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

CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2022

Building a better working world

Building a better working world

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

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Palms Argo Production Company K.S.C.P. (the "Parent Company") and subsidiary (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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.

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)

<table>
<tr><th colspan="2">Expected Credit Losses ("ECL") on trade receivables, contract assets and retention receivables</th></tr>
<tr><th>Key audit matter</th><th>How the key audit matter was addressed in the audit</th></tr>
<tr><td>As at 31 December 2022, trade receivables and contract assets amounted to KD 1,134,796 and retention receivables amounted to KD 120,685, net of provision for expected credit losses of KD 540,692 and KD 258,307, respectively constituting in approximately 19% of the Group's total assets.

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

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

Due to the significance of trade receivables, contract assets and retention receivables and the estimation involved in the ECL calculation, this was considered as a key audit matter.</td><td>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.</td></tr>
</table>

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)

Existence and valuation of inventories	
Key audit matter	**How the key audit matter was addressed in the audit**
As at 31 December 2022, the carrying amount of inventories amounted to KD 1,138,242 net of an allowance of KD 400,712, representing approximately 17% of the Group's total assets. These inventories mainly consist of agricultural supplies, irrigation tools and equipment, and veterinary medicines and are valued at the lower of cost and net realisable value. Management determines the level of provisioning by considering their nature, aging profile and sales expectations using historic trends and other qualitative factors. At each reporting date, the cost of inventories is reduced where inventories are forecasted to be sold at below cost. Judgment is required to to assess the appropriate level of allowance for such inventories, which may be sold below cost as a result of a reduction in consumer demand. Such judgements include the inventory profile and ageing, historical data of sales, management's expectations of future sales and forecast inventory mark-downs, product expiry dates and plans to dispose of inventories that are close to expiry We considered the valuation of inventories as a key audit matter given the relative size of the balance in the statement of financial position and the significant judgments and key assumptions applied by the management in determining the allowance and the level of inventories write down required based on Net Realisable Value (NRV) assessment.	Our audit procedures included, among others, the following: ▸ We attended the physical inventory count at year-end for all significant locations, observed the count procedures and, for a sample of inventory, performed test counts to assess the existence and condition of inventory. ▸ We reviewed the basis for the allowance by understanding and challenging the key assumptions used. In doing so, we understood the process of identification of obsolete and slow-moving inventories and the process for identifying specific problem inventory. Furthermore, we recalculated the expected allowance based on the above key assumptions to assess the mathematical accuracy of the calculation. ▸ We assessed the appropriateness of the management estimation of NRV by tracing inventory items in the listing, on a sample basis, to sales during and subsequent to the reporting period. ▸ We also considered the adequacy of the Group's accounting policies and disclosures relating to inventory and related allowances in Notes 3.4.12, 4.2 and 15 to the consolidated financial statements.

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

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2022 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2022 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.

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.

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

Report on the Audit of Consolidated Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on the Audit of Consolidated Financial Statements (continued)

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2022 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 2022 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)

6 April 2023
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	***2022 KD***	*2021 KD*
Revenue from contracts with customers	6	**3,385,078**	3,410,025
Cost of sales and services rendered		**(1,740,881)**	(2,333,651)
GROSS PROFIT		**1,644,197**	1,076,374
Selling and distribution expenses	7	**(987,820)**	(852,122)
Administrative expenses	8	**(919,895)**	(795,617)
Operating loss		**(263,518)**	(571,365)
Other income (expenses)	9	**477,008**	(748,341)
Share of results of an associate	14	**84,112**	51,187
PROFIT (LOSS) FOR THE YEAR		**297,602**	(1,268,519)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	11	**5.69 fils**	(24.25) fils

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	***2022 KD***	*2021 KD*
PROFIT (LOSS) FOR THE YEAR		**297,602**	(1,268,519)
Other comprehensive loss			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	14	**(38,309)**	(2,933)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**259,293**	(1,271,452)

The attached notes 1 to 27 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	*2022* *KD*	*2021* *KD*
ASSETS			
Non-current assets			
Property and equipment	12	**1,367,947**	1,483,557
Right-of-use assets	13	**117,494**	163,735
Investment in an associate	14	**213,992**	168,189
		1,699,433	1,815,481
Current assets			
Inventories	15	**1,138,242**	1,093,618
Biological assets	16	**254,329**	477,676
Trade receivables and contact assets	6	**1,134,796**	1,066,998
Prepayments and other receivables	17	**336,127**	512,286
Amounts due from related parties	18	**6,464**	5,139
Financial assets at fair value through profit or loss		**37,102**	51,250
Cash and short-term deposits	19	**2,104,248**	2,088,521
		5,011,308	5,295,488
TOTAL ASSETS		**6,710,741**	7,110,969
EQUITY AND LIABILITIES			
Equity			
Share capital	20	**5,239,900**	5,239,900
Share premium	20	**225,000**	225,000
Treasure shares	20	**(3,573)**	(3,573)
Statutory reserve	20	**1,033,497**	1,033,497
Voluntary reserve	20	**429,242**	429,242
Foreign currency translation reserve	20	**57,102**	95,411
Accumulated losses		**(1,623,058)**	(1,920,660)
Total equity		**5,358,110**	5,098,817
Non-current liabilities			
Employees' end of service benefits	21	**497,748**	557,640
Lease liabilities	13	**76,389**	129,271
		574,137	686,911
Current liabilities			
Lease liabilities	13	**49,101**	54,760
Trade and other payables	22	**636,095**	1,205,423
Contract liabilities	6	**93,298**	65,058
		778,494	1,325,241
Total liabilities		**1,352,631**	2,012,152
TOTAL EQUITY AND LIABILITIES		**6,710,741**	7,110,969

Abdulmoghni Abdullah Abdulmoghni Al-Abdulmoghni
Chairman

Waleed Ahmad Dawoud Al Ablani
Vice Chairman & CEO

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share capital KD	*Share premium KD*	*Treasury shares KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Foreign currency translation reserve KD*	*Accumulated losses KD*	*Total equity KD*
As at 1 January 2022	**5,239,900**	**225,000**	**(3,573)**	**1,033,497**	**429,242**	**95,411**	**(1,920,660)**	**5,098,817**
Profit for the year	-	-	-	-	-	-	297,602	297,602
Other comprehensive loss	-	-	-	-	-	(38,309)	-	(38,309)
Total comprehensive (loss) income for the year	-	-	-	-	-	(38,309)	297,602	259,293
At 31 December 2022	**5,239,900**	**225,000**	**(3,573)**	**1,033,497**	**429,242**	**57,102**	**(1,623,058)**	**5,358,110**
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	-	-	-	-	-	(2,933)	-	(2,933)
Total comprehensive loss for the year	-	-	-	-	-	(2,933)	(1,268,519)	(1,271,452)
At 31 December 2021	5,239,900	225,000	(3,573)	1,033,497	429,242	95,411	(1,920,660)	5,098,817

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 31 December 2022

	Notes	***2022*** ***KD***	*2021* *KD*
OPERATING ACTIVITIES			
Profit (loss) before tax		**297,602**	(1,268,519)
Non-cash adjustments to reconcile profit (loss) for the year to net cash flows:			
Depreciation of property and equipment	12	**214,537**	183,645
Depreciation of right-of-use assets	13	**50,530**	48,492
Murabaha income	10	**(10,455)**	(4,553)
Gain on disposal of property and equipment	12	**(31,449)**	(15,997)
Rent concession income	13	**(139)**	-
(Reversal of) allowance for ECL on trade receivables and contract assets	6	**(62,470)**	45,600
Allowance for ECL on retention receivables	17	**63,477**	57,838
(Reversal) provision for obsolete and slow-moving inventories	15	**(135,312)**	164,110
Write off of biological assets	16	**51,604**	264,387
Write off of trade receivables	6	**91,675**	-
Changes in fair value of biological assets	16	**33,485**	(212,686)
Share of results of an associate	14	**(84,112)**	(51,187)
Changes in fair value of financial assets at fair value through profit or loss	10	**14,149**	(6,731)
Interest expense on lease liabilities	13	**6,735**	6,911
Provision for employees' end of service benefits	21	**121,616**	117,497
		621,472	(671,193)
Working capital changes:			
Inventories		**90,688**	266,844
Biological assets		**138,258**	25,082
Trade receivables and contract assets		**(97,003)**	59,444
Prepayments and other receivables		**112,682**	51,779
Amounts due from related parties		**(1,325)**	132
Trade and other payables		**(567,011)**	412,120
Contract liabilities		**28,240**	(9,866)
Cash flows from operations		**326,002**	134,342
Employees' end of service benefits paid	21	**(181,508)**	(47,380)
Net cash flows from operating activities		**144,494**	86,962
INVESTING ACTIVITIES			
Purchase of property and equipment	12	**(98,950)**	(348,656)
Proceeds from disposal of property and equipment	12	**31,472**	24,942
Murabaha income received	10	**10,455**	4,553
Net cash flows used in investing activities		**(57,023)**	(319,161)
FINANCING ACTIVITIES			
Dividends paid		**(2,318)**	(1,805)
Payment of lease liabilities	13	**(69,426)**	(71,395)
Net cash flows used in financing activities		**(71,744)**	(73,200)
NET INCREASE (DECREASE) IN CASH AND SHORT-TERM DEPOSITS		**15,727**	(305,399)
Cash and short-term deposits at 1 January		**2,088,521**	2,393,920
CASH AND SHORT-TERM DEPOSITS AS AT 31 DECEMBER	19	**2,104,248**	2,088,521

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

Additions to right-of-use assets	13	**(4,289)**	(54,736)
Additions to lease liabilities	13	**4,289**	54,736

The attached notes 1 to 27 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Palms Agro Production Company K.S.C.P. (the "Parent Company") and its Subsidiary (collectively, the "Group") for the year ended 31 December 2022 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 6 April 2023. 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 2021 were approved in the AGM of the shareholders held on 11 May 2022. 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").

Information on the Group's structure is provided in Note 5.

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, utilising of financial surplus available to the Parent Company through investing it in portfolios managed by specialised companies and entities, import and circulation of veterinary medicines and concluding agency agreements, inaugurating and operation of veterinary clinics and centres and practicing the professional of veterinary medicine, trading in the Kuwait stock exchange, breeding and trading of chicken and eggs and execution of construction contracts work.

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.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

3.2 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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 BASIS OF CONSOLIDATION (continued)

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

Where practicable, appropriate adjustments for non-uniform accounting policies are made to their financial statements when included in the consolidated financial statements to bring them in line with the Group's accounting policies.

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

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the group 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 on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

3.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – *Amendments to IAS 37*
An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Company applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

These amendments had no impact on the consolidated financial statements of the Group as there were no onerous contracts outstanding within the scope of these amendments arisen during the period.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

Reference to the Conceptual Framework – *Amendments to IFRS 3*
The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* 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 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use – *Amendments to IAS 16*
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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 profit or loss.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

IFRS 9 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities
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. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Company's financial instruments during the period.

IAS 41 *Agriculture* – Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the consolidated financial statements of the Group even though it has assets in scope of IAS 41 as at the reporting date.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.5.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS *9 Financial Instruments*, is measured at fair value with the changes in fair value recognised in the consolidated statement of comprehensive income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the consolidated statement of comprehensive income.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

3.5.2 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.

Contract 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)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.2 Revenue recognition (continued)

Contract 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.

3.5.3 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.

3.5.4 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.

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

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

i) Financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.6 Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Initial recognition and measurement (continued)
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.

Since the Group's financial assets (trade and other receivables, receivables from related parties, cash and bank balances) meet these conditions, they are subsequently measured at amortised cost.

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.

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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.6 Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

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.

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.

3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.6 Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets (continued)
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.

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 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.7 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.

3.5.8 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)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

3.5.10 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)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.10 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.

3.5.11 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.

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.

3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.11 Investment in associates (continued)
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.

3.5.12 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.

3.5.13 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 (3.5.12 *Inventories*). As at 31 December 2022, 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".

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.

3.5.14 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.

3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.14 Impairment of non-financial assets (continued)

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.

3.5.15 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.

3.5.16 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

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.

3.5.17 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.

3.5.18 Foreign currencies

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

i) Transactions and balances

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 profit or loss with the exception of monetary items that are designated as part of the hedge of the Group’s net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.18 Foreign currencies (continued)

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

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

ii) Group companies
On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

3.5.19 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.

3.5.20 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.

3.5.21 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.

3.5.22 Taxes

Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of the profit for the year attributable to the Parent Company in accordance with the modified calculation based on the Foundation’s Board of Directors’ resolution, which states that income from associates and subsidiaries, Board of Directors’ remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

3 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.22 Taxes (continued)

National Labour Support Tax
NLST is calculated at 2.5% of the profit for the year attributable to the Parent Company in accordance with Law No. 19 of 2000 and the Ministry of Finance resolutions No. 24 of 2006.

Zakat
Contribution to Zakat is calculated at 1% of the profit for the year attributable to Parent Company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

3.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new and amended standards and interpretations are issued, but not yet effective, up to the date of issuance of the Group's financial statements. None of these are expected to have a significant impact on the Group's financial statements.

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.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.1 Significant judgments (continued)

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.

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.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.2 Estimates and assumptions (continued)

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

Subsidiaries

The consolidated financial statements of the Group include:

Name of subsidiary	*Country of incorporation*	*% equity interest 2022*	*% equity interest 2021*	*Principal activities*
Palm Trees Company K.S.C. (Closed)	Kuwait	**100%**	100%	Producing and packing of black honey

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

6.1 Disaggregated revenue information

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

	2022 KD	*2021 KD*
Type of goods or service		
Sale of goods	**2,580,511**	2,545,292
Rendering of services		
- Plantation projects	**804,567**	864,733
	3,385,078	3,410,025
Timing of revenue recognition		
Goods transferred at a point in time	**2,580,511**	2,545,292
Goods and services transferred over time	**804,567**	864,733
	3,385,078	3,410,025
Geographical markets:		
Kuwait	**3,385,078**	3,410,025

6 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

6.2 Trade receivables and contract balances

	2022 ***KD***	*2021* *KD*
Trade receivables*	**1,441,995**	1,593,329
Allowance for expected credit losses	**(529,017)**	(663,832)
	912,978	929,497
Contract assets	**233,493**	168,506
Allowance for expected credit losses	**(11,675)**	(31,005)
	221,818	137,501
	1,134,796	1,066,998

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

Contract liabilities amounting to KD 93,298 (2021: KD 65,058) 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:

	2022 ***KD***	*2021* *KD*
As at 1 January	**694,837**	649,237
(Reversal of) allowance for expected credit losses	**(62,470)**	45,600
Write off*	**(91,675)**	-
As at 31 December 2022	**540,692**	694,837

* *Certain receivables are written off as there is no reasonable expectation of recovering the contractual cash flows.*

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

	2022 ***KD***	*2021* *KD*
Salaries and other staff costs	**776,217**	661,256
Depreciation of property and equipment (Note 12)	**199,192**	172,169
Other selling and distribution expenses	**12,411**	18,697
	987,820	852,122

8 ADMINISTRATIVE EXPENSES

	2022	*2021*
	KD	*KD*
Salaries and other staff costs	**256,278**	228,907
Depreciation of property and equipment (Note 12)	**10,203**	9,004
Depreciation of right-of-use assets (Note 13)	**46,243**	44,293
Interest on lease liabilities (Note 13)	**6,735**	6,911
Maintenance and repair	**55,542**	61,398
Utilities	**77,377**	75,834
Professional and legal fees	**16,095**	36,730
Insurance expenses	**32,745**	37,880
Bank charges	**39,027**	56,392
Legal expenses	**177,040**	-
Other general and administrative expenses*	**202,610**	238,268
	919,895	795,617

9 OTHER INCOME / (EXPENSES)

	2022	*2021*
	KD	*KD*
Gain on sale of property and equipment (Note 12)	**31,449**	15,997
Net investment (loss) income (Note 10)	**(3,694)**	11,284
Changes in fair value of biological assets (Note 16)	**(33,485)**	212,686
Write off of biological assets (Note 16)	**-**	(264,382)
Reversal of (allowance for) ECL on trade receivables and contract assets (Note 6)	**62,470**	(45,600)
Allowance for ECL on retention receivables (Note 17)	**(63,477)**	(57,838)
Reversal of (allowance for) provision for obsolete and slow-moving inventories (Note 15)	**135,312**	(164,110)
Fines and penalties*	**(9,568)**	(98,378)
Reversal of provision no longer required/ (provision for legal cases)**	**358,000**	(358,000)
	477,008	(748,341)

* This represents the fines and penalties levied on the Company for non-performance in certain contracts during the year.

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

10 NET INVESTMENT (LOSS) INCOME

	2022 ***KD***	*2021* *KD*
Murabaha income	**10,455**	4,553
Changes in fair value of financial assets at fair value through profit or loss	**(14,149)**	6,731
	(3,694)	11,284

11 EARNINGS (LOSS) PER SHARE (EPS)

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

	2022	*2021*
Profit (loss) for the year (KD)	**297,602**	(1,268,519)
Weighted average number of shares outstanding during the year (shares) *	**52,315,800**	52,315,800
Basic and diluted EPS (fils)	**5.69**	(24.25)

* 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 2022	566,667	1,595,740	2,212,856	598,557	4,973,820
Additions	-	35,787	41,661	21,502	98,950
Disposals	-	-	(128,112)	(91)	(128,203)
At 31 December 2022	**566,667**	**1,631,527**	**2,126,405**	**619,968**	**4,944,567**
Depreciation:					
At 1 January 2022	-	1,165,386	1,859,150	465,727	3,490,263
Depreciation charge for the year	-	73,015	127,562	13,960	214,537
Disposals	-	-	(128,180)	-	(128,180)
At 31 December 2022	-	**1,238,401**	**1,858,532**	**479,687**	**3,576,620**
Net book value:					
At 31 December 2022	**566,667**	**393,126**	**267,873**	**140,281**	**1,367,947**

12 PROPERTY AND EQUIPMENT (continued)

	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
Charge for the year	-	58,321	107,994	17,330	183,645
Disposals	-	-	(30,913)	-	(30,913)
At 31 December 2021	-	1,165,386	1,859,150	465,727	3,490,263
Net book value:					
At 31 December 2021	566,667	430,354	353,706	132,830	1,483,557

Depreciation charges

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

	2022 ***KD***	*2021* *KD*
Cost of sales and services rendered	**5,142**	2,472
Selling and distribution expenses (Note 7)	**199,192**	172,169
Administrative expenses (Note 8)	**10,203**	9,004
	214,537	183,645

Disposals of property and equipment

In 2022, the Group sold equipment with a total net carrying amount of KD 23 (2021: KD 8,945) for a cash consideration of KD 31,472 (2021: KD 24,942). The net gains on these disposals were recognised as part of other income in the statement of profit or loss (Note 9).

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:

	2022 ***KD***	*2021* *KD*
As at 1 January	**163,735**	157,491
Additions	**4,289**	54,736
Depreciation expense	**(50,530)**	(48,492)
As at 31 December	**117,494**	163,735

13 LEASES (continued)

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

	2022 ***KD***	*2021* *KD*
As at 1 January	**184,031**	193,779
Additions	**4,289**	54,736
Accretion of interest (included in administrative expenses)	**6,735**	6,911
Payments	**(69,426)**	(71,395)
Rent concessions	**(139)**	-
As at 31 December	**125,490**	184,031
Non-current	**76,389**	129,271
Current	**49,101**	54,760

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

The following are the amounts recognised in profit or loss:

	2022 ***KD***	*2021* *KD*
Depreciation expense of right-of-use assets (included in cost of sales and services rendered	**4,287**	4,199
Depreciation expense of right-of-use assets (included in administrative expenses)	**46,243**	44,293
Interest expense on lease liabilities (included in administrative expenses)	**6,735**	6,911
Total amount recognised in profit or loss	**57,265**	55,403

The Group had total cash outflows for leases of KD 69,426 in 2022 (2021: KD 71,395). The Group also had non-cash additions to right-of-use assets and lease liabilities of KD 4,289 in 2022 (2021: KD 54,736).

14 INVESTMENT IN AN 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.

	2022 ***KD***	*2021* *KD*
Summarised statement of financial position		
Current assets	**1,212,507**	1,125,831
Non-current assets	**165,488**	52,872
Current liabilities	**(418,746)**	(313,172)
Non-current liabilities	**(310,788)**	(355,868)
Equity	**648,461**	509,663
Group's share in equity%	**33%**	33%
Group's carrying amount of the investment	**213,992**	168,189

14 INVESTMENT IN AN ASSOCIATE (continued)

	2022	*2021*
	KD	*KD*
Summarised statement of comprehensive income		
Revenue	**2,017,833**	1,634,053
Expenses	**(1,762,949)**	(1,478,941)
Profit (loss) for the year	**254,884**	155,112
Group's share of profit (loss) for the year	**84,112**	51,187

The associate had contingent liabilities of AED 15,115,143 (2021: 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 2022 and 2021.

Reconciliation to carrying amount:

	2022	*2021*
	KD	*KD*
As at 1 January	**168,189**	119,935
Share of results	**84,112**	51,187
Exchange differences	**(38,309)**	(2,933)
	213,992	168,189

15 INVENTORIES

	2022	*2021*
	KD	*KD*
Goods for resale	**1,538,954**	1,629,642
Less: provision for obsolete and slow-moving inventories	**(400,712)**	(536,024)
	1,138,242	1,093,618

Inventories recognised as an expense during the year ended 31 December 2022 amounted to KD 1,427,764 (2021: KD 1,859,806). These were included in cost of sales and cost of providing services.

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

	2022	*2021*
	KD	*KD*
As at 1 January	**536,024**	371,914
(Reversals) / Write-downs (Note 9)	**(135,312)**	164,110
As at 31 December	**400,712**	536,024

During 2021, slow-moving inventories have been reduced to their net realisable value, which resulting in a loss of KD 164,110. In 2022, the Group reversed KD 135,312 of a previous inventory write-down as the Group sold the relevant goods that had been written down.

The write-downs and reversals are included in other income and 'cost of sales' respectively.

16 BIOLOGICAL ASSETS

	2022	*2021*
	KD	*KD*
Consumable biological assets	**48,515**	299,485
Bearer biological assets	**205,814**	178,191
	254,329	477,676

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

	2022	*2021*
	KD	*KD*
As at 1 January	**477,675**	554,459
Changes in fair value less cost to sell:		
- Due to biological transformation	**54,786**	193,211
- Due to price changes	**(88,271)**	19,475
	(33,485)	212,686
Purchases	**90,704**	180,427
Sales	**(228,961)**	(205,509)
Write off*	**(51,604)**	(264,387)
As at 31 December	**254,329**	477,676

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

	2022	*2021*
	KD	*KD*
Current		
Retention receivables	**378,992**	544,458
Allowance for expected credit losses	**(258,307)**	(194,830)
	120,685	349,628
Prepaid expenses	**16,359**	6,375
Advances to suppliers	**132,677**	122,673
Other receivables	**66,406**	33,610
	336,127	512,286

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:

	2022 ***KD***	*2021* *KD*
As at 1 January	**194,830**	136,992
Charge for the year	**63,477**	57,838
As at 31 December	**258,307**	194,830

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***	***2022*** ***KD***	*2021* *KD*
Consolidated statement of financial position				
Amounts due from related parties	**6,464**	**-**	**6,464**	5,139
Financial assets at fair value through profit or loss	**-**	**18,185**	**18,185**	51,250

As at 31 December 2022, the Group has receivables from the Ultimate Parent Company of KD 8,911 (2021: KD 8,911) on which the Group has taken a full provision of KD 8,911 (2021: KD 8,911). The balance at the reporting date is Nil (2021: Nil).

	2022 ***KD***	*2021* *KD*
Consolidated statement of profit or loss		
Change in fair value of financial assets at fair value through profit or loss	**33,065**	(6,731)

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*	
	2022 ***KD***	*2021* *KD*	***2022*** ***KD***	*2021* *KD*
Salaries and short-term employee benefits	**48,000**	32,192	**9,768**	2,845
End of services benefits	**13,846**	-	**9,762**	2,839
	61,846	32,192	**19,530**	5,684

The Board of Directors of the Parent Company has not proposed any directors' remuneration for the year ended 31 December 2022 (2021: Nil). This proposal is subject to the approval of the shareholders at the annual general assembly.

19 CASH AND SHORT-TERM DEPOSITS

	2022 ***KD***	*2021* *KD*
Bank balances	**582,374**	2,068,396
Cash on hand	**11,350**	9,550
Short-term deposits	**1,500,000**	-
Cash held in a portfolio	**10,524**	10,575
Cash and cash equivalents	**2,104,248**	2,088,521

Short-term deposits are placed with a local bank for a period of six to twelve months. These deposits are denominated in Kuwaiti Dinars and earn interest at an average rate of 4.75% per annum.

20 EQUITY

20.1 Share capital

	Number of shares		*Authorised, issued and fully paid*	
	2022	*2021*	***2022*** ***KD***	*2021* *KD*
Shares of 100 fils each (paid in cash)	**52,399,000**	52,399,000	**5,239,900**	5,239,900

20.2 Share premium

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

20.3 Treasury shares

	2022 ***KD***	*2021* *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	**6,490**	5,658

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 due to accumulated losses incurred by the Group.

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.

20 EQUITY (continued)

20.5 Voluntary reserve
No transfer has been made to the voluntary reserve during the year due to accumulated losses incurred by the Group.

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

21 EMPLOYEES' END OF SERVICE BENEFITS

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

	2022	*2021*
	KD	*KD*
As at 1 January	**557,640**	487,523
Charge for the year	**121,616**	117,497
Payments	**(181,508)**	(47,380)
As at 31 December	**497,748**	557,640

22 TRADE AND OTHER PAYABLES

	2022	*2021*
	KD	*KD*
Trade payables	**42,213**	115,441
Accrued expenses*	**222,802**	729,660
Dividend payable	**221,764**	224,082
Other payables	**149,316**	136,240
	636,095	1,205,423

23 CONTINGENCIES

Legal claim contingency

- In prior years, a customer has commenced an action against the Parent Company demanding compensation amounting to KD 358,000 in relation to an alleged breach of contractual terms for which an unfavourable judgment was handed down against the Group by the Court of First Instance. However, after taking appropriate legal advice, the Group has decided to appeal against the decision. On 6th October 2020, the Court of Appeal ruled to assign an expert committee to verify the elements of the lawsuit and submit their findings and the expert report issued on 16 May 2022 was in favour of the Parent Company and consequently a favourable judgement was handed down by the Court of Appeal on 14th June 2022. As a result, the Group reversed the previously recognised provision of KD 358,000 as part of 'other income' in the consolidated statement of profit or loss for the year ended 31 December 2022.

Other contingent liabilities
At the reporting date, the Group has provided guarantees to an unrelated party towards the performance of certain contracts amounting to KD 1,471,556 (31 December 2021: KD 2,128,783). 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 2022			
	Commercial KD	***Projects KD***	***Investment KD***	***Total KD***
Assets	**4,090,756**	**858,368**	**1,761,617**	**6,710,741**
Liabilities	**1,032,435**	**320,196**	**-**	**1,352,631**
Income	**2,804,739**	**584,325**	**457,665**	**3,846,729**
Expenses	**(2,784,036)**	**(534,326)**	**(230,765)**	**(3,549,127)**
Segment profit	**20,703**	**49,999**	**226,900**	**297,602**
Other disclosures:				
Cost of inventories recognised as an expense	**(1,427,764)**	**-**	**-**	**(1,427,764)**
Depreciation of property and equipment	**(202,906)**	**(11,631)**	**-**	**(214,537)**
Depreciation of right-of-use assets	**(46,210)**	**(4,320)**	**-**	**(50,530)**
Capital expenditure	**89,588**	**9,370**	**-**	**98,958**
Share of results of an associate	**-**	**-**	**84,112**	**84,112**

	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	-	2,012,152
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 recognized 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

25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

25.1 Credit risk

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

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

	2022	*2021*
	KD	*KD*
Trade receivables and contract assets	**1,134,796**	1,066,998
Amounts due from related parties	**6,464**	5,139
Retention, refundable deposits and other receivables	**202,189**	383,238
Cash and cash equivalents (excluding cash on hand)	**2,092,898**	2,078,971
	3,436,347	3,534,346

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.

25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.1 Credit risk (continued)

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

Trade receivables

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

	Trade receivables					
2022	***< 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	**418,465**	**299,908**	**275,714**	**56,949**	**390,959**	**1,441,995**
Estimated credit loss	**4,082**	**11,996**	**81,851**	**40,129**	**390,959**	**529,017**
Expected credit loss rate	**0.98%**	**4.00%**	**29.69%**	**38.80%**	**100.00%**	**36.69%**

	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%

As at 31 December 2022, the Group's provision for expected credit losses on contract assets amounted to KD 11,675 (2021: KD 31,005). The majority of the carrying value of contract assets pertains to unbilled executed works on governmental projects.

Retention receivables

As at 31 December 2022, the Group's provision for expected credit losses on retention receivables amounted to KD 258,307 (2021: KD 194,830). As on 31 December 2022, the majority of the carrying amount of retention receivables pertains to governmental projects and are due for collection on completion of the contracts.

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

	Retention receivables				
2022	***< 90 days KD***	***91-270 days KD***	***271-365 days KD***	***> 365 days KD***	***Total KD***
Estimated total gross carrying amount at default	**25,014**	**39,679**	**221,302**	**92,997**	**378,992**
Estimated credit loss	**250**	**7,936**	**157,124**	**92,997**	**258,307**
Expected credit loss rate	**1%**	**20%**	**71%**	**100%**	**68.16%**

25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.1 Credit risk (continued)

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

Retention receivables (continued)

	Retention receivables				
		91-270	*271-365*	*> 365*	
	< 90 days	*days*	*days*	*days*	*Total*
2021	***KD***	*KD*	*KD*	*KD*	*KD*
Estimated total gross carrying amount at default	215,934	97,003	197,922	33,599	544,458
Estimated credit loss	2,159	19,401	139,671	33,599	194,830
Expected credit loss rate	1%	20%	71%	100%	35.78%

Other receivables
Other receivables 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.

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.

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

2022	***On demand KD***	***Less than 3 months KD***	***3 to 12 months KD***	***More than one year KD***	***Total KD***
Trade and other payables	**221,764**	**222,802**	**191,529**	**-**	**636,095**
Lease liabilities	**-**	**6,030**	**47,315**	**80,705**	**134,050**
	221,764	**228,832**	**238,844**	**80,705**	**770,145**

25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.2 Liquidity risk (continued)

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

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.

25.3.3 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 18,185 (2021: KD 51,250). 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 1,818 (2021: KD 5,125) 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.

26 CAPITAL MANAGEMENT (continued)

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 2022 and 2021.

Capital comprises equity attributable to the shareholders of the Parent Company and is measured at KD 5,358,110 as at 31 December 2022 (2021: KD 5,098,817).

27 FAIR VALUE MEASUREMENT

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

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

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

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

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		
2022	***Quoted prices in active markets (Level 1) KD***	***Significant observable inputs (Level 2) KD***	***Total KD***
Financial instruments:			
Financial assets at FVTPL	**18,185**	**18,817**	**37,102**
Non-financial assets:			
Biological assets	**-**	**254,329**	**254,329**

	Fair value measurement using		
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

There were no transfers between Level 1 and Level 2 during 2022 and 2021.

27 FAIR VALUE MEASUREMENT (continued)

Valuation methods and assumptions

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.

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 within Level 2 of the fair value 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 within Level 1 of the fair value hierarchy.

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.

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