

NASEEJ



GROWING FURTHER

ANNUAL REPORT 2013

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His Royal Highness
Prince Khalifa Bin Salman Al Khalifa
The Prime Minister



His Royal 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
Deputy Supreme Commander

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COMPANY PROFILE

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; mortgage facilitation; 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 to act as a pioneering catalyst for addressing the region's affordable housing development needs. Key shareholders of Naseej include 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.

Demand-driven, the Company is committed to delivering value-based real estate solutions through insight and innovation; applying pragmatism when meeting new challenges; delivering real benefits to individuals and societies; and building the foundations of prosperity for future generations, always with vision. The logo of Naseej signifies the texture of life within the societies that the Company serves.

Our Vision

To deliver meaningful value through insight

Our Values

Integrity
Prosperity
Innovation
Pragmatism



BOARD OF DIRECTORS



MR KHALID ABDULLA-JANAHI
FICAEW FCA
Chairman

Mr. Janahi has over 27 years of banking experience and holds a BSc in Computer Science & Accountancy from the University of Manchester, UK and is also a Fellow member of the Institute of Chartered Accountants in England and Wales. Mr. Khalid is currently Chairman of Naseej BSC (c) and Group Chief Executive of Dar Al-Maal Al-Islami Trust (DMI Trust). He is also Chairman of Faisal Private Bank (Switzerland), DMI Administrative Services, Islamic Investment Company of the Gulf (Bahamas) Ltd., Solidarity Group, Naseej and Ithmaar Development Company, Bahrain. He is also the Chairman of the Executive Committee and member of the board at Saudi Takaful Company, KSA. He is also a board member at Ithmaar Bank, Bahrain, Faisal Islamic Bank, Egypt and Centre for International Business and Management (CIBAM) at the University of Cambridge, UK. He has served as a Chairman of the Board of Directors of Ithmaar Bank, First Leasing Bank, Bahrain, Chairman of the Executive Committee of Bank of Bahrain and Kuwait, Member of the Economic Development Board of Bahrain, Chairman of the Executive Committee of the Board of Directors of Faysal Bank Limited (Pakistan), Vice Chairman of the Arab Business Council, Member of the Board of Bahrain Stock Exchange, the Accounting and Auditing Standards Board for Islamic Banks and Financial institutions, the Bahrain Academic Qualification Accreditation Committee and the Public Accounting Standards Setting Committee in Bahrain.



MR ABDULHAKEEM AL MUTAWA
Board Member
From September 2013

Mr Al Mutawa has over 32 years of experience in banking, finance airline and aviation industries. He holds an MBA from the University of Bahrain as well as a BSc in engineering from the University of Texas, Austin. He is currently General Manager and Head of Private & Retail Banking at Ithmaar Bank Bahrain. He joined Naseej's Board as a board member and is part of the Project & Investment Committee.



MR ABDULKARIM BUCHEERY
Vice Chairman

With over 35 years of experience in the banking and finance fields, Mr Abdulkareem Bucheery holds a BSc in Economic Science Stream from the University of Aleppo, Syria. He has held senior management posts in the banking sector and is currently Chief Executive Officer of Bank of Bahrain & Kuwait (BBK). Mr Bucheery is also Chairman of CrediMax Bahrain and also the Vice Chairman of Bahrain Commercial Facilities Company Bahrain (BCFC) and holds other board member positions in the Deposit Protection Board at the Central Bank of Bahrain (CBB), InJAz Bahrain, and Tamkeen. Mr Bucheery is currently Vice Chairman of Naseej's Board.



MR BASHAR AL MUTAWA
Board Member

Holding a BSc in Finance & Economics, and with over 15 years of work experience in the banking and finance fields, Mr Al Mutawa is currently the Managing Director of Noon Investment Company Bahrain. He also holds board member positions in Al Jazeera Tourism Company, Gulf Finance House Bahrain, AMA University, Khaleeji Commercial Bank Bahrain, Saar Investment Company, Al Oula Securities Company as well as a board member on Naseej's board and in particular Chairman of Audit Committee of the Company.



MR MOHAMMED KHALIL ALSAYED
Managing Director and Interim CEO

With nearly 30 years of experience in Engineering, Project Management and Real Estate Development, Mr Alsayed holds an MSc in Structural Engineering from the Southern Methodist University, Texas, USA, a BSc in Civil Engineering from the University of Arkansas, USA and an Advanced Diploma in Project Management from RMIT University, Australia. He is currently Managing Director and Interim Chief Executive Officer of Naseej BSC (c) and sits on its Board, with other positions being held including as Chief Executive Officer & Vice Chairman of the Board of Directors of Ithmaar Development Company (IDC) and Chairman of Olive VFM Holding Company BSC (c). His experience spans the public and private sectors and his last position was as Undersecretary in the erstwhile Ministry of Works & Housing, before joining IDC. Mr. Alsayed was the Chairman of the Bahrain Engineering Regulatory Authority (2008 - 2013). He is also the founding Member of the Arabian Gulf Chapter of Project Management Institute, USA as well as being a member & past President of Bahrain Society of Engineers. Mr Alsayed is also a member of the American Society of Civil Engineers; Society of American Value Engineers and the American Management Association, USA.



MR HISHAM AL RAYES
Board Member

With over 17 years of experience in Commercial and Investment Banking, Mr. Al Rayes holds an MBA from De Paul University, Chicago, USA and is currently Chief Executive Officer at Gulf Finance House Bahrain. My Al Rayes is member of the Audit Committee on the board of Naseej BSC (c).



MR IMAD AL NESNAS
Board Member

With over 23 years of experience in Construction, Project Development and Real Estate Investment, Mr Al Nesnas is the founding investor of Solidarity, First Leasing Bank, Global Banking Corporation, La Mier Real Estate company. He holds a BSc in Civil Engineering from TTU, USA. He is also Chairman & Managing Director of Bonyan International as well as Chairman of Optimum Design. He also holds board level positions at Vision 3 and Al Fares Real Estate Company.



MR MOHAMMED BUCHEERI
Board Member
Up until August 2013

With over 42 years of experience in Accounting, Commercial and Offshore Banking, Mr Bucheeri is a graduate in Accounting, Mathematics & Economics from Gulf Polytechnic, Bahrain. Formerly Chief Executive Officer of Ithmaar Bank Bahrain, Mr Mohammed has held several senior posts as well as board member level positions in Ithmaar Bank, Solidarity Group Holding, Ithmaar Development Company, Islamic Investment Company of the Gulf (Bahamas / Sharjah); Faysal Bahamas Ltd. Crescent International limited, Bermuda, DMI (Jersey) Limited, MFAI (Jersey) Limited Faisal Finance Luxembourg, Shamil Finance Luxembourg, Gulf Investors Asset Management Company, Saudi Arabia, Cantara, Faisal Private Bank, (Switzerland) SA, Overland Capital Group, USA. He resigned as representative of Ithmaar from the board of Naseej in August 2013 to retire.



MR JAMEEL AL MATROOK
Board Member

With over 32 years of experience in Real Estate and Chartered Civil Engineer, Mr Al Matrook holds a BSc in Civil Engineering from Leeds University, UK. Mr Jameel is currently the Managing Director of Meritas Bahrain and has led a number of large scale real estate projects in Bahrain. He also founded his own company that also deals in several real estate projects in the Kingdom. Mr Al Matrook is Chairman of Naseej Rabat w.l.l



MRS SABAH ALMOAYYED
Board Member
Up until October 2013

With over 30 years of experience behind her, Mrs. Sabah Khalil Almoayyed is a well-respected leader among the region's banking community and when she was appointed acting CEO of Ahli United Bank in 2004 she was the first woman in the Gulf to hold such a senior banking position. Following on from that, she then held the position of General Manager at Eskan Bank Bahrain and joined the Board of Naseej up until October 2013. She has also served as a leading figure at the Bahrain Bankers' Society and the Supreme Council of Women, Bahrain.



DR KHALID ABDULLA
Board Member
From November 2013

With over 30 years of banking and finance experience and infrastructural development in Bahrain, Dr Khalid joined Naseej's Board in November 2013 as representative of Eskan Bank and a member of the Risk Committee. Dr Khalid holds a Master of Science Degree in Economic Development from the University of East Anglia, UK and a Doctorate of Philosophy in Economics from Exeter University, UK. He is currently the General Manager at Eskan Bank and has held several senior management level positions in the past namely, Chief Executive Officer at Inovest BSC, Reef Real Estate Finance Co, as well as Assistant General Manager positions at Bank of Bahrain & Kuwait (BBK), and founding member of Bahrain Economic Society and member of the Board of Trustees member (MENA Investment Centre). Dr Khalid was also Assistant Professor & Chairman of the Department of Economics & Finance at the University of Bahrain.



MR SAQER SHAHEEN
Board Member

With over 32 years of experience in the Real Estate and industrial sector, Mr Shaheen holds a Master of Science in Industrial and Systems Engineering San Jose State University, California, U.S.A and a BSc in Industrial Engineering from the University of Miami, Florida, U.S.A. He is currently the Managing Director & Chief Executive Officer of Shaheen Group of companies as well as him holding several Chairman and Board level positions in numerous organizations in Bahrain and the region. He joined the board at Naseej BSC (c) in 2012 and is member of the remuneration, nominations & corporate governance committee.

CHAIRMAN'S STATEMENT

MR KHALID ABDULLA-JANAHI
Chairman

On behalf of the Board of Directors, it is my privilege to present the annual report of Naseej for the year ended 31 December 2013. This proved to be a challenging but productive year for the Company, during which it achieved a breakthrough with its Public-Private Partnership (PPP) project and securing its financial close. This US\$450 million ground-breaking project of national importance will deliver over 2,800 social and affordable housing units to the Kingdom of Bahrain by partnering with the public sector to develop large-scale partnership projects and taking an active role together with the government of Bahrain in addressing the growing needs of the Country and its people.

The most significant milestone that Naseej witnessed during 2013 was the successful financial close of its US\$450 million partnership agreement with the Ministry of Housing for the Kingdom's first social and affordable housing public-private-partnership. Having successfully achieved this financial close, we are honoured to be partnering with the Government in this

Pioneering landmark project, which will relieve the Kingdom's housing shortage by developing over 2,800 new social and affordable housing units. During the year, we engaged in lengthy and highly complicated negotiations with concerned Government ministries and agencies regarding the financial closing of the PPP. Naseej applauds and supports the Government's commitment to provide Bahraini citizens with affordable homes in partnership with the private sector.

Apart from our PPP project, Naseej has also made headway with its other project in Bahrain. The project, Yasmeenat Saar involves the construction of approximately 32 villas at Saar and has made steady progress in its project development. Construction of this new integrated community will provide Bahraini nationals in the high middle-income bracket with superior quality, eco-friendly and affordable homes. This project is expected to commence by the middle of 2014. I would like to take the opportunity to re-affirm our public pledge to procure goods and services through a strictly transparent tender process for all our projects.

Outside Bahrain, we are also making progress with our project in Morocco, 24 kilometres southeast of the capital Rabat. The project includes over 8,000 apartments and 500 commercial units to be developed in Ain Auode. These units will be sold to end-users within the low to medium income brackets. Heralding the Company's first property development venture outside Bahrain, this project will help address the acute housing shortage in Morocco.

These three initial projects underline the vision and commitment of the founding shareholders of Naseej to take on a catalyst role in addressing the affordable housing needs of the MENA region, with a primary focus on Bahrain.

In 2013, Naseej recorded a net income of BD 2.2 million from BD 2.6 million the previous year; while total expenses amounted to BD 2 million compared with BD 1.9 million in 2012. At the end of the year, total assets stood at BD 118.2 million, up from BD 115.9 million at the end of 2012; while total equity grew to BD 117.5 million from BD 115.2 million at the end of the previous year. To support our plans for a future listing on the Bahrain Bourse, we further strengthened our corporate governance framework to ensure continued compliance with the Corporate Governance Code of the Kingdom of Bahrain and other regulatory requirements.

Naseej remains strongly capitalised, highly liquid and unleveraged, with a sound infrastructure and healthy project pipeline in place. We are therefore well placed to make a stronger business impact in 2014, and deliver enhanced value to our shareholders and investors. Looking ahead in the coming year, we undoubtedly remain positive and eager to make significant advancements on our PPP project and make our mark to support the kingdom's growing need for social and affordable housing.

We wholeheartedly support the Government's initiatives and incentives to stimulate greater participation by the private sector; and make it more economically-viable for property development companies, contractors and financial institutions to engage in the construction of social and affordable housing, and other community-oriented projects. In particular, we look forward to the long-awaited implementation of the revised Mortgage Guarantee System, and to the introduction of the proposed new Beneficiary Subsidy Programme; together with greater coordination and cooperation between all concerned Ministries and other Government bodies to streamline and speed up the permitting and approvals process.

During the year, the representative of Eskan Bank Mrs Sabah Al Moayyed and the representative of Ithmaar Bank Mr Mohammed Bucheerei have been replaced on the Board of Directors by Dr Khalid Abdulla and Mr Abdul Hakeem Al Mutawa, respectively. I would like to take this opportunity to thank both Mrs Al Moayyed and Mr Bucheerei for their valuable contribution during their terms as board members and wish them success with their future endeavours. I would also like to welcome our new and incoming board members, Mr Al Mutawa and Dr Abdulla who bring a wealth of industry experience, which will in turn be of great benefit to Naseej.

Also during 2013, Naseej also announced the resignation of Mr



Christopher Sims as the Company's Chief Executive Officer. Mr Mohamed Khalil Alsayed, who currently serves as Naseej's Managing Director, succeeded Mr Sims. Mr Alsayed played an instrumental role in concluding the Private Public Partnership Agreement with the Bahrain Ministry of Housing and achieving the Financial Close milestone.

On behalf of the Board of Directors, I express my 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 would also like to thank the Kingdom's various ministries and agencies, especially the Ministry of Housing, the Ministry of Industry & Commerce and the Ministry of Finance, for their constructive support and guidance during the year.

Finally, I would like to express my gratitude to our shareholders for their continued trust and confidence; to our business partners for their encouragement and collaboration; and to our management and staff for their commitment and professionalism throughout 2013.

Khalid Abdulla-Janahi, FICAEW FCA
Chairman



GROWING COMMUNITIES FURTHER

THE FIRST PUBLIC PRIVATE PARTNERSHIP

MANAGING DIRECTOR'S REPORT

MOHAMMED KHALIL ALSAYED
Managing Director and Interim CEO

Despite recent economic uncertainty, Bahrain's economy has weathered local challenges fairly well. As an indication of our assessment, we are happy to note that ratings agencies including Standard & Poor's (S&P) and Fitch Ratings have indicated confidence in the Kingdom's economic outlook. While S&P revised the Kingdom's outlook from "negative" to "stable" in January 2013, more recently in January 2014, Fitch Ratings affirmed its stable outlook for the Kingdom. With this, we remain optimistic for better economic conditions and an enabling investment environments to position our organization to deliver value-based projects where demand exists.

The Public-Private-Partnership (PPP) project between Naseej and the Ministry of Housing was a key priority throughout the year with Financial Close being achieved for the landmark US\$ 450 million social and affordable housing project in the second half of 2013. While negotiations to finalise this agreement perhaps took longer than expected, this is not an unusual timeline given the complex nature of this first-of-its-kind transaction, especially when we consider the number of parties involved. Indeed, it is worth noting that the average length for concluding a housing PPP in the United Kingdom is between five and six years. Naseej remains fully committed to this landmark project, and is well on track to deliver the region's first ever housing PPP project offering over 2,800 social and affordable homes.

In line with our mandate to diversify our projects portfolio, we have also made progress on Yasmeenat Saar, an integrated housing community that involves the construction of some 32 villas in a well-developed neighbourhood in Saar. We have appointed a property design & supervision firm to undertake the overall design & master planning for individual units and expect to commence construction on the site during 2014. This project will provide high quality, smart and affordable villas for Bahraini nationals with high to mid-incomes, a segment, which remains largely underserved. This project will provide a cohesive and sustainable community, creating an array of homes built on customer-driven preferences and home layouts that suit today's needs.



During 2013, we also made progress on our project in Morocco to construct over 8,000 affordable apartments at Ain Aoude, for sale to end users. The purchase of the land plot, measuring over 356,000 square metres has been completed and building permits have been obtained. The project's site is situated approximately 24 kilometres southeast of the capital Rabat, and 80 kilometres from Casablanca. The town's population of 30,000 comprises low-to-middle income families who need accommodation close to their place of work, but

cannot afford the escalating prices of real estate in Rabat. With 30 million inhabitants, a young and rapidly growing population and a strong rate of urbanisation, Morocco faces a substantial housing shortage, estimated to be more than one million housing units. Naseej is delighted to be in a position to contribute to the reduction of this gap, while building cohesive and sustainable communities for the citizens of Morocco.

As a committed learning organisation, we actively seek membership of national, regional and international associations that address the numerous housing related issues facing the public and private sectors. Naseej is already a member of the Bahrain Property Development Association and the US Green Building Council; and subsequently became a member of the New Cities Foundation (NCF), which is a global platform for innovation and exchange on the future of urbanisation. The NCF fills a gap as the first high-level global platform on urbanisation, bringing together key decision makers from the private, public, research and NGO communities. As such, Naseej will be able to gain valuable insight into new replicable solutions and best practices being adopted by other members; it also enables us to promote our projects and expertise to a unique global audience, while exploring and building relationships in new growth markets.

The implementation of our project in Morocco illustrates the success of Naseej in developing a healthy project pipeline. Having met our strategic priority to start addressing the housing needs of the Kingdom of Bahrain, with two projects already underway, we are now looking at realising some of the attractive investment opportunities that we have identified in the GCC, MENA, Far East and Europe. In addition, Naseej has plans for undertaking other affordable housing and demand-driven projects in Bahrain, which will continue to take priority on our business agenda. We are committed to delivering tangible benefits to the societies we serve, and to laying the foundations of prosperity for future generations.

We expect 2014 to be another promising year, with encouraging signs that the global economy will stabilise. The continued stability of oil prices has further strengthened the robust underlying macroeconomic fundamentals and demographics of the GCC, and the long-term economic outlook for the region remains positive. Closer to home, the Bahrain government is pushing ahead with its reform programme, and introducing initiatives to generate improved economic growth; while

the real estate market is exhibiting tentative signs of stabilisation and recovery. We therefore remain cautiously optimistic about the prospects for Naseej in 2014 and beyond.

In conclusion, on behalf of the Management team, I would like to express my gratitude to the Board of Directors for its continued support, trust and confidence; and thank our business partners for their cooperation and encouragement. Finally, I record my appreciation to all the staff of Naseej for their continued contribution throughout 2013 and look forward to an even more encouraging 2014.

Mohammed Khalil Alsayed
Managing Director and Interim CEO

MANAGEMENT TEAM



MR MOHAMMED KHALIL AL SAYED
Managing Director & Interim CEO

With nearly 30 years of experience in Engineering, Project Management and Real Estate Development, Mr Alsayed holds an MSc in Structural Engineering from the Southern Methodist University, Texas, USA, a BSc in Civil Engineering from the University of Arkansas, USA and an Advanced Diploma in Project Management from RMIT University, Australia. He is currently Managing Director and Interim Chief Executive Officer of Naseej BSC (c) and sits on its Board, with other positions being held including as Chief Executive Officer & Vice Chairman of the Board of Directors of Ithmaar Development Company (IDC) and Chairman of Olive VFM Holding Company BSC (c). His experience spans the public and private sectors and his last position was as Undersecretary in the erstwhile Ministry of Works & Housing, before joining IDC. Mr. Alsayed was the Chairman of the Bahrain Engineering Regulatory Authority (2008 – 2013). He is also the founding Member of the Arabian Gulf Chapter of Project Management Institute, USA as well as being a member & past President of Bahrain Society of Engineers. Mr Alsayed is also a member of the American Society of Civil Engineers; Society of American Value Engineers and the American Management Association, USA.



MR AHMED AL HAMMADI
Head of Finance

Ahmed Al Hammadi has 30 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 member 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 Strathclyde University; and also for 15 years at the Bahrain Institute of Banking & Finance, guiding students for accreditation to the UK Chartered Institute of Bankers.



MR AMER JANAH I MCIPD
Head of Human Resources & Administration

Amer Janahi over 12 years of 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).



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 reengineering project. Matthew is a Member of the Royal Institute of Chartered Surveyors (MRICS), Project Management Professional (PMP, from the Project Management Institute) Registered Programme Director 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.



MR MARK HAIKAL
Head of Business Development & Property Services

A corporate development strategist, Mark Haikal has over 25 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.



MR ROY SULLIVAN
Head of Construction

Roy Sullivan has over 42 years' experience in construction, contracting, project management, consulting and client development, spanning the UK, Europe, North Africa and the Middle East. During this time, he has held senior management positions with some of the world's leading construction-related organisations. These include Arabtec Construction, Dar Al-Handasah (Shair & Partners), The Villagate Group, HBG Construction (Royal BAM Group), Bluestone-Morgan Sindall Group, Balfour Beatty, Bovis Europe, Tarmac (Carillon), and Baxter Fell International. Throughout his extensive career, Roy has worked on a wide range of challenging construction projects across numerous sectors. These encompass shopping and leisure malls; hotel and residential developments; hospitals and universities; data centres and commercial offices; national exhibition centres and sports complexes; and military bases and high security incarceration facilities.

GROWING FURTHER



Press conference announcing the financial close of the PPP - 2013

Naseej's Private-Public-Partnership with the Government of Bahrain

A first for the Kingdom of Bahrain and the GCC region, this public-private partnership (PPP) with the Ministry of Housing is valued at over US\$450 million and involves the development of more than 2,800 social and affordable housing units in two strategic locations in Bahrain. Having reached financial closure in 2013, Naseej is set to develop the largest housing project ever to be developed in Bahrain in partnership with the private sector, and is expected to set a new benchmark for housing projects across the MENA region.

The overall project is expected to see progress on Al Madina Al Shamaliya the early part of 2014 with the launch of 367 units of affordable housing villas and apartments. In addition Al Madina Al Shamaliya will include the development of 1,618 Social Housing Units. In Al Luwzi, Naseej will develop 832 Social Housing Units. All 2,450 social housing units will be delivered under a direct off-take agreement with the government to offer to the Ministry of Housing's applicant list.

Yasmeenat Saar

During 2013, Naseej also announced the launch of Yasmeenat Saar a new project that is set to develop some 32 villas featuring sizes starting at 250 square meter on a land area starting at 350 square meters. This new community will provide Bahraini nationals in the mid-income bracket with high quality, eco-friendly housing units. These will range three to five-bedroom villas.

The homes are intended to offer high quality standards designed with customer-driven preferences for home layouts and features. Another key aspect includes its prime location and accessibility from the main roads infrastructure links. Yasmeenat Saar is easily accessible from the Sh. Khalifa highway using the main Saar exit. The Development's overall land size is over 17,000 square meters and is located just opposite to the newly opened Saar Mall featuring key retails outlets and services within a developed neighbourhood. The project is also walking distance from other key shopping outlets, strip malls, and a major school.



Masterplan image of Al Madina Al Shamaliya as part of the affordable units launched

CORPORATE GOVERNANCE REPORT

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.

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. Despite not being a listed company, Naseej aspires to comply with the regulations of the Corporate Governance Code of the Kingdom of Bahrain, 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.

Developments in 2013

- The representative of Ithmaar Bank, Mr Mohammed Bucheerei as well as the representative of Eskan Bank, Mrs. Sabah Al Moayyed have been replaced on the Board of Directors by Mr Abdul Hakeem Al Mutawa and Dr Khalid Abdulla respectively.

- Ongoing review to monitor compliance with the Corporate Governance Code of the Kingdom of Bahrain

Governance and organisational structure

Shareholders

Naseej has a total of 22 shareholders. Those owning more than a 5% shareholding are: Ithmaar Bank (18.70%), BBK (15.15%), Ithmaar Development Company (11.99%), Social Insurance Organisation (10.91%), Ibdar Bank (7.61%), Al Fateh Investment (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 shareholders at the Annual General Meeting for a tenure of three years renewable. Profiles of Directors are listed in the front section of this annual report.

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 five committees to assist it in carrying out its responsibilities:

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:

Bashar Al Mutawa, Chairman
Hisham Al Rayes
Abdullellah Al Qassimi

PROJECT & 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 the Risk Committee.

Members:

Mohammed Khalil Alsayed, Chairman
Abdulkarim Bucheery
Abdulhakeem Al Mutawa

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:

Khalid Abdulla-Janahi
Jameel Al Matrook
Dr Khalid Abdulla

REMUNERATION, NOMINATIONS & CORPORATE GOVERNANCE 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; and to periodically monitor the Company's corporate governance policy to ensure compliance with the Corporate Governance Code of the Kingdom of Bahrain.

Members:

Abdulkarim Bucheery, Chairman
Mohammed Khalil Alsayed
Saqer Shaheen Saqer

From time to time the Board establishes special purpose committees to review certain activities of the Company.

Management

The Board delegates authority for the day-to-day management of the business to the Managing Director, who is supported by a qualified and experienced senior management team. Profiles of the Executive Management are listed in the front section of this annual report.

Communications & Disclosure

Naseej conducts all communications with its stakeholders in a professional, honest, transparent and timely manner. Main communication channels include an AGM, annual report, website, corporate brochure, 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 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.

INDEPENDENT AUDITORS' REPORT TO SHAREHOLDERS

Naseej BSC (c)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

Bahraini dinars

Report on the financial statements

We have audited the accompanying consolidated financial statements of Naseej BSC (c) ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of profit and loss and other comprehensive income, changes in shareholders' 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 Group is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, and of its consolidated financial performance and its consolidated 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 consolidated financial statements are in agreement therewith; the financial information contained in the Chairman's report is consistent with the consolidated 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.

	Note	31 December 2013	31 December 2012
ASSETS			
Current assets			
Cash and cash equivalents	6	3,482,597	4,245,969
Placements with banks	14	93,350,000	79,159,778
Other assets	7	9,225,897	6,899,672
Total current assets		106,058,494	90,305,419
Non-current assets			
Placements with banks	14	-	14,850,000
Properties under development	9	11,846,341	10,430,256
Property and equipment	8	324,408	345,201
Total non-current assets		12,170,749	25,625,457
Total assets		118,229,243	115,930,876
EQUITY AND LIABILITIES			
Equity			
Share capital	10	108,000,001	108,000,001
Retained earnings		8,255,034	6,408,515
Statutory reserve		919,860	714,691
Foreign currency translation reserve		183,753	66,625
Equity attributable to owners of the Company		117,358,648	115,189,832
Non-controlling interest		109,709	(11,837)
Total equity		117,468,357	115,177,995
Current liabilities			
Trade payables		295,235	169,581
Other liabilities		465,651	583,300
Total current liabilities		760,886	752,881
Total equity and liabilities		118,229,243	115,930,876

The consolidated financial statements which consist of pages 22 to 40 were approved by the Board of Directors on 5 March 2014 and signed on their behalf by:

Khalid Abdulla-Janahi
Chairman

Abdulkarim Bucheery
Vice Chairman

Mohammed Khalil Al Sayed
Managing Director

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended 31 December 2013

Bahraini dinars

	Note	31 December 2013	31 December 2012
INCOME			
Income from placements with banks	14	4,183,894	4,467,067
Total Income		4,183,894	4,467,067
EXPENSES			
Administrative expenses	11	1,848,694	1,629,044
Marketing expenses		21,690	56,215
Operating expenses	12	143,345	229,816
Total expenses		2,013,729	1,915,075
Profit for the year		2,170,165	2,551,992
<i>Profit for the period attributable to</i>			
Owners of the company		2,051,688	2,563,845
Non-controlling interest		118,477	(11,853)
		2,170,165	2,551,992

The consolidated financial statements which consist of pages 22 to 40 were approved by the Board of Directors on 5 March 2014 and signed on their behalf by:

Khalid Abdulla-Janahi
Chairman

Abdulkarim Bucheery
Vice Chairman

Mohammed Khalil Al Sayed
Managing Director

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2013

Bahraini dinars

	Note	31 December 2013	31 December 2012
Profit / (Loss) for the year		2,170,165	2,551,992
Other comprehensive income <i>Items likely to be reclassified to Profit and Loss</i>			
Foreign exchange translation reserve		120,197	66,625
Total other comprehensive income for the year		120,197	66,625
Total comprehensive income for the year		2,290,362	2,618,617
<i>Total comprehensive income for the period attributable to</i>			
Owners of the Company		2,168,816	2,630,470
Non-controlling interest		121,546	(11,853)
		2,290,362	2,618,617

The consolidated financial statements which consist of pages 22 to 40 were approved by the Board of Directors on 5 March 2014 and signed on their behalf by:

Khalid Abdulla-Janahi
Chairman

Abdulkarim Bucheery
Vice Chairman

Mohammed Khalil Al Sayed
Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

Bahraini dinars

2013	Share capital	Retained earnings	Statutory reserve	Foreign exchange translation reserve	Equity attributable to owners of Company	Non-controlling interests	Total
At 1 January 2013	108,000,001	6,408,515	714,691	66,625	115,189,832	(11,837)	115,177,995
Issue of share capital	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-
Profit for the period	-	2,051,688	-	-	2,048,619	118,477	2,170,165
Other comprehensive income	-	-	-	117,128	117,128	3,069	120,197
Total comprehensive income for the period	-	2,051,688	-	117,128	2,168,816	121,546	2,290,362
Transfer to Statutory Reserves	-	(205,169)	205,169	-	-	-	-
At 31 December 2013	108,000,001	8,255,034	919,860	183,753	117,358,648	109,709	117,468,357

2012	Share capital	Retained earnings	Statutory reserve	Foreign exchange translation reserve	Equity attributable to owners of Company	Non-controlling interests	Total
At 1 January 2012	108,000,000	4,103,425	455,936	-	112,559,361	-	112,559,361
Issue of share capital	1	-	-	-	1	-	1
Acquisition of subsidiaries	-	-	-	-	-	16	16
Profit for the period	-	2,563,845	-	-	2,563,845	(11,853)	2,551,992
Other comprehensive income	-	-	-	66,625	66,625	-	66,625
Total comprehensive income for the period	-	2,563,845	-	66,625	2,630,470	(11,853)	2,618,617
Transfer to Statutory Reserves	-	(258,755)	258,755	-	-	-	-
At 31 December 2012	108,000,001	6,408,515	714,691	66,625	115,189,832	(11,837)	115,177,995

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

Bahraini dinars

	Note	31 December 2013	31 December 2012
OPERATING ACTIVITIES			
Payments for administrative, marketing and operating expenses		(2,771,716)	(6,766,721)
Payment for property under development	9	(1,416,085)	(8,158,937)
Net cash flows (used in) / from operating activities		(4,187,801)	(14,925,658)
INVESTING ACTIVITIES			
Payment on acquisition of subsidiary		-	(2,144)
Acquisition of property and equipment	8	(71,210)	(68,764)
Placement made during the period		659,778	9,881,490
Profit received from placements with banks		2,715,664	4,582,973
Net cash flows from / (used) in investing activities		3,304,232	14,393,555
FINANCING ACTIVITIES			
Share capital issued	10	-	1
Cash flows from / (used) in financing activities		-	1
Net (decrease) / increase in cash and cash equivalents		(883,569)	(532,102)
Cash and cash equivalents at 1 January		4,245,969	4,711,446
Effects of currency translation on cash & cash equivalents		120,197	66,625
Cash and cash equivalents at 31 December	4	3,482,597	4,245,969

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

Bahraini dinars

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.

The consolidated financial statements include the financial statements of the Company and its subsidiaries collectively "the Group". The Company has the following subsidiaries:

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

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

2) BASIS OF PREPARATION

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of Bahrain Commercial Companies Law 2001.

b. Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

c. Use of accounting judgments and estimates

The preparation of the consolidated 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.

Information about significant areas of estimation and critical judgments in applying accounting policies on the amounts recognised in the consolidated financial statements are described in the following notes:

- Note 3 b) Estimates of useful lives, residual values, depreciation methods for investment properties
- Note 3 c) Estimates of useful lives, residual values, depreciation methods for property and equipment
- Note 3 e) Provisions
- Note 3 f) Impairment

3) STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED AND EFFECTIVE FROM 1 JANUARY 2013

The following standards, amendments and interpretations, which became effective as of 1 January 2013, are relevant to the Group:

i. IFRS 12 - Disclosures of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires the disclosure of information about the nature, risks and financial effects of these interests.

The adoption this amendment had no significant impact on the consolidated financial statements.

ii. IFRS 10 - Consolidated financial statements and IAS 27 Separate Financial Statements (2011)

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees. The standard is effective for annual periods beginning on or after 1 January 2013.

The adoption this amendment had no significant impact on the consolidated financial statements.

iii. IFRS 13 - Fair value measurement

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Group to provide additional disclosures. These include fair value hierarchy disclosures for non-financial assets/liabilities and disclosures on fair value measurements that are categorised in Level 3.

The adoption this amendment had no significant impact on the consolidated financial statements.

iv. IAS 1 - Presentation of items of other comprehensive income

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss.

The adoption this amendment had no significant impact on the consolidated financial statements.

4) STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below.

i. IAS 32 - Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting criteria IAS 32 by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted.

The Group is not expecting a significant impact from the adoption of this amendment.

ii. IFRS 9 - Financial Instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

Bahraini dinars

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces a new general hedge accounting standard which would align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39. The new standard does not fundamentally change the types of hedging relationships or the requirements to measure and recognize ineffectiveness; however, more judgement would be required to assess the effectiveness of a hedging relationship under the new standard.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, application of IFRS 9 is permitted.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues. The Group has commenced the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed.

The Group is not expecting a significant impact from the adoption of this amendment.

iii. IAS 19R - Employee Benefits

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service. The amendments are effective for annual periods beginning on or after 1 January 2014. Early application is permitted.

The Group is not expecting a significant impact from the adoption of this amendment.

iv. IAS 36 - Recoverable amount disclosures for non-financial assets

The amendments have expanded disclosures of recoverable amounts when the amounts are based on fair value less costs of disposals and impairment is recognized. The amendments are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted.

The Group is not expecting a significant impact from the adoption of this amendment.

The Group has not early adopted any new or amended standards in 2013.

5) SIGNIFICANT ACCOUNTING POLICIES

a. 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 Interest (NCI) 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.

b. Functional and presentation currency

i. Functional and presentation currency

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

ii. Transactions and balances

Transactions in foreign currencies are translated to Bahraini Dinar at exchange rates prevailing 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 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 recognized 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 (translation reserve) in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

Bahraini dinars

c. 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 Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

d. Inventories

Inventories represents properties under development and are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the land, consultation fees, infrastructure cost and other professional charges incurred in acquisition and development of the property.

Net realisable value is the estimated on the basis of fair market value obtained from external valuer less estimated costs necessary to sale the property.

e. Property and equipment

Property and equipment 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 using 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 (including renewable term)
Furniture, fixtures, and equipment	5
Computers	3

f. Placement with banks

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

g. Provisions

Provisions are recognized when the Group 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.

h. 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.

i. Investment income

Investment income comprises income from placements with banks. Profit is recognised as it accrues, using the effective profit rate method.

j) Employee benefits

i. Bahraini employees

Pension rights (and other social benefits) for Bahraini employees are covered by the Social Insurance Organisation's scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's contributions to this funded scheme, which is a defined contribution scheme under International Accounting Standard 19 - "Employee Benefits", is recognised as an expense in the income statement.

ii. Expatriate employees

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector of 1976, based on length of service and final remuneration. Provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard 19 - "Employee Benefits", has been made by calculating the notional liability had all employees left at the reporting date.

k. 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.

l. Statutory reserve

In accordance with the Company's Articles of Association and the Bahrain Commercial Companies Law 2001, 10 percent of the net profit is appropriated to a statutory reserve, until such reserve reaches 50 percent of the paid-up share capital. This reserve is not normally distributable, except in the circumstances stipulated in the Bahrain Commercial Companies Law 2001.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

Bahraini dinars

6) CASH AND CASH EQUIVALENTS

	2013	2012
Cash and balance with banks	3,482,597	4,245,969
	3,482,597	4,245,969

7) OTHER ASSETS

	2013	2012
Performance bond receivable	5,000,000	5,000,000
Accrued income	3,153,264	1,685,034
Prepayments	764,686	37,212
Others assets	307,947	177,426
	9,225,897	6,899,672

The performance bond was issued as collateral for meeting the deadline of financial close of its Bahrain Affordable Housing PPP project.

8) PROPERTY AND EQUIPMENT

	Leasehold improvements	Office equipment & Furniture	Computers	2013 Total	2012 Total
Cost					
At 1 January	306,216	20,670	134,002	460,888	392,124
Additions	728	25,860	44,623	71,211	68,764
At 31 December	306,944	46,530	178,625	532,099	460,888
Depreciation					
At 1 January	61,126	6,657	47,904	115,687	50,752
Charge for the year	33,612	9,131	49,261	92,004	64,935
At 31 December	94,738	15,788	97,165	207,691	115,687
Net book value at					
At 31 December 2013	212,206	30,740	81,460	324,408	-
At 31 December 2012	245,090	14,013	86,098	-	345,201

9) PROPERTIES UNDER DEVELOPMENT

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

above projects and the Bahrain Affordable Housing PPP project. These expenses mainly comprise expenses on design and consultancy, architect fees, government dues and other administrative costs like salaries directly attributable to the said projects.

	2013	2012
Opening	8,619,332	2,271,319
<i>Add</i>		
Cost of land acquired	-	6,348,013
Sub total	8,619,332	8,619,332
Work in Progress	3,227,009	1,810,924
At 31 December	11,846,341	10,430,256

10) SHARE CAPITAL

	2013	2012
a. Authorised share capital		
10,800,000,000 shares of BD 0.100 each	1,080,000,000	1,080,000,000
b. Issued share capital		
1,080,000,010 shares of BD 0.100 issued	108,000,001	108,000,001
c. Called and paid up share capital		
1,080,000,010 shares of BD 0.100	108,000,001	108,000,001

11) ADMINISTRATIVE EXPENSES

	2013	2012
Salaries and related costs	856,312	774,833
Other staff expenses	230,692	193,299
Office rent	136,891	162,809
Bonus	142,350	111,691
Board Expenses	95,082	111,266
Depreciation	92,004	64,935
Other administrative expenses	295,363	210,211
	1,848,694	1,629,044

Other staff expenses consist of provision for staff indemnity amounting to BD 87,034 (2012 - 80,278).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

Bahraini dinars

12) OPERATING EXPENSES

	2013	2012
Consultancy costs	108,223	201,379
Market research	-	24,184
Other operating expenses	35,122	4,253
	143,345	229,816

13) CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

	Loans and receivables	Others at amortised cost	Total carrying amount
31 December 2013			
<i>Financial assets</i>			
Cash and cash equivalents	3,482,597	-	3,482,597
Placements with banks	93,350,000	-	93,350,000
Accrued income	3,153,264	-	3,153,264
Performance bond receivables	5,000,000	-	5,000,000
	104,985,861	-	104,985,861
<i>Financial Liabilities</i>			
Trade payables	-	295,235	295,235
	-	295,235	295,235
31 December 2012			
<i>Financial assets</i>			
Cash and cash equivalents	4,245,969	-	4,245,969
Placements with banks	94,009,778	-	94,009,778
Accrued income	1,685,034	-	1,685,034
Performance bond receivables	5,000,000	-	5,000,000
	104,940,781	-	104,940,781
<i>Financial Liabilities</i>			
Trade payables	-	169,581	169,581
	-	169,581	169,581

Due to the short term nature of the above assets and liabilities, their carrying value approximates the fair value.

14) 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. Related parties include major shareholders, associated companies with or without common directors, directors and key management personnel and their close family members.

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

a. Balances with shareholders

	31 December 2013	31 December 2012
ASSETS		
Cash and cash equivalents	3,482,597	4,245,969
Placements with banks		
Maturity up to 1 year	93,350,000	79,159,778
Maturity more than 1 year	-	14,850,000

b. Transactions with shareholders

	31 December 2013	31 December 2012
INCOME		
Investment income	4,183,894	4,467,067

15) CONTINGENCIES AND COMMITMENTS

a. Bahrain Affordable Housing PPP project

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

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

b. Ain Aoude project, Morocco

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

16) FINANCIAL RISK MANAGEMENT

a. Overview

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

- credit risk
- market risk
- liquidity risk

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

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b. 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 Group 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:

	2013	2012
Cash and cash equivalents	3,482,597	4,245,969
Placements with banks	93,350,000	94,009,778
Other assets	8,153,264	6,685,034
	104,985,861	104,940,781

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

c. 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 Group's investment in its subsidiary companies is not hedged as those currency positions are considered to be long-term in nature. As the net exposure to other currencies is insignificant the Group believes that foreign currency risk is immaterial. In respect of other monetary assets and liabilities denominated in foreign currencies, considering the nature of its financial instruments, the Group currently is not engaged in hedging of foreign currency risk. The Group's net exposure to MAD as at 31 December 2012 was BD 718,401 (2011: BD NIL).

	2013	
	Average rate	Reporting date spot rate
MAD/BD	21.93	21.11

Sensitivity analysis

A 10 percent strengthening (weakening) of the BD against the following currency at 31 December would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10 percent weakening of the BD against the MAD at 31 December would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

	31 December 2013		31 December 2012	
	Equity	Consolidated statement of comprehensive income	Equity	Consolidated statement of comprehensive income
BD	-	21,878	-	71,480

a. Balances with shareholders

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 Group is exposed to profit rate risk mainly on its placements with banks.

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 bps Increase	100 bps decrease	100 bps Increase	100 bps decrease
2013				
Assets				
Placements with banks	933,500	(933,500)	933,500	(933,500)
2012				
Assets				
Placements with banks	940,098	(940,098)	940,098	(940,098)

d. Liquidity risk

Liquidity risk is the risk that the Group 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 Group 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 interest:

	Carrying amount	Contractual cash flows	Within 3 months	More than 1 year
2013				
Non-derivative financial liabilities				
Trade payables	295,235	295,235	295,235	-
	295,235	295,235	295,235	-
Off-balance sheet items				
Commitments	75,300,500	75,300,500	-	75,300,500
2012				
Non-derivative financial liabilities				
Trade payables	169,581	169,581	169,581	-
	169,581	169,581	169,581	-
Off-balance sheet items				
Commitments	90,000,000	90,000,000	-	90,000,000

e. Fair values

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

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f. 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 Group. 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 monitor the return on capital, which the Group defines as total equity and the level of dividends to shareholders.

The Group'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, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group 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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Group is not subject to externally imposed capital requirements.

16) SUBSIDIARIES

Set out below is a list of subsidiaries of the Group.

	Principal place of business	Nature of business	Ownership of interest	
			2013	2012
Bahrain PPP Investment Company	Cayman Islands	Real estate	100 %	100 %
Sharaka for Housing Projects BSC (c)	Bahrain	Real estate	100 %	100 %
Shakhoura Development Company SPC	Bahrain	Real estate	100 %	100 %
Naseej Rabat WLL	Bahrain	Real estate	100 %	100 %
Asghal development Company	Morocco	Real estate	50 %	50 %

Non-controlling interests in subsidiaries

The following table summarises the information relating to Group's subsidiary that has material non-controlling interests (NCI), before any intra-group eliminations:

	2013	2012
Asghal Development Company		
NCI percentage	50%	50%
Current assets	465,756	741,385
Non-current assets	7,389,068	7,084,214
Current liabilities	(30,908)	(19,485)
Other current liabilities	(7,604,497)	(7,829,788)
Net assets	219,419	(23,674)
Carrying amount of NCI	109,709	(11,837)
Profit/ (loss) for the year	236,954	(23,706)
Other comprehensive income	6,137	-
Total comprehensive income	243,091	(23,706)
Profit allocated to NCI	121,546	(11,853)

17) 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.