22 MAY 2011
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Palms Agro-Production Company K.S.C. (Closed) and Subsidiary

Interim Condensed Consolidated Financial Information (Unaudited)
For the period ended 31 March 2011

Palms Agro-Production Company K.S.C. (Closed)
and Subsidiary

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For the period ended 31 March 2011

Palms Agro-Production Company K.S.C. (Closed) and Subsidiary
Kuwait

Interim condensed consolidated financial Information and review report
For the period ended 31 March 2011

Contents

	Pages
Report on review of interim condensed consolidated financial information	1-2
Interim condensed consolidated statement of financial position (unaudited)	3
Interim condensed consolidated statement of Income (unaudited)	4
Interim condensed consolidated statement of comprehensive income (unaudited)	5
Interim condensed consolidated statement of changes in equity (unaudited)	6
Interim condensed consolidated statement of cash flows (unaudited)	7
Notes to the interim condensed consolidated financial information (unaudited)	8-14

PRICEWATERHOUSECOOPERS

Al-Shatti & Co.
Arraya Tower II, 24th-23rd floor, Sharq
P.O. Box 1753, Safat 13018
Kuwait
Telephone: +965 22275777
Fax: +965 22275888

AL-WAHA
AUDITING OFFICE
ALI OWAID RUKHAEYES

Member of The International Group of Accounting Firms

P.O. Box 27387 Safat ,
13134 – State of Kuwait
Telephone: (965) 2242 3415
Facsimile: (965) 2242 3417

TO THE BOARD OF DIRECTORS OF PALMS AGRO-PRODUCTION COMPANY K.S.C. (CLOSED)

Report on review of interim condensed consolidated financial information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Palms Agro-Production Company K.S.C. (Closed) ("the parent company") and subsidiary (referred to as "the group") as at 31 March 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. The parent company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard, IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Limitation of Scope

The group's share of the total net assets of KD 1,588,788 (31 December 2010: KD 1,527,039 and 31 March 2010: KD 1,273,444) and results of KD 79,707 (31 March 2010: KD 100,716) of an associate "Al Dhafra Irrigation Systems L.L.C." represent 15% (31 December 2010: 14% and 31 March 2010: 13%) and 119% (31 March 2010: 28%) of the total assets and profit for the period respectively, these were reviewed by other independent auditors whose reports furnished to us express unqualified conclusion. We were unable to carry out any review procedures and therefore are not in a position to provide any conclusion with regards to the amounts included in the financial information relating to the above entity.

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AL-WAHA
AUDITING OFFICE
ALI OWAID RUKHAEYES

TO THE BOARD OF DIRECTORS OF PALMS AGRO-PRODUCTION COMPANY K.S.C. (CLOSED) (Continued)

Conclusion

Based on our review, except for the possible effects of the matter described in the "Limitation of Scope" paragraph above, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of accounts of the parent company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Commercial Companies Law of 1960, as amended, or of the Articles of Association of the parent company during the period ended 31 March 2011 that might have had a material effect on the business of the parent company or on its interim condensed consolidated financial position.

Khalid Ebrahim Al-Shatti
License No. 175 A
PricewaterhouseCoopers (Al-Shatti and Co.)

Ali Owaid Rukhaeyes
License No. 72 A
Member Of The International Group Of Accounting Firms

10 May 2011

Kuwait

Palms Agro-Production Company K.S.C. (Closed) and Subsidiary
Kuwait

Interim condensed consolidated statement of financial position (unaudited)
At 31 March 2011
(All amounts in Kuwaiti Dinars)

	Note	31 March 2011	(Audited) 31 December 2010	31 March 2010
Assets				
Non-current assets				
Property and equipment		1,091,538	1,119,798	1,260,919
Investment in an associate	3	1,588,788	1,527,039	1,273,444
		2,680,326	**2,646,837**	**2,534,363**
Current assets				
Investment carried at fair value through income statement		962,293	1,001,915	1,085,026
Inventory		1,107,857	1,184,504	1,220,004
Accounts receivable and prepayments	4	2,557,666	2,794,867	3,111,450
Cash and cash equivalents	5	3,288,921	2,947,609	1,803,140
		7,916,737	**7,928,895**	**7,219,620**
Total assets		**10,597,063**	**10,575,732**	**9,753,983**
Equity				
Share capital		5,239,900	5,239,900	5,239,900
Share premium		225,000	225,000	225,000
Treasury Shares		(3,573)	(3,573)	(3,573)
Statutory reserve		644,896	644,896	557,189
General reserve		644,896	644,896	557,189
Foreign currency translation reserve		(19,684)	(1,726)	38,518
Retained earnings		1,778,313	1,711,323	1,844,136
Total equity		**8,509,748**	**8,460,716**	**8,458,359**
Liabilities				
Non-current liabilities				
Employees' end of service benefits		**493,989**	**470,876**	**433,927**
Current liabilities				
Due to contracts customers		158	158	158
Accounts payable and accruals	7	731,345	782,019	695,903
Advances on contracts		861,823	861,963	165,636
		1,593,326	**1,644,140**	**861,697**
Total liabilities		**2,087,315**	**2,115,016**	**1,295,624**
Total equity and liabilities		**10,597,063**	**10,575,732**	**9,753,983**

Faisal Fares Al-Fares
Chairman and Managing Director

Bader Hamad Al-Rabiah
Vice Chairman

The accompanying notes form an integral part of these interim condensed consolidated financial information.

Palms Agro-Production Company K.S.C. (Closed) and Subsidiary
Kuwait

Interim condensed consolidated statement of income (unaudited)
Period ended 31 March 2011
(All amounts in Kuwaiti Dinars)

	Note	Three months ended 31 March 2011	2010
Revenue		1,180,577	1,499,166
Cost		(866,477)	(1,087,874)
Gross profit		**314,100**	**411,292**
Share of result of an associate	3	79,707	100,716
Unrealised (loss) gain on investment carried at fair value		(39,622)	137,143
Murabaha income		6,863	5,780
Provision for impairment of receivables	4	(115,117)	-
Other revenue		64,466	-
Dividend income		32,076	-
Foreign currency gain (loss)		10,870	(446)
Marketing expense		(144,847)	(149,676)
General and administrative expenses		(138,118)	(126,215)
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labor Support Tax ("NLST") and Zakat		**70,378**	**378,594**
Provision for contribution to KFAS		(633)	(3,407)
Provision for NLST		(1,759)	(9,464)
Provision for Zakat		(996)	(3,980)
Profit for the period		**66,990**	**361,743**
Basic and diluted earnings per share	8	**1.28 fils**	**6.91 fils**

The accompanying notes form an integral part of these interim condensed consolidated financial information.

Palms Agro-Production Company K.S.C. (Closed) and Subsidiary
Kuwait

Interim condensed consolidated statement of comprehensive income (unaudited)
Period ended 31 March 2011
(All amounts in Kuwaiti Dinars)

	Three months ended 31 March	
	2011	2010
Profit for the period	**66,990**	**361,743**
Exchange differences arising on translation of foreign operations	(17,958)	7,893
Total other comprehensive income	**(17,958)**	**7,893**
Total comprehensive income	**49,032**	**369,636**

The accompanying notes form an integral part of these interim condensed consolidated financial information.

Palms Agro-Production Company K.S.C. (Closed) and Subsidiary
Kuwait

Interim condensed consolidated statement of changes in equity (unaudited)
Period ended 31 March 2011
(All amounts in Kuwaiti Dinars)

	Share capital	Share premium	Treasury shares	Statutory reserve	General reserve	Foreign currency translation reserve	Retained earnings	Total
Balance as of 1 January 2010	5,239,900	225,000	(3,573)	557,189	557,189	30,625	1,482,393	8,088,723
Total comprehensive income for the period	-	-	-	-	-	7,893	361,743	369,636
Balance as of 31 March 2010	**5,239,900**	**225,000**	**(3,573)**	**557,189**	**557,189**	**38,518**	**1,844,136**	**8,458,359**
Balance as of 1 January 2011	5,239,900	225,000	(3,573)	644,896	644,896	(1,726)	1,711,323	8,460,716
Total comprehensive income for the period	-	-	-	-	-	(17,958)	66,990	49,032
Balance as of 31 March 2011	**5,239,900**	**225,000**	**(3,573)**	**644,896**	**644,896**	**(19,684)**	**1,778,313**	**8,509,748**

The accompanying notes form an integral part of these interim condensed consolidated financial information.

Palms Agro-Production Company K.S.C. (Closed) and Subsidiary
Kuwait

Interim condensed consolidated statement of cash flows (unaudited)
Period ended 31 March 2011
(All amounts in Kuwaiti Dinars)

	Note	Three months ended on 31 March 2011	2010
Operating activities			
Profit for the period		66,990	361,743
Adjustments for:			
Depreciation		77,532	76,804
Profit on sale of property and equipment		-	(2,500)
Unrealized loss (gain) on investments carried at fair value through income statement		39,622	(137,143)
Dividend income		(32,076)	-
Share of result of an associate		(79,707)	(100,716)
Provision for impairment of receivables	4	115,117	-
Murabaha income		(6,863)	(5,780)
Employees' end of service indemnity		27,193	17,552
Foreign currency gain (loss)		12,134	(446)
Operating profits before changes in working capital		219,942	209,514
Inventory		76,647	95,216
Accounts receivable and prepayments		155,266	(188,088)
Due to contracts customers		-	(96,810)
Accounts payables and accruals		(62,808)	(120,746)
Advances on contracts		(140)	(23,212)
Employees' end of service indemnity paid		(4,080)	(4,533)
Net cash generated from (used in) operating activities		**384,827**	**(128,659)**
Cash flows from investing activities			
Purchase of property and equipment		(49,272)	(12,451)
Proceeds from sale of property and equipment		-	2,500
Dividends received		-	-
Murabaha income received		5,757	3,727
Net cash used in investing activities		**(43,515)**	**(6,224)**
Increase (decrease) in cash and cash equivalents		**341,312**	**(134,883)**
Cash and cash equivalents at the beginning of the period		**2,947,609**	**1,938,023**
Cash and cash equivalents at the end of the period	**5**	**3,288,921**	**1,803,140**

The accompanying notes form an integral part of these interim condensed consolidated financial information.

1 GENERAL INFORMATION

Palms Agro-Production Co. K.S.C. (Closed) (the parent company) is a Kuwaiti closed shareholding company registered and incorporated in Kuwait on 25 May 1982. The parent company's main activities are execution of agricultural contracting work, import and export of agricultural supplies, establishment and management of nurseries and utilizing of financial surplus available to the parent company through investing it in portfolios managed by specialised companies and entities.

The interim condensed consolidated financial information of the group include the interim condensed financial information of Palms Trees Company K.S.C. (Closed) - fully owned subsidiary of the parent company which is operating in producing and packing of black honey.

The parent company is owned by Bayan Holding Company (K.S.C.) with a percentage of 84.11%.

The registered head office of the parent company is at P.O. Box 1976, Safat 13020, Kuwait.

The interim condensed consolidated financial information of Palms Agro-Production Company K.S.C. (Closed) (the" parent company") and Subsidiary (the group) for the three month period ended 31 March 2011 were authorised for issue in accordance with a resolution of the board of directors on 10 May 2011.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information of the group has been prepared in accordance with International Accounting Standard No. 34, "Interim Financial Reporting".

The interim condensed consolidated financial information do not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the group's annual consolidated financial statements as at 31 December 2010. In addition, result for the three months ended 31 March 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

In the opinion of management, all adjustments (consisting of normal recurring accruals), considered necessary for a fair presentation have been included. The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2010.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

The interim condensed consolidated financial information includes the interim condensed financial of the parent company and its subsidiary under control. The subsidiary is the entity where the group owns more than 50% of the voting rights or when the group has the power directly or indirectly to govern the financial and operating policies. All inter-company transactions and balances between the parent company and its subsidiaries are eliminated in the interim condensed consolidated financial information.

It has been relied on reviewed interim financial information presented from the subsidiary's management in the consolidation process as of 31 March 2011

3 INVESTMENT IN AN ASSOCIATE

The parent company has the following investment in an associate:

	Country Of incorporation	*Equity interest*		
			(Audited)	
		31 March 2011	31 December 2010	31 March 2010
Al Dhafra Irrigation Systems (L.L.C.)	U.A.E.	**33%**	**33%**	**33%**

The movement in the carrying amount of investment in an associate is as follows:

		(Audited)	
	31 March 2011	31 December 2010	31 March 2010
Opening balances	1,527,039	1,164,835	1,164,835
Share of result of an associate	79,707	394,555	100,716
Foreign currency translation adjustment	(17,958)	(32,351)	7,893
Ending balances	**1,588,788**	**1,527,039**	**1,273,444**

The parent company has recorded its share of results based on a reviewed interim financial information of the associate company.

4 ACCOUNTS RECIEVABLE AND PREPAYMENTS

	31 March 2011	(Audited) 31 December 2010	31 March 2010
Trade receivables	1,445,887	1,634,497	2,079,072
Accrued income	501,312	609,771	460,439
Retentions receivable	256,799	228,963	194,332
Prepaid expenses	119,339	116,063	60,071
Advance payments	75,482	72,213	184,304
Other receivables	158,847	133,360	133,232
	2,557,666	**2,794,867**	**3,111,450**

The movement of the provision for impairment of trade receivables is as follows:

	31 March 2011	(Audited) 31December 2010	31 March 2010
Opening balance	334,697	513,260	513,260
Provision charge for the period / year	115,117	39,024	-
Provision for receivables written off during the year as uncollectible	(56,468)	-	-
Provision write back	(64,466)	(217,587)	-
	328,880	**334,697**	**513,260**

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows include the following financial position amounts:

	31 March 2011	(Audited) 31 December 2010	31 March 2010
Bank balances	1,619,187	1,285,701	459,228
Cash in hand	12,200	12,550	11,250
Murabaha Investments	-	-	1,332,662
Deposits with original maturity less than 3 Months	1,657,534	1,649,358	-
	3,288,921	**2,947,609**	**1,803,140**

Murabaha investments represent deposits with local financial institutions maturing within three months from date of placement with an average rate of profit of 1.75 % (31 December 2010: 1.625% and 31 March 2010: 1.75 %).

6 CASH DIVIDENDS

The Annual General Assembly of the parent company's shareholders held on 4 May 2011 has approved the distribution of cash dividends of 8 fils per share for the year ended 31 December 2010 (31 December 2009: cash dividend of 8 fils per share).

7 ACCOUNTS PAYABLE AND ACCRUALS

	31 March 2011	(Audited) 31 December 2010	31 March 2010
Trade payables	291,525	274,085	170,935
Retentions payable	-	-	53,946
Other payables	127,233	117,886	140,246
Accrued expenses	136,459	211,119	330,776
Dividends payable	151,128	153,929	-
Board remunerations	25,000	25,000	-
	731,345	**782,019**	**695,903**

8 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) as follows:

	Three months ended 31 March	
	2011	**2010**
Profit for the period (KD)	**66,990**	**361,743**
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	**52,315,800**	**52,315,800**
Basic and diluted earnings per share	**1.28 fils**	**6.91 fils**

9 RELATED PARTY TRANSACTIONS

Related parties are the shareholder of the parent company who are represented in the board of directors as well as major shareholders and the companies in which any of its members is in the same time a board member in the parent company's board of directors and associated companies. In the ordinary course of business, the group has carried some transactions during the period with related parties. The transactions which are included in the financial statements are as follows:

Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	Three months ended 31 March	
	2011	**2010**
Management fees	**624**	**311**

9 RELATED PARTY TRANSACTIONS (Continued)

Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:

	31 March 2011	(Audited) 31 December 2010	31 March 2010
Trade receivables	-	-	68,901
Trade payables	4,756	3,997	-

Key management compensation

	Three months ended 31 March 2011	2010
Short-term benefits	9,750	9,225
End of service benefits	1,406	1,406
	11,156	10,631

10 SEGMENT INFORMATION

The group activities are organised in three major segments in the internal reporting system as follows:

- Commercial segment: includes the production and sale of nurseries and ornamental plants.
- Projects segment; represented in providing gardening and maintenance services.
- Investment segment.

The principle activities of these segments are as follows:

	31 March 2011			
	Commercial segment	Projects segment	Investment Segment	Total
Segment revenue	696,540	484,037	79,024	1,259,601
Segment profit	39,326	27,328	3,724	70,378
Segment assets	4,747,129	3,298,853	2,551,081	10,597,063

10 SEGMENT INFORMATION (Continued)

	31 March 2010			
	Commercial segment	Projects segment	Investment Segment	Total
Segment revenue	921,450	577,716	243,639	1,742,805
Segment profit	200,205	125,521	52,868	378,594
Segment assets	5,376,011	1,898,027	2,479,945	9,753,983

	Three months ended 31 March	
	2011	2010
Adjustments		
Segment profit	70,378	378,594
Unallocated costs	(3,388)	(16,851)
Segment profit	**66,990**	**361,743**

11 CONTINGENCES

The parent company had letters of guarantee toward foreign purchases amounted to 3,814,011 (31 December 2010: 3,693,587 and 31 March 2010: 2,547,002).