

COMPANY REGISTRATION NUMBER SC268784

**HIGHLAND PRODUCTS LIMITED**  
**"AMENDED" CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2019**



**tc** accounts · tax · legal · financial planning

Century House  
Wargrave Road  
Henley-on-Thames  
RG9 2LT

**HIGHLAND PRODUCTS LIMITED**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

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**HIGHLAND PRODUCTS LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**YEAR ENDED 31 DECEMBER 2019**

**The board of directors**

C. Target  
J. Target

**Company registration number**

SC268784

**Registered office**

22 Stafford Street  
Edinburgh  
Scotland  
EH3 7BD

**Auditor**

Taylorcocks Thames Valley LLP  
Statutory Auditor  
Century House  
Wargrave Road  
Henley-on-Thames  
RG9 2LT

## **HIGHLAND PRODUCTS LIMITED**

### **GROUP STRATEGIC REPORT**

#### **YEAR ENDED 31 DECEMBER 2019**

The consolidated financial statements incorporate the financial statements of Highland Products Limited ('the Company') and all of the entities controlled by the Company, its subsidiaries (together 'the Group') as at 31st December 2019.

#### **PRINCIPAL ACTIVITY**

The principal activity of the group headed by Highland Products Limited and its subsidiaries (together 'the Group') is the growing and distribution of cut flowers. The Group also has an interest in a joint venture supplying young plants and tissue culture materials.

The principal activity of the Company continued to be that of an intermediate non-trading holding company.

#### **BUSINESS REVIEW**

Highland Products Limited ("HPL") has increased its turnover by 4.9% from \$60.4m to \$63.3m. Total comprehensive income decreased by \$626K from \$832k to \$206k. While our revenues grew well, our margins slipped. Prices remained under pressure in 2019 as increased competition from growers in China entered the market. Another part is due to increased overhead costs as we expand our team and facilities. As we continue to grow and scale the business, we can expect to enjoy some operating leverage in the future again.

We continued to expand the farm at Malong in Yunnan Province, resulting in an increase to the gross assets of the group, from \$30.8m to \$38.7m. Growth of the group has been supported by additional funding of \$9.1m including a loan from the Asian Development Bank. In March 2018, Greenwings Japan KK took over distribution of products from the Company's farms in China. The process disrupted sales during 2018 and led to volumes being flat year on year in 2018, but led to an increase in sales of 3.9% in 2019.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The main risks to the business can be grouped into several categories:

- Macroeconomic risk in both Japan and China is very high as the governments of both countries work to boost economic growth. Heavy government infrastructure spending in China continues which makes it easier to move our goods to market but also adds to debt levels in China. The trade war between China and the United States has not affected our business directly but may be causing a slowing in the Chinese economy.
- Labour costs continue to rise in China. Price deflation makes it difficult to pass on these cost increases. Cost pressures are increasing in Japan as well, where wage inflation is emerging particularly for new hires. Social security costs in China are high and are becoming a significant burden for businesses operating in the country.
- Exchange rate risk is high. With most of the company's sales in Japan and production in China, the Yen-Yuan cross rate is critical to profitability, where we have no control over it and the cross rate remains a key risk.
- Competition in the cut flower market remains intense. The Company expects the already high level of competition to increase further.
- Intellectual property protection in China remains weak, so it is hard for our plant propagation JV to realize its full potential to sell proprietary genetics to farmers in China. We are working on more legal protection, but this is a long and slow development. In Japan the plant propagation market is shrinking as more production moves offshore.

## HIGHLAND PRODUCTS LIMITED

### GROUP STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2019

#### COVID-19

Early 2020 we got hit by the COVID-19 outbreak initially in China, with a sharp drop in revenues. Measures taken by various governments to contain the virus have affected economic activity in the different countries in which the Group operates.

The Group did take a number of measures to monitor and prevent the impact of the COVID-19 virus, such as safety and health measures for the employees (like social distancing and working from home), preventing the COVID-19 virus to impact operations at production locations (like temperature screening, working in different shifts) and securing the supply of materials that are essential to the production process. The group experienced both inbound and outbound logistics difficulties due to supply network capacity limitations resulting in materials being stuck in the supply chain. Finding alternative routes and means of transportation (moving from air freight to more sea freight) was difficult due to over demand and limited availability. Transport prices increases sharply. Consumer demand for flowers decreased as (i) consumers tend to be more cautious in their purchasing habits both because of fears being in public and potential to be exposed to the COVID-19 virus and (ii) insecurity about their (future) disposable income. February, March and April 2020 were very difficult months requiring emergency contingency plans that altered the way we organized the company and cut salaries and hours. Although it will take a while for Asia to return to normal, in China we have pulled our way back to growing revenues again.

#### S172 STATEMENT

The revised UK Corporate Governance Code ('2018 Code') was published in July 2018 and applies to accounting periods beginning on or after January 1, 2019. The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long - term success of the company. The Board welcomes the direction of the UK Financial Reporting Council (the 'FRC').

This S172 statement, which is reported for the first time, explains how Highland Products Limited Directors: have engaged with employees, suppliers, customers and others have had regard to employee interests, the need to foster the company's business relationships with suppliers, customers and other, and the effect of that regards, including on the principal decisions taken by the company during the financial year. The S172 statement focuses on matters of strategic importance to Highland Products Limited, and the level of information disclosed is consistent with the size and the complexity of the business. Highland Products Limited's Board has a clear framework for determining the matters within its remit and has approved Terms of Reference for the matters delegated to its Committees. Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

- S172(1) (A) "THE LIKELY CONSEQUENCES OF ANY DECISION IN THE LONG TERM" The Directors understand the business and the evolving environment in which we operate, including the challenges of producing and selling flowers and related long term impact on people, planet and profit. Based on Highland Products Limited's long term experience in the flower industry together with a strong willingness to further decrease its environmental footprint, the strategy set by the Board is intended to strengthen our position as a leading Asian flower producer by growing flowers efficiently while keeping safety and social responsibility fundamental to our business approach. In 2019, to help achieve all these strategic ambitions, the Board refreshed our strategy to further focus on developing Highland Products

## HIGHLAND PRODUCTS LIMITED

### GROUP STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2019

#### S172 STATEMENT CONTINUED

Limited's business. However, while investing for the future, the Board also recognises we must meet today's demand. The rising standard of living in many Asian countries is likely to continue to drive demand for flowers for years to come. At the same time, technological changes and the need to tackle climate change mean there is a transition under way to change production approach while increasing customer choice. The strategic ambitions have been set in that context with the objective to increase long - term value for all shareholders recognising that the long - term success of our business is dependent on our stakeholders and the external impact of our business activities on society. The Directors recognise how our operations are viewed by different parts of society and that some decisions they take today may not align with all stakeholder interests. Given the complexity of the business, the Directors have taken the decisions they believe best support Highland Products Limited's strategic ambitions.

- S172(1) (B) "THE INTERESTS OF THE COMPANY'S EMPLOYEES" The Directors recognise that Highland Products Limited employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.
- S172(1) (C) "THE NEED TO FOSTER THE COMPANY'S BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS" Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers, governments and joint - venture partners. Highland Products Limited seeks the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter into or remain in such relationships and this alongside other standards are reviewed and approved by the Board periodically. The businesses continuously assess the priorities related to customers and those with whom we do business, and the Board engages with the businesses on these topics, for example, within the context of business strategy updates and investment proposals. Moreover, the Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged.
- S172(1) (D) "THE IMPACT OF THE COMPANY'S OPERATIONS ON THE COMMUNITY AND THE ENVIRONMENT" This aspect is inherent in our strategic ambitions, most notably on our ambitions to be a responsible employer and to sustain a strong societal and environmental licence to operate. As such, the Board receives information on these topics to both provide relevant information for specific Board decisions and to provide ongoing overviews at the Highland Products Limited group level (e.g., regular Safety & Environment Performance Updates, Development update reports to the Asian Development Bank). In 2019, certain Board Committees and Non - executive Directors conducted site visits of various Highland Products Limited operations and overseas offices and held external stakeholder engagements, where feasible. As a borrower from the Asian Development Bank ("ADB"), we are subject to the ADB's social development goals and ESG monitoring. The Company has chosen to apply this methodology to the entire Group. As an example ADB has agreed a development target for 65% of the employees to be women.

**HIGHLAND PRODUCTS LIMITED**

**GROUP STRATEGIC REPORT**

**YEAR ENDED 31 DECEMBER 2019**

**S172 STATEMENT CONTINUED**

- S172(1) (E) "THE DESIRABILITY OF THE COMPANY MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT" Highland Products Limited aims to meet the Asian's growing need for flowers which are economically, environmentally and socially responsible produced. The Board periodically reviews and approves clear frameworks to ensure that its high standards are maintained both within Highland Products Limited businesses and the business relationships we maintain. This, complemented by the ways the Board is informed and monitors compliance with relevant governance standards help assure its decisions are taken and that Highland Products Limited companies act in ways that promote high standards of business conduct.
- S172(1) (F) "THE NEED TO ACT FAIRLY AS BETWEEN MEMBERS OF THE COMPANY" After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long - term, taking into consideration the impact on stakeholders. In doing so, our Directors act fairly as between the Company's members but are not required to balance the Company's interest with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned. The Board recognises that it has an important role in assessing and monitoring that our desired culture is embedded in the values, attitudes and behaviours we demonstrate, including in our activities and stakeholder relationships. The Board has established honesty, integrity and respect for people as Highland Products Limited's core values.



**C. TARGET**  
Director

Approved by the directors on 27 July 2020 .....

## **HIGHLAND PRODUCTS LIMITED**

### **THE DIRECTORS' REPORT**

#### **YEAR ENDED 31 DECEMBER 2019**

The directors have pleasure in presenting their report and the consolidated financial statements of the group headed by Highland Products Limited and its subsidiaries (together 'the Group') for the year ended 31 December 2019.

#### **RESULTS AND DIVIDENDS**

The total recognised income and expense for the period amounted to a profit of \$290,961 (2018: \$775,771). Dividend movements in the year can be seen as part of the Statement of Changes in Equity on page 14.

#### **STRATEGIC REPORT**

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 the company has chosen to set out in the company's strategic report the information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

#### **FINANCIAL INSTRUMENTS**

Details of the Group's financial risk management objectives and policies are included in note 20 to the accounts.

#### **DIRECTORS**

The directors who served the company during the period were as follows:

C. Target  
J. Target

#### **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Parent Company financial statements in accordance with those International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**HIGHLAND PRODUCTS LIMITED**

**THE DIRECTORS' REPORT**

**YEAR ENDED 31 DECEMBER 2019**

**AUDITORS**

Taylorcocks Thames Valley LLP were appointed to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

**STATEMENT OF DISCLOSURE TO AUDITOR**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Group and Company's auditor is unaware. Additionally the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Signed on behalf of the directors



**C. TARGET**

Director

Approved by the directors on ..... 27 July 2020 .....

## **HIGHLAND PRODUCTS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGHLAND PRODUCTS LIMITED**

**YEAR ENDED 31 DECEMBER 2019**

#### **Opinion**

We have audited the financial statements of Highland Products Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated and Parent Balance Sheet, the Consolidated and Parent Statement of Changes in Equity, the Consolidated Statement of Cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the group and parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, 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.

## **HIGHLAND PRODUCTS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGHLAND PRODUCTS LIMITED**

**YEAR ENDED 31 DECEMBER 2019**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and director's report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the director's report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

#### **Responsibilities of director**

As explained more fully in the Director's Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director 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 the director either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 (UK) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**HIGHLAND PRODUCTS LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGHLAND PRODUCTS LIMITED**

**YEAR ENDED 31 DECEMBER 2019**

**Use of Our Report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Michelle Hewitt-Dutton FCCA (Senior Statutory Auditor)**

**For and on behalf of Taylorcocks Thames Valley LLP  
Statutory Auditor**

Date: 03 August 2020

Office: Henley-On-Thames

**HIGHLAND PRODUCTS LIMITED**  
**(REGISTERED NUMBER SC268784)**  
**CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME**

**YEAR ENDED 31 DECEMBER 2019**

	Note	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
<b>Continuing operations</b>			
Revenue	2	63,327,517	60,390,064
Cost of sales		(54,564,292)	(50,809,660)
<b>Gross profit</b>		<b>8,763,225</b>	<b>9,580,404</b>
Distribution costs		(2,437,484)	(2,680,209)
Administrative expenses		(4,717,420)	(5,744,761)
(Losses)/gains from unlisted investments		(510,689)	7,035
<b>Operating profit from continuing operations</b>	3	<b>1,097,632</b>	<b>1,162,469</b>
Finance income		21,963	11,266
Finance costs	6	(594,098)	(209,399)
Other income		308,054	41,506
<b>Profit on continuing activities before taxation</b>		<b>833,551</b>	<b>1,005,842</b>
Tax expense	7	(542,590)	(230,071)
<b>Profit for the period</b>		<b>290,961</b>	<b>775,771</b>
<b>Other comprehensive income</b>			
Foreign exchange differences on translation to presentational currency		(109,050)	(202,931)
Cash flow hedges: fair value		37,677	399,899
Taxation on other comprehensive income		(13,187)	(139,964)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>206,401</b>	<b>832,775</b>
<b>Profit attributable to:</b>			
Owners of the parent		100,063	686,358
Non-controlling interest		190,898	89,413
<b>Total profit for the period</b>		<b>290,961</b>	<b>775,771</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		15,503	743,362
Non-controlling interest		190,898	89,413
<b>Total comprehensive income</b>		<b>206,401</b>	<b>832,775</b>

All of the activities of the Group are classed as continuing.

The notes on pages 17 to 39 form part of these financial statements.

**HIGHLAND PRODUCTS LIMITED**  
**(REGISTERED NUMBER SC268784)**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**YEAR ENDED 31 DECEMBER 2019**

		As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	8	219,201	99,119
Property, plant and equipment	9	18,108,614	12,393,475
Goodwill	10	537,900	497,556
Investments	11	—	1,063,151
Investments in associates	12	73,804	9,643
Deferred tax assets	7	45,067	—
		<u>18,984,586</u>	<u>14,062,944</u>
<b>Current assets</b>			
Inventories	13	2,414,771	2,136,033
Trade and other receivables	14	9,049,022	9,188,600
Other financial assets	15	392,548	354,871
Cash and cash equivalents		7,815,464	5,017,504
		<u>19,671,805</u>	<u>16,697,008</u>
<b>Total assets</b>		<u>38,656,391</u>	<u>30,759,952</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	(6,143,481)	(5,392,346)
Amounts owed to group undertakings	16	(12,623,163)	(12,957,110)
<b>Total current liabilities</b>		<u>(18,766,644)</u>	<u>(18,349,456)</u>
<b>Non current liabilities</b>			
Other financial liabilities	16	(9,019,902)	—
<b>Total non-current liabilities</b>		<u>(9,019,902)</u>	<u>—</u>
<b>Total liabilities</b>		<u>(27,786,546)</u>	<u>(18,349,456)</u>
<b>NET ASSETS</b>		<u>10,869,845</u>	<u>12,410,496</u>

The notes on pages 17 to 39 form part of these financial statements.

**HIGHLAND PRODUCTS LIMITED**  
**(REGISTERED NUMBER SC268784)**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**YEAR ENDED 31 DECEMBER 2019**

	As at 31 Dec 2019	As at 31 Dec 2018
Note	\$	\$
<b>EQUITY</b>		
Called up share capital	3,768,488	3,768,488
Merger reserve	2,813,745	2,813,745
Translation reserve	(133,192)	(24,142)
Cash flow hedging reserve	239,397	214,907
Retained earnings	3,081,413	4,728,402
	<u>9,769,851</u>	<u>11,501,400</u>
 Non-controlling interest		
	<u>1,099,994</u>	<u>909,096</u>
 <b>Total equity</b>	<u><b>10,869,845</b></u>	<u><b>12,410,496</b></u>

These financial statements were approved by the directors and authorised for issue on 27 Jul 2020, and are signed on their behalf by:



.....  
**C. TARGET**  
 Director

The notes on pages 17 to 39 form part of these financial statements.

HIGHLAND PRODUCTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Called up share capital \$	Cash flow hedging reserve \$	Translation reserve \$	Retained earnings \$	Merger reserve \$	Attributable to owners of the parent \$	Non – controlling interest \$	Total equity \$
At 1 January 2018	3,768,488	(45,028)	178,789	4,042,044	2,813,745	10,758,038	819,683	11,577,721
Profit for the year	–	–	–	686,358	–	686,358	89,413	775,771
Foreign exchange	–	–	(202,931)	–	–	(202,931)	–	(202,931)
Cash flow hedges: fair value	–	399,899	–	–	–	399,899	–	399,899
Deferred taxation on forward contracts	–	(139,964)	–	–	–	(139,964)	–	(139,964)
Total comprehensive income for the year	–	259,935	(202,931)	686,358	–	743,362	89,413	832,775
At 31 December 2018	3,768,488	214,907	(24,142)	4,728,402	2,813,745	11,501,400	909,096	12,410,496
Profit for the year	–	–	–	100,063	–	100,063	190,898	290,961
Foreign exchange	–	–	(109,050)	–	–	(109,050)	–	(109,050)
Cash flow hedges: fair value	–	37,677	–	–	–	37,677	–	37,677
Deferred taxation on forward contracts	–	(13,187)	–	–	–	(13,187)	–	(13,187)
Dividends	–	–	–	(1,747,052)	–	(1,747,052)	–	(1,747,052)
Total comprehensive income for the year	–	24,490	(109,050)	(1,646,989)	–	(1,731,549)	190,898	(1,540,651)
At 31 December 2019	3,768,488	239,397	(133,192)	3,081,413	2,813,745	9,769,851	1,099,994	10,869,845

A dividend of \$1,747,052 (\$0.75 per share) was declared by the group parent company during the year.

The notes on pages 17 to 39 form part of these financial statements.

**HIGHLAND PRODUCTS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOW**

**YEAR ENDED 31 DECEMBER 2019**

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
<b>Operating activities</b>		
Profit before tax	833,551	1,005,842
Depreciation of property, plant and equipment	856,934	614,648
Amortisation of intangibles	31,200	24,351
Financial income	(21,963)	(11,266)
Financial expenses	594,098	209,399
Loss/(profit) on associates	510,689	(7,035)
<b>Net cash flow from operating activities</b>	<b>2,804,509</b>	<b>1,835,939</b>
(Increase)/Decrease in inventories	(278,738)	(665,873)
Decrease in trade and other receivables	101,901	18,674
(Decrease)/increase in trade and other payables	(183,018)	4,103,611
Net loss arising on financial liabilities designated as at fair value through the profit or loss	37,677	399,899
<b>Cash generated from operations</b>	<b>2,482,331</b>	<b>5,692,250</b>
Interest paid	(594,098)	(209,399)
Tax paid	(122,300)	(18,035)
<b>Net cash flows from operating activities</b>	<b>1,765,933</b>	<b>5,464,816</b>
<b>Investing activities</b>		
Purchase of tangible fixed assets	(2,487,136)	(5,167,017)
Purchase of intangible fixed assets	(191,263)	(8,640)
Purchase of investments	(143,200)	-
Disposal of fixed assets	626,669	11,432
Interest received	21,963	11,266
<b>Net cash flow from investing activities</b>	<b>(2,172,967)</b>	<b>(5,152,959)</b>
<b>Financing activities</b>		
Dividends paid	(1,747,052)	-
Loans received	4,930,026	-
Finance lease payment	(54,379)	-
<b>Net cash flow from financing activities</b>	<b>3,128,595</b>	<b>(5,152,959)</b>
<b>Increase in cash and cash equivalents</b>	<b>2,721,561</b>	<b>311,857</b>
Cash and cash equivalents at the beginning of the period	5,017,504	4,529,045
Foreign exchange gains and losses	76,399	176,602
<b>Cash and cash equivalents at the end of the period</b>	<b>7,815,464</b>	<b>5,017,504</b>
<b>CASH AND CASH EQUIVALENTS</b>		

**HIGHLAND PRODUCTS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOW**

**YEAR ENDED 31 DECEMBER 2019**

<b>Year ended 31 Dec 2019 \$</b>	<b>Year ended 31 Dec 2018 \$</b>
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For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

Cash at bank and in hand	<u>7,815,464</u>	<u>5,017,504</u>
Cash and cash equivalents	<u><u>7,815,464</u></u>	<u><u>5,017,504</u></u>

The notes on pages 17 to 39 form part of the consolidated financial statements

## HIGHLAND PRODUCTS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

#### 1. ACCOUNTING POLICIES

##### General information

Highland Products Limited (the Company) is a limited company incorporated in Scotland. Its parent company is Hasfarm Holdings Limited, the voting shares of Hasfarm Holdings Limited are held by Agravina Limited and Flora Pacific Limited, which are incorporated in the British Virgin Islands and Grand Turks and Caicos Islands, respectively. The directors of the Company consider Agravina Limited to be the ultimate controlling party, by virtue of its majority shareholding in Hasfarm Holdings Limited. The address of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described in note C.

##### Statement of compliance with IFRS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board (IASB) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2019 and applied in accordance with the Companies Act 2006.

##### Basis of preparation

The basis of preparation and accounting policies set out in this Report and Accounts have been prepared in accordance with the recognition and measurement criteria of IFRS, which also include International Accounting Standards (IAS's), as issued by the IASB and with those of the Standing Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The consolidated financial statements are presented in US Dollars. The functional currency of the parent is Pounds Sterling.

The preparation of financial statements, in compliance with adopted IFRS, requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed on page 19.

The consolidated financial statements have been prepared on a historical cost basis.

##### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of the entities controlled by the Company, its subsidiaries (together 'the Group') as at 31 December 2019.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

##### Merger accounting basis

The Company acquired the Greenwings NL BV from a fellow subsidiary of the holding company Hasfarm Holdings Limited (previously Agripacific Holdings Limited), on 31 December 2015. There is no change to the ultimate ownership of the Greenwings NL BV, and therefore in accordance with IFRS 3, this is a group reconstruction and should therefore be accounted for, in accordance with merger accounting, under IAS 8, as opposed to a business combination under IFRS 3. The following accounting treatments were applied in respect of the merger:

## HIGHLAND PRODUCTS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

#### 1. ACCOUNTING POLICIES

- The assets and liabilities of the subsidiaries within the Greenwings NL BV group were and continue to be recognised and measured in the Consolidated Financial Statements at their pre-combination carrying amounts, without restatement to fair value.
- The income, expenditure and cash flows of the subsidiaries merged are included within the Consolidated Financial Statements as if the entities had always been part of the group.
- The equity structure appearing in the Consolidated Financial Statements reflected and continues to reflect the equity structure of the legal parent, Highland Products Limited.

##### *Purchase accounting basis*

Kunming Hasfarm Flowers Ltd, a subsidiary of Highland Products Limited, acquired a controlling interest in Kunming Verdoon Horticulture Co. Ltd in July 2015. Kunming Verdoon Horticulture Co. Ltd has been included in the group financial statements using the purchase method of accounting. Accordingly, the group statement of comprehensive income and group statement of cash flows include the results and cash flows of Kunming Verdoon Horticulture Co. for the period from its acquisition.

The cost of acquisition was measured as the fair value of the assets acquired, equity instruments issued and liabilities acquired or assumed at the date of exchange, plus certain costs directly attributable to the acquisition. Inter-group transactions, balances and unrealised gains on transactions between Group companies were eliminated.

##### *Accounting policies*

The principle accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019. These policies have been consistently applied to all periods presented unless otherwise stated.

##### *Going concern*

These financial statements are prepared on the going concern basis. The directors have a reasonable expectation that the group will continue in operational existence for the foreseeable future.

The directors of the company have carefully considered the funding requirements of the group for the foreseeable future. The directors' assessment suggests there will be an increase in the trading activity for the Highland Products group over the next twelve months.

The ultimate parent has committed to support the group, in order for it to meet its creditors as they fall due, and will not request repayment of intercompany balances for the foreseeable future.

The directors are confident that the group has adequate resources to continue operating for the foreseeable future and accordingly they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Should the assumptions referred to above prove to be invalid, the going concern basis may also be invalid and, accordingly, adjustments may have to be made to the value of assets to their realisable amounts, to provide for any further liabilities which might arise and to reclassify all fixed assets as current assets.

## 1. ACCOUNTING POLICIES

## Application of new and revised International Financial Reporting Standards (IFRSs)

In the current year, the group has applied a number of amendments to IFRSs and a new interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

Specifically, the group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. The impact of the adoption of IFRS 16 on the group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the group is 1 January 2019. The group has applied IFRS 16 using the cumulative catch-up approach which:

- Does not permit restatement of comparatives, which continue to be presented under IAS 17;

- The group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

IFRS 16 changes how the group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases the group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16.
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

The group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17:

- The group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES

New and revised IFRSs in issue but not yet effective

	Effective date for annual periods beginning on or after
• IFRS 3 (Amendments) Definition of a business	1 January 2020
• IAS1 and IAS 8 (Amendments) Definition of a material	1 January 2020
• IAS 28 (Amendments) Long-term Interests in Associates and Joint Ventures	1 January 2020
• Conceptual framework in IFRS standards	1 January 2020

The application of such IFRS's has been considered, but are not considered to have a significant effect on the group's accounting policies or financial statements.

Significant judgements and estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. However, the nature of estimation means that actual outcomes could differ from those estimates. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Details regarding judgements which have the most significant effect on the amounts recognised in the financial statements are as follows:

(a) **Impairment of non-financial assets**

When the recoverable amount of an asset, being the higher of its net selling price and its value in use, is less than its carrying amount, then the carrying amount is reduced to its recoverable value. This reduction is reported in the income statement as an impairment loss. Value in use is calculated using estimated cash flows, generally over a five-year period. These are discounted using an appropriate long-term pre-tax interest rate. When an impairment arises, the useful life of the asset in question is reviewed and, if necessary, the future depreciation/amortisation charge is accelerated.

(b) **Deferred tax assets**

A deferred tax asset arises within the Japanese subsidiary, Greenwings Japan K.K. on the timing difference on the accounting treatment of the forward foreign exchange contracts, between the fair value of these contracts at 31 December 2019 and the future tax relief to be obtained on once the commitment has been met. The asset is being recognised as the directors are confident that the resulting tax relief will become available in the foreseeable future. The asset has been discounted to reflect the level of remaining uncertainty over the eventual recoverability.

(c) **Fair Value of forward contracts**

Greenwings Japan K.K have entered into forward exchange contracts to hedge the trading impact between the US Dollar and the Japanese Yen. The contracts are in place for a period of between one and three years, and are of significant value to the group. In line with IAS 39, the forward foreign exchange contracts are entered into the group financial statements at fair value, based on the year end trading rates.

## **HIGHLAND PRODUCTS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

#### **1. ACCOUNTING POLICIES**

##### **Foreign currency translation**

In preparing the financial statements of each individual group entity, transactions in currencies other than the entities functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at dates of the transactions are used. Exchange differences arising, are recognised in other comprehensive income and accumulated in equity.

##### **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is not recognised until the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Turnover from services provided is recognised upon performance of the services.

##### **Intangible assets**

Intangible assets with finite useful lives that are acquired separately at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

##### **Property, plant and equipment**

Property, plant and equipment are initially recorded at cost of purchase or construction and are depreciated on a straight-line basis, except for land, which is not depreciated. Estimated useful lives of major classes of depreciable assets are as follows:

**HIGHLAND PRODUCTS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

**1. ACCOUNTING POLICIES**

**Property, plant and equipment (continued)**

Land, buildings and structures	- 5, 10 and 20 years (freehold land is not depreciated)
Facilities	- 6 to 7 years
Machinery and equipment	- 5 to 8 years
Motor vehicles	- 3 to 7 years
Office equipment	- 5 to 6 years
Assets under construction	- no depreciation is charged until the asset comes into use

Repairs and maintenance costs are recognised as expenses as incurred. Borrowing costs are not capitalised.

As permitted by IFRS, property previously revalued before the transition date will be treated as deemed cost at the transition date.

**Inventories**

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value, as follows:

Raw materials, consumables and tools	- purchase cost on a first-in, first out basis
Biological assets and growing stock	- Biological assets are measured at fair value less estimated point-of-sale costs.

The realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal through the normal course of business.

An allowance is recorded for obsolescence.

**Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

**Leasing and hire purchase commitments**

Assets held under finance leases and hire purchase contracts are capitalised in the statement of financial position and depreciated over their expected useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight-line basis over the lease term.

## HIGHLAND PRODUCTS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

#### 1. ACCOUNTING POLICIES

##### Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except in respect of deferred income tax assets which are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

##### Research costs

Research costs are expensed as incurred.

##### Financial assets

###### Classification

The Group's financial assets comprise receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Groups receivables comprise Trade and other receivables and cash and cash equivalents at the year-end.

###### Recognition and measurement

Effective interest method: The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchasing or selling the asset. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

Loans and receivables are subsequently carried at amortised cost, using the effective interest method. Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the Income Statement within Other (Losses)/Gains in the period which they arise.

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES

*Impairment of financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

*Financial liabilities and equity instruments*

*Classification*

Debt and equity instruments issued by a group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

*Financial liabilities*

All loans and borrowings are initially recognised at fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost under the effective interest rate method.

*Provisions*

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**HIGHLAND PRODUCTS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2019****2. REVENUE**

The information is disclosed by operation, the Highlands Group is the investment arm, the Greenwings group is the distribution arm of the business and the Kunming group is the production arm.

An analysis of the Group's revenue for the period is as follows:

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
<b>Total revenue by destination</b>		
Japan	51,071,284	48,791,096
China	10,671,774	10,180,288
New Zealand	1,584,459	1,418,680
	<u>63,327,517</u>	<u>60,390,064</u>
<b>Total revenue by operations</b>		
Greenwings Group	52,419,552	50,209,776
Kunming Group	10,907,965	10,180,288
	<u>63,327,517</u>	<u>60,390,064</u>

All revenue arises from continuing operations in the years ended 31 December 2019 and 31 December 2018. Yunnan Group, is a newly created entity, set up as an investment vehicle during 2019, the company has not traded to date.

**HIGHLAND PRODUCTS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2019****3. OPERATING PROFIT**

Operating profit from continuing operations is stated after charging/(crediting):

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
Depreciation of owned intangible assets	31,200	24,351
Depreciation of owned fixed assets	814,098	614,648
Depreciation of leased fixed assets	42,836	-
Loss/(profit) on disposal of fixed assets	-	(5,507)
Auditor's remuneration		
- as auditor	25,300	24,500
Net (gain) on foreign currency translation	<u>(263,802)</u>	<u>297,470</u>

**4. STAFF COSTS**

The average number of staff employed by the Group during the financial period amounted to:

	Year ended 31 Dec 2019 No	Year ended 31 Dec 2018 No
Number of sales/import staff	530	600
Number of administrative staff	40	78
Number of management staff	42	13
	<u>612</u>	<u>691</u>

The aggregate payroll costs of the above were:

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
Wages and salaries	7,009,653	7,487,213
Social security costs	<u>57,724</u>	<u>89,958</u>
	<u>7,067,377</u>	<u>7,577,171</u>

**HIGHLAND PRODUCTS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2019****5. DIRECTORS' REMUNERATION**

The directors' aggregate remuneration in respect of qualifying services were:

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
Total remuneration	<u>-</u>	<u>-</u>

The Directors are remunerated from other entities within the Hasfarm Holdings group.

**6. FINANCE COSTS**

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
Interest payable on loans	378,521	188,622
Other similar charges payable	-	20,777
Obligations under finance leases	<u>215,577</u>	<u>-</u>
	<u>594,098</u>	<u>209,399</u>

As of 1 January 2019 IFRS 16 requires that for leases (where the asset is not insignificant and the term exceeds 12 months), the entity recognises a right-of-use asset and a liability. As such in 2019 the value of these commitments are contained within the balance sheet figures for creditors under finance leases. The finance costs associated with this liability are presented above.

**7. TAXATION ON ORDINARY ACTIVITIES****Income tax recognised in profit or loss**

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
<b>Current tax</b>		
In respect of the current year	622,734	239,124
In respect of prior years	-	-
<b>Deferred tax</b>		
In respect of the current year	<u>(80,144)</u>	<u>(9,053)</u>
	<u>542,590</u>	<u>230,071</u>

**HIGHLAND PRODUCTS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

**7. TAXATION ON ORDINARY ACTIVITIES** *(continued)*

**Reconciliation of the total tax charge**

The tax rate in the income statement for the period is higher than the standard rate of corporation tax in the UK of 19% (2018 – 19%). The differences are reconciled below:

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
Accounting profit before taxation	833,551	1,005,842
Accounting profit multiplied by the UK standard rate of corporation tax of 19.00% (2018 – 19%)	158,375	191,110
Effect of different tax rates of subsidiaries operating in other jurisdictions	384,215	38,961
Total tax charge	542,590	230,071

The majority of the Group's profit is derived from Japan where the local corporation tax rate is higher than the rate in the UK at 35% (2018: 35%).

**Deferred tax balances**

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
Other timing differences	45,067	(139,964)
	45,067	(139,964)

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

8. INTANGIBLE ASSETS

	Computer Software \$	Land use rights \$	Total \$
At 1 January 2018	260,977	34,868	295,845
Additions	8,640	—	8,640
Disposals	(3,948)	—	(3,948)
Exchange differences	4,559	(1,894)	2,665
At 31 December 2018	270,228	32,974	303,202
Additions	150,919	—	150,919
Disposals	—	—	—
Exchange differences	15,668	(498)	15,169
At 31 December 2019	436,815	32,475	469,290
DEPRECIATION			
At 1 January 2018	177,211	3,927	181,138
Charge for the year	23,460	891	24,351
On disposals	(3,948)	—	(3,948)
Exchange differences	2,755	(213)	2,542
At 31 December 2018	199,478	4,605	204,083
Charge for the year	30,322	878	31,200
On disposals	—	—	—
Exchange differences	14,876	(70)	14,806
At 31 December 2019	244,676	5,413	250,089
At 31 December 2019	192,139	27,062	219,201
At 31 December 2018	70,750	28,369	99,119
At 1 January 2018	83,766	30,941	114,707

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

9. PROPERTY, PLANT AND EQUIPMENT	Right of use asset buildings	Leasehold improvements \$	Buildings and structures \$	Plant and machinery \$	Motor vehicles \$	Office equipment \$	Assets under construction \$	Total \$
At 1st January 2018	—	216,296	8,849,512	1,144,454	345,400	294,404	135,980	10,986,046
Additions	—	—	74,454	60,391	—	51,961	4,980,211	5,167,017
Disposals	—	—	—	(37,212)	—	—	—	(37,212)
Transfer of assets	—	—	2,294,911	744,499	—	—	(3,039,410)	—
Exchange differences	—	4,739	(472,849)	3,549	(7,093)	1,861	(5,270)	(475,063)
At 31 December 2018	—	221,035	10,746,028	1,915,681	338,307	348,226	2,071,511	15,640,788
IFRS 16 transition	4,265,917	—	—	—	—	—	—	4,265,917
Additions	—	—	6,666	126,110	53,497	48,236	2,252,627	2,487,136
Disposals	—	(15,037)	—	—	(12,890)	(53,599)	—	(81,526)
Transfer of assets	—	—	1,865,754	2,223,468	—	53,875	(4,145,463)	(2,366)
Reclassification	—	—	172,655	(173,901)	1,246	—	—	—
Exchange differences	—	2,481	(162,232)	(22,174)	(686)	(9,720)	(31,339)	(223,670)
At 31 December 2019	4,265,917	208,479	12,628,871	4,069,184	379,474	387,018	147,336	22,086,279
DEPRECIATION								
At 1st January 2018	—	98,685	1,633,922	524,246	241,715	255,284	—	2,753,852
Charge for the year	—	16,476	432,513	106,057	35,617	23,985	—	614,648
Disposals	—	—	—	(25,780)	—	—	—	(25,780)
Exchange differences	—	2,163	(86,555)	(2,242)	(5,561)	(3,212)	—	(95,407)
At 31 December 2018	—	117,324	1,979,880	602,281	271,771	276,057	—	3,247,313
Charge for the year	42,836	14,006	574,896	152,566	37,945	34,685	—	856,934
Disposals	—	(13,332)	—	—	(12,890)	(53,599)	—	(79,821)
Reclassification	—	—	49,984	(50,558)	574	(8,903)	—	(8,903)
Exchange differences	—	1,316	(29,887)	(6,346)	(745)	(2,196)	—	(37,858)
At 31 December 2019	42,836	119,314	2,574,873	697,943	296,655	246,044	—	3,977,665

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

NET BOOK VALUE

At 31 December 2019	<u>4,223,081</u>	<u>89,165</u>	<u>10,053,998</u>	<u>3,371,241</u>	<u>82,819</u>	<u>140,973</u>	<u>147,336</u>	<u>18,108,614</u>
At 31 December 2018	<u>—</u>	<u>103,711</u>	<u>8,766,148</u>	<u>1,313,400</u>	<u>66,536</u>	<u>72,169</u>	<u>2,071,511</u>	<u>12,393,475</u>
At 1 January 2018	<u>—</u>	<u>117,611</u>	<u>7,215,590</u>	<u>620,208</u>	<u>103,685</u>	<u>39,120</u>	<u>135,980</u>	<u>8,232,194</u>

Application of IFRS 16 has resulted in the Group's recognition of right-of-use assets and corresponding liabilities in respect of the Group's lease arrangements. In the current financial year this has had the effect of increasing both fixed assets and liabilities by \$4,223,081. If IFRS 16 had been adopted by the Group as at 31 December 2018, both the comparative fixed assets and liabilities in the Group's consolidated financial statements would have been increased by \$4,265,917.

# HIGHLAND PRODUCTS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

### 10. GOODWILL

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
<b>COST:</b>		
At 1 January 2017 and 31 December 2018	497,556	497,556
Additions	40,344	—
Disposal	—	—
<b>NET BOOK VALUE At 31 December 2019</b>	<b>537,900</b>	<b>497,556</b>

See note 12 for details of the goodwill brought forward this year. The \$40,344 arising during the 2019 year relates 60,000 NZD that Greenwings New Zealand paid for the customer book of Flowerzone.

The goodwill has been assessed for impairment at the year-end. In the opinion of the directors, no impairment is required.

### 11. FIXED ASSET INVESTMENTS

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
<b>COST</b>		
At 1 January 2017 and 31 December 2018	1,063,151	1,063,151
Additions	—	—
Disposal	(1,063,151)	—
<b>NET BOOK VALUE At 31 December 2019</b>	<b>—</b>	<b>1,063,151</b>

On 6 May 2019 there was a disposal of the 16.34% interest held in Floritec Holdings Limited, a company registered in the Netherlands that trades in flowers, for \$755,112. Unlisted investments are recorded at cost.

### 12. INVESTMENT IN ASSOCIATE

	Net Assets of associate \$	Percentage owned	As at 31 Dec 2019 \$
Color Life Joint Stock	(346,980)	20%	(69,396)
Fleura Metz	286,400	50%	143,200
			<b>73,804</b>

On 6 October 2017, Greenwings Japan NL BV, acquired a 20% interest in Color Life Joint Stock Company, a company registered in Vietnam for \$500,164. The net liabilities of the company at 31 December 2019 totalled \$346,980 (2018: assets \$48,217).

On 18 March 2019, Kunming Hasfarm, a subsidiary, entered into a joint venture agreement with FleuraMetz B.V, to conduct its business under the name Kunming Hasfarm FleuraMetz Flowers Limited. This entity is not controlled by Kunming Hasfarm.

**HIGHLAND PRODUCTS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

**12. INVESTMENT IN ASSOCIATE (CONTINUED)**

		On acquisition \$
Color Life Joint Stock		
Amount paid		500,164
Fair Value on date of acquisition:		
Non-current assets	19,560	
Current assets	358,598	
Current Liabilities	(365,118)	
Equity	13,040	
20% acquired		(2,608)
Goodwill on acquisition		<u>497,556</u>

**13. INVENTORIES**

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
Raw materials, consumables and tools	1,634,758	1,196,146
Biological assets and growing stock	780,013	939,887
	<u>2,414,771</u>	<u>2,136,033</u>

**14. TRADE AND OTHER RECEIVABLES**

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
Amounts falling due within one year		
Trade receivables	8,266,889	8,377,312
Prepayments and accrued income	536,079	489,004
Other debtors	246,054	322,284
Corporation tax	-	-
	<u>9,049,022</u>	<u>9,188,600</u>

Trade receivables are non-interest bearing and are generally between 30 and 60 days' terms and are shown net of any provisions for impairment. At 31 December 2019, no material impairment of trade receivables was required.

Due to the nature and number of the Group's customers, it is not practical to analyse the credit quality of trade receivables that are neither past due nor impaired. Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. Customers are assessed for financial reliability using external rating agencies.

# HIGHLAND PRODUCTS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

### 15. OTHER FINANCIAL ASSETS AND LIABILITIES

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
<b>Derivatives that are designated and effective as hedging instruments carried at fair value</b>		
Fair value of foreign currency forward contracts	392,548	354,871
	<u>392,548</u>	<u>354,871</u>

To reduce the fair value risk of changing exchange rates, the Group has entered into forward foreign exchange contracts, to hedge the risk it faces from the fluctuations between the US dollar and the Japanese Yen.

At the year-end, Greenwings Japan K.K was committed to purchasing \$12,173,000 (2018 - \$11,888,000) over a period of three years. The fair value gain has been included in the financial statements as a forward exchange reserve.

### 16. TRADE AND OTHER PAYABLES

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
<b>Amounts falling due within one year</b>		
Trade payables	2,652,622	2,439,272
Amounts owed to parent undertakings	12,623,163	12,957,110
Corporation tax	511,872	33,328
PAYE, social security and VAT	76,941	118,857
Other creditors	1,840,632	1,809,647
Accruals and deferred income	939,752	991,332
Other financial liabilities (finance leases) note 18	101,105	—
Other financial liabilities (borrowings) note 17	20,557	—
	<u>18,766,644</u>	<u>18,349,456</u>
<b>Amounts falling due more than one year</b>		
Other financial liabilities (finance leases) note 18	4,110,433	—
Other financial liabilities (borrowings) note 17	4,909,469	—
	<u>9,019,902</u>	<u>—</u>

As of 1 January 2019 IFRS 16 requires that for leases (where the asset is not insignificant and the term exceeds 12 months), the entity recognises a right-of-use asset and a liability. As such in 2019 the value of these commitments are contained within the balance sheet figures for creditors (finance leases due in less than and more than one year).

# HIGHLAND PRODUCTS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

### 17. SECURED DEBTS

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
Other financial liabilities (finance leases) note 18	4,211,538	—
Other financial liabilities (borrowings)	4,930,026	—
	<u>9,141,564</u>	<u>—</u>

The finance leases are secured over the properties to which the leases relate.

The bank borrowings are guaranteed by Agripacific Holdings Limited and Greenwings Japan KK. Interest is payable every 6 months and the principal is due for repayment on 15 June 2025.

As at 31 December 2019, the weighted average interest rate is 6.73% per annum.

### 18. FINANCE LEASES

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
Due in one year	101,105	—
Due in 2-5 years	510,620	—
Other financial liabilities (borrowings)	3,599,813	—
	<u>4,211,538</u>	<u>—</u>

### 19. COMMITMENTS UNDER OPERATING LEASES

Future minimum rentals payable under non-cancellable operating leases are as follows:

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
Not later than one year	—	235,617
After 2 years but not more than 5 years	—	552,910
After 5 years	—	717,068
		<u>1,505,595</u>

In 2018 the major part of these commitments related to operating leases in respect of land and buildings. As of 1 January 2019 IFRS 16 requires that for leases (where the asset is not insignificant and the term exceeds 12 months), the entity recognises a right-of-use asset and a liability. As such in 2019 the value of these commitments are contained within the balance sheet figures for fixed assets and creditors.

## **HIGHLAND PRODUCTS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

#### **20. FINANCIAL INSTRUMENTS**

The group uses financial instruments, other than derivatives, comprising cash, short-term borrowings, trade creditors and trade debtors, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risk arising from the Group's financial instruments is foreign currency risk. The Group has no material third party financial liabilities, with the ultimate parent undertaking providing the group with the financing it needs, on flexible terms. It is the Group's policy to minimise the cost of borrowings whilst retaining the flexibility of funding opportunities. This policy remained unchanged from prior periods. The structure of borrowings is kept under review and a minimum risk approach has been adopted.

##### **Foreign currency risk**

The Group undertakes transactions denominated in foreign currencies, consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

At 31 December 2019 the Group had commitments under forward foreign exchange contracts to purchase US Dollars totalling \$12,173,000 (2018 - \$11,888,000).

##### **Credit risk**

Credit risk mainly arises from cash at bank, Accounts receivable and other receivables.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on accounts receivable and other receivables. The Group assesses the credit risk and sets credit limits accordingly. The credit history of customers is regularly monitored by the Group.

##### **Liquidity risk**

Cash flow forecasting is completed by the Group's finance department. The Group's finance department monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash, to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

##### **Fair values of financial assets and liabilities**

The fair value of financial assets and liabilities are valued using a fair value hierarchy in accordance with IFRS 7.

##### **Capital management**

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

**HIGHLAND PRODUCTS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2019****21. RELATED PARTY TRANSACTIONS****Parent entity**

Highland Products Limited is a wholly owned subsidiary of Hasfarm Holdings Limited a company incorporated in the British Virgin Islands.

**Compensation of key management personnel**

The compensation of the Directors is disclosed in note 5 above.

**Entities with control over the group and company**

The company and its subsidiaries are part of a larger group headed by Hasfarm Holdings Limited a company incorporated in The British Virgin Islands. During the period, the Group entered into the following transactions with other members of the group headed by Hasfarm Holdings Limited:

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
Aggregate purchases from	31,821,555	29,687,736
Aggregate sales	-	1,195,797

All of the above transactions were undertaken on normal commercial terms.

At the statement of financial position date, the group had the following balances with other members of the group headed by Hasfarm Holdings Limited;

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
Balances included in current liabilities	(12,623,163)	(12,957,110)

All of the above balances arose through the course of trading. None of the balances are secured.

**22. SHARE CAPITAL**

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
<b>Allotted, called up and fully paid</b>		
2,314,413 (2018 – 2,314,413) Ordinary shares of £1 each	3,768,488	3,768,488

**HIGHLAND PRODUCTS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2019****23. SUBSIDIARIES**

This Highland Products Limited group consists of the below subsidiary undertakings; all of which are included within the consolidated financial statements.

Name of subsidiary	Principal activities	Place of incorporation	Proportion of ownership interest and voting power held by the Company	
			2019	2018
<b>Kunming group</b>				
Kunming Hasfarm Flowers Limited	Produce flowers for direct and trade sale	China	100%	100%
Kunming Hasfarm Young Plants Limited	Grow young plants for sales	China	51%	51%
<b>Greenwings group</b>				
Blooming Investments B.V.	Investment holding	Netherlands	100%	100%
Greenwings NL B.V.	Investment holding	Netherlands	100%	100%
Greenwings Shanghai Trading Company Limited	Sale of trade flowers	China	100%	100%
Greenwings New Zealand	Sale of trade flowers	New Zealand	75%	75%
Greenwings Japan K.K.	Sale of trade flowers	Japan	100%	100%
<b>Yunnan group</b>				
Yunnan Hasfarm Flowers Limited	Holding company	China	100%	100%

**Greenwings group**

The Greenwings group of companies was acquired by Highland Products Limited on its acquisition of Greenwings NL B.V. on the 31 December 2015. The acquisition was by means of a business combination, whereby Hasfarm Holdings Limited (previously Agripacific Holdings Limited) transferred its interest in Greenwings NL B.V. to Highland Products Limited, in exchange for intercompany debt of EUR 2,300,000 (USD 2,505,620).

There was no change in the ultimate ownership of the Greenwings group and therefore the transaction has been accounted for on a merger accounting basis, with the consolidated accounts reflecting the transactions, balances and cash flows of the Greenwings group of companies as if they had always been part of the Group. Hence no goodwill is recognised within these consolidated financial statements.

**Yunnan Group**

Yunnan Hasfarm Flowers was set up as a Wholly Foreign Owned Enterprise in September 2017, the company did not commence trading until 2018.

**24. ULTIMATE PARENT COMPANY**

The company's holding company is Hasfarm Holdings Limited (previously known as Agripacific Holdings Limited, until 27 March 2018). The consolidated accounts of Highland Products Limited are those of the smallest group of which the company is a member and for which group accounts are prepared.

The voting shares of Hasfarm Holdings Limited are held by Agravina Limited and Flora Pacific Limited, which are incorporated in the British Virgin Islands and Grand Turks and Caicos Islands, respectively. The directors of the Company consider Agravina Limited to be the ultimate controlling party, by virtue of its majority shareholding in Hasfarm Holdings Limited.

**HIGHLAND PRODUCTS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

**25. POST BALANCE SHEET EVENTS**

At the date of the approval of these financial statements the COVID-19 pandemic is ongoing and is having a significant detrimental impact on the social and financial economies of the world.

Measures taken by various governments to contain the virus have affected economic activity in the different countries in which the Group operates. The Group has taken a number of measures to monitor and prevent the impact of the COVID-19 virus such as safety and health measures for the employees and securing the supply of materials that are essential to the continuation of the group. There will be an impact on the 2020 financial results, however the base case scenario is still that the group EBIT will remain positive. The Group is supported by its parent and as such, does not foresee any issues in terms of access to liquidity nor business continuity.

The directors therefore have a reasonable expectation that the company has adequate resources to contend with the uncertainties that may arise as a result of local and national strategies for tackling the COVID-19 pandemic, and to continue in operational existence for the foreseeable future.

## **HIGHLAND PRODUCTS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGHLAND PRODUCTS LIMITED**

**YEAR ENDED 31 DECEMBER 2019**

#### **Opinion**

We have audited the financial statements of Highland Products Limited (the 'parent company') for the year ended 31 December 2019, which comprise the Parent Statement of Financial Position, the Parent Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Standard 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2019 and of the profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard; and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, 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.

## **HIGHLAND PRODUCTS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGHLAND PRODUCTS LIMITED**

**YEAR ENDED 31 DECEMBER 2019**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit :

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and director's report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the director's report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

#### **Responsibilities of directors**

As explained more fully in the Director's Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the company'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 the director either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 (UK) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> . This description forms part of our auditor's report.

#### **Other Matters**

We have reported separately on the group financial statements of Highland Products Limited for the year ended 31 December 2019.

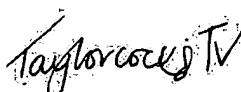
HIGHLAND PRODUCTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGHLAND PRODUCTS LIMITED

YEAR ENDED 31 DECEMBER 2019

**Use of Our Report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Michelle Hewitt-Dutton FCCA (Senior Statutory Auditor)

For and on behalf of Taylorcocks Thames Valley LLP

Statutory Auditor

Date: 03 August 2020

Office: Henley-On-Thames

**HIGHLAND PRODUCTS LIMITED**  
**(REGISTERED NUMBER SC268784)**  
**PARENT COMPANY STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2019**

	Note	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
<b>ASSETS</b>			
Fixed asset investments	C	7,432,498	7,432,498
		<u>7,432,498</u>	<u>7,432,498</u>
<b>Current assets</b>			
Amounts due from group undertakings	D	2,379,102	1,871,871
Cash and cash equivalents		9,442	9,629
		<u>2,388,544</u>	<u>1,881,500</u>
<b>Total assets</b>		<u><b>9,821,042</b></u>	<u><b>9,313,998</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Amounts owed to group undertakings	E	7,587,561	7,070,263
Accruals	E	32,135	31,475
		<u>7,619,696</u>	<u>7,101,738</u>
<b>Total liabilities</b>		<u><b>7,619,696</b></u>	<u><b>7,101,738</b></u>
<b>NET ASSETS</b>		<u><b>2,201,346</b></u>	<u><b>2,212,260</b></u>
<b>EQUITY</b>			
Called up share capital	G	3,768,488	3,768,488
Foreign currency presentation reserve		(173,461)	(193,985)
Retained earnings		(1,393,681)	(1,362,243)
		<u>2,201,346</u>	<u>2,212,260</u>
<b>Total equity</b>		<u><b>2,201,346</b></u>	<u><b>2,212,260</b></u>

These financial statements were approved by the directors and authorised for issue on 27 Jul 20 and are signed on their behalf by:



**C. TARGET**  
Director

The notes on pages 45 to 50 form part of the Parent Company Financial Statements

**HIGHLAND PRODUCTS LIMITED**

**PARENT COMPANY STATEMENT OF CHANGES IN EQUITY**

**YEAR ENDED 31 DECEMBER 2019**

	Called up share capital \$	Foreign exchange presentation reserve \$	Retained earnings \$	Total equity \$
At 1 January 2018	3,768,488	(48,616)	(1,362,030)	2,357,842
Loss for the year	—	—	(213)	(213)
Other comprehensive income for the year	—	(145,369)	—	(145,369)
Total comprehensive income for the year	—	(145,369)	(213)	(145,582)
At 31 December 2018	<u>3,768,488</u>	<u>(193,985)</u>	<u>(1,362,243)</u>	<u>2,212,260</u>
Loss for the year	—	—	1,715,614	1,715,614
Dividend	—	—	(1,747,052)	(1,747,052)
Other comprehensive income for the year	—	20,524	—	20,524
Total comprehensive income for the year	—	20,524	(31,438)	10,914
At 31 December 2019	<u>3,768,488</u>	<u>(173,461)</u>	<u>(1,393,681)</u>	<u>2,201,346</u>

The notes on pages 45 to 50 form part of the Parent Company Financial Statements

**HIGHLAND PRODUCTS LIMITED**

**NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

**A. ACCOUNTING POLICIES**

**Statement of compliance with FRS 101**

These financial statements (the parent company financial statements) were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards.

The Company as permitted by Section 408 of the Companies Act 2006 presents no profit and loss account. The results of Highland Products Limited are included in the consolidated financial statements of Highland Products Limited, which are included on pages 11 to 39.

The accounting policies which follow set out those policies which apply in preparing the parent company financial statements for the year ended 31 December 2019. The parent company financial statements are presented in United States Dollars (USD).

**Basis of preparation**

The Company has transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice for all periods presented. Transition tables showing all material adjustments are disclosed in note J.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share Based Payments';
- The requirements of IFRS 7 'Financial Instruments: Disclosures';
- The requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement';
- The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 'Presentation of Financial Statements';
- The requirements of IAS 7 'Statement of Cash Flows';
- The requirements of paragraph 73(e) of IAS 16 'Property, Plant and Equipment';
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies';
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures';
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'.

**Going concern**

These financial statements are prepared on the going concern basis. The directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future. At the year-end, the company had net current liabilities of \$5,231,152 (2018: \$5,220,238).

The directors of the company have carefully considered the funding requirements of the company for the foreseeable future.

The ultimate parent has committed to support the company, in order for it to meet its creditors as they fall due, and will not request repayment of intercompany balances for the foreseeable future.

## HIGHLAND PRODUCTS LIMITED

### NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

#### A. ACCOUNTING POLICIES *(continued)*

The directors are confident that the ultimate parent company has adequate resources to continue operating for the foreseeable future and accordingly they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Should the assumptions referred to above prove to be invalid, the going concern basis may also be invalid and, accordingly, adjustments may have to be made to the value of assets to their realisable amounts, to provide for any further liabilities which might arise and to reclassify all fixed assets and long term liabilities as current assets and current liabilities respectively.

##### **Fixed asset investments**

In the parent company financial statements investments in subsidiaries are measured at cost less accumulated impairment.

##### **Property, plant and equipment**

Property, plant and equipment are initially recorded at cost of purchase or construction and are depreciated on a straight-line basis, except for land, which is not depreciated. Estimated useful lives of major classes of depreciable assets are as follows:

Buildings and structures	- 5, 10 and 20 years (freehold land is not depreciated)
Facilities	- 6 to 7 years
Machinery and equipment	- 5 to 8 years
Motor vehicles	- 3 to 7 years
Office equipment	- 5 to 6 years
Assets under construction	- no depreciation is charged until the asset comes into use.

Repairs and maintenance costs are recognised as expenses as incurred. Borrowing costs are not capitalised.

##### **Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

##### **Taxation**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except in respect of deferred income tax assets which are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

**HIGHLAND PRODUCTS LIMITED**

**NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

**A. ACCOUNTING POLICIES** *(continued)*

**Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**(a) Amounts owed to/from group undertakings**

Amounts owed to/from group undertakings are recognised at fair value, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

**(b) Share capital**

Ordinary shares are classified as equity.

**Foreign currency translation**

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. Differences arising on the translation of monetary assets and liabilities are taken to the income statement.

The company's functional currency is Sterling; however the financial statements are presented in US Dollars, being the functional currency of the Group. For the purpose of presenting these parent company financial statements, the assets and liabilities of the company are translated into US Dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at dates of the transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

**Significant judgements and estimates**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. However, the nature of estimation means that actual outcomes could differ from those estimates. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

There were no significant judgements and estimates applied in the preparation of the parent company financial statements, as the transactions are accounted for on the historic cost basis.

# HIGHLAND PRODUCTS LIMITED

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

### B. PROFIT FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit after tax was \$1,715,614 (2018 – loss after tax \$213).

No director's emoluments were paid through the parent company and there were no employees (2018: nil). The audit fee was paid through the trading subsidiaries and is disclosed in note 3.

### C. FIXED ASSET INVESTMENTS

	Investment in subsidiaries \$
<b>COST</b>	
At 1 January 2018	7,312,181
Additions	<u>1,200,000</u>
At 31 December 2018	8,512,181
At 31 December 2019	<u>8,512,181</u>
<b>IMPAIRMENT</b>	
At 1 January 2018 and 31 December 2018	<u>1,079,683</u>
At 31 December 2019	<u>1,079,683</u>
<b>NET BOOK VALUE</b>	
At 31 December 2019	<u>7,432,498</u>
At 31 December 2018	<u>7,432,498</u>
At 31 December 2017	<u>6,232,498</u>

The parent company's interest in Group's subsidiaries at the end of the reporting period are as follows:

Name of direct subsidiary	Principal activities	Place of incorporation	Proportion of ownership interest and voting power held by the Company	
			2019	2018
Greenwings NL B.V.	Investment holding	Netherlands	100%	100%
Kunming Hasfarm Flowers Limited	Produce flowers for direct and trade sale	China	100%	100%
Yunnan Hasfarm Flowers Limited	Holding company	China	100%	100%
<b>Indirect subsidiaries:</b>				
Blooming Investments B.V.	Investment holding	Netherlands	100%	100%
Greenwings Shanghai Trading Company Limited	Sale of trade flowers	China	100%	100%
Greenwings New Zealand Limited	Sale of trade flowers	New Zealand	75%	75%
Greenwings Japan K.K.	Sale of trade flowers	Japan	100%	100%
Kunming Hasfarm Young Plants Limited	Grow young plants for sales	China	51%	51%

All of the subsidiary undertakings are included within the consolidated financial statements of Highland Products Limited.

**HIGHLAND PRODUCTS LIMITED**

**NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

**D. CURRENT ASSETS**

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
<b>Current assets</b>		
Amounts owed from group undertakings	2,379,102	1,871,871
	<u>2,379,102</u>	<u>1,871,871</u>

**E. CURRENT LIABILITIES**

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
<b>Amounts falling due within one year</b>		
Amounts owed to group undertakings	7,587,561	7,070,263
Accruals	32,135	31,475
	<u>7,619,696</u>	<u>7,101,738</u>

**F. FINANCIAL ASSETS AND LIABILITIES**

Trade and other receivables, cash and cash equivalents, and trade and other payables are measured at amortised cost. Cash-settled share-based payment liabilities are stated at their fair value. The accounting policies applied are set out in note A. The carrying amounts of financial assets and liabilities as at 31 December 2019 are categorised as follows:

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
<b>Carrying value of financial assets and liabilities within the parent company balance sheet:</b>		
<b>Financial assets</b>		
Amounts owed from group undertakings	2,379,102	1,871,871
Financial assets at amortised cost	<u>2,379,102</u>	<u>1,871,871</u>
<b>Financial liabilities</b>		
Amounts owed to group undertakings	7,587,561	7,070,263
Financial liabilities at amortised cost	<u>7,587,561</u>	<u>7,070,263</u>

**HIGHLAND PRODUCTS LIMITED**

**NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2019**

**G. SHARE CAPITAL**

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
<b>Allotted, called up and fully paid</b>		
2,314,413 (2018 – 2,314,413) Ordinary shares of £1 each	<u>3,768,488</u>	<u>3,768,488</u>

**H. POST BALANCE SHEET EVENTS**

The impact of the COVID-19 pandemic and the Group's response to this is disclosed in the consolidated financial statements.

**I. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption under FRS101 from disclosing transactions with wholly owned group companies.