

COMPANY REGISTRATION NUMBER SC268784

HIGHLAND PRODUCTS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2017



taylorcocks

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

HIGHLAND PRODUCTS LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

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HIGHLAND PRODUCTS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

C. Target
J. Target

Registered office

22 Stafford Street
Edinburgh
Scotland
EH3 7BD

Auditor

taylorcocks
Chartered Accountants
& Statutory Auditor
Century House
Wargrave Road
Henley-on-Thames
RG9 2LT

HIGHLAND PRODUCTS LIMITED

GROUP STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2017

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 31 December 2017.

On 31 December 2015, Highland Products Limited entered into a group reconstruction with Agripacific Holdings Limited, whereby it took over direct ownership of the subgroup headed by Greenwings NL BV. The transaction has been accounted for as a merger within these financial statements, which therefore show the results, cash flows and balances of the subgroup headed by Greenwings NL BV as if they had always been part of Highland Products Limited.

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) increased its consolidated revenues by 3.1% in 2017 over 2016 to \$55.8 million. Total comprehensive income increased by 7.3% to \$1.2 million.

HPL brings together production interests in China and distribution and marketing interests primarily in Japan. HPL's revenues are dominated by the performance of Greenwings Japan KK (GWJ). US dollar revenue growth in Japan was lowered by a weakening of the Yen against the dollar of about 2.7%. So, while dollar revenues from GWJ increased by 4.4%, Yen revenues were up more, reflecting higher volumes of flowers shipped to Japan.

The GWJ business is subject to price and currency changes that the company does not control. Lower prices in 2017 from 2016 contributed to the lower profit result in Japan.

In China, we reorganised our distribution exiting the imported flower business. This resulted in the loss of some revenues on a business that was not generating profits, so revenues in China have declined while profits have been stable year on year.

HPL established a new subsidiary in China, Yunnan Hasfarm Flowers Limited, to invest in a new farm in Malong District, Yunnan Province, near the city of Qujing. The new farm has 70 hectares of land. Development of the farm will take several years with the first greenhouses due for completion in 2018.

Kunming Hasfarm continues to develop its distribution in China with a sales office in Beijing as well as a distribution centre in Shanghai.

HPL invested in 2017 in Color Life, a Vietnamese company, taking a 20% interest in return for \$500,000 invested in the equity of the company. Color Life primary business is selling bouquets online for delivery in Vietnam (mostly in Saigon). Color Life is growing its business rapidly but is not yet profitable.

HPL continues to hedge its foreign currency exposure. The company's revenues are mostly in Yen, while its principle costs are in US dollars. So profits are sensitive to changes in the Yen-dollar rate. The company does not primarily take a directional view on the FX rate, preferring simply to hedge its exposure by selling Yen revenues forward to cover a target percentage of its dollar costs. Under IFRS, the company's hedge portfolio is valued at market prices and taken to the profit and loss statement. This can affect current year profits while not having a cash effect on earnings where the positions have not been realised.

HIGHLAND PRODUCTS LIMITED

GROUP STRATEGIC REPORT

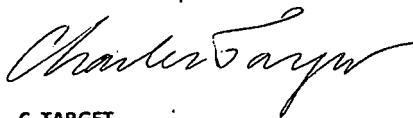
YEAR ENDED 31 DECEMBER 2017

HPL faces macroeconomic risk in Japan and China. Labour costs continue to rise in China and we face demographic challenges as our workforce ages. Cost pressures are increasing in Japan as well, where wage inflation is emerging particularly for new hires.

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. We have lost some land to a new road project but have been compensated and will use the funds to move our packing and cold storage facilities.
- Labour costs continue to rise in China with double-digit increases in the legal minimum wage continuing in 2016 and 2017. 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.
- 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. The cross rate strengthened from 18 JPY to the CNY at the start of 2016 to a low of 15 before weakening toward the end of the year. The movement was favourable to the group but we have obviously no control over it and the cross rate remains a key risk
- Competition in the cut flower market remains intense. New investment is being made in China to develop new farms, particularly of roses. We expect 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.



C. TARGET
Director

Approved by the directors on 17/09/18

HIGHLAND PRODUCTS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2017

The directors have pleasure in presenting their report and the financial statements of the group headed by Highland Products Limited and its subsidiaries (together 'the Group') for the period ended 31 December 2017.

RESULTS AND DIVIDENDS

The total recognised income and expense for the period amounted to a profit of \$1,535,793 (2016: \$1,969,754). The directors have not recommended a dividend.

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 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:

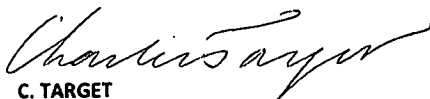
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

In so far as the directors are aware:

- there is no relevant audit information of which the Group and Company's auditor is unaware; and
- 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 17/09/18

HIGHLAND PRODUCTS LIMITED

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

YEAR ENDED 31 DECEMBER 2017

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 2017 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 Cashflows 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 2017 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 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 SHAREHOLDERS OF HIGHLAND PRODUCTS LIMITED

YEAR ENDED 31 DECEMBER 2017

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 SHAREHOLDERS OF HIGHLAND PRODUCTS LIMITED

YEAR ENDED 31 DECEMBER 2017

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

**Chartered Accountants
Statutory Auditor**

Date: 20-SEPT-2018
Office: Henley-On-Thames

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

YEAR ENDED 31 DECEMBER 2017

	Note	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
Continuing operations			
Revenue	2	55,806,247	54,122,235
Cost of sales		(46,874,135)	(42,936,485)
Gross profit		<u>8,932,112</u>	<u>11,185,750</u>
Distribution costs		(2,171,894)	(2,648,522)
Administrative expenses		(5,580,779)	(5,290,069)
Gains/(losses) from unlisted investments		(231,004)	16,517
Operating profit from continuing operations	3	<u>948,435</u>	<u>3,263,676</u>
Finance income		23,309	16,162
Finance costs	6	(186,695)	(70,344)
Other income		1,415,142	-
Profit on continuing activities before taxation		<u>2,200,191</u>	<u>3,209,494</u>
Tax expense	7	(664,398)	(1,239,740)
Profit for the period		<u>1,535,793</u>	<u>1,969,754</u>
Other comprehensive income			
Foreign exchange differences on translation to presentational currency		215,401	283,292
Cash flow hedges: fair value		(959,110)	(1,678,531)
Taxation on other comprehensive income		380,674	517,994
TOTAL COMPREHENSIVE INCOME		<u>1,172,758</u>	<u>1,092,509</u>
Profit attributable to:			
Owners of the parent		1,292,972	1,818,945
Non-controlling interest		242,821	150,809
Total comprehensive income		<u>1,535,793</u>	<u>1,969,754</u>
Total comprehensive income attributable to:			
Owners of the parent		929,937	941,700
Non-controlling interest		242,821	150,809
Total comprehensive income		<u>1,172,758</u>	<u>1,092,509</u>

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

The notes on pages 13 to 33 form part of these financial statements.

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

YEAR ENDED 31 DECEMBER 2017

		As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
	Note		
ASSETS			
Non-current assets			
Intangible assets	8	114,707	62,295
Property, plant and equipment	9	8,232,194	7,140,606
Goodwill	10	497,556	
Investments	11	1,063,151	514,153
Investments in associates	12	2,608	
Deferred tax assets	7	100,894	100,899
		<u>10,011,110</u>	<u>7,817,953</u>
Current assets			
Inventories	13	1,470,160	1,145,176
Trade and other receivables	14	9,780,013	7,789,109
Other financial assets	15	-	914,082
Cash and cash equivalents		4,529,045	5,390,229
		<u>15,779,218</u>	<u>15,238,596</u>
Total assets		25,790,328	23,056,549
LIABILITIES			
Current liabilities			
Trade and other payables	16	(5,098,102)	(6,363,195)
Amounts owed to group undertakings	16	(9,069,477)	(6,288,391)
Other financial liabilities	15	(45,028)	-
Total liabilities		(14,212,607)	(12,651,586)
NET ASSETS		11,577,721	10,404,963

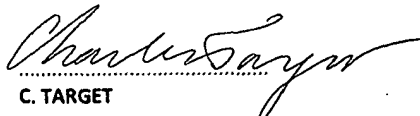
The notes on pages 13 to 33 form part of these financial statements.

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

YEAR ENDED 31 DECEMBER 2017

	Note	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
EQUITY			
Called up share capital		3,768,488	3,768,488
Merger reserve		2,813,745	2,813,745
Translation reserve		178,789	(36,612)
Cash flow hedging reserve		(45,028)	533,408
Retained earnings		4,042,044	2,749,072
		<u>10,758,038</u>	<u>9,828,101</u>
Non-controlling interest		819,683	576,862
Total equity		<u>11,577,721</u>	<u>10,404,963</u>

These financial statements were approved by the directors and authorised for issue on 17.09.18, and are signed on their behalf by:


C. TARGET

The notes on pages 13 to 33 form part of these financial statements.

HIGHLAND PRODUCTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	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 1st January 2016	3,768,488	1,693,945	(319,904)	930,127	2,813,745	8,886,401	426,053	9,312,454
Profit for the year	-	-	-	1,818,945	-	1,818,945	150,809	1,969,754
Foreign exchange	-	-	283,292	-	-	283,292	-	283,292
Cash flow hedges: fair value	-	(1,678,531)	-	-	-	(1,678,531)	-	(1,678,531)
Deferred taxation on forward contracts	-	517,994	-	-	-	517,994	-	517,994
Total comprehensive income for the year	-	(1,160,537)	283,292	1,818,945	-	941,700	150,809	1,092,509
At 31 December 2016	3,768,488	533,408	(36,612)	2,749,072	2,813,745	9,828,101	576,862	10,404,963
Profit for the year	-	-	-	1,292,972	-	1,292,972	242,821	1,535,793
Foreign exchange	-	-	215,401	-	-	215,401	-	215,401
Cash flow hedges: fair value	-	(959,110)	-	-	-	(959,110)	-	(959,110)
Deferred taxation on forward contracts	-	380,674	-	-	-	380,674	-	380,674
Total comprehensive income for the year	-	(578,436)	215,401	1,292,972	-	929,937	242,821	1,172,758
At 31 December 2017	3,768,488	(45,028)	178,789	4,042,044	2,813,745	10,758,038	819,683	11,577,721

The notes on pages 13 to 33 form part of these financial statements.

HIGHLAND PRODUCTS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOW

YEAR ENDED 31 DECEMBER 2017

	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$
Operating activities		
Profit before tax	2,200,191	3,209,494
Depreciation of property, plant and equipment	521,045	451,354
Amortisation of intangibles	21,284	38,553
(Profit) on disposal of fixed assets	496,838	(8,731)
Financial income	(186,695)	(16,162)
Financial expenses	23,309	70,344
Foreign exchange movement	(120,435)	621,395
Net cash flow from operating activities	2,955,537	4,366,247
(Increase)/Decrease in inventories	(324,984)	(107,491)
(Increase) in trade and other receivables	(858,949)	(1,716,053)
Increase/(decrease) in trade and other payables	2,698,320	2,543,355
Net (gain)/loss arising on financial liabilities designated as at fair value through the profit or loss	(578,436)	-
Cash generated from operations	3,891,488	5,086,058
Interest paid	(23,309)	(70,344)
Tax paid	(2,019,565)	(1,172,191)
Net cash flows from operating activities	1,848,614	3,843,523
Investing activities		
Purchase of tangible fixed assets	(1,777,280)	(2,404,294)
Purchase of intangible fixed assets	(70,051)	(11,220)
Purchase of investments	(1,049,162)	-
Proceeds from sale of fixed assets	-	72,889
Interest received	186,695	16,162
Net cash flow from investing activities	(2,709,798)	(2,326,463)
Increase in cash and cash equivalents	(861,184)	1,517,060
Cash and cash equivalents at the beginning of the period	5,390,229	3,873,169
Cash and cash equivalents at the end of the period	4,529,045	5,390,229
CASH AND CASH EQUIVALENTS		
For the purpose of the cash flow statement, cash and cash equivalents comprise the following:		31 Dec 2016 \$
Cash at bank and in hand	4,529,045	5,390,229
Cash and cash equivalents	4,529,045	5,390,229

The notes on pages 13 to 33 form part of the consolidated financial statements

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

General information

Highland Products Limited (the Company) is a limited company incorporated in Scotland. Its parent company is Agripacific Holdings, the voting shares of Agripacific 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 Agripacific 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 2016 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 15.

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 2017.

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 Agripacific Holdings Limited, Agrivina 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 2017

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 2017. These policies have been consistently applied to all periods presented unless otherwise stated.

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 2017.

The Directors do not consider the following new and revised IFRSs to have any impact on the consolidated financial statements.

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRS's that have been issued but are not yet effective:

	Effective date for annual periods beginning on or after
• IFRS 9 <i>Financial Instruments</i>	1 January 2018
• IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
• IFRS 16 <i>Leases</i>	*1 January 2018
• IFRS 2 (Amendments) <i>Share-based payments – classification and measurement</i>	1 January 2018
• IFRS 4 (Amendments) <i>Applying IFRS 9 'with IFRS 4' Insurance Contracts'</i>	1 January 2018
• IFRS 10 and IAS 28 (Amendments) <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	*1 January 2019
• IAS 40 (Amendments) <i>Transfer of Investment Property</i>	*1 January 2018
• <i>IFRIC Interpretation 22 Foreign currency transactions and advanced consideration</i>	1 January 2018
• <i>Annual Improvements to IFRSs 2014-2016 Cycle</i>	1 January 2018
*Subject to EU endorsement	

The Group is evaluating the impact of the new and amended standards above.

IFRS 16 was issued in January 2016 and establishes a single comprehensive model for entities to use in accounting for leases, requiring lessees to recognise assets and liabilities for all leases unless the term is 12 months or less or the underlying asset has a low value. IFRS 16 supersedes the current leasing standard IAS 17 'Leases' and the related interpretations when it becomes effective.

The core principal of IFRS 16 is that on commencement of any lease (where the asset is not insignificant and the term exceeds 12 months), the entity recognises a right-of-use asset and a liability.

The right-of-use asset is initially measured at the amount of the lease liability plus any indirect costs incurred by the lessee, adjusting for; lease incentives received, payments in advance of commencement and restoration obligations or similar. The right-of-use asset is then subsequently measured at cost less accumulated depreciation and accumulated impairment.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease (if it can be readily determined, else the lessee uses their incremental borrowing rate). The lease liability is subsequently remeasured to reflect modifications in the lease (changes in the lease term and the amounts payable under the lease), with the remeasurements treated as adjustments to the right-of-use asset.

Application of IFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of the Group's lease arrangements. If IFRS 16 was adopted as at 31 December 2017 by the Group, both the assets and liabilities in the Group's consolidated financial statements would have been increased by \$1,772,403.

The Directors believe that there will be no further material impact of the new and amended standards. There is not expected to be any significant impact from the introduction of IFRS 15.

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

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 2017 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.

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 item that are measured in terms of historical cost in a foreign currency are not translated.

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

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:

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.

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

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.

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.

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

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.

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.

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

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 2017

2. SEGMENTAL INFORMATION

The information is segregated 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 2017 \$	Year ended 31 Dec 2016 \$
Total revenue by destination		
Japan	44,941,629	43,048,795
China	552	5,810
China – Kunming Group	7,958,939	8,626,065
New Zealand	2,905,127	2,441,565
	<u>55,806,247</u>	<u>54,122,235</u>
Total revenue by operations		
Greenwings Group	47,847,308	45,496,170
Kunming Group	7,958,939	8,626,065
	<u>55,806,247</u>	<u>54,122,235</u>
Total profit after tax by operations		
Highlands Group	(236)	(217,184)
Greenwings Group	1,228,463	1,844,306
Kunming Group	307,566	342,672
	<u>1,535,793</u>	<u>1,969,794</u>
Total assets by operations		
Highlands Group	1,129,892	4,645,189
Greenwings Group	12,545,302	10,673,505
Kunming Group	11,605,766	7,737,855
Yunnan Group	509,368	–
	<u>25,790,328</u>	<u>23,056,549</u>
Total liabilities by operations		
Highlands Group	(4,540,291)	(2,041,060)
Greenwings Group	(4,731,816)	(5,079,672)
Kunming Group	(4,325,498)	(5,530,854)
Yunnan Group	(615,002)	–
	<u>(14,212,607)</u>	<u>(12,651,586)</u>

All revenue arises from continuing operations in the years ended 31 December 2017 and 31 December 2016. Yunnan Group, is a newly created entity, set up as an investment vehicle during the year, the company has not traded to date.

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3. OPERATING PROFIT

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

	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$
Depreciation of owned intangible assets	21,284	-
Depreciation of owned fixed assets	521,045	451,354
Loss/(profit) on disposal of fixed assets	496,838	(81,606)
Auditor's remuneration		
- as auditor	24,500	24,500
Net (gain) on foreign currency translation	<u>(228,434)</u>	<u>(38,440)</u>

4. STAFF COSTS

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

	Year ended 31 Dec 2017 No	Year ended 31 Dec 2016 No
Number of sales/import staff	577	476
Number of administrative staff	33	33
Number of management staff	21	21
	<u>631</u>	<u>530</u>

The aggregate payroll costs of the above were:

	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$
Wages and salaries	3,295,620	4,597,562
Social security costs	73,738	536,509
	<u>3,369,358</u>	<u>5,134,071</u>

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

5. DIRECTORS' REMUNERATION

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

	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$
Total remuneration	—	—
	—	—
	<u>—</u>	<u>—</u>

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

6. FINANCE COSTS

	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$
Interest payable on loans	178,692	67,792
Other similar charges payable	8,003	2,552
	<u>186,695</u>	<u>70,344</u>

7. TAXATION ON ORDINARY ACTIVITIES

Income tax recognised in profit or loss

	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$
Current tax		
In respect of the current year	245,016	612,435
In respect of prior years	3,516	—
Deferred tax		
In respect of the current year	415,866	627,305
	<u>664,398</u>	<u>1,239,740</u>

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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 19.25% (2016 – 20%). The differences are reconciled below:

	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$
Accounting profit before taxation	<u>2,213,239</u>	<u>3,209,494</u>
Accounting profit multiplied by the UK standard rate of corporation tax of 20.00% (2016 – 20.00%)	<u>426,049</u>	<u>641,898</u>
Effect of different tax rates of subsidiaries operating in other jurisdictions	<u>238,349</u>	<u>597,842</u>
Total tax charge	<u><u>664,398</u></u>	<u><u>1,239,740</u></u>

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% (2016: 35%).

Deferred tax balances

	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$
Other timing differences	<u>100,894</u>	<u>100,899</u>
	<u><u>100,894</u></u>	<u><u>100,899</u></u>

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

8. INTANGIBLE ASSETS

	Computer Software \$	Land use rights \$	Total \$
At 1 January 2016	276,858	34,937	311,795
Additions	2,286	—	2,286
Disposals	—	—	—
Exchange differences	5,615	(2,280)	3,335
At 31 December 2016	284,759	32,657	317,416
Additions	70,051	—	70,051
Disposals	(107,379)	—	(107,379)
Exchange differences	13,546	2,211	15,757
At 31 December 2017	260,977	34,868	295,845
DEPRECIATION			
At 1 January 2016	210,333	2,043	212,376
Charge for the year	37,668	885	38,553
On disposals	—	—	—
Exchange differences	4,326	(134)	4,192
At 31 December 2016	252,327	2,794	255,121
Charge for the year	20,342	942	21,284
On disposals	(107,138)	—	(107,138)
Exchange differences	11,680	191	11,871
At 31 December 2017	177,211	3,927	181,138
At 31 December 2017	83,766	30,941	114,707
At 31 December 2016	32,432	29,863	62,295
At 1 January 2016	66,525	32,894	99,419

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Buildings and structures	Plant and machinery	Motor vehicles	Office equipment	Assets under construction	Total
	\$	\$	\$	\$	\$	\$	\$
At 1st January 2016	414,163	5,724,628	738,088	242,963	320,090	206,049	7,645,981
Additions	14,044	162,442	212,054	31,744	10,258	2,111,935	2,542,477
Disposals	-	(72,000)	-	(3,995)	(7,696)	-	(83,691)
Transfer of assets	-	152,527	(130,607)	41,086	(63,006)	-	-
Reclassified as held for sale	-	-	-	-	-	(138,183)	(138,183)
Exchange differences	4,292	(382,899)	(33,794)	(5,124)	(5,989)	(13,463)	(436,977)
At 31 December 2016	432,499	5,584,698	785,741	306,674	253,657	2,166,338	9,529,607
Additions	-	88,304	61,260	74,645	26,711	1,526,360	1,777,280
Disposals	(225,924)	(919,863)	-	(52,947)	(516)	-	(1,199,250)
Transfer of assets	-	3,704,211	248,043	-	-	(3,952,254)	-
Exchange differences	9,721	392,162	49,410	17,028	14,552	395,536	878,409
At 31 December 2017	216,296	8,849,512	1,144,454	345,400	294,404	135,980	10,986,046
DEPRECIATION							
At 1st January 2016	55,133	1,195,356	419,948	181,401	214,007	-	2,065,845
Charge for the year	42,640	277,191	68,753	37,105	25,665	-	451,354
Disposals	-	(3,600)	-	(8,440)	(7,493)	-	(19,533)
Transfer of assets	-	25,235	(48,729)	30,080	(6,586)	-	-
Exchange differences	1,257	(79,490)	(21,313)	(4,741)	(4,378)	-	(108,665)
At 31 December 2016	99,030	1,414,692	418,659	235,405	221,215	-	2,389,001
Charge for the year	18,629	368,113	77,906	34,995	21,402	-	521,045
Disposals	(22,592)	(242,348)	-	(42,177)	-	-	(307,117)
Exchange differences	3,618	93,465	27,681	13,492	12,667	-	150,923
At 31 December 2017	98,685	1,633,922	524,246	241,715	255,284	-	2,753,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 December 2017

At 1 January 2016

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

10. GOODWILL

	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
COST		
At 1 January 2016 and 31 December 2016	—	—
Additions	497,556	—
Disposal	—	—
NET BOOK VALUE At 31 December 2017	<u>497,556</u>	<u>—</u>

See note 12 for details of goodwill arising in the year.

11. FIXED ASSET INVESTMENTS

	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
COST		
At 1 January 2016 and 31 December 2016	514,153	514,153
Additions	548,998	—
Disposal	—	—
NET BOOK VALUE At 31 December 2017	<u>1,063,151</u>	<u>514,153</u>

Unlisted investments relates to a 16.34% (2016: 8%) interest held in Floritec Holdings Limited, a company registered in the Netherlands that trades in flowers. Unlisted investments are recorded at cost.

12. INVESTMENT IN ASSOCIATE

	Net Assets of associate \$	Percentage owed	As at 31 Dec 2017 \$
Color Life Joint Stock	13,040	20%	2,608
			<u>2,608</u>

On 6 October 2017, Greenwing Japan NL BV, acquired a 20% interest held in Color Life Joint Stock Company, a company registered in Vietnam for \$500,164. The net assets of the company at 31 December 2017 totalled \$13,040.

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

		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)	
	<u>13,040</u>	
Equity		
20% acquired		(2,608)
Goodwill on acquisition		<u><u>497,556</u></u>

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

13. INVENTORIES

	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
Raw materials, consumables and tools	831,769	513,342
Biological assets and growing stock	638,391	631,834
	<u><u>1,470,160</u></u>	<u><u>1,145,176</u></u>

14. TRADE AND OTHER RECEIVABLES

	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
Amounts falling due within one year		
Trade receivables	8,324,942	6,989,610
Prepayments and accrued income	848,239	403,693
Other debtors	388,964	395,806
Corporation tax	217,868	—
	<u><u>9,780,013</u></u>	<u><u>7,789,109</u></u>

Trade receivables are non-interest bearing and are generally on between 30 and 60 days' terms and are shown net of any provisions for impairment. At 31 December 2017, 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 2017

15. OTHER FINANCIAL ASSETS AND LIABILITIES

	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
Derivatives that are designated and effective as hedging instruments carried at fair value		
Fair value of foreign currency forward contracts	(45,028)	914,082
	<u>(45,028)</u>	<u>914,082</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 \$14,833,000 (2016: \$29,440,000) 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 2017 \$	As at 31 Dec 2016 \$
Amounts falling due within one year		
Trade payables	2,629,257	2,900,498
Amounts owed to parent undertakings	9,069,477	6,288,391
Corporation tax	—	1,137,299
PAYE, social security and VAT	13,738	398,158
Other creditors	1,631,373	1,282,538
Accruals and deferred income	823,734	644,702
Other financial liabilities	45,028	—
	<u>14,212,607</u>	<u>12,651,586</u>

There are no non-cash flow changes to trade and other payables.

17. COMMITMENTS UNDER OPERATING LEASES

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

	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
Not later than one year	152,920	108,525
After 2 years but not more than 5 years	805,996	475,419
After 5 years	813,527	797,340
	<u>1,772,403</u>	<u>1,381,284</u>

The major part of these commitments relate to operating leases in respect of land and buildings.

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

18. 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.

It is and has been throughout the period under review, the Group policy that no trading in financial instruments shall be undertaken.

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 2017 the Group had commitments under forward foreign exchange contracts to purchase US Dollars totalling \$14,833,000 (2016 - \$29,440,000).

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. There is no material difference between the book values and fair values of the financial assets and liabilities of the company at 31 December 2017.

Capital management

The company's objectives when managing capital are to safeguard the company'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.

19. RELATED PARTY TRANSACTIONS

Parent entity

Highland Products Limited is a wholly owned subsidiary of Agripacific 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.

HIGHLAND PRODUCTS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2017****Entities with control over the company**

The company is part of a larger group headed by Agripacific 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 Agripacific Holdings Limited:

	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$
Aggregate purchases from	32,540,261	23,269,163

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 Agripacific Holdings Limited;

	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
Balances included in current liabilities	(9,069,477)	(6,288,391)

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

20. SHARE CAPITAL

	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
Allotted, called up and fully paid		
2,314,413 (2016 – 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 2017****21. SUBSIDIARIES**

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

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	
			2017	2016
Kunming group				
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%
Greenwings group				
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%
Yunnan group				
Yunnan Hasfarm Flowers Limited	Holding company	China	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 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.

22. ULTIMATE PARENT COMPANY

The company's holding company is Agripacific Holdings Limited. 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 Agripacific 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 Agripacific Holdings Limited.

On 27 March 2018 Agripacific Holdings Limited, changed its name to Hasfarm Holdings Limited.

HIGHLAND PRODUCTS LIMITED

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

YEAR ENDED 31 DECEMBER 2017

Opinion

We have audited the financial statements of Highland Products Limited (the 'parent company') for the year ended 31 December 2017 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 2017 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 2017

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 2017.

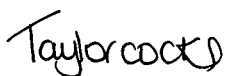
HIGHLAND PRODUCTS LIMITED

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

YEAR ENDED 31 DECEMBER 2017

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

**Chartered Accountants
Statutory Auditor**

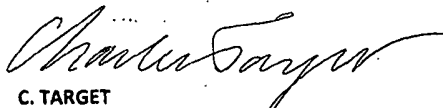
Date: 20 SEPT 18
Office: Henley-On-Thames

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

31 DECEMBER 2017

		As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
	Note		
ASSETS			
Fixed asset investments	C	6,232,498	4,732,498
		<u>6,232,498</u>	<u>4,732,498</u>
Current assets			
Amounts due from group undertakings	D	663,571	518,928
Cash and cash equivalents		10,598	9,427
		<u>674,169</u>	<u>528,355</u>
Total assets		<u>6,906,667</u>	<u>5,260,853</u>
LIABILITIES			
Current liabilities			
Amounts owed to group undertakings	E	4,514,154	2,619,502
Accruals		34,671	30,108
		<u>4,548,825</u>	<u>2,649,610</u>
Total liabilities		<u>4,548,825</u>	<u>2,649,610</u>
NET ASSETS		<u>2,357,842</u>	<u>2,611,243</u>
EQUITY			
Called up share capital	G	3,768,488	3,768,488
Foreign currency presentation reserve		(48,616)	204,549
Retained earnings		(1,362,030)	(1,361,794)
		<u>2,357,842</u>	<u>2,611,243</u>
Total equity		<u>2,357,842</u>	<u>2,611,243</u>

These financial statements were approved by the directors and authorised for issue on 17/09/18, and are signed on their behalf by:


C. TARGET

The notes on pages 38 to 43 form part of the Parent Company Financial Statements

HIGHLAND PRODUCTS LIMITED

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

31 DECEMBER 2017

	Called up share capital \$	Foreign exchange presentation reserve \$	Retained earnings \$	Total equity \$
At 1 January 2016	3,768,488	(106,039)	(1,144,610)	(2,517,839)
Loss for the year	—	—	(217,184)	(217,184)
Other comprehensive income for the year	—	310,588	—	310,588
Total comprehensive income for the year	—	310,588	(217,184)	93,404
At 31 December 2016	3,768,488	204,549	(1,361,794)	2,611,243
Loss for the year	—	—	(236)	(236)
Other comprehensive income for the year	—	(253,165)	—	(253,165)
Total comprehensive income for the year	—	(253,165)	(236)	(253,401)
At 31 December 2017	3,768,488	(48,616)	(1,362,030)	2,357,842

The notes on pages 38 to 43 form part of the Parent Company Financial Statements

HIGHLAND PRODUCTS LIMITED

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006. The results of Highland Products Limited are included in the consolidated financial statements of Highland Products Limited which are included on pages 6 to 31.

The accounting policies which follow set out those policies which apply in preparing the parent company financial statements for the year ended 31 December 2017. 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 paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 'Business Combinations';
- 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'.

HIGHLAND PRODUCTS LIMITED

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

A. ACCOUNTING POLICIES *(continued)*

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 2017

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 2017****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 loss after tax was \$236 (2016: - \$217,184).

No director's emoluments were paid through the parent company and there were no employees (2016: nil). The audit fee was paid through the trading subsidiaries and is disclosed in note 3.

C. FIXED ASSET INVESTMENTS

	Investment in subsidiaries \$
COST	
At 1 January 2016 and 31 December 2016	5,812,181
Additions	<u>1,500,000</u>
At 31 December 2017	<u>7,312,181</u>
IMPAIRMENT	
At 1 January 2016 and 31 December 2016	1,079,683
At 31 December 2017	<u>1,079,683</u>
NET BOOK VALUE	
At 31 December 2017	<u>6,232,498</u>
At 31 December 2016	<u>4,732,498</u>
At 31 December 2015	<u>4,232,498</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	
			2017	2016
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%	-
Indirect subsidiaries:				
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 2017

D. CURRENT ASSETS

	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
Current assets		
Amounts owed from group undertakings	663,571	518,928
	<u>663,571</u>	<u>518,928</u>

E. CURRENT LIABILITIES

	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
Amounts falling due within one year		
Amounts owed to group undertakings	4,514,154	2,619,502
Accruals	34,671	30,108
	<u>4,548,825</u>	<u>2,649,610</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 2016 are categorised as follows:

	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
Carrying value of financial assets and liabilities within the parent company balance sheet:		
Financial assets		
Amounts owed from group undertakings	663,571	518,928
Financial assets at amortised cost	<u>663,571</u>	<u>518,928</u>
Financial liabilities		
Amounts owed to group undertakings	4,514,154	2,619,502
Financial liabilities at amortised cost	<u>4,514,154</u>	<u>2,619,502</u>

HIGHLAND PRODUCTS LIMITED

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

G. SHARE CAPITAL

	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
Allotted, called up and fully paid		
2,314,413 (2016 – 2,314,413) Ordinary shares of £1 each	<u>3,768,488</u>	<u>3,768,488</u>

H. POST BALANCE SHEET EVENTS

There are no post balance sheet events requiring disclosure in the financial statements for the year ended 31 December 2017.

I. RELATED PARTY TRANSACTIONS

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