# Palms Agro Production Company K.S.C.P. and its Subsidiary

**CONSOLIDATED FINANCIAL STATEMENT**
**31 DECEMBER 2020**

Building a better working world

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working world

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

## Report on the Audit of Consolidated Financial Statements

### *Opinion*
We have audited the consolidated financial statements of Palms Argo Production Company K.S.C.P. (the "Parent Company") and subsidiary (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### *Basis for Opinion*
We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditors' 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Emphasis of Matter*
We draw attention to Note 29 to the consolidated financial statements, which describes the retrospective correction of an error in accordance with IAS 8: *Accounting policies, Changes in Accounting Estimates and Errors*. Our opinion is not modified in respect of this matter.

### *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 TO THE SHAREHOLDERS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P. (continued)**

**Report on the Audit of Consolidated Financial Statements (continued)**

***Key Audit Matters (continued)***

***Expected Credit Losses ("ECL") on trade and other receivables***

As at 31 December 2020, trade receivables and contract assets amounted to KD 1,172,042 and retention receivables amounted to KD 401,774, representing 15% and 5%, respectively, of total assets.

The Group has applied the simplified approach under IFRS 9: *'Financial Instruments'* ("IFRS 9") to measure ECL on trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument.

In calculating ECL, the Group uses a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the individual debtors and the economic environment. Trade and other receivables have been grouped based on shared characteristics and days past due.

Due to the significance of trade and other receivables and the complexity involved in the ECL calculation and the negative economic outlook and cash flow difficulties experienced by customers as a result of COVID-19, this was considered as a key audit matter.

Our audit procedures included, among others, the following:

- 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 in view of the ongoing Covid-19 pandemic;

- We recalculated the allowance for expected credit losses charged against the receivable balances of the Group to ensure that they are 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;

- Further, in order 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.; and

- We also considered the adequacy of the Group's disclosures relating to ECL, management's assessment of the credit risk and their responses to such risks in Notes 6, 17 and 25 to the consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P. (continued)**

**Report on the Audit of Consolidated Financial Statements (continued)**

***Key Audit Matters (continued)***

| ***Valuation of inventories*** |
|---|

As at 31 December 2020, the carrying amount of inventories amounted to KD 1,524,572, after considering allowance for inventory obsolescence of KD 371,914.

The assessment process in determining allowance for inventory obsolescence was complex and inventories requires management to exercise judgment in identifying old and obsolete inventories and make estimates of the appropriate level of provision required. Such judgements include management's expectations for future sales and inventory liquidation plan. Accordingly, we have identified this as a key audit matter

Estimation process of inventory provision is disclosed in Note 3.4.12 to the consolidated financial statements

Our audit procedures included, among others, the following:

- We observed the inventory counts performed to ascertain the physical condition of the finished goods inventory;
- We reviewed the basis for the inventory provisions, by understanding and challenging the key assumptions used to determine the appropriate provision of inventories. In doing so, we understood the aging profile of the inventory, identification of obsolete and damaged inventories and the process for identifying specific problem inventory.
- We tested the reliability of the underlying data used by management to calculate the inventory obsolescence provisions, typically an aged inventory analysis, by re-performing the ageing calculation driven by the system.
- Furthermore, we recalculated the inventory allowance based on the above key assumptions to assess the mathematical accuracy of the calculation; and
- We also considered the adequacy of the Group's disclosures relating to inventories and the assumptions used in estimating the net realisable values of inventories in Notes 4.2 and 15 to the consolidated financial statements.

***Other information included in the Group's 2020 Annual Report***

Management is responsible for the other information. Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report 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 and will not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P. (continued)**

**Report on the Audit of Consolidated Financial Statements (continued)**

***Other information included in the Group's 2020 Annual Report (continued)***

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

***Other Matter***

The consolidated financial statement of the Group for the year ended 31 December 2019, were audited by another auditor who expressed a modified audit opinion on those statements on 31 March 2020.

***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and 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 AUDITORS' REPORT TO THE SHAREHOLDERS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P. (continued)**

**Report on the Audit of 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 judgment 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.

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, actions taken to eliminate threats or safeguards applied.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P. (continued)**

## Report on the Audit of Consolidated Financial Statements (continued)

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)***

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

## Report on Other Legal and Regulatory Requirements

Furthermore, 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, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No.7 of 2010, concerning the Capital Markets Authority, and its related regulations, during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

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

12 April 2021
Kuwait

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

| | *Notes* | ***2020*** ***KD*** | *(Restated)** *2019* *KD* |
|---|---|---|---|
| Revenue from contracts with customers | 6 | **3,420,264** | 3,068,580 |
| Cost of sales and services rendered | | **(2,116,500)** | (2,037,411) |
| **GROSS PROFIT** | | **1,303,764** | 1,031,169 |
| Selling and distribution expenses | 7 | **(694,042)** | (531,718) |
| Administrative expenses | 8 | **(597,715)** | (665,281) |
| **Operating income (loss)** | | **12,007** | (165,830) |
| Other (expenses) income | 9 | **(171,399)** | 263,111 |
| Share of results of an associate | 14 | **(109,856)** | (114,826) |
| **LOSS FOR THE YEAR** | | **(269,248)** | (17,545) |
| **BASIC AND DILUTED LOSS PER SHARE** | 11 | **(5.15) fils** | (0.34) fils |

* *Certain amounts shown here do not correspond to the consolidated financial statements as at and for the year ended 31 December 2019 and reflect adjustments made as detailed in Note 29.*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

| | ***2020*** ***KD*** | *(Restated)** *2019* *KD* |
|---|---|---|
| **LOSS FOR THE YEAR** | **(269,248)** | (17,545) |
| **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 | **8,796** | (2,521) |
| **Other comprehensive income (loss) for the year** | **8,796** | (2,521) |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | **(260,452)** | (20,066) |

* *Certain amounts shown here do not correspond to the consolidated financial statements as at and for the year ended 31 December 2019 and reflect adjustments made as detailed in Note 29.*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| | Notes | *2020* *KD* | *(Restated)** *2019* *KD* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 12 | **1,327,491** | 1,166,568 |
| Right-of-use assets | 13 | **157,491** | 200,962 |
| Investment in an associate | 14 | **119,935** | 220,995 |
| Prepayments and other receivables | 17 | **-** | 15,070 |
| | | **1,604,917** | 1,603,595 |
| **Current assets** | | | |
| Inventories | 15 | **1,524,572** | 1,357,850 |
| Biological assets | 16 | **554,459** | 532,048 |
| Trade receivables and contact assets | 6 | **1,172,042** | 867,406 |
| Prepayments and other receivables | 17 | **621,903** | 616,746 |
| Amounts due from related parties | 18 | **5,271** | 6,161 |
| Financial assets at fair value through profit or loss | 18 | **44,519** | 59,162 |
| Cash and cash equivalents | 19 | **2,393,920** | 3,221,442 |
| | | **6,316,686** | 6,660,815 |
| **TOTAL ASSETS** | | **7,921,603** | 8,264,410 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 20 | **5,239,900** | 5,239,900 |
| Share premium | 20 | **225,000** | 225,000 |
| Treasure shares | 20 | **(3,573)** | (3,573) |
| Statutory reserve | 20 | **1,033,497** | 1,033,497 |
| Voluntary reserve | 20 | **429,242** | 429,242 |
| Foreign currency translation reserve | 20 | **98,344** | 89,548 |
| Accumulated losses | | **(652,141)** | (382,893) |
| **Total equity** | | **6,370,269** | 6,630,721 |
| **Non-current liabilities** | | | |
| Employees' end of service benefits | 21 | **487,523** | 544,272 |
| Lease liabilities | 13 | **109,618** | 155,564 |
| | | **597,141** | 699,836 |
| **Current liabilities** | | | |
| Trade and other payables | 22 | **795,108** | 825,361 |
| Contract liabilities | 6 | **74,924** | 68,544 |
| Lease liabilities | 13 | **84,161** | 39,948 |
| | | **954,193** | 933,853 |
| **Total liabilities** | | **1,551,334** | 1,633,689 |
| **TOTAL EQUITY AND LIABILITIES** | | **7,921,603** | 8,264,410 |

* *Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2019 reflect adjustments made as detailed in Note 29.*

Mohammed Othman Al-Aiban
*Chairman*

Faisal Fares Al- Fares
*Vice Chairman*

The attached notes 1 to 29 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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 *(restated)* * | **5,239,900** | **225,000** | **(3,573)** | **1,033,497** | **429,242** | **89,548** | **(382,893)** | **6,630,721** |
| Loss for the year | - | - | - | - | - | - | (269,248) | (269,248) |
| Other comprehensive income for the year | - | - | - | - | - | 8,796 | - | 8,796 |
| Total comprehensive income (loss) for the year | - | - | - | - | - | 8,796 | (269,248) | (260,452) |
| **At 31 December 2020** | **5,239,900** | **225,000** | **(3,573)** | **1,033,497** | **429,242** | **98,344** | **(652,141)** | **6,370,269** |
| 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) |
| Impact of correction of error (Note 29) | - | - | - | - | - | - | 368,333 | 368,333 |
| Restated balance as at 1 January 2019 * | 5,239,900 | 225,000 | (3,573) | 1,033,497 | 952,400 | 92,069 | (365,348) | 7,173,945 |
| Loss for the year *(restated)* * | - | - | - | - | - | - | (17,545) | (17,545) |
| Other comprehensive loss for the year | - | - | - | - | - | (2,521) | - | (2,521) |
| Total comprehensive loss for the year | - | - | - | - | - | (2,521) | (17,545) | (20,066) |
| Dividends (Note 20) | - | - | - | - | (523,158) | - | - | (523,158) |
| At 31 December 2019 | 5,239,900 | 225,000 | (3,573) | 1,033,497 | 429,242 | 89,548 | (382,893) | 6,630,721 |

* *Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2019 reflect adjustments made as detailed in Note 29.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

| | Notes | **2020** **KD** | *(Restated)** *2019* *KD* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Loss for the year | | **(269,248)** | (17,545) |
| *Non-cash adjustments to reconcile loss for the year to net cash flows:* | | | |
| Depreciation of property and equipment | 12 | **133,355** | 99,566 |
| Depreciation of right-of-use assets | 13 | **43,471** | 40,697 |
| Murabaha income | 10 | **(12,538)** | (33,911) |
| Gain on disposal of property and equipment | | **(8,344)** | (12,343) |
| Allowance for (reversal of) ECL on trade receivables and contract assets | 6 | **179,111** | (87,938) |
| Allowance for (reversal of) ECL on retention receivables | 17 | **59,595** | (99,793) |
| Provision for obsolete and slow-moving inventories | 15 | **50,730** | 29,045 |
| Changes in fair value of biological assets | 16 | **(81,582)** | (62,828) |
| Share of results of an associate | 14 | **109,856** | 114,826 |
| Changes in fair value of financial assets at fair value through profit or loss | 10 | **14,643** | (12,045) |
| Interest expense on lease liabilities | 13 | **8,787** | 10,012 |
| Provision for employees' end of service benefits | 21 | **72,373** | 67,623 |
| | | **300,209** | 35,366 |
| *Working capital changes:* | | | |
| Inventories | | **(217,452)** | (12,476) |
| Biological assets | | **59,171** | 41,347 |
| Trade receivables and contract assets | | **(483,747)** | 400,699 |
| Prepayments and other receivables | | **(49,682)** | 1,679,054 |
| Amounts due from related parties | | **890** | 6,100 |
| Trade and other payables | | **(28,911)** | (226,300) |
| Contract liabilities | | **6,380** | 11,615 |
| Cash flows (used in) from operations | | **(413,142)** | 1,935,405 |
| Employees' end of service benefits paid | 21 | **(129,122)** | (57,460) |
| **Net cash flows (used in) from operating activities** | | **(542,264)** | 1,877,945 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment | 12 | **(294,285)** | (73,445) |
| Proceeds from disposal of property and equipment | | **8,351** | 29,144 |
| Proceeds from liquidation of an associate | | **-** | 33,000 |
| Murabaha income received | 10 | **12,538** | 33,911 |
| **Net cash flows (used in) from investing activities** | | **(273,396)** | 22,610 |
| **FINANCING ACTIVITIES** | | | |
| Dividends paid | | **(1,342)** | (521,159) |
| Payment of principal portion of lease liabilities | 13 | **(10,520)** | (46,011) |
| **Net cash flows used in financing activities** | | **(11,862)** | (567,170) |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | | **(827,522)** | 1,333,385 |
| Cash and cash equivalents as at 1 January | | **3,221,442** | 1,888,057 |
| **CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER** | 19 | **2,393,920** | 3,221,442 |

**Non-cash transactions excluded from the consolidated statement of cash flows:**

| | | | |
|---|---|---|---|
| Transitional adjustment to lease liabilities on adoption of IFRS 16 | | - | 231,511 |
| Transitional adjustment to prepayments on adoption of IFRS 16 | | - | 10,148 |
| Transitional adjustment to right-of-use assets on adoption of IFRS 16 | | - | (241,659) |

* *Certain amounts shown here do not correspond to the consolidated financial statements as at and for the year ended 31 December 2019 and reflect adjustments made as detailed in Note 29.*

The attached notes 1 to 29 form part of these consolidated financial statements.

## 1 CORPORATE INFORMATION

The consolidated financial statements of Palms Agro Production Company K.S.C.P. (the "Parent Company") and its Subsidiary (collectively, the "Group") for the year ended 31 December 2020 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 12 April 2021. The shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting ("AGM").

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

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

## 2 PRINCIPAL ACTIVITIES

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.

## 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 3.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Group have been prepared on a historical cost basis except for financial assets at fair value through profit or loss ("FVTPL") and biological assets that have been measured at fair value.

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

### 3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

#### 3.2.1 New standards, interpretations, and amendments adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**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.

**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."

## 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

## 3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

**Amendments to IAS 1 and IAS 8: *Definition of Material (continued)***

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 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.

**Amendments to IFRS 16 *Covid-19 Related Rent Concessions***

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the consolidated financial statements of the Group.

**Amendments to IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform***

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

### 3.2.2 Summary of accounting policies for new transactions and events

***Government grants***

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

## 3.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements. None of these are expected to have a significant impact on the Group's consolidated financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

## 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

## 3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders 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 subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Interest in the equity of subsidiaries not attributable to the Group is reported as non-controlling interest in the consolidated statement of financial position. Non-controlling interest in the acquiree is measured at the proportionate share in the recognised amounts of the acquiree's identifiable net assets. Losses are allocated to the non-controlling interest even if they exceed the non-controlling interest's share of equity in the subsidiary. Transactions with non-controlling interests are treated as transactions with equity owners of the Group. Gains or losses on changes in non-controlling interests without loss of control are recorded in equity.

### 3.4.2 Investment in associates

An associate is an entity over which the Group has significant influence. 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 considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.4.2 Investment in associates (continued)**

The statement of profit or loss reflects the Group’s share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group’s share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within ‘Share of results of an associate’ in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

**3.4.3 Revenue recognition**

Revenue is recognised 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 has generally concluded that it is the principal in its revenue arrangements.

*Sale of goods – agricultural produce – eggs*

The Group’s revenue from agricultural produce represents only chicken eggs. The agricultural produce is subject to quality control at the point of sale and the sales value is depending on the quality i.e. fertilised versus commercial eggs and market rates. Sales are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

*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 – sheep and non-bearer plants*

The Group sells sheep for slaughter and non-bearer plants. 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.

*Contracting revenue*

Revenue is recognised over time based on the input method using cost incurred relative to the total costs to complete the contract as the measure of progress. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss. The related costs are recognised in the statement of profit or loss when they are incurred and are reduced by any incidental income that is not included in contract revenue.

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4.3 Revenue recognition (continued)**

*Contracting revenue (continued)*

Contract revenue includes the initial amount of revenue agreed in the contract and any variation in contract value, claims and incentives to the extent that it is approved either written, oral or implied by customer business practices.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

**3.4.4 Contract balances**

*Contract assets*

A Contract asset is the right to consideration in exchange of 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 the payment is due, a contract asset is recognised for the earned consideration that is conditional.

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

**3.4.5 Dividend distribution**

The Group recognises a liability to pay a dividend when the distribution is no longer at the discretion of the Group. As per the companies' law, a distribution is authorised when it is approved by the shareholders at the annual general assembly meeting ("AGM"). A corresponding amount is recognised directly in equity.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

**3.4.6 Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand, non-restricted cash at banks, cash held in investment portfolios and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Group's cash management.

**3.4.7 Term deposits**

Term deposits represent deposits with banks due within three months or more from the placement date and earn profit.

**3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4.8 Financial instruments - initial recognition and subsequent measurement**
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

***i) Financial assets***

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, 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 or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

***a) Financial assets at amortised cost (debt instruments)***
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables.

**3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4.8 Financial instruments - initial recognition and subsequent measurement (continued)**

***i) Financial assets (continued)***

**Subsequent measurement (continued)**

***b) Financial assets at fair value through OCI (debt instruments)***
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group has no debt instruments at fair value through OCI as at the reporting date.

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

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

The Group has no equity instruments at fair value through OCI as at the reporting date.

***d) Financial assets at fair value through profit or loss***
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes certain equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

The Group elected to classify irrevocably certain investments under this category.

**Derecognition**
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4.8 Financial instruments - initial recognition and subsequent measurement (continued)**

***i) Financial assets (continued)***

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

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

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

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

***ii) Financial liabilities***

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

The Group’s financial liabilities include lease liabilities and trade and other payables

All financial liabilities are recognised initially at fair value and, in the case of accounts payable, net of directly attributable transaction costs. Refer to the accounting policy on leases for the initial recognition and measurement of lease liabilities, as this is not in the scope of IFRS 9.

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

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

The Group has not designated any financial liability as at fair value through profit or loss and financial liabilities at amortised cost is more relevant to the Group.

***Financial liabilities at amortised cost***
This category generally applies to trade and other payables.

*Trade and other payables*
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4.8 Financial instruments - initial recognition and subsequent measurement (continued)**

**Derecognition**
A financial liability is derecognised 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

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

**3.4.9 Fair value measurement**
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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

For assets and liabilities that are recognised in the consolidated financial statements 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.

**3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4.10 Property and equipment**
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

| | |
|---|---|
| ▶ Buildings and greenhouses | 10-25 years |
| ▶ Equipment and motor vehicles | 4-7 years |
| ▶ Store fabrication, furniture and computers | 6-7 years |

For accounting policy relating to recognition and depreciation of right-of-use assets, refer to 'Leases' accounting policy.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in profit or loss as the expense is incurred.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

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

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

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

*i) Right-of-use assets*
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are presented under 'property and equipment' in the consolidated statement of financial position and are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Depreciation is calculated using the estimated useful life of the asset, as follows:

| | |
|---|---|
| ▶ Showrooms | 3-5 years |
| ▶ Farmland | 20 years |

The right-of-use assets are also subject to impairment. Refer to the accounting policy in section 'Impairment of non-financial assets'.

**3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4.11 Leases (continued)**

***Group as a lessee (continued)***
*ii) 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 the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement
date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

*iii) 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) and lease of low-value assets. 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.

**3.4.12 Inventories**
Inventories of the Group mainly represents seeds, fertilizers and other agricultural items and are stated at the lower of cost and net realisable value on a weighted average basis. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

*Goods for resale* **-** Purchase cost on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

**3.4.13 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 (chicken and sheep) 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 accounting policy in section (3.4.12 Inventories). As at 31 December 2020, all agricultural produce available for sale have been sold immediately during the year and none have been transferred to inventories as per the practice of the Group.

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 balance sheet 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 profit or loss for the period in which it arises as "changes in fair value of biological assets".

**3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4.13 Agriculture and biological assets (continued)**
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.

Biological assets of the Group are categorised under level 2 of the fair value hierarchy.

**3.4.14 Impairment of non-financial assets**
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised whenever the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

**3.4.15 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 on the reporting date.

In addition, 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. These contributions are expensed when due.

**3.4.16 Provisions**
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying 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 of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**3.4.17 Contingencies**
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 benefit is remote.

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

**3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4.18 Foreign currencies**

The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

*Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

**3.4.19 Events after the reporting period**

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

**3.4.20 Segment information**

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

**3.4.21 Treasury shares**

The Group's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-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 then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares and the voting rights related to these shares are discarded. 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.

## 4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

### 4.1 Significant judgments

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

***Going concern***

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

***Determining the lease term of contracts with renewal and termination options – Group as lessee***

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

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (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 with shorter non-cancellable period (i.e., three to five years). Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

***Classification of financial assets***

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

### 4.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related consolidated financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

**4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**4.2 Estimates and assumptions (continued)**

***Fair value of financial instruments***
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

***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 27.

***Impairment of non-financial assets other than goodwill and other indefinite life intangible assets***
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

***Useful lives of depreciable assets***
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

***Provision for expected credit losses of trade receivables and contract assets and other receivables***
The Group assesses, on a forward-looking basis, the ECLs associated with its debt instruments carried at amortised cost (other than credit facilities). The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

For trade receivables and contract assets and other receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

***Impairment of inventories***
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts 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.

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

## 5 GROUP INFORMATION

The consolidated financial statements of the Group include:

| *Name of subsidiary* | *Country of incorporation* | *% equity interest 2020* | *% equity interest 2019* | *Principal activities* |
|---|---|---|---|---|
| Palm Trees Company K.S.C. (Closed) | Kuwait | **100%** | 100% | Producing and packing of black honey |

## 6 REVENUE FROM CONTRACTS WITH CUSTOMERS

### 6.1 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:

| | ***2020*** ***KD*** | *2019* *KD* |
|---|---|---|
| **Type of goods or service** | | |
| Sale of goods | **2,489,466** | 2,091,741 |
| Rendering of services | | |
| - Plantation projects | **930,798** | 976,839 |
| **Total revenue from contracts with customers** | **3,420,264** | 3,068,580 |
| **Geographical markets:** | | |
| Kuwait | **3,420,264** | 3,068,580 |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | **2,489,466** | 2,091,741 |
| Goods and services transferred over time | **930,798** | 976,839 |
| **Total revenue from contracts with customers** | **3,420,264** | 3,068,580 |

### 6.2 Trade receivables and contract balances

| | ***2020*** ***KD*** | *2019* *KD* |
|---|---|---|
| Trade receivables | **1,144,599** | 1,155,011 |
| Allowance for expected credit losses | **(613,817)** | (457,142) |
| | **530,782** | 697,869 |
| Contract assets | **676,680** | 182,521 |
| Allowance for expected credit losses | **(35,420)** | (12,984) |
| | **641,260** | 169,537 |
| | **1,172,042** | 867,406 |

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 amounting to KD 74,924 (2019: KD 68,544) include short-term advances received to render plantation project services.

## 6 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

### 6.2 Trade receivables and contract balances (continued)

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

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| As at 1 January | **470,126** | 558,064 |
| Allowance for (reversal of) expected credit losses | **179,111** | (87,938) |
| As at 31 December 2020 | **649,237** | 470,126 |

The net carrying value of trade receivables and contract assets is considered a reasonable approximation of fair value.

Note 25.1 includes disclosures relating to the credit risk exposures and on analysis relating to the allowance for expected credit losses on the Group's trade receivables and contract assets.

## 7 SELLING AND DISTRIBUTION EXPENSES

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| Salaries and other staff costs | **571,968** | 447,077 |
| Depreciation of property and equipment (Note 12) | **121,919** | 80,548 |
| Other miscellaneous expenses | **155** | 4,093 |
| | **694,042** | 531,718 |

## 8 ADMINISTRATIVE EXPENSES

| | | *(Restated)** |
|---|---|---|
| | ***2020*** | *2019* |
| | ***KD*** | *KD* |
| Salaries and other staff costs | **230,830** | 213,150 |
| Depreciation of property and equipment (Note 12) * | **8,857** | 9,407 |
| Depreciation of right-of-use assets (Note 13) | **39,439** | 32,988 |
| Interest on lease liabilities (Note 13) | **8,787** | 10,012 |
| Maintenance and repair | **65,413** | 52,253 |
| Utilities | **63,328** | 53,973 |
| Professional and legal fees | **23,373** | 120,600 |
| Insurance expenses | **9,288** | 12,259 |
| Bank charges | **37,085** | 40,095 |
| Other administrative expenses | **111,315** | 120,544 |
| | **597,715** | 665,281 |

* *Certain amounts shown here do not correspond to the consolidated financial statements as at and for the year ended 31 December 2019 and reflect adjustments made as detailed in Note 29.*

## 9 OTHER (EXPENSES) INCOME

| | ***2020*** ***KD*** | *2019* *KD* |
|---|---|---|
| Gain on sale of property and equipment | **8,344** | 12,343 |
| Net investment (loss) income (Note 10) | **(2,105)** | 45,956 |
| Changes in fair value of biological assets (Note 16) | **81,582** | 62,828 |
| (Allowance for) reversal of ECL on trade receivables and contract assets (Note 6) | **(179,111)** | 87,938 |
| (Allowance for) reversal of ECL on retention receivables (Note 17) | **(59,595)** | 99,793 |
| Provision for obsolete and slow-moving inventories (Note 15) | **(50,730)** | (29,045) |
| Government assistance (Note 28) | **30,216** | - |
| Other expenses | **-** | (16,702) |
| | **(171,399)** | 263,111 |

## 10 NET INVESTMENT (LOSS) INCOME

| | ***2020*** ***KD*** | *2019* *KD* |
|---|---|---|
| Murabaha income | **12,538** | 33,911 |
| Changes in fair value of financial assets at fair value through profit or loss | **(14,643)** | 12,045 |
| | **(2,105)** | 45,956 |

## 11 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the loss for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year 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 earnings per share are identical.

| | ***2020*** | *(Restated)* *2019* |
|---|---|---|
| Loss for the year (KD) | **(269,248)** | (17,545) |
| Weighted average number of shares outstanding during the year (shares) * | **52,315,800** | 52,315,800 |
| **Basic and diluted EPS (fils)** | **(5.15)** | (0.34) |

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

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

## 12 PROPERTY AND EQUIPMENT

| | *Freehold land KD* | *Buildings and greenhouses KD* | *Equipment and motor vehicles KD* | *Store fabrication, furniture and computers KD* | *Total KD* |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| As at 1 January 2019 *(as previously reported)* | - | 2,048,762 | 1,879,177 | 472,266 | 4,400,205 |
| Impact of correction of error (Note 29) | 566,667 | (566,667) | - | - | - |
| Restated balance as at 1 January 2019 | 566,667 | 1,482,095 | 1,879,177 | 472,266 | 4,400,205 |
| Additions | - | - | - | 73,445 | 73,445 |
| Disposals | - | (23,425) | (38,689) | - | (62,114) |
| As at 31 December 2019 | 566,667 | 1,458,670 | 1,840,488 | 545,711 | 4,411,536 |
| Additions | - | 87,954 | 176,125 | 30,206 | 294,285 |
| Disposals | - | - | (40,799 | - | (40,799) |
| **As at 31 December 2020** | **566,667** | **1,546,624** | **1,975,814** | **575,917** | **4,665,022** |
| **Depreciation:** | | | | | |
| As at 1 January 2019 *(as previously reported)* | - | 1,385,958 | 1,765,147 | 407,943 | 3,559,048 |
| Impact of correction of error (Note 29) | - | (368,333) | - | - | (368,333) |
| Restated balance as at 1 January 2019 | - | 1,017,625 | 1,765,147 | 407,943 | 3,190,715 |
| Depreciation charge for the year | - | 43,728 | 34,958 | 20,880 | 99,566 |
| Relating to disposals | - | (6,624) | (38,689) | - | (45,313) |
| As at 31 December 2019 | - | 1,054,729 | 1,761,416 | 428,823 | 3,244,968 |
| Depreciation charge for the year | - | 52,336 | 61,445 | 19,574 | 133,355 |
| Relating to disposals | - | - | (40,792) | - | (40,792) |
| **As at 31 December 2020** | **-** | **1,107,065** | **1,782,069** | **448,397** | **3,337,531** |
| As at 1 January 2019 (restated) | 566,667 | 464,470 | 114,030 | 64,323 | 1,209,490 |
| As at 31 December 2019 (restated) | 566,667 | 403,941 | 79,072 | 116,888 | 1,166,568 |
| **As at 31 December 2020** | **566,667** | **439,559** | **193,745** | **127,520** | **1,327,491** |

The depreciation charge for the year has been allocated in the consolidated statement of profit or loss as follows:

| | ***2020 KD*** | *(Restated) 2019 KD* |
|---|---|---|
| Cost of sales and services rendered | **2,579** | 9,611 |
| Selling and distribution expenses (Note 7) | **121,919** | 80,548 |
| Administrative expenses (Note 8) | **8,857** | 9,407 |
| | **133,355** | 99,566 |

## 13 LEASES

The Group has lease contracts for various items of property (i.e. showrooms and farmlands) used in its operations, which generally have lease terms between 3 and 20 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

| | ***2020*** ***KD*** | *2019* *KD* |
|---|---|---|
| **As at 1 January** | 200,962 | 241,659 |
| Depreciation expense | (43,471) | (40,697) |
| **As at 31 December** | **157,491** | 200,962 |

Set out below are the carrying amounts of lease liabilities and the movements during the year:

| | ***2020*** ***KD*** | *2019* *KD* |
|---|---|---|
| **As at 1 January** | 195,512 | 231,511 |
| Accretion of interest (included in administrative expenses) | 8,787 | 10,012 |
| Payments | (10,520) | (46,011) |
| **As at 31 December** | **193,779** | 195,512 |
| Current | **84,161** | 39,948 |
| Non-current | **109,618** | 155,564 |

The maturity analysis of lease liabilities is disclosed in Note 25.2.

The following are the amounts recognised in profit or loss:

| | ***2020*** ***KD*** | *2019* *KD* |
|---|---|---|
| Depreciation expense of right-of-use assets (included in cost of sales and services rendered | 4,032 | 7,709 |
| Depreciation expense of right-of-use assets (included in administrative expenses) | 39,439 | 32,988 |
| Interest expense on lease liabilities (included in administrative expenses) | 8,787 | 10,012 |
| **Total amount recognised in profit or loss** | **52,258** | 50,709 |

The Group had total cash outflows for leases of KD 10,520 in 2020 (2019: KD 46,011). The Group also had non-cash additions to right-of-use assets and lease liabilities of KD Nil in 2020 (2019: KD 231,511).

## 14 INVESTMENT IN ASSOCIATE

The Group has a 33% interest in Al Dhafra Irrigation Systems L.L.C. ("Al Dhafra"), which is involved in the which is primarily engaged in the operation and maintenance business for landscape, irrigation, forest and associated infrastructure in Emirate of Abu Dhabi, United Arab Emirates. Al Dhafra is a private entity that is not listed on any public exchange. The Group's interest in Al Dhafra is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in Al Dhafra , adjusted for differences in accounting policies.

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| ***Summarised statement of financial position*** | | |
| Current assets* | **950,623** | 1,139,367 |
| Non-current assets | **65,163** | 84,175 |
| Current liabilities | **(336,713)** | (253,097) |
| Non-current liabilities | **(315,634)** | (300,763) |
| **Equity** | **363,439** | 669,682 |
| Group's share in equity | **33%** | 33% |
| **Carrying value of the investment** | **119,935** | 220,995 |
| ***Summarised statement of comprehensive income*** | | |
| Revenue | **1,165,398** | 989,759 |
| Expenses | **(1,498,295)** | (1,337,716) |
| Loss for the year* | **(332,897)** | (347,957) |
| **Group's share of loss for the year** | **(109,856)** | (114,826) |

The associate had contingent liabilities of AED 10,243,472 (2019: AED 6,297,692) 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 2020 and 2019.

**Reconciliation to carrying amount:**

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| As at 1 January | **220,995** | 371,342 |
| Share of results* | **(109,856)** | (114,826) |
| Capital redemption | **-** | (33,000) |
| Foreign exchange adjustments | **8,796** | (2,521) |
| | **119,935** | 220,995 |

* Adjusted for lifetime ECL amounting to KD 44,073 for all trade receivables that have been assessed on a collective basis at the Group level as a result of the uncertainties in market trends and economic conditions due to COVID-19 pandemic.

## 15 INVENTORIES

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| Goods for resale | **1,896,486** | 1,679,034 |
| Less: provision for obsolete and slow-moving inventories | **(371,914)** | (321,184) |
| | **1,524,572** | 1,357,850 |

Inventories recognised as an expense during the year ended 31 December 2020 amounted to KD 1,739,852 (2019: KD 1,589,270). These were included in cost of sales and cost of providing services.

Write-downs of inventories to net realisable value amounted to KD 50,730 (2019: KD 29,045). These were recognised as an expense during the year ended 31 December 2020 and included in 'other expenses' in the statement of profit or loss.

Set out below is the movement in the provision for slow moving and obsolete inventories:

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| As at 1 January | **321,184** | 292,139 |
| Charge for the year | **50,730** | 29,045 |
| As at 31 December | **371,914** | 321,184 |

## 16 BIOLOGICAL ASSETS

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| Consumable biological assets | **173,403** | 168,740 |
| Bearer biological assets | **381,056** | 363,308 |
| | **554,459** | 532,048 |

Set out below are the carrying amounts of biological assets and the movements during the year:

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| As at 1 January | **532,048** | 510,567 |
| Changes in fair value less cost to sell: | | |
| - Due to biological transformation * | **64,225** | 45,154 |
| - Due to price changes * | **17,357** | 17,674 |
| Purchases | **88,666** | 82,571 |
| Sales | **(147,837)** | (123,918) |
| As at 31 December | **554,459** | 532,048 |

* The aggregate changes in fair value less cost to sell due to biological transformation and price changes amounting to KD 81,582 (2019: KD 62,828) is included under 'other income' in the consolidated statement of profit or loss (Note 9).

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

## 17 PREPAYMENTS AND OTHER RECEIVABLES

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| **Non-current** | | |
| Retention receivables | **-** | 16,080 |
| Allowance for expected credit losses | **-** | (1,010) |
| | **-** | 15,070 |
| **Current** | | |
| Retention receivables | **538,766** | 519,762 |
| Allowance for expected credit losses | **(136,992)** | (76,387) |
| | **401,774** | 443,375 |
| Prepaid expenses | **8,232** | 28,739 |
| Advances to suppliers | **173,609** | 90,105 |
| Other receivables | **38,288** | 54,527 |
| | **621,903** | 616,746 |
| | **621,903** | 631,816 |

The net carrying value of retention receivables is considered a reasonable approximation of fair value.

Note 25.1 includes disclosures relating to the credit risk exposures and on analysis relating to the allowance for expected credit losses on the Group's retention receivables. Other classes within accounts receivable do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

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

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| As at 1 January | **77,397** | 177,190 |
| Charge (reversal) for the year | **59,595** | (99,793) |
| As at 31 December | **136,992** | 77,397 |

## 18 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 table shows the aggregate value of transactions and outstanding balances with related parties:

| | ***Associate*** | ***Other related parties*** | ***2020*** | *2019* |
|---|---|---|---|---|
| | ***KD*** | ***KD*** | ***KD*** | *KD* |
| ***Consolidated statement of financial position*** | | | | |
| Amounts due from related parties | **5,271** | **-** | **5,271** | 6,161 |
| Financial assets at fair value through profit or loss | **-** | **44,519** | **44,519** | 59,162 |

**18 RELATED PARTY DISCLOSURES (continued)**

As at 31 December 2020, the Group has receivables from the Ultimate Parent Company of KD 8,911 (2019: KD 8,911) which is net of an allowance for expected credit losses of KD 8,911 (2019: KD 8,911).

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| ***Consolidated statement of profit or loss*** | | |
| Change in fair value of financial assets at fair value through profit or loss | **(14,643)** | 12,045 |

**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 year ended 31 December* | | *Balance outstanding as at 31 December* | |
|---|---|---|---|---|
| | ***2020*** | *2019* | ***2020*** | *2019* |
| | ***KD*** | *KD* | ***KD*** | *KD* |
| Salaries and short-term employee benefits | **50,753** | 48,000 | **43,946** | 39,403 |
| End of services benefits | **5,753** | 6,920 | **86,538** | 80,839 |
| | **56,506** | 54,920 | **130,484** | 120,242 |

The Board of Directors of the Parent Company has not proposed any directors' remuneration for the year ended 31 December 2020 (2019: Nil). This proposal is subject to the approval of the shareholders at the AGM of the Parent Company.

**19 CASH AND CASH EQUIVALENTS**

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| Bank balances | **1,148,223** | 1,989,833 |
| Cash on hand | **12,350** | 12,369 |
| Short-term deposits | **1,222,697** | 1,208,524 |
| Cash held in a portfolio | **10,650** | 10,716 |
| **Cash and cash equivalents** | **2,393,920** | 3,221,442 |

Short-term deposits are placed with a local bank for a period of three months or less. These deposits are denominated in Kuwaiti Dinars and earn interest at an average rate of 1.17% (2019: 2.5%) per annum.

**20 EQUITY**

**20.1 Share capital**

| | *Number of shares* | | *Authorised, issued and fully paid* | |
|---|---|---|---|---|
| | ***2020*** | *2019* | ***2020*** | *2019* |
| | | | ***KD*** | *KD* |
| Shares of 100 fils each (paid in cash) | **52,399,000** | 52,399,000 | **5,239,900** | 5,239,900 |

**20.2 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.

**20.3 Treasury shares**

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| Number of treasury shares | **83,200** | 83,200 |
| Percentage of issued share capital | **0.16%** | 0.16% |
| Cost – KD | **3,573** | 3,573 |
| Market value – KD | **5,408** | 3,345 |

**20.4 Statutory reserve**

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The AGM of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

No transfer has been made to the statutory reserve during the year as the Group incurred losses.

**20.4 Voluntary reserve**

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before contribution to KFAS, Zakat and BOD's remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' AGM upon a recommendation by the BOD. There are no restrictions on the distribution of this reserve.

No transfer has been made to the voluntary reserve during the year as the Group incurred losses.

**20.5 Foreign currency translation reserve**

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

**20.6 Distribution made and proposed**

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| **Cash dividends paid and declared:** | | |
| Final dividend for 2019: Nil (2018: 10 fils per share) *(excluding treasury shares)* | **-** | 523,158 |

**21 EMPLOYEES' END OF SERVICE BENEFITS**

Movements in the provision recognised in the consolidated statement of financial position are as follows:

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| As at 1 January | **544,272** | 534,109 |
| Charge for the year | **72,373** | 67,623 |
| Payments | **(129,122)** | (57,460) |
| As at 31 December | **487,523** | 544,272 |

## 22 TRADE AND OTHER PAYABLE

| | ***2020*** ***KD*** | *2019* *KD* |
|---|---|---|
| Trade payables | **77,039** | 88,563 |
| Retention payables | **4,432** | 5,188 |
| Accrued expenses | **353,019** | 349,584 |
| Dividend payable | **225,887** | 227,229 |
| Other payables | **134,731** | 154,797 |
| | **795,108** | 825,361 |

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms
- Other payables are non-interest bearing and have an average term of six months

For explanations on the Group's liquidity risk management processes, refer to Note 25.2.

## 23 COMMITMENTS AND CONTINGENCIES

### 23.1 Commitments
The Group had no capital commitments as at the reporting date.

### 23.2 Contingent liabilities
As at 31 December 2020, the Group has provided guarantees to an unrelated party towards the performance of certain contracts amounting to KD 2,294,149 (2019: KD 4,060,004). No material liability is expected to arise.

## 24 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chairman and CEO.

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 associate, term deposits and equity securities

**24 SEGMENT INFORMATION (continued)**

| | ***31 December 2020*** | | | |
|---|---|---|---|---|
| | ***Commercial KD*** | ***Projects KD*** | ***Investment KD*** | ***Total KD*** |
| Assets | **5,304,635** | **1,229,817** | **1,387,151** | **7,921,603** |
| Liabilities | **1,106,985** | **444,349** | **-** | **1,551,334** |
| Income | **2,965,571** | **544,619** | **(81,745)** | **3,428,445** |
| Expenses | **2,868,125** | **829,568** | **-** | **3,697,693** |
| **Segment profit (loss)** | **97,446** | **(284,949)** | **(81,745)** | **(269,248)** |
| ***Other disclosures:*** | | | | |
| Cost of inventories recognised as an expense | **1,739,852** | **-** | **-** | **1,739,852** |
| Depreciation of property and equipment | **130,705** | **2,650** | **-** | **133,355** |
| Depreciation of right-of-use assets | **39,471** | **4,000** | **-** | **43,471** |
| Capital expenditure | **294,285** | **-** | **-** | **294,285** |
| Share of results of an associate | **-** | **-** | **(109,856)** | **(109,856)** |

| | *31 December 2019 (Restated)** | | | |
|---|---|---|---|---|
| | *Commercial KD* | *Projects KD* | *Investment KD* | *Total KD* |
| Assets | 5,075,029 | 1,683,823 | 1,505,558 | 8,264,410 |
| Liabilities | 1,008,438 | 625,251 | - | 1,633,689 |
| Income | 2,566,710 | 577,041 | (68,870) | 3,074,881 |
| Expenses | 2,218,596 | 873,830 | - | 3,092,426 |
| Segment profit (loss) | 348,114 | (296,789) | (68,870) | (17,545) |
| *Other disclosures:* | | | | |
| Cost of inventories recognised as an expense | 1,589,270 | - | - | 1,589,270 |
| Depreciation of property and equipment | 58,926 | 40,640 | - | 99,566 |
| Depreciation of right-of-use assets | 30,111 | 10,586 | - | 40,697 |
| Capital expenditure | 73,445 | - | - | 73,445 |
| Share of results of an associate | - | - | (114,826) | (114,826) |

* *Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2019 and reflect adjustments made as detailed in Note 29.*

## 25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk, (the latter being subdivided into profit rate risk and foreign currency risk). They are monitored through the Group's strategic planning process. There has been no changes in credit risk management objectives and policies during the year then ended.

The Board of Directors of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

The management of the Group reviews and agrees policies for managing each of these risks which are summarised below:

### 25.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and contract assets and retention and other receivables) and from its financing activities, including deposits with banks and financial institutions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| Trade receivables and contract assets | **1,172,042** | 867,406 |
| Amounts due from related parties | **5,271** | 6,161 |
| Retention and other receivables | **440,062** | 512,972 |
| Cash and cash equivalents, excluding cash on hand | **2,381,570** | 3,209,073 |
| | **3,998,945** | 4,595,612 |

***Trade receivables and contract assets and retention and other receivables***

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customers are regularly monitored by management along with economic environment and management takes actions as necessary to limit its exposure to customers that are experiencing any financial difficulties or operating in economic volatility.

For trade receivables and contract assets, the Group applies the IFRS 9 simplified approach and established a provision matrix that is based on the Group's historical credit loss experience, and further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for current trade receivables are a reasonable approximation of the loss rates for the contract assets.

As disclosed in Note 28, due to the Coronavirus (COVID-19) pandemic, the calculation of expected credit losses has been revised as at 31 December 2020 and rates have increased in each category up to 9 months overdue.

## 25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 25.1 Credit risk (continued)

***Trade receivables and contract assets and retention and other receivables (continued)***

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

| | ***Trade receivables*** | | | | | |
|---|---|---|---|---|---|---|
| ***2020*** | ***< 90 days KD*** | 91-180 ***days KD*** | 181-270 ***days KD*** | 271-365 ***days KD*** | > 365 ***days KD*** | ***Total KD*** |
| Estimated total gross carrying amount at default | **396,308** | **131,605** | **33,427** | **71,910** | **511,349** | **1,144,599** |
| Estimated credit loss | **14,495** | **15,916** | **13,757** | **58,300** | **511,349** | **613,817** |
| Expected credit loss rate | **3.66%** | **12.09%** | **41.16%** | **81.07%** | **100%** | **53.63%** |

| | *Trade receivables* | | | | | |
|---|---|---|---|---|---|---|
| 2019 | *< 90 days KD* | **91-180** *days KD* | **181-270** *days KD* | **271-365** *days KD* | **> 365** *days KD* | *Total KD* |
| Estimated total gross carrying amount at default | 539,411 | 134,871 | 80,360 | 76,778 | 323,591 | 1,155,011 |
| Estimated credit loss | 25,104 | 17,759 | 38,391 | 52,297 | 323,591 | 457,142 |
| Expected credit loss rate | 4.65% | 13.17% | 47.77% | 68.11% | 100% | 39.58% |

As at 31 December 2020, the Group's provision for expected credit losses on contract assets amounted to KD 35,420 (2019: KD 12,984). The majority of the carrying value of contract assets pertains to unbilled executed works on governmental projects.

As at 31 December 2020, the Group's provision for expected credit losses on retention receivables amounted to KD 136,992 (2019: KD 77,397). As on 31 December 2020, the majority of the carrying amount of retention receivables pertains to governmental projects and are due for collection on completion of the contracts.

***Amounts due from related parties***

Amounts due from related parties are considered to have a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term. As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

Amounts due from related parties consists of two balances, one of which was fully provided for in previous year and the impact on the other balance is considered immaterial.

***Cash and short-term deposits***

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on bank balances and term deposits has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

**25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**25.2 Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Group also managed liquidity risk by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The steps taken by the Group to respond to possible future liquidity constraints arising from the COVID-19 pandemic and the impact of those steps on the consolidated financial statements include the following.

- Management has prepared a detailed cashflow analysis for the next 12 months to assess the liquidity position of the Group and identify liquidity gaps.
- Management has taken actions to reduce operating losses by ceasing operations of bakeries owned by the Group. Cost savings measure also included employee furlough together with other employee cost reductions. Further, supplier costs decreased significantly, together with a reduction in non-essential operating and capital expenditure as a result of Covid-19.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December, based on contractual undiscounted payments:

| ***2020*** | ***On demand KD*** | ***Less than 3 months KD*** | ***3 to 12 months KD*** | ***More than one year KD*** | ***Total KD*** |
|---|---|---|---|---|---|
| Trade and other payables | **225,887** | **353,019** | **216,202** | **-** | **795,108** |
| Lease liabilities | **-** | **2,730** | **94,249** | **121,909** | **218,888** |
| | **225,887** | **355,749** | **310,451** | **121,909** | **1,013,996** |

| *2019* | *On demand KD* | *Less than 3 months KD* | *3 to 12 months KD* | *More than one year KD* | *Total KD* |
|---|---|---|---|---|---|
| Trade and other payables | 227,229 | 349,584 | 248,548 | - | 825,361 |
| Lease liabilities | - | 2,730 | 42,683 | 166,831 | 212,244 |
| | 227,229 | 352,314 | 291,231 | 166,831 | 1,037,605 |

**25.3 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 prices comprise of interest rate risk, foreign currency risk, and equity price risk.

**25.3.1 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial instruments, which potentially subject the Group to interest rate risk, consist principally of cash and short-term deposits. The Group's terms deposits are short-term in nature and yield interest at commercial rates. Therefore, the Group believes there is minimal risk of significant losses due to interest rate fluctuations.

As at the reporting date, the Group does not hold interest bearing liabilities.

## 25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 25.3 Market risk (continued)

#### 25.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of 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.

#### 25.3.3 Equity price risk

The Group's equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities.

As at the reporting date, the exposure to equity investments at fair value listed on Boursa Kuwait was KD 44,519 (2019: KD 59,162). Given that the changes in fair values of the equity investments held are strongly positively correlated with changes of the respective market index, the Group has determined that an increase/(decrease) of 10% on Boursa Kuwait market index could have an impact of approximately KD 4,452 (2019: KD 5,916) increase/(decrease) on the income and equity attributable to the Group.

## 26 CAPITAL MANAGEMENT

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern, and
- to provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.

The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented in the consolidated statement of financial position.

The Group is not subject to externally imposed capital requirements.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

## 27 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

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.

## 27 FAIR VALUE MEASUREMENT

**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 2 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 year.

*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** | | |
|---|---|---|---|
| ***As at 31 December 2020*** | ***Quoted prices in active markets (Level 1) KD*** | ***Significant observable inputs (Level 2) KD*** | ***Total KD*** |
| *Financial instruments:* | | | |
| Financial assets at FVTPL | **44,519** | **-** | **44,519** |
| *Non-financial assets:* | | | |
| Biological assets | **-** | **554,459** | **554,459** |

| | Fair value measurement using | | |
|---|---|---|---|
| *As at 31 December 2019* | *Quoted prices in active markets (Level 1) KD* | *Significant observable inputs (Level 2) KD* | *Total KD* |
| *Financial instruments:* | | | |
| Financial assets at FVTPL | 59,162 | - | 59,162 |
| *Non-financial assets:* | | | |
| Biological assets | - | 532,048 | 532,048 |

There were no transfers between Level 1 and Level 2 during 2020 and 2019.

**28 IMPACT OF COVID-19 OUTBREAK**

The Covid-19 outbreak was first reported near the end of 2019. At that time, a cluster of cases displaying the symptoms of a 'pneumonia of unknown cause' were identified in Wuhan, the capital of China's Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of this new virus. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a 'Public Health Emergency of International Concern'. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the COVID-19 outbreak to be a pandemic.

The measures to slow the spread of Covid-19 have had a significant impact on the global economy. Governments worldwide imposed travel bans and strict quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. While the country has started to ease the lockdown, the relaxation has been gradual. The Covid-19 pandemic has also resulted in significant volatility in financial markets and as a result, the government has announced measures to provide financial assistance to the private sector.

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.

Entities should consider whether to disclose the measures they have taken, in line with the recommendations of the WHO and national health authorities, to preserve the health of their employees and support the prevention of contagion in their administrative and operational areas, such as working from home, reduced work shifts in operational areas to minimise the number of workers commuting, rigorous cleaning of workplaces, distribution of personal protective equipment, testing of suspected cases and measuring body temperature.

As a result, the Group considered the impact of COVID-19 in preparing its consolidated financial statements. While the specific areas of judgement may not change, the impact of COVID-19 resulted in the application of further judgement within those areas.

Given the evolving nature of COVID-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to estimates may need to be made in the measurement of the Group's assets and liabilities in the future.

***Trade receivables and contract assets and retention and other receivables***
The Group was required to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These were primarily related to adjusting the forward-looking estimates used by the Group in the estimation of ECL as 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 receivables or by following specific guidance issued by the government in relation to the collection of lease or other payments). The Group will continue to assess impact of the pandemic as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

***Impairment of 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. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, 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.

**28 IMPACT OF COVID-19 OUTBREAK (continued)**

***Government assistance***

In an attempt to mitigate the impact of the COVID-19 pandemic, the Government of Kuwait has introduced measures to aid private entities in response to the pandemic. These measures include government assistance made towards national workforce in the private sector for a period of up to six months effective from April 2020.

During the current year, the Group received an aggregate amount of KD 30,216 from the Public Authority for Manpower. The financial support is accounted for in accordance with IAS 20 'Accounting for Government Grants and Disclosures of Government Assistance' and recognised in the consolidated statement of profit or loss under 'Other income' on a systematic basis over the periods in which the Group recognises expenses for the related staff costs. There is no outstanding balance of deferred income or receivable related to this grant as at 31 December 2020.

***Going concern assessment***

There is still significant uncertainty over how the outbreak will impact the Group's business in future periods and customer demand. Management has therefore modelled a number of different scenarios considering a period of 12 months from the date of authorisation of these consolidated financial statements in the light of current economic conditions and all available information about future risks and uncertainties. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations and expected levels of consumer demand, along with management's proposed responses over the course of the year. The impact of COVID-19 may continue to evolve, but based on the Group's liquidity position and financial resources as at the date of authorisation of these consolidated financial statements, the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, these consolidated financial statements have been prepared on a going concern basis.

## 29 RETROSPECTIVE RESTATEMENT

During the years 2012 to 2019, the Group has erroneously depreciated a freehold land acquired in 2012 for its own administrative purposes and classified under 'property and equipment'. As a consequence, property and equipment have been understated. The error has been corrected by restating each of the affected financial statement line items for prior periods.

The following tables summarise the impacts on the Group's consolidated financial statements.

| | *31 December 2019* | | |
|---|---|---|---|
| **Consolidated statement of profit and loss** | ***As previously reported KD*** | ***Effect of restatement KD*** | ***After restatement KD*** |
| Loss for the year | **(74,212)** | **56,667** | **(17,545)** |
| Basic and diluted EPS | **(1.42) fils** | **1.08 fils** | **(0.34) fils** |

| | *31 December 2019* | | | *1 January 2019* | | |
|---|---|---|---|---|---|---|
| **Consolidated statement of financial position** | ***As previously reported KD*** | ***Effect of restatement KD*** | ***After restatement KD*** | *As previously reported KD* | *Effect of restatement KD* | *After restatement KD* |
| **ASSETS** | | | | | | |
| Properties and equipment | 741,568 | 425,000 | 1,166,568 | 841,157 | 368,333 | 1,209,490 |
| **Total assets** | 7,839,410 | 425,000 | 8,264,410 | 8,446,312 | 368,333 | 8,814,645 |
| **EQUITY** | | | | | | |
| Accumulated losses | (807,893) | 425,000 | (382,893) | (733,681) | 368,333 | (365,348) |
| **Total equity** | 6,205,721 | 425,000 | 6,630,721 | 6,805,612 | 368,333 | 7,173,945 |

There is no impact on other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2019

Further to the above restatement, there are certain prior year amounts that have been reclassified to conform to the current year presentation. There is no effect of these reclassifications on the previously reported equity and profit for the year then ended.