

Naseej BSC (c)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 JUNE 2015

Commercial registration : 72492

Directors : Khalid Abdulla-Janahi - *Chairman*
Abdulkarim Bucheery - *Vice Chairman*
Dr. Abdul Aziz Abul
Abdul Elah AlQasimi
Abdulahakeem Almutawa
Bashar Almutawa
Dr. Khalid Abdulla
Khalil Ismail Almeer
Mohammed Khalil Al Sayed
Saqr Shaheen Saqr

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Khaleeji Commercial Bank BSC
BBK BSC

Auditors : KPMG Fakhro

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six month period ended 30 June 2015

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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

6 September 2015

Introduction

We have reviewed the accompanying 30 June 2015 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 2015;
- the condensed consolidated statement of profit or loss and other comprehensive income for the six month period ended 30 June 2015;
- the condensed consolidated statement of changes in equity for the six month period ended 30 June 2015;
- the condensed consolidated statement of cash flows for the six month period ended 30 June 2015; 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 2015 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 2015

Bahraini dinars

	Note	30 June 2015 (reviewed)	31 December 2014 (audited)
ASSETS			
Current assets			
Cash and cash equivalents	3 a)	11,838,429	21,582,893
Placements with banks	3 a)	64,500,000	56,500,000
Due from customers	4	29,815,201	11,199,002
Other assets	5	8,798,595	9,006,952
Total current assets		114,952,225	98,288,847
Non-current assets			
Placement with banks	3 a)	7,000,000	17,000,000
Properties under development	6	11,313,474	9,081,952
Property and equipment		221,337	257,937
Total non-current assets		18,534,811	26,339,889
Total assets		133,487,036	124,628,736
EQUITY AND LIABILITIES			
Equity			
Share capital		108,000,001	108,000,001
Retained earnings		13,930,161	11,523,599
Statutory reserve		1,283,033	1,283,033
Foreign currency translation reserve		(458,586)	(221,761)
Equity attributable to owners of the Company		122,754,609	120,584,872
Non-controlling interests		(577,211)	(312,309)
Total equity (page 5)		122,177,398	120,272,563
Current Liabilities			
Trade payables and other payables	7	11,309,638	4,356,173
Total current liabilities		11,309,638	4,356,173
Total equity and liabilities		133,487,036	124,628,736

Khalid Abdulla-Janahi
Chairman

Abdulkarim Bucheery
Vice Chairman

Mohammed Khalil Alsayed
Managing Director

The condensed consolidated interim financial information consisting of pages 3 to 10 was approved by the Board of Directors on 6 September 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six month period ended 30 June 2015

Bahraini dinars

	Note	30 June 2015 (reviewed)	30 June 2014 (reviewed)
Revenue from construction and related services		22,932,711	-
Direct Costs	8	(20,956,581)	-
Gross Profit		1,976,130	-
Income from placements		1,308,950	2,101,256
Other income		14,042	81,260
Administrative expenses		(829,375)	(772,218)
Marketing expenses		(30,515)	(96,122)
Operating expenses		(47,836)	(11,024)
Profit for the period		2,391,396	1,303,152
<i>Profit for the period attributable to</i>			
Owners of the Company		2,406,562	1,326,337
Non-controlling interests		(15,166)	(23,185)
		2,391,396	1,303,152
Profit for the period		2,391,396	1,303,152
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Foreign exchange translation reserve		(486,561)	68,343
Total other comprehensive income for the period		(486,561)	68,343
Total comprehensive income for the period		1,904,835	1,371,495
<i>Profit for the period attributable to</i>			
Owners of the Company		2,169,737	1,272,284
Non-controlling interests		(264,902)	99,211
		1,904,835	1,371,495

Khalid Abdulla-Janahi
Chairman

Abdulkarim Bucheery
Vice Chairman

Mohammed Khalil Alsayed
Managing Director

The condensed consolidated interim financial information consisting of pages 3 to 10 was approved by the Board of Directors on 6 September 2015.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six month period ended 30 June 2015

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 2015	108,000,001	11,523,599	1,283,033	(221,761)	120,584,872	(312,309)	120,272,563
Profit for the period (page 4)	-	2,406,562	-	-	2,406,562	(15,166)	2,391,396
Other comprehensive income	-	-	-	(236,825)	(236,825)	(249,736)	(486,561)
Total comprehensive income for the period	-	2,406,562	-	(236,825)	2,169,737	(264,902)	1,904,835
At 30 June 2015	108,000,001	13,930,161	1,283,033	(458,586)	122,754,609	(577,211)	122,177,398

	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

The condensed consolidated interim financial information consists of pages 2 to 9.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six month period ended 30 June 2015

Bahraini dinars

	30 June 2015 (reviewed)	30 June 2014 (reviewed)
Profit for the period	2,391,396	1,303,152
<i>Adjustment for:</i>		
Income from placements	(1,308,950)	(2,101,256)
Depreciation	36,099	47,297
<i>Profit / (loss) for the period before changes in operating assets and liabilities</i>	1,118,545	(750,807)
<i>Changes in operating assets and liabilities</i>		
Increase in properties under development	(2,231,522)	(897,320)
Increase in due from customers	(18,616,199)	-
Decrease / (increase) in other assets	949,320	(25,045)
Increase / (decrease) in trade and other payables	6,953,465	(157,071)
Net cash flows used in operating activities	(11,826,391)	(1,830,243)
Investing activities		
Proceeds from disposal of properties and equipment, net	501	3,544
Receipts from placements income	567,987	978,739
Placements made during the period, net	2,000,000	2,500,000
Net cash flows provided from investing activities	2,568,488	3,482,283
Net increase / (decrease) in cash and cash equivalents during the period	(9,257,903)	1,652,040
Cash and cash equivalents at the beginning of the period	21,582,893	3,482,597
Effects of currency translation on cash and cash equivalents	(486,561)	68,343
Cash and cash equivalents at the end of the period	11,838,429	5,202,980

The condensed consolidated interim financial information consists of pages 2 to 9.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six month period ended 30 June 2015

Bahraini dinars

1 Reporting entity

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 2015, 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
Ashghal 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 2014.

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 2014, 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 2015. 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 2014. 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 2014 reviewed condensed consolidated interim financial information.

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 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six month period ended 30 June 2015

Bahraini dinars

2 BASIS OF PREPARATION (continued)

c) Seasonality of operations

Due to the nature of the Group's business, the results for the six months period ended 30 June 2015, as reported in the condensed interim financial information, are not indicative of the results that may be expected for the year ending 31 December 2015.

3 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 2015	31 December 2014
11,838,429	21,582,893
64,500,000	56,500,000
7,000,000	17,000,000

b) Transactions with shareholders

Income from placements with banks

Six-month period ended 30 June 2015	Six month period ended 30 June 2014
1,308,950	2,101,256

4 DUE FROM CUSTOMERS

This represents gross amount due from customers for the contract work. During the period, the Group recognized contract revenue of BD 22,932,711 (31 December 2014: BD 12,797,088) and made progress billings of BD 4,021,000 (31 December 2014: BD 907,000) to the Ministry of Bahrain – Government of Bahrain toward approved variation works and received BD 2,886,512 (31 December 2014: 1,598,086) as deposits from customers on account of the affordable housing units. All the above amounts relate to the Bahrain Affordable Housing PPP Project.

5 OTHER ASSETS

Accrued income

Prepayments and advances

Other assets

30 June 2015	31 December 2014
1,960,188	1,219,225
6,443,674	7,232,513
394,733	555,214
8,798,595	9,006,952

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six month period ended 30 June 2015

Bahraini dinars

6 PROPERTIES UNDER DEVELOPMENT

These include cost of 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 2 and 5 years respectively. Additionally these includes various expenses incurred in relation to the above projects and the Bahrain Affordable Housing PPP project.

	30 June 2015	31 December 2014
Opening	9,081,952	11,846,341
Expenses incurred during the period	23,188,103	8,533,147
Cost recognized during the period	(20,956,581)	(11,297,536)
	11,313,474	9,081,952

7 TRADE AND OTHER PAYABLES

	30 June 2015	31 December 2014
Trade payables	5,902,104	1,696,562
Other liabilities	5,407,534	2,659,611
	11,309,638	4,356,173

8 DIRECT COSTS

	30 June 2015	31 June 2014
Construction Cost	19,083,649	-
Professional Cost	1,842,932	-
Debt Arrangement Fee	30,000	-
	20,956,581	-

9 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six month period ended 30 June 2015

Bahraini dinars

10 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.