

Naseej BSC (c)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 JUNE 2014

Commercial registration	: 72492
Directors	: Khalid Abdulla-Janahi - <i>Chairman</i> Abdulkarim Bucheery - <i>Vice Chairman</i> Abdul Elah AlQasimi Abdulahakeem Almutawa Bashar Almutawa Jameel Al Matrook Dr. Khalid Abdulla Mohammed Khalil Al Sayed Saqer Shaheen Saqer
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Bankers	: Ithmaar Bank BSC Khaleeji Commercial Bank BSC BBK BSC
Auditors	: KPMG Fakhro

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six month period ended 30 June 2014

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Board of Directors
Naseej BSC (c)
Bahrain Financial Harbor, Kingdom of Bahrain

9 September 2014

Introduction

We have reviewed the accompanying 30 June 2014 condensed consolidated interim financial information of Naseej BSC (c) (the "Company") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2014;
- the condensed consolidated statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2014;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2014;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2014; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2014 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

Bahraini dinars

	Note	30 June 2014 (reviewed)	31 December 2013 (audited)
ASSETS			
Current assets			
Cash and cash equivalents	4 a)	5,202,980	3,482,597
Placements with banks	4 a)	73,350,000	93,350,000
Other assets	5	10,373,459	9,225,897
Total current assets		88,926,439	106,058,494
Non-current assets			
Placement with banks	4 a)	17,500,000	-
Properties under development	6	12,743,661	11,846,341
Property and equipment		273,567	324,408
Total non-current assets		30,517,228	12,170,749
Total assets		119,443,667	118,229,243
EQUITY AND LIABILITIES			
Equity			
Share capital	3	108,000,001	108,000,001
Retained earnings		9,581,371	8,255,034
Statutory reserve		919,860	919,860
Foreign currency translation reserve		129,700	183,753
Equity attributable to owners of the Company		118,630,932	117,358,648
Non-controlling interests		208,920	109,709
Total equity (page 5)		118,839,852	117,468,357
Current Liabilities			
Trade payables		59,942	295,235
Other liabilities		543,873	465,651
Total current liabilities		603,815	760,886
Total equity and liabilities		119,443,667	118,229,243

Khalid Abdulla-Janahi
Chairman

Abdulkarim Bucheery
Vice Chairman

Mohammed Khalil Alsayed
Managing Director

The condensed consolidated interim financial information consisting of pages 2 to 10 was approved by the Board of Directors on 9 September 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
for the six month period ended 30 June 2014

Bahraini dinars

	30 June 2014 (reviewed)	30 June 2013 (reviewed)
INCOME		
Income from placements with banks	2,101,256	2,079,303
Other income	81,260	440
	2,182,516	2,079,743
EXPENSES		
Administrative expenses	(772,218)	(953,454)
Marketing expenses	(96,122)	(7,041)
Other expenses	(11,024)	(28,484)
Total expenses	(879,364)	(988,979)
Profit for the period	1,303,152	1,090,764
Other comprehensive income		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	68,343	(155,348)
Total comprehensive income for the period	1,371,495	935,416
<i>Profit for the period attributable to</i>		
Owners of the Company	1,326,337	1,116,921
Non-controlling interests	(23,185)	(26,157)
	1,303,152	1,090,764
<i>Total comprehensive income for the period attributable to</i>		
Owners of the Company	1,272,284	1,039,247
Non-controlling interests	99,211	(103,831)
	1,371,495	935,416

 Khalid Abdulla-Janahi
 Chairman

 Abdulkarim Bucheery
 Vice Chairman

 Mohammed Khalil Alsayed
 Managing Director

The condensed consolidated interim financial information consisting of pages 2 to 10 was approved by the Board of Directors on 9 September 2014.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six month period ended 30 June 2014

Bahraini dinars

	Attributable to owners of Company					Non-controlling interests	Total equity
	Share capital	Retained earnings	Statutory reserve	Foreign exchange translation reserve	Total		
2014 (reviewed)							
At 1 January 2014	108,000,001	8,255,034	919,860	183,753	117,358,648	109,709	117,468,357
Profit for the period (page 4)	-	1,326,337	-	-	1,326,337	(23,185)	1,303,152
Other comprehensive income	-	-	-	(54,053)	(54,053)	122,396	68,343
Total comprehensive income for the period	-	1,326,337	-	(54,053)	1,272,284	99,211	1,371,495
At 30 June 2014	108,000,001	9,581,371	919,860	129,700	118,630,932	208,920	118,839,852

	Attributable to owners of Company					Non-controlling interests	Total equity
	Share capital	Retained earnings	Statutory reserve	Foreign exchange translation reserve	Total		
2013 (reviewed)							
At 1 January 2013	108,000,001	6,408,515	714,691	66,625	115,189,832	(11,837)	115,177,995
Profit for the period (page 4)	-	1,116,921	-	-	1,116,921	(26,157)	1,090,764
Other comprehensive income	-	-	-	(77,674)	(77,674)	(77,674)	(155,348)
Total comprehensive income for the period	-	1,116,921	-	(77,674)	1,039,247	(103,831)	935,416
At 30 June 2013	108,000,001	7,525,436	714,691	(11,049)	116,229,079	(115,668)	116,113,411

The condensed consolidated interim financial information consists of pages 2 to 10.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six month period ended 30 June 2014

Bahraini dinars

	30 June 2014 (reviewed)	30 June 2013 (reviewed)
OPERATING ACTIVITIES		
Receipt from sale of properties	124,493	-
Refund of performance bond	5,000,000	-
Advances paid to contractors	(5,032,707)	-
Payments for expenses	(1,217,287)	(1,324,722)
Payment for property under development	(634,979)	(134,913)
Cash flows used in operating activities	(1,760,480)	(1,459,635)
INVESTING ACTIVITIES		
Proceeds from / disposal of fixed assets, net	(749)	(72,891)
Placements made during the period, net	2,500,000	9,778
Profit received from placements with banks	978,739	801,426
Cash flows from investing activities	3,477,990	738,313
Net increase / (decrease) in cash and cash equivalents during the period	1,717,510	(721,322)
Cash and cash equivalents at the beginning of the period	3,482,597	4,245,969
Effects of exchange rate changes on cash and cash equivalents	2,873	-
Cash and cash equivalents at the end of the period (note 4)	5,202,980	3,524,647

The condensed consolidated interim financial information consists of pages 2 to 10.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six-month period ended 30 June 2014

Bahraini dinars

1 BACKGROUND

The Company is a Bahraini joint stock company (closed) incorporated in the Kingdom of Bahrain on 5 August 2009 under commercial registration number 72492. Naseej is principally engaged in projects for the construction, development, sale and purchase of real estate.

The condensed consolidated interim financial information include the financial information of the Company and its subsidiaries (collectively "the Group").

As at 30 June 2014, the Company has the following subsidiaries:

Name of subsidiary	Country of incorporation
Naseej Rabat WLL	Bahrain
Shakhoura Development SPC	Bahrain
Sharaka for Housing Projects BSC (c)	Bahrain
Bahrain PPP Investment Company	Cayman Islands
Asghal Development Company SARL	Morocco

2 BASIS OF PREPARATION

a) Statement of compliance

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting, which permits the interim financial information to be in summarised form. The condensed consolidated interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

The condensed consolidated interim financial information has been prepared using the same accounting policies and methods of computation applied in the preparation of the latest audited consolidated financial statements of the Company for the period ended 31 December 2013, except for the changes arising from the adoption of relevant revised IFRSs, amendments and interpretations issued by the IASB that are effective for annual reporting periods beginning 1 January 2014. The adoption of these standards did not have an impact on the condensed consolidated interim financial information.

The condensed consolidated interim financial information is not audited but has been reviewed by KPMG. The comparative figures for the condensed consolidated statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2013. The comparatives for the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows have been extracted from the 30 June 2013 reviewed condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six-month period ended 30 June 2014

Bahraini dinars

2 BASIS OF PREPARATION (continued)

b) Judgments and estimates

Preparing the interim financial report requires management to make judgments, 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 condensed consolidated interim financial information, significant judgments 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 consolidated financial statements as at and for the year ended 31 December 2013.

3 SHARE CAPITAL

	Number of shares		Amount	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Authorised capital	10,800,000,000	10,800,000,000	1,080,000,000	1,080,000,000
Issued capital	1,080,000,010	1,080,000,010	108,000,001	108,000,001

4 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and includes major shareholders, associated companies with or without common directors, retirement benefit funds and directors and key management personnel and their close family members. Related party transactions include transactions with shareholders, directors and key management personnel of the Group.

The transactions and balances with the related parties included in these financial statements are as follows:

a) Balances with shareholders

Assets

Cash and cash equivalents

Placements with banks

- Maturity up to 1 year
- Maturity more than 1 year

30 June 2014	31 December 2013
5,202,980	3,482,597
73,350,000	93,350,000
17,500,000	-

b) Transactions with shareholders

Income from placements with banks

Six-month period ended 30 June 2014	Six-month period ended 30 June 2013
2,101,256	2,079,303

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six-month period ended 30 June 2014

Bahraini dinars

5 OTHER ASSETS

	30 June 2014	31 December 2013
Advance to contractors	5,032,707	737,500
Accrued income	4,275,781	3,153,264
Performance bond receivable	-	5,000,000
Account receivables	751,813	276,972
Prepayments	281,652	27,727
Other assets	31,506	30,434
	10,373,459	9,225,897

6 PROPERTIES UNDER DEVELOPMENT

The cost of land represents acquisition of land at Shakhoura, Bahrain for Shakhoura property development project and land at Ain Aoude, Morocco for Ain Aoude social property development project. The projects involve housing development of the land and construction of residential units over a period of 3 and 5 years respectively. Capital-work-in-progress includes various expenses incurred in relation to the above projects and the Bahrain Affordable Housing PPP project.

	30 June 2014	31 December 2013
Opening	8,619,332	8,619,332
Less sale of land	(420,435)	-
Total cost of land	8,198,897	8,619,332
Capital work-in-Progress	4,544,764	3,227,009
	12,743,661	11,846,341

7 CONTINGENCIES AND COMMITMENTS

a) Bahrain Affordable Housing PPP project

The Group entered into a Concession Agreement relating to the Bahrain Affordable Housing PPP Project with the Ministry of Housing of the Kingdom of Bahrain (MoH) on 2 January 2012 to build 4,152 affordable houses in Bahrain. Subsequently, amendment has been signed on 28 July 2013 to reduce the number of social and affordable houses to 2,817 units. The Group has blocked a sum of BD 63.1 million in Ithmaar Bank for the sole use and the purpose of the project.

As per the terms of the concession agreement relating to the Bahrain Affordable Housing PPP Project, the Group issued a BD 12.2 million performance bond. This performance bond was issued in respect of the construction of the works as agreed between the Group and the Ministry of Housing.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six-month period ended 30 June 2014**

Bahraini dinars

7 CONTINGENCIES AND COMMITMENTS (continued)**b) Ain Aoude project, Morocco**

The Group entered into an agreement with the Government of Morocco on 3 July 2012 for the construction of affordable housing in Morocco on land purchased from the Government, within a period of 60 months. The Group is obliged to pay a penalty of 2 % of price of land for every month thereafter if a minimum number of 2,000 housing units are not completed within the specified 60 months period.

8 FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. The estimated fair values of the Group's financial instruments are not significantly different from their carrying values due to the short to medium term nature of the financial assets and liabilities. Financial instruments are priced based on market rates.