

NASEEJ B.S.C. (C)
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2019

NASEEJ B.S.C. (C)
General information

<u>Commercial registration number</u>	72492
<u>Board of Directors</u>	Shaikh Hamed Al-Khalifa (Chairman) Abdulkarim Bucheery (Vice Chairman) Abdulelah AlQasimi Abdulhakeem Almutawa Bashar Almutawa Dr. Khalid Abdulla Khalil Ismail Almeer Mohammed Khalil Al Sayed Reyadh Sater Saqr Shaheen
<u>Registered office</u>	Bahrain Financial Harbour East Tower, 46th Floor Manama, Kingdom of Bahrain
<u>Principal bankers</u>	Ithmaar Bank B.S.C. (c) Khaleeji Commercial Bank B.S.C. Bank of Bahrain and Kuwait B.S.C.
<u>Auditor</u>	Deloitte & Touche – Middle East P.O. Box 421 Manama Kingdom of Bahrain

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NASEEJ B.S.C. (C)

Directors' report

For the year ended December 31, 2019

The Directors have pleasure in submitting their report together with the audited consolidated financial statements of Naseej B.S.C. (c) (the "Company") and its subsidiaries (together the "Group") for the year ended December 31, 2019.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the construction, development, sales and purchase of real estate.

RESULTS AND FINANCIAL POSITION

The consolidated financial position of the Group as at December 31, 2019 and the results for the year ended December 31, 2019 are set out in the accompanying consolidated financial statements.

DIVIDENDS

The Directors have proposed no dividend payments for the year ended December 31, 2019 (2018: BD 5.1 million).

DIRECTORS

The following Directors served during the year ended December 31, 2019:

Shaikh Hamed Al-Khalifa (Chairman)
Abdulkarim Bucheery (Vice Chairman)
Abdulelah AlQasimi
Abdulahakeem Almutawa
Bashar Almutawa
Dr. Khalid Abdulla
Khalil Ismail Almeer
Mohammed Khalil Al Sayed
Reyadh Sater
Saqr Shaheen

AUDITORS

The auditors, Deloitte & Touche - Middle East, have expressed their willingness to be reappointed as auditors of the Group for the year ending December 31, 2020.

On behalf of the Directors:

Shaikh Hamed Al-Khalifa
Chairman

_____, 2020

Abdulkarim Bucheery
Vice Chairman

<DRAFT>

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Naseej B.S.C. (c)
Kingdom of Bahrain

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Naseej B.S.C. (c) (the "Company"), and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditor's report and the annual report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

- 1) As required by the Bahrain Commercial Companies Law of 2001 (and subsequent amendments), we report that:
 - a) we have obtained all information that we considered necessary for the purposes of our audit;
 - b) the Company has maintained proper accounting records and the consolidated financial statements and the financial information included in the Chairman's report are in agreement therewith;
 - c) nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law of 2001 (and subsequent amendments), or of its memorandum and articles of association which would materially affect its activities or its financial position as at December 31, 2019; and
 - d) satisfactory explanations and information have been provided to us by the Directors in response to all our requests.
- 2) As required by the Ministry of Industry, Commerce and Tourism in their letter dated January 30, 2020 in respect of the requirements of Article 8 of section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
 - a) a corporate governance officer; and
 - b) a Board approved written guidance and procedures for corporate governance.

NASEEJ B.S.C. (C)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Note	2019 BD	2018 BD
ASSETS			
Non-current assets			
Properties under development	5	53,689,221	28,888,224
Investment property	6	4,974,324	4,489,843
Investment in an associate	8	409,391	-
Right-of-use asset	9	325,740	-
Property and equipment	7	137,314	168,960
Total non-current assets		59,535,990	33,547,027
Current assets			
Cash and cash equivalents	11	23,079,089	24,077,004
Placements with financial institutions	10	8,946,540	43,651,280
Trade receivables	13	3,148,726	424,010
Contract receivables	14	10,705,910	45,421,841
Other assets	15	1,999,039	3,527,689
Total current assets		47,879,304	117,101,824
Total assets		107,415,294	150,648,851
EQUITY AND LIABILITIES			
Equity			
Share capital	16	86,400,001	108,000,001
Statutory reserve	17	3,250,747	2,945,024
Retained earnings		2,962,305	5,286,543
Foreign currency translation reserve		(421,916)	(430,519)
Equity attributable to owners of the company		92,191,137	115,801,049
Non-controlling interests		(551,659)	(551,174)
Total equity		91,639,478	115,249,875
Liabilities			
Non-current liabilities			
Lease liability	9	280,966	-
Employees' end of service benefits	18	503,959	525,622
Total non-current liabilities		784,925	525,622
Current liabilities			
Lease liability	9	54,600	-
Contactors' retention payable	19	3,790,246	13,139,597
Trade payables	20	1,678,428	387,440
Accruals and other liabilities	21	9,467,617	21,346,317
Total current liabilities		14,990,891	34,873,354
Total liabilities		15,775,816	35,398,976
Total equity and liabilities		107,415,294	150,648,851

The consolidated financial statements were approved by the Board of Directors on _____, 2020.

Shaikh Hamed Al-Khalifa
Chairman

Abdulkarim Bucheery
Vice Chairman

The attached notes form part of these consolidated financial statements

NASEEJ B.S.C. (C)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019 BD	2018 BD
Revenue	22	2,605,900	9,603,901
Direct costs	23	(611,362)	(6,855,887)
Gross profit		<u>1,994,538</u>	<u>2,748,014</u>
Income from placements with financial institutions	12 (b)	1,846,285	1,975,019
Rental and other income		290,543	497,146
PPP – Anxilliary income	24	1,490,968	1,286,268
Net gain from fair value adjustment on properties under development	5	1,189,173	-
Administrative expenses	25	(2,508,837)	(1,888,746)
Marketing expenses		(169,570)	(199,166)
Share of results from associate	8	(11,109)	-
Depreciation expense on right-of-use asset	9	(61,076)	-
Interest expense on lease liability	9	(22,697)	-
Other operating expenses	26	(1,090,354)	(295,514)
Impairment loss allowance on financial assets	30	99,743	(85,703)
Profit for the year		<u>3,047,607</u>	<u>4,037,318</u>
<i>Profit for the year attributable to:</i>			
Owners of the Company		3,057,227	4,005,371
Non-controlling interests		(9,620)	31,947
		<u>3,047,607</u>	<u>4,037,318</u>
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign exchange translation reserve		17,738	135,947
Total comprehensive income for the year		<u>3,065,345</u>	<u>4,173,265</u>
<i>Total comprehensive income for the year attributable to:</i>			
Owners of the Company		3,065,830	4,073,437
Non-controlling interests		(485)	99,828
		<u>3,065,345</u>	<u>4,173,265</u>

The consolidated financial statements were approved by the Board of Directors on _____, 2020.

Shaikh Hamed Al-Khalifa
Chairman

Abdulkarim Bucheery
Vice Chairman

The attached notes form part of these consolidated financial statements

NASEEJ B.S.C. (C)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

	Attributable to owners of the Company						
	Share capital	Statutory reserve	Retained earnings	Foreign exchange translation reserve	Total	Non-controlling interests	Total equity
	BD	BD	BD	BD	BD	BD	BD
At January 1, 2018	108,000,001	2,544,487	21,681,709	(498,585)	131,727,612	(651,002)	131,076,610
Profit for the year	-	-	4,005,371	-	4,005,371	31,947	4,037,318
Other comprehensive income	-	-	-	68,066	68,066	67,881	135,947
Total comprehensive income for the year	-	-	4,005,371	68,066	4,073,437	99,828	4,173,265
Transfer to statutory reserves	-	400,537	(400,537)	-	-	-	-
Dividend declared	-	-	(20,000,000)	-	(20,000,000)	-	(20,000,000)
At December 31, 2018	108,000,001	2,945,024	5,286,543	(430,519)	115,801,049	(551,174)	115,249,875
Profit for the year	-	-	3,057,227	-	3,057,227	(9,620)	3,047,607
Other comprehensive income	-	-	-	8,603	8,603	9,135	17,738
Total comprehensive income for the year	-	-	3,057,227	8,603	3,065,830	(485)	3,065,345
Transfer to statutory reserves	-	305,723	(305,723)	-	-	-	-
Dividend declared	-	-	(5,075,742)	-	(5,075,742)	-	(5,075,742)
Capital reduction	(21,600,000)	-	-	-	(21,600,000)	-	(21,600,000)
At December 31, 2019	86,400,001	3,250,747	2,962,305	(421,916)	92,191,137	(551,659)	91,639,478

The attached notes form part of these consolidated financial statements

NASEEJ B.S.C. (C)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

		2019	2018
	Note	BD	BD
Cash flows from operating activities			
Profit for the year		3,047,607	4,037,318
<i>Adjustments for non-cash items:</i>			
Income from deposits	12 (b)	(1,846,285)	(1,975,019)
Depreciation		173,914	185,306
Depreciation of right-of-use asset	9	61,076	-
Movement in investment properties		(605,900)	-
Interest on lease liability	9	22,697	-
Provision for employees' end of service benefits	18	83,564	121,203
Gain on fair value recognised	5	(1,189,173)	-
Share of loss from an associate	8	11,109	-
Impairment loss allowance on financial assets	30	(99,743)	85,703
Interest on receivables from Ministry of Housing	14	(1,490,968)	(1,286,268)
<i>Cash flows before changes in operating assets and liabilities</i>		(1,832,102)	1,168,243
<i>Changes in operating assets and liabilities</i>			
(Increase)/decrease in trade receivables		(2,953,914)	23,201,362
Decrease in contract receivables		34,715,931	17,421,389
Decrease/(increase) in other assets		1,735,146	(1,997,073)
Increase in properties under development		(23,611,824)	(16,188,531)
(Decrease)/increase in contractors retention payable		(9,349,351)	65,791
Increase/(decrease) in trade payables		1,290,988	(838,536)
(Decrease)/increase in accruals and other liabilities		(11,878,700)	12,783,304
<i>Cash (used in)/generated from operating activities</i>		(11,883,826)	51,804,480
Payment for employees' end of service benefits	18	(105,227)	(2,255)
Net cash (used in)/generated from operating activities		(11,989,053)	51,802,225
Cash flows from investing activities			
Purchase of property and equipment	7	(20,849)	(95,214)
Proceeds from disposal of property and equipment		-	1,372
Income received from deposits		1,642,216	1,478,965
Investment in an associate during the year	8	(420,500)	-
Interest received from Ministry of Housing	14	1,490,968	1,286,268
Fixed deposits redeemed/(placed) during the year, net		34,912,118	(34,548,025)
Net cash generated from/(used in) investing activities		37,603,953	(31,876,634)
Cash flows from financing activities			
Repayment of lease liability	9	(73,947)	-
Net movement in loan		-	(5,497,771)
Capital reduction during the year		(21,600,000)	-
Dividend paid		(5,075,742)	(20,358,552)
Net cash used in financing activities		(26,749,689)	(25,856,323)
Net decrease in cash and cash equivalents during the year		(1,134,789)	(22,119,263)
Cash and cash equivalents at the beginning of the year		24,220,865	46,204,181
Effect of currency translation on cash and cash equivalents		17,738	135,947
Cash and cash equivalents at the end of the year	11	23,103,814	24,220,865

The attached notes form part of these consolidated financial statements

NASEEJ B.S.C. (C)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. INCORPORATION AND ACTIVITIES

Naseej B.S.C. (c) is a closed joint stock company (the "Company") incorporated in the Kingdom of Bahrain on August 5, 2009 under commercial registration number 72492. The Company is principally engaged in the construction, development, sale and purchase of real estate. The registered office of the Company is Bahrain Financial Harbour, East Tower, 46th Floor, Manama, Kingdom of Bahrain.

The Company's major shareholders are Ithmaar Bank, BBK, Ithmaar Development Company, Social Insurance Organisation of the Kingdom of Bahrain, Ibdar Bank, Gulf Finance House, Khaleeji Commercial Bank, Eskan Bank, Faisal Islamic Bank of Egypt, and Palm Capital.

The consolidated financial statements include the financial information of the Company and its subsidiaries (collectively referred to as the "Group").

As at December 31, 2019, the Group has the following subsidiaries and associate:

Entity	Country of incorporation	Place of business	Principal activities	% Ownership
<i>Subsidiaries:</i>				
Naseej Rabat W.L.L.	Bahrain	Bahrain	Real estate	100
Naseej Project Company S.P.C. (Formerly known as "Shakhoura Development S.P.C.")	Bahrain	Bahrain	Real estate	100
Sharaka for Housing Projects B.S.C. (c)	Bahrain	Bahrain	Real estate	100
Canalview Development Company S.P.C.	Bahrain	Bahrain	Real estate	100
Bahrain PPP Investment Company Limited	Cayman Islands	Bahrain	Real estate	100
Ashghal Development Company SARL	Morocco	Morocco	Real estate	50
<i>Associate:</i>				
Olive V.F.M. Company W.L.L.	Bahrain	Bahrain	Real estate	25

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and revised IFRS standards that are effective for the current year

In the current year, the Group has adopted IFRS 16 *Leases* as issued by the IASB in January 2016. The Standard replaces the existing guidance on leases, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*.

IFRS 16 results in lessees accounting for most leases within the scope of the Standard in a manner similar to the way in which finance leases are accounted for under IAS 17 *Leases*. The Standard requires lessees to recognize a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset is amortized over the length of the lease and the financial liability is measured at amortized cost. The requirements for lessor accounting remains substantially unchanged.

The Group's accounting policies for its leases are detailed in note 3.

The date of initial application of IFRS 16 for the Group is January 1, 2019. Upon adoption of IFRS 16, the Group has opted for the modified retrospective application permitted by the Standard

Practical expedients used and impact of application of IFRS 16 Leases

During the first time application of IFRS 16 to operating leases, the Group has used the following practical expedients:

- Use of a single discount rate.
- Reliance on previous assessments on whether leases are onerous.
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

NASEEJ B.S.C. (C)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

The associated right-of-use assets for property leases were measured on a modified retrospective basis as if the new rules had always been applied. The recognized right-of-use assets relate to the following types of assets:

	December 31, 2019	January 1, 2019
	BD	BD
Office premises	325,740	386,816

The off-balance sheet lease obligations as of December 31, 2018 are reconciled as follows to the recognized the lease liabilities as of January 1, 2019:

Operating lease commitments disclosed as of December 31, 2018	BD
Discounted using the Group's incremental borrowing rate at the date of initial application	468,329
Lease liabilities recognized as at January 1, 2019	386,816

Impact of the application of IFRS 16 on assets, liability and equity as at January 1, 2019:

	As previously reported	IFRS 16 adjustments	January 1, 2019
	BD	BD	BD
Right-of-use asset	-	386,816	386,816
Net impact on total asset	-	386,816	386,816
Lease liability	-	386,816	386,816
Net impact on total liability	-	386,816	386,816

The following table summarizes the impact on the statement of profit or loss for the year ended December 31, 2019.

	For the year ended December 31, 2019		
	As reported	IFRS 16	Without adoption of IFRS 16
	BD	BD	BD
Interest on lease liability	22,697	(22,697)	-
Depreciation on right-of-use asset	61,076	(61,076)	-
Administrative expenses	2,532,890	73,947	2,606,837
Profit for the year	3,278,095	9,826	3,287,921

The following table summarizes the impact on the statement of cash flows for the year ended December 31, 2019.

	For the year ended December 31, 2019		
	As reported	IFRS 16	Without adoption of IFRS 16
	BD	BD	BD
Depreciation on right-of-use assets	61,076	(61,076)	-
Interest on lease liabilities	22,697	(22,697)	-
Net cash flows from operating activities	83,773	(83,773)	-
Payment of principal portion of lease liabilities	(73,947)	73,947	-
Net cash used in financing activities	(73,947)	73,947	-

NASEEJ B.S.C. (C)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2.2 Other new and revised standards applied with no material impact on the financial statements

In the current year the Group has applied the following IFRS Standards and interpretations that are effective for an annual period that begins on or after January 1, 2019. Their adoption did not have any material impact on the disclosures or on the amounts reported in the financial statements:

- Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities*: The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.
- Amendments to IAS 28 *Long term interests in associates and joint ventures*: The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity is not applied but that in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long term investments. The amendments also clarify that in applying IFRS 9, an entity does not take into account of any losses of the associate or joint venture, or any impairment losses on the net investments that arise from applying IAS 28.
- Annual Improvements to IFRSs 2015-2017 Cycle Amendments to *IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*.
- Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement* to clarify the accounting for defined benefit plan amendments, curtailments and settlements.
- IFRIC 23 *Uncertainty over Income Tax Treatments*: The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
 - whether tax treatments should be considered collectively;
 - Assumptions for taxation authorities' examinations;
 - the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
 - the effect of changes in facts and circumstances.

2.3 New and revised standards issued but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* - Definition of Material (effective from January 1, 2020).
- Amendments to IFRS 3 *Business Combinations* – Definition of a Business (effective from January 1, 2020).
- Amendments to *References to the Conceptual Framework in IFRS Standards* related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 (effective from January 1, 2020).
- Amendments to IFRS 7 *Financial Instruments: Disclosures* and IFRS 9 *Financial Instruments*. Amendments regarding pre-replacement issues in the context of the IBOR reform (effective from January 1, 2020).

The Directors do not expect that the adoption of the above Standards will have a material impact on the Group's financial statements in future periods.

NASEEJ B.S.C. (C)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

3. 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.

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs and the applicable requirements of the Bahrain Commercial Companies Law of 2001 (and subsequent amendments).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements have been presented in Bahraini Dinars ("BD") which is the Group's functional currency.

The consolidated financial statements comprise of the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires the Management to exercise its judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's consolidated financial statements therefore fairly present its consolidated financial position as at December 31, 2019 and the results for the year then ended. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in note 4.

Going concern

The Group's Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Basis of consolidation

Business combinations are accounted for using the acquisition method as at the acquisition date (i.e. when control is transferred to the Group). Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

(i) Subsidiaries

Subsidiaries' are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(ii) Non-controlling interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) 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.

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Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and placements with financial institutions with original maturities within three months or less after the year end, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the Management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

Properties under development

Properties acquired, constructed or in the course of construction for sale in the ordinary course of business are classified as properties under development and are stated at measured initially at cost, including transaction costs. Subsequent to initial recognition, properties under development are measured at fair value. Gains or losses arising from changes in the fair value of properties under development are included in profit or loss in the period in which they arise.

The Management reviews the carrying values of the development properties on an annual basis.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition cost of the asset. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is recognised so as to write off the cost of assets or valuation of assets over their useful lives, using the straight-line method. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

The estimated useful lives of property and equipment are as follows:

Leasehold improvements	Lease period
Office equipment & furniture	5 Years
Computers	3 Years

Placements with financial institutions

Placements with financial institutions comprise of placements made under Shari'a compliant contracts having original maturities of three months or more, and are stated at their amortised cost.

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Revenue recognition

The application of the new standard requires Management to apply the following new accounting policies:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, customer returns and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(i) Contract revenue

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. As part of the impact assessment exercise, Group has concluded that for majority of its arrangements, it is either creating or enhancing an asset controlled by the customer or it is creating an asset with no alternative use and has an enforceable right to payment for work completed. Therefore, it meets the criteria to recognise revenue overtime and measure progress of its projects through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Variations which are in the nature of the extension of an existing scope of work are accounted for using cumulative catch up adjustments to the cost to complete method of revenue recognition. Variation orders which require the addition of distinct goods and services to the scope at discounted prices are accounted for prospectively and variation orders which require addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers.

Claims are accounted for as variable consideration. They are included in contract revenue using the expected value or most likely amount approach (whichever is more predictive of the amount the entity expects to be entitled to receive) and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the claim is subsequently resolved.

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A loss is recognised in the statement of comprehensive income when the expected contract costs exceed the total anticipated contract revenue.

Pre-contract cost of obtaining a contract with a customer is recognised as an asset if those costs are expected to be recovered.

Revenue is recognised in the statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

Income from placements with financial institutions

Income from placements with financial institutions is accrued on a time basis, by reference to the principal outstanding and at the effective profit rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Provision for employees' end-of-service benefits

The Group provides end of service benefits to all employees in accordance with the Bahrain Labour Law. The entitlement to these benefits is based upon the employee's final basic salary and length of service. The expected costs of these benefits are accrued over the period of the employment.

For Bahraini employees, the Group makes contributions to the Social Insurance Organization, based on the applicable law and regulation.

Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Impairment of non-financial assets

Where there is an indication of impairment in value, such that the recoverable amount of an asset (other than inventories) falls below its net book value, an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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Financial instruments

The application of the new standard required the Management to apply the following new accounting policies:

(a) Classification

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

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

The classification of depends on the Group's business model for managing the financial assets that whether the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the cash flows that whether contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Management determines the classification of its investment at initial recognition.

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. 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 the risks and rewards of ownership.

(c) 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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments through two measurement categories:

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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Financial liabilities

Financial liabilities include trade payables, borrowings and accruals and other liabilities. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs.

Accounts payable are stated at their nominal value. Borrowings are initially recognised net of transaction costs and subsequently measured at amortized cost using the effective interest rate method.

Derecognition of financial liabilities: The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

The difference between the carrying amount of the financial liability derecognized and the sum of the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When same or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

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Foreign currencies

Transactions in foreign currencies are translated to Bahraini Dinars at exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated into Bahraini Dinars at the foreign exchange rate prevailing at that date. All foreign exchange gains or losses arising on conversion and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

The assets and liabilities of foreign operations and fair value adjustments arising on acquisition, are translated to Bahraini Dinar at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Bahraini Dinar at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported on a net basis in the accompanying statement of financial position when a legally enforceable right to set-off such amounts exists and when the Group intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

Leases

Leases (effective from January 1, 2019)

The Group as lessee:

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following where applicable:

- Fixed lease payments, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- Amount expected to payable by the lessee under the residual value guarantees;
- The exercise price of the purchase option, if the lessee is reasonably certain to exercise the options; and
- Payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated amortization (over the shorter period of lease term and useful life of the underlying asset) and impairment losses.

The Group recognizes a provision when it incurs an obligation for costs to dismantle and remove a leased asset or restore the site on which it is located.

Leases (Prior to January 1, 2019)

The Group as lessee:

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance expenses and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the lease.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Useful lives of tangible assets

The Group's management determines the useful lives of tangible assets and the related depreciation charge. The depreciation charge for the year will change significantly if the actual life is different from the estimated useful life of the asset.

Measurement of the expected credit loss allowance

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group's management uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Refer to accounting policy in note 3.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Management did not include the extension options in the lease terms on the basis that lease cannot be renewed without the consent of both parties.

5. PROPERTIES UNDER DEVELOPMENT:

	<u>2019</u>	<u>2018</u>
	BD	BD
Land (note 5.2)	41,376,219	25,115,353
Development costs (note 5.3)	<u>12,313,002</u>	<u>3,772,871</u>
	<u>53,689,221</u>	<u>28,888,224</u>

Properties acquired, constructed or in the course of construction for sale in the ordinary course of business are classified as development properties and include the costs of:

- Freehold land;
- Amounts paid to contractors for construction including the cost of construction of infrastructure; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Common infrastructure cost is allocated to various projects and forms part of the estimated cost to complete a project in order to determine the cost attributable to revenue being recognised. The development span of some of the development properties is estimated to be over 10 years.

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5.1 The movement in properties under development:

	2019	2018
	BD	BD
Balance at the beginning of the year	29,202,224	12,329,554
Costs incurred during the year	23,828,624	23,728,557
Costs transferred to cost of revenue during the year	-	(6,855,887)
Fair value gains recognised during the year	1,189,173	-
	54,220,021	29,202,224
Provision in relation to Ain Aouda project	(530,800)	(314,000)
Balance at the end of the year	53,689,221	28,888,224

5.2 The following table represents the movement in land during the year:

	2019	2018
	BD	BD
Balance at the beginning of the year	25,115,353	10,418,901
Purchases during the year	15,071,693	14,696,452
Fair value gains recognised during the year	1,189,173	-
Balance as the end of the year	41,376,219	25,115,353

5.3 The following table represents the movement in development costs during the year:

	2019	2018
	BD	BD
Balance at the beginning of the year	4,086,871	1,910,653
Costs incurred during the year	8,756,931	9,032,105
Costs transferred to cost of revenue during the year	-	(6,855,887)
	12,843,802	4,086,871
Provision in relation to Ain Aouda project	(530,800)	(314,000)
Balance as the end of the year	12,313,002	3,772,871

5.4 Project wise breakdown is as follows:

	2019	2018
	BD	BD
<i>Land costs</i>		
- Canalview project	5,011,035	4,927,269
- Basateen project	1,951,314	1,951,314
- Arad project	14,039,830	12,635,847
- Ain Aouda project	5,601,347	5,600,923
- Amwaj project	11,823,693	-
- Jid Alhaj project	2,949,000	-
	41,376,219	25,115,353
<i>Development costs</i>		
- Canalview project	9,467,058	2,652,790
- Basateen project	797,656	12,275
- Arad project	13,244	-
- Ain Aouda project	1,554,353	1,107,806
- Amwaj project	421,824	-
- Jid Alhaj project	58,867	-
	12,313,002	3,772,871

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6. **INVESTMENT PROPERTY:**

	2019	2018
	BD	BD
Cielo tower	3,836,324	3,957,743
AMAS shops	1,138,000	532,100
	<u>4,974,324</u>	<u>4,489,843</u>

7. **PROPERTY AND EQUIPMENT**

	Leasehold improvements	Office equipment & furniture	Computers	Work in progress	Total
	BD	BD	BD	BD	BD
Cost:					
At December 31, 2017	329,984	64,011	162,638	10,000	566,633
Additions	1,370	7,045	25,799	61,000	95,214
Reclassifications	(1,300)	1,300	-	-	-
Disposals	(120)	(24,280)	-	-	(24,400)
At December 31, 2018	329,934	48,076	188,437	71,000	637,447
Additions	2,086	-	6,463	12,300	20,849
At December 31, 2019	332,020	48,076	194,900	83,300	658,296
Accumulated depreciation:					
At December 31, 2017	236,948	39,900	150,780	-	427,628
Depreciation expense	37,992	8,310	17,585	-	63,887
Relating to reclassifications	(994)	994	-	-	-
Relating to disposals	(10)	(23,018)	-	-	(23,028)
At December 31, 2018	273,936	26,186	168,365	-	468,487
Depreciation expense	37,869	6,358	8,268	-	52,495
At December 31, 2019	311,805	32,544	176,633	-	520,982
Carrying amount:					
December 31, 2019	20,215	15,532	18,267	83,300	137,314
December 31, 2018	55,998	21,890	20,072	71,000	168,960

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8. INVESTMENT IN AN ASSOCIATE

	<u>2019</u>	<u>2018</u>
	BD	BD
Investment in Olive V.F.M. Company W.L.L.	<u>409,391</u>	<u>-</u>

During the year, the Group acquired 25% of the shareholding in Olive V.F.M Company W.L.L., a company registered in the Kingdom of Bahrain dealing in real estate activities.

Movement in the carrying value of investment:

	<u>2019</u>
	BD
Consideration paid	570,500
Cum dividend received	<u>(150,000)</u>
Net consideration paid	420,500
Share of results during the year	<u>(11,109)</u>
Balance as at December 31	<u>409,391</u>

The below information is based on the latest available FS of the associate:

	<u>2019</u>
	BD
Current assets	1,765,557
Non-current assets	68,351
Current liabilities	(140,185)
Non-current liabilities	(56,160)
Net assets	1,637,563
Proportion of Group's ownership	25%
Share of net assets	409,391
Revenue	450,910
Expenses	(495,346)
Net profit (100%)	<u>(44,436)</u>
Group's share of net profit (25%)	<u>(11,109)</u>

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9. LEASES

The Group only operates as a lessee.

9.1 Right-of-use asset

The recognized right-of-use asset relating to the Group's office premises at Bahrain Financial Harbour, which are leased by the Group, for an average term of 5 years.

	Total BD
Balance as at December 31, 2018	-
Transition adjustments on IFRS 16 adoption	386,816
Balance as at January 1, 2019	386,816
Depreciation during the period	(61,076)
Balance as at December 31, 2019	325,740

The following are the amounts recognized in profit and loss for the year ended December 31, 2019:

	2019 BD
Depreciation on right-of-use asset	61,076
Interest on lease liability	22,697

At the reporting date, none of the property leases in which the Group is the lessee, contain variable lease payment terms.

9.2 Lease liability

	2019 BD
Balance, December 31, 2018	-
Transition adjustments on IFRS 16 application	386,816
Balance, January 1, 2019 (restated)	386,816
Accretion of interest	22,697
Payments during the year	(73,947)
Balance, December 31, 2019	335,566

Below is the allocation of lease liabilities as at December 31, 2019:

	2019 BD
Current lease liabilities	54,600
Non-current lease liabilities	280,966
	335,566

The maturity analysis of lease liabilities as at December 31, 2019 is as follows:

	2019 BD
Not later than 1 year	73,947
Later than 1 year and not later than 5 years	320,435
Less: unearned interest	(58,816)
	335,566

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10. PLACEMENTS WITH FINANCIAL INSTITUTIONS

	<u>2019</u>	<u>2018</u>
	BD	BD
Placements with original maturities	9,000,000	43,912,118
Loss allowance (note 10.1)	<u>(53,460)</u>	<u>(260,838)</u>
	<u>8,946,540</u>	<u>43,651,280</u>

Placements are held with financial institutions in Bahrain with average profit rate of 4.4% to 5.5% (2018: 3% to 3.8%).

10.1 The movement in loss allowance for impairment of placements with financial institutions are as follows:

	<u>2019</u>	<u>2018</u>
	BD	BD
Balance at the beginning of year – calculated under IFRS 9	260,838	115,023
Net (decrease)/increase in loss allowance during the year (note 30)	<u>(207,378)</u>	<u>145,815</u>
Balance at the end of year	<u>53,460</u>	<u>260,838</u>

11. CASH AND CASH EQUIVALENTS

	<u>2019</u>	<u>2018</u>
	BD	BD
Cash and bank balances	1,817,814	1,720,865
Placements with original maturities less than 3 months	<u>21,286,000</u>	<u>22,500,000</u>
	23,103,814	24,220,865
Loss allowance (note 11.1)	<u>(24,725)</u>	<u>(143,861)</u>
	<u>23,079,089</u>	<u>24,077,004</u>

Placements are held with financial institutions in Bahrain with an original maturity of three months or less with an average profit rate of 4% to 4.5% (2018: 1.6% to 2.7%).

11.1 The movement in loss allowance for impairment of cash and cash equivalents are as follows:

	<u>2019</u>	<u>2018</u>
	BD	BD
Balance at the beginning of year – calculated under IFRS 9	143,861	214,944
Net decrease in loss allowance during the year (note 30)	<u>(119,136)</u>	<u>(71,083)</u>
Balance at the end of year	<u>24,725</u>	<u>143,861</u>

12. RELATED PARTIES:

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. Related parties include the significant shareholders and entities over which the Group and the shareholders exercise significant influence, directors and other key management of the Group.

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

a) Balances with shareholders

	<u>2019</u>	<u>2018</u>
	BD	BD
<i>Assets</i>		
Cash and bank balances	22,908,630	24,077,004
Placements with a financial institution	<u>8,946,540</u>	<u>43,651,280</u>
	<u>31,855,170</u>	<u>67,728,284</u>

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b) Transactions with shareholders

	2019	2018
	BD	BD
Income from placements with financial institutions	1,846,285	1,975,019
Borrowing cost (note 23)	-	99,837
Debt arrangement fee (note 23)	-	45,000
Professional fees	240,064	67,149

c) Key management compensation

Key management personnel of the Group comprise of the Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. Compensation for key management personnel is as follows:

	2019	2018
	BD	BD
Directors' sitting fee	154,438	166,500
Salaries and other short term benefits	361,078	412,476
Post-employment benefits	39,182	44,963

13. TRADE RECEIVABLES

	2019	2018
	BD	BD
Trade receivables (note 13.1)	3,390,568	436,654
Loss allowance (note 13.2)	(241,842)	(12,644)
	3,148,726	424,010

13.1 Trade receivables include 3,148,103 (2018: BD Nil) invoiced to the MoH under the Bahrain Affordable Housing PPP project.

13.2 The movement in loss allowance for impairment of trade receivables is as follows:

	Credit-impaired BD	Collectively assessed BD	Total BD
Balance as at January 1, 2018	-	4,620	4,620
Net increase in loss allowance	-	8,024	8,024
Balance, December 31, 2018	-	12,644	12,644
Net increase in loss allowance (note 30)	232,334	(3,136)	229,198
Balance, December 31, 2019	232,334	9,508	241,842

14. CONTRACT RECEIVABLE

	2019	2018
	BD	BD
Due from Ministry of Housing (note 14.1)	9,469,600	44,086,268
Due from customers	1,236,310	1,335,573
	10,705,910	45,421,841

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14.1 The movement in due from Ministry of Housing is as follows:

	<u>2019</u>	<u>2018</u>
	BD	BD
Balance at the beginning of the year	44,086,268	62,843,230
Income recognised during the year (note 24)	1,490,968	1,286,268
Transferred to trade receivables during the year	<u>(36,107,636)</u>	<u>(20,043,230)</u>
	<u>9,469,600</u>	<u>44,086,268</u>

15. **OTHER ASSETS**

	<u>2019</u>	<u>2018</u>
	BD	BD
Contractor advances	1,021,578	2,120,454
VAT receivable	376,569	308,697
Accrued income	204,069	612,358
Security deposits	48,520	163,708
Advances to employees	52,930	46,966
Prepayments	23,150	20,770
Other receivables	<u>273,434</u>	<u>258,374</u>
	2,000,250	3,531,327
Loss allowance (note 15.1)	<u>(1,211)</u>	<u>(3,638)</u>
	<u>1,999,039</u>	<u>3,527,689</u>

15.1 The movements in loss allowance of accrued income are as follows:

	<u>2019</u>	<u>2018</u>
	BD	BD
Balance at the beginning of year – calculated under IFRS 9	3,638	691
Net increase in loss allowance during the year (note 30)	<u>(2,427)</u>	<u>2,947</u>
Balance at the end of year	<u>1,211</u>	<u>3,638</u>

16. **SHARE CAPITAL**

	<u>2019</u>	<u>2018</u>
	BD	BD
Authorised share capital		
864,000,008 shares of BD 0.100 each (2018: 1,080,000,000 shares of BD 0.100 each)	<u>86,400,001</u>	<u>108,000,000</u>
Issued and fully paid up share capital		
864,000,008 shares of BD 0.100 each (2018: 1,080,000,010 shares of BD 0.100 each)	<u>86,400,001</u>	<u>108,000,001</u>

On 13 March 2019, the Group resolved to reduce the Group's issued and paid up share capital in an amount equal to BD 21,600,000 by cancelling 216,000,002 shares in total, resulting in the reduction of the issued and paid up share capital of the Company from BD 108,000,001 divided into 1,080,000,010 ordinary shares of the nominal value of BD 0.100 each to BD 86,400,001 divided into 864,000,008 ordinary shares of the nominal value of BD 0.100 per share.

17. **STATUTORY RESERVE**

In accordance with the Bahrain Commercial Companies Law of 2001 and the Company's Articles of Association, 10% of the profit for the year should be appropriated to the statutory reserve. The Group may elect to discontinue such appropriation when the reserve reaches 50% of the capital. This reserve is not available for distribution. During the year, the Group has transferred BD 305,723 (2018: BD 400,537) from retained earnings to the statutory reserve.

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18. EMPLOYEES' END OF SERVICE BENEFITS

	<u>2019</u>	<u>2018</u>
	BD	BD
Balance at the beginning of the year	525,622	406,674
Charge for the year (note 25)	83,564	121,203
Payments made during the year	<u>(105,227)</u>	<u>(2,255)</u>
Balance at the end of the year	<u>503,959</u>	<u>525,622</u>

19. CONTRACTORS' RETENTION PAYABLE

Contractors' retention payable amounting to BD 3,790,246 (2018: BD 13,139,597) represents retention that has been withheld by the Group from payments due to contractors and are due for less than one year from the end of the reporting period.

20. TRADE PAYABLES

	<u>2019</u>	<u>2018</u>
	BD	BD
Canalview project	745,795	59,502
Amwaj project	398,500	-
Bahrain PPP project	337,128	235,026
Daem project	75,605	-
Others	<u>121,400</u>	<u>92,912</u>
Trade payables	<u>1,678,428</u>	<u>387,440</u>

21. ACCRUALS AND OTHER LIABILITIES

	<u>2019</u>	<u>2018</u>
	BD	BD
Accrued operating expenses to contractors for the Sharaka projects	4,183,467	4,648,259
Terna bond payable	1,260,659	1,260,659
Sales deposits and progress billings	1,765,488	1,152,194
Provision against arbitration of claims received (note 27)	1,515,000	815,000
Provision against EWA capital contribution	255,623	255,623
Payables in relation to the acquisition of land (note 21.1)	-	12,635,847
Dividends payable	-	50,539
Others	<u>487,380</u>	<u>528,196</u>
	<u>9,467,617</u>	<u>21,346,317</u>

21.1 Amount pertains to the purchase of land in Arad during the year for the purpose of development and construction.

22. REVENUE

Revenue amounting to 2,605,900 (2018: BD 9,603,901) pertains to sale of villas and apartments, that is recognised over time for the Bahrain PPP project.

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23. **DIRECT COSTS**

	2019	2018
	BD	BD
Professional cost	611,362	2,224,733
Construction cost	-	4,486,317
Borrowing cost (note 12 b)	-	99,837
Debt arrangement fee (note 12 b)	-	45,000
	<u>611,362</u>	<u>6,855,887</u>

The professional cost incurred during the year relates to the Bahrain PPP project which was completed in 2018.

24. **OTHER INCOME**

	2019	2018
	BD	BD
Interest on receivables from Ministry of Housing (note 14)	<u>1,490,968</u>	<u>1,286,268</u>

The interest receivable from Ministry of Housing relates to the amount receivable on the Bahrain PPP project at a rate of 7.5% per annum.

25. **ADMINISTRATIVE EXPENSES**

	2019	2018
	BD	BD
Salaries and related costs (note 25.2)	1,401,382	1,185,651
Professional consultant charges (note 25.1)	433,855	69,775
Board expenses	184,010	199,292
Board remuneration	135,250	-
Depreciation	173,914	185,306
Service charges	30,651	29,308
Office rent	-	73,947
Other administrative expenses	149,775	145,467
	<u>2,508,837</u>	<u>1,888,746</u>

25.1 The professional consultant charges for the current year relates primarily to the arbitration expenses incurred for the Terna dispute.

25.2 Salaries and related costs consists of the following:

	2019	2018
	BD	BD
Salary expenses	899,064	927,558
Bonus accruals	220,400	214,866
Contractual employees	103,010	65,738
Indemnity charges for the year (note 18)	83,564	121,203
Allowances for the year	46,975	52,901
Others	48,369	(196,615)
	<u>1,401,382</u>	<u>1,185,651</u>

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26. OTHER OPERATING EXPENSES

	2019	2018
	BD	BD
Provision against Terna arbitration	700,000	-
Provision against Ain Aouda project	216,800	-
Other operating expenses	173,554	39,891
Provision provided on EWA capital contribution	-	255,623
	<u>1,090,354</u>	<u>295,514</u>

27. CONTINGENCIES AND COMMITMENTS

a) Ain Aouda project, Morocco

During 2018, the nature of the project has changed from social property development to housing that will cater to the mid and high class individuals. The authority of the project has been changed from the Wali of Rabat to the Municipality. A new master plan is being developed and the elements of the project are currently under negotiation with the Municipality. Based on the new master plan, the Management are of the view that the elements of the previous conditions of failure of completing the project are no longer applicable.

b) Claims and contingencies

During the year 2016, the Group has received claims of BD 1.4 million. This matter is subject to arbitration proceedings and based on the legal advice the Group has made a provision of BD 1,515,000 for such claims.

28. FINANCIAL INSTRUMENTS

28.1 Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 of the consolidated financial statements.

28.2 Categories of financial instruments

The Group's financial assets are categorised as loans and receivables and its financial liabilities are carried at amortised cost:

	2019	2018
	BD	BD
Financial assets:		
Cash and cash equivalents	23,079,089	24,077,004
Placements with financial institutions	8,946,540	43,651,280
Trade receivables	3,148,726	424,010
Contract receivables	10,705,910	45,421,841
Other assets	901,381	1,339,499
	<u>46,781,646</u>	<u>114,913,634</u>
Financial liabilities:		
Contactors' retention payable	3,790,246	13,139,597
Trade payables	1,678,428	387,440
Accruals and other liabilities	9,491,670	21,346,317
	<u>14,960,344</u>	<u>34,873,354</u>

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28.3 Fair value of financial instruments

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. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

The Management considers that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate their fair values.

Financial instruments are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There are no financial instruments measured at fair value at the reporting dates.

29. FINANCIAL RISK MANAGEMENT

The Group's use of financial instruments exposes it to a variety of financial risks such as credit risk, market risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels.

The Management has the overall responsibility for the establishment and oversight of the Group's risk management framework and monitoring the risk management policies in close co-operation with the Shareholder. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions.

The significant risks that the Group is exposed to are discussed below:

29.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of cash with banks, placements with financial institutions, trade and contract receivables. The Group manages this risk by placing liquid funds with financial institutions of good financial standing.

The Group does not have any additional significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

The maximum exposure to credit risk is limited to the carrying values of its financial assets, in addition to the commitments disclosed in note 27.

29.2 Market risk

Market risk is the risk that changes in market prices, such as profit rates, foreign exchange rates and equity prices which will affect the value of the Group's assets, the amount of its liabilities and/or the Group's income. Market risk arises in the Group due to fluctuations in the value of liabilities and the value of investments held.

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(a) Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group's financial assets and liabilities are denominated in US Dollars and Bahraini Dinars. As the Bahraini Dinar is pegged to the US Dollar, balances in US Dollars are not considered to represent a significant currency risk.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from short-term placements with financial institutions.

At December 31, 2019, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been higher/lower by BD 151,430 (2018: BD 332,061).

(c) Equity price risk

The Group does not have any exposure to equity price risk.

29.3 Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its funding requirements. The Group manages this risk by maintaining sufficient cash and cash equivalents, availability of funding from credit facilities and its ability to close out market positions on short notice.

Below is an analysis of the Group's financial liabilities segregated into relevant maturity groupings based on the remaining contractual maturity period at the reporting date and undiscounted cash flows (principal and interest cash flows). Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	2019				Total
	Within 3 months	3 to 6 months	6 months to one year	More than one year	
	BD	BD	BD	BD	
Trade payables	1,678,428	-	-	-	1,678,428
Contactors retention payable	162,585	287,422	309,478	3,030,761	3,790,246
Accruals and other liabilities	9,467,617	-	-	-	9,467,617
	<u>11,308,630</u>	<u>287,422</u>	<u>309,478</u>	<u>3,030,761</u>	<u>14,936,291</u>

	2018				Total
	Within 3 months	3 to 6 months	6 months to one year	More than one year	
	BD	BD	BD	BD	
Trade payables	387,440	-	-	-	387,440
Contactors retention payable	-	-	13,139,597	-	13,139,597
Accruals and other liabilities	21,346,317	-	-	-	21,346,317
	<u>21,733,757</u>	<u>-</u>	<u>13,139,597</u>	<u>-</u>	<u>34,873,354</u>

30. IMPAIRMENT LOSS ALLOWANCE ON FINANCIAL ASSETS

	2019	2018
	BD	BD
Placements with financial institutions (note 10)	(207,378)	145,815
Cash and cash equivalents (note 11)	(119,136)	(71,083)
Trade receivables (note 13)	229,198	8,024
Other assets (note 15)	(2,427)	2,947
	<u>(99,743)</u>	<u>85,703</u>

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31. **BORROWINGS**

The Group has availed a facility with Kuwait Finance House for a facility amount of BD 5,000,000. As at December 31, 2019 no amount has been utilised from this facility.

32. **CAPITAL RISK MANAGEMENT**

The Group's objective when managing its capital is to safeguard its ability to continue as a going concern in order to provide return on investment to shareholders and to maintain an optimal capital structure to reduce the cost of capital.

33. **COMPARATIVE FIGURES**

Certain prior period figures have been represented to conform to the current period presentation. This did not affect the financial position or results for the period.

34. **SUBSEQUENT EVENTS**

As of the date of approval of these financial statements, the outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The outbreak of COVID-19 has had an impact on demand for oil and petroleum products. Recent global developments in March 2020 have caused further volatility in commodity markets.

The extent and duration of such impacts remain uncertain and are dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these financial statements. These developments could impact the Company's future financial results, cash flows and financial condition consequent to the adverse effect of the disruption on the operations of the tenants.