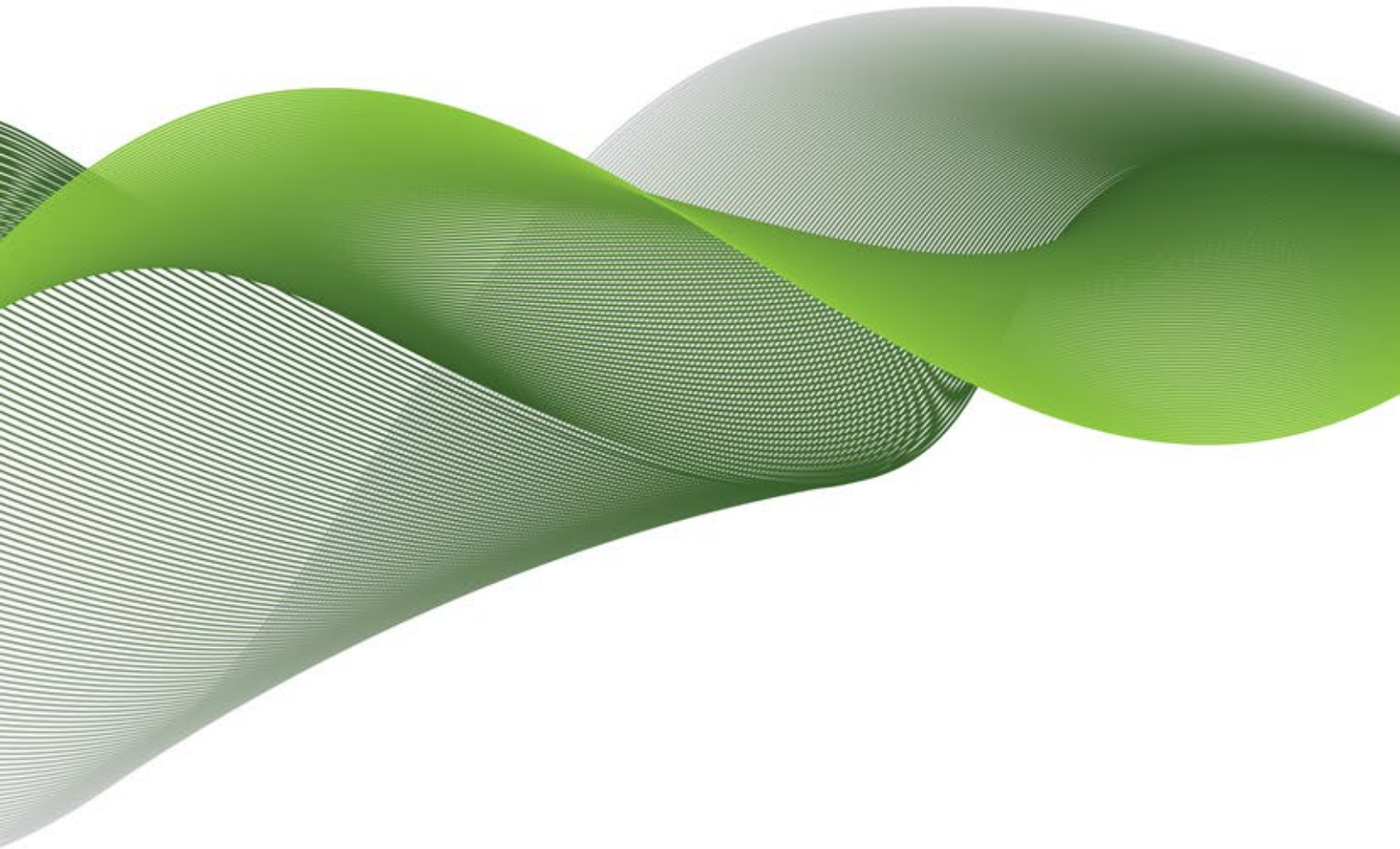


NASEEJ



**DYNAMIC  
PERFORMANCE**  
ANNUAL REPORT +  
ACCOUNTS 2010



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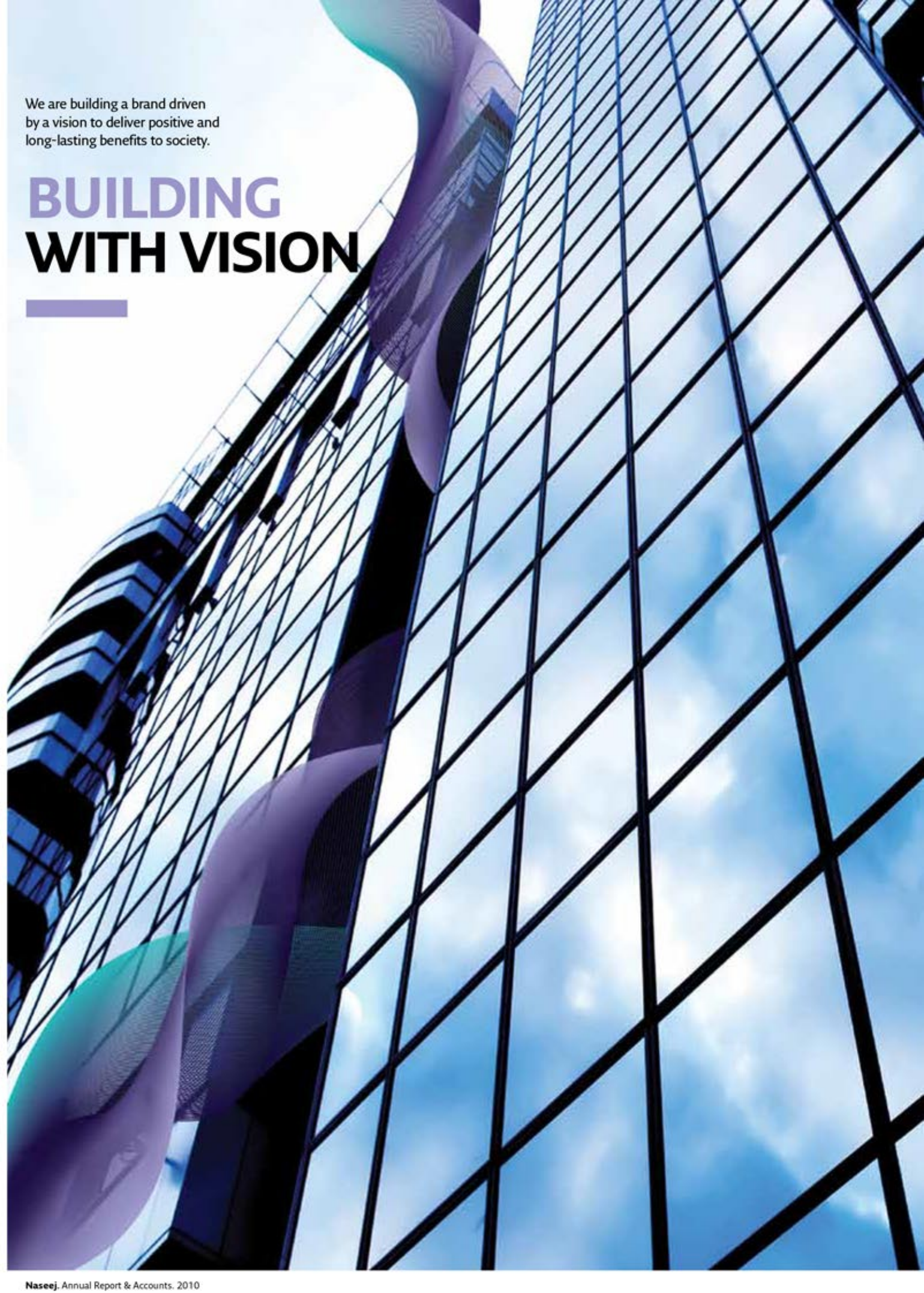
His Royal Highness,  
Prince Khalifa bin Salman Al Khalifa  
*The Prime Minister of The Kingdom of Bahrain*



His Majesty,  
King Hamad bin Isa Al Khalifa  
*The King of the Kingdom of Bahrain*



His Royal Highness,  
Prince Salman bin Hamad Al Khalifa  
*The Crown Prince and Deputy Supreme Commander*



We are building a brand driven  
by a vision to deliver positive and  
long-lasting benefits to society.

# BUILDING WITH VISION

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**3. Company Profile.** Naseej is a team that delivers value-driven, real estate solutions through insight and innovation. Applying pragmatism when meeting new challenges. Delivering real benefits to individuals and societies. Building the foundations of prosperity for future generations. Always with vision. Our logo signifies the texture of life within the societies Naseej serves.

**Vision:** To deliver meaningful value through insight.

**Values:** Integrity - Prosperity - Innovation - Pragmatism

Naseej is the MENA region's first fully integrated real estate and infrastructure development company, encompassing the entire value chain from concept to completion. The Company's core activities comprise design and master planning; development and construction; building components and asset management.

Headquartered in the Kingdom of Bahrain and capitalised at US\$ 286 million, the Company was established by prominent private and public sector investors as a pioneering catalyst for addressing the region's affordable housing development needs. Key shareholders of Naseej are Ithmaar Bank, Ithmaar Development Company, BBK, Gulf Finance House, Khaleeji Commercial Bank, Faisal Islamic Bank of Egypt, Palm Capital, Social Insurance Organisation of the Kingdom of Bahrain and Eskan Bank.

Strategically, Naseej's core objective is to act as a pioneering catalyst for change to address affordable housing development needs in the MENA region. This is realised through the multicultural management team who follow a demand-driven, research-oriented approach. It's complemented by adoption of the highest international standards and global best practice in corporate governance, risk management, social responsibility, environmental protection and sustainable development.

In executing its strategy, Naseej utilises the relevant expertise of its shareholders in key areas such as real estate and infrastructure development, social and affordable housing and community development, and in doing so, the company can maximise synergies and economies of scale to deliver the most effective and efficient services and solutions to its clients. Moreover, the company plans to supplement this distinctive capability by establishing strategic alliances, partnerships and joint ventures to strengthen its various undertakings.

Naseej is committed to supporting global environmental initiatives and to actively pursue fast track construction methodologies such as modular units and renewable materials. Thus reducing cost and development time of affordable housing projects, without compromising quality standards.

In terms of sustainability, the company combines innovative 'green' initiatives with durable construction materials. And, where practical, Naseej incorporates key elements from global 'green' building standards such as LEED, BREEAM and Estidama, in addition to using natural, renewable resources.

## 4. Board of Directors



**[1] Mr Khalid Abdulla-Janahi FICAEW FCA  
Chairman**

*Non-Independent & Non-Executive*

Chairman of Executive Committee & Corporate Governance Committee; Member of Risk Committee  
Group Chief Executive Officer:  
Daal Al Maal Al Islami Trust (DMI Trust)  
Chairman: Faisal Private Bank (Switzerland); DMI Administrative Services; Islamic Investment Company of the Gulf (Bahamas) Ltd; Solidarity Group Holding; Ithmaar Development Company  
Board Member: BBK; Faisal Islamic bank of Egypt; Centre for International & Business Management, University of Cambridge  
Over 30 years' experience in banking and financial services.  
Fellow of Institute of Chartered Accountants in England & Wales  
BSc in Computer Science & Accountancy from the University of Manchester, UK  
'Islamic Banker of the Year' - WIBC 2008

**[2] Shaikh Abdulla Al-Khalifa  
Vice Chairman**

*Non-Independent & Non-Executive*

Chairman of Remuneration & Nomination Committee; Member of Executive Committee and Investment Committee  
Assistant Director of Investments:  
Social Insurance Organisation  
Chairman: Seef Properties  
Board Member: BBK; BFC Group Holdings; Bahrain International Golf Course  
11 years' experience in Banking  
BSc in Business Administration (specialising in Information Systems) from the George Washington University, Washington DC, USA; JP Morgan Chase Credit Program

**[3] Mr Abdulkarim Bucheery  
Member**

*Non-Independent & Non-Executive*

Chairman of Audit Committee;  
Member of Corporate Governance Committee  
Chief Executive: BBK  
Chairman: CrediMax; Capinnova;  
Bahrain Association of Banks  
Vice Chairman: Bahrain Commercial Facilities Company  
Board Member: Injaz; Tamkeen  
33 years' experience in Banking  
BSc in Economic Science Stream from Aleppo University, Syria

**[4] Mr Bashar Al Mutawa  
Member**

*Non-Independent & Non-Executive*

Member of Audit Committee and Risk Committee  
Managing Director: Noon Investment Company  
Board Member: Al Jazeera Tourism Company; Tashyeed properties; Saar Investment Company; Al Oula Securities Company  
10 years' business experience  
BSc degree in Finance & Economics

**[5] Mr Hisham Al Rayes  
Member**

*Non-Independent & Non-Executive*

Member of Investment Committee  
Chief Investment Officer: Gulf Finance House  
15 years' experience in Banking and Real Estate  
MBA from De Paul University, Chicago, USA

**[6] Mr Imad Al Nesnas  
Member**

*Non-Independent & Non-Executive*

Member of Audit Committee and Corporate Governance Committee  
Chairman & Managing Director:  
Bonyan International  
Chairman: Optimum Design  
Board Member: Vision 3  
Founding Investor: Solidarity; First Leasing Bank; Global Banking Corporation; La Mier Real Estate company; Al Fares Real Estate Company  
Over 23 years' experience in Construction, Project Development and Real Estate Investment  
BSc in Civil Engineering from TTU, USA; Project Management Program, Columbia University, New York, USA

**[7] Mr Jameel Al Matrook  
Member**

*Non-Independent & Non-Executive*

Chairman of Risk Committee; Member of Remuneration & Nomination Committee  
Founder: Jameel Almatrook Co. WLL  
32 years' experience in Real Estate  
Chartered Civil Engineer  
BSc in Civil Engineering from Leeds University, UK

**[8] Mr Mohammed Bucheerei  
Member**

*Non-Independent & Non-Executive*

Mohammed Bucheerei was appointed to the Naseej Board of Directors in February 2011  
Member of Investment Committee and Corporate Governance Committee  
Chief Executive Officer: Ithmaar Bank  
Board Member: Ithmaar Bank; Solidarity Group Holding; Ithmaar Development Company; Islamic Investment Company of the Gulf (Bahamas / Sharjah); Overland Capital Group, USA; Boston

Capital, USA; Faisal Private Bank, Switzerland  
Over 41 years' experience in Accounting, Commercial and Offshore Banking  
Graduate in Accounting, Mathematics & Economics from Gulf Polytechnic, Bahrain

**[9] Mr Mohammed Hussain**

Mohammed Hussain was a founding director of Naseej from its incorporation in 2009. Having served throughout 2010, he resigned from the Board of Naseej and Ithmaar Bank in July 2010 and has been replaced by Mr Mohammed Bucheerei.

**[10] Mr Mohammed Khalil Alsayed  
Member**

*Non-Independent & Non-Executive*

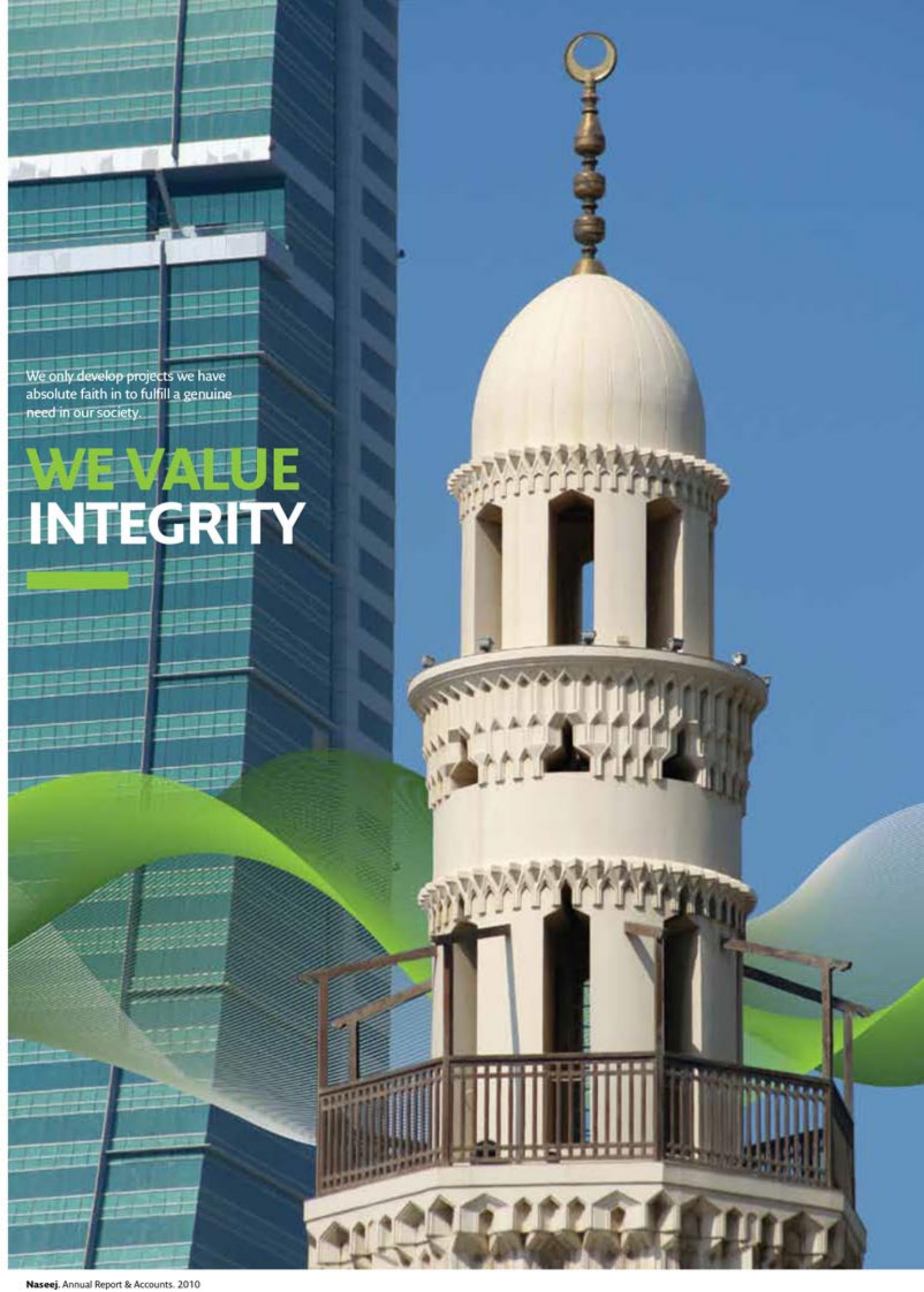
Chairman of Investment Committee;  
Member of Executive Committee  
Chief Executive: Ithmaar Development Company  
Chairman: Olive Holding VFM  
Board Member: Ithmaar Development Company, Founding Member: Arabian Gulf Chapter, Project Management Institute, USA Member & Past President: Bahrain Society of Engineers  
Member: American Society of Civil Engineers, Society of American Value Engineers, American Management Association;  
Strategic Planning Society, Bahrain  
Over 25 years' experience in Engineering, Project Management, and Real Estate Development  
MSc in Structural Engineering from the Southern Methodist University, Texas, USA; BSc in Civil Engineering from the University of Arkansas, USA; Advanced Diploma in Project Management from RMIT University, Australia

**[11] Mrs Sabah Almoayyed  
Member**

*Non-Independent & Non-Executive*

Member of Investment Committee and Remuneration & Nomination Committee  
General Manager: Eskan Bank  
Chairman: Southern Tourism Company; Eskan Properties  
Board Member: Eskan Bank; Bahrain Mumtalakat Holding Company; Bayan School  
Over 10 years' experience in Banking  
MBA in Marketing & Change Management from Kelastat Business School, De Paul University, Chicago, USA; BSc in Economics & Business Administration from the American University of Beirut, Lebanon





We only develop projects we have absolute faith in to fulfill a genuine need in our society.

# WE VALUE INTEGRITY

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## 7. Chairman's Statement. On behalf of the Board of Directors, it is my pleasure to present the first annual report of Naseej for the year ended 31 December 2010. In what constitutes a dynamic performance, the Company has made excellent progress in establishing its institutional capability in a very short space of time, and we continue to build momentum.



Khalid Abdulla-Janahi, FICAEW FCA

In 2010, Naseej recorded total income of BD 3.5 million, which was attributable to placements with banks. Total expenses were BD 1.1 million, of which BD 603 thousand were staff and operating expenses, and BD 513 thousand being project-related costs. Net profit for the year was BD 2.4 million, which is a commendable achievement for a company in start-up mode. At the end of 2010, total assets stood at BD 111.1 million, while total equity was BD 110.8 million.

Strongly capitalised, highly liquid and unleveraged, and with a highly experienced and qualified team in place, Naseej is now ready to embark upon its next exciting phase of business development. This will see the Company setting a new industry benchmark for addressing the affordable housing needs of the Kingdom of Bahrain and elsewhere in the region. Differentiated by our pragmatic, innovative and ethical approach, we aspire to deliver value-driven solutions that will provide prosperity for those communities in which we operate.

A key development during the year was the selection of Naseej as the preferred bidder for the Government of Bahrain's first public-private-partnership (PPP) affordable housing project, and the first of its kind in the GCC and MENA. I would like to thank the management and the consortium of advisors for their endeavours in allowing us to achieve this milestone. Naseej is honoured to have been recognised by the Government as a trusted partner in leading the way by executing the social agenda of Bahrain's Economic Vision 2030 and second National Economic Strategy. As a Bahrain-based company, with prominent

Bahraini private and public sector shareholders, we are committed to contributing to the social well-being and economic prosperity of the Kingdom. One of the key founding objectives of Naseej is to act as a pioneering catalyst for addressing the affordable housing needs of the Kingdom of Bahrain – arguably the most pressing socio-economic issue on the national, as well as the regional, agenda. In addition to the PPP, we have identified a number of potential affordable housing projects in Bahrain, for which we are currently carrying out due diligence and viability studies.

I would like to welcome Mr. Christopher Sims, who was appointed Chief Executive Officer in April 2010. He brings with him a successful track record of over 25 years in international and regional property development and investment, and has already begun to translate our Company's vision into a tangible reality.

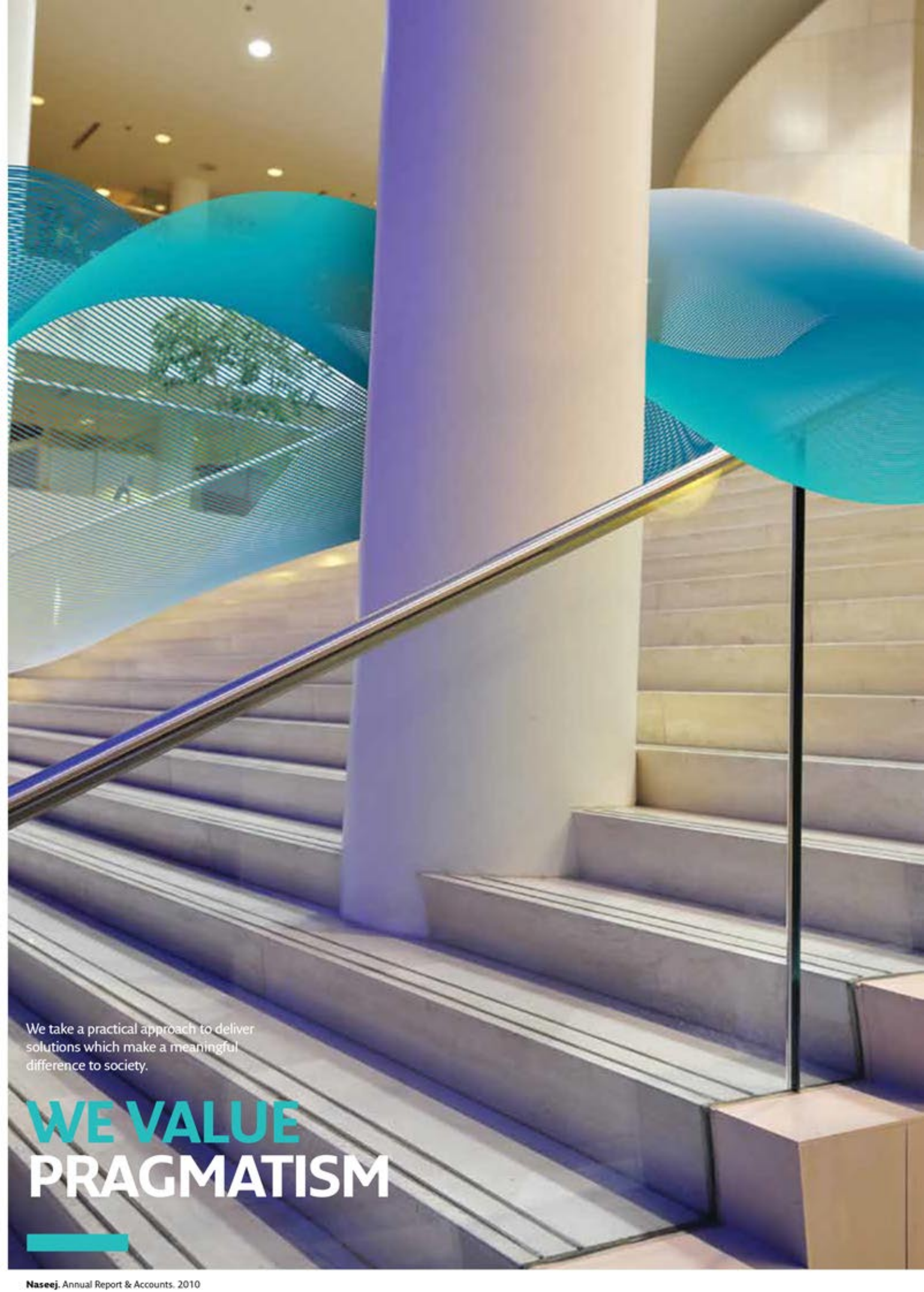
I also take this opportunity to thank Mr. Mohammed Hussain for his invaluable contribution as an early Director of Naseej. Following his resignation from the Board of Ithmaar Bank and his subsequent resignation from the Board of Naseej, he has been replaced by Mr. Mohammed Bucheerei, who has over 41 years' diverse international experience in commercial and offshore banking, and accounting. I welcome Mr. Bucheerei to the Board, and have no doubt that we will benefit from his international and regional background, and vast experience.

The Board of Directors express their sincere appreciation to His Majesty the King, His Royal Highness the Prime Minister, and His Royal Highness the Crown Prince of the Kingdom of

Bahrain, for their wise leadership and visionary reforms, and their encouragement of the private sector. I also thank the Kingdom's various ministries and government agencies, especially the Ministry of Housing and the Ministry of Industry & Commerce, for their constructive support and guidance.

Finally, I would like to express my gratitude to our shareholders for their continued trust and confidence; and pay tribute to the commitment and professionalism of our management and staff during the first year of operations of the Company.

**Khalid Abdulla-Janahi FICAEW FCA**  
Chairman



We take a practical approach to deliver solutions which make a meaningful difference to society.

# WE VALUE PRAGMATISM

## 9. CEO's Report. I am delighted to report that during 2010 we were successful in meeting our initial start-up goals and targets, which, in turn, allowed us to pursue a number of income-generating opportunities in line with our strategic aims and objectives.



Christopher Sims, MRICS MHKIS ACI Arb

One of our primary objectives was to build a lean organisational structure which incorporates key corporate and business functions to remain as a dynamic and proactive in-house resource whilst utilising outsourced functions such as internal audit, marketing and corporate communications, to be engaged as and when required. This objective was successfully realised, and we now have a well-qualified and experienced management and support team.

We have also put in place corporate governance and risk ideologies that are underpinned by comprehensive deal making policies, processes and procedures backed by proactive internal controls. As a consequence, our stated business philosophy, management style and culture now fully embrace the values of pragmatism, innovation and integrity, which is supported by a professional and dynamic attitude from all staff - who are capable and willing to challenge the status quo.

We developed our corporate strategy, supported by an appropriate business plan and investment methodology, which reinforces our demand-led and value-generating approach to all our business dealings and transactions. Primarily, this strategy seeks to establish a balanced property portfolio comprising development properties and investment properties with Bahrain as its central focus, allied to complimentary activities in Morocco, Saudi Arabia and Europe. At the heart of our corporate strategy is a well-defined commitment to social responsibility that will support the future development and prosperity of those communities we seek to serve in Bahrain and elsewhere.

In line with our central focus on the Bahrain market, we commissioned a number of market research surveys and conducted focus groups comprising targeted Bahraini households.

As a result, Naseej gained unparalleled insight into the specific demands, requirements and aspirations of the Kingdom's affordable housing market. Armed with such knowledge, we then identified the criteria for an architectural competition to design an affordable, high-quality and environmentally-friendly home that meets the aspirations and budgets of middle-income Bahraini nationals. Key elements of the winning entry will be incorporated into the final design for the first affordable homes to be built by Naseej in Bahrain during 2011.

At the time of writing, we are currently in discussions with the Bahrain Government as the preferred bidder in their groundbreaking public-private-partnership (PPP) affordable housing project. It is anticipated that these discussions will be concluded in the near future in favour of Naseej being appointed under contract. In parallel with this opportunity, we also pursued a number of independent affordable housing schemes, light industrial and institutional use development opportunities in Bahrain. We have identified social housing opportunities in Morocco, where demand has been estimated at well over one million, one of the highest in the MENA region. Moreover, and in order to develop a balanced and diversified investment portfolio, we are currently considering some interesting property investments in the United Kingdom as well as the exploration of a number of construction procurement positions with contractors and suppliers in the region. All of these opportunities are in the process of due diligence and approval within our operating procedures. In this regard, we are confident that we will embark on our deal flow in the immediate future.

As a new company, we recognised the need for a comprehensive outreach programme to spread awareness and understanding of the

Naseej story, together with developing close and enduring relationships with key stakeholders in government, business and industry, the local community and the media. Key initiatives undertaken this year, include sponsoring and participating in the inaugural Middle East Affordable Housing Summit; the Bahrain International Property Exhibition; the production of a suite of corporate communications collateral; and the launch of a media relations campaign. In terms of social responsibility, we are currently finalising plans to introduce a National Cadet Training Scheme to enable young Bahrainis to achieve professional property qualifications within our work place environment in association with the Royal Institute of Chartered Surveyors in the UK.

In conclusion, 2010 has been a most productive year. We are well on the road to becoming a well recognised, integrated property organisation within Bahrain and the region. All of which bodes well for our stated objectives of a public listing and possible IPO on the Bahrain Bourse during 2012. None of this would have been possible, without the support, trust and confidence of our Board of Directors and the sterling efforts of all Naseej staff in contributing to the establishment of the Company. My sincere thanks goes out to all of them and with the accumulation of our successful start-up operations continuing to gather momentum, we are, together, now poised to spring forward into a bright and profitable future.

**Christopher Sims** MRICS MHKIS ACI Arb  
Chief Executive Officer

## 10. Management Team



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**[1] Mr Christopher Sims MRICS**  
MHKIS ACI Arb  
Chief Executive Officer

Christopher Sims has over 25 years' experience in property development and investment in the UK, Europe, East Asia and the Middle East. During this time, he has held senior positions with Prudential Assurance, Bovis Abroad, Hong Kong Land Company, and Dubai World Trade Centre. Christopher was also founding CEO of ALDAR Properties, guiding the company from start-up operations in 1999 to its landmark IPO in 2004. His active involvement in property development around the world embraces regeneration, heritage-related, PPP/PFI, commercial, residential, retail, leisure and entertainment projects. He has also advised governments on property development, funding and legal structuring, as well as establishing a major closed European property fund. Christopher is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors, and an Associate of the Chartered Institute of Arbitrators. He is a graduate of the College of Estate Management at Reading University, UK.

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**[2] Mr Ahmed Al Hammadi**  
Head of Finance

Ahmed Al Hammadi has 27 years' experience in management, finance and accounting in the Kingdom of Bahrain. Prior to joining Naseej, he was Country Director - Bahrain for Majid Al Futtaim Group. Ahmed's previous career experience includes 13 years at Gulf Air, where he held the positions of Head of Accounts, Vice President - Finance, and Acting President and Chief Executive. He started his career as Budget Coordinator in the Ministry of Finance & National Economy, rising to the position of Chief Accountant. A Fellow of the UK Chartered Institute of Certified Accountants, Ahmed is a Business Studies graduate of the University of Bahrain. He was a visiting lecturer for four years at the British Council, assisting students to prepare for MBA studies in the UK; and also for 15 years at the Bahrain Institute of Banking & Finance, guiding students for accreditation to the UK Chartered Institute of Bankers.

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**[3] Ms Sana Amin**  
Head of Legal & Company Secretary

Sana Amin has 20 years' experience in law, banking, commerce and industry in the Kingdom of Bahrain. Prior to joining Naseej, she was Head of Legal at Arab Shipbuilding & Repair Yard (Asry) and before that, a member of Qays Al Zubi Law Firm. Her previous career experience includes responsibility for purchasing and supply contracts at Bateko, and sales and marketing and customer service positions with the National Bank of Bahrain and Standard Chartered Bank. Her legal counselling experience embraces company law, governance, company and subsidiary incorporation, shareholding agreements, and legal and regulatory compliance. Sana holds an MBA from Strathclyde University, UK; a BA in Business Administration & Economics from the American International University of London, UK; and a BSc in Law from Gulf University, Bahrain. She was a visiting lecturer at the Bahrain Institute of Banking & Finance on the legal and regulatory aspects of conventional and Islamic banking.

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**[4] Mr Amer Janahi MCIPD**  
Head of Human Resources & Administration

Amer Janahi has nine years' experience in human resources management (HRM) in the Kingdom of Bahrain. Prior to joining Naseej, he held various HRM positions with Ithmaar Bank, Bahrain National Gas Company (Banagas), and the Court of the Crown Prince of the Kingdom of Bahrain. His experience covers all aspects of human resources, with a particular focus on recruitment methodologies, compensation schemes, employee relations, training and development, competency-based career progression, employment law and regulations, performance management, and payroll administration. Amer holds a Master of Science degree in Human Resource Management from DePaul University, Chicago, USA; and a Bachelor of Arts degree in Business Information Management from Portobello College, Dublin, Republic of Ireland. An Associate Member of the UK Chartered Institute of Personnel & Development (CIPD), Amer is certified in both Personnel Practice (CPP) and Training Practice (CTP).

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**[5] Mr Matthew Bulger**  
Head of Strategic Planning & Property Development

Matthew Bulger's professional background embraces both small start-up businesses and major government programmes, and ranges from rapid capability improvement projects to large-scale mission critical projects. He is experienced in governance, risk management, strategic planning, business development, process re-engineering, and operations management. Prior to joining Naseej, he was a Director for @bahrain, a unique entertainment and business district estimated at \$1.5 billion. Matthew's previous experience includes senior roles with the Tourism Development & Investment Company in Abu Dhabi, and the Department of Immigration & Citizenship (DIAC) in Australia. At DIAC, he co-authored the Change Management strategy and led programme implementation teams as part of a \$495 million business re-engineering project. Matthew is a Registered Project Manager from the Australian Institute of Project Management. He holds an MBA from La Trobe University, Victoria, Australia; and simultaneous BA and BSc degrees from the Australian National University. Matthew was nominated as one of the 'Top 35 People to Watch in 2010' by Realcomm.

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**[6] Mr Mark Haikal**  
Head of Business Development & Property Services

A corporate development strategist, Mark Haikal has over 22 years' regional and international experience across a broad spectrum of industries, services, products and technologies. An accomplished change agent, he has a track record in creating blueprints for growth, and implementing processes that fuel profitability and build sustainable competitive advantage. His specialties embrace C-level relationships, account development and acquisition, new market development, due diligence and strategic alliances. Prior to joining Naseej, Mark was COO of Saudi Mubadara Development Company in Saudi Arabia. He was previously Director of Worldwide Sales at NCR Site Preparation Services/Winston Joseph, USA; and Investment Manager at Maynard Capital Partners, USA. Mark is also the Co-Founder & Managing General Partner of LWP Venture Capital, USA. He holds a Masters degree in Economics from the University of Maryland College Park, USA; and a BA in Economics from Central Connecticut State University, USA.



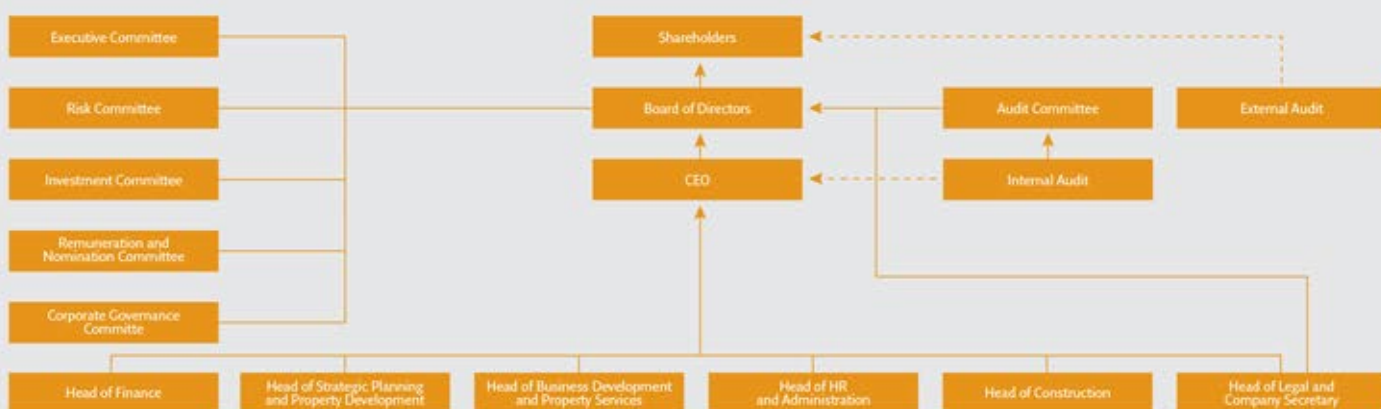
We deliver projects whose return on investment is measured by more than just a balance sheet.

# WE VALUE PROSPERITY

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## 13. Corporate Governance and Risk Management. Naseej views corporate governance as a prerequisite to complying with appropriate legal and regulatory requirements, protecting the rights and interests of all stakeholders, enhancing shareholder value, and achieving organisational efficiency.

### Governance structure and organisation chart



The adoption and implementation of corporate governance is the direct responsibility of the Board of Directors. As resolved in its first meeting on 21 June 2009, the Board is committed to upholding the highest standards of excellence in corporate governance, and despite not being a listed company, aspires to adherence with the principles of the Bahrain Corporate Governance Code issued by the Ministry of Industry and Commerce in March 2010, in anticipation of a planned future listing on the Bahrain Bourse and subsequent IPO. The Company is currently undertaking an assessment of the regulations of the Bahrain Corporate Governance Code, and will develop an action plan for review by the Board in 2011.

#### Shareholders

Naseej has a total of 19 shareholders. Those owning more than a 5% shareholding are: Ithmaar Bank (17.47%), BBK (15.15%), Gulf Finance House (13.94%), Ithmaar Development Company (11.99%), Social Insurance Organisation (10.91%), Al Fateh Investment (6.06%), and Imad Al Nesnas (6.06%).

#### Board of Directors

The Board of Directors of Naseej is accountable to the shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. The Board has oversight responsibility for strategic planning, risk management and internal controls, as well as for ensuring transparency and full disclosure, and acting in a Sharia-principled manner. The Chairman is responsible for leading the Board, ensuring its effectiveness, monitoring the performance of the Executive Management, and maintaining a dialogue with the Company's shareholders. As per the Articles of Association, Naseej will have a minimum of five and a maximum of ten directors, who are elected by the Annual General Meeting for a tenure of three years renewable.

#### Board Committees

The Board has delegated certain responsibilities to Board Committees without abdicating its responsibility. This is to ensure sound decision making and facilitate the conduct of business without unnecessary impediment. Each Committee has a specific charter covering matters such as the purpose, composition and function

of the committee. The Board has appointed the following six committees to assist it in carrying out its responsibilities:

#### Executive Committee

The responsibility of this committee is to direct the Group (Naseej and its subsidiaries, affiliated and associated companies) in its widest context and ensure sound operation of general Group management.

#### Members:

Mr Khalid Abdulla-Janahi, Chairman  
 Shaikh Abdulla Al-Khalifa  
 Mr Mohammed Khalil Alsayed  
 Mr Christopher Sims

#### Audit Committee

The responsibility of this committee is to maintain and monitor an audit-based approach to all financial control and financial management activities of the Company.

#### Members:

Mr Abdulkarim Bucheery, Chairman  
 Mr Imad Al Nesnas  
 Mr Bashar Al Mutawa

#### Corporate Governance Committee

The responsibility of this committee is to periodically monitor the Company's corporate governance policy to ensure compliance with the Bahrain Corporate Governance Code.



**Members:**

Mr Khalid Abdulla-Janahi, Chairman  
Mr Mohammed Bucheerei  
Mr Abdulkarim Bucheery  
Mr Imad Al Nesnas

**Investment Committee**

The responsibility of this committee is to ensure that shareholders' assets are invested appropriately within the risk appetite determined by the Board and Risk Committee.

**Members:**

Mr Mohammed Khalil Alsayed, Chairman  
Shaikh Abdulla Al-Khalifa  
Mrs Sabah Almoayyed  
Mr Hisham Al Rayes  
Mr Mohammed Bucheerei

**Remuneration & Nomination Committee**

The responsibility of this committee is to establish and monitor the Company's human resources, nomination and remuneration policies for Directors, management and staff.

**Members:**

Shaikh Abdulla Al-Khalifa, Chairman  
Mr Jameel Al Matrook  
Mrs Sabah Almoayyed

**Risk Committee**

The responsibility of this committee is to establish, maintain and monitor a risk-based approach to all business activities and management of the Company.

**Members:**

Mr Jameel Al Matrook, Chairman  
Mr Khalid Abdulla-Janahi  
Mr Bashir Al Mutawa

**Management**

The Board delegates authority for the day-to-day management of the business to the Chief Executive Officer, who is supported by a qualified and experienced senior management team.

**Communications**

Naseej conducts all communications with its stakeholders in a professional, honest, transparent and timely manner. Main communications channels include an AGM, annual report, corporate website, and regular announcements in the appropriate local media. To ensure the disclosure of relevant information to all shareholders on a timely basis, the Company maintains a website, on which it posts important information including its financial results.

**Risk Management**

Naseej has developed a risk management framework that provides controls and ongoing management of the major risks inherent in the Company's business activities. The Board of Directors has the ultimate authority for setting the overall risk appetite, risk tolerance, parameters and limits, within which the Company operates. The Board Risk Committee is responsible for establishing, maintaining and monitoring a risk-based approach to all business activities and the management of the Company.

**Main Risk Exposure**

The main risks to which Naseej is exposed are: credit risk, market risk, including currency and profit rate risk and liquidity risk. Information concerning the Company's exposure to each of these risks, and how it measures and manages such risks, is contained in Note 14 to the Financial Statements.

**Capital Management**

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain the future development of the company. The Board seeks to maintain a balance between the higher returns and growth that might be possible with higher levels of borrowings, and the advantages and security offered by a sound capital position.

**Internal Audit**

Internal Audit provides an additional line of defence in risk management and internal controls. The role of internal audit is to provide independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Company is appropriately and effectively applied.

Internal Audit reports on a quarterly basis to the Board through the Audit Committee, reports the results of periodic audits to the Audit Committee, reports issues emerging from each audit to Management and obtains their commitment to take appropriate remedial action and continually reviews the effectiveness of the Company's risk profile.

Naseej currently outsources the internal audit function.

We take every opportunity to  
find solutions to problems others  
didn't even know existed.

# WE VALUE INNOVATION

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# 16. INDEPENDENT AUDITORS' REPORT TO SHAREHOLDERS

## Naseej BSC (c)

### Report on the financial statements

We have audited the accompanying financial statements of Naseej BSC (c) ("the Company"), which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Responsibility of the board of directors for the financial statements*

The board of directors of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *Report on other regulatory requirements*

As required by the Bahrain Commercial Companies Law, we report that the Company has maintained proper accounting records and the financial statements are in agreement therewith; the financial information contained in the Directors' report is consistent with the financial statements; we are not aware of any violations of the Bahrain Commercial Companies Law, or the terms of the Company's memorandum and articles of association having occurred during the year that might have had a material adverse effect on the business of the Company or on its financial position; and satisfactory explanations and information have been provided to us by the management in response to all our requests.

28 March 2011  
Manama, Kingdom of Bahrain

# 17. STATEMENT OF FINANCIAL POSITION

## for the year ended 31 December 2010

Bahraini dinars

	Note	31 December 2010	31 December 2009
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	24,457,420	41,452,761
Placement with banks	13	86,000,000	70,598,488
Other assets	5	452,547	275,252
<b>Total current assets</b>		<b>110,909,967</b>	<b>112,326,501</b>
<b>Non-current assets</b>			
Furniture and fixtures	6	203,349	-
<b>Total assets</b>		<b>111,113,316</b>	<b>112,326,501</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	108,000,000	108,000,000
Retained earnings		2,514,836	392,156
Statutory reserve		279,426	43,573
<b>Total equity</b>		<b>110,794,262</b>	<b>108,435,729</b>
<b>Current liabilities</b>			
Payable to shareholders	8	196,434	3,867,713
Trade payables		95,289	-
Other liabilities		27,331	23,059
<b>Total current liabilities</b>		<b>319,054</b>	<b>3,890,772</b>
<b>Total equity and liabilities</b>		<b>111,113,316</b>	<b>112,326,501</b>

The financial statements which consist of pages 17 to 30 were approved by the Board of Directors on 28 March 2011 and signed on their behalf by:

**Khalid Abdulla-Janahi**  
Chairman

**Abdulla Al-Khalifa**  
Vice Chairman

**Christopher Sims**  
Chief Executive Officer

The financial statements consist of pages 17 to 30.

# 18. STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

Bahraini dinars

	Note	1 January 2010 to 31 December 2010	5 August 2009 to 31 December 2009
<b>INCOME FROM PLACEMENTS WITH BANKS</b>	13	<b>3,524,950</b>	888,874
<b>Expenses</b>			
Project costs	9	513,193	-
Staff costs		278,967	-
Office and administrative expenses	10	178,326	65,649
Marketing expenses		57,349	38,375
Operating expenses		88,785	42,045
Board expenses		48,500	-
Depreciation		1,297	-
Pre incorporation expenses	11	-	307,076
<b>Total expenses</b>		<b>1,166,417</b>	453,145
<b>Profit for the year / period</b>		<b>2,358,533</b>	435,729
<b>Total comprehensive income for the year / period</b>		<b>2,358,533</b>	435,729

The financial statements which consist of pages 17 to 30 were approved by the Board of Directors on 28 March 2011 and signed on their behalf by:

**Khalid Abdulla-Janahi**  
Chairman

**Abdulla Al-Khalifa**  
Vice Chairman

**Christopher Sims**  
Chief Executive Officer

The financial statements consist of pages 17 to 30.

# 19. STATEMENT OF CHANGES IN EQUITY

## for the year ended 31 December 2010

Bahraini dinars

2010	Share capital	Retained earnings	Statutory reserve	Total
At 1 January 2010	108,000,000	392,156	43,573	108,435,729
Total comprehensive income for the year	-	2,358,533	-	2,358,533
Transfer to statutory reserve	-	(235,853)	235,853	-
At 31 December 2010	108,000,000	2,514,836	279,426	110,794,262

2009	Share capital	Retained earnings	Statutory reserve	Total
Share capital introduced	108,000,000	-	-	108,000,000
Total comprehensive income for the period	-	435,729	-	435,729
Transfer to statutory reserve	-	(43,573)	43,573	-
At 31 December 2009	108,000,000	392,156	43,573	108,435,729

The financial statements consist of pages 17 to 30.

## 20. STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

Bahraini dinars

	Note	1 January 2010 to 31 December 2010	5 August 2009 to 31 December 2009
<b>OPERATING ACTIVITIES</b>			
Bank charges paid		(720)	(85)
Payments made for administrative & marketing expenses		(822,566)	-
<b>Net cash flows used in operating activities</b>		<b>(823,286)</b>	<b>(85)</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of furniture and fixtures	6	(204,646)	-
Placement made during the period		(15,401,512)	(70,598,488)
Profit received from placements with banks		3,347,655	615,002
<b>Net cash flows used in investing activities</b>		<b>(12,258,503)</b>	<b>(69,983,486)</b>
<b>FINANCING ACTIVITIES</b>			
Excess share capital refunded		(3,448,680)	(11,134,833)
Repayments to shareholders		(389,336)	-
Profit paid on excess share capital		(75,536)	(12,348)
Proceeds from share capital issued		-	122,583,513
<b>Cash flows (used in) / from financing activities</b>		<b>(3,913,552)</b>	<b>111,436,332</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(16,995,341)</b>	<b>41,452,761</b>
Cash and cash equivalents at the beginning of the year / period		41,452,761	-
<b>Cash and cash equivalents at the end of the year / period</b>	4	<b>24,457,420</b>	<b>41,452,761</b>

The financial statements consist of pages 17 to 30.

# 21. NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 31 December 2010

### 1 INCORPORATION AND ACTIVITIES

Naseej BSC (c) (the "Company") is a Bahraini joint stock company (closed) incorporated in the Kingdom of Bahrain on 5 August 2009 and registered with the Ministry of Commerce under Commercial Registration number 72492. The Company's principal activity is to undertake the construction, development, sale and purchase of real estate projects.

### 2 BASIS OF PREPARATION

#### a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

#### b) Basis of measurement

The financial statements have been prepared under the historical cost convention.

#### c) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Bahraini Dinar (BD), which is the Company's functional and presentation currency.

#### d) Transactions and balances

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

#### e) Use of accounting judgments and estimates

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

### 3 SIGNIFICANT ACCOUNTING POLICIES

#### a) Cash and cash equivalents

Cash and cash equivalents include cash on hand and placements with banks with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

#### b) Furniture and fixtures

Furniture and fixtures are stated at cost less accumulated depreciation and impairment losses, if any. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Depreciation is provided on cost by the straight-line method, which is intended to write off the cost of the assets over their expected useful lives as follows:

Description	Useful lives in years
Leasehold improvements	Lease period
Office equipment	5
Computers	3



## 22. NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2010

#### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### c) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event that can be estimated reliably and is probable that an outflow of economic benefits will be required to settle the obligation.

##### d) Placement with banks

These comprise placements made under shari'a compliant contracts. Placements are usually short term in nature and are stated at their amortised cost.

##### e) Impairment

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

##### f) Income from placement with financial institutions

Profit is recognised as it accrues, using the effective profit rate method.

##### g) Project costs

Expenditure on real estate projects relating to the pre-development phase such as expenditure undertaken with the prospect of gaining new construction or development projects is recognised in profit or loss as incurred.

Bahraini dinars

#### 4 CASH AND CASH EQUIVALENTS

	2010	2009
Cash and balance with banks	293,115	1,266,655
Short term placements with banks	24,164,305	40,186,106
	<b>24,457,420</b>	<b>41,452,761</b>

#### 5 OTHER ASSETS

	2010	2009
Accrued income	415,776	275,252
Prepayments and other assets	36,771	-
	<b>452,547</b>	<b>275,252</b>

## 23. NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2010

Bahraini dinars

#### 6 FURNITURE AND FIXTURES

	Leasehold improvements	Office equipment	Computers	Total 2010	Total 2009
<b>Cost</b>					
At 1 January	-	-	-	-	-
Additions	194,810	6,515	3,321	204,646	-
<b>At 31 December</b>	<b>194,810</b>	<b>6,515</b>	<b>3,321</b>	<b>204,646</b>	-
<b>Depreciation</b>					
At 1 January	-	-	-	-	-
Charge for the year	-	633	664	1,297	-
<b>At 31 December</b>	-	<b>633</b>	<b>664</b>	<b>1,297</b>	-
<b>Net book value</b>	<b>194,810</b>	<b>5,882</b>	<b>2,657</b>	<b>203,349</b>	-

#### 7 SHARE CAPITAL

	2010	2009
<b>a) Authorised share capital</b>		
10,800,000,000 shares of BD 0.100 each (2009: 18,000,000,000 shares of BD 0.100 each)	1,080,000,000	1,800,000,000
<b>b) Issued share capital</b>		
1,080,000,000 shares of BD 0.100 issued (2009: 1,800,000,000 shares of BD 0.100)	108,000,000	180,000,000
<b>c) Called and paid up share capital</b>		
1,080,000,000 shares of BD 0.100 (2009: 1,800,000,000 shares of BD 0.100)	108,000,000	108,000,000

In an Extraordinary General Meeting held on 19 April 2010, the shareholders approved the following:

- Reduction of the authorized capital of the Company from 18,000,000,000 shares of BD 0.100 each (BD 1,800,000,000) to 10,800,000,000 shares of BD 0.100 each (BD 1,080,000,000).
- Reduction of the issued capital of the company from 1,800,000,000 shares of BD 0.100 each (BD 180,000,000) to 1,080,000,000 shares of BD 0.100 each (BD 108,000,000).

## 24. NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2010

Bahraini dinars

#### 8 PAYABLE TO SHAREHOLDERS

	2010	2009
Payable to shareholders against expenses	196,434	389,336
Excess capital payable to shareholders	-	3,448,680
Profit payable on excess capital	-	29,697
	<b>196,434</b>	<b>3,867,713</b>

#### 9 PROJECT COSTS

	2010	2009
Master plan	114,832	-
Infrastructure	72,955	-
Legal consultancy	68,564	-
Financial advisor	62,433	-
Other consultancy costs	51,334	-
Administrative expenses	50,265	-
Quantity surveyors	48,370	-
Geo technical report	16,000	-
Facility management	13,360	-
Project management	12,710	-
Topographic survey	1,500	-
Design construction	870	-
	<b>513,193</b>	<b>-</b>

#### 10 OFFICE AND ADMINISTRATIVE EXPENSES

	2010	2009
Office rent	112,317	-
Other administrative expenses	66,009	65,649
	<b>178,326</b>	<b>65,649</b>

#### 11 PRE-INCORPORATION EXPENSES

Pre-incorporation expenses in the prior year relate to professional fees, marketing expenses and other costs incurred by the Company in the pre-incorporation period.

## 25. NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2010

Bahraini dinars

#### 12 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The table below sets out the Company's classification of each class of financial assets and liabilities, and their fair values.

31 December 2010	Loans and receivables	Others at amortised cost	Total carrying amount	Fair value
<i>Financial assets</i>				
Cash and cash equivalents	24,457,420	-	24,457,420	24,457,420
Placement with banks	86,000,000	-	86,000,000	86,000,000
Accrued income	415,776	-	415,776	415,776
	<b>110,873,196</b>	<b>-</b>	<b>110,873,196</b>	<b>110,873,196</b>
<i>Financial liabilities</i>				
Trade payables	-	95,289	95,289	95,289
Payable to shareholders	-	196,434	196,434	196,434
	<b>-</b>	<b>291,723</b>	<b>291,723</b>	<b>291,723</b>

31 December 2009	Loans and receivables	Others at amortised cost	Total carrying amount	Fair value
<i>Financial assets</i>				
Cash and cash equivalents	41,452,761	-	41,452,761	41,452,761
Placement with banks	70,598,488	-	70,598,488	70,598,488
Accrued income	275,252	-	275,252	275,252
	<b>112,326,501</b>	<b>-</b>	<b>112,326,501</b>	<b>112,326,501</b>
<i>Financial liabilities</i>				
Payable to shareholders	-	3,867,713	3,867,713	3,867,713
	<b>-</b>	<b>3,867,713</b>	<b>3,867,713</b>	<b>3,867,713</b>

## 26. NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2010

#### 13 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, subsidiary company, associated companies with or without common directors, retirement benefit funds and directors and key management personnel and their close family members. Related parties include transactions with shareholders, directors and key management personnel of the Company.

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

	Bahraini dinars	
a) Balances with shareholders	31 December 2010	31 December 2009
<b>Assets</b>		
Cash and cash equivalents	24,457,420	41,452,761
Placements with banks	86,000,000	70,598,488
<b>Liabilities</b>		
Payable to shareholders	196,434	3,867,713
<b>b) Transactions with shareholders</b>		
	Year to 31 December 2010	Period to 31 December 2009
Income from placements with banks	3,524,950	888,874

# 27. NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 31 December 2010

### 14 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

#### a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on placements with banks who are also shareholders.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Bahraini dinars	
	2010	2009
Cash and cash equivalents	24,457,420	41,452,761
Placement with banks	86,000,000	70,598,488
Other assets	415,776	275,252
	<b>110,873,196</b>	<b>112,326,501</b>

The Company has no financial assets that are past due or impaired.

#### b) Market risk

##### (i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's exposure to currency risks is limited as majority of its assets and liabilities are denominated in Bahraini Dinars. The Company does not have any other significant net exposure to foreign currencies at 31 December 2010.

##### (ii) Profit rate risk

The principal risk to which financial instruments are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market profit rates. The Company is exposed to profit rate risk mainly on its placements with banks.

## 28. NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2010

Bahraini dinars

#### 14 FINANCIAL RISK MANAGEMENT (continued)

A change of 100 basis points in profit rates at reporting date would have increased/ (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Equity	
	100 bp Increase	100 bp decrease	100 bp Increase	100 bp decrease
<b>2010</b>				
<b>Assets</b>				
Placements with banks	1,101,643	(1,101,643)	1,101,643	(1,101,643)
		Profit or loss	Equity	
	100 bp Increase	100 bp decrease	100 bp Increase	100 bp decrease
<b>2009</b>				
<b>Assets</b>				
Placements with banks	1,107,846	(1,107,846)	1,107,846	(1,107,846)

#### c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset, or to take advantage of investment opportunities when they arise. The Company has placed significant portion of its assets in short term placement with banks to meet its liquidity requirements.

The following are the contractual maturities of financial liabilities including profit:

	Carrying amount	Contractual cash flows	Within 3 months
<b>2010</b>			
<b>Non-derivative financial liabilities</b>			
Trade payables	95,289	95,289	95,289
Payable to shareholders	196,434	196,434	196,434
	<b>291,723</b>	<b>291,723</b>	<b>291,723</b>
	Carrying amount	Contractual cash flows	Within 3 months
<b>2009</b>			
<b>Non-derivative financial liabilities</b>			
Payable to shareholders	3,867,713	3,867,713	3,867,713

#### Fair values

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimated fair values of the Company'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.

# 29. NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 31 December 2010

### 15 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The Board seeks to maintain a balance between the higher returns and growth that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Board of Directors monitors the return on capital, which the Company defines as total equity and the level of dividends to shareholders. The Company's objectives for managing capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Company is not subject to externally imposed capital requirements.

### 16 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED AND EFFECTIVE FROM 1 JANUARY 2010

#### *(i) Improvements to IFRSs*

The Improvements to IFRS issued in April 2009 contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. "Improvements to IFRS" comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. There were no material changes to the current accounting policies of the Company as a result of these amendments.

### 17 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

#### *(i) IFRS 9 - Financial Instruments*

IFRS 9 (2009) "Financial Instruments", is the first standard issued as part of a wider project to replace IAS 39 "Financial instruments: recognition and measurement". IFRS 9 (2009) retains and simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment and hedge accounting continues to apply. The 2009 standard did not address financial liabilities.

#### Standard issued October 2010

The IFRS 9 adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 "reassessment of Embedded Derivatives"



# 30. NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 31 December 2010

### 17 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Standard issued October 2010 (continued)

The Company is yet to assess IFRS 9's full impact. Given the nature of the Company's operations, this standard is not expected to have a pervasive impact on the Company's financial statements.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012.

*(ii) Improvements to IFRSs*

The Improvements to IFRS issued in 2010 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. "Improvements to IFRS" comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Company's 2011 annual financial statements with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

The Company has not early adopted any new or amended standards in 2010.

### 18 COMPARATIVES

The comparative figures for the previous year has been regrouped, where necessary, in order to conform to the current year's presentation. Such regrouping does not affect the previously reported profit, total comprehensive income or equity.

