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

CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2021

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

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 2021, 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 2021, 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.

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.

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

As at 31 December 2021, trade receivables and contract assets amounted to KD 1,066,998 and retention receivables amounted to KD 349,628, representing 15% and 5%, respectively, of total assets.

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)

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 estimation involved in the ECL calculation, 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;
- 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 2021, the carrying amount of inventories amounted to KD 1,093,618, after considering allowance for inventory obsolescence of KD 536,024.

The assessment process in determining allowance for inventory obsolescence 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 2021 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2021 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 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)

Other information included in the Group's 2021 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.

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.

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.

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)

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

- 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.

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.

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

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 2021 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 2021 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)

31 March 2022
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	***2021 KD***	*2020 KD*
Revenue from contracts with customers	6	**3,410,025**	3,420,264
Cost of sales and services rendered		**(2,333,651)**	(2,116,500)
GROSS PROFIT		**1,076,374**	1,303,764
Selling and distribution expenses	7	**(852,122)**	(694,042)
Administrative expenses	8	**(747,519)**	(597,715)
Operating (loss) income		**(523,267)**	12,007
Other expenses	9	**(796,439)**	(171,399)
Share of results of an associate	14	**51,187**	(109,856)
LOSS FOR THE YEAR		**(1,268,519)**	(269,248)
BASIC AND DILUTED LOSS PER SHARE	11	**(24.25) fils**	(5.15) fils

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 ***KD***	*2020* *KD*
LOSS FOR THE YEAR	**(1,268,519)**	(269,248)
Other comprehensive (loss) income:		
Other comprehensive (loss) income that may be reclassified to consolidated statement of profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(2,933)**	8,796
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(1,271,452)**	(260,452)

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	***2021 KD***	*2020 KD*
ASSETS			
Non-current assets			
Property and equipment	12	**1,483,557**	1,327,491
Right-of-use assets	13	**163,735**	157,491
Investment in an associate	14	**168,189**	119,935
		1,815,481	1,604,917
Current assets			
Inventories	15	**1,093,618**	1,524,572
Biological assets	16	**477,676**	554,459
Trade receivables and contact assets	6	**1,066,998**	1,172,042
Prepayments and other receivables	17	**512,286**	621,903
Amounts due from related parties	18	**5,139**	5,271
Financial assets at fair value through profit or loss	18	**51,250**	44,519
Cash and cash equivalents	19	**2,088,521**	2,393,920
		5,295,488	6,316,686
TOTAL ASSETS		**7,110,969**	7,921,603
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		**95,411**	98,344
Accumulated losses		**(1,920,660)**	(652,141)
Total equity		**5,098,817**	6,370,269
Non-current liabilities			
Employees' end of service benefits	21	**557,640**	487,523
Lease liabilities	13	**129,271**	109,618
		686,911	597,141
Current liabilities			
Lease liabilities	13	**54,760**	84,161
Trade and other payables	22	**1,205,423**	795,108
Contract liabilities	6	**65,058**	74,924
		1,325,241	954,193
Total liabilities		**2,012,152**	1,551,334
TOTAL EQUITY AND LIABILITIES		**7,110,969**	7,921,603

Abdulmoghni Abdullah Abdulmoghni Al-Abdulmoghni
Chairman

Waleed Ahmad Dawoud Al Ablani
Vice Chairman & CEO

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	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 2021	5,239,900	225,000	(3,573)	1,033,497	429,242	98,344	(652,141)	6,370,269
Loss for the year	-	-	-	-	-	-	(1,268,519)	(1,268,519)
Other comprehensive loss for the year	-	-	-	-	-	(2,933)	-	(2,933)
Total comprehensive loss for the year	-	-	-	-	-	(2,933)	(1,268,519)	(1,271,452)
As at 31 December 2021	**5,239,900**	**225,000**	**(3,573)**	**1,033,497**	**429,242**	**95,411**	**(1,920,660)**	**5,098,817**
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)
As at 31 December 2020	5,239,900	225,000	(3,573)	1,033,497	429,242	98,344	(652,141)	6,370,269

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 31 December 2021

	Notes	***2021*** ***KD***	*2020* *KD*
OPERATING ACTIVITIES			
Loss for the year		**(1,268,519)**	(269,248)
Non-cash adjustments to reconcile loss for the year to net cash flows:			
Depreciation of property and equipment	12	**183,645**	133,355
Depreciation of right-of-use assets	13	**48,492**	43,471
Murabaha income	10	**(4,553)**	(12,538)
Gain on disposal of property and equipment		**(15,997)**	(8,344)
Allowance for ECL on trade receivables and contract assets	6	**45,600**	179,111
Allowance for ECL on retention receivables	17	**57,838**	59,595
Provision for obsolete and slow-moving inventories	15	**164,110**	50,730
Write off of biological assets	16	**264,387**	-
Changes in fair value of biological assets	16	**(212,686)**	(81,582)
Share of results of an associate	14	**(51,187)**	109,856
Changes in fair value of financial assets at fair value through profit or loss	10	**(6,731)**	14,643
Interest expense on lease liabilities	13	**6,911**	8,787
Provision for employees' end of service benefits	21	**117,497**	72,373
		(671,193)	300,209
Working capital changes:			
Inventories		**266,844**	(217,452)
Biological assets		**25,082**	59,171
Trade receivables and contract assets		**59,444**	(483,747)
Prepayments and other receivables		**51,779**	(49,682)
Amounts due from related parties		**132**	890
Trade and other payables		**412,120**	(28,911)
Contract liabilities		**(9,866)**	6,380
Cash flows from (used in) operations		**134,342**	(413,142)
Employees' end of service benefits paid	21	**(47,380)**	(129,122)
Net cash flows from (used in) operating activities		**86,962**	(542,264)
INVESTING ACTIVITIES			
Purchase of property and equipment	12	**(348,656)**	(294,285)
Proceeds from disposal of property and equipment		**24,942**	8,351
Proceeds from liquidation of an associate		-	-
Murabaha income received	10	**4,553**	12,538
Net cash flows used in investing activities		**(319,161)**	(273,396)
FINANCING ACTIVITIES			
Dividends paid		**(1,805)**	(1,342)
Payment of principal portion of lease liabilities	13	**(71,395)**	(10,520)
Net cash flows used in financing activities		**(73,200)**	(11,862)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(305,399)**	(827,522)
Cash and cash equivalents as at 1 January		**2,393,920**	3,221,442
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	19	**2,088,521**	2,393,920
Non-cash transactions excluded from the consolidated statement of cash flows:			
Additions to right-of-use assets	13	**(54,736)**	**-**
Additions to lease liabilities	13	**54,736**	**-**

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 2021 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 31 March 2022. 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 2020 were approved in the AGM of the shareholders held on 10 May 2021. 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 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to IFRS 16 *COVID-19 Related Rent Concessions* (continued)

However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

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.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2021, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IFRS 3: Reference to the Conceptual Framework
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Consolidated Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Consolidated Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in consolidated statement of profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 37: Onerous contracts: costs of fulfilling a contract
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do no relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Amendments to IAS 8-Definition of Accounting Estimates
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

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.

Consolidated statement of 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 consolidated statement of 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 (continued)

3.4.2 Investment in associates (continued)

The consolidated 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 consolidated 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 consolidated statement of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss outside operating profit and represents consolidated statement of 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 consolidated 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 consolidated statement of 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 consolidated statement of profit or loss. The related costs are recognised in the consolidated 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 consolidated statement of 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.

3.4.8 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.

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 (continued)

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 consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade, other receivables and amount due from related party.

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 consolidated 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 consolidated statement of profit or loss.

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

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 (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

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 consolidated statement of profit or loss. Dividends are recognised as other income in the consolidated 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 consolidated 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 consolidated statement of 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.

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.

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 (continued)

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, trade and other payables and contract liabilities.

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)

ii) Financial liabilities (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 consolidated statement of 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 2021, 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 reporting date, is used in determining fair value. A gain or loss arising on initial recognition of a biological asset at fair value less cost to sell and from a subsequent change in fair value less cost to sell is included in consolidated statement of profit or loss for the 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.

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 consolidated statement 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 consolidated 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 consolidated statement of 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 consolidated statement of 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 consolidated statement of profit or loss are also recognised in OCI or consolidated statement of 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*		*Principal activities*
		2021	*2020*	
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:

	2021 ***KD***	*2020* *KD*
Type of goods or service		
Sale of goods	**2,545,292**	2,489,466
Rendering of services		
- Plantation projects	**864,733**	930,798
	3,410,025	3,420,264
Timing of revenue recognition		
Goods transferred at a point in time	**2,545,292**	2,489,466
Goods and services transferred over time	**864,733**	930,798
	3,410,025	3,420,264
Geographical markets:		
Kuwait	**3,410,025**	3,420,264

6.2 Trade receivables and contract balances

	2021 ***KD***	*2020* *KD*
Trade receivables*	**1,593,329**	1,144,599
Allowance for expected credit losses	**(663,832)**	(613,817)
	929,497	530,782
Contract assets	**168,506**	676,680
Allowance for expected credit losses	**(31,005)**	(35,420)
	137,501	641,260
	1,066,998	1,172,042

* Trade receivables include the balances net of fines amounting to KD 98,378 which represents the fines and penalties levied on the company for the delay in meeting the deadlines of contracts during the year. (Note 9)

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.

6 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

6.2 Trade receivables and contract balances (continued)

Contract liabilities amounting to KD 65,058 (2020: KD 74,924) include short-term advances received to render plantation project services.

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

	2021 ***KD***	*2020* *KD*
As at 1 January	**649,237**	470,126
Allowance for expected credit losses	**45,600**	179,111
As at 31 December 2021	**694,837**	649,237

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

	2021 ***KD***	*2020* *KD*
Salaries and other staff costs	**661,256**	571,968
Depreciation of property and equipment (Note 12)	**172,169**	121,919
Other miscellaneous expenses	**18,697**	155
	852,122	694,042

8 ADMINISTRATIVE EXPENSES

	2021 ***KD***	*2020* *KD*
Salaries and other staff costs	**228,907**	230,830
Depreciation of property and equipment (Note 12)	**9,004**	8,857
Depreciation of right-of-use assets (Note 13)	**44,293**	39,439
Interest on lease liabilities (Note 13)	**6,911**	8,787
Maintenance and repair	**61,398**	65,413
Utilities	**75,834**	63,328
Professional and legal fees	**36,730**	23,373
Insurance expenses	**37,880**	9,288
Bank charges	**56,392**	37,085
Other expenses	**190,170**	111,315
	747,519	597,715

9 OTHER EXPENSES

	2021	*2020*
	KD	*KD*
Gain on sale of property and equipment	**15,997**	8,344
Net investment income (loss) (Note 10)	**11,284**	(2,105)
Changes in fair value of biological assets (Note 16)	**212,686**	81,582
Write off of biological assets (Note 16)	**(264,382)**	-
(Allowance for) reversal of ECL on trade receivables and contract assets (Note 6)	**(45,600)**	(179,111)
(Allowance for) reversal of ECL on retention receivables (Note 17)	**(57,838)**	(59,595)
Provision for obsolete and slow-moving inventories (Note 15)	**(164,110)**	(50,730)
Government assistance (Note 28)	**-**	30,216
Fines* (Note 6)	**(98,378)**	-
Provision for legal case** (Note 22)	**(358,000)**	-
Other expenses	**(48,098)**	-
	(796,439)	(171,399)

* This represents the fines and penalties levied on the company for the delay in meeting the deadlines of contracts during the year.

** During the year, an unfavourable judgment was handed down against the group in respect of a legal claim made by a customer. However, after taking appropriate legal advice, management have decided to appeal against the decision. No payment has been made to the claimant pending outcome of the appeal. If upheld, payment of KD 358,000 will be required. The group considers it to be probable that the judgment will not be in favour and has therefore recognised a provision of KD 358,000 in relation to this claim. The court of appeal is expected to consider this matter in the next reporting period.

10 NET INVESTMENT INCOME (LOSS)

	2021	*2020*
	KD	*KD*
Murabaha income	**4,553**	12,538
Changes in fair value of financial assets at fair value through profit or loss	**6,731**	(14,643)
	11,284	(2,105)

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.

		(Restated)
	2021	*2020*
Loss for the year (KD)	**(1,268,519)**	(269,248)
Weighted average number of shares outstanding during the year (shares) *	**52,315,800**	52,315,800
Basic and diluted loss per share (fils)	**(24.25)**	(5.15)

11 EARNINGS PER SHARE (EPS) (continued)

* 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:					
At 1 January 2021	566,667	1,546,624	1,975,814	575,917	4,665,022
Additions	-	49,116	276,900	22,640	348,656
Disposals	-	-	(39,858)	-	(39,858)
At 31 December 2021	**566,667**	**1,595,740**	**2,212,856**	**598,557**	**4,973,820**
Depreciation:					
At 1 January 2021	-	1,107,065	1,782,069	448,397	3,337,531
Depreciation charge for the year	-	58,321	107,994	17,330	183,645
Relating to disposals	-	-	(30,913)	-	(30,913)
At 31 December 2021	**-**	**1,165,386**	**1,859,150**	**465,727**	**3,490,263**
At 31 December 2021	**566,667**	**430,354**	**353,706**	**132,830**	**1,483,557**

	Freehold land KD	*Buildings and greenhouses KD*	*Equipment and motor vehicles KD*	*Store fabrication, furniture and computers KD*	*Total KD*
Cost:					
Restated balance at 1 January 2020	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)
At 31 December 2020	566,667	1,546,624	1,975,814	575,917	4,665,022
Depreciation:					
Restated balance at 1 January 2020	-	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)
At 31 December 2020	-	1,107,065	1,782,069	448,397	3,337,531
At 31 December 2020	566,667	439,559	193,745	127,520	1,327,491

12 PROPERTY AND EQUIPMENT (continued)

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

	2021 ***KD***	*2020* *KD*
Cost of sales and services rendered	**2,472**	2,579
Selling and distribution expenses (Note 7)	**172,169**	121,919
Administrative expenses (Note 8)	**9,004**	8,857
	183,645	133,355

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:

	2021 ***KD***	*2020* *KD*
As at 1 January	**157,491**	200,962
Additions	**54,736**	-
Depreciation expense	**(48,492)**	(43,471)
As at 31 December	**163,735**	157,491

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

	2021 ***KD***	*2020* *KD*
As at 1 January	**193,779**	195,512
Additions	**54,736**	-
Accretion of interest (included in administrative expenses)	**6,911**	8,787
Payments	**(71,395)**	(10,520)
As at 31 December	**184,031**	193,779
Current	**54,760**	84,161
Non-current	**129,271**	109,618
	184,031	193,779

13 LEASES (continued)

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

The following are the amounts recognised in consolidated statement of profit or loss:

	2021 KD	*2020 KD*
Depreciation expense of right-of-use assets (included in cost of sales and services rendered	**4,199**	4,032
Depreciation expense of right-of-use assets (included in administrative expenses)	**44,293**	39,439
Interest expense on lease liabilities (included in administrative expenses)	**6,911**	8,787
Total amount recognised in consolidated statement of profit or loss	**55,403**	52,258

The Group had total cash outflows for leases of KD 71,395 in 2021 (2020: KD 10,520). The Group also had non-cash additions to right-of-use assets and lease liabilities of KD 54,736 in 2021 (2020: Nil).

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.

	2021 KD	*2020 KD*
Summarised statement of financial position		
Current assets	**1,125,831**	950,623
Non-current assets	**52,872**	65,163
Current liabilities	**(313,172)**	(336,713)
Non-current liabilities	**(355,868)**	(315,634)
Equity	**509,663**	363,439
Group's share in equity	**33%**	33%
Carrying value of the investment	**168,189**	119,935
Summarised statement of comprehensive income		
Revenue	**1,634,053**	1,165,398
Expenses	**(1,478,941)**	(1,498,295)
Profit (loss) for the year	**155,112**	(332,897)
Group's share of profit (loss) for the year	**51,187**	(109,856)

The associate had contingent liabilities of AED 10,643,472 (2020: AED 10,243,472) 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 2021 and 2020.

14 INVESTMENT IN ASSOCIATE (continued)

Reconciliation to carrying amount:

	2021 ***KD***	*2020* *KD*
As at 1 January	**119,935**	220,995
Share of results	**51,187**	(109,856)
Foreign exchange adjustments	**(2,933)**	8,796
	168,189	119,935

15 INVENTORIES

	2021 ***KD***	*2020* *KD*
Goods for resale	**1,629,642**	1,896,486
Less: provision for obsolete and slow-moving inventories	**(536,024)**	(371,914)
	1,093,618	1,524,572

Inventories recognised as an expense during the year ended 31 December 2021 amounted to KD 1,859,806 (2020: KD 1,739,852). These were included in cost of sales and cost of providing services.

Write-downs of inventories to net realisable value amounted to KD 164,110 (2020: KD 50,730). These were recognised as an expense during the year ended 31 December 2021 and included in 'other expenses' in the consolidated statement of profit or loss.

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

	2021 ***KD***	*2020* *KD*
As at 1 January	**371,914**	321,184
Charge for the year	**164,110**	50,730
As at 31 December	**536,024**	371,914

16 BIOLOGICAL ASSETS

	2021 ***KD***	*2020* *KD*
Consumable biological assets	**299,485**	173,403
Bearer biological assets	**178,191**	381,056
	477,676	554,459

16 BIOLOGICAL ASSETS (continued)

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

	2021	*2020*
	KD	*KD*
As at 1 January	**554,459**	532,048
Changes in fair value less cost to sell:		
- Due to biological transformation *	**193,211**	64,225
- Due to price changes *	**19,475**	17,357
Purchases	**180,427**	88,666
Sales	**(205,509)**	(147,837)
Write off**	**(264,387)**	-
As at 31 December	**477,676**	554,459

* The aggregate changes in fair value less cost to sell due to biological transformation and price changes amounting to KD 212,686 (2020: KD 81,582) is included under 'other income' in the consolidated statement of profit or loss (Note 9).

** During the year, The Group has written off the biological assets amounting to KD 264,382 as per the direction of Public Authority for Agriculture Affairs and Fish Resources dated 13 April 2021 due to the spread of bird flu.(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 (Note 27).

17 PREPAYMENTS AND OTHER RECEIVABLES

	2021	*2020*
	KD	*KD*
Current		
Retention receivables	**544,458**	538,766
Allowance for expected credit losses	**(194,830)**	(136,992)
	349,628	401,774
Prepaid expenses	**6,375**	8,232
Advances to suppliers	**122,673**	173,609
Other receivables	**33,610**	38,288
	512,286	621,903

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.

17 PREPAYMENTS AND OTHER RECEIVABLES (continued)

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

	2021 ***KD***	*2020* *KD*
As at 1 January	**136,992**	77,397
Charge for the year	**57,838**	59,595
As at 31 December	**194,830**	136,992

18 RELATED PARTY DISCLOSURES

The Group's related parties 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 ***KD***	***Other related parties*** ***KD***	***2021*** ***KD***	*2020* *KD*
Consolidated statement of financial position				
Amounts due from related parties	**5,139**	**-**	**5,139**	5,271
Financial assets at fair value through profit or loss	**-**	**51,250**	**51,250**	44,519

As at 31 December 2021, the Group has receivables from the Ultimate Parent Company of KD 8,911 (2020: KD 8,911) on which the Group has taken a full provision of KD 8,911 (2020: KD 8,911). The balance at the reporting date is Nil (2020: Nil).

	2021 ***KD***	*2020* *KD*
Consolidated statement of profit or loss		
Change in fair value of financial assets at fair value through profit or loss	**(6,731)**	(14,643)

18 RELATED PARTY DISCLOSURES (continued)

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*	
	2021 ***KD***	*2020* *KD*	***2021*** ***KD***	*2020* *KD*
Salaries and short-term employee benefits	**32,192**	50,753	**2,845**	43,946
End of services benefits	**-**	5,753	**2,839**	86,538
	32,192	56,506	**5,684**	130,484

The Board of Directors of the Parent Company has not proposed any directors' remuneration for the year ended 31 December 2021 (2020: Nil). This proposal is subject to the approval of the shareholders at the AGM of the Parent Company.

19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows consist of the following:

	2021 ***KD***	*2020* *KD*
Bank balances	**2,068,396**	1,148,223
Cash on hand	**9,550**	12,350
Short-term deposits	**-**	1,222,697
Cash held in a portfolio	**10,575**	10,650
Cash and cash equivalents	**2,088,521**	2,393,920

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 Nil % (2020: 1.17%) per annum.

20 EQUITY

20.1 Share capital

	Number of shares		*Authorised, issued and fully paid*	
	2021	*2020*	***2021*** ***KD***	*2020* *KD*
Shares of 100 fils each (paid in cash)	**52,399,000**	52,399,000	**52,399,000**	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

	2021 ***KD***	*2020* *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	**5,658**	5,408

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

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 EQUITY (continued)

20.5 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.

21 EMPLOYEES' END OF SERVICE BENEFITS

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

	2021	*2020*
	KD	*KD*
As at 1 January	**487,523**	544,272
Charge for the year	**117,497**	72,373
Payments	**(47,380)**	(129,122)
As at 31 December	**557,640**	487,523

22 TRADE AND OTHER PAYABLE

	2021	*2020*
	KD	*KD*
Trade payables	**115,441**	77,039
Retention payables	**-**	4,432
Accrued expenses*	**729,660**	353,019
Dividend payable	**224,082**	225,887
Other payables	**136,240**	134,731
	1,205,423	795,108

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

* Accrued expenses includes provision of KD 358,000 for an unfavourable judgment handed down against the group in respect of a legal claim made by a customer. However, after taking appropriate legal advice, management have decided to appeal against the decision. No payment has been made to the claimant pending outcome of the appeal. If upheld, payment of KD 358,000 will be required. The group considers it to be probable that the judgment will not be in favour and has therefore recognised a provision of KD 358,000 in relation to this claim. The court of appeal is expected to consider this matter in the next reporting period. (Note 9)

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

23 CONTINGENCIES

As at 31 December 2021, the Group has provided guarantees to an unrelated party towards the performance of certain contracts amounting to KD 2,128,783 (2020: KD 2,294,149). 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

	31 December 2021			
	Commercial KD	*Projects KD*	*Investment KD*	*Total KD*
Assets	**5,399,704**	**1,491,826**	**219,439**	**7,110,969**
Liabilities	**1,340,382**	**671,769**	**-**	**2,012,151**
Income	**3,036,564**	**602,845**	**127,098**	**3,766,507**
Expenses	**3,636,811**	**825,892**	**572,323**	**5,035,026**
Segment loss	**(600,247)**	**(223,047)**	**(445,225)**	**(1,268,519)**
Other disclosures:				
Cost of inventories recognised as an expense	**1,859,806**	**-**	**-**	**1,859,806**
Depreciation of property and equipment	**176,650**	**6,995**	**-**	**183,645**
Depreciation of right-of-use assets	**44,293**	**4,199**	**-**	**48,492**
Capital expenditure	**334,615**	**5,098**	**-**	**339,713**
Share of results of an associate	**-**	**-**	**51,187**	**51,187**

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)

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.

25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.1 Credit risk (continued)

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

	2021 ***KD***	*2020* *KD*
Trade receivables and contract assets	**1,066,998**	1,172,042
Amounts due from related parties	**5,139**	5,271
Retention and other receivables	**383,238**	440,062
Cash and cash equivalents, excluding cash on hand	**2,078,971**	2,381,570
	3,534,346	3,998,945

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.

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

	Trade receivables					
2021	***< 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	**475,605**	**227,862**	**326,926**	**61,132**	**501,804**	**1,593,329**
Estimated credit loss	**5,295**	**24,842**	**106,582**	**25,309**	**501,804**	**663,832**
Expected credit loss rate	**1.11%**	**10.90%**	**32.60%**	**41.40%**	**100%**	**41.66%**

25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.1 Credit risk (continued)

	Trade receivables					
	< 90 days	*91-180 days*	*181-270 days*	*271-365 days*	*> 365 days*	*Total*
2020	*KD*	*KD*	*KD*	*KD*	*KD*	*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%

As at 31 December 2021, the Group's provision for expected credit losses on contract assets amounted to KD 31,005 (2020: KD 35,420). The majority of the carrying value of contract assets pertains to unbilled executed works on governmental projects.

As at 31 December 2021, the Group's provision for expected credit losses on retention receivables amounted to KD 194,830 (2020: KD 136,992). As on 31 December 2021, 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.

25.2 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.

25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.2 Liquidity risk (continued)

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.

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

2021	***On demand KD***	***Less than 3 months KD***	***3 to 12 months KD***	***More than one year KD***	***Total KD***
Trade and other payables	**224,082**	**729,660**	**251,681**	**-**	**1,205,423**
Lease liabilities	**-**	**5,730**	**55,621**	**137,800**	**199,151**
	224,082	**735,390**	**307,302**	**137,800**	**1,404,574**

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

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.

25.3.2 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 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.3 Market risk (continued)

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 51,250 (2020: KD 44,519). 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 5,125 (2020: KD 4,452) 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 2021 and 2020.

Capital comprises equity attributable to the shareholders of the Parent Company excluding statutory reserve and is measured at KD 4,065,320 as at 31 December 2021 (2020: KD 5,336,772).

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

27 FAIR VALUE MEASUREMENT (continued)

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

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

Biological assets
The fair value of biological assets is determined by reference to expected yields and quality, expected costs to reach maturity, and the market prices for each variety of asset in the local area and the market price paid to independent growers. Any gains or losses on remeasuring fair value are included within in consolidated statement of 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 2021	***Quoted prices in active markets (Level 1) KD***	***Significant observable inputs (Level 2) KD***	***Total KD***
Financial instruments:			
Financial assets at FVTPL	**51,250**	**-**	**51,250**
Non-financial assets:			
Biological assets	**-**	**477,676**	**477,676**

	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

There were no transfers between Level 1 and Level 2 during 2021 and 2020.

28 IMPACT OF COVID-19 OUTBREAK

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the State of Kuwait. Governments across the globe have taken steps to contain the spread of the virus, which included closure of borders, released social distancing guidelines and enforced country-wide lockdowns and curfews.

At this stage, the impact on the Group's business and results has not been significant and management expects this to remain the case. The Group will continue to follow the various government policies and advice and, in parallel, will do its utmost to continue in operation in the best and safest way possible.