PALMS AGRO PRODUCTION COMPANY K.S.C.P. AND SUBSIDIARY

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

31 MARCH 2020 ``````

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P.

Report on Review of Interim Condensed Consolidated Financial Information

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of Palms Argo Production Company K.S.C.P. (the "Parent Company") and its subsidiary (collectively, the "Group") as at 31 March 2020 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting* ("IAS 34"). 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
The Group's interim condensed consolidated financial information include an investment in Al Dhafra Irrigation Systems L.L.C., a foreign associate accounted for using the equity method and carried at KD 165,998 on the interim condensed consolidated financial position as at 31 March 2020 (31 December 2019: KD 220,995 and 31 March 2019: KD 311,232) and the Group's related share of loss from the associate included in the interim condensed consolidated financial information amounted to KD 59,770 for the three month period then ended (31 March 2019: KD 58,987).

The management of the foreign associate had not assessed the associate's financial assets carried at amortised cost for impairment in accordance with IFRS 9 – *Financial instruments* as of that date. Consequently, we were unable to determine whether any adjustments to these amounts were necessary to the Group's interim condensed consolidated financial information and related disclosures as at and for the three-month period then ended 31 March 2020.

This matter gave rise to the modification of the predecessor auditor opinion and conclusion in the prior year.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P. (continued)

Qualified Conclusion
Except for the adjustments to the interim condensed consolidated financial information that we might have become aware of had it not been for the matter described in the preceding paragraph, 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 IAS 34 – *Interim Financial Reporting*.

Other Matter
The consolidated financial statements of the Group for the year ended 31 December 2019 and the interim condensed consolidated interim financial information for the three-month period ended 31 March 2019, were audited and reviewed, respectively by another auditor who expressed a modified opinion and conclusion on those statements on 31 March 2020 and 22 May 2019, respectively.

Report on Other Legal and Regulatory Matters
Furthermore, based on our review, except for the matter described in in the "Basis for Qualified Conclusion" section of our report, the interim condensed consolidated financial information is 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, as amended, and its executive regulations, as amended, nor of the Parent Company's Articles of Association and Memorandum of Incorporation, as amended, during the three-month period ended 31 March 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

15 August 2020
Kuwait

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the period ended 31 March 2020

	Notes	*Three months ended 31 March* **2020** *KD*	*2019* *KD*
Revenue from contracts with customers	3	**708,630**	653,489
Cost of sales and services rendered		**(499,503)**	(429,986)
GROSS PROFIT		**209,127**	223,503
Net investment (loss) income	4	**(18,157)**	5,065
Gain on disposal of items of property and equipment		**3,248**	4,997
Selling and marketing expenses	5	**(144,279)**	(137,373)
Administrative expenses	6	**(179,173)**	(163,374)
Change in fair value of biological assets		**4,858**	10,865
Share of results of an associate	7	**(59,770)**	(58,987)
Allowance for ECL on trade receivables and contract assets	3	**(90,151)**	(8,645)
Allowance for ECL on retention receivables	9	**(35,353)**	-
Other expenses		-	(2,797)
LOSS FOR THE PERIOD		**(309,650)**	(126,746)
BASIC AND DILUTED LOSS PER SHARE	8	**(5.92) fils**	(2.42) fils

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2020

	Three months ended 31 March	
	2020	*2019*
	KD	*KD*
LOSS FOR THE PERIOD	**(309,650)**	(126,746)
Other comprehensive income (loss)		
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**4,773**	(1,123)
Other comprehensive income (loss) for the period	**4773**	(1,123)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(304,877)**	(127,869)

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2020

	Notes	***31 March 2020 KD***	*(Audited) 31 December 2019 KD*	*(Restated)* 31 March 2019 KD*
ASSETS				
Non-current assets				
Property and equipment		**895,189**	741,568	813,654
Right-of-use assets		**189,825**	200,962	203,204
Investment in associates	7	**165,998**	220,995	311,232
Prepayments and other receivables	9	**15,070**	15,070	380,606
		1,266,082	1,178,595	1,708,696
Current assets				
Inventories		**1,519,025**	1,357,850	1,345,929
Biological assets	16	**500,529**	532,048	471,357
Trade receivables and contract assets	3	**756,022**	867,406	820,284
Prepayments and other receivables	9	**723,055**	616,746	1,394,966
Amounts due from related parties	10	**6,161**	6,161	12,261
Financial assets at fair value through profit or loss		**35,780**	59,162	43,692
Cash and cash equivalents	11	**2,752,402**	3,221,442	2,647,219
		6,292,974	6,660,815	6,735,708
TOTAL ASSETS		**7,559,056**	7,839,410	8,444,404
EQUITY AND LIABILITIES				
Equity				
Share capital		**5,239,900**	5,239,900	5,239,900
Share premium		**225,000**	225,000	225,000
Treasure shares	12	**(3,573)**	(3,573)	(3,573)
Statutory reserve		**1,033,497**	1,033,497	1,033,497
Voluntary reserve		**429,242**	429,242	952,400
Foreign currency translation reserve		**94,321**	89,548	90,946
Accumulated losses		**(1,117,543)**	(807,893)	(860,427)
Total equity		**5,900,844**	6,205,721	6,677,743
Non-current liabilities				
Employees' end of service benefits		**547,512**	544,272	538,998
Lease liabilities		**163,886**	155,564	172,846
		711,398	699,836	711,844
Current liabilities				
Advances on contracts		**20,100**	41,867	12,148
Trade and other payables	13	**886,693**	825,361	1,009,411
Contract liabilities	3	**8,677**	26,677	1,548
Lease liabilities		**31,344**	39,948	31,710
		946,814	933,853	1,054,817
Total liabilities		**1,658,212**	1,633,689	1,766,661
TOTAL EQUITY AND LIABILITIES		**7,559,056**	7,839,410	8,444,404

* *Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 31 March 2019 and reflect adjustments made as detailed in Note 17.*

Bader Hamad Al-Rabiah
Chairman

Faisal Fares Al-Fares
Vice Chairman and CEO

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2020

	Share capital KD	*Share premium KD*	*Treasury shares KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Foreign currency translation reserve KD*	*Accumulated losses KD*	*Total KD*
As at 1 January 2020 (*Audited*)	5,239,900	225,000	(3,573)	1,033,497	429,242	89,548	(807,893)	6,205,721
Loss for the period	-	-	-	-	-	-	(309,650)	(309,650)
Other comprehensive income for the period	-	-	-	-	-	4,773	-	4,773
Total comprehensive income (loss) for the period	-	-	-	-	-	4,773	(309,650)	(304,877)
At 31 March 2020	**5,239,900**	**225,000**	**(3,573)**	**1,033,497**	**429,242**	**94,321**	**(1,117,543)**	**5,900,844**
As at 1 January 2019 *(as previously reported)*	5,239,900	225,000	(3,573)	1,033,497	952,400	92,069	(35,141)	7,504,152
Impact of adopting of IFRS 9	-	-	-	-	-	-	(698,540)	(698,540)
Restated balance at 1 January 2019 *	5,239,900	225,000	(3,573)	1,033,497	952,400	92,069	(733,681)	6,805,612
Loss for the period	-	-	-	-	-	-	(126,746)	(126,746)
Other comprehensive loss for the period	-	-	-	-	-	(1,123)	-	(1,123)
Total comprehensive loss for the period	-	-	-	-	-	(1,123)	(126,746)	(127,869)
At 31 March 2019	5,239,900	225,000	(3,573)	1,033,497	952,400	90,946	(860,427)	6,677,743

* *Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 31 March 2019 and reflect adjustments made as detailed in Note 17.*

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 31 March 2020

	Notes	*Three months ended 31 March*	
		2020	*2019*
		KD	*KD*
OPERATING ACTIVITIES			
Loss for the period		**(309,650)**	(126,746)
Adjustments to reconcile loss for the period to net cash flows:			
Depreciation of property and equipment		**42,227**	39,888
Depreciation of right-of-use assets		**11,137**	9,127
Murabaha income	4	**(5,225)**	(8,490)
Gain on disposal of items of property and equipment		**(3,248)**	(4,997)
Allowance for ECL on trade receivables and contract assets	3	**90,151**	8,645
Allowance for ECL on retention receivables	9	**35,353**	-
Provision for obsolete and slow-moving inventories		**10,320**	7,794
Change in fair value of biological assets		**(4,858)**	(10,865)
Share of results of an associate	7	**59,770**	58,987
Change in fair value of financial assets at fair value through profit or loss	4	**23,382**	3,425
Interest on lease liabilities	6	**2,079**	2,419
Provision for employees' end of service benefits		**17,085**	18,150
		(31,477)	(2,663)
Working capital adjustments:			
Inventories		**(171,495)**	20,696
Biological assets		**36,377**	50,075
Trade receivables and contract assets		**21,233**	766,743
Prepayments and other receivables		**(141,662)**	20,974
Trade and other payables		**61,708**	(37,425)
Contract liabilities		**(18,000)**	(34,926)
Advances on contracts		**(21,767)**	(8,307)
Cash flow (used in) from operations		**(265,083)**	775,167
Employees' end of service benefits paid		**(13,845)**	(13,261)
Net cash flows (used in) from operating activities		**(278,928)**	761,906
INVESTING ACTIVITIES			
Purchase of items of property and equipment		**(195,850)**	(29,188)
Proceeds from disposal of items of property and equipment		**3,250**	21,800
Murabaha income received		**5,225**	8,490
Net cash flows (used in) from investing activities		**(187,375)**	1,102
FINANCING ACTIVITIES			
Dividends paid		**(376)**	(2,826)
Payment of lease liabilities		**(2,361)**	(1,020)
Net cash flows used in financing activities		**(2,737)**	(3,846)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(469,040)**	759,162
Cash and cash equivalent at 1 January		**3,221,442**	1,888,057
CASH AND CASH EQUIVALENT AT 31 MARCH	11	**2,752,402**	2,647,219
Non-cash items excluded from the interim condensed consolidated statement of cash flows:			
Adjustment to right-of-use on adoption of IFRS 16		**-**	212,331
Adjustment to lease obligations on adoption of IFRS 16		**-**	(212,331)

The attached notes 1 to 18 form part of this interim condensed consolidated financial information.

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Palms Agro Production Company K.S.C.P. (the "Parent Company") and its subsidiary (collectively, the "Group") for the three months ended 31 March 2020 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 15 August 2020.

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved in the annual general assembly meeting (AGM) of the shareholders held on 7 July 2020. No dividends have been declared by the Parent Company.

The Parent Company is a a public shareholding company, incorporated and domiciled in the State of Kuwait, and whose shares are publicly traded in Boursa Kuwait. The Parent Company's head office is located at Al Rai, 4th ring road, plot #56 and its registered postal address is P.O. Box 1976, Safat 13020, State of Kuwait.

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, utilizing 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 is a subsidiary of Bayan Holding Company K.S.C. (the "Ultimate Parent Company").

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34: "Interim Financial Reporting" ("IAS 34").

The interim condensed consolidated financial information has been presented in Kuwaiti Dinar ("KD"), which is also the functional currency of the Parent Company.

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

The interim condensed consolidated financial information provide comparative information in respect of the previous period. Certain prior period amounts have been reclassified to conform to the current period presentation. There is no effect of these reclassifications on the previously reported equity and loss for the period then ended.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial information of the Group.

Amendments to IFRS 3: *Definition of a Business*

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Amendments to IAS 1 and IAS 8: *Definition of Material*
The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

3.1 Disaggregated revenue information
Set out below is the disaggregation of the Group's revenue from contracts with customers based on type of sales and services

	Three months ended 31 March	
	2020	*2019*
	KD	*KD*
Type of goods or service		
Sale of goods	**458,932**	432,692
Rendering of services		
- Plantation project and support services	**249,698**	220,797
Total revenue from contracts with customers	**708,630**	653,489
Geographical markets		
Kuwait	**708,630**	653,489
Timing of revenue recognition		
Goods and services transferred at a point in time	**458,932**	432,692
Goods and services transferred over time	**249,698**	220,797
	708,630	653,489

3 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

3.2 Trade receivables and contract balances

	31 March 2020 KD	*(Audited) 31 December 2019 KD*	*(Restated) 31 March 2019 KD*
Trade receivables	**1,088,988**	1,155,011	1,213,387
Allowance for expected credit losses	**(546,961)**	(457,142)	(548,694)
	542,027	697,869	664,693
Contract assets	**227,311**	182,521	173,606
Allowance for expected credit losses	**(13,316)**	(12,984)	(18,015)
	756,022	867,406	820,284
Contract liabilities	**8,677**	26,677	1,548

Contract assets relate to revenue earned from ongoing plantation project services. As such, the balances of this account vary and depend on the number of ongoing plantation project services at the reporting date.

Contract liabilities include short-term advances received to render plantation project services.

Set out below is the movement in the allowance for expected credit losses of trade receivables and contract assets:

	Three months ended 31 March	
	2020 KD	*2019 KD*
As at 1 January	**470,126**	558,064
Provision for expected credit losses	**90,151**	8,645
As 31 March	**560,277**	566,709

4 NET INVESTMENT(LOSS) INCOME

	Three months ended 31 March	
	2020 KD	*2019 KD*
Murabaha income	**5,225**	8,490
Change in fair value of financial assets at fair value through profit or loss	**(23,382)**	(3,425)
	(18,157)	5,065

5 SELLING AND MARKETING EXPENSES

	Three months ended 31 March	
	2020	*2019*
	KD	*KD*
Salaries and other staff costs	**119,215**	113,486
Depreciation on property and equipment	**24,496**	20,159
Others	**568**	3,728
	144,279	137,373

6 ADMINISTRATIVE EXPENSES

	Three months ended 31 March	
	2020	*2019*
	KD	*KD*
Salaries and other staff costs	**52,475**	49,973
Depreciation on property and equipment	**16,470**	16,542
Depreciation on right-of-use assets	**10,137**	9,127
Short-term leases	**510**	2,674
Maintenance and repair	**14,832**	6,793
Insurance expense	**5,526**	10,627
Interest on lease liabilities	**2,079**	2,419
Others	**77,144**	65,219
	179,173	163,374

7 INVESTMENT IN ASSOCIATES

Set out below are the associates of the Group as at the reporting date:

Name of entity	***Country of domicile***	***% equity interest***			***Principal activities***	***Carrying amounts***		
		31 March 2020 KD	*31 December 2019 KD*	*31 March 2019 KD*		***31 March 2020 KD***	*31 December 2019 KD*	*31 March 2019 KD*
Al Dhafra Irrigation Systems L.L.C.	UAE	**33%**	33%	33%	Agriculture	**165,998**	220,995	278,232
Durra Al-Nakeel Real Estate Company W.L.L.	Kuwait	-	-	33%	Real estate	-	-	33,000
						165,998	220,995	311,232

7 INVESTMENT IN ASSOCIATES (continued)

Reconciliation to carrying amounts:

	31 March 2020 KD	*(Audited) 31 December 2019 KD*	*31 March 2019 KD*
At the beginning of the period/ year	**220,995**	371,342	371,342
Capital redemption *	**-**	(33,000)	-
Share of loss	**(59,770)**	(114,826)	(58,987)
Foreign exchange adjustments	**4,773**	(2,521)	(1,123)
	165,998	220,995	311,232

* During the year ended 31 December 2019, Durra Al- Nakeel Real Estate Company W.L.L ("associate") has been liquidated and the Parent Company has received the final liquidation proceeds amounting to KD 33,000. No gain or loss is recognised in profit or loss on liquidation.

8 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit (loss) for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit (loss) attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted EPS are identical.

	Three months ended 31 March	
	2020	*2019*
Loss for the period (KD)	**(309,650)**	(126,746)
Weighted average number of ordinary shares outstanding during the period (shares)*	**52,315,800**	52,315,800
Basic and diluted EPS (fils)	**(5.92)**	(2.42)

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the period.

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this interim condensed consolidated financial information which would require the restatement of EPS.

9 PREPAYMENTS AND OTHER RECEIVABLES

	31 March 2020 KD	*(Audited) 31 December 2019 KD*	*(Restated) 31 March 2019 KD*
Non-current			
Retention receivables	**16,080**	16,080	380,606
Allowance for expected credit losses	**(1,010)**	(1,010)	-
	15,070	15,070	380,606
Current			
Retention receivables	**523,295**	519,762	1,220,299
Allowance for expected credit losses	**(111,740)**	(76,387)	(69,536)
	411,555	443,375	1,150,763
Prepaid expenses	**5,721**	28,739	30,101
Advances to suppliers	**80,341**	90,105	159,525
Other receivables	**225,438**	54,527	54,577
	723,055	616,746	1,394,966
	738,125	631,816	1,775,572

Set out below is the movement in the allowance for expected credit losses of retention receivables:

	Three months ended 31 March	
	2020 KD	*2019 KD*
As at 1 January	**77,397**	69,536
Provision for expected credit losses	**35,353**	-
As at 31 March	**112,750**	69,536

10 RELATED PARTY DISCLOSURES

The Group's related parties include its associates and joint ventures, 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 following tables provides the total amount of outstanding balances with related parties as at 31 March 2020, 31 December 2019 and 31 March 2019:

	Associate KD	*Ultimate Parent Company KD*	*Other related parties* KD*	***31 March 2020 KD***	*(Audited) 31 December 2020 KD*	*31 March 2019 KD*
Consolidated statement of financial position						
Amounts due from related parties*	6,161	-	-	**6,161**	6,161	12,261
Financial assets at fair value through profit or loss	-	-	35,780	**35,780**	59,162	43,692

10 RELATED PARTY DISCLOSURES (continued)

* As at the reporting date, the Group has receivables from the Ultimate Parent Company of KD 8,911 (31 December 2019: KD 8,911 and 31 March 2019: KD 8,911) which is net of an allowance for expected credit losses of KD 8,911 (31 December 2019: KD 8,911 and 31 March 2019 (restated): KD 8,911).

Transactions with 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.

	Transaction values for the period ended		*Balance outstanding as at*		
				(Audited)	
	31 March 2020 KD	*31 March 2019 KD*	***31 March 2020 KD***	*31 December 2019 KD*	*31 March 2019 KD*
Salaries and other short-term benefits	**13,726**	12,000	**39,744**	39,403	37,110
Employees end of service benefits	**1,726**	1,708	**82,565**	80,839	75,623
	15,452	13,708	**122,309**	120,242	112,733

The Board of Directors at the meeting held on 31 March 2020 proposed no directors' remuneration for the year ended 31 December 2019. This proposal was approved by the shareholders at the AGM held on 7 July 2020.

11 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

		(Audited)	
	31 March 2020 KD	*31 December 2019 KD*	*31 March 2019 KD*
Cash at banks	**1,514,869**	1,989,833	1,443,199
Cash on hand	**12,350**	12,369	9,620
Short-term deposits	**1,214,487**	1,208,524	1,183,627
Cash held in managed portfolios	**10,696**	10,716	10,773
	2,752,402	3,221,442	2,647,219

Short-term deposits are made for varying periods of between one and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

12 TREASURY SHARES

		(Audited)	
	31 March 2020	*31 December 2019*	*31 March 2019*
Number of treasury shares	**83,200**	83,200	83,200
Percentage of issued share capital	**0.16%**	0.16%	0.16%
Cost – KD	**3,573**	3,573	3,573
Market value – KD	**4,709**	3,345	6,656

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

13 TRADE AND OTHER PAYABLES

	31 March 2020 KD	*(Audited) 31 December 2019 KD*	*31 March 2019 KD*
Trade payables	**118,233**	88,563	194,558
Retention payables	**5,188**	5,188	142,061
Accrued expenses	**208,640**	349,584	357,661
Dividends payable	**226,853**	227,229	222,404
Other payables	**327,779**	154,797	92,727
	886,693	825,361	1,009,411

14 CONTINGENCIES

As at 31 March 2020, the Parent Company's bankers have provided bank guarantees of KD 2,960,400 (31 December 2019: KD 4,060,004 and 31 March 2019: KD 2,405,832) to an unrelated party for the performance in a contract by the Parent Company from which it is anticipated that no material liabilities will arise.

15 SEGMENT INFORMATION

For management purposes, the Group is organised into three major business segments. The principal activities and services under these segments are as follows:

- **Commercial:** production and sale of nurseries and ornamental plans
- **Projects:** gardening and maintenance services
- **Investments:** investment in an associates and equity securities.

	31 March 2020			
	Commercial KD	***Projects KD***	***Investment KD***	***Total KD***
Assets	**4,672,432**	**1,470,359**	**1,416,265**	**7,559,056**
Liabilities	**1,181,045**	**477,167**	**-**	**1,658,212**
Income	**561,149**	**155,587**	**(77,927)**	**638,809**
Expenses	**644,452**	**304,007**	**-**	**948,459**
Segment loss	**(83,302)**	**(148,421)**	**(77,927)**	**(309,650)**
Other disclosures:				
Depreciation of property and equipment	**40,966**	**1,261**	**-**	**42,227**
Depreciation of right-of-use assets	**10,137**	**1,000**	**-**	**11,137**
Capital expenditure	**195,850**	**-**	**-**	**195,850**

15 SEGMENT INFORMATION (continued)

	31 March 2019 (restated)			
	Commercial KD	*Projects KD*	*Investment KD*	*Total KD*
Assets	3,936,936	2,936,972	1,570,496	8,444,404
Liabilities	875,461	891,200	-	1,766,661
Income	549,096	120,255	(53,922)	615,429
Expenses	556,338	185,837	-	742,175
Segment loss	(7,242)	(65,582)	(53,922)	(126,746)
Other disclosures:				
Depreciation of property and equipment	28,225	11,663	-	39,888
Depreciation of right-of-use assets	9,127	-	-	9,127
Capital expenditure	29,188	-	-	29,188

	31 December			
	Commercial KD	*Projects KD*	*Investment KD*	*Total KD*
Assets	4,650,029	1,683,823	1,505,558	7,839,410
Liabilities	1,008,438	625,251	-	1,633,689

16 FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

Fair value hierarchy
All financial and non-financial assets for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

16 FAIR VALUE MEASUREMENT (continued)

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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 profit or loss. The Group classifies the fair value of biological assets as Level 3 of the hierarchy.

Listed investment in equity securities
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 as Level 1 of the hierarchy.

There were no changes in the Group’s valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

Other financial assets and liabilities
Fair value of other financial instruments is not materially different from their carrying values, at the reporting date, as most of these instruments are of short-term maturity or re-priced immediately based on market movement in interest rates. The fair value of financial assets and financial liabilities with a demand feature is not less than its face value.

Set out below that are a summary of financial instruments and non-financial assets measured at fair value on a recurring basis, other than those with carrying amounts that are reasonable approximations of fair values:

	Fair value measurement using		
31 March 2020	***Quoted prices in active markets (Level 1) KD***	***Significant unobservable inputs (Level 3) KD***	***Total KD***
Financial instruments:			
Financial assets at FVPL	**35,780**	**-**	**35,780**
Non-financial assets			
Biological assets	**-**	**500,529**	**500,529**

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the three months ended 31 March 2020.

	Fair value measurement using		
As at 31 December 2019	*Quoted prices in active markets (Level 1) KD*	*Significant unobservable inputs (Level 3) KD*	*Total KD*
Financial instruments:			
Financial assets at FVPL	59,162	-	59,162
Non-financial assets			
Biological assets	-	532,048	532,048

16 FAIR VALUE MEASUREMENT (continued)

	Fair value measurement using		
As at 31 March 2019	*Quoted prices in active markets (Level 1) KD*	*Significant unobservable inputs (Level 3) KD*	*Total KD*
Financial instruments:			
Financial assets at FVPL	43,692	-	43,692
Non-financial assets			
Biological assets	-	471,357	471,357

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

	Biological assets		
	31 March 2020 KD	*31 December 2019 KD*	*31 March 2019 KD*
Opening balance	**532,048**	510,567	510,567
Change in fair value due to biological transformation	**4,858**	45,154	10,865
Change in fair value due to price changes	**-**	17,674	-
Purchases	**8,648**	82,571	13,944
Disposals	**(45,025)**	(123,918)	(64,019)
Closing balance	**500,529**	532,048	471,357

The Group has performed a sensitivity analysis to the range of significant unobservable inputs used in the fair value measurements during the period. Based on such analysis, there is no material impact on the interim condensed consolidated financial information.

17 RETROSPECTIVE RESTATEMENT

As at 31 December 2019, the Group's financial assets have been assessed for impairment in accordance with the requirements of IFRS 9 *"Financial Instruments"* which has not been applied previously on the initial application of IFRS 9 at 1 January 2018. This error resulted in an understatement of loss allowance recognised for the year ended 31 December 2018 and 1 January 2018 and a corresponding overstatement of trade and other receivables. As a result, the comparative information for the prior period ended 31 March 2019 has been restated to reflect the effect of adopting IFRS 9 since the initial application date.

17 RETROSPECTIVE RESTATEMENT (continued)

Interim condensed consolidated statement of financial position

	Impact of correction of error		
As at 31 March 2019	*As previously reported KD*	*Adjustments KD*	*As restated KD*
ASSETS			
Non-current assets			
Prepayments and other receivables	379,560	1,046	380,606
Current assets			
Amounts due from related parties	21,172	(8,911)	12,261
Trade receivables and contract assets	1,332,723	(512,439)	820,284
Prepayments and other receivables	1,573,202	(178,236)	1,394,966
	2,927,097	(699,586)	2,227,511
	3,306,657	(698,540)	2,608,117
EQUITY AND LIABILITIES			
Equity			
Accumulated losses	(161,887)	(698,540)	(860,427)

There is no impact of the restatement on the interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income and interim condensed consolidated statement of cash flows for the period ended 31 March 2019.

18 IMPACT OF COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity and the Group's business in various significant ways.

The currently known impact of COVID-19 on the Group are:

- Revenue of KD 708,630 for the quarter, down by 29.12% sequentially primarily driven by seasonal declines and lower trading activities posed by COVID-19.
- Fair value decreases in financial assets at fair value through profit or loss for the first three months of 2020 by 39.52% since 31 December 2019, mainly due to deterioration in financial markets and respective market index.
- Allowance for expected credit losses of trade and other receivables in the first three months of 2020 for an amount of KD 125,505 due to significant increase in credit risk of certain customers and delays in projects in light of the current economic circumstances

In addition to the already known effects of the COVID-19 outbreak and resulting government measures, the macroeconomic uncertainty causes disruption to economic activity, and it is unknown what the longer term impact on the Group's business may be. The COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time, this may result in prolonged negative results and pressure on the Group's liquidity.

Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Group may experience further negative results, liquidity restraints and incur additional impairments on its assets in 2020. Given the ongoing economic uncertainty, the exact impact on the Group's activities in the remainder of 2020 and thereafter cannot be predicted at this stage.

This note describes the impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 31 March 2020.

18 IMPACT OF COVID-19 (continued)

18.1 Risk management

The management is monitoring and reassessing the risk management objectives and policies based on the current updates on COVID-19. For the period ended 31 March 2020, there were no significant changes to the risk management objectives and policies as compared to the audited consolidated financial statements as at 31 December 2019.

18.1.1 Credit risk

The Group is mainly exposed to credit risk on its trade receivables and contract assets. As at 31 March 2020, the Group has considered the impact of COVID-19 on the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. There were no changes to the payment period given to customers during the period, however, the Group will continue to individually assess the situation as more reliable data becomes available and accordingly may change the payment period for certain customers in the subsequent reporting periods.

18.1.2 Liquidity risk

As at 31 March 2020, the Group has considered the impact of COVID-19 on the factors that may influence the liquidity risk. The Group has amended its contingency plans for managing liquidity risk to reflect the impact from the COVID-19 outbreak. The Group maintains rolling forecasts of the overall liquidity position on the basis of expected cash flows. The Group also sufficient liquidity and has lines of credit that it can access to meet liquidity needs.

18.2 Use of estimates and assumptions

The Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial information is prepared. The COVID-19 outbreak has created uncertainty for revenue forecasts, sourcing and workforce availability, credit ratings, etc. but also volatility in stock prices, interest and currency exchange rates. Estimates based on such metrics may be subject to change due to market changes in the near term or circumstances arising that are beyond the control of the Group.

Information about key assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets is described below:

Property and equipment, right-of-use assets, investment in an associate and inventories (non-financial assets)

As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. The market however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

Trade receivables and contract assets and retention receivables (financial assets)

The Group uses the simplified model in calculation the ECL for trade receivables by establishing a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables).

The Group will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

18.3 Subsequent events

The implications of COVID-19 are ongoing and the ultimate outcome of this event is unknown and therefore the full impact on the Group for events and circumstances that arose after the reporting date cannot be reasonably quantified at the authorisation date of this interim condensed consolidated financial information. The effect of COVID-19 on the Group as and when known will be incorporated into the determination of the Group's estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities.

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