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

Interim Condensed Consolidated Financial Information (Unaudited)
For the period ended 30 June 2011

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

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For the period ended 30 June 2011

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

Interim condensed consolidated financial Information and review report
For the period ended 30 June 2011

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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 30 June 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six 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 1,616,490 (31 December 2010: KD 1,527,039 and 30 June 2010: KD 1,415,657) and results of KD 122,169 (30 June 2010: KD 233,968) of an associate "Al Dhafra Irrigation Systems L.L.C." represent 15.5% (31 December 2010: 14% and 30 June 2010: 14.6%) and 45% (30 June 2010: 44.5%) 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 30 June 2011 that might have had a material effect on the business of the parent company or on its interim condensed consolidated financial position.

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7 August 2011
Kuwait

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

Interim condensed consolidated statement of income (unaudited)
Period ended 30 June 2011
(All amounts in Kuwaiti Dinars)

	Note	Three months ended 30 June		Six months ended 30 June	
		2011	2010	2011	2010
Revenue		1,254,720	1,533,552	2,435,297	3,030,218
Cost		(844,728)	(1,206,943)	(1,826,322)	(2,294,817)
Gross profit		**409,992**	**326,609**	**608,975**	**735,401**
Share of result of an associate	3	42,462	133,252	122,169	233,968
Unrealised gain (loss) on investment carried at fair value		44,852	(79,857)	5,230	57,286
Murabaha income		6,443	5,444	13,306	11,224
Other revenue	11	18,500	-	82,966	2,500
Dividend income		-	30,606	32,076	30,606
Foreign currency gain		2,423	-	13,293	-
Marketing expense		(164,155)	(148,645)	(309,002)	(298,321)
General and administrative expenses		(162,335)	(120,654)	(300,453)	(247,316)
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labor Support Tax ("NLST") and Zakat		**198,182**	**146,755**	**268,560**	**525,348**
Provision for contribution to KFAS		(1,784)	(1,321)	(2,417)	(4,728)
Provision for NLST		(4,955)	(3,670)	(6,714)	(13,134)
Provision for Zakat		(2,264)	(1,644)	(3,260)	(5,624)
Profit for the period		**189,179**	**140,120**	**256,169**	**501,862**
Basic and diluted earnings per share (fils)	8	**3.62**	**2.68**	**4.89**	**9.59**

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 30 June 2011
(All amounts in Kuwaiti Dinars)

	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
Profit for the period	**189,179**	**140,120**	**256,169**	**501,862**
Exchange differences arising on translation of foreign operations	(32,718)	16,854	(32,718)	16,854
Total other comprehensive (loss) income	(32,718)	16,854	(32,718)	16,854
Total comprehensive income	**156,461**	**156,974**	**223,451**	**518,716**

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 financial position (unaudited)
As at 30 June 2011
(All amounts in Kuwaiti Dinars)

	Note	30 June 2011	(Audited) 31 December 2010	30 June 2010
Assets				
Non-current assets				
Property and equipment		1,045,669	1,119,798	1,189,246
Investment in an associate	3	1,616,490	1,527,039	1,415,657
		2,662,159	**2,646,837**	**2,604,903**
Current assets				
Investment carried at fair value through income statement		1,007,145	1,001,915	1,311,356
Inventory		1,183,036	1,184,504	1,005,170
Accounts receivable and prepayments	4	2,658,708	2,794,867	2,988,229
Cash and cash equivalents	5	2,895,795	2,947,609	1,775,092
		7,744,684	**7,928,895**	**7,079,847**
Total assets		**10,406,843**	**10,575,732**	**9,684,750**
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		(34,444)	(1,726)	47,479
Retained earnings		1,548,966	1,711,323	1,565,729
Total equity		**8,265,641**	**8,460,716**	**8,188,913**
Liabilities				
Non-current liabilities				
Employees' end of service benefits		**508,490**	**470,876**	**446,293**
Current liabilities				
Due to contracts customers		158	158	158
Accounts payable and accruals	7	782,788	782,019	876,317
Advances on contracts		849,766	861,963	173,069
		1,632,712	**1,644,140**	**1,049,544**
Total liabilities		**2,141,202**	**2,115,016**	**1,495,837**
Total equity and liabilities		**10,406,843**	**10,575,732**	**9,684,750**

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 changes in equity (unaudited)
Period ended 30 June 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	-	-	-	-	-	16,854	501,862	518,716
Dividends Paid	-	-	-	-	-	-	(418,526)	(418,526)
Balance as of 30 June 2010	**5,239,900**	**225,000**	**(3,573)**	**557,189**	**557,189**	**47,479**	**1,565,729**	**8,188,913**
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 (loss) income for the period	-	-	-	-	-	(32,718)	256,169	223,451
Dividends Paid	-	-	-	-	-	-	(418,526)	(418,526)
Balance as of 30 June 2011	**5,239,900**	**225,000**	**(3,573)**	**644,896**	**644,896**	**(34,444)**	**1,548,966**	**8,265,641**

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 30 June 2011
(All amounts in Kuwaiti Dinars)

	Note	Six months ended on 30 June 2011	2010
Operating activities			
Profit for the period		256,169	501,862
Adjustments for:			
Depreciation		150,045	153,686
Profit on sale of property and equipment		-	(2,500)
Unrealized gain on investments carried at fair value through income statement		(5,230)	(57,286)
Foreign exchange gain		(13,293)	-
Dividend income		(32,076)	(30,606)
Provision for impairment of receivables		60,734	-
Share of result of an associate		(122,169)	(233,968)
Murabaha income		(13,306)	(11,224)
Employees' end of service indemnity		47,794	34,472
Operating profits before changes in working capital		328,668	354,436
Inventory		1,467	3,864
Accounts receivable and prepayments		75,425	(66,920)
Due to contracts customers		-	(96,810)
Accounts payables and accruals		14,062	59,222
Advances on contracts		(12,197)	(15,779)
Employees' end of service indemnity paid		(10,180)	(9,087)
Net cash generated from operating activities		**397,245**	**228,926**
Cash flows from investing activities			
Cash dividends paid		(418,526)	(418,526)
Purchase of property and equipment		(75,890)	(17,660)
Proceeds from sale of property and equipment		-	2,500
Write off of property and equipment		(25)	
Dividends received		32,076	30,606
Murabaha income received		13,306	11,223
Net cash used in investing activities		**(449,059)**	**(391,857)**
Decrease in cash and cash equivalents		**(51,814)**	**(162,931)**
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	**2,895,795**	**1,775,092**

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 six month period ended 30 June 2011 were authorised for issue in accordance with a resolution of the board of directors on 7 August 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 six months ended 30 June 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 30 June 2011.

3 INVESTMENT IN AN ASSOCIATE

The parent company has the following investment in an associate:

	Country Of incorporation	*Equity interest*		
			(Audited)	
		30 June 2011	31 December 2010	30 June 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)	
	30 June 2011	31 December 2010	30 June 2010
Opening balances	1,527,039	1,164,835	1,164,835
Share of result of an associate	122,169	394,555	233,968
Foreign currency translation adjustment	(32,718)	(32,351)	16,854
Ending balances	**1,616,490**	**1,527,039**	**1,415,657**

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

	30 June 2011	(Audited) 31 December 2010	30 June 2010
Trade receivables	1,400,509	1,634,497	2,066,531
Accrued income	570,995	609,771	387,684
Retentions receivable	270,564	228,963	207,344
Prepaid expenses	125,292	116,063	94,381
Advance payments	119,080	72,213	101,474
Other receivables	172,268	133,360	130,815
	2,658,708	**2,794,867**	**2,988,229**

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:

	30 June 2011	(Audited) 31 December 2010	30 June 2010
Bank balances	1,217,977	1,285,701	425,012
Cash in hand	13,351	12,550	11,250
Murabaha Investments	1,664,467	1,649,358	1,338,830
	2,895,795	**2,947,609**	**1,775,092**

Murabaha investments represent deposits with local financial institutions maturing within three months from date of placement with an average rate of profit of 1.625% (31 December 2010: 1.625% and 30 June 2010: 1.625 %).

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

	30 June 2011	(Audited) 31 December 2010	30 June 2010
Trade payables	365,377	274,085	398,592
Other payables	156,481	117,886	247,578
Accrued expenses	80,108	211,119	220,147
Dividends payable	167,822	153,929	-
Board remunerations	13,000	25,000	10,000
	782,788	**782,019**	**876,317**

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:

	Six months ended 30 June 2011	2010
Profit for the period (KD)	**256,169**	**501,362**
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	**4.89 fils**	**9.59 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:

	Six months ended 30 June	
	2011	**2010**
Management fees	**919**	**633**

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

		(Audited)	
	30 June 2011	**31 December 2010**	**30 June 2010**
Trade receivables	-	-	**68,901**
Trade payables	**4,756**	**3,997**	-

Key management compensation

	Six months ended 30 June	
	2011	**2010**
Short-term benefits	19,500	18,450
End of service benefits	2,813	2,813
	22,313	**21,263**

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:

	30 June 2011			
	Commercial segment	Projects Segment	Investment Segment	Total
Segment revenue	1,737,357	794,199	172,781	2,704,337
Segment profit	65,731	30,048	172,781	268,560
Segment assets	5,348,577	2,444,996	2,623,635	10,417,208

	30 June 2010			
	Commercial segment	Projects Segment	Investment Segment	Total
Segment revenue	2,081,295	951,423	333,084	3,365,802
Segment profit	200,154	(7,890)	333,084	525,348
Segment assets	5,319,493	1,944,430	2,420,827	9,684,750

	Six months ended 30 June	
	2011	2010
Adjustments		
Segment profit	268,560	525,348
Unallocated costs	(12,391)	(23,486)
Segment profit	**256,169**	**501,862**

11 OTHER INCOME

This includes receivables from a customer previously written off by the management of the parent company in 2010, and recovered during the current period as a result of a court decision that ruled in the parent company's favour in the net amount of KD 82,966

12 CONTINGENCES

The parent company had letters of guarantee toward foreign purchases amounted to KD 3,443,746 (31 December 2010: 3,693,587 and 30 June 2010: 3,256,295).