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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 September 2012

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

Interim Condensed Consolidated Financial Information (Unaudited)
For the period ended 30 September 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 September 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 September 2012 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine 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 1,982,090 (31 December 2011: KD 1,772,701 and 30 September 2011: KD 1,708,400) and results of KD 193,713 (30 September 2011: KD 201,458) of an associate "Al Dhafra Irrigation Systems L.L.C." represent 17% (31 December 2011: 17% and 30 September 2011: 16%) and 47% (30 September 2011: 44%) 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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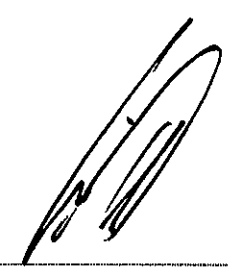
TO THE BOARD OF DIRECTORS OF PALMS AGRO-PRODUCTION COMPANY K.S.C. (CLOSED) (Continued)

Conclusion

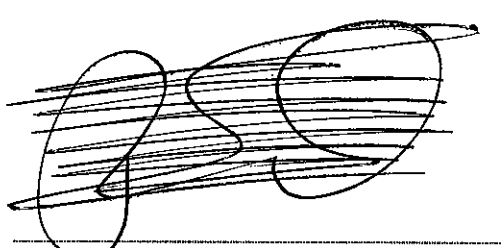
Based on our review, except for the possible effects of the matter described in the "Limitation of Scope" paragraph above, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, 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 September 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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18 November 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 September		Nine months ended 30 September	
		2012	2011	2012	2011
Revenue		**1,431,025**	1,174,030	**4,053,207**	3,609,327
Cost		**(1,126,192)**	(765,914)	**(3,080,281)**	(2,592,236)
Gross profit		**304,833**	408,116	**972,926**	1,017,091
Share of result of an associate	6	**74,876**	79,289	**193,713**	201,458
Realised gain (loss) on investment carried at fair value through income statements		**-**	(60,489)	**17,889**	(55,259)
Provision for impairment of receivables no longer required		**300**	-	**42,165**	-
Murabaha income		**4,420**	6,460	**15,734**	19,766
Other income		**20,236**	6,200	**27,866**	89,166
Dividend income		**-**	22,866	**-**	54,942
Foreign currency gain		**6,816**	7,570	**5,883**	20,863
Selling and marketing expense	3	**(122,460)**	(111,717)	**(403,074)**	(420,719)
General and administrative expenses	4	**(159,559)**	(136,653)	**(439,763)**	(446,058)
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labor Support Tax ("NLST") and Zakat		**129,462**	221,642	**433,339**	481,250
Provision for contribution to KFAS		**(1,166)**	(1,914)	**(3,900)**	(4,331)
Provision for NLST		**(3,033)**	(5,317)	**(10,015)**	(12,031)
Provision for Zakat		**(1,213)**	(1,948)	**(4,006)**	(5,208)
Profit for the period		**124,050**	212,463	**415,418**	459,680
Basic and diluted earnings per share (fils)	11	**2.3 fils**	4 fils	**7.9 fils**	8.7 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)

(All amounts in Kuwaiti Dinars)

	Three months ended 30 September		Nine months ended 30 September	
	2012	**2011**	**2012**	**2011**
Profit for the period	**124,050**	212,463	**415,418**	459,680
Exchange differences arising on translation of foreign operations	**4,761**	12,621	**15,676**	(20,097)
Total other comprehensive income (loss)	**4,761**	12,621	**15,676**	(20,097)
Total comprehensive income	**128,811**	225,084	**431,094**	439,583

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 September 2012	(Audited) 31 December 2011	30 September 2011
Assets				
Non-current assets				
Property and equipment	5	**1,747,214**	1,040,391	993,593
Investment in an associate	6	**1,982,090**	1,772,701	1,708,400
		3,729,304	2,813,092	2,701,993
Current assets				
Investment carried at fair value through income statement		**-**	840,850	946,656
Inventory		**1,369,039**	1,224,574	1,303,280
Accounts receivable and prepayments	7	**3,321,885**	3,341,610	2,998,569
Amounts due from related parties	12	**418,053**	120,409	-
Cash and cash equivalents	8	**2,561,262**	2,352,854	2,564,445
		7,670,239	7,880,297	7,812,950
Total assets		**11,399,543**	10,693,389	10,514,943
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		**4,975**	(10,701)	(21,823)
Retained earnings		**1,539,126**	1,646,867	1,752,477
Total equity		**8,393,052**	8,485,117	8,481,773
Liabilities				
Non-current liabilities				
Employees' end of service benefits		**545,053**	505,974	508,507
Current liabilities				
Accounts payable and accruals		**1,075,128**	850,042	715,258
Advances on contracts		**1,386,310**	852,256	809,405
		2,461,438	1,702,298	1,524,663
Total liabilities		**3,006,491**	2,208,272	2,033,170
Total equity and liabilities		**11,399,543**	10,693,389	10,514,943

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	-	-	-	-	-	(20,097)	459,680	439,583
Dividends Paid	-	-	-	-	-	-	(418,526)	(418,526)
Balance as of 30 September 2011	**5,239,900**	**225,000**	**(3,573)**	**644,896**	**644,896**	**(21,823)**	**1,752,477**	**8,481,773**
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	-	-	-	-	-	**15,676**	**415,418**	**431,094**
Dividends Paid	-	-	-	-	-	-	**(523,159)**	**(523,159)**
Balance as of 30 September 2012	**5,239,900**	**225,000**	**(3,573)**	**693,812**	**693,812**	**4,975**	**1,539,126**	**8,393,052**

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	Nine months ended on 30 September	
		2012	2011
Operating activities			
Profit for the period		415,418	459,680
Adjustments for:			
Depreciation		210,824	222,954
Profit on sale of property and equipment		(2,300)	-
Unrealized loss on investments carried at fair value through income		-	55,259
Realized gain on investments carried at fair value through income statement		(17,889)	-
Provision for impairment of receivables no longer required		(42,165)	-
Dividend income		-	(54,942)
Share of result of an associate		(193,713)	(201,458)
Murabaha income		(15,734)	(19,766)
Employees' end of service indemnity		89,612	67,845
Foreign currency gain		(5,883)	(20,863)
Operating profits before changes in working capital		438,170	508,709
Inventory		(144,465)	(118,776)
Accounts receivable and prepayments		67,738	(203,121)
Amounts due from related parties		(297,609)	-
Accounts payables and accruals		225,086	(46,056)
Advances on contracts		534,054	(52,558)
Employees' end of service indemnity paid		(50,533)	(30,214)
Net cash generated from operating activities		772,441	57,984
Cash flows from investing activities			
Purchase of property and equipment		(917,647)	(96,749)
Proceeds from sale of property and equipment		2,300	-
Proceeds from sale of financial assets at fair value through income statement		858,739	-
Dividends received		-	54,942
Murabaha income received		15,734	19,185
Net cash used in investing activities		(40,874)	(22,622)
Cash flows from financing activities			
Cash dividends paid		(523,159)	(418,526)
Net cash used in financing activities		(523,159)	(418,526)
Increase (decrease) in cash and cash equivalents		208,408	(383,164)
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	8	2,561,262	2,564,445

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 however the subsidiary's licence was suspended on 31 December 2006.

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 nine month period ended 30 September 2012 were authorised for issue in accordance with a resolution of the board of directors on 14 November 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 accounting policies adopted are consistent with those of the previous financial year except as described below:

Leases
Leases where the Group is a lessee
Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (continued)

Leases (continued)
Operating lease payments are recognised as expense on straight line basis over the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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 nine months ended 30 September 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.

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 September 2012.

3 SELLING AND MARKETING EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2012	**2011**	**2012**	**2011**
Salaries and related costs	**72,949**	67,754	**248,885**	258,585
Depreciation	**24,046**	28,010	**75,772**	86,877
Indemnity expense	**12,686**	7,150	**29,306**	24,862
Leave expense	**12,468**	8,709	**30,911**	29,247
Others	**311**	94	**18,200**	21,148
	122,460	111,717	**403,074**	420,719

4 GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2012	**2011**	**2012**	**2011**
Salaries and related costs	**35,247**	50,513	**131,887**	146,141
Depreciation	**3,303**	3,381	**10,118**	10,200
Indemnity expense	**4,091**	4,535	**12,811**	13,947
Leave expense	**5,097**	5,113	**14,409**	17,162
Rent	**13,979**	12,143	**34,716**	22,395
Maintenance and repair	**19,464**	12,618	**41,799**	30,176
Electricity and water	**7,436**	10,834	**22,521**	21,534
Fines	**14,567**	146	**14,619**	156
Social insurane	**5,781**	3,436	**17,000**	11,037
Residency permit expenses	**4,253**	6,046	**17,240**	15,757
Insurance	**7,697**	3,503	**12,291**	8,691
Bank charges	**3,521**	8,534	**15,418**	18,442
Others	**35,123**	15,851	**94,934**	130,420
	159,559	136,653	**439,763**	446,058

5 PROPERTY AND EQUIPMENT

During the current period, the management has entered into a lease agreement of building with the option to purchase it at the end of the lease rent. The group share in the leased assets is 1/3 of the value of the leased assets. The group's management has treated this lease as a finance lease and capitalise the value present value minimum lease payments which is amounted to KD 686,666.

6 INVESTMENT IN AN ASSOCIATE

The parent company has the following investment in an associate:

	Country Of incorporation	*Equity interest (Audited)*		
		30 September 2012	**31 December 2011**	**30 September 2011**
Al Dhafra Irrigation Systems (L.L.C.)	U.A.E.	**33%**	**33%**	**33%**

6 INVESTMENT IN AN ASSOCIATE (continued)

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

	30 September 2012	(Audited) 31 December 2011	30 September 2011
Opening balances	**1,772,701**	1,527,039	1,527,039
Share of result of an associate	**193,713**	254,637	201,458
Foreign currency translation adjustment	**15,676**	(8,975)	(20,097)
Ending balances	**1,982,090**	1,772,701	1,708,400

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

7 ACCOUNTS RECIEVABLE AND PREPAYMENTS

	30 September 2012	(Audited) 31 December 2011	30 September 2011
Trade receivables	**2,038,453**	2,012,913	1,607,515
Accrued income	**490,754**	574,044	694,972
Retentions receivable	**401,423**	314,697	276,763
Prepaid expenses	**176,534**	143,320	109,803
Advance payments	**127,849**	177,017	193,381
Other receivables	**86,872**	119,619	116,135
	3,321,885	**3,341,610**	**2,998,569**

8 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 September 2012	(Audited) 31 December 2011	30 September 2011
Bank balances	**852,463**	668,098	1,670,981
Cash in hand	**15,075**	10,924	881,939
Deposits with original maturity less than 3 Months	**1,693,720**	1,673,832	11,525
	2,561,258	**2,352,854**	**2,564,445**

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 September 2011: 1.625 %).

9 CASH DIVIDENDS

The Annual General Assembly of the parent company's shareholders held on 15 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).

10 ACCOUNTS PAYABLE AND ACCRUALS

	30 September 2012	(Audited) 31 December 2011	30 September 2011
Trade payables	**338,233**	339,714	300,731
Lease obligation	**250,000**	-	-
Other payables	**157,890**	118,738	126,759
Accrued expenses	**166,451**	212,022	120,465
Dividends payable	**162,562**	164,568	167,145
Board remunerations	**-**	15,000	-
	1,075,136	**850,042**	**715,100**

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 at the end of the contract period.

11 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 September		Nine months ended 30 September	
	2012	**2011**	**2012**	**2011**
Profit for the period (KD)	**124,050**	212,463	**415,418**	459,680
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	**2.3 fils**	4 fils	**7.9 fils**	8.7 fils

12 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:

	Nine months ended 30 September	
	2012	**2011**
Management fees	**265**	406

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

		(Audited)	
	30 September 2012	**31 December 2011**	**30 September 2011**
Trade receivables	**418,053**	120,409	-
Trade payables	**-**	-	1,056

12 RELATED PARTY TRANSACTIONS (Continued)

Key management compensation

	Nine months ended 30 September	
	2012	**2011**
Short-term benefits	**29,250**	27,675
End of service benefits	**4,219**	4,219
	33,469	31,894

13 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 September 2012			
	Commercial segment	**Projects Segment**	**Investment Segment**	**Total**
Segment revenue	**2,278,279**	**1,808,677**	**269,501**	**4,356,457**
Segment profit	**96,500**	**67,338**	**269,501**	**433,339**
Segment assets	**4,918,410**	**4,500,383**	**1,980,750**	**11,399,543**

	30 September 2012			
	Commercial segment	**Projects Segment**	**Investment Segment**	**Total**
Segment revenue	2,159,432	1,559,924	276,166	3,995,522
Segment profit	263,746	92,918	124,586	481,250
Segment assets	5,762,638	2,030,205	2,722,100	10,514,943

	Nine months ended 30 September	
	2012	**2011**
Adjustments		
Segment profit	**433,339**	481,250
Unallocated costs	**(17,921)**	(21,570)
Segment profit	**415,418**	459,680

14 CONTINGENCES

The parent company had letters of guarantee toward foreign purchases amounted to KD 4,979,394 (31 December 2011: 3,851,974 and 30 September 2011: 3,444,357).