

Naseej BSC (c)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 JUNE 2013

Commercial registration	:	72492
Directors	:	Khalid Abdulla-Janahi, <i>Chairman</i> Abdulkarim Bucheery, <i>Vice Chairman</i> Bashar Almutawa Hisham Al Rayes Imad Al Nesnas Jameel Al Matrook Mohammed Bucheerei Mohammed Khalil Al Sayed Sabah Al Moayyed Saqer Shaheen Saqer
Office	:	Bahrain Financial Harbor, East Tower, 46 Floor Manama, Kingdom of Bahrain
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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 2013

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

**The Board of Directors
Naseej B.S.C (c)
Bahrain Financial Harbor, Kingdom of Bahrain**

5 August 2013

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Naseej B.S.C (c) ("the Company") as at 30 June 2013, and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the interim financial information (the "condensed consolidated interim financial information"). The Board of Directors of the Company is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standard IAS 34 - *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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 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 condensed consolidated interim financial information as at 30 June 2013 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 2013

Bahraini dinars

	Note	30 June 2013	31 December 2012
ASSETS			
Current assets			
Cash and cash equivalents	4	3,524,647	4,245,969
Placements with banks	4	79,150,000	79,159,778
Other assets	5	8,200,106	6,899,672
Total current assets		90,874,753	90,305,419
Non-current assets			
Placement with banks	4	14,850,000	14,850,000
Properties under development	6	10,437,245	10,430,256
Property and equipment		361,116	345,201
Total non-current assets		25,648,361	25,625,457
Total assets		116,523,114	115,930,876
EQUITY AND LIABILITIES			
Equity			
Share capital	3	108,000,001	108,000,001
Retained earnings		7,525,436	6,408,515
Statutory reserve		714,691	714,691
Foreign currency translation reserve		(11,049)	66,625
Equity attributable to owners of the Company		116,229,079	115,189,832
Non-controlling interests		(115,668)	(11,837)
Total equity (page 5)		116,113,411	115,177,995
Current Liabilities			
Trade payables		35,169	169,581
Other liabilities		374,534	583,300
Total current liabilities		409,703	752,881
Total equity and liabilities		116,523,114	115,930,876

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 5 August 2013.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six month period ended 30 June 2013

Bahraini dinars

	Note	30 June 2013	30 June 2012
INCOME			
Income from placements with banks		2,079,303	2,358,350
Other income		440	-
		2,079,743	2,358,350
EXPENSES			
Administrative expenses		(953,454)	(748,383)
Marketing expenses		(7,041)	(36,357)
Other expenses		(28,484)	(1,240,774)
Total expenses		(988,979)	(2,025,514)
Profit for the period		1,090,764	332,836
Other comprehensive income			
Items to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		(155,348)	(342,571)
Total comprehensive income for the period		935,416	(9,735)
<i>Profit for the period attributable to</i>			
Owners of the Company		1,116,921	605,554
Non-controlling interest		(26,157)	(272,718)
		1,090,764	332,836
<i>Total comprehensive income for the period attributable to</i>			
Owners of the Company		1,039,247	262,983
Non-controlling interest		(103,831)	(272,718)
		935,416	(9,735)

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 5 August 2013.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six month period ended 30 June 2013

Bahraini dinars

2013	Share capital	Retained earnings	Statutory reserve	Foreign exchange translation reserve	Equity attributable to owners of Company	Non-controlling interests	Total equity
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	-	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

2012	Share capital	Retained earnings	Statutory reserve	Foreign exchange translation reserve	Equity attributable to owners of Company	Non-controlling interests	Total equity
At 1 January 2012	108,000,000	4,103,425	455,936	-	112,559,361	-	112,559,361
Issue of share capital	1	-	-	-	1	-	1
Acquisition of subsidiaries	-	(2,090)	-	-	(2,090)	133	(1,957)
Profit for the period	-	605,554	-	-	605,554	(272,718)	332,836
Other comprehensive income	-	-	-	(342,571)	(342,571)	-	(342,571)
Total comprehensive income for the period	-	605,554	-	(342,571)	262,983	(272,718)	(9,735)
At 30 June 2012	108,000,001	4,981,697	455,936	(342,571)	112,820,255	(272,585)	112,547,670

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 2013

Bahraini dinars

	30 June 2013	30 June 2012
OPERATING ACTIVITIES		
Bank charges paid	(397)	(519)
Payments for administrative and marketing expenses	(1,295,841)	(1,439,329)
Payments for other expenses	(38,484)	(721,175)
Cash flows used in operating activities	(1,324,722)	(2,161,023)
INVESTING ACTIVITIES		
Acquisition of fixed assets	(72,891)	(19,147)
Acquisition of properties under development	(134,913)	(6,102,109)
Placements made during the period	9,778	14,969,942
Profit received from placements with banks	801,426	2,258,551
Cash flows from investing activities	603,400	11,107,237
FINANCING ACTIVITIES		
Share capital issued	-	1
Cash flows from financing activities	-	1
Net increase in cash and cash equivalents during the period	(721,322)	8,946,215
Cash and cash equivalents at the beginning of the period	4,245,969	4,711,446
Cash and cash equivalents at the end of the period	3,524,647	13,657,661

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 2013

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 consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively "the Group").

As at 30 June 2013, 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

The above subsidiaries were incorporated/acquired during the current period for the purpose of undertaking various development projects.

2 BASIS OF PREPARATION

a) Statement of compliance

The 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 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 financial statements of the Company for the year ended 31 December 2012.

The interim financial information has been prepared using the same accounting policies and methods of computation applied in the preparation of the latest audited financial statements of the Company for the period ended 31 December 2012, 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 2013. The adoption of these standards did not have an impact on the interim financial information.

The interim financial information is not audited but has been reviewed by KPMG. The corresponding figures for the condensed statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2012. The comparatives for the condensed consolidated statements of comprehensive income, changes in equity and cash flows have been extracted from the 30 June 2012 reviewed financial information.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six month period ended 30 June 2013**

Bahraini dinars

2 BASIS OF PREPARATION (continued)

b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are enterprises controlled by the Company. Control exists when the Company has the power over an investee and the ability exposure and rights to variable return on its involvement with the investee and the ability to use its power to affect those returns. The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control by the parent commences until the date the control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

c) Judgments and estimates

Preparing the interim financial report 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 condensed consolidated interim financial report, 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 consolidated financial statements as at and for the year ended 31 December 2012.

3 SHARE CAPITAL

	Number of shares		Amount	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
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 parties include transactions with shareholders, directors and key management personnel of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six month period ended 30 June 2013

Bahraini dinars

4 RELATED PARTY TRANSACTIONS (continued)

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

a) Balances with shareholders

	30 June 2013	31 December 2012
Assets		
Cash and cash equivalents	3,524,647	4,245,969
Placements with banks		
- Maturity up to 1 year	79,150,000	79,159,778
- Maturity more than 1 year	14,850,000	14,850,000

b) Transactions with shareholders

	6 month period to 30 June 2013	6 month period to 30 June 2012
Income from placements with banks	2,079,303	2,358,350

5 OTHER ASSETS

	30 June 2013	31 December 2012
Performance bond receivable *	5,000,000	5,000,000
Accrued income	2,962,910	1,685,034
Prepayments	25,901	37,212
Other assets	211,295	177,426
	8,200,106	6,899,672

* 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. As per the terms of the concession agreement the Group had issued a standby letter of credit issued by a shareholder in favour of the Ministry of Housing of Kingdom of Bahrain for BD 5,000,000. This initial bond was issued as collateral for meeting the deadline of financial close of its Bahrain Affordable Housing PPP project. The deadline of the financial close was 30 June 2012. On 31 July 2012 the MoH has called in the bond and encashed the payment since the financial close was not achieved on the due date. On 28 July 2013, the Group entered into an Amendment Agreement with the MoH. The deadline of the financial close has been extended and the amount of receivable will be refunded on financial close.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six month period ended 30 June 2013

Bahraini dinars

6 PROPERTIES UNDER DEVELOPMENT

The cost of land represents acquisition of land at Shakhura, Bahrain for Shakhura 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 2013	31 December 2012
Opening	8,619,332	2,271,319
<i>Add</i> Cost of land acquired	-	6,348,013
Other expenses related to land capitalized	-	-
	8,619,332	8,619,332
Capital Work in Progress	1,817,913	1,810,924
	10,437,245	10,430,256

7 CONTINGENCIES AND COMMITMENTS

The Group entered into an agreement with the Government of Morocco on 3 July 2012 for the construction of affordable housing in Morocco within a period of 60 months. The Group is obliged to pay a penalty of 2 percent of price of land for every month the contract gets delayed.

8 FAIR VALUE

The fair value of financial assets and liabilities are as below:

	30 June 2013		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	3,524,647	3,524,647	4,245,969	4,245,969
Placements with banks	94,000,000	94,000,000	94,009,778	94,009,778
Other assets	8,200,106	8,200,106	6,899,672	6,899,672
Total assets	105,724,753	105,724,753	105,155,419	105,155,419
Liabilities				
Trade payables	35,169	35,169	169,581	169,581
Other liabilities	269,517	269,517	385,487	385,487
Total liabilities	304,686	304,686	555,068	555,068