

Palms Agro Production Company K.S.C.P and Subsidiary

**Interim Condensed Consolidated Financial
Information and Independent Auditor's Review Report
for the nine month period ended 30 September 2018 (Unaudited)**

Palms Agro Production Company K.S.C.P and Subsidiary

**Interim condensed consolidated financial information and independent auditor's review report
(Unaudited)**

For the nine month period 30 September 2018

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TO THE BOARD OF DIRECTORS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P

Independent auditor's 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.P ("the parent company") and its subsidiary (together referred to as "the group") as at 30 September 2018 and the related interim condensed consolidated statements of income and comprehensive income for the three month and nine month periods then ended, and the related statements of changes in equity and cash flows for the nine month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. The parent company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 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.

Basis for qualified conclusion

The group's investment in Al Dhafra Irrigation Systems L.L.C "Al Dhafra", a foreign associate accounted for using the equity method, is carried at KD 333,155 on the interim condensed consolidated statement of financial position. The group's share of Al Dhafra net losses of KD 126,558, and the exchange differences arising on translation of foreign operations relating to Al Dhafra of KD 813 gain are included in the interim condensed consolidated statement of comprehensive income. We were unable to review the carrying amount of the group's investment in Al Dhafra as at 30 September 2018 and the group's share of Al Dhafra results and other comprehensive income for the period ended 30 September 2018. Had we been able to perform a review of Al Dhafra financial information for the nine-month period ended 30 September 2018, matters might have come to our attention indicating that adjustments might be necessary to the interim condensed consolidated financial information.

Qualified conclusion

Except for the adjustments to the interim condensed consolidated financial information that we might have become aware of had it not been the situation described above, based on our review, 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 International Accounting Standard 34, 'Interim financial reporting'.



TO THE BOARD OF DIRECTORS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P

**Independent auditor's report on review of interim condensed consolidated financial information
(Continued)**

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, nothing has come to our attention indicating that the interim condensed consolidated financial information is not 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 Companies Law No. 1 of 2016 and its executive bylaw during the nine month period ended 30 September 2018 that might have had a material effect on the business of the group or on its financial position.

A handwritten signature in blue ink, consisting of a long, sweeping horizontal stroke followed by a series of smaller, more intricate loops and flourishes.

Ahmed Mohammed Abdulrahman Al-Rasheed
License No. 39 A
PricewaterhouseCoopers
(Al-Shatti & Co.)

21 November 2018
Kuwait

Palms Agro Production Company K.S.C.P and Subsidiary

Interim condensed consolidated statement of income (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018	2017	2018	2017
Revenue		709,808	900,631	2,466,375	2,864,217
Cost of revenue		(488,290)	(647,787)	(1,672,661)	(1,976,597)
Gross profit		221,518	252,844	793,714	887,620
Change in fair value of biological assets		6,498	21,940	42,878	30,634
Selling and marketing expenses	3	(140,522)	(137,767)	(414,133)	(434,279)
General and administrative expenses	4	(164,759)	(133,745)	(482,382)	(406,384)
Other income		13,476	3,550	15,548	3,550
Operating (loss) / profit		(63,789)	6,822	(44,375)	81,141
Investment (loss) / income	14	(1,013)	9,844	7,232	14,168
Share of results from investment in associate	5	(35,070)	(56,103)	(126,558)	(154,767)
Loss for the period		(99,872)	(39,437)	(163,701)	(59,458)
Basic and diluted losses per share	11	(1.91 fils)	(0.75 fils)	(3.13 fils)	(1.14 fils)

The accompanying notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

Palms Agro Production Company K.S.C.P and Subsidiary

Interim condensed consolidated statement of comprehensive income (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Loss for the period	(99,872)	(39,437)	(163,701)	(59,458)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of foreign operations	881	(7,932)	813	(8,212)
Total other comprehensive income / (loss) for the period	881	(7,932)	813	(8,212)
Total comprehensive loss for the period	(98,991)	(47,369)	(162,888)	(67,670)

The accompanying notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

Palms Agro Production Company K.S.C.P and Subsidiary

Interim condensed consolidated statement of financial position (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	30 September 2018	31 December 2017 (audited)	30 September 2017
Assets				
Non-current assets				
Property and equipment		846,062	935,102	975,867
Investment in associates	5	366,155	491,900	708,061
Accounts receivable and prepayments	6	1,219,597	1,152,622	2,040,496
		<u>2,431,814</u>	<u>2,579,624</u>	<u>3,724,424</u>
Current assets				
Inventories		1,350,722	1,393,714	1,491,232
Biological assets		484,837	393,065	461,799
Amounts due from related parties	13	21,172	21,172	21,172
Accounts receivable and prepayments	6	3,046,660	3,337,475	2,450,045
Financial assets at fair value through profit or loss	12	52,195	62,586	74,750
Term deposit		-	252,532	252,532
Cash and cash equivalents	7	1,708,506	1,922,032	1,985,540
		<u>6,664,092</u>	<u>7,382,576</u>	<u>6,737,070</u>
Total assets		<u>9,095,906</u>	<u>9,962,200</u>	<u>10,461,494</u>
EQUITY AND LIABILITIES				
EQUITY				
Share capital		5,239,900	5,239,900	5,239,900
Share premium		225,000	225,000	225,000
Treasury shares	10	(3,573)	(3,573)	(3,573)
Statutory reserve		1,033,497	1,033,497	1,033,497
General reserve		952,400	1,033,497	1,033,497
Foreign currency translation reserve		91,820	91,007	90,555
Accumulated losses / retained earnings		(163,701)	442,061	901,325
Net equity		<u>7,375,343</u>	<u>8,061,389</u>	<u>8,520,201</u>
LIABILITIES				
Non-current liability				
Employees' end of service benefits		546,317	595,177	640,699
Current liabilities				
Advances on contracts		91,239	132,028	42,937
Accounts payable and accruals	9	1,083,007	1,173,606	1,257,657
		<u>1,174,246</u>	<u>1,305,634</u>	<u>1,300,594</u>
Total liabilities		<u>1,720,563</u>	<u>1,900,811</u>	<u>1,941,293</u>
Total equity and liabilities		<u>9,095,906</u>	<u>9,962,200</u>	<u>10,461,494</u>

Bader Hamad Al-Rabiah
Chairman

Faisal Fares Al-Fares
Vice Chairman and CEO

The accompanying notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

Palms Agro Production Company K.S.C.P and Subsidiary

Interim condensed consolidated statement of changes in equity (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Share capital	Share premium	Treasury shares	Statutory reserve	General reserve	Foreign currency translation reserve	Retained earnings / (accumulated losses)	Total
Balance as of 1 January 2017 (audited)	5,239,900	225,000	(3,573)	1,033,497	1,033,497	98,767	1,483,941	9,111,029
Total comprehensive loss for the period	-	-	-	-	-	(8,212)	(59,458)	(67,670)
Dividends distributed (Note 8)	-	-	-	-	-	-	(523,158)	(523,158)
Balance as of 30 September 2017	<u>5,239,900</u>	<u>225,000</u>	<u>(3,573)</u>	<u>1,033,497</u>	<u>1,033,497</u>	<u>90,555</u>	<u>901,325</u>	<u>8,520,201</u>
Balance as of 1 January 2018 (audited)	5,239,900	225,000	(3,573)	1,033,497	1,033,497	91,007	442,061	8,061,389
Total comprehensive loss for the period	-	-	-	-	-	813	(163,701)	(162,888)
Dividends distributed (Note 8)	-	-	-	-	(81,097)	-	(442,061)	(523,158)
Balance as of 30 September 2018	<u>5,239,900</u>	<u>225,000</u>	<u>(3,573)</u>	<u>1,033,497</u>	<u>952,400</u>	<u>91,820</u>	<u>(163,701)</u>	<u>7,375,343</u>

The accompanying notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

Palms Agro Production Company K.S.C.P and Subsidiary

Interim condensed consolidated statement of cash flows (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	Nine months ended 30 September	
		2018	2017
Operating activities			
Loss for the period		(163,701)	(59,458)
Adjustments for:			
Depreciation		141,791	156,719
Murabaha income	14	(17,623)	(16,175)
Provision for obsolete and slow moving inventories and biological assets		27,930	20,100
Gain on disposal of property and equipment		(15,548)	(3,550)
Share of results from investment in associate	5	126,558	154,767
Change in fair value of financial assets at fair value through profit or loss	14	10,391	2,007
Employees' end of service benefits		57,509	66,897
Operating profits before changes in working capital		167,307	321,307
Accounts receivable and prepayments		223,840	118,075
Inventories		17,161	9,747
Biological assets		(93,871)	(96,499)
Accounts payables and accruals		(111,921)	(195,850)
Advances on contracts		(40,789)	(38,359)
Employees' end of service benefits paid		(106,369)	(106,499)
Net cash generated from operating activities		55,358	11,922
Investing activities			
Purchase of property and equipment		(53,653)	(36,862)
Proceeds from disposal of property and equipment		16,450	3,550
Amounts due from related parties		-	164,280
Term deposits		252,532	(252,532)
Murabaha income received		17,623	16,175
Net cash generated from / (used in) investing activities		232,952	(105,389)
Financing activity			
Cash dividends paid		(501,836)	(503,219)
Net cash used in financing activity		(501,836)	(503,219)
Decrease in cash and cash equivalents		(213,526)	(596,686)
Cash and cash equivalents at beginning of the period		1,922,032	2,582,226
Cash and cash equivalents at end of the period	7	1,708,506	1,985,540

The accompanying notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

Palms Agro Production Company K.S.C.P and Subsidiary

Notes to the interim condensed consolidated financial information (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1 GENERAL INFORMATION

Palms Agro Production Company K.S.C.P (the parent company) is a Kuwaiti shareholding company registered and incorporated in Kuwait on 25 May 1982.

According to the decision No. 69 of 2017 dated 14 May 2017 of the Capital Markets Authority, the Authority transferred the listing of parent company's shares from the main market to the parallel market on the Kuwait Stock Exchange as of 16 May 2017.

The parent company's main activities are import and export business of agricultural supplies, the execution of agricultural contracting work, establishment and management all types of nurseries and farms, reclamation and development of agricultural land, landscape gardening and ornamentation of public places and cities, utilizing of financial surplus available to the parent company through investing it in portfolios managed by specialized companies and entities, import and circulation of veterinary medicines and concluding agency agreements, inaugurating and operation of veterinary clinics and centers and practicing the professional of veterinary medicine, trading in the Kuwait stock exchange, breeding and trading of chicken and eggs and execution of construction contracts work.

The accompanying interim condensed consolidated financial information of Palms Agro Production Company K.S.C.P ("the parent company") and its subsidiary (together referred to as "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 and the subsidiary is not having any operations since then.

The parent company is a subsidiary of Bayan Holding Company (K.S.C.) ("ultimate parent company") with a percentage of 84.11%.

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

The accompanying interim condensed consolidated financial information was authorised for issue in accordance with a resolution of the board of directors on 14 November 2018.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This interim condensed consolidated financial information has been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017. In the opinion of management all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the nine month period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018. For further information, refer to the annual audited consolidated financial statements for the year ended 31 December 2017.

2.2 Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information for this financial interim period are consistent with those followed in the preparation of annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and amendments effective as of 1 January 2018.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Accounting policies (Continued)

A number of new or amended standards became applicable for the current reporting period:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2.3 below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

2.3 Changes in accounting policies

Management has assessed the effects of applying IFRS 15 Revenue from Contracts with Customers on the group's interim condensed consolidated financial information and has identified that there was no significant impact on revenue for the period. This note explains the impact of the adoption of IFRS 9 Financial Instruments on the group's interim condensed consolidated financial information.

2.3.1 IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies with no significant adjustments to the amounts recognised in the interim condensed consolidated financial information. The new accounting policies are set out in note 2.3.2 below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the group's management has assessed which business models apply to the financial assets held by the group and has maintained its financial instruments into the appropriate IFRS 9 categories. The group had financial assets at fair value through profit or loss and maintained the same classification after adoption of IFRS 9. Other financial assets, were carried out at amortised costs continued to be measured at amortised cost.

Impairment of financial assets

The financial assets subject to IFRS 9's new expected loss models are accounts receivable and amounts due from customers for goods sold or services performed in the ordinary course of business.

The group was required to revise its impairment methodology under IFRS 9 for this class of assets. The impact of the change in impairment methodology on the group's retained earnings and equity was immaterial.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

2.3.2 IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

Investments and other financial assets

Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in interim condensed consolidated statement of income, together with foreign exchange gains and losses. Impairment losses are presented in the interim condensed consolidated statement of income.

Fair Value through Other Comprehensive Income "FVOCI": Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through interim condensed consolidated statement of comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in interim condensed consolidated statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to interim condensed consolidated statement of income.

Fair Value through Profit or Loss "FVPL": Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in interim condensed consolidated statement of income in the period in which it arises.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

2.3.2 IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in the statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

Impairment

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.3.3 Impact of standards issued but not yet applied by the group

'IFRS 16 – Leases'

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the interim condensed consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the group's operating leases.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

2.4 Judgements and estimates

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2017.

Palms Agro Production Company K.S.C.P and Subsidiary

Notes to the interim condensed consolidated financial information (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

3 SELLING AND MARKETING EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Salaries and related costs	112,450	107,203	332,343	344,249
Depreciation	26,986	25,525	78,919	80,709
Others	1,086	5,039	2,871	9,321
	140,522	137,767	414,133	434,279

4 GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Salaries and related costs	53,825	58,173	172,436	183,013
Depreciation	16,554	2,580	49,764	8,352
Rent	9,180	5,205	29,643	13,309
Maintenance and repair	8,700	10,367	24,673	26,930
Electricity and water	9,442	7,465	24,367	23,210
Insurance	2,839	3,798	19,819	12,489
Provision for obsolete and slow moving inventories and biological assets	9,340	8,450	27,930	20,100
Others	54,879	37,707	133,750	118,981
	164,759	133,745	482,382	406,384

5 INVESTMENT IN ASSOCIATES

The parent company has the following investment in associates:

Name	County of incorporation	Equity Interest		
		30 September 2018	31 December 2017 (Audited)	30 September 2017
Al Dhafra Irrigation Systems (L.L.C.)	United Arab Emirates	33%	33%	33%
Durra Al- Nakeel Real Estate Company W.L.L	Kuwait	33%	33%	33%

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

	30 September 2018	31 December 2017 (Audited)	30 September 2017
Opening balances	491,900	871,040	871,040
Share of results of associate	(126,558)	(271,130)	(154,767)
Impairment charged	-	(100,250)	-
Foreign currency translation adjustment	813	(7,760)	(8,212)
Ending balances	366,155	491,900	708,061

Palms Agro Production Company K.S.C.P and Subsidiary

Notes to the interim condensed consolidated financial information (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 September 2018	31 December 2017 (Audited)	30 September 2017
Non-current			
Retentions receivable	1,219,597	1,152,622	2,040,496
Current			
Trade receivables – gross	1,662,789	1,852,856	1,718,150
Provision for impairment of trade receivables	(45,625)	(45,625)	(45,625)
Trade receivables – net	1,617,164	1,807,231	1,672,525
Accrued income	278,877	355,459	592,670
Retentions receivable	997,164	1,039,937	113,981
Prepaid expenses	36,743	22,321	43,868
Advance payments	72,045	50,799	5,237
Other receivables	44,667	61,728	21,764
	3,046,660	3,337,475	2,450,045

There is no movement of the provision for impairment of trade receivables.

7 CASH AND CASH EQUIVALENTS

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

	30 September 2018	31 December 2017 (Audited)	30 September 2017
Bank balances	520,727	1,007,385	1,072,804
Cash on hand	11,070	12,370	13,847
Fixed deposits with original maturity less than 3 months	1,165,899	894,852	891,441
Cash held at portfolio	10,810	7,425	7,448
	1,708,506	1,922,032	1,985,540

Fixed deposits represent deposits with local financial institutions maturing within 3 months from date of placement with an average rate of profit of 1.983 % (31 December 2017: 1.338 % and 30 September 2017: 1.2672 %).

8 ANNUAL GENERAL ASSEMBLY

The Annual General Assembly of the parent company's shareholders held on 29 May 2018 approved the consolidated financial statements of the group for the year ended 31 December 2017 and the distribution of cash dividends of 10 fils per share for the year ended 31 December 2017 (31 December 2016: cash dividend of 10 fils per share).

Palms Agro Production Company K.S.C.P and Subsidiary

Notes to the interim condensed consolidated financial information (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

9 ACCOUNTS PAYABLE AND ACCRUALS

	30 September 2018	31 December 2017 (Audited)	30 September 2017
Trade payables	352,511	332,341	370,976
Retention payables	150,239	153,955	159,030
Other payables	30,316	74,513	92,907
Accrued expenses	322,737	406,915	425,894
Dividends payable	227,204	205,882	208,850
	1,083,007	1,173,606	1,257,657

10 TREASURY SHARES

	30 September 2017	31 December 2017 (Audited)	30 September 2017
Number of shares	83,200	83,200	83,200
Percentage of issued shares	0.16%	0.16%	0.16%
Cost (KD)	3,573	3,573	3,573
Market Value (KD)	4,992	4,992	7,488

11 BASIC AND DILUTED LOSSES PER SHARE

Basic and diluted losses per share are calculated by dividing the loss 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	
	2018	2017	2018	2017
Loss for the period (KD)	(99,872)	(39,437)	(163,701)	(59,458)
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 losses per share	(1.91 fils)	(0.75 fils)	(3.13 fils)	(1.14 fils)

There are no potential dilutive shares.

12 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Palms Agro Production Company K.S.C.P and Subsidiary

Notes to the interim condensed consolidated financial information (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

12 FAIR VALUE ESTIMATION (Continued)

The following table presents the group's financial instruments that are measured at fair value on a recurring basis.

	Level 1	Total
30 September 2018		
Financial assets at fair value through profit or loss		
Quoted securities	52,195	52,195
31 December 2017		
Financial assets at fair value through profit or loss		
Quoted securities	62,586	62,586
30 September 2017		
Financial assets at fair value through profit or loss		
Quoted securities	74,750	74,750

(i) Financial instruments in level 1

The fair value of financial instruments carried at fair value on recurring basis traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the last bid price.

The fair value of financial assets and liabilities measured at amortised cost approximates their carrying amounts.

13 RELATED PARTY TRANSACTIONS AND BALANCES

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 period with related parties. The transactions and balances which are included in the interim condensed consolidated financial information are as follows:

	30 September 2018	31 December 2017 (Audited)	30 September 2017
Balances included in the interim condensed consolidated statement of financial position			
Amounts due from associate	12,261	12,261	12,261
Amounts due from the Ultimate Parent Company	8,911	8,911	8,911
Total	21,172	21,172	21,172
Financial assets at fair value through profit or loss - Al-Salbookh Trading Company K.S.C.P.	52,195	62,586	74,750

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(All amounts are in Kuwaiti Dinars unless otherwise stated)

13 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Key management compensation				
Short-term benefits	12,000	12,000	36,000	36,000
End of service benefits	1,730	1,730	5,190	5,190
	13,730	13,730	41,190	41,190

14 INVESTMENT (LOSS) / INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
Murabaha Income	6,450	4,765	17,623	16,175
Change in fair value of financial assets at fair value through profit or loss	(7,463)	5,079	(10,391)	(2,007)
	(1,013)	9,844	7,232	14,168

15 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.

	30 September 2018			
	Commercial segment	Projects segment	Investment segment	Total
Segment revenue	1,807,479	717,322	(119,326)	2,405,475
Segment expense	1,811,875	757,301	-	2,569,176
Segment loss	(4,396)	(39,979)	(119,326)	(163,701)
Depreciation	77,161	64,630	-	141,791
Purchase of property and equipment	35,701	17,952	-	53,653

	30 September 2017			
	Commercial segment	Projects segment	Investment segment	Total
Segment revenue	1,732,268	1,166,133	(140,599)	2,757,802
Segment expense	1,689,362	1,127,898	-	2,817,260
Segment profit / (loss)	42,906	38,235	(140,599)	(59,458)
Depreciation	65,096	91,623	-	156,719
Purchase of property and equipment	20,665	16,197	-	36,862

Palms Agro Production Company K.S.C.P and Subsidiary

Notes to the interim condensed consolidated financial information (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

15 SEGMENT INFORMATION (continued)

Segmental distribution of assets and liabilities

	Commercial segment	Projects segment	Investment segment	Total
Total segment assets				
30 September 2018	4,258,466	3,221,209	1,616,231	9,095,906
31 December 2017	4,449,647	3,782,086	1,730,467	9,962,200
30 September 2017	4,643,087	3,863,003	1,955,404	10,461,494
	Commercial segment	Projects segment	Investment segment	Total
Total segment liabilities				
30 September 2018	730,532	990,031	-	1,720,563
31 December 2017	723,045	1,177,766	-	1,900,811
30 September 2017	691,094	1,250,199	-	1,941,293

16 CONTINGENCIES

The parent company had letters of guarantee towards foreign purchases amounting to KD 2,902,375 (31 December 2017: KD 2,955,728 and 30 September 2017: KD 3,562,947).