28 AUG 2012
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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 2012

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

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For the period ended 30 June 2012

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 2012

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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 2012 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 1,902,453 (31 December 2011: KD 1,772,701 and 30 June 2011: KD 1,616,490) and results of KD 118,837 (30 June 2011: KD 122,169) of an associate "Al Dhafra Irrigation Systems L.L.C." represent 17% (31 December 2011: 14% and 30 June 2011: 15.5%) and 41% (30 June 2011: 47%) 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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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 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 August 2012

Kuwait

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

Interim condensed consolidated statement of income (unaudited)

(All amounts in Kuwaiti Dinars)

	Note	Three months ended 30 June		Six months ended 30 June	
		2012	2011	2012	2011
Revenue		**1,309,018**	1,254,720	**2,622,182**	2,435,297
Cost		**(990,046)**	(844,728)	**(1,954,089)**	(1,826,322)
Gross profit		**318,972**	**409,992**	**668,093**	**608,975**
Share of result of an associate	5	**63,534**	42,462	**118,837**	122,169
Provision for impairment of receivables no longer required		**29,695**	-	**41,865**	82,966
Unrealised gain on investment carried at fair value		-	44,852	-	5,230
Realised gain on investment carried at fair value		-	-	**17,889**	-
Murabaha income		**5,440**	6,443	**11,314**	13,306
Other income	13	**6,130**	18,500	**7,630**	-
Dividend income		-	-	-	32,076
Foreign currency (loss) gain		**(362)**	2,423	**(933)**	13,293
Selling and marketing expense	3	**(134,450)**	(164,155)	**(280,614)**	(309,002)
General and administrative expenses	4	**(144,021)**	(162,335)	**(280,204)**	(300,453)
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labor Support Tax ("NLST") and Zakat		**144,938**	**198,182**	**303,877**	**268,560**
Provision for contribution to KFAS		**(1,304)**	(1,784)	**(2,734)**	(2,417)
Provision for NLST		**(2,836)**	(4,955)	**(6,982)**	(6,714)
Provision for Zakat		**(1,252)**	(2,264)	**(2,793)**	(3,260)
Profit for the period		**139,546**	**189,179**	**291,368**	**256,169**
Basic and diluted earnings per share (fils)	10	**2.67**	**3.62**	**5.57**	**4.89**

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)

(All amounts in Kuwaiti Dinars)

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
Profit for the period	**139,546**	**189,179**	**291,368**	**256,169**
Exchange differences arising on translation of foreign operations	**16,568**	(32,718)	**10,915**	(32,718)
Total other comprehensive income (loss)	**16,568**	(32,718)	**10,915**	(32,718)
Total comprehensive income	**156,114**	**156,461**	**302,283**	**223,451**

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)
(All amounts in Kuwaiti Dinars)

	Note	30 June 2012	(Audited) 31 December 2011	30 June 2011
Assets				
Current assets				
Cash and cash equivalents	7	**3,000,237**	2,352,854	2,895,795
Accounts receivable and prepayments	6	**3,210,319**	3,341,575	2,658,708
Amounts due from related parties	11	**216,422**	120,444	-
Inventories		**1,194,785**	1,224,574	1,183,036
Financial assets at fair value through profit or loss		**-**	840,850	1,007,145
		7,621,763	7,880,297	7,744,684
Non-current assets				
Property and equipment		**1,651,392**	1,040,391	1,045,669
Investment in an associate	5	**1,902,453**	1,772,701	1,616,490
		3,553,845	2,813,092	2,662,159
Total assets		**11,175,608**	10,693,389	10,406,843
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		**214**	(10,701)	(34,444)
Retained earnings		**1,438,152**	1,646,867	1,548,966
Total equity		**8,287,317**	8,485,117	8,265,641
Liabilities				
Current liabilities				
Accounts payable and accruals	9	**904,947**	850,042	782,946
Advances on contracts		**1,442,101**	852,256	849,766
		2,347,048	1,702,298	1,632,712
Non-current liability				
Employees' end of service benefits		**541,243**	505,974	508,490
Total liabilities		**2,888,291**	2,208,272	2,141,202
Total equity and liabilities		**11,175,608**	10,693,389	10,406,843

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)
(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 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**
Balance as of 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	-	-	-	-	-	**10,915**	**291,368**	**302,283**
Dividends Paid	-	-	-	-	-	-	**(500,083)**	**(500,083)**
Balance as of 30 June 2012	**5,239,900**	**225,000**	**(3,573)**	**693,812**	**693,812**	**214**	**1,438,152**	**8,287,317**

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)
(All amounts in Kuwaiti Dinars)

	Note	Six months ended on 30 June	
		2012	2011
Operating activities			
Profit for the period		**291,368**	256,169
Adjustments for:			
Depreciation		**130,479**	150,045
Profit on sale of property and equipment		**(2,300)**	-
Unrealized gain on investments carried at fair value through income statement		**-**	(5,230)
Realized gain on investments carried at fair value through income statement		**(17,889)**	-
Foreign exchange loss (gain)		**933**	(13,293)
Dividend income		**-**	(32,076)
Provision for impairment of receivables		**-**	60,734
Provision for impairment of receivables no longer required		**(41,865)**	-
Share of result of an associate		**(118,837)**	(122,169)
Murabaha income		**(11,314)**	(13,306)
Employees' end of service indemnity		**44,799**	47,794
Working capital		**275,374**	328,668
Inventories		**29,789**	1,467
Accounts receivable and prepayments		**172,188**	75,425
Amounts due from related parties		**(95,978)**	-
Accounts payables and accruals		**(422,103)**	14,062
Advances on contracts		**589,845**	(12,197)
Employees' end of service indemnity paid		**(9,530)**	(10,180)
Net cash generated from operating activities		**539,585**	397,245
Cash flows from investing activities			
Purchase of property and equipment		**(741,480)**	(75,890)
Proceeds from sale of property and equipment		**2,300**	-
Proceeds from sale of financial assets at fair value through profit or loss		**858,739**	-
Write off of property and equipment		**-**	(25)
Dividends received		**-**	32,076
Murabaha income received		**11,314**	13,306
Net cash generated from (used in) investing activities		**130,873**	(30,533)
Cash flows from financing activity			
Cash dividends paid		**(23,075)**	(418,526)
Net cash used in financing activity		**(23,075)**	(418,526)
Increase (decrease) in cash and cash equivalents		**647,383**	(51,814)
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	**7**	**3,000,237**	2,895,795

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 2012 were authorised for issue in accordance with a resolution of the board of directors on 9 August 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 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 2011. In addition, result for the six months ended 30 June 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 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 2012.

3 SELLING AND MARKETING EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2012	**2011**	**2012**	**2011**
Salaries and related costs	**86,060**	98,450	**173,936**	189,831
Depreciation	**24,031**	29,689	**51,726**	58,867
Indemnity expense	**5,651**	8,149	**16,620**	17,711
Leave expense	**8,867**	11,520	**18,443**	20,538
Others	**9,841**	16,347	**19,889**	22,055
	134,450	164,155	**280,614**	309,002

4 GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2012	**2011**	**2012**	**2011**
Salaries and related costs	**47,191**	38,506	**96,640**	87,079
Depreciation	**3,459**	3,453	**6,815**	6,819
Indemnity expense	**3,792**	4,686	**8,720**	9,412
Leave expense	**5,225**	7,074	**9,312**	12,049
Others	**84,354**	108,616	**158,717**	185,094
	144,021	162,335	**280,204**	300,453

5 INVESTMENT IN AN ASSOCIATE

The parent company has the following investment in an associate:

	Country Of incorporation	Equity interest (Audited) 30 June 2012	31 December 2011	30 June 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:

	30 June 2012	(Audited) 31 December 2011	30 June 2011
Opening balances	**1,772,701**	1,527,039	1,527,039
Share of result of an associate	**118,837**	254,637	122,169
Foreign currency translation adjustment	**10,915**	(8,975)	(32,718)
Ending balances	**1,902,453**	1,772,701	1,616,490

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

6 ACCOUNTS RECIEVABLE AND PREPAYMENTS

	30 June 2012	(Audited) 31 December 2011	30 June 2011
Trade receivables	**2,036,919**	2,012,913	1,400,509
Accrued income	**489,803**	574,044	570,995
Retentions receivable	**354,853**	314,697	270,564
Prepaid expenses	**195,303**	143,320	125,292
Advance payments	**22,455**	177,017	119,080
Other receivables	**110,986**	119,584	172,268
	3,210,319	3,341,575	2,658,708

6 ACCOUNTS RECIEVABLE AND PREPAYMENTS (Continued)

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

	30 June 2012	(Audited) 31 December 2011	30 June 2011
Opening balance	**323,575**	334,698	334,697
Provision charge for the period / year	**-**	83,203	58,649
Provision for receivables written off during the period as uncollectible	**(4,890)**	-	-
Provision for impairment of receivables no longer required	**(41,865)**	(94,326)	(82,966)
	276,820	323,575	310,380

7 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 2012	(Audited) 31 December 2011	30 June 2011
Bank balances	**1,297,090**	668,098	1,217,977
Cash in hand	**13,075**	10,924	13,351
Murabaha Investments	**1,690,072**	1,673,832	1,664,467
	3,000,237	2,352,854	2,895,795

Murabaha investments represent deposits with local financial institutions maturing within three months from date of placement with an average rate of profit of 1.125% (31 December 2011: 1.68% and 30 June 2011: 1.625 %).

8 CASH DIVIDENDS

The Annual General Assembly of the parent company's shareholders held on 25 April 2012 has approved 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).

9 ACCOUNTS PAYABLE AND ACCRUALS

	30 June 2012	(Audited) 31 December 2011	30 June 2011
Trade payables	**211,188**	339,714	365,377
Lease obligation	**250,000**	-	-
Other payables	**123,333**	118,738	156,639
Accrued expenses	**151,800**	212,022	80,108
Dividends payable	**168,626**	164,568	167,822
Board remunerations	-	15,000	13,000
	904,947	850,042	782,946

During the current year, the group leased 33% of a property from Kuwait Finance House. The group is required to pay the purchase price amounting to KD 250,000 upon signing the contract.

10 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 30 June		Six months ended 30 June	
	2012	2011	2012	2011
Profit for the period (KD)	**139,546**	189,179	**291,368**	256,169
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	**52,315,800**	52,315,800	**52,315,800**	52,315,800
Basic and diluted earnings per share	**2.67 fils**	3.62 fils	**5.57 fils**	4.89 fils

11 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	
	2012	**2011**
Management fees	**265**	919

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

		(Audited)	
	30 June 2012	**31 December 2011**	**30 June 2011**
Amounts due from related parties	**216,422**	120,444	-
Trade payables	**-**	-	4,756

Key management compensation	Six months ended 30 June	
	2012	**2011**
Short-term benefits	**19,500**	19,500
End of service benefits	**2,813**	2,813
	22,313	22,313

12 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 2012			
	Commercial segment	Projects Segment	Investment Segment	Total
Segment revenue	**1,594,874**	**1,076,803**	**148,040**	**2,819,717**
Segment profit	**87,457**	**68,380**	**148,040**	**303,877**
Segment assets	**4,850,000**	**4,496,108**	**1,829,500**	**11,175,608**

	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	5,338,212	2,444,996	2,623,635	10,406,843

	Six months ended 30 June	
	2012	2011
Adjustments		
Segment profit	**303,877**	268,560
Unallocated costs	**(12,509)**	(12,391)
Segment profit	**291,368**	256,169

13 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 6,000

14 CONTINGENCES

The parent company had letters of guarantee toward foreign purchases amounted to KD 3,952,894 (31 December 2011: 3,851,974 and 30 June 2011: 3,443,746).