

Naseej B.S.C.(c)

46th Floor, East Tower Bahrain Financial Harbour P.O. Box 1383, Manama Kingdom of Bahrain

Tel: +973 1655 7999 Fax: +973 1655 7990 info@naseejproperties.com www.naseejproperties.com



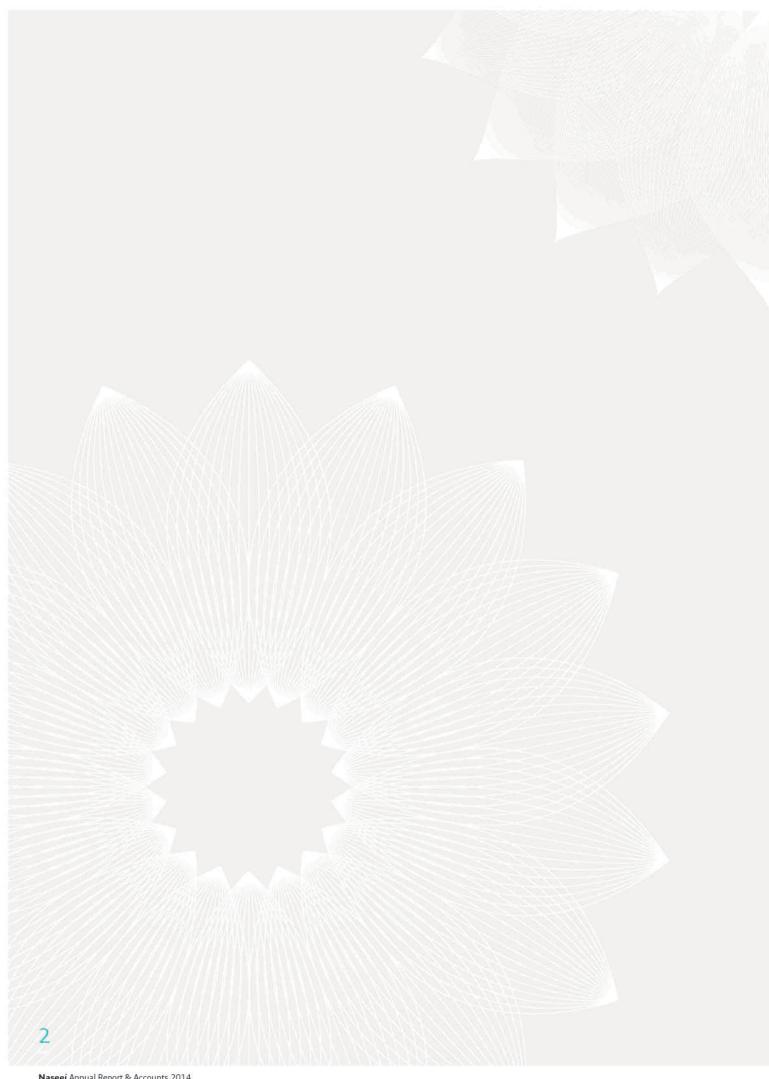
His Royal Highness Prince Khalifa Bin Salman Al Khalifa The Prime Minister



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 First Deputy Prime Minister





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Building sustainable communities









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.

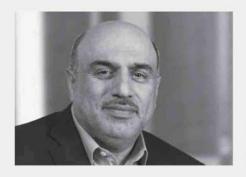
Demand-driven, the Company is committed to delivering value-based real estate solutions through insight and innovation; applying pragmatism when meeting new challenges; delivering real benefits to individuals and societies; and building the foundations of prosperity for future generations, always with 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 and Director since 2009

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 Oualification Accreditation Committee and the Public Accounting Standards Setting Committee in Bahrain.



MR ABDULKARIM BUCHEERY Vice Chairman and Director since 2009

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), InIAz Bahrain, and Tamkeen. Mr Bucheery is currently Vice Chairman of Naseej's Board.



MR MOHAMMED KHALIL ALSAYED Director since 2009

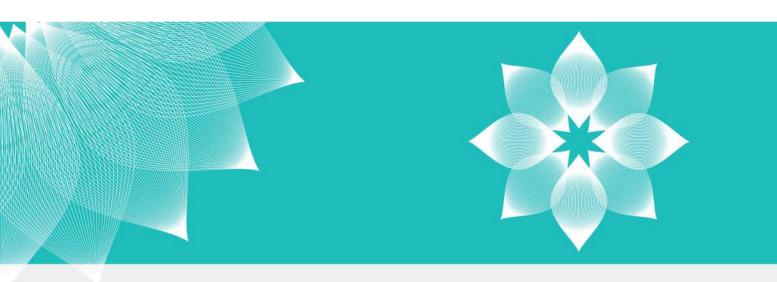
With nearly 30 years of experience in Engineering, Project Management and Real Estate Development, Mr Alsayed holds an MSc in Structural Engineering from the Southern Methodist University, Texas, USA, a BSc in Civil Engineering from the University of Arkansas, USA and an Advanced Diploma in Project Management 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 BASHAR AL MUTAWA

Director since 2009

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 JAMEEL AL MATROOK Director since 2009

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.



MR SAQER SHAHEEN SAQER Director since 2013

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.



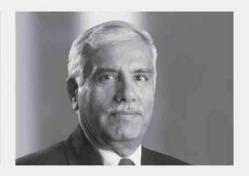
DR KHALID ABDULLA
Director since 2013

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 ABDULHAKEEM AL MUTAWA
Director since 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 ABDULELLAH EBRAHIM AL-QASSIMI Director since 2014

Mr. Al-Qassimi has more than 31 years of diversified management experience. His previous positions include Chief Executive of the Labour Fund (Tamkeen), from which he resigned in May 2010, Deputy Chief Executive Officer of Labour Fund Project at the Bahrain Economic Development Board, Assistant Undersecretary for Training at the Bahrain Ministry of Labour and Social Affairs, Director of Engineering and Maintenance at the Bahrain Ministry of Health. He has also served as the Chairman of the Bahrain Qualifications Framework Steering Committee and the Steering Committee of Career Expo and was a Board member of the Bahrain Society of Engineers and the Bahrain Consumer Protection Society. He is currently a Member of the Board of Tamkeen, Solidarity Group Holding, Durah Resort Management Company, Naseej BSC, Faysal Bank Limited (Pakistan) and the Bahrain Development Bank, as well as a Member of the Committee for HRH Princess Sabeeka bint Ibrahim Al Khalifa's Award for Women Empowerment (Supreme Council for Women, SCW). Mr. Al-Qassimi holds a BSc in Civil Engineering from Queen Mary College, University of London, UK, and MSc in Health Facility Planning from the University of North London, UK, and a Diploma in Health Care Management from the Royal College of Surgeons in Ireland, Bahrain.

CHAIRMAN'S STATEMENT

On behalf of the board of directors, it is my privilege to present the annual report of Naseej for the year-end of 31 December 2014. This year marked the groundbreaking milestone of the construction start of Naseej's US\$ 450 million Private Public Partnership (PPP) project with the Ministry of housing; This ushers a significant beginning for the delivery of affordable housing units for the Kingdom of Bahrain. Construction of the affordable and social housing units on both the Luwzi and Al Madina Al Shamalia sites are well and underway, making accessible over 2,800 units to Bahraini citizens thus making a positive contribution towards easing the affordable housing shortage in the Kingdom.



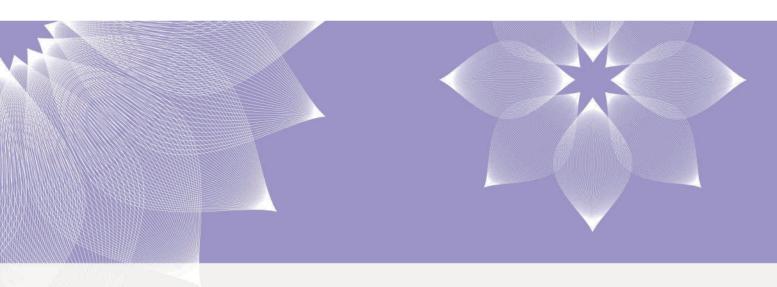
MR KHALID ABDULLA-JANAHI FICAEW FCA Chairman

From the moment of inception, Naseej was mandated by its founding members to play a catalyst and pro-active role in addressing the shortage of housing units in the Kingdom of Bahrain and in the MENA region. This mandate by our shareholders included the delivering of sustainable development projects that bring true value to the communities we serve.

We have made great headway in 2014 with the start of construction of our PPP project. Construction on both the Luwzi and Madina Al Shamilia have started on schedule. Despite many challenges, I am happy to report that we have been able to achieve all the project milestones for the 2014 calendar year. During the year, we have engaged multiple partners in addition to regulatory and planning authorities to coordinate all the efforts required by the teams on the ground.

Apart from the PPP project, Naseej has also made substantive headway with the planning efforts for its other project in Bahrain. The project, Yasmeenat Saar provides 27 high mid-income villas in a prime and easily accessible location in Saar. Construction of this community, which is slated for the first quarter of 2015, will provide Bahraini nationals superior quality, eco-friendly affordable villas surrounded by great facilities and amenities.

Outside Bahrain, we continue to make progress with our project in Morocco. This development, located in close proximity to the capital Rabat, will include over 8,000 apartment units and 500 commercial units, which will be sold in the open market to end-user in the low to mid-income brackets. Through this project, Naseej aims to assist in



addressing the acute shortage of low income and affordable homes in Morocco.

These active projects highlight Naseej's commitment to the vision of its shareholders and founders. Naseej has been at the forefront and played a pioneering role in the first housing PPP project in Bahrain and replicating that successful template to deliver sustainable projects that meet the housing needs of the MENA region.

In 2014, Naseej has recorded a net income of BD 3.4 million a 76% increase from BD 2.2 million in the previous year. Revenue from construction and related services amounted to BD 12.9 million in 2014, while direct construction costs were at BD 11.3 million. Total operating expenses amounted to BD 2.1 million in 2014 as compared to BD 1.9 million in 2013. At the end of the year, total assets amounted to BD 124.6 million up from BD 118.2 million in 2013. In addition, total equity grew to BD 120.3 million from BD 117.5 m at the end of the previous year. Also in 2014, we continued our rigorous review and strengthening of our corporate governance framework to ensure compliance with the Corporate Governance Code of the Kingdom of Bahrain and all other regulatory requirements.

Looking forward into 2015, Naseej remains strongly capitalized, with sound infrastructure and robust project pipeline in place. We are therefore in a great position to make substantial impact in the coming

year, by replicating the success template and experience and focusing on demand driven opportunities. From a geographic perspective, we will continue pursue local and regional investment opportunities, diversify our portfolio with alternative asset classes. Sustainable developments remain fundamental to our investment criteria, while other may focus on speculative and short-term market opportunities; we choose long-term perspective that delivers true value to our shareholders.

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 Price of the Kingdom of Bahrain, for their wise leadership and visionary reform, in additional to their support and encouragement of the private sector. I would also like to thank the Kingdom's various Ministries and Agencies, especially eh Ministry of Housing, the Ministry of Industry and Commerce for their constructive support and guidance during the year.

As we get close to the end of term of our current board, I would also like to extend a special thanks to our board members for their tireless efforts during this critical and challenging year, they have each been instrumental in the continued success of Naseej.

Finally, I would like to express my sincere thanks and gratitude to our shareholders for their continued trust and confidence; our business partners for their collaboration and all of our management and staff for their commitment and professionalism thought 2014.

Khalid Abdulla-Janahi FICAEW FCA Chairman A company that builds homes. Homes that build communities. Communities that shape Bahrain.











MANAGING DIRECTOR'S STATEMENT

2014 marks the start of Works for our major project in Bahrain, the Public Private Partnership project with the Ministry of Housing. Not only a first in Bahrain, but the first housing project transaction of its kind in the region. After a significant amount of planning, preparation and investments, housing and infrastructure construction works for over 2,800 residential units have successfully begun in both the Luwzi and Al Madina Al Shamalia sites. This milestone signals the start of achieving the vision of our founding members and marks a positive and significant contribution towards solving the acute housing shortages in Bahrain.



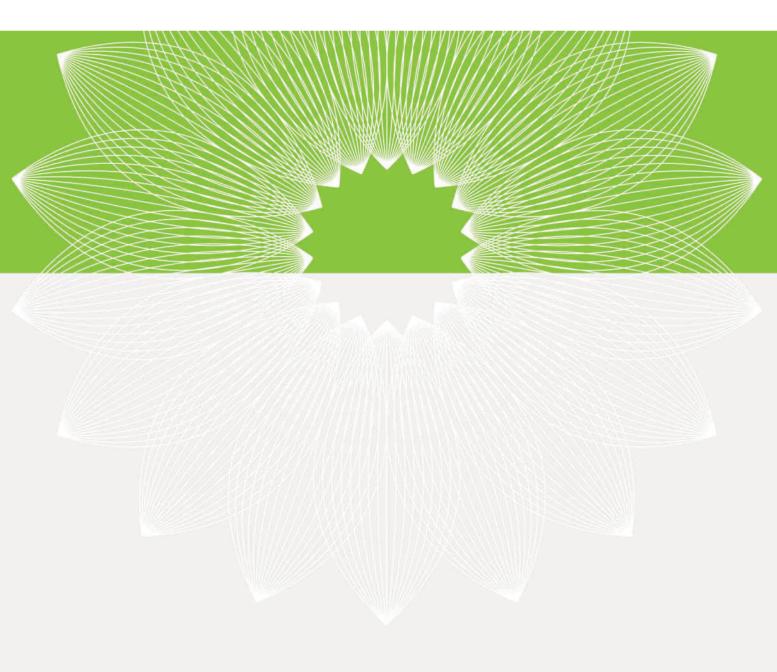
MR MOHAMMED KHALIL ALSAYED
Managing Director and Interim CEO

As we continue progress with housing and infrastructure works, we remain persistent in our efforts to provide value and quality for the largely underserved affordable housing sector in Bahrain. Whilst we recognize the positive impact of such a responsibility, we always endeavor to also achieve value for our shareholders.

In line with our mandate to diversify our portfolio of projects and serve the variety of communities in Bahrain, we have also made significant progress on our Yasmeenat Saar project. This housing community development in Saar is located at the center of shopping and educational facilities with easy access to major highways connecting to all of Bahrain. We have completed the design and master planning of the development and have obtained the individual subdivision title deeds for each plot. This community includes 27 villas and 5 standalone plots aimed at the upper midincome segment of Bahraini nationals.

Yasmeenat Saar will provide a cohesive and sustainable community highlighting Naseej's unique attention to detail in the delivery of homes to the market segments we serve.

We have continued to make progress on our project in Morocco for the construction of over 8,000 residential units and 500 commercial units. This development, situated in Ain Aoude, in close proximity to Rabat will serve the affordable housing segment need in that country as the gap for this segment of housing continues to grow. All of us at Naseej recognize the responsibility entrusted in us for the delivery of such large-scale housing projects in local and regional markets and the significance of our role. We endeavor to make every effort possible and remain dedicated to the mandate of our shareholders and founders by delivering these projects of national significance to the local communities.



During 2014, we have been able to achieve better operational capacity to execute our mandated strategy; we have further fine-tuned our operational structure achieving further improvements and efficiencies, maintaining operating expenses and increasing our profits for the year.

Naseej continues to seek membership and play vital roles in local and international associations that work tirelessly at addressing housing and other real estate issues facing both the private and public sectors. Naseej is a proud member of Bahrain's Property Development Association, the US Green Building Council and the New Cities Foundation (NCF), all of which provide us an opportunity to further contribute on a local and international level and provide a global platform for innovation, exchange of best practice experiences within a variety of market segments. These unique platforms enable Naseej to promote our projects and expertise to a global audience while exploring and fostering new relationships in growing markets.

We see great potential for Naseej in 2015 and years beyond and a lot of promise for new projects in local and regional geographies within additional asset classes. These new opportunities further diversify our portfolio, address significant market segments gaps where Naseej can offer true value to end users and shareholders alike. We recognize the responsibilities inherent with our pioneering efforts in Bahrain, which positions Naseej as the market leader in Housing PPP transactions. We will further harness this experience and responsibility in an effort to replicate our success in other markets where the demand for housing is still largely unfulfilled, all while endeavoring to create value and make returns to our shareholders.

Finally, and on behalf of the management team, I would like to express my sincere appreciation to our board of directors for their continued and unwavering support during this very significant year and for their trust and confidence in our efforts. I would like to extend

my deep appreciation to all the Naseej staff for their valuable contribution during 2014. We have a bright future ahead of us as we look forward to an even more successful 2015.

Mohammed Khalil Alsayed
Managing Director and Interim CEO

MANAGEMENT TEAM





MR MOHAMMED KHALIL AL SAYED Managing Director

With over 25 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 and holds a BSc in Civil Engineering from the University of Arkansas, USA. Mr Alsayed also holds an Advanced Diploma in Project Management from RMIT University, Australia. Mr Alsayed is currently Managing Director and Interim Chief Executive Officer of Naseej BSC (c), as well as Chief Executive Officer of Ithmaar Development Company. Additionally, he is chairman of Olive Holding Facilities Management as well as board member on Naseej and Ithmaar Development Company. He is also the founding Member of the Arabian Gulf Chapter as well as member & past President of Bahrain's 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 FCCA
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 JANAHI 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 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 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 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.

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.

Developments in 2014

- Mr Hesham AlRayes and Mr. Imad AlNesnas left the Board of Directors. Subsequently, Mr. Abdulellah Ebrahim Al-Qassimi was appointed as a new member to the Board of Directors as having the next highest number of votes in the last Board member election of 2012.
- Appointment of Independent member for the Audit committee, Mr. Abbas Radhi.

Governance and organisational structure

Shareholders

Naseej has a total of 21 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%), Khaleeji Commercial Bank (6.26%), 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 four permanent 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 Abdulellah Ebrahim Al-Qassimi Abbas Radhi

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, Chairman 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 Sager Shaheen Sager

The Board also appoints more committees to handle specific business matters from time to time. The end of such committees comes with fulfilment of the matter they were appointed for:

Financing Committee

The Financing Committee, previously named the IPO committee, is responsible to explore various means for raising additional funds for the Company.

Members:

Khalid Abdulla-Janahi, Chairman Abdulkarim Bucheery Mohammed Khalil Alsayed

CEO Selection Committee

The CEO Selection Committee was formed to search and select a suitable CEO for Naseej in pursuant of the former CEO. The Committee consisted of the following:

Members:

Abdulkarim Bucheery, Chairman Mohammed Khalil Alsayed Saqer Shaheen Saqer Jameel Al Matrook

Independent Investment Committee

The Independent Investment Committee was formed to review investment opportunities that may comprise related parties. The make-up of the Committee may be altered from time to time, to insure impartiality. The Committee consisted of the following:

Members:

Jameel Al Matrook, Chairman Bashar Al Mutawa Sager Shaheen Sager

Management

The Board delegates authority for the dayto-day management of the business to the General Manager, who is supported by a qualified and experienced senior management team. Profiles of 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 Note 18 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 every four months 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 THE SHAREHOLDERS

Naseej BSC (c)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Naseej BSC (c) (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the board of directors for the consolidated financial statements

The board of directors 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 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 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 policies 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 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

As required by the Bahrain Commercial Companies Law, we report that:

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

KPMG Fakhro Partner Registration No. 187 4 May 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014 Bahraini dinars

	Note	31 December 2014	31 December 2013
ASSETS			
Current assets			
Cash and cash equivalents	6	21,582,893	3,482,597
Placements with banks	16	56,500,000	93,350,000
Due from customers	8	11,199,002	(37)
Other assets	7	9,006,952	9,225,897
Total current assets		98,288,847	106,058,494
Non-current assets			
Placements with banks	16	17,000,000	-
Properties under development	10	9,081,952	11,846,341
Property and equipment	9	257,937	324,408
Total non-current assets		26,339,889	12,170,749
Total assets		124,628,736	118,229,243
EQUITY AND LIABILITIES Equity			
Share capital	12	108,000,001	108,000,001
Retained earnings		11,523,599	8,405,419
Statutory reserve		1,283,033	936,569
Foreign currency translation reserve		(221,761)	183,753
Equity attributable to owners of the Company		120,584,872	117,525,742
Non-controlling interest		(312,309)	(57,385)
Total equity		120,272,563	117,468,357
Current liabilities			
Trade and other payables	11	4,356,173	760,886
Total current liabilities		4,356,173	760,886
Total equity and liabilities		124,628,736	118,229,243

The consolidated financial statements which consist of pages 19 to 40 were approved by the Board of Directors on 4 May 2015 and signed on their behalf by:

Khalid Abdulla-Janahi Chairman Abdulkarim Bucheery Vice Chairman Mohammed Khalil Al Sayed Managing Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2014

Bahraini dinars

	Note	31 December 2014	31 December 2013
Revenue from construction and related services		12,886,348	-
Direct Costs	13	(11,297,536)	180
Gross Profit		1,588,812	-
Income from placements		3,940,518	4,183,894
Administrative expenses	14	(1,784,618)	(1,848,694)
Marketing expenses		(136,096)	(21,690)
Operating expenses		(184,439)	(143,345)
Profit for the year		3,424,177	2,170,165
Profit for the year attributable to			
Owners of the Company		3,464,644	2,218,782
Non-controlling interest		(40,467)	(48,617)
		3,424,177	2,170,165

The consolidated financial statements which consist of pages 19 to 40 were approved by the Board of Directors on 4 May 2015 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 2014

Bahraini dinars

	31 December	31 December
	2014	2013
Profit for the year	3,424,177	2,170,165
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Foreign exchange translation reserve	(619,971)	120,197
Total other comprehensive income for the year	(619,971)	120,197
Total comprehensive income for the year	2,804,206	2,290,362
Total comprehensive income for the year attributable to		
Owners of the Company	3,059,130	2,335,910
Non-controlling interest	(254,924)	(45,548)
	2,804,206	2,290,362

The consolidated financial statements which consist of pages 19 to 40 were approved by the Board of Directors on 4 May 2015 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 2014

Bahraini dinars

2014	Share capital	Retained earnings	Statutory reserve	Foreign exchange translation reserve	Equity attributable to owners of Company	Non- controlling interests	Total
At 1 January 2014	108,000,001	8,405,419	936,569	183,753	117,525,742	(57,385)	117,468,357
Profit for the year	-	3,464,644	-	-	3,464,644	(40,467)	3,424,177
Other comprehensive income		7	-	(405,514)	(405,514)	(214,457)	(619,971)
Total comprehensive income for the year	-	3,464,644	(5)	(405,514)	3,059,130	(254,924)	2,804,206
Transfer to Statutory Reserves	-	(346,464)	346,464	-	-	-	-
At 31 December 2014	108,000,001	11,523,599	1,283,033	(221,761)	120,584,872	(312,309)	120,272,563
2013	Share capital	Retained earnings	Statutory reserve	Foreign exchange translation reserve	Equity attributable to owners of Company	Non- controlling interests	Total
		earnings	reserve	exchange translation reserve	attributable to owners of Company	controlling	
	capital			exchange translation	attributable to owners of	controlling interests	Total 115,177,995 2,170,165
At 1 January 2013	capital	earnings 6,408,515	reserve	exchange translation reserve	attributable to owners of Company 115,189,832	controlling interests (11,837)	115,177,995
At 1 January 2013 Profit for the year Other comprehensive income Total comprehensive income	capital	earnings 6,408,515 2,218,782	714,691	exchange translation reserve 66,625 - 117,128	attributable to owners of Company 115,189,832 2,218,782 117,128	controlling interests (11,837) (48,617) 3,069	115,177,995 2,170,165 120,197
At 1 January 2013 Profit for the year Other comprehensive income	capital	earnings 6,408,515	714,691	exchange translation reserve	attributable to owners of Company 115,189,832 2,218,782	controlling interests (11,837) (48,617)	115,177,995 2,170,165

The consolidated financial statements consist of pages 19 to 40.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

Bahraini dinars

Note	31 December 2014	31 December 2013
Profit for the year	3,424,177	2,170,165
Adjustments for:		
Income from placements	(3,940,518)	(4,183,894)
Depreciation 9	82,799	92,004
Loss for the year before changes in operating assets and liabilities	(433,542)	(1,921,725)
Changes in operating assets and liabilities		
Decrease / (increase) in properties under development	2,764,389	(1,416,085)
Increase in due from customers	(11,199,002)	-
Decrease/ (increase) in other assets	933,759	(6,947,720)
Increase in trade and other payables	3,595,287	8,005
Net cash flows used in operating activities	(4,339,109)	(10,277,525)
INVESTING ACTIVITIES		
Acquisition of property and equipment 9	(16,328)	(71,210)
Receipts from placement income	3,225,704	8,805,388
Placement made during the year	19,850,000	659,778
Net cash flows from investing activities	23,059,376	9,393,956
Net increase / (decrease) in cash and cash equivalents	18,720,267	(883,569)
Cash and cash equivalents at 1 January	3,482,597	4,245,969
Effects of currency translation on cash & cash equivalents	(619,971)	120,197
Cash and cash equivalents at 31 December 6	21,582,893	3,482,597

for the year ended 31 December 2014

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:

Country of incorporation
Bahrain
Bahrain
Bahrain
Cayman Islands
Morocco

The above subsidiaries were incorporated / acquired 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 5 f) Estimates of useful lives, residual values, depreciation methods for property and equipment
- Note 5 i) Impairment
- Note 5 j) Revenue recognition

3 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED AND EFFECTIVE FROM 1 JANUARY 2014

The following standards, amendments and interpretations, which became effective as of 1 January 2014, are relevant to the Group:

(i) Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities"

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The Group concluded that it does not meet the definition of an "investment entity" and hence the above amendments are not applicable to the Group.

(ii) Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments have been applied retrospectively.

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

4 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below. The Group does not plan to early adopt these standards.

(i) IFRS 9 - Financial Instruments

IFRS 9 published in July 2014, replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

(ii) IFRS 15 - Revenue from Contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

for the year ended 31 December 2014

Bahraini dinars

4 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

(iii) Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibits entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

The amount is not expected to have significant impact at the Group.

(iv) Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to define benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees periods of service using the project unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees periods of service.

The amount is not expected to have significant impact at the Group.

(v) Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle

The annual improvements to IFRSs to 2010-2012 and 2011 -2013 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 July 2014; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application

The Group has not early adopted any new or amended standards in 2014.

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.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of Consolidation (continued)

(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 in equity.

c) Financial assets and financial liabilities

(i) Recognition

The Group initially recognizes financial assets and liabilities on the date at which they originate.

for the year ended 31 December 2014

Bahraini dinars

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial assets and financial liabilities (continued)

(ii) Classification of financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments other than investment securities that are not held for trading. Financial assets classified as loans and receivables include cash and cash equivalents and amounts due from customers.

(iii) Measurement

Loans and receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently re-measured at amortized cost.

(iv) Classification and measurement of financial liabilities

The Group classifies and measures its financial liabilities at amortized cost.

(v) De-recognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in the profit or loss.

The Group de-recognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(vi) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions.

(vii) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial assets and financial liabilities (continued)

(viii) Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets carried at amortized cost are impaired.

Objective evidence that financial assets are impaired can include significant financial difficulty, default or delinquency, indications that the counterparty will enter bankruptcy or other observable data.

Impairment losses on loans and advances are measured as the difference between the carrying amount of the financial asset and the amount considered as recoverable. Impairment losses are recognized in the profit or loss and reflected in an allowance account against loans and receivables.

d) 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.

e) Properties under development

Where property is under development and agreement has been reached to sell such property when construction is complete, the management consider whether the contract comprises:

- · A contract to construct a property; or
- A contract for the sale of a completed property

Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage-of-completion method as construction progresses. Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer. If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage-of-completion method of revenue recognition is applied and revenue is recognised as work progresses. Continuous transfer of work in progress is applied when;

The buyer controls the work in progress, typically when the land on which the development takes place is owned by the final customer.

All significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically, when buyer cannot put the incomplete property back to the Group.

In such situations, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

for the year ended 31 December 2014

Bahraini dinars

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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

g) Placement with banks

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

h) Due from customers

Due from customers for contract work represents the cost incurred plus attributable profits less foreseeable losses and progress billings till date for all contract in progress at the year-end for which cost incurred plus attributable profits exceed progress billings.

i) 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.

j) Revenue recognition

Contract revenue is recognized by the percentage of completion method where the outcome of the contract can be estimated reliably. The stage of completion of contracts is determined based on contract costs incurred for work performed to date as a proportion of the estimated total contract cost. The estimate of cost to complete contracts in progress is based on the management's estimate of the material and labour cost required. Profit on contracts are recognized once the outcome of a contract can be estimated reliably, while provision is made for all foreseeable losses.

k) 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.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Investment income

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

m) 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.

n) 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.

for the year ended 31 December 2014

Bahraini dinars

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

o) 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.

6 CASH AND CASH EQUIVALENTS

	2014	2013
Cash and balance with banks	21,582,893	3,482,597
	21,582,893	3,482,597

7 OTHER ASSETS

	2014	2013
Performance bond receivable	7	5,000,000
Accrued income	1,219,225	3,153,264
Prepayments and advance	7,232,513	764,686
Others assets	555,214	307,947
	9,006,952	9,225,897

The performance bond was issued as collateral for meeting the deadline of financial close of its Bahrain Affordable Housing PPP project and was refunded back during the current year.

8 DUE FROM CUSTOMERS

This represents gross amount due from customers for the contract work. During the year, the Group recognized contract revenue of BD 12,797,088 (2013: BD Nil) and made progress billings of BD 907,000 (2013: BD Nil) to the Government of Bahrain toward approved Variation works and received BD 1,598,086 (2013: BD Nil) as deposits from customers on account of the affordable housing units. All the above amounts relate to the Bahrain Affordable Housing PPP project.

9 PROPERTY AND EQUIPMENT

	Leasehold	Office equipment		
	improvements	& furniture	Computers	Total
Cost				
At 1 January 2013	306,216	20,670	134,002	460,888
Additions	728	25,860	44,623	71,211
At 31 December 2013	306,944	46,530	178,625	532,099
At 1 January 2014	306,944	46,530	178,625	532,099
Additions	-	495	15,833	16,328
At 31 December 2014	306,944	47,025	194,458	548,427

9 PROPERTY AND EQUIPMENT (continued)

	Leasehold	Office equipment		
	improvements	& furniture	Computers	Total
Depreciation				
At 1 January 2013	61,126	6,657	47,904	115,687
Charge for the year	33,612	9,131	49,261	92,004
At 31 December 2013	94,738	15,788	97,165	207,691
At January 2014	94,738	15,788	97,165	207,691
Charge for the year	33,502	9,330	39,967	82,799
At 31 December 2014	128,240	25,118	137,132	290,490
Net book value at 2014	178,704	21,907	57,326	257,937
Net book value at 2013	212,206	30,740	81,460	324,408

10 PROPERTIES UNDER DEVELOPMENT

These include cost of acquisition of land at Shakhoura, Bahrain for Shakhoura property development project and land at Ain Aoude, Morocco for Ain Aoude social property development project. The projects involve housing development of the land and construction of residential units over a period of 2 and 5 years respectively. Additionally these includes various expenses incurred in relation to the above projects and the Bahrain Affordable Housing PPP project.

At 31 December	9,081,952	11,846,341
Cost recognized during the year	(11,297,536)	-
Expenses incurred during the period	8,533,147	3,227,009
Opening balance	11,846,341	8,619,332
	2014	2013

11 TRADE AND OTHER PAYABLES

	2014	2013
Trade payables	1,696,562	295,235
Other liabilities	2,659,611	465,651
	4,356,173	760,886

12 SHARE CAPITAL

		2014	2013
a)	Authorised share capital		
100	10,800,000,000 shares of BD 0.100 each	1,080,000,000	1,080,000,000
b)	Issued share capital		la s
	1,080,000,010 shares of BD 0.100 issued	108,000,001	108,000,001
c)	Called and paid up share capital		
20	1,080,000,010 shares of BD 0.100	108,000,001	108,000,001

for the year ended 31 December 2014

Bahraini dinars

13 DIRECT COSTS

	2014	2013
Construction Cost	6,990,239	-
Professional Cost	4,232,297	970
Debt Arrangement Fee	75,000	
	11,297,536	-

All the above costs relate to the Bahrain Affordable Housing PPP Project.

14 ADMINISTRATIVE EXPENSES

	2014	2013
Salaries and related costs	680,179	856,312
Other staff expenses	233,715	230,692
Office rent	136,891	136,891
Bonus	220,635	142,350
Board Expenses	168,253	95,082
Depreciation	82,799	92,004
Other administrative expenses	262,146	295,363
	1,784,618	1,848,694

Other staff expenses consist of provision for staff indemnity amounting to BD 66,932 (2013 - 87,034).

15 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.

31 December 2014	Loans and receivables	Others at amortised cost	Total carrying amount
Financial assets	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		***************************************
Cash and cash equivalents	21,582,893	-	21,582,893
Placements with banks	73,500,000	-	73,500,000
Accrued income	1,219,225	2	1,219,225
Due from customers	11,199,002	F.	11,199,002
	107,501,120	Α:	107,501,120
Financial liabilities			
Trade payables	-	1,696,562	1,696,562
	2	1,696,562	1,696,562
St.	in the second se		

15 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES (continued)

.31 December 2013	Loans and receivables	Others at amortised cost	Total carrying amount
Financial assets			
Cash and cash equivalents	3,482,597	17.0	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	511	5,000,000
	104,985,861	(H)	104,985,861
Financial liabilities			
Trade payables	-	295,235	295,235
	_	295,235	295,235

Due to the short term nature of the above assets and liabilities, their carrying value approximates the fair value. See also note 17(a).

16 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	31 December
	2014	2013
Assets		
Cash and cash equivalents	21,582,893	3,482,597
Placements with banks		
Maturity up to 1 year	56,500,000	93,350,000
Maturity more than 1 year	17,000,000	-

b) Transactions with shareholders

	31 December	31 December
	2014	2013
Income		
Income from placements	3,940,518	4,183,894

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17 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 8,020 housing units are not completed within the specified 60 months period.

18 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.

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:

2014	2013
21,582,893	3,482,597
73,500,000	93,350,000
11,199,002	-
1,219,225	8,153,264
107,501,120	104,985,861
	21,582,893 73,500,000 11,199,002 1,219,225

18 FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

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 2014 was BD 221,412 (2013: BD 436,404).

	2014	2014	
	Reporting dat	te	
	Average rate spot rate	te	
MAD/BD	22.73 24.0	14	

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 2	2014	31 December 2013	
		Consolidated		Consolidated
	2	statement of		statement of
	cor	mprehensive		comprehensive
	Equity	income	Equity	income
BD	-	4,047	-	4,862

(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.

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18 FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

(ii) Profit rate risk (continued)

Profit or loss		Equity	
100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
895,000	(895,000)	895,000	(895,000)
Profit or loss		Equi	ty
100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
933.500	(933,500)	933,500	(933,500)
	100 bps increase 895,000 Profit or 100 bps increase	100 bps increase 100 bps decrease 895,000 (895,000) Profit or loss 100 bps increase 100 bps decrease	100 bps increase 100 bps decrease 100 bps increase 895,000 (895,000) 895,000 Profit or loss Equit 100 bps increase 100 bps decrease 100 bps increase

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	Contractual	Within	More than
2014	amount	cash flows	3 months	1 year
Non-derivative financial liabilities				
Trade payables	1,696,562	1,696,562	1,696,562	Ψ.
	1,696,562	1,696,562	1,696,562	Ш
Off-balance sheet items				
Commitments	75,300,500	75,300,500	-	75,300,500
	Carrying	Contractual	Within	More than
2013	amount	cash flows	3 months	1 year
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

18 FINANCIAL RISK MANAGEMENT (continued)

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.

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.

19 SUBSIDIARIES

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

	Principal place of	Nature of Business	Ownership of interest	
	business		2014	2013
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 %
Ashghal development Company	Morocco	Real estate	50 %	50 %

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19 SUBSIDIARIES (continued)

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:

	2014	2013
Ashghal Development Company		
NCI percentage	50%	50%
Current assets	250,027	465,756
Non-current assets	6,913,541	7,389,068
Current liabilities	(38,615)	(30,908)
Other current liabilities	(7,318,383)	(7,604,497)
Net assets	(193,430)	219,419









Naseej B.S.C.(c)

46th Floor, East Tower Bahrain Financial Harbour P.O. Box 1383, Manama Kingdom of Bahrain Tel: +973 1655 7999 Fax: +973 1655 7990 info@naseejproperties.com www.naseejproperties.com

