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

Consolidated Financial Statements and Independent Auditor's Report

For the year ended 31 December 2012

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Contents

	Pages
Independent auditor's report	1-2
Consolidated statement of financial position	3
Consolidated statement of income	4
Consolidated statement of comprehensive income	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8-35

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PALMS AGRO PRODUCTION COMPANY K.S.C. (CLOSED)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Palms Agro Production Company K.S.C. (Closed) ("the Parent Company") and subsidiary (together referred to as "the group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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AL-WAHA
AUDITING OFFICE
ALI OWAID RUKHAEYES

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PALMS AGRO PRODUCTION COMPANY K.S.C. (CLOSED) (CONTINUED)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of accounts have been kept by the parent company and the consolidated financial statements are in accordance therewith. We further report that we obtained all information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law no. 25 of 2012, and by the parent company's memorandum of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law no. 25 of 2012, nor of the parent company's memorandum of association have occurred during the year ended 31 December 2012 that might have had a material effect on the business of the group or on its consolidated financial position.

Khalid Al-Shatti
Licence No. 175-A
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Member Of The International
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24 March 2013
Kuwait

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

Consolidated statement of financial position

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Notes	As at 31 December 2012	2011
Assets			
Current assets			
Cash and cash equivalents	5	**2,749,975**	2,352,854
Accounts receivable and prepayments	6	**3,144,858**	3,341,610
Amounts due from related parties	18	**418,058**	120,409
Inventories	7	**1,391,682**	1,224,574
Financial assets at fair value through profit or loss		**-**	840,850
		7,704,573	7,880,297
Non- current assets			
Property and equipment	8	**1,670,801**	1,040,391
Investment in associate	9	**1,992,353**	1,772,701
		3,663,154	2,813,092
Total assets		**11,367,727**	10,693,389
Liabilities and equity			
Liabilities			
Current liabilities			
Accounts payable and accruals	10	**849,081**	850,042
Obligations under finance lease	11	**250,000**	-
Advances on contracts		**1,311,826**	852,256
		2,410,907	1,702,298
Non- current liability			
Employees' end of service benefits		**484,930**	505,974
Total liabilities		**2,895,837**	2,208,272
Equity			
Share capital	17	**5,239,900**	5,239,900
Share premium		**225,000**	225,000
Treasury shares	17	**(3,573)**	(3,573)
Statutory reserve	17	**746,995**	693,812
General reserve	17	**746,995**	693,812
Foreign currency translation reserve		**6,695**	(10,701)
Retained earnings		**1,509,878**	1,646,867
Total equity		**8,471,890**	8,485,117
Total liabilities and equity		**11,367,727**	10,693,389

Faisal Fares Al-Fares
Chairman and Managing Director

Bader Hamad Al-Rabiah
Vice Chairman

The accompanying notes set out on pages 8 to 35 form an integral part of these consolidated financial statements

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

Consolidated statement of income

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Notes	Year ended 31 December 2012	2011
Revenue		**5,815,250**	4,834,013
Cost of revenue	12	**(4,456,095)**	(3,639,420)
Gross profit		**1,359,155**	1,194,593
Selling and marketing expenses	13	**(568,463)**	(570,712)
General and administrative expenses	14	**(630,540)**	(599,474)
Provision for impairment of receivables	6	**(22,760)**	(83,203)
Recovery of provision for impairment of receivables	6	**54,393**	92,226
Operating profit		**191,785**	33,430
Investment income (loss)	15	**36,350**	(79,519)
Share of results of associate	9	**202,256**	254,637
Other income	16	**101,441**	280,612
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labor Support Tax ("NLST"), Zakat and Board of directors remuneration		**531,832**	489,160
Contribution to KFAS		**(4,936)**	(4,552)
NLST		**(13,829)**	(13,116)
Zakat		**(5,532)**	(4,590)
Board of directors remuneration		**(15,000)**	(15,000)
Profit for the year		**492,535**	451,902
Basic and diluted earnings per share	17	**9.41 fils**	8.64 fils

The accompanying notes set out on pages 8 to 35 form an integral part of these consolidated financial statements

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

Consolidated statement of comprehensive income
(All amounts in Kuwaiti Dinars unless otherwise stated)

	Year ended 31 December	
	2012	2011
Profit for the year	**492,535**	451,902
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**17,396**	(8,975)
Total other comprehensive income (loss)	**17,396**	(8,975)
Total comprehensive income	**509,931**	442,927

The accompanying notes set out on pages 8 to 35 form an integral part of these consolidated financial statements

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

Consolidated statement of changes in equity
(All amounts in Kuwaiti Dinars unless otherwise stated)

	Share capital	Share premium	Treasury shares	Statutory reserve	General reserve	Foreign currency translation reserve	Retained earnings	Total
Balance at 1 January 2011	5,239,900	225,000	(3,573)	644,896	644,896	(1,726)	1,711,323	8,460,716
Comprehensive income								
Profit for the year	-	-	-	-	-	-	451,902	451,902
Other comprehensive income for the year	-	-	-	-	-	(8,975)	-	(8,975)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(8,975)**	**451,902**	**442,927**
Dividends distributed	-	-	-	-	-	-	(418,526)	(418,526)
Transfer to reserves	-	-	-	48,916	48,916	-	(97,832)	-
Balance at 31 December 2011	**5,239,900**	**225,000**	**(3,573)**	**693,812**	**693,812**	**(10,701)**	**1,646,867**	**8,485,117**
Comprehensive income								
Profit for the year	-	-	-	-	-	-	492,535	492,535
Other comprehensive income for the year	-	-	-	-	-	17,396	-	17,396
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**17,396**	**492,535**	**509,931**
Dividends distributed (note 17)	-	-	-	-	-	-	(523,158)	(523,158)
Transfer to reserves	-	-	-	53,183	53,183	-	(106,366)	-
Balance at 31 December 2012	**5,239,900**	**225,000**	**(3,573)**	**746,995**	**746,995**	**6,695**	**1,509,878**	**8,471,890**

The accompanying notes set out on pages 8 to 35 form an integral part of these consolidated financial statements

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

Consolidated statement of cash flows

(All amounts in Kuwaiti Dinars unless otherwise stated)

	Notes	Year ended 31 December 2012	2011
Operating activities			
Profit for the year		**492,535**	451,902
Adjustments for:			
Depreciation		**305,047**	294,601
Investment (income) loss	15	**(36,350)**	79,519
Provision for impairment of receivables	6	**22,760**	83,203
Recovery of provision for impairment of receivables	6	**(54,393)**	(92,226)
Provision for obsolete and slow moving inventories	12	**15,300**	6,209
Share of results of associate	9	**(202,256)**	(254,637)
Gain on sale of property and equipment		**(2,300)**	(12,393)
Employees' end of service benefits		**104,867**	75,963
		645,210	632,141
Inventories		**(182,408)**	(46,279)
Accounts receivable and prepayments		**154,311**	(533,811)
Amounts due from related parties		**(297,649)**	(119,233)
Accounts payable and accruals		**12,106**	57,384
Obligations under finance lease		**250,000**	-
Advances on contracts		**459,570**	(9,865)
Employees' end of service benefits paid		**(51,837)**	(40,865)
Net cash generated from (used in) operating activities		**989,303**	(60,528)
Investing activities			
Purchase of property and equipment		**(935,457)**	(232,418)
Proceeds from sale of property and equipment		**2,300**	29,617
Proceeds from sale of financial assets at fair value through profit or loss		**858,739**	-
Dividends received		**-**	54,942
Murabaha income received		**18,461**	21,519
Net cash used in investing activities		**(55,957)**	(126,340)
Financing activities			
Cash dividends paid		**(536,225)**	(407,887)
Net cash used in financing activities		**(536,225)**	(407,887)
Net increase (decrease) in cash and cash equivalents		**397,121**	(594,755)
Cash and cash equivalents at the beginning of the year		**2,352,854**	2,947,609
Cash and cash equivalents at the end of the year	5	**2,749,975**	2,352,854

The accompanying notes set out on pages 8 to 35 form an integral part of these consolidated financial statements

1 INCORPORATION AND ACTIVITIES

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 the 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 company operates under license number 33390 and is valid until 13 September 2015.

The consolidated financial statements of the group include the consolidated financial statements 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 and the subsidiary is not having any operations since then.

The parent company is owned by Bayan Holding Company (K.S.C.) (the Ultimate Parent Company) with a percentage of 84.11%. The parent company's shares are listed on the Kuwait Stock Exchange.

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

These consolidated financial statements were approved for issue by the Board of Directors of the Parent Company on 13 March 2013 and are subject to the approval of the Annual General Assembly of the shareholders.

The total number of the parent company's employees is 812 employees (2011: 576 employees).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, IFRIC interpretations and the Commercial Companies Law no. 25 of 2012. These consolidated financial statements have been prepared on the historical cost basis, except for the measurement at fair value of "financial assets at fair value through profit or loss" and "biological assets" included in inventories.

On 29 November 2012, Decree Law no. 25 of 2012 was issued pertinent to Promulgation of the New Companies' Law which has become effective from the date of publishing it in the Official Gazette. Companies existing at the time of putting this law into effect should adjust their status as per the provisions of the law within six months from the effectiveness thereof.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted:

A number of new standards and amendments to standards and interpretations which are relevant to the group's operations have been issued but are not yet effective and have not been early adopted in preparing these consolidated financial statements. These are:

Amendment to IAS 1, "Financial Statement Presentation"
The amendment is effective for annual periods beginning on or after 1 July 2012. It changes the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to consolidated statement of income at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The amendment has no material impact on the group's financial position or performance.

IAS 27, 'Separate Financial Statements' (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment is effective for annual periods beginning on or after 1 January 2013. The group does not present separate financial statements.

IAS 28, 'Investments in associates and joint ventures' (as revised in 2011)
IAS 28 includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11.The amendment is effective for annual periods beginning on or after 1 January 2013.

Amendment to IAS 32, "Financial Instruments; Presentation"
This amendment is effective for annual periods beginning on or after 1 January 2014. The amendment relates to the application guidance in IAS 32, "Financial Instruments; Presentation", as it clarifies some of the requirements for offsetting financial assets and financial liabilities in the consolidated statement of financial position. The amendment has no material impact on the group's financial position or performance.

IFRS 9, "Financial Instruments"
IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted: (continued)

IFRS 9, "Financial Instruments" (continued)
The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 10, "Consolidated Financial Statements"
This standard is effective for annual periods beginning on or after 1 January 2013. It replaces the consolidation guidance in IAS 27 "Consolidated and Separate Financial Statements" and SIC – 12 "Consolidation Special Purpose Entities". The standard establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent. The changes also add limited exceptions for a parent to consolidate a subsidiary when the parent is identified as an investment entity. The group will implement the standard starting from 1 January 2013. The group believes that, there will be no material impact on its financial position as a result from this change.

IFRS 12, "Disclosure of Interests in Other Entities"
IFRS 12 includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The standard is effective for annual periods beginning on or after 1 January 2013. The group will implement this standard starting from 1 January 2013. This will lead to additional disclosures on the group's subsidiaries and un-restructured entities including non controlling interests as well as the group's associate.

Amendment to IFRSs 10, 11 and 12 on transition guidance (1 January 2013)
These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

IFRS 13, "Fair Value Measurement"
The standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The group will implement this standard starting from 1 January 2013. This will lead to additional disclosures on the group's methodology in determining the fair value of its assets and liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value, at the date when control is lost with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of income.

(d) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognized in the consolidated statement of income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated statement of income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chairman and managing director.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the group operates ("the functional currency"). The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is the group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;

(ii) Income and expenses for each statement of income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effects of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Financial assets

2.5.1 Classification

The group classifies its financial assets in the following categories: loans and receivables and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'cash and cash equivalents', 'accounts receivable' and 'amounts due from related parties'.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and short – term deposits held at call with banks with an original maturity of three months or less.

Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2.5.2 Recognition, measurement and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of income when the group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

2.5.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.5.4 Impairment of financial assets

(a) Assets carried at amortized cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of income. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of income.

For trade and other receivables, the carrying amount is reduced through the use of an allowance account. When trade and other receivables are considered uncollectible, these are written off against the allowance account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost includes purchase price, import duties, transportation, handling and other direct costs. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Biological assets included in inventories are measured at their fair value less estimated costs to sell. Changes in the fair value of biological assets are recognised in the consolidated statement of income.

2.7 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Buildings and greenhouse 4-10 %
- Equipment and motor vehicles 15-25%
- Store fabrication, furniture and computers 15-16%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statement of income.

2.8 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the group.

All financial liabilities are initially recognised at fair value less directly attributable transaction costs. After initial recognition the financial liabilities are subsequently measured at amortised cost using the effective interest method. The group's financial liabilities comprise of "accounts payable and accruals".

Accounts payable and accruals

Accounts payable and accruals are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.10 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.11 Employees' end of service benefits

The provision for staff indemnity is payable on completion of employment. The provision is calculated in accordance with applicable labour law based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision, which is unfunded, is determined as the liability that would arise as a result of the involuntary termination of staff at the reporting date, on the basis that this computation is a reliable approximation of the present value of this obligation. With respect to its national employees, the group makes contributions to Public Authority for Social Security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

2.12 Dividend distribution

Dividend distribution to the parent company's shareholders is recognised as a liability in the group's consolidated financial statements in the period in which the dividends are approved by the parent company's shareholders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds.

2.14 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When treasury shares are reissued, gains are credited to a separate account in equity, which is not distributable.

Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.15 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included as payables. The interest element of the finance cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. If there is a reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset's depreciation should be calculated in accordance with IAS 16 Property, plant and equipment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of returns, rebates and discounts after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

i) Revenues from services rendered is recognised in accordance with the percentage of completion method of accounting measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. Profit is only recognised when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. Claims, variation orders and incentive payments are included in the determination of contract profit when approved by contract owners. Anticipated losses on contracts are recognised in full as soon as they become apparent. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the year in which they are incurred.

ii) Revenue from project management and maintenance activities represents the invoiced value of services rendered during the year.

iii) Revenues from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

iv) Dividend revenue is recognised when the group's right to receive payment is established.

v) Interest income is recognised as the interest accrues using effective interest method.

2.17 Taxation

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat represent levies/taxes imposed on the parent company at the flat percentage of net profits attributable to the parent company less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent taxation/levy regulations no carry forward of losses is permitted and there are no significant differences between the tax/levy bases of assets and liabilities and their carrying amount for financial reporting purposes.

Tax/statutory levy	Rate
Contribution to KFAS	1.0% of net profit less permitted deductions
NLST	2.5% of net profit less permitted deductions
Zakat	1.0% of net profit less permitted deductions

3 FINANCIAL RISK MANAGMENT

3.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including foreign currency risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. Risk management is carried out by the group's finance department as approved by the Parent company board of directors.

(a) Market risk

(i) Foreign currency risk

The group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the US dollar, Euro and Sterling pound. Foreign currency risk arises from future commercial transactions, recognised assets, liabilities and net investments in foreign operations. The group manages its foreign currency risk by regularly assessing current and expected foreign currency rate movements.

The group had the following significant net exposures denominated in foreign currencies:

	2012	2011
	KD (equivalent)	KD (equivalent)
US dollar	**(895)**	**20,361**
EURO	**(84,055)**	**46,988**
Sterling pound	**10,703**	**2,514**

The table below indicates the group's foreign exchange exposure as at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the KD currency rate against the US Dollar, Euro and Sterling pound with all other variables held constant, on the profit and equity for the year (due to the fair value of currency sensitive monetary assets and liabilities).

	Change in Currency rate	***Effect on profit and equity***
31 December 2012		
US Dollar	+5%	**45**
EURO	+5%	**4,203**
Sterling pound	+5%	**(535)**
31 December 2011		
US Dollar	+5%	(1,018)
EURO	+5%	(2,350)
Sterling pound	+5%	(126)

The decrease in currency rate will have the opposite effect on profit and equity.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation and arises principally from outstanding bank balances, accounts receivable and amounts due from related parties.

The group seeks to limit its credit risk with respect to bank balances by dealing with reputable banks and with respect to receivables by setting credit limits for individual customers and monitoring outstanding receivables.

The group continuously monitors defaults of customers and other counterparties and incorporate this information into its credit risk controls. The group's policy is to deal only with creditworthy counterparties. Normal credit terms for customers range from 3 months. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

Exposure to credit risk

The group's maximum exposure to credit risk by class of financial asset is as follows:

	Carrying amount as at 31 December	
Loans and receivables	**2012**	2011
Bank balances	**2,737,550**	2,341,930
Accounts receivable	**2,884,290**	3,022,336
Amounts due from related parties	**418,058**	120,409
	6,039,898	5,484,675

Concentration of credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the group's performance to developments affecting a particular industry or geographical location.

The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities as the group deals with a large number of customers with respect to investment, commercial and projects activities.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Concentration of credit risk (continued)

The group's credit risk bearing assets can be analysed by the geographic region and the industry sector as follows:

	As at 31 December	
	2012	2011
Geographic region:		
Kuwait	**5,629,719**	5,372,097
United arab emirates	**410,179**	112,578
Total	**6,039,898**	5,484,675
Industry sector:		
Banks and other financial institutions	**2,737,550**	2,341,930
Financing activities	**410,179**	112,578
Contracting and commercial customers	**2,892,169**	3,030,167
Total	**6,039,898**	5,484,675

Credit quality of financial instruments

Credit exposures classified as 'rated' quality are those where the ultimate risk of financial loss from the obligor's failure to discharge its obligation is assessed to be low. These include facilities to corporate entities with financial condition, risk indicators and capacity to repay which are considered to be good. Credit exposures defined as "not rated" and classified under 'standard' quality comprise all other facilities whose payment performance is fully compliant with contractual conditions and which are not 'impaired'. The ultimate risk of possible financial loss on "not rated" or "standard" quality is assessed to be higher than that for the exposures classified within the "rated" quality range. Not rated assets are classified according to internal credit ratings of the counterparties. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Concentration of credit risk (continued)

The table below shows the credit risk exposure by credit quality of financial assets by class, grade and status.

	Neither past due nor impaired			
	Rated		Not rated	
	A	B	Standard Grade	Total
31 December 2012				
Bank balances	**1,031,170**	**1,706,380**	**-**	**2,737,550**
Accounts receivable	**-**	**-**	**2,549,851**	**2,549,851**
Amounts due from related parties	**-**	**-**	**418,058**	**418,058**
Total	**1,031,170**	**1,706,380**	**2,967,909**	**5,705,459**

	Neither past due nor impaired			
	Rated		Not rated	
	A	B	Standard grade	Total
31 December 2011				
Bank balances	663,229	1,678,701	-	2,341,930
Accounts receivable	-	-	2,685,874	2,685,874
Amounts due from related parties	-	-	120,409	120,409
Total	663,229	1,678,701	2,806,283	5,148,213

3 FINANCIAL RISK MANAGMENT (Continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Concentration of credit risk (continued)

It is not the practice of the group to obtain collateral over loans and receivables.

Analysis by credit quality of financial assets is as follows:

	As at 31 December	
	2012	**2011**
Accounts receivable		
Neither past due nor impaired:		
Accounts receivable from small or medium-sized companies	**2,549,851**	2,685,874
Total neither past due nor impaired	**2,549,851**	2,685,874
Past due but not impaired		
90-180 days overdue	210,867	207,516
180-270 days overdue	50,647	34,430
270-360 days overdue	16,883	62,093
Total past due but not impaired	**278,397**	304,039
Individually determined to be impaired		
More than 360 days overdue	342,984	355,998
Provision for impairment of accounts receivable	(286,942)	(323,575)
Total accounts receivable, net of provision for doubtful debt	**2,884,290**	3,022,336
Bank balances, neither past due nor impaired	**2,737,550**	2,341,930
Due from related parties, neither past due nor impaired	**418,058**	120,409

3 FINANCIAL RISK MANAGMENT (Continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting commitments associated with financial liabilities, arises because of the possibility (which may often be remote) that the group could be required to pay its liabilities earlier than expected.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The maturity profile is monitored by the group's management to ensure adequate liquidity is maintained. A summary table with maturity of financial liabilities is presented below. The amounts disclosed in the below tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months equal their carrying amounts in the consolidated statement of financial position as the impact of discounting is not significant.

At 31 December 2012	***Within 3 months***	***3 to 6 Months***	***6 to 12 Months***	***Over 1 Year***	***Total***
Accounts payable and accruals	**489,778**	**290,895**	**68,408**	**-**	**849,081**
Obligations under finance lease	**-**	**250,000**	**-**	**-**	**250,000**
	489,778	**540,895**	**68,408**	**-**	**1,099,081**

At 31 December 2011	*Within 3 months*	*3 to 6 Months*	*6 to 12 Months*	*Over 1 Year*	*Total*
Accounts payable and accruals	541,402	190,750	117,890	-	850,042

3.2 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Impairment of financial assets

The impairment charge reflects estimates of losses arising from the failure or inability of the parties concerned to make the required payments. The charge is based on the ageing of the party accounts, the customer's credit worthiness and the historic write-off experience.

At the reporting date, gross trade receivables were KD 2,243,158 (2011: KD 2,340,973), and the provision for impairment of receivables was KD 286,942 (2011: KD 323,575) (Note 6). Any difference between the amounts actually collected in future years and the amounts expected will be recognised in the consolidated statement of income.

Obsolete and slow moving inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. As at the reporting date, gross inventories were KD 1,572,382 (2011: KD 1,389,974) and the provision for obsolete and slow moving items was KD 180,700 (2011: KD 165,400).

Impairment and useful lives of property and equipment

The group uses the straight line method to compute depreciation to reduce the cost of property and equipment to their estimated residual values over their estimated useful lives. The useful lives of assets carried by the group, range from 4 to 25 years.

This estimate is determined after considering the expected usage of the asset. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Revenue recognition

The group uses the percentage of completion method in accounting for its contracting contracts. Use of the percentage of completion method requires the group's project managers to estimate total estimated costs for each contract.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Biological assets valuation

Biological assets included in inventories are measured on initial recognition and at each reporting date at their fair value less costs to sell. In measuring fair value of agricultural products, management estimates and judgements are required for the determination of fair value. These estimates and judgements relate to the market prices, average weight and quality of the agricultural products. Market prices of agricultural products are obtained from the annual assessments of a reputable independent and objective valuator. The quality of agricultural products sold at the local market is considered to approximate the group's agricultural products.

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	As at 31 December	
	2012	2011
Bank balances	**1,040,566**	668,098
Cash on hand	**12,425**	10,924
Fixed deposits with original maturity less than 3 months	**1,696,984**	1,673,832
	2,749,975	2,352,854

Fixed deposits represent deposits with local financial institutions maturing within three months from date of placement with an average rate of profit of 1.109% (31 December 2011: 1.680%).

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	As at 31 December	
	2012	2011
Trade receivables	**2,243,158**	2,340,973
Less: Provision for impairment of trade receivables	**(286,942)**	(323,575)
Trade receivables – net	**1,956,216**	2,017,398
Accrued income	**540,042**	574,044
Retentions receivable	**373,482**	314,697
Prepaid expenses	**210,229**	142,086
Advance payments	**50,339**	177,188
Other receivables	**14,550**	116,197
	3,144,858	3,341,610

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS (Continued)

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

	As at 31 December	
	2012	2011
Opening balance	**323,575**	334,698
Provision charge for the year	**22,760**	83,203
Provision write off	**(5,000)**	(2,100)
Recovery of provision for impairment of receivables	**(54,393)**	(92,226)
	286,942	323,575

7 INVENTORIES

	As at 31 December	
	2012	2011
Goods available for sale	**1,389,266**	1,156,626
Biological assets	**183,116**	233,348
Less: Provision for obsolete and slow moving inventories	**(180,700)**	(165,400)
	1,391,682	1,224,574

The movement of the provision for obsolete and slow moving inventories is as follows:

	As at 31 December	
	2012	2011
Opening balance	**165,400**	159,191
Provision charge for the year (note 12)	**15,300**	6,209
	180,700	165,400

8 PROPERTY AND EQUIPMENT

	Buildings and greenhouse	Equipment and motor Vehicles	Store fabrication, furniture and computers	Total
At 1 January 2011				
Cost	1,140,707	1,275,384	299,174	2,715,265
Accumulated depreciation	(633,710)	(744,780)	(216,977)	(1,595,467)
Net book amount	506,997	530,604	82,197	1,119,798
Year ended 31 December 2011				
Opening net book amount	506,997	530,604	82,197	1,119,798
Additions	-	148,450	83,968	232,418
Disposal (related to cost)	-	(78,503)	-	(78,503)
Accumulated depreciation related to disposal	-	61,279	-	61,279
Depreciation charge	(47,523)	(210,371)	(36,707)	(294,601)
Closing net book amount	459,474	451,459	129,458	1,040,391
At 31 December 2011				
Cost	1,140,707	1,345,331	383,142	2,869,180
Accumulated depreciation	(681,233)	(893,872)	(253,684)	(1,828,789)
Net book amount	**459,474**	**451,459**	**129,458**	**1,040,391**
Year ended 31 December 2012				
Opening net book amount	459,474	451,459	129,458	1,040,391
Additions	611,540	292,375	31,542	935,457
Disposal (related to cost)	-	(13,350)	-	(13,350)
Accumulated depreciation related to disposal	-	13,350	-	13,350
Depreciation charge	(67,942)	(208,310)	(28,795)	(305,047)
Closing net book amount	**1,003,072**	**535,524**	**132,205**	**1,670,801**
At 31 December 2012				
Cost	1,752,247	1,624,356	414,684	3,791,287
Accumulated depreciation	(749,175)	(1,088,832)	(282,479)	(2,120,486)
Net book amount	**1,003,072**	**535,524**	**132,205**	**1,670,801**

8 PROPERTY AND EQUIPMENT (Continued)

Included in the additions of the current year for building and greenhouse is a property held through a finance lease (note 11).

Depreciation charge for the current year is allocated as follows: KD 183,016 (2011: KD 164,203) to cost of revenue, KD 13,428 (2011: KD 13,572) to general and administrative expenses and KD 108,603 (2011: KD 116,826) to selling and marketing expenses.

9 INVESTMENT IN ASSOCIATE

Details of the group's share in associate are as follows:

Name	Country of incorporation	Assets	Goodwill	Liabilities	Revenues	Profit for the year	Equity Interest
31 December 2012							
Al Dhafra Irrigation Systems (L.L.C.)	**United Arab Emirates**	**3,270,839**	**128,250**	**1,406,736**	**2,032,057**	**202,256**	**33%**
31 December 2011							
Al Dhafra Irrigation Systems (L.L.C.)	United Arab Emirates	3,208,418	128,250	1,563,967	2,633,715	254,637	33%

As at 31 December 2012 and 2011, there were no indications of impairment of the investment in associate.

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

	As at 31 December	
	2012	2011
Opening balances	**1,772,701**	1,527,039
Share of result	**202,256**	254,637
Foreign currency translation adjustment	**17,396**	(8,975)
Ending balances	**1,992,353**	1,772,701

The group has recorded its share of results of the investment in associate based on the audited financial statements of the associate for the year ended 31 December 2012.

10 ACCOUNTS PAYABLE AND ACCRUALS

	As at 31 December	
	2012	2011
Trade Payables	**230,285**	328,493
Other Payables	**149,496**	118,738
Accrued Expenses	**302,799**	223,243
Dividends payable	**151,501**	164,568
Board of directors remuneration	**15,000**	15,000
	849,081	850,042

11 OBLIGATIONS UNDER FINANCE LEASE

During the current year, the group entered into an agreement with a third party to lease a property from a local Islamic bank. The group's share of the property is 33% as per the agreement with the third party. The lease term is over one year maturing on 22 April 2013. The group's share of the rent over the lease term is KD 13,800 and the share of the remaining final payment is KD 250,000 due on 22 April 2013 (note 8).

12 COST OF REVENUE

	Year ended 31 December	
	2012	2011
Raw materials	**2,528,059**	2,494,806
Staff costs	**1,105,064**	695,314
Sales commission	**189,157**	82,512
Depreciation	**183,016**	164,203
Rent	**143,755**	15,100
Insurance	**66,419**	33,559
Maintenance and repair	**35,095**	20,708
Provision for obsolete and slow moving inventories	**15,300**	6,209
Others	**190,230**	127,009
	4,456,095	3,639,420

13 SELLING AND MARKETING EXPENSES

	Year ended 31 December	
	2012	2011
Staff costs	**438,623**	427,013
Depreciation	**108,603**	116,826
Others	**21,237**	26,873
	568,463	570,712

14 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2012	2011
Staff costs	**262,558**	277,832
Depreciation	**13,428**	13,572
Rent	**52,736**	32,956
Maintenance and repair	**52,432**	37,565
Electricity and water	**29,302**	28,620
Fines	**16,274**	309
Social insurance	**22,441**	15,712
Residency permit expenses	**21,724**	20,492
Insurance	**18,244**	20,562
Bank charges	**22,094**	26,429
Others	**119,307**	125,425
	630,540	599,474

15 INVESTMENT INCOME (LOSS)

	Year ended 31 December	
	2012	2011
Unrealised loss on financial assets at fair value through profit or loss	**-**	(161,065)
Realised gain from sale of financial assets at fair value through profit or loss	**17,889**	-
Murabaha income	**18,461**	26,604
Dividend income	**-**	54,942
	36,350	(79,519)

16 OTHER INCOME

	Year ended 31 December	
	2012	2011
Compensation claim	**75,024**	10,873
Consultancy revenue	**-**	250,000
Gain on sale of property and equipment	**2,300**	12,393
Others	**24,117**	7,346
	101,441	280,612

17 EQUITY

Share Capital

The Annual General Assembly of the parent company held on 15 April 2012 approved the annual consolidated financial statements of the group for the year ended 31 December 2011 and the payment of cash dividend of 10 fils per share for the year ended 31 December 2011 to the Parent Company's equity shareholders on the register as of 15 April 2012.

The authorised, issued and fully paid up share capital as at 31 December 2012 and 2011 consists of 52,399 thousand shares of 100 fils each.

Treasury shares

	As at 31 December	
	2012	2011
Number of shares	**83,200**	83,200
Percentage of issued shares	**0.16%**	0.16%
Cost (KD)	**3,573**	3,573
Market value (KD)	**7,987**	7,155

Statutory reserve

As required by the Kuwait Commercial Companies Law and the parent company's Memorandum of Association, 10% of the profit for the year before KFAS, NLST, Zakat and Directors' remuneration is to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when retained earnings are not sufficient for the payment of such dividends.

General reserve

In accordance with the Parent Company's Memorandum of Association, 10% of profit for the year before KFAS, NLST, Zakat and Directors' remuneration is required to be transferred to the general reserve until the shareholders decide to discontinue the transfer to the general reserve.

Proposed dividends

The Board of Directors proposed a cash dividend of 10 fils per share (2011: 10 fils per share) for the year ended 31 December 2012. This proposal is subject to the approval of the shareholders in the Annual General Assembly and has not been accounted for in these consolidated financial statements.

17 EQUITY (Continued)

Basic and diluted earnings per share

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

	As at 31 December	
	2012	2011
Profit for the year (KD)	**492,535**	451,902
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	**52,315,800**	52,315,800
Basic and diluted earnings per share	**9.41 Fils**	8.64 Fils

There are no potential dilutive shares.

18 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise of the shareholders of the parent company who are represented in the board of directors, 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, associated companies, directors and key management personnel of the parent company, and entities controlled, jointly controlled or significantly influenced by such parties. In the ordinary course of business, the group has carried some transactions during the year with related parties. The transactions and balances which are included in the consolidated financial statements are as follows:

	Year ended 31 December	
	2012	2011
a) Balances included in the consolidated statement of financial position		
Amounts due from associate	**410,179**	112,578
Amounts due from the Ultimate Parent Company	**7,879**	7,831
	418,058	120,409
b) Transactions included in the consolidated statement of income		
Management fees related to financial assets at fair value through profit or loss	**265**	1,510
c) Key management compensation:		
Short term benefits	**71,500**	71,500
Post employment benefits	**5,625**	5,625
	77,125	77,125

19 SEGMENT INFORMATION

The group's activities are organised into 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.

	2012			
	Commercial segment	**Projects Segment**	**Investment Segment**	**Total**
Segment revenue	**3,209,454**	**2,761,630**	**238,606**	**6,209,690**
Segment expense	**3,095,134**	**2,582,724**	**-**	**5,677,858**
Segment profit	**114,320**	**178,906**	**238,606**	**531,832**
Segment assets	**6,381,569**	**1,296,821**	**3,689,337**	**11,367,727**
Segment liabilities	**870,631**	**2,025,206**	**-**	**2,895,837**

	2011			
	Commercial segment	Projects Segment	Investment Segment	Total
Segment revenue	3,235,890	1,970,961	175,118	5,381,969
Segment expense	3,060,566	1,832,243	-	4,892,809
Segment profit	175,324	138,718	175,118	489,160
Segment assets	5,270,780	1,135,226	4,287,383	10,693,389
Segment liabilities	297,494	1,910,778	-	2,208,272

	For the year ended 31 December	
	2012	2011
Adjustments		
Segment profit	**531,832**	489,160
Unallocated costs	**(39,297)**	(37,258)
Segment profit	**492,535**	451,902

20 CONTINGENCES

The parent company had letters of guarantee toward foreign purchases amounted to KD 5,248,754 (31 December 2011: KD 3,851,974 and letters of credit in the amount of KD 71,779 (31 December 2011: KD 41,021).