
Cash and cash equivalents at end of the period	8	**3,268,004**	1,708,506
Non-cash transactions:			
Dividends distribution		**(4,742)**	-
Accounts payable and accruals		**4,742**	-

The accompanying notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

1 GENERAL INFORMATION

Palms Agro Production Company K.S.C.P (the "parent company") is a Kuwaiti shareholding company registered and incorporated in Kuwait on 25 May 1982.

According to the decision No. 69 of 2017 dated 14 May 2017 of the Capital Markets Authority, the Authority transferred the listing of parent company's shares from the main market to the parallel market on the Kuwait Stock Exchange as of 16 May 2017.

The parent company's main activities are 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, utilizing of financial surplus available to the parent company through investing it in portfolios managed by specialized 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 accompanying interim condensed consolidated financial information of Palms Agro Production Company K.S.C.P ("the parent company") and its subsidiary (together referred to as "the group") includes the interim condensed financial information of Palms Trees Company K.S.C. (Closed) - fully owned subsidiary of the parent company which is operating in producing and packing of black honey; however the subsidiary's licence was suspended on 31 December 2006 and the subsidiary is not having any operations since then.

The parent company is a subsidiary of Bayan Holding Company (K.S.C.) ("ultimate parent company") with a percentage of 84.11%.

The registered head office of the parent company is at P.O. Box 1976, Safat 13020, Kuwait.

The accompanying interim condensed consolidated financial information was authorised for issuance in accordance with a resolution of the board of directors on 13 November 2019.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This interim condensed consolidated financial information has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018. In the opinion of management all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the nine month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019. For further information, refer to the annual audited consolidated financial statements for the year ended 31 December 2018.

2.2 Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information for this financial interim period are consistent with those followed in the preparation of annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and amendments effective as of 1 January 2019.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Accounting policies (Continued)

(a) New standards, amendments and interpretations effective for the financial period beginning on 1 January 2019

- IFRS 16 - 'Leases' (effective 1 January 2019). IFRS 16 supersedes IAS 17 'Lease' and related interpretations. It resulted in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessor did not significantly change.

The impact of the adoption of the standard and the new accounting policies are disclosed in note 18.

There are no other standards, amendments or interpretations that have significant effect on the group's interim condensed consolidated financial information.

(b) New standards, amendments and interpretations not yet effective for the financial period beginning on 1 January 2019 and have not been early adopted by the group

There are no applicable new standards or amendments to published standards or International Financial Reporting Interpretations Committee (IFRIC) interpretations that have been issued but are not effective for the first time for the group's financial year beginning on 1 January 2019 and are expected to have a significant impact on the group's interim condensed consolidated financial information.

2.3 Judgements and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2018.

The parent company has appointed an independent management expert to assess the expected credit losses in accordance with IFRS 9" .

3 SELLING AND MARKETING EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
Salaries and related costs	**111,177**	112,450	**337,640**	332,343
Depreciation	**19,947**	26,986	**60,170**	78,919
Others	**3,471**	1,086	**5,733**	2,871
	134,595	140,522	**403,543**	414,133

4 GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
Salaries and related costs	**50,199**	53,825	**158,196**	172,436
Depreciation (property and equipment)	**16,548**	16,554	**49,619**	49,764
Depreciation (right-of-use assets)	**9,126**	-	**27,407**	-
Rent	**4,652**	9,180	**8,099**	29,643
Maintenance and repair	**13,533**	8,700	**38,574**	24,673
Utilities	**8,639**	9,442	**33,206**	24,367
Expenses related to litigation*	**-**	-	**58,456**	-
Insurance	**-**	2,839	**11,344**	19,819
Interest expense - lease liability	**2,010**	-	**6,580**	-
Others	**52,285**	54,879	**150,552**	133,750
	156,992	155,419	**542,033**	454,452

* During the period, a verdict was issued against the Parent Company in relation to a legal case filed by a customer claiming an amount of KD 58,456. As a result of the court decision, this amount was paid by the Parent Company during the period.

5 OTHER (EXPENSES) / INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
Provision for obsolete and slow moving inventories	**(8,422)**	(9,412)	**(28,239)**	(27,930)
Impairment of trade receivables	**-**	-	**(8,645)**	-
Gain on disposal of property and equipment	**-**	13,548	**6,944**	15,548
	(8,422)	4,136	**(29,940)**	(12,382)

6 INVESTMENT IN ASSOCIATES

The parent company has the following investment in associates:

Name	County of incorporation	Equity interest 30 September 2019	31 December 2018 (Audited)	30 September 2018
Al Dhafra Irrigation Systems (L.L.C.)	UAE	**33%**	33%	33%
Durra Al- Nakeel Real Estate Company W.L.L	Kuwait	**-**	33%	33%

The movement in the carrying amount of investment in associates is as follows:

	30 September 2019	31 December 2018 (Audited)	30 September 2018
Opening balances	**371,342**	491,900	491,900
Share of results of associates	**(118,387)**	(121,620)	(126,558)
Liquidation of an associate *	**(33,000)**	-	-
Foreign currency translation adjustment	**(3,218)**	1,062	813
Ending balances	**216,737**	371,342	366,155

* During the period, Durra Al- Nakeel Real Estate Company W.L.L has been liquidated and no gain or loss resulted from the liquidation.

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 September 2019	31 December 2018 (Audited)	30 September 2018
Non-current			
Retentions receivable	**362,002**	372,560	1,219,597
Current			
Trade receivables – gross	**1,043,525**	1,543,651	1,662,789
Loss allowance	**(54,270)**	(45,625)	(45,625)
Trade receivables – net	**989,255**	1,498,026	1,617,164
Accrued income	**-**	-	278,877
Retentions receivable	**158,757**	1,889,013	997,164
Prepaid expenses	**41,592**	12,961	36,743
Advance payments	**25,866**	63,561	72,045
Other receivables	**87,808**	60,320	44,667
	1,303,278	3,523,881	3,046,660

Movement in the loss allowances for trade receivables is as follows:

	Period ended 30 September 2019	2018
Balance at beginning of the period	**45,625**	45,625
Increase in loss allowance recognised in the interim condensed consolidated statement of income	**8,645**	-
	54,270	45,625

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed consolidated statements of financial position and cash flows include the following:

	30 September 2019	31 December 2018 (Audited)	30 September 2018
Bank balances	**2,044,717**	690,870	520,727
Cash on hand	**12,068**	11,110	11,070
Fixed deposits with original maturity less than 3 months	**1,200,484**	1,175,285	1,165,899
Cash held at portfolio	**10,735**	10,792	10,810
	3,268,004	1,888,057	1,708,506

Fixed deposits represent deposits with local financial institutions maturing within three months from date of placement with an average profit rate of 2.75 % (31 December 2018: 2.177 % and 30 September 2018: 1.983 %) per annum.

9 ANNUAL GENERAL ASSEMBLY

The Annual General Assembly of the parent company's shareholders held on 2 June 2019 approved the consolidated financial statements of the group for the year ended 31 December 2018 and the distribution of cash dividends of 10 fils per share for the year ended 31 December 2018 (31 December 2017: cash dividend of 10 fils per share).

10 ACCOUNTS PAYABLE AND ACCRUALS

	30 September 2019	31 December 2018 (Audited)	30 September 2018
Trade payables	**82,718**	203,224	352,511
Retention payables	**5,179**	150,239	150,239
Other payables	**104,592**	108,561	30,316
Accrued expenses	**348,149**	362,408	322,737
Dividends payable	**229,972**	225,230	227,204
	770,610	1,049,662	1,083,007

11 TREASURY SHARES

	30 September 2019	31 December 2018 (Audited)	30 September 2018
Number of shares	**83,200**	83,200	83,200
Percentage of issued shares	**0.16%**	0.16%	0.16%
Cost (KD)	**3,573**	3,573	3,573
Market Value (KD)	**4,909**	3,910	4,992

12 BASIC AND DILUTED LOSSES PER SHARE

Basic and diluted losses per share are calculated by dividing the loss for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
Loss for the period (KD)	**(48,454)**	(99,872)	**(254,203)**	(163,701)
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	**52,315,800**	52,315,800	**52,315,800**	52,315,800
Basic and diluted losses per share	**(0.93 fils)**	(1.91 fils)	**(4.86 fils)**	(3.13 fils)

There are no potential dilutive shares.

13 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

1 Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the group's financial instruments that are measured at fair value on a recurring basis.

13 FAIR VALUE ESTIMATION (Continued)

	Level 1	Total
30 September 2019		
Financial assets at fair value through profit or loss		
Quoted securities	**47,235**	**47,235**
31 December 2018		
Financial assets at fair value through profit or loss		
Quoted securities	47,117	47,117
30 September 2018		
Financial assets at fair value through profit or loss		
Quoted securities	52,195	52,195

(i) Financial instruments in level 1

The fair value of financial instruments carried at fair value on recurring basis traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the last bid price. The fair value of financial assets and liabilities measured at amortised cost approximates its carrying amounts.

14 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of the shareholders of the parent company who are represented in the board of directors, major shareholders and the companies in which any of its members is in the same time a board member in the parent company's board of directors, associated companies, directors and key management personnel of the parent company, and entities controlled, jointly controlled or significantly influenced by such parties. In the ordinary course of business, the group has carried some transactions during the period with related parties. The transactions and balances which are included in the interim condensed consolidated financial information are as follows:

	30 September 2019	31 December 2018 (Audited)	30 September 2018
Balances included in the interim condensed consolidated statement of financial position			
Amounts due from an associate	**6,161**	12,261	12,261
Amounts due from the Ultimate Parent Company	**8,911**	8,911	8,911
Total amounts due from related parties	**15,072**	21,172	21,172
Financial assets at fair value through profit or loss - Al-Salbookh Trading Company K.S.C.P.	**47,235**	47,117	52,195

	Three months ended 30 September		Nine months ended 30 September	
Transactions included in the interim condensed consolidated statement of income	**2019**	2018	**2019**	2018
Change in fair value of financial assets at fair value through profit or loss	**(2,244)**	(7,463)	**118**	(10,391)

	Three months ended 30 September		Nine months ended 30 September	
Key management compensation	**2019**	2018	**2019**	2018
Short-term benefits	**12,000**	12,000	**36,000**	36,000
End of service benefits	**1,730**	1,730	**5,190**	5,190
	13,730	13,730	**41,190**	41,190

15 INVESTMENT INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
Murabaha income	**8,991**	6,450	**25,800**	17,623
Change in fair value of financial assets at fair value through profit or loss	**(2,244)**	(7,463)	**118**	(10,391)
	6,747	(1,013)	**25,918**	7,232

16 SEGMENT INFORMATION

The group's activities are organised in three segments in the internal reporting system as follows:

- Commercial segment: includes the production and sale of nurseries and ornamental plants.
- Projects segment: represented in providing gardening and maintenance services.
- Investment segment.

	Nine months ended 30 September 2019			
	Commercial segment	**Projects segment**	**Investment segment**	**Total**
Segment revenue / (deficit)	**1,762,694**	**364,786**	**(92,469)**	**2,035,011**
Segment expense	**(1,565,558)**	**(723,656)**	**-**	**(2,289,214)**
Segment profit / (loss)	**197,136**	**(358,870)**	**(92,469)**	**(254,203)**
Depreciation (Property and equipment)	**(84,566)**	**(33,375)**	**-**	**(117,941)**
Depreciation (Right-of-use assets)	**(27,407)**	**-**	**-**	**(27,407)**
Purchase of property and equipment	**31,041**	**-**	**-**	**31,041**

	Nine months ended 30 September 2018			
	Commercial segment	**Projects segment**	**Investment segment**	**Total**
Segment revenue / (deficit)	1,791,931	717,322	(119,326)	2,389,927
Segment expense	(1,796,327)	(757,301)	-	(2,553,628)
Segment loss	(4,396)	(39,979)	(119,326)	(163,701)
Depreciation	(77,161)	(64,630)	-	(141,791)
Purchase of property and equipment	35,701	17,952	-	53,653

	Three months ended 30 September 2019			
	Commercial segment	**Projects segment**	**Investment segment**	**Total**
Segment revenue / (deficit)	**639,157**	**113,135**	**(2,653)**	**749,639**
Segment expense	**(441,410)**	**(356,683)**	**-**	**(798,093)**
Segment profit / (loss)	**197,747**	**(243,548)**	**(2,653)**	**(48,454)**
Depreciation (Property and equipment)	**(46,397)**	**(10,685)**	**-**	**(57,082)**
Depreciation (Right-of-use assets)	**(9,126)**	**-**	**-**	**(9,126)**
Purchase of property and equipment	**297**	**-**	**-**	**297**

	Three months ended 30 September 2018			
	Commercial segment	**Projects segment**	**Investment segment**	**Total**
Segment revenue / (deficit)	554,996	161,310	(36,083)	680,223
Segment expense	(606,248)	(173,847)	-	(780,095)
Segment loss	(51,252)	(12,537)	(36,083)	(99,872)
Depreciation	(24,139)	(21,266)	-	(45,405)
Purchase of property and equipment	-	-	-	-

16 SEGMENT INFORMATION (Continued)

Segmental distribution of assets and liabilities

	Commercial segment	Projects segment	Investment segment	Total
Total segment assets				
30 September 2019	**4,946,793**	**1,846,314**	**1,490,263**	**8,283,370**
31 December 2018	3,942,243	3,576,901	1,625,708	9,144,852
30 September 2018	4,258,466	3,221,209	1,616,231	9,095,906

	Commercial segment	Projects segment	Investment segment	Total
Total segment liabilities				
30 September 2019	**876,770**	**683,027**	**-**	**1,559,797**
31 December 2018	727,158	913,542	-	1,640,700
30 September 2018	730,532	990,031	-	1,720,563

17 CONTINGENCIES

The parent company had letters of guarantee towards foreign purchases amounting to KD 1,535,967 (31 December 2018: KD 2,669,906 and 30 September 2018: KD 2,902,375).

18 LEASES

This note explains the impact of the adoption of IFRS 16 "Leases" on the interim condensed consolidated financial information and discloses the new accounting policies that have been applied from 1 January 2019.

The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening interim condensed consolidated statement of financial position on 1 January 2019.

a) The group's leases' accounting policy

The group leases various properties. Rental contracts are typically made for fixed periods between 1 to 20 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of properties were classified as operating leases. Payments made under operating leases were charged to the interim condensed consolidated statement of income on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to interim condensed consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

18 LEASES (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

a) The group's leases' accounting policy (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the interim condensed consolidated statement of income. Short-term leases are leases with a lease term of 12 months or less.

b) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using incremental borrowing rate of 4.75% per annum.

	2019
Borrowing rate at the date of initial application	**4.75%**
Lease liabilities recognised as at 1 January 2019 (discounted)	**203,157**
Of which are:	
Current lease liabilities	**31,710**
Non-current lease liabilities	**171,447**
	203,157

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the interim condensed consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

18 LEASES (Continued)

The recognised right-of-use assets relate to the following types of assets:

	30 September 2019	1 January 2019
Properties	**184,924**	212,331

The change in accounting policy affected the following items in the interim condensed consolidated statement of financial position on 1 January 2019:

- right-of-use assets – increase by KD 212,331.
- lease liabilities – increase by KD 203,157.

b) Adjustments recognised on adoption of IFRS 16 (continued)
The movement in the right-of-use assets is as follows:

	2019
Balance beginning of period	**212,331**
Depreciation	**(27,407)**
Balance end of period	**184,924**

Finance cost from lease liabilities of KD 6,580 is recognised in the interim condensed consolidated statement of income.

There was no impact on accumulated losses on 1 January 2019 as the group did not have any finance lease as at 31 December 2018.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 in determining whether an arrangement contains a Lease.

c) Estimates applied on adoption of IFRS 16

Extension and termination options
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.