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

Interim Condensed Consolidated Financial Information and Independent Auditors' Review Report for the Period from 1 January 2012 to 31 March 2012 (Unaudited)

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

Independent audtiors' 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 (together referred to as "the group") as at 31 March 2012 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 total assets and profit include amounts of KD 1,822,351 (31 December 2011: KD 1,772,701 and 31 March 2011: KD 1,588,788) and results of KD 55,303 (31 March 2011: KD 79,707) respectively, related to an investment in an associate "Al Dhafra Irrigation Systems L.L.C." representing 17% (31 December 2011: 16.5% and 31 March 2011: 15%) and 36% (31 March 2011: 119%) of the total assets and profit for the period respectively. The financial information of the associate was 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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AUDITING OFFICE
ALI OWAID RUKHAEYES

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

Independent audtiors' report on review of interim condensed consolidated financial information (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 three month period ended 31 March 2012 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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15 May 2012

Kuwait

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

Interim condensed consolidated statement of financial position (unaudited)
As at 31 March 2012
(All amounts in Kuwaiti Dinars)

	Notes	31 March 2012	(Audited) 31 December 2011	31 March 2011
Assets				
Current assets				
Cash and cash equivalents	5	**3,199,334**	2,352,854	3,288,921
Accounts receivable and prepayments	4	**3,285,845**	3,341,575	2,557,666
Amounts due from related parties	9	**120,444**	120,444	-
Inventories		**1,257,230**	1,224,574	1,107,857
Financial assets at fair value through profit or loss		**-**	840,850	962,293
		7,862,853	7,880,297	7,916,737
Non-current assets				
Property and equipment		**995,369**	1,040,391	1,091,538
Investment in an associate	3	**1,822,351**	1,772,701	1,588,788
		2,817,720	2,813,092	2,680,326
Total assets		**10,680,573**	10,693,389	10,597,063
Liabilities and equity				
Liabilities				
Current liabilities				
Accounts payable and accruals	7	**668,644**	850,042	731,503
Advances on contracts		**853,041**	852,256	861,823
		1,521,685	1,702,298	1,593,326
Non-current liability				
Employees' end of service benefits		**527,602**	505,974	493,989
Total liabilities		**2,049,287**	2,208,272	2,087,315
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		**693,812**	693,812	644,896
General reserve		**693,812**	693,812	644,896
Foreign currency translation reserve		**(16,354)**	(10,701)	(19,684)
Retained earnings		**1,798,689**	1,646,867	1,778,313
Total equity		**8,631,286**	8,485,117	8,509,748
Total liabilities and equity		**10,680,573**	10,693,389	10,597,063

Faisal Fares Al-Fares
Chairman and Managing Director

Bader Hamad Al-Rabiah
Vice Chairman

The accompanying notes on pages 8 to 14 form an integral part of these interim condensed consolidated financial information.

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

Interim condensed consolidated statement of income (unaudited)
For the period from 1 January 2012 to 31 March 2012
(All amounts in Kuwaiti Dinars)

	Notes	Three months ended 31 March 2012	Three months ended 31 March 2011
Revenue		**1,313,164**	1,180,577
Cost of revenue		**(964,043)**	(866,477)
Gross profit		**349,121**	314,100
Marketing expenses		**(146,164)**	(144,847)
General and administrative expenses		**(136,183)**	(138,118)
Provision for impairment of receivables		**-**	(115,117)
Provision for impairment of receivables no longer required	4	**12,170**	-
Operating profit		**78,944**	(83,982)
Investment income (loss)	10	**23,763**	(683)
Share of results from investment in an associate	3	**55,303**	79,707
Other income		**929**	75,336
Profit for the period before provision for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labor Support, Tax ("NLST") and Zakat		**158,939**	70,378
Contribution to KFAS		**(1,430)**	(633)
NLST		**(4,146)**	(1,759)
Zakat		**(1,541)**	(996)
Profit for the period		**151,822**	66,990
Basic and diluted earnings per share	8	**2.90 fils**	1.28 fils

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

Interim condensed consolidated statement of comprehensive income (unaudited)
For the period from 1 January 2012 to 31 March 2012
(All amounts in Kuwaiti Dinars)

	Three months ended 31 March	
	2012	**2011**
Profit for the period	**151,822**	66,990
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**(5,653)**	(17,958)
Total other comprehensive income for the period	**(5,653)**	(17,958)
Total comprehensive income for the period	**146,169**	49,032

The accompanying notes on pages 8 to 14 form an integral part of these interim condensed consolidated financial information.

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

Interim condensed consolidated statement of changes in equity (unaudited)
For the period from 1 January 2012 to 31 March 2012
(All amounts in Kuwaiti Dinars)

	Share capital	Share premium	Treasury shares	Statutory reserve	General reserve	Foreign currency translation reserve	Retained earnings	Total
Balance as at 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 at 31 March 2011	5,239,900	225,000	(3,573)	644,896	644,896	(19,684)	1,778,313	8,509,748
Balance as at 1 January 2012	5,239,900	225,000	(3,573)	693,812	693,812	(10,701)	1,646,867	8,485,117
Total comprehensive income for the period	-	-	-	-	-	(5,653)	151,822	146,169
Balance as at of 31 March 2012	**5,239,900**	**225,000**	**(3,573)**	**693,812**	**693,812**	**(16,354)**	**1,798,689**	**8,631,286**

The accompanying notes on pages 8 to 14 form an integral part of these interim condensed consolidated financial information.

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

Interim condensed consolidated statement of cash flows (unaudited)
For the period from 1 January 2012 to 31 March 2012
(All amounts in Kuwaiti Dinars)

	Note	Three months ended 31 March 2012	Three months ended 31 March 2011
Operating activities			
Profit for the period		**151,822**	66,990
Adjustments for:			
Depreciation		**67,603**	77,532
Gain on sale of property and equipment		**(1,500)**	-
Unrealised loss on financial assets at fair value through profit or loss		**-**	39,622
Gain on sale of financial assets at fair value through profit or loss		**(17,889)**	-
Murabaha income		**(5,874)**	(6,863)
Provision for impairment of receivables		**-**	115,117
Provision for impairment of receivables no longer required		**(12,170)**	-
Share of results of an associate		**(55,303)**	(79,707)
Employees' end of service benefits		**28,412**	27,193
Dividend income		**-**	(32,076)
Foreign Currency loss (gain)		**571**	(10,870)
Operating profits before changes in working capital		**155,672**	196,938
Accounts receivable and prepayments		**68,978**	155,266
Inventories		**(32,656)**	76,647
Accounts payables and accruals		**(180,205)**	(39,804)
Advances on contracts		**785**	(140)
Employees' end of service benefits paid		**(6,784)**	(4,080)
Net cash generated from operating activities		**5,790**	384,827
Investing activities			
Purchase of property and equipment		**(22,581)**	(49,272)
Proceeds from sale of property and equipment		**1,500**	-
Proceeds from sale of financial assets at fair value through profit or loss		**858,739**	-
Murabaha income received		**4,795**	5,757
Net cash generated from (used in) investing activities		**842,453**	(43,515)
Financing activities			
Cash dividends paid		**(1,763)**	-
Net cash used in financing activities		**(1,763)**	-
Increase in cash and cash equivalents		**846,480**	341,312
Cash and cash equivalents at the beginning of the period		**2,352,854**	2,947,609
Cash and cash equivalents at the end of the period	**5**	**3,199,334**	3,288,921

The accompanying notes on pages 8 to 14 form an integral part of these interim condensed consolidated financial information.

1 GENERAL INFORMATION

Palms Agro Production Company 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 accompanying 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 accompanying 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 2012 were authorised for issue in accordance with a resolution of the board of directors on 8 May 2012.

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 34, "Interim Financial Reporting" IAS 34.

The interim condensed consolidated financial information does 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 2011. In addition, results for the three months ended 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

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 2011.

2.2 Judgements and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2011.

3 INVESTMENT IN AN ASSOCIATE

The parent company has the following investment in an associate:

	Country Of Incorporation	*Equity interest* 31 March 2012	*(Audited)* 31 December 2011	31 March 2011
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:

	31 March 2012	(Audited) 31 December 2011	31 March 2011
Opening balances	**1,772,701**	1,527,039	1,527,039
Share of result of an associate	**55,303**	254,637	79,707
Foreign currency translation adjustment	**(5,653)**	(8,975)	(17,958)
Ending balances	**1,822,351**	1,772,701	1,588,788

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

4 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 March 2012	**(Audited) 31 December 2011**	**31 March 2011**
Trade receivables – gross	**2,323,893**	2,336,453	1,774,767
Provision for impairment of trade receivables	**(306,514)**	(323,575)	(328,880)
Trade receivables – net	**2,017,379**	2,012,878	1,445,887
Accrued income	**576,234**	574,044	501,312
Retentions receivable	**344,782**	314,697	256,799
Prepaid expenses	**143,874**	143,320	119,339
Advance payments	**86,476**	177,017	75,482
Other receivables	**117,100**	119,619	158,847
	3,285,845	3,341,575	2,557,666

4 ACCOUNTS RECEIVABLE AND PREPAYMENTS (Continued)

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

	31 March 2012	(Audited) 31December 2011	31 March 2011
Opening balance	**323,575**	334,698	334,697
Provision charge for the period / year	**-**	83,203	115,117
Provision for receivables written off during the period/ year as uncollectible	**(4,891)**	(2,100)	(120,934)
Provision for impairment of receivables no longer required	**(12,170)**	(92,226)	-
	306,514	323,575	328,880

5 CASH AND CASH EQUIVALENTS

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

	31 March 2012	(Audited) 31 December 2011	31 March 2011
Bank balances	**1,502,747**	668,098	1,619,187
Cash on hand	**12,875**	10,924	12,200
Deposits with original maturity less than 3 months	**1,683,712**	1,673,832	1,657,534
	3,199,334	2,352,854	3,288,921

Fixed deposits represent deposits with local financial institutions maturing within three months from date of placement with an average rate of profit of 1.528 % (31 December 2011: 1.680% and 31 March 2011: 1.75%).

6 ANNUAL GENERAL ASSEMBLY

The Annual General Assembly of the parent company's shareholders held on 25 April 2012 has approved the consolidated financial statements of the group for the year ended 31 December 2011 and the distribution of cash dividends of 10 fils per share for the year ended 31 December 2011 (31 December 2010: cash dividend of 8 fils per share).

7 ACCOUNTS PAYABLE AND ACCRUALS

	31 March 2012	(Audited) 31 December 2011	31 March 2011
Trade payables	**235,333**	339,714	291,525
Other payables	**127,315**	118,738	127,391
Accrued expenses	**128,191**	212,022	136,459
Dividends payable	**162,805**	164,568	151,128
Board remunerations	**15,000**	15,000	25,000
	668,644	850,042	731,503

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	
	2012	2011
Profit for the period (KD)	**151,822**	66,990
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	**2.90 fils**	1.28 fils

There were no potential diluted shares.

9 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are the shareholders 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 and balances which are included in the interim condensed consolidated financial information are as follows:

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

	Three months ended 31 March	
	2012	2011
Management fees	**265**	624

9 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

	31 March 2012	(Audited) 31 December 2011	31 March 2011
Amounts due from related parties	**120,444**	120,444	-
Trade payables	**-**	-	4,756

Key management compensation

	Three months ended 31 March	
	2012	2011
Short-term benefits	**9,750**	9,750
End of service benefits	**1,406**	1,406
	11,156	11,156

10 INVESTMENT INCOME (LOSS)

	Three months ended 31 March	
	2012	**2011**
Unrealised loss on financial assets at fair value through profit or loss	-	(39,622)
Gain on sale of financial assets at fair value through profit or loss	**17,889**	-
Murabaha Income	**5,874**	6,863
Dividend income	**-**	32,076
	23,763	(683)

11 SEGMENT INFORMATION

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

- Agricultural segment: includes the production and sale of nurseries, ornamental plants and providing gardening and maintenance services.
- Investment segment.

	31 March 2012		
	Agricultural segment	**Investment segment**	**Total**
Segment revenue	1,325,334	79,066	1,404,400
Segment profit	78,944	79,066	158,010
Segment assets	8,858,222	1,822,351	10,680,573

	31 March 2011		
	Agricultural Segment	**Investment segment**	**Total**
Segment revenue	1,180,577	79,024	1,259,601
Segment (loss) profit	(83,982)	79,024	(4,958)
Segment assets	8,045,982	2,551,081	10,597,063

	Three months ended 31 March	
	2012	**2011**
Adjustments		
Segment profit (loss)	158,010	(4,958)
Unallocated (costs) revenues	(6,188)	71,948
Segment profit	**151,822**	**66,990**

12 CONTINGENCES

The parent company had letters of guarantee toward foreign purchases amounted to KD 3,362,817 (31 December 2011: 3,851,974 and 31 March 2011: 3,814,011).