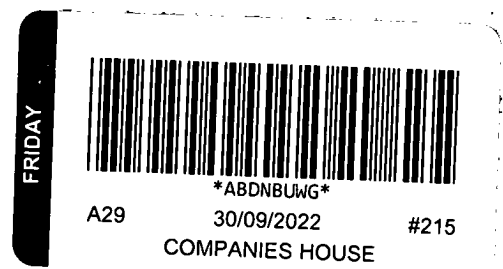


COMPANY REGISTRATION NUMBER SC268784

**HIGHLAND PRODUCTS LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2021**



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

**HIGHLAND PRODUCTS LIMITED**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2021**

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**HIGHLAND PRODUCTS LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**YEAR ENDED 31 DECEMBER 2021**

<b>The board of directors</b>	C. Target J. Target
<b>Company registration number</b>	SC268784
<b>Registered office</b>	272 Bath Street Glasgow Scotland G2 4JR
<b>Auditor</b>	Verallo Century House Wargrave Road Henley-on-Thames RG9 2LT

## **HIGHLAND PRODUCTS LIMITED**

### **GROUP STRATEGIC REPORT**

#### **YEAR ENDED 31 DECEMBER 2021**

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 2021.

#### **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 14.7% from \$62.7m to \$71.9 m driven by market improvement in China. However, total comprehensive income decreased by \$3K from \$1,057k to \$1,054k. Our margins slipped partly due to weak Japanese Yen and higher freight cost. In addition, there was an impairment on Color Life investment and a provision in relation to a loan to Color Life as the company is adversely impacted by strict lockdown in Vietnam.

It has been another volatile year for the Group in 2021 following the COVID-19 outbreak. The operation in China has rebounded nicely in 2021, but there are still volatilities for operation in Japan. The margin was also negatively impacted by relatively weak Japanese Yen and higher freight cost. As a result, the Group generated lower gross profit despite higher turnover.

#### **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.

Exchange rate risk is high. With most of the company's sale in Japan and production in China, the USD-Yen and Yen-Yuan cross rate is critical to profitability, where we have no control over it and the cross rate remains a key risk.

Freight cost is rising following shipping disruption associated with COVID-19 pandemic. Freight cost volatility will direct impact the company's profitability. Not only the freight rate, but also its availability and reliability is crucial to our operations and therefore, considers as another key risk to our business.

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.

## **HIGHLAND PRODUCTS LIMITED**

### **GROUP STRATEGIC REPORT**

#### **YEAR ENDED 31 DECEMBER 2021**

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 realise 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.

#### **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 2021

#### 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 2021

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 22 September 2022

## **HIGHLAND PRODUCTS LIMITED**

### **THE DIRECTORS' REPORT**

#### **YEAR ENDED 31 DECEMBER 2021**

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 2021.

#### **RESULTS AND DIVIDENDS**

The total recognised income and expense for the year amounted to a profit of \$925,934 (2020: \$720,561). 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 2 to the accounts.

#### **DIRECTORS**

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

C. Target

J. Target

#### **ENERGY AND CARBON REPORT**

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

#### **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 United Kingdom. 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 2021**

**AUDITORS**

Verallo were re-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

*22 September 2022*

## **HIGHLAND PRODUCTS LIMITED**

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

#### **YEAR ENDED 31 DECEMBER 2021**

##### **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 2021 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated and Parent Statement of Financial Position, the Consolidated and Parent Statement of Changes in Equity, the Consolidated Statement of Cash flow 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 United Kingdom.

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 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the United Kingdom; 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

##### **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 2021

##### **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.

##### **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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

##### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and its management.

Our approach was as follows:

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through

## HIGHLAND PRODUCTS LIMITED

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

#### YEAR ENDED 31 DECEMBER 2021

discussion with the directors and other management (as required by auditing standards), the policies and procedures regarding compliance with laws and regulations;

- We considered the legal and regulatory frameworks directly applicable to the financial statements reporting framework (IFRS and the Companies Act 2006) and the relevant tax compliance regulations in the UK;
- We considered the nature of the industry, the control environment and business performance, including the key drivers for management's remuneration;
- We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit;
- We considered the procedures and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls.

#### Auditor's response to risks identified

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included; testing manual journals; reviewing the financial statement disclosures and testing to supporting documentation; performing analytical procedures; and enquiring of management, and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls by management. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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.

#### 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 Verallo (formerly Taylorcocks Thames Valley LLP)  
Statutory Auditor**

Date: 29/09/2022

Office: Henley-On-Thames

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

**YEAR ENDED 31 DECEMBER 2021**

	Note	As at 31 Dec 2021 \$	As at 31 Dec 2020 \$
<b>Continuing operations</b>			
Revenue	2	71,913,593	62,699,362
Cost of sales		(62,091,106)	(52,503,215)
<b>Gross profit</b>		<u>9,822,487</u>	<u>10,196,147</u>
Distribution costs		(1,162,541)	(1,864,575)
Administrative expenses		(5,655,531)	(6,332,117)
(Losses) from unlisted investments		(868,449)	(166,662)
<b>Operating profit from continuing operations</b>	3	<u>2,135,966</u>	<u>1,832,793</u>
Finance income		11,694	166,572
Finance costs	6	(750,383)	(665,727)
Other income		22,593	301,990
<b>Profit on continuing activities before taxation</b>		<u>1,419,870</u>	<u>1,635,628</u>
Tax expense	7	(493,936)	(915,067)
<b>Profit for the period</b>		<u>925,934</u>	<u>720,561</u>
<b>Other comprehensive income</b>			
Foreign exchange differences on translation to presentational currency		(335,697)	654,514
Cash flow hedges: fair value		712,993	(489,410)
Taxation on other comprehensive income		(249,548)	171,294
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>1,053,682</u>	<u>1,056,959</u>
<b>Profit attributable to:</b>			
Owners of the parent		932,360	829,337
Non-controlling interest		(6,426)	(108,776)
<b>Total profit for the period</b>		<u>925,934</u>	<u>720,561</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		1,060,108	1,165,735
Non-controlling interest		(6,426)	(108,776)
<b>Total comprehensive income</b>		<u>1,053,682</u>	<u>1,056,959</u>

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

The notes on pages 17 to 36 form part of these financial statements.

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

**YEAR ENDED 31 DECEMBER 2021**

	Note	As at 31 Dec 2021 \$	As at 31 Dec 2020 \$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	8	238,774	236,831
Property, plant and equipment	9	18,382,458	18,274,846
Goodwill	10	40,344	537,900
Investments in associates	11	–	(133,873)
Deferred tax assets	7	–	238,214
		<u>18,661,576</u>	<u>19,153,918</u>
<b>Current assets</b>			
Inventories	12	2,767,134	2,384,058
Trade and other receivables	13	9,788,543	10,008,401
Other financial assets	14	616,131	–
Cash and cash equivalents		8,531,376	8,924,924
		<u>21,703,184</u>	<u>21,317,383</u>
<b>Total assets</b>		<b>40,364,760</b>	<b>40,471,301</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	(8,155,249)	(8,017,147)
Other financial liabilities	14	–	(96,862)
Amounts owed to group undertakings	15	(11,457,548)	(11,467,104)
<b>Total current liabilities</b>		<b>(19,612,797)</b>	<b>(19,581,113)</b>
<b>Non current liabilities</b>			
Other financial liabilities	15	(8,489,703)	(8,963,384)
Provision for liabilities		(57,664)	–
<b>Total non current liabilities</b>		<b>(8,547,367)</b>	<b>(8,963,384)</b>
<b>Total liabilities</b>		<b>(28,160,164)</b>	<b>(28,544,497)</b>
<b>NET ASSETS</b>		<b><u>12,204,596</u></b>	<b><u>11,926,804</u></b>

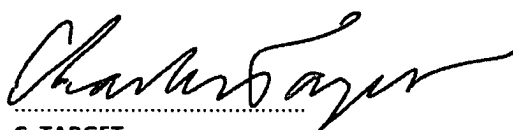
The notes on pages 17 to 36 form part of these financial statements.

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

**YEAR ENDED 31 DECEMBER 2021**

	Note	As at 31 Dec 2021 \$	As at 31 Dec 2020 \$
<b>EQUITY</b>			
Called up share capital	20	3,768,488	3,768,488
Merger reserve		2,813,745	2,813,745
Translation reserve		385,883	521,322
Cash flow hedging reserve		384,726	(78,719)
Retained earnings		4,838,519	3,910,750
		<u>12,191,361</u>	<u>10,935,586</u>
Non-controlling interest		13,235	991,218
<b>Total equity</b>		<u><u>12,204,596</u></u>	<u><u>11,926,804</u></u>

These financial statements were approved by the directors and authorised for issue on *22 September 2022*, and are signed on their behalf by:



**C. TARGET**  
Director

The notes on pages 17 to 36 form part of these financial statements.

HIGHLAND PRODUCTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

	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 2020	3,768,488	239,397	(133,192)	3,081,413	2,813,745	9,769,851	1,099,994	10,869,845
Profit for the year	–	–	–	829,337	–	829,337	(108,776)	720,561
Foreign exchange	–	–	654,514	–	–	654,514	–	654,514
Cash flow hedges: fair value	–	(489,410)	–	–	–	(489,410)	–	(489,410)
Deferred taxation on forward contracts	–	171,294	–	–	–	171,294	–	171,294
Total comprehensive income for the year	–	(318,116)	654,514	829,337	–	1,165,735	(108,776)	1,056,959
At 31 December 2020	3,768,488	(78,719)	521,322	3,910,750	2,813,745	10,935,586	991,218	11,926,804
Profit for the year	–	–	–	932,360	–	932,360	(6,426)	925,934
Foreign exchange	–	–	(335,697)	–	–	(335,697)	–	(335,697)
Cash flow hedges: fair value	–	712,993	–	–	–	712,993	–	712,993
Deferred taxation on forward contracts	–	(249,548)	–	–	–	(249,548)	–	(249,548)
Total comprehensive income for the year	–	463,445	(335,697)	932,360	–	1,060,108	(6,426)	1,053,682
Transfer of reserves	–	–	200,258	(200,258)	–	–	–	–
Transfer of gain on acquisition of minority	–	–	–	195,667	–	195,667	(195,667)	–
Purchase of minority interest	–	–	–	–	–	–	(775,890)	(775,890)
Total reserve movement	–	463,445	(135,439)	927,769	–	1,255,775	(977,983)	277,792
At 31 December 2021	3,768,488	384,726	385,883	4,838,519	2,813,745	12,191,361	13,235	12,204,596

A dividend of \$Nil (2020:\$Nil) was declared by the group parent company during the year.

The notes on pages 17 to 36 form part of these financial statements.



**HIGHLAND PRODUCTS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOW**

**YEAR ENDED 31 DECEMBER 2021**

	Year ended 31 Dec 2021 \$	Year ended 31 Dec 2020 \$
<b>Operating activities</b>		
Profit before tax	1,419,870	1,635,628
Depreciation of property, plant and equipment	1,197,891	1,408,412
Amortisation of intangibles	71,312	64,066
Financial income	(11,694)	(166,572)
Financial expenses	750,383	665,727
Loss on associates	–	143,200
<b>Net cash flow from operating activities</b>	<b>3,427,762</b>	<b>3,750,461</b>
(Increase)/Decrease in inventories	(383,076)	30,713
(Increase)/Decrease in trade and other receivables	(493,135)	(469,969)
Increase in trade and other payables	1,300,176	135,054
Net profit/(loss) arising on financial liabilities designated as at fair value through the profit or loss	1,076,676	(424,933)
<b>Cash generated from operations</b>	<b>4,928,403</b>	<b>3,021,326</b>
Interest paid	(750,383)	(432,636)
Tax paid	(1,085,567)	(805,013)
<b>Net cash flows from operating activities</b>	<b>3,092,453</b>	<b>1,783,677</b>
<b>Investing activities</b>		
Purchase of tangible fixed assets	(621,864)	(330,196)
Purchase of intangible fixed assets	(81,011)	(73,824)
Acquisition of minority interest	(775,890)	–
Disposal of fixed assets	–	14,290
Interest received	11,694	166,572
<b>Net cash flow from investing activities</b>	<b>(1,467,071)</b>	<b>(223,158)</b>
<b>Financing activities</b>		
Loans (repaid)/received	(1,360,789)	362,557
Finance lease received/(repaid)	41,589	(507,748)
<b>Net cash flow from financing activities</b>	<b>(1,319,200)</b>	<b>(145,191)</b>
<b>Increase in cash and cash equivalents</b>	<b>306,182</b>	<b>1,415,328</b>
Cash and cash equivalents at the beginning of the period	8,924,924	7,815,464
Foreign exchange gains and losses	(699,730)	(305,868)
<b>Cash and cash equivalents at the end of the period</b>	<b>8,531,376</b>	<b>8,924,924</b>

**HIGHLAND PRODUCTS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOW**

**YEAR ENDED 31 DECEMBER 2021**

	<b>Year ended 31 Dec 2021 \$</b>	<b>Year ended 31 Dec 2020 \$</b>
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**CASH AND CASH EQUIVALENTS**

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

Cash at bank and in hand	<b>8,531,376</b>	<b>8,924,924</b>
Cash and cash equivalents	<b><u>8,531,376</u></b>	<b><u>8,924,924</u></b>

**The notes on pages 17 to 36 form part of the consolidated financial statements**

## HIGHLAND PRODUCTS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### YEAR ENDED 31 DECEMBER 2021

#### 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 United Kingdom as they apply to the financial statements of the Group for the year ended 31 December 2021 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 2021.

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 2021

##### 1. ACCOUNTING POLICIES (CONTINUED)

- 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 2021. 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.

# HIGHLAND PRODUCTS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

### 1. ACCOUNTING POLICIES (CONTINUED)

#### 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 2021.

#### New and revised IFRSs in issue but not yet effective

	Effective date for annual periods beginning on or after
• IFRS 16 (Amendments) Leases: Covid-19 related rent concessions	1 June 2020
• Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 – Interest Rate Benchmark Reform	1 January 2021

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 2021 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.

## HIGHLAND PRODUCTS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### YEAR ENDED 31 DECEMBER 2021

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### (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.

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. Exchanges difference 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.

## HIGHLAND PRODUCTS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### YEAR ENDED 31 DECEMBER 2021

##### 1. ACCOUNTING POLICIES (CONTINUED)

###### 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.

###### 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 2021

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### **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 2021

##### 1. ACCOUNTING POLICIES (CONTINUED)

###### ***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 2021****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 2021 \$	Year ended 31 Dec 2020 \$
<b>Total revenue by destination</b>		
Japan	57,048,081	51,281,552
China	13,016,056	10,055,951
New Zealand	1,849,456	1,361,859
	<u>71,913,593</u>	<u>62,699,362</u>
<b>Total revenue by operations</b>		
Greenwings Group	59,110,116	52,643,191
Kunming Group	12,803,477	10,056,171
	<u>71,913,593</u>	<u>62,699,362</u>

All revenue arises from continuing operations in the years ended 31 December 2021 and 31 December 2020.

**3. OPERATING PROFIT**

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

	Year ended 31 Dec 2021 \$	Year ended 31 Dec 2020 \$
Depreciation of owned intangible assets	71,312	64,066
Depreciation of owned fixed assets	1,130,740	1,157,702
Depreciation of leased fixed assets	66,490	250,710
Auditor's remuneration		
- as auditor	25,300	25,300
Net (gain) on foreign currency translation	<u>(163,991)</u>	<u>(462,185)</u>

**HIGHLAND PRODUCTS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2021****4. STAFF COSTS**

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

	Year ended 31 Dec 2021 No	Year ended 31 Dec 2020 No
Number of sales/import staff	315	388
Number of administrative staff	85	50
Number of management staff	52	64
	<u>452</u>	<u>502</u>

The aggregate payroll costs of the above were:

	Year ended 31 Dec 2021 \$	Year ended 31 Dec 2020 \$
Wages and salaries	6,317,537	6,429,713
Social security costs	799,279	672,535
	<u>7,116,816</u>	<u>7,102,248</u>

**5. DIRECTORS' REMUNERATION**

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

	Year ended 31 Dec 2021 \$	Year ended 31 Dec 2020 \$
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 2021 \$	Year ended 31 Dec 2020 \$
Interest payable on loans	379,694	432,636
Obligations under finance leases	370,689	233,091
	<u>750,383</u>	<u>665,727</u>

# HIGHLAND PRODUCTS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2021

#### 7. TAXATION ON ORDINARY ACTIVITIES

##### Income tax recognised in profit or loss

	Year ended 31 Dec 2021 \$	Year ended 31 Dec 2020 \$
<b>Current tax</b>		
In respect of the current year	458,749	936,303
<b>Deferred tax</b>		
In respect of the current year	35,187	(21,236)
	<u>493,936</u>	<u>915,067</u>

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19% as previously enacted). The Finance Bill 2021 had its third reading on 24 May 2021 and is now considered substantively enacted. This means that the 25% main rate of corporation tax and marginal relief will be relevant for any asset sales or timing differences expected to reverse on or after 1 April 2023. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

##### 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% (2020 – 19%). The differences are reconciled below:

	Year ended 31 Dec 2021 \$	Year ended 31 Dec 2020 \$
Accounting profit before taxation	2,116,259	1,700,105
Accounting profit multiplied by the UK standard rate of corporation tax of 19% (2020 – 19%)	402,089	323,020
Effect of different tax rates of subsidiaries operating in other jurisdictions	91,847	592,047
Total tax charge	<u>493,936</u>	<u>915,067</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% (2020: 35%).

##### Deferred tax balances

	Year ended 31 Dec 2021 \$	Year ended 31 Dec 2020 \$
Other timing differences	(57,664)	238,214
	<u>(57,664)</u>	<u>238,214</u>

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

8. INTANGIBLE ASSETS

	Computer Software \$	Land use rights \$	Total \$
At 1 January 2020	436,815	32,475	469,290
Additions	73,824	-	73,824
Disposals	-	-	-
Exchange differences	4,002	5,092	9,094
At 31 December 2020	514,641	37,567	552,208
Additions	81,011	-	81,011
Exchange differences	(24,397)	965	(23,432)
At 31 December 2021	<u>571,255</u>	<u>38,532</u>	<u>609,787</u>
<b>DEPRECIATION</b>			
At 1 January 2020	244,676	5,413	250,089
Charge for the year	63,127	939	64,066
On disposals	-	-	-
Exchange differences	842	380	1,222
At 31 December 2020	308,645	6,732	315,377
Charge for the year	70,347	966	71,313
Exchange differences	(15,864)	187	(15,677)
At 31 December 2021	<u>363,128</u>	<u>7,885</u>	<u>371,013</u>
<b>At 31 December 2021</b>	<u>208,127</u>	<u>30,647</u>	<u>238,774</u>
At 31 December 2020	<u>205,996</u>	<u>30,835</u>	<u>236,831</u>
At 31 December 2019	<u>192,139</u>	<u>27,062</u>	<u>219,201</u>

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

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 2020	4,265,917	208,479	12,628,871	4,069,184	379,474	387,018	147,336	22,086,279
Additions	-	-	1,394	34,611	43,146	6,706	244,339	330,196
Disposals	-	-	-	-	(40,782)	-	-	(40,782)
Transfer of assets	-	-	129,330	133,352	-	81,903	(344,585)	-
Reclassification	-	-	84,289	(84,289)	-	-	-	-
Exchange differences	306,228	360	887,481	270,359	14,360	21,179	5,379	1,505,346
At 31 December 2020	4,572,145	208,839	13,731,365	4,423,217	396,198	496,806	52,469	23,881,039
Additions	311,850	9,451	-	15,780	35,800	219,726	341,108	933,715
Disposals	-	-	-	-	-	-	-	-
Transfer of assets	-	-	240,182	142,047	-	-	(382,229)	-
Reclassification	-	-	-	-	-	-	-	-
Exchange differences	-	(11,931)	377,576	103,710	(5,930)	4,686	6,583	474,694
At 31 December 2021	4,883,995	206,359	14,349,123	4,684,754	426,068	721,218	17,931	25,289,448

HIGHLAND PRODUCTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

DEPRECIATION

At 1st January 2020	42,836	119,314	2,574,873	697,943	296,655	246,044	—	3,977,665
Charge for the year	250,710	13,052	709,843	339,067	41,219	54,521	—	1,408,412
Disposals	—	—	—	—	(26,492)	—	—	(26,492)
Reclassification	—	—	—	—	—	—	—	—
Exchange differences	—	205	180,938	40,969	11,702	12,794	—	246,608
At 31 December 2020	293,546	132,571	3,465,654	1,077,979	323,084	313,359	—	5,606,193
Charge for the year	268,349	11,802	462,102	356,645	41,821	57,172	—	1,197,891
Disposals	—	—	—	—	—	—	—	—
Reclassification	—	—	—	—	—	—	—	—
Exchange differences	—	(7,574)	95,909	17,196	(3,447)	822	—	102,906
At 31 December 2021	561,895	136,799	4,023,665	1,451,820	361,458	371,353	—	6,906,990

NET BOOK VALUE

At 31 December 2021	4,322,100	69,560	10,325,458	3,232,934	64,610	349,865	17,931	18,382,458
At 31 December 2020	4,278,599	76,268	10,265,711	3,345,238	73,114	183,447	52,469	18,274,846
At 31 December 2019	4,223,081	89,165	10,053,998	3,371,241	82,819	140,973	147,336	18,108,614

# HIGHLAND PRODUCTS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

### 10. GOODWILL

	As at 31 Dec 2021 \$	As at 31 Dec 2020 \$
<b>COST</b>		
At 1 January 2020 and 31 December 2020	537,900	537,900
Additions	-	-
Impairment	(497,556)	-
<b>NET BOOK VALUE At 31 December 2021</b>	<u>40,344</u>	<u>537,900</u>

See note 11 for details of the goodwill brought forward this year. The investment of \$40,344 relates to the 60,000 NZD that Greenwings New Zealand paid for the customer book of Flowerzone during 2019.

The goodwill in Color Life has been assessed for impairment at the year-end. In the opinion of the directors, impairment is required due to the losses recognised in the financial statements, therefore the goodwill of \$497,556 has been reversed out and brought down to zero.

### 11. INVESTMENT IN ASSOCIATE

	Net Assets of associate \$	Percentage owed	As at 31 Dec 2021 \$
Color Life Joint Stock	(1,188,995)	20%	-
			<u>-</u>

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 2021 totalled \$1,188,995 (2020: liabilities \$669,363).

The losses in an associate only need to be recognized up to the amount of its investment, the directors do not consider there to be a legal or constructive obligation that require recognition of a liability.

### 12. INVENTORIES

	As at 31 Dec 2021 \$	As at 31 Dec 2020 \$
Raw materials, consumables and tools	2,269,726	1,766,740
Biological assets and growing stock	497,408	617,318
	<u>2,767,134</u>	<u>2,384,058</u>



**HIGHLAND PRODUCTS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2021**

**13. TRADE AND OTHER RECEIVABLES**

	As at 31 Dec 2021 \$	As at 31 Dec 2020 \$
<b>Amounts falling due within one year</b>		
Trade receivables	9,028,637	8,677,711
Prepayments and accrued income	427,928	507,385
Other debtors	331,978	823,305
	<u>9,788,543</u>	<u>10,008,401</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 2021, 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.

**14. OTHER FINANCIAL ASSETS AND LIABILITIES**

	As at 31 Dec 2021 \$	As at 31 Dec 2020 \$
<b>Derivatives that are designated and effective as hedging instruments carried at fair value</b>		
Fair value of foreign currency forward contracts	616,131	(96,862)
	<u>616,131</u>	<u>(96,862)</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 \$12,375,000 (2020 - \$12,640,000) over a period of three years. The fair value gain has been included in the financial statements as a forward exchange reserve.

# HIGHLAND PRODUCTS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

### 15. TRADE AND OTHER PAYABLES

	As at 31 Dec 2021 \$	As at 31 Dec 2020 \$
<b>Amounts falling due within one year</b>		
Trade payables	2,914,607	2,496,723
Amounts owed to parent undertakings	11,457,548	11,467,104
Corporation tax	5,819	643,780
PAYE, social security and VAT	327,636	215,909
Other creditors	4,238,669	3,309,504
Accruals and deferred income	629,880	778,924
Other financial liabilities (finance leases) note 17	31,368	101,105
Other financial liabilities (borrowings)	7,270	471,202
	<u>19,612,797</u>	<u>19,484,251</u>
<b>Amounts falling due more than one year</b>		
Other financial liabilities (finance leases) note 17	4,565,179	4,142,003
Other financial liabilities (borrowings) note 16	3,924,524	4,821,381
	<u>8,489,703</u>	<u>8,963,384</u>

### 16. SECURED DEBTS

	As at 31 Dec 2021 \$	As at 31 Dec 2020 \$
Other financial liabilities (finance leases) note 17	4,596,547	4,243,108
Other financial liabilities (bank borrowings)	3,924,524	5,292,583
	<u>8,521,071</u>	<u>9,535,691</u>

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

In respect of the ADB bank borrowings interest is payable every 6 months and the principal is due for repayment on 15 June 2025. As at 31 December 2021, the weighted average interest rate is 1.48% per annum. The borrowings are guaranteed by Agripacific Holdings Limited and Greenwings Japan KK.

In respect of the Bank of China borrowings interest is payable at 4% per annum and the principal is due for repayment in less than one year. The borrowings are secured over the buildings held by Kunming Hasfarm Flowers Ltd.

**HIGHLAND PRODUCTS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2021****17. FINANCE LEASES**

	As at 31 Dec 2021 \$	As at 31 Dec 2020 \$
Due in one year	31,368	101,105
Due in 2-5 years	510,620	510,620
Other financial liabilities (borrowings)	4,054,559	3,631,383
	<u>4,596,547</u>	<u>4,243,108</u>

**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.

**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 2021 the Group had commitments under forward foreign exchange contracts to purchase US Dollars totalling \$12,375,000 (2020 - \$12,640,000).

**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.

# HIGHLAND PRODUCTS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

### 18. FINANCIAL INSTRUMENTS (CONTINUED)

#### 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.

### 19. 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 2021 \$	Year ended 31 Dec 2020 \$
Aggregate purchases from	35,461,185	31,562,714

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 2021 \$	As at 31 Dec 2020 \$
Balances included in current liabilities	(11,457,548)	(11,467,104)

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

During the year the group provided for a loan made to an associate totalling \$524,349 and impaired of the goodwill in the associate totalling \$341,068, these amounts are shown in the losses from unlisted investments on the face of the profit and loss. The director believes these amounts to be irrecoverable, due to continued losses made by the entity.

# HIGHLAND PRODUCTS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

### 20. SHARE CAPITAL

	As at 31 Dec 2021 \$	As at 31 Dec 2020 \$
<b>Allotted, called up and fully paid</b>		
2,314,413 (2020 – 2,314,413) Ordinary shares of £1 each	<b>3,768,488</b>	<b>3,768,488</b>

### 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	
			2021	2020
<b>Kunming group</b>				
Kunming Hasfarm Flowers Limited	Produce flowers for direct and trade sale	China	100%(Direct)	100%(Direct)
Kunming Hasfarm Young Plants Limited	Grow young plants for sales	China	100%(Indirect)	51%(Indirect)
<b>Greenwings group</b>				
Blooming Investments B.V.	Investment holding	Netherlands	100%(Indirect)	100%(Indirect)
Greenwings NL B.V.	Investment holding	Netherlands	100%(Direct)	100%(Direct)
Greenwings Shanghai Trading Company Limited	Sale of trade flowers	China	100%(Indirect)	100%(Indirect)
Greenwings New Zealand	Sale of trade flowers	New Zealand	75%(Indirect)	75%(Indirect)
Greenwings Japan K.K.	Sale of trade flowers	Japan	100%(Indirect)	100%(Indirect)
<b>Yunnan group</b>				
Yunnan Hasfarm Flowers Limited	Holding company	China	100%(Direct)	100%(Direct)

#### 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.

#### Kunming Group

During the year the Kunming Hasfarm Flowers Limited increased its stake in Kunming Hasfarm Young Plants Limited from 51% to 100%. As Kunming Hasfarm Flowers increased its ownership in Kunming Hasfarm

## **HIGHLAND PRODUCTS LIMITED**

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

**YEAR ENDED 31 DECEMBER 2021**

#### **21. SUBSIDIARIES (CONTINUED)**

Young Plants and not purchased a new subsidiary, the only adjustment that needs to be recognized is to adjust the equity to show the additional shares.

##### **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 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 shareholders of Hasfarm Holdings Limited are Agravina Limited, Flora Pacific Limited and Chelsea Investment Limited, which are incorporated in British Virgin Islands, Grand Turks and Caicos Islands and United Kingdom, respectively.

The directors do not consider there to be an ultimate controlling party.

#### **23. FINANCIAL GUARENTEE AND COMMITMENT**

In Greenwings Japan there is a bank guarantee of JPY20,000,000 being provided from Mizuho Bank to Customs for deferred payment of import consumption tax.

## **HIGHLAND PRODUCTS LIMITED**

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

#### **YEAR ENDED 31 DECEMBER 2021**

##### **Opinion**

We have audited the financial statements of Highland Products Limited (the 'parent company') for the year ended 31 December 2021, 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 2021 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

##### **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 2021**

#### **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.

#### **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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and its management.



## **HIGHLAND PRODUCTS LIMITED**

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

#### **YEAR ENDED 31 DECEMBER 2021**

Our approach was as follows:

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), the policies and procedures regarding compliance with laws and regulations;
- We considered the legal and regulatory frameworks directly applicable to the financial statements reporting framework (IFRS and the Companies Act 2006) and the relevant tax compliance regulations in the UK;
- We considered the nature of the industry, the control environment and business performance, including the key drivers for management's remuneration;
- We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit;
- We considered the procedures and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls.

#### **Auditor's response to risks identified**

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included; testing manual journals; reviewing the financial statement disclosures and testing to supporting documentation; performing analytical procedures; and enquiring of management, and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls by management. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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 2021.

#### **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.

HIGHLAND PRODUCTS LIMITED

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

YEAR ENDED 31 DECEMBER 2021

*Verallo*

Michelle Hewitt-Dutton FCCA (Senior Statutory Auditor)

For and on behalf of Verallo (formerly Taylorcocks Thames Valley LLP)

Statutory Auditor

Date: 29/09/2022

Office: Henley-On-Thames

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

<b>AS AT 31 DECEMBER 2021</b>		<b>As at 31 Dec 2021 \$</b>	<b>As at 31 Dec 2020 \$</b>
	<b>Note</b>		
<b>ASSETS</b>			
Fixed asset investments	<b>C</b>	<b>7,432,498</b>	<b>7,432,498</b>
		<b>7,432,498</b>	<b>7,432,498</b>
<b>Current assets</b>			
Amounts due from group undertakings	<b>D</b>	<b>2,404,998</b>	<b>2,432,028</b>
Cash and cash equivalents		<b>9,379</b>	<b>9,806</b>
		<b>2,414,377</b>	<b>2,441,834</b>
<b>Total assets</b>		<b>9,846,875</b>	<b>9,874,332</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Amounts owed to group undertakings	<b>E</b>	<b>7,660,774</b>	<b>7,666,348</b>
Accruals	<b>E</b>	<b>32,663</b>	<b>33,419</b>
<b>Total liabilities</b>		<b>7,693,437</b>	<b>7,699,767</b>
<b>NET ASSETS</b>		<b>2,153,438</b>	<b>2,174,565</b>
<b>EQUITY</b>			
Called up share capital	<b>G</b>	<b>3,768,488</b>	<b>3,768,488</b>
Foreign currency presentation reserve		<b>-</b>	<b>(200,258)</b>
Retained earnings		<b>(1,615,050)</b>	<b>(1,393,665)</b>
<b>Total equity</b>		<b>2,153,438</b>	<b>2,174,565</b>

These financial statements were approved by the directors and authorised for issue on *22 September 2022*, and are signed on their behalf by:



**C. TARGET**  
Director

The notes on pages 43 to 48 form part of the Parent Company Financial Statements

HIGHLAND PRODUCTS LIMITED

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

	Called up share capital \$	Foreign exchange presentation reserve \$	Retained earnings \$	Total equity \$
At 1 January 2020	3,768,488	(173,461)	(1,393,681)	2,201,346
Profit for the year	–	–	16	16
Other comprehensive income for the year	–	(26,797)	–	(26,797)
Total comprehensive income for the year	–	(26,797)	16	(26,781)
At 31 December 2020	<u>3,768,488</u>	<u>(200,258)</u>	<u>(1,393,665)</u>	<u>2,174,565</u>
Profit for the year	–	–	(21,127)	(21,127)
Total comprehensive income for the year	–	–	(21,127)	(21,127)
Reserves transfer	–	200,258	(200,258)	–
At 31 December 2021	<u>3,768,488</u>	<u>–</u>	<u>(1,615,050)</u>	<u>2,153,438</u>

The notes on pages 43 to 48 form part of the Parent Company Financial Statements

## HIGHLAND PRODUCTS LIMITED

### NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

#### YEAR ENDED 31 DECEMBER 2021

#### 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 36.

The accounting policies which follow set out those policies which apply in preparing the parent company financial statements for the year ended 31 December 2021. 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.

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 \$5,279,060 (2020: \$5,257,933).

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 2021

#### 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 2021**

#### **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 2021

#### 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 \$221,385 (2020 – profit after tax \$16).

No director's emoluments were paid through the parent company and there were no employees (2020: 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 2020	8,512,181
Additions	-
At 31 December 2020	8,512,181
<b>At 31 December 2021</b>	<b>8,512,181</b>
<b>IMPAIRMENT</b>	
At 1 January 2020 and 31 December 2020	1,079,683
<b>At 31 December 2021</b>	<b>1,079,683</b>
<b>NET BOOK VALUE</b>	
<b>At 31 December 2021</b>	<b>7,432,498</b>
At 31 December 2020	7,432,498
At 31 December 2019	7,432,498

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	
			2021	2020
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	100%	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 2021

D. CURRENT ASSETS

	As at 31 Dec 2021 \$	As at 31 Dec 2020 \$
<b>Current assets</b>		
Amounts owed from group undertakings	2,404,998	2,432,028
	<u>2,404,998</u>	<u>2,432,028</u>

E. CURRENT LIABILITIES

	As at 31 Dec 2021 \$	As at 31 Dec 2020 \$
<b>Amounts falling due within one year</b>		
Amounts owed to group undertakings	7,660,774	7,666,348
Accruals	32,663	33,419
	<u>7,693,437</u>	<u>7,699,767</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 2021 are categorised as follows:

	As at 31 Dec 2021 \$	As at 31 Dec 2020 \$
<b>Carrying value of financial assets and liabilities within the parent company balance sheet:</b>		
<b>Financial assets</b>		
Amounts owed from group undertakings	2,404,998	2,432,028
Financial assets at amortised cost	<u>2,404,998</u>	<u>2,432,028</u>
<b>Financial liabilities</b>		
Amounts owed to group undertakings	7,660,774	7,666,348
Financial liabilities at amortised cost	<u>7,660,774</u>	<u>7,666,348</u>

**HIGHLAND PRODUCTS LIMITED**

**NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2021**

**G. SHARE CAPITAL**

	As at 31 Dec 2021 \$	As at 31 Dec 2020 \$
<b>Allotted, called up and fully paid</b>		
2,314,513 (2020 – 2,314,513) Ordinary shares of £1 each	<b><u>3,768,488</u></b>	<b><u>3,768,488</u></b>

**H. RELATED PARTY TRANSACTIONS**

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