NASEEJ

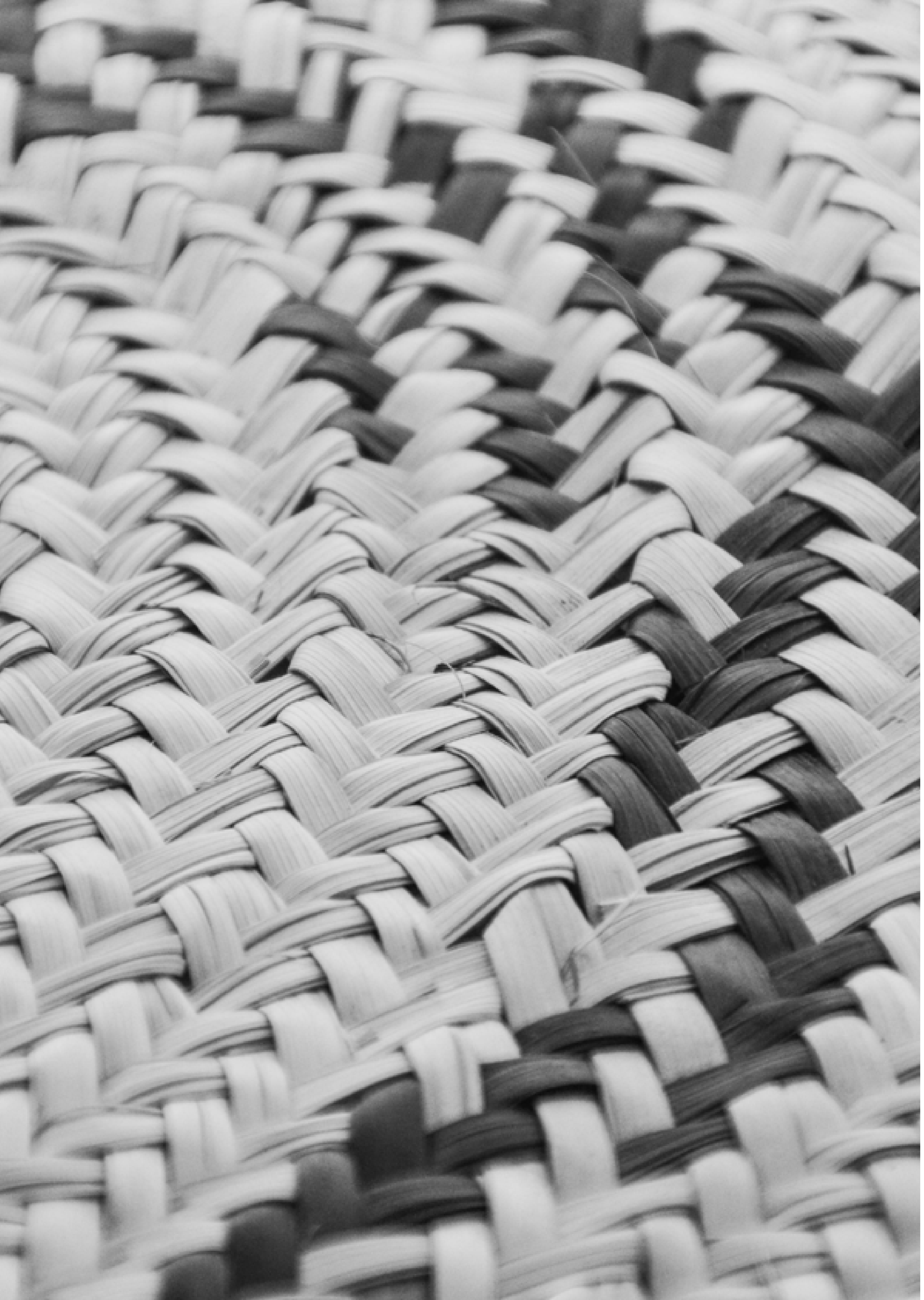
ANNUAL REPORT 2016

BUILDING
SUSTAINABLE
COMMUNITIES

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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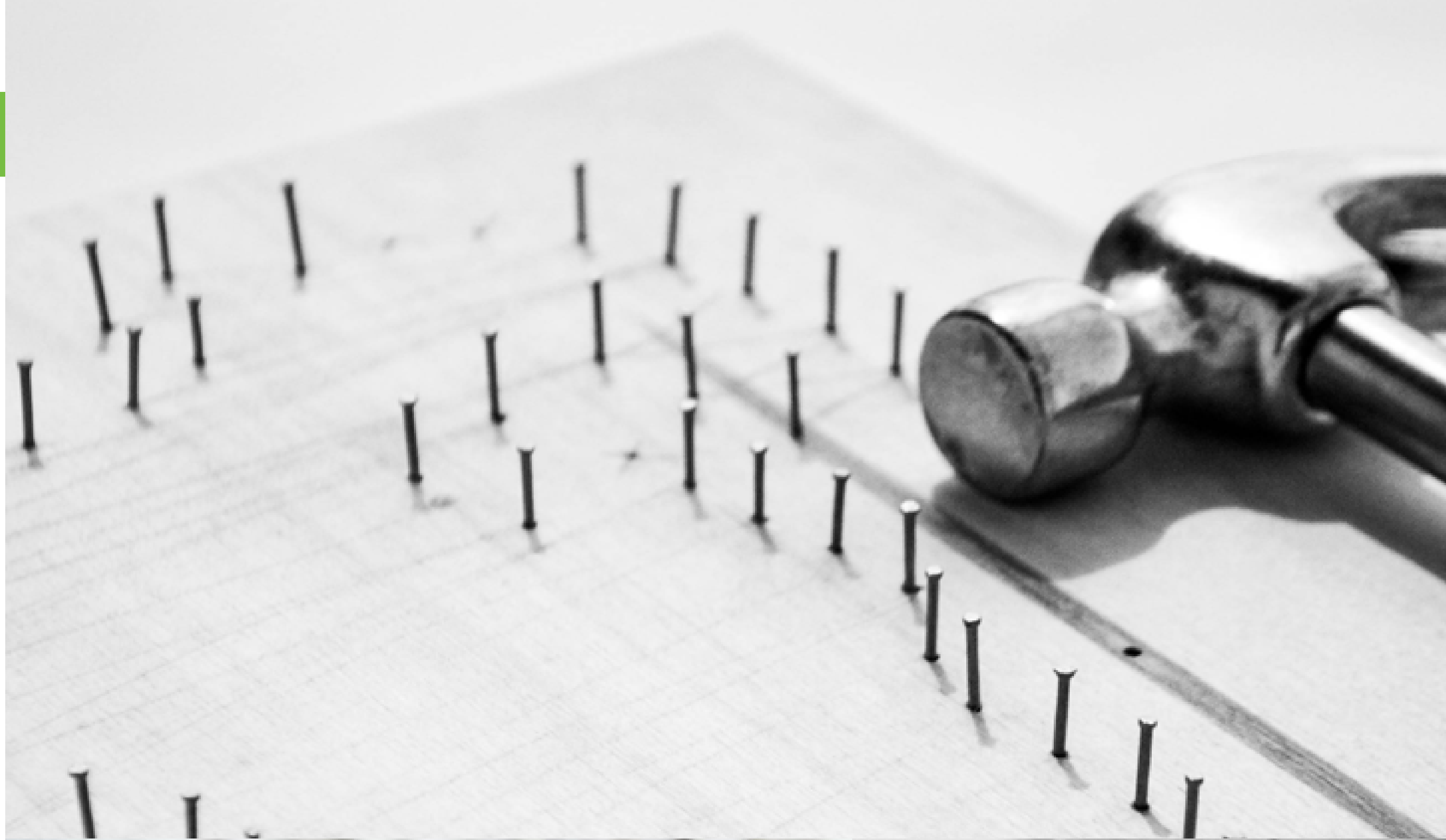
Building Communities that Build Bahrain

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 Ban, 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

We only develop projects in which we have absolute faith' in order to fill a genuine need in society.

PROSPERITY

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

INNOVATION

We take every oppourtunity to find solutions to problems that others did not even know existed.

PRAGMATISM

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

BOARD OF DIRECTORS

MR. KHALID ABDULLA-JANAHI *(FICAEW FCA)*
Chairman since 2009

Mr. Janahi has more than 30 years of experience in the banking sector in Bahrain, Saudi Arabia, Jordan, the Middle East, Europe and around the world. He is Group Chief Executive of Dar Al-Maal Al-Islami Trust, Chairman of DMI Administrative Services, Chairman of Naseej B.S.C. (c), Chairman of Ithmaar Development Company Limited, Chairman of Solidarity Group Holding B.S.C (c), and Chairman of Solidarity Saudi Takaful Comapny.
He is also a Board Member of Ithmaar Holding BSC and of Faisal Islamic Bank of Egypt, as well as a Member of the Centre for International Business and Management (CIBAM), University of Cambridge and a Member of the Dean's Council, University of Chicago, Harris School of Public Policy.
Mr. Janahi holds a Bachelor degree in Science, in Computer Science and Accountancy from the University of Manchester (UK) and is a fellow of the institute of Chartered Accountants in England and Wales.

DR. ABDULAZIZ ABUL
Vice Chairman since 2016

Holder of a PhD in International Relations from USA (1990) and an MA in Political Science, USA (1985), holder of a Masters of Business Administration in International Trade, USA (1984) and a Bachelor of Economy Planning from Syria (1979), Dr Abdulaziz Abul has extensive experience in economy, finance and accountancy with a vast variety of knowledge gained over his career. Currently, Dr. Abul is the Chairman of the National Institute for Human Rights Bahrain (NIHR). He has held high profile positions in several reputable organizations like; Credit Suisse Company from 1979 - 1980, and Yamaichi International Investment from 1990 - 1996, as well as The Arab Insurance Group (ARIG) from 1996 – 2002 and as Secretary General at the GCC Commercial Arbitration Centre from 2003 – 2004. Dr Abul has held a number of Chairperson and board level memberships in several organizations like; the Council of Representatives, Finance and Economic Affairs Committee of the Council of Representatives, Member of the Shura Council, and Member of the Finance and Economic Affairs Committee. Additionally, Dr Abdulaziz also holds a number of associate membership positions at the Bahrain Economists Association, The Economic and Financial Studies Committee and The Bahrain Chamber of Commerce and many others.

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.

MR. ABDULHAKEEM AL MUTAWA
Director since 2013

Mr Al Mutawa has over 33 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 of Banking Group at Ithmaar Bank Bahrain. He joined Naseej's Board as a board member and is part of the Project & Investment Committee.

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, Sanad 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.

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. KHALIL AL MEER
Director since 2015

Mr Al Meer has over 28 years of experience in corporate banking, gained in senior roles at National Bank of Bahrain and Bank of Bahrain and Kuwait. He is currently the Chief Executive Officer at Khaleeji Commercial Bank where he joined in 2003. Khalil has a Bachelor of Science in Business Administration (BSC) from the University of Bahrain. He also attended the Gulf Executive Development Program at Darden Graduate School of Business in University of Virginia (USA) as well as the Senior International Bankers Program of the International Centre for Banking and Finance Services at Manchester Business School (UK).

MR. MOHAMMED KHALIL ALSAYED
Managing 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. REYADH SATER
Director since 2016

Mr. Reyadh Sater is a career banker and has been working with BBK (a leading Bahraini Commercial bank) since 1978 when he joined right after upon completion of his initial academic milestones. He has since grown within the organization in terms of hierarchy upon performing various responsibilities spreading into diverse functionalities across the organization structure. He became part of the core management group at the Bank in 2007/08 and has taken over as the Chief Executive in April/2016. In performance of his responsibilities as the CE of the Bank, he chairs many of the internal management committee and is actively involved in day to day management of the bank while guiding the institution in achieving its business strategies. In addition, he is a Chairman of CrediMax, Vice Chairman of Board of Bahrain Credit Facilities Co., Board Member of the BBK Executive Committee, Member of the Board of Naseej and Member of its Project & Investment Committee, Board Member of Injaz and Board Member of the Crown Prince's International Scholarship Program. Mr. Sater, holds an MBA from University of Glamorgan, UK which he pursued in 2001. He is married and has four children.

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 the chairman of the Project and Investment committee.

CHAIRMAN'S STATEMENT

MR. KHALID ABDULLA-JANAHI *(FICAEW FCA)*
Chairman

Looking forward into 2017, 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.

Naseej has made significant progress in 2016 with the construction and delivery of its flagship projects in Bahrain. Construction and delivery of Social and Affordable Units in both the Luwzi and Al Madina Al Shamilia in our pioneering Public Private Partnership Project (PPP) with the Kingdom of Bahrain Ministry of Housing have achieved significant milestones. Despite many challenges, I am happy to report that we have been able to begin the handover process of units during the 2016 calendar year as planned.

Apart from the PPP project, Naseej has also made substantive headway with the delivery of its other project in Bahrain; Yasmeenat Saar, the 27 mid-high income villas in the prime and easily accessible location of Saar, directly across from the newly opened Saar Mall. Delivery of this community will provide Bahraini nationals superior quality, eco-friendly competitively-priced villas surrounded by great facilities and amenities.

During 2016, Naseej completed the acquisition of three plots of land on the Island of Dilmunia for the development of a unique mixed-use project on the canal front and awarded the design contract to a premier design consultant in Bahrain. Construction on the project will begin in 2017 with expected handover in early 2020.

Naseej also acquired an income-producing asset in the Juffair area during the last quarter of the year. This 2016 completed tower boasts seventy-two one and two bedroom apartments backed by a long-term lease and a strong and well-established tenancy.

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-users in the low to mid-income brackets addressing the acute shortage of low income and affordable homes in Morocco.

In 2016, Naseej's Net Income was BD 6.09 million in comparison to BD 5.89 million in the previous year. Revenue from construction and related services amounted to BD 86.9 million in 2016, while direct construction costs were at BD 78.5 million.

Total operating expenses amounted to BD 2.2 million in 2016 as compared to BD 2.1 million in 2015. At the end of the year, total assets amounted to BD 158.8 million up from 148.3 million in 2015. In addition, total equity grew to BD 132.2 million from BD 126.2 million at the end of the previous year. Also in 2016, 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 2017, 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 to pursue local and regional investment opportunities, diversify our portfolio with alternative asset classes. Sustainable developments remain fundamental to our investment criteria; while others 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 Prince 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 the Ministry of Housing, the Ministry of Industry and Commerce for their constructive support and guidance during the year.

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 throughout 2016.

Khalid Abdulla-Janahi
Chairman
FICAEW FCA


ياسمينة سار
YASMEENAT SAAR

MANAGING DIRECTOR'S STATEMENT

MR. MOHAMMED KHALIL ALSAYED
Managing Director

2016 has ushered major progress for our projects in Bahrain, we have achieved a significant milestone in the delivery of the first units of the Public Private Partnership project with the Ministry of Housing. A significant number of homes has been certified as completed and handed over, which keeps us on track with our project plan. This momentous 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 and the region overall.

We have also made significant progress in the delivery of our Yasmeenat Saar project. The housing community development in Saar, which offers unique amenities, has been substantially completed and delivery of these homes has begun. This community which includes 27 villas is aimed at the high mid-income segment of Bahraini nationals. The project's unique location positions it at the center of shopping and educational facilities while providing easy access to the major arteries and highways. Yasmeenat Saar will provide a cohesive and sustainable community highlighting Naseej unique attention to detail in the delivery of homes to the market segments we serve.

In addition, 2016 marked the first income producing asset for Naseej. We have acquired a newly constructed residential property in the Juffair area; this new tower boasts 72 one and two bedroom apartments that are fully leased and is ideally located with access to major highways and commercial facilities.

We see great potential for Naseej in 2017 and a lot of promise for new projects in local and regional geographies within additional asset classes. These new opportunities further diversify our portfolio and 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 local and regional markets where several demand gaps remain largely unfulfilled.

We see great potential for Naseej in 2017 and a lot of promise for new projects in local and regional geographies within additional asset classes. These new opportunities further diversify our portfolio and address significant market segments gaps where Naseej can offer true value to end users and shareholders alike.

In conclusion, 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 and extend my deep appreciation to all the Naseej staff for their valuable contribution during 2016. We have a bright future ahead of us as we look forward to an even more successful 2017.

Mohammed Khalil AlSayed
Managing Director

A company that builds homes.
Homes that build communities.
Communities that shape Bahrain.

NASEEJ   ياسمينة سار YASMEENAT SAAR   CANALVIEW   JUMANA المدينة الشمالية

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 *ACCA*
General Manager

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 has over 14 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 Investments

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 45 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


CanalView
at Dilmunia

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 2016

• Vice Chairman Mr. Abdulkarim Bucheery left the Board of Directors in April 2016; he will continue in the Remuneration, Nomination, and Governance Committee as an Independent member.
• Dr. Abdulaziz Abul became the new Vice Chairman of Naseej BSC.
• Mr. Reyadh Sater joined the Board of Directors in April 2016, representing BBK. He also joined the Project and Investment Committee and the Finance and Risk Committee.

OWNERSHIP

Naseej has a total of 21 shareholders. The names of the major shareholders owning shares in excess of 5% are as follows:

• 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%

THE BOARD

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
Abbas Radhi
Abdulellah 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:
Saqer Shaheen Saqer, Chairman
Abdulhakeem Al Mutawa
Mohammed Khalil Alsayed
Reyadh Sater

• Finance and 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, and is responsible to explore various means for raising additional funds for the Company

Members:
Khalid Abdulla Janahi, Chairman
Dr. Khalid Abdulla
Khalil Al Meer
Reyadh Sater

• Remuneration, Nominations & 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 governance policy to ensure compliance with the Corporate Governance Code of the Kingdom of Bahrain.

Members:
Abdulkarim Bucheery, Chairman
Dr. Abdulaziz Abul
Khalil Al Meer
Mohammed Khalil Alsayed

BOARD AND COMMITTEE MEETINGS

During the period from 1st January 2016 to 31st December 2016, the Members of the Board have attended meetings to discuss and approve various issues as per the agreed agenda. A summary of meetings held during this period and attendance of the Members is provided below:

DIRECTORS	Board	COMMITTES			
		Audit Committee	Project & Investment Committee	Fianance & Risk Committee	Remuneration, Nomination & Governance
Number of meetings held during the year.	5	4	10	0	3
ATTENDANCE:					
Khalid-Abdulla Janahi	5				
Dr. Abdulaziz Abul	5				3
Abdulellah Al Qassimi	4	4			
Abdulhakeem Almutawa	4		10		
Bashar Almutawa	4	4			
Dr. Khalid Abdulla	5				
Khalil Ismail Almeer	5				3
Mohammed Khalil Alsayed	5		10		3
Reyadh Yusuf Sater*	4		6		
Saqer Shaheen	5		10		
Abbas Radhi**		4			
AdbulKarim Bucheery***	1		4		3

* Joined the Board of Directors April 2016
** Independent Audit Committee member
*** Independent RNGC Committee member; left the Board April 2016

MANAGEMENT

The Board delegates authority for the day-to-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 AND 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 Finance and 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 19 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 three 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 wthe effectiveness of the Company's risk profile. Naseej currently outsources the internal audit function.


JUMANA
المدينة الشمالية

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Naseej BSC (c)
Manama, Kingdom of Bahrain

Report on the audit of the consolidated financial statements

Opinion
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 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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

Other information

The board of directors is responsible for the other information. The other information obtained at the date of this auditors' report is the Chairman's report set out on page 10.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors for the consolidated financial statements
The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on other 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 chairman's 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's 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 number 100
28 February 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016 — Bahraini dinars

	Note	2016	2015
ASSETS			
Non-current assets			
Properties under development	11	13,391,680	20,996,368
Investment property	9	4,199,311	-
Property and equipment	10	162,680	216,646
Total non-current assets		17,753,671	21,213,014
Current assets			
Cash and cash equivalents	6	8,041,424	13,147,712
Fixed deposits with banks	16	12,500,000	55,500,000
Due from customers	8	118,568,070	51,939,387
Other assets	7	1,900,738	6,530,843
Total current assets		141,010,232	127,117,942
Total assets		158,763,903	148,330,956
EQUITY AND LIABILITIES			
Equity			
Share capital	13	108,000,001	108,000,001
Retained earnings		22,821,974	17,302,711
Statutory reserve		2,033,932	1,420,681
Foreign currency translation reserve		(606,758)	(519,154)
Equity attributable to owners of the Company		132,249,149	126,204,239
Non-controlling interests		(765,484)	(639,827)
Total equity		131,483,665	125,564,412
Non-current liabilities			
Contractors retention		12,524,762	5,911,866
Total Non-current liabilities		12,524,762	5,911,866
Current liabilities			
Trade and other payables	12	14,755,476	16,854,678
Total current liabilities		14,755,476	16,854,678
Total liabilities		27,280,238	22,766,544
Total equity and liabilities		158,763,903	148,330,956

The consolidated financial statements which consist of pages 30 to 52 were approved by the Board of Directors on 28 February 2017 and signed on their behalf by:

Khalid Abdulla-Janahi	Dr. Abdul Aziz Abul	Mohammed Khalil AlSayed
Chairman	Vice Chairman	Managing Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPERHENSIVE INCOME

For the year ended 31 December 2016 — Bahraini dinars

	Note	2016	2015
Revenue		86,884,624	52,705,929
Direct Costs	11	(78,465,030)	(47,055,977)
Gross Profit		8,419,594	5,649,952
Interest income		995,151	2,364,938
Other income		44,835	18,141
Administrative expenses	14	(2,047,234)	(1,996,078)
Marketing expenses		(112,130)	(92,084)
Other operating expenses		(76,755)	(58,234)
Provision for claims and contingencies	18d	(815,000)	-
Provision for foreseeable loss on project	18b	(314,000)	-
Profit for the year		6,094,461	5,886,635
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign exchange translation reserve		(175,208)	(594,786)
Total comprehensive income for the year		5,919,253	5,291,849
Profit for the year attributable to			
Owners of the Company		6,132,514	5,916,760
Non-controlling interest		(38,053)	(30,125)
		6,094,461	5,886,635
Total comprehensive income for the year attributable to			
Owners of the Company		6,044,910	5,619,367
Non-controlling interest		(125,657)	(327,518)
		5,919,253	5,291,849

The consolidated financial statements which consist of pages 30 to 52 were approved by the Board of Directors on 28 February 2017 and signed on their behalf by:

Khalid Abdulla-Janahi	Dr. Abdul Aziz Abul	Mohammed Khalil AlSayed
Chairman	Vice Chairman	Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016 Bahraini dinars

2016	Attributable to owners of Company						
	Share capital	Retained earnings	Statutory reserve	Foreign exchange translation reserve	Total	Non-controlling interests	Total equity
At 1 January 2016	108,000,001	17,302,711	1,420,681	(519,154)	126,204,239	(639,827)	125,564,412
Comprehensive income:							
Profit for the year	-	6,132,514	-	-	6,132,514	(38,053)	6,094,461
Other comprehensive income	-	-	-	(87,604)	(87,604)	(87,604)	(175,208)
Total comprehensive income for the year	-	**6,132,514**	-	**(87,604)**	**6,044,910**	**(125,657)**	**5,919,253**
Transfer to statutory reserves	-	(613,251)	613,251	-	-	-	-
At 31 December 2016	**108,000,001**	**22,821,974**	**2,033,932**	**(606,758)**	**132,249,149**	**(765,484)**	**131,483,665**

2015	Attributable to owners of Company						
	Share capital	Retained earnings	Statutory reserve	Foreign exchange translation reserve	Total	Non-controlling interests	Total equity
At 1 January 2015	108,000,001	11,523,599	1,283,033	(221,761)	120,584,872	(312,309)	120,272,563
Comprehensive income:							
Profit for the year	-	5,916,760	-	-	5,916,760	(30,125)	5,886,635
Other comprehensive income	-	-	-	(297,393)	(297,393)	(297,393)	(594,786)
Total comprehensive income for the year	-	5,916,760	-	(297,393)	5,619,367	(327,518)	5,291,849
Transfer to statutory reserves	-	(137,648)	137,648	-	-	-	-
At 31 December 2015	108,000,001	17,302,711	1,420,681	(519,154)	126,204,239	(639,827)	125,564,412

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016 Bahraini dinars

	Note	2016	2015
Profit for the year		6,094,461	5,886,635
Adjustments for:			
Income from fixed deposits		(995,151)	(2,364,938)
Provision for claims and contingencies	18d	815,000	-
Provision for foreseeable loss on project	11	314,000	-
Depreciation		82,334	75,496
Profit for the year before changes in operating assets and liabilities		6,310,644	3,597,193
Changes in operating assets and liabilities			
Decrease / (Increase) properties under development		7,290,688	(11,914,416)
Increase in due from customers		(66,628,683)	(40,740,385)
Decrease in other assets		3,324,354	2,809,953
(Decrease) / increase in trade and other payables		(2,914,202)	13,072,516
Increase in contractor retention		6,612,896	5,337,855
Net cash used in operating activities		(46,004,303)	(27,837,284)
INVESTING ACTIVITIES			
Purchase of property and equipment, net	10	(16,979)	(34,205)
Purchase of investment property	9	(4,210,700)	-
Interest income		2,300,902	2,031,094
Fixed deposits encashed during the year, net		43,000,000	18,000,000
Net cash from investing activities		41,073,223	19,996,889
Net decrease in cash and cash equivalents		(4,931,080)	(7,840,395)
Cash and cash equivalents at 1 January		13,147,712	21,582,893
Effects of currency translation on cash & cash equivalents		(175,208)	(594,786)
Cash and cash equivalents at 31 December	6	8,041,424	13,147,712

1 REPORTING ENTITY

Naseej is a closed joint stock company (the "Company") incorporated in the Kingdom of Bahrain on 5 August 2009 under commercial registration number 72492. Naseej is principally engaged in the construction, development, sale and purchase of real estate.

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

As at 31 December 2016, the Company has the following subsidiaries:

Name of subsidiary	Country of incorporation	Nature of business	% ownership
Naseej Rabat WLL	Bahrain	Real estate	100
Shakhoura Development SPC	Bahrain	Real estate	100
Sharaka for Housing Projects BSC (c)	Bahrain	Real estate	100
Canalview Development Company SPC	Bahrain	Real estate	100
Bahrain PPP Investment Company	Cayman Islands	Real estate	100
Ashghal Development Company SARL	Morocco	Real estate	50

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) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016 Bahraini dinars

2 BASIS OF PREPARATION (continued)

d) 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) Provision,
- Note 5 j) Revenue recognition,
- Note 5 k) Impairment.

3 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED AND EFFECTIVE FROM 1 JANUARY 2016

The following standards, amendments and interpretations, which became effective as of 1 January 2016, are relevant to the Group:

(i) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
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. Early adoption is permitted.

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

(ii) Equity Method in Separate Financial Statements (Amendments to IAS 27)
The IASB has made amendments to IAS 27 Separate Financial Statements which will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.

IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

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

3 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED AND EFFECTIVE FROM 1 JANUARY 2015 (continued)

(iii) Annual Improvements to IFRSs 2012–2014 Cycle – various standards
The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 January 2016; 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 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 2016, 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) Disclosure Initiative (Amendments to IAS 7)
The amendments require disclosures that enable users of (consolidated) financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

(ii) IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. 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 2018, with early adoption permitted.

The Group is currently performing an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

(iii) IFRS 9 Financial Instruments
In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company/ Group currently plans to apply IFRS 9 initially on 1 January 2018.

The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

(iv) IFRS 16 Leases
IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Group has started an initial assessment of the potential impact on its consolidated financial statements.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group's entities.

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) Financial assets and financial liabilities

(i) Recognition
The Group initially recognises financial assets and liabilities on the date at which they originate.

(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.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Measurement
Loans and receivables are initially measured at fair value plus any directly attributable transaction costs, and subsequently re-measured at amortised cost using the effective interest method, less any impairment losses.

(iv) Classification and measurement of financial liabilities
The Group classifies and measures its financial liabilities at amortised 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 recognised in the profit or loss.

The Group de-recognises 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.

(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.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and fixed deposits with banks with original maturities within three months when acquired, 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) 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.

e) Investment property

Investment property are properties which are held either to earn rental income or for capital appreciation or for both. Investment property is stated at cost less accumulated depreciation and any impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing cost.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. No depreciation is charged on land. Buildings are depreciated over their estimated useful lives of 30 years.

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.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Property and equipment (continued)

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) Fixed deposits with banks

Fixed deposits with bank comprise of deposits 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 for contracts. Profit on contracts are recognized once the outcome of a contract can be estimated reliably, while provision is made for all foreseeable losses.

Revenue from sale of completed property is recognised on handover of the property to the customers as per the terms of the contract with the customers.

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.

l) Investment income

Investment income comprises income from fixed deposits with banks. Interest/ profit is recognised as it accrues, using the effective interest / profit rate method.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 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.

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

	2016	2015
Cash and balance with banks	8,041,424	13,147,712
	8,041,424	13,147,712

Cash and cash equivalents comprise:		
Cash and bank balances	8,041,424	10,147,712
Short term deposits with banks	-	3,000,000
	8,041,424	13,147,712

7 OTHER ASSETS

	2016	2015
Accrued income	247,319	1,553,069
Prepayments and advance *	1,159,496	4,437,318
Others assets	493,923	540,456
	1,900,738	6,530,843

* This represents advances to contractors as per the signed agreements for the Bahrain Affordable Housing PPP project.

8 DUE FROM CUSTOMERS

	2016	2015
Trade receivables *	5,664,426	982,679
Unbilled revenue on Bahrain Affordable Housing PPP project	112,903,644	50,956,708
	118,568,070	51,939,387

Due from customers include BD 54,721,838 (2015: BD 24,819,416) which are expected to be realised more than 12 months after year-end.

* Trade receivables include BD 4,561,408 (2015: nil) invoiced to the MoH under the Bahrain Affordable Housing PPP project.

9 INVESTMENT PROPERTY

	2016	2015
Cost of purchase *	4,210,700	-
Less: depreciation	(11,389)	-
	4,199,311	-

* This represent a freehold building acquired in December 2016 for lease to third party. Since the property was purchased in December 2016, the purchase cost is equivalent to the fair value.

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10 PROPERTY AND EQUIPMENT

	Leasehold improvements	Office equipment & Furniture	Computers	2016 Total	2015 Total
Cost					
At 1 January	315,810	47,845	213,124	576,779	548,427
Additions	8,850	4,048	4,081	16,979	35,702
Disposals	-	-	-	-	(7,350)
At 31 December	324,660	51,893	217,205	593,758	576,779
Depreciation					
At 1 January	162,197	33,476	164,460	360,133	290,490
Charge for the year	35,568	6,928	28,449	70,945	75,496
Disposals	-	-	-	-	(5,853)
At 31 December	197,765	40,404	192,909	431,078	360,133
Net book value	126,895	11,489	24,296	162,680	216,646

11 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 and land in Dilmunia, Bahrain for Dilmunia project. The projects involve 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.

	2016	2015
At 1 January	20,996,368	9,081,952
Expenditures incurred during the year	71,174,342	58,970,393
Cost transferred to direct costs	(78,465,030)	(47,055,977)
Provision for foreseeable loss on project *	(314,000)	-
At 31 December	13,391,680	20,996,368

* Relates to the Morocco project (see also note 18b)

Direct costs comprise:	2016	2015
Construction Cost	73,717,805	42,735,754
Professional Cost	4,687,225	4,260,223
Debt Arrangement Fee	60,000	60,000
	78,465,030	47,055,977

This mainly relate to the Bahrain Affordable Housing PPP Project.

11 PROPERTIES UNDER DEVELOPMENT (continued)

	2016	2015
Country-wise breakdown is as follows:		
Bahrain		
- Bahrain Affordable Housing PPP project	5,967,053	11,432,777
- Shakhoura Development Company project *	-	2,700,235
- Dilmunia project	1,207,433	492,727
Morocco	6,217,194	6,370,629
At 31 December	13,391,680	20,996,368

* This project was completed and handed over to the customers in December 2016.

12 TRADE AND OTHER PAYABLES

	2016	2015
Payable to contractors	10,014,310	11,100,573
Provision for claims and contingencies (see note 18d)	815,000	-
Other liabilities	3,926,166	5,754,105
	14,755,476	16,854,678

The above mainly relate to work carried out by the contractors on the Bahrain Affordable Housing PPP project.

13 SHARE CAPITAL

	2016	2015
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

14 ADMINISTRATIVE EXPENSES

	2016	2015
Salaries and related costs	724,032	733,805
Other staff expenses *	469,787	277,203
Board expenses	425,938	201,879
Office rent	103,255	114,467
Bonus	-	309,903
Depreciation	82,334	75,496
Other administrative expenses	241,887	283,325
	2,047,234	1,996,078

* Other staff expenses consist of provision for staff indemnity amounting to BD 74,604 (2015: BD 101,593).

15 PROPOSED APPROPRIATIONS

The Board of Directors propose a cash dividend of 5% (2015: nil) of the share capital.

16 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.

2016	Loans and receivables	Others at amortised cost	Total carrying amount
Financial assets			
Cash and cash equivalents	8,041,424	-	8,041,424
Fixed deposits with banks	12,500,000	-	12,500,000
Accrued income	247,319	-	247,319
Due from customers	118,568,070	-	118,568,070
	139,356,813	-	139,356,813
Financial liabilities			
Trade payables	-	10,014,310	10,014,310
Contractor retention	-	12,524,762	12,524,762
	-	22,539,072	22,539,072

2015	Loans and receivables	Others at amortised cost	Total carrying amount
Financial assets			
Cash and cash equivalents	13,147,712	-	13,147,712
Fixed deposits with banks	55,500,000	-	55,500,000
Accrued income	1,553,069	-	1,553,069
Due from customers	51,939,387	-	51,939,387
	122,140,168	-	122,140,168
Financial liabilities			
Trade payables	-	11,100,573	11,100,573
Contractor retention	-	5,911,866	5,911,866
	-	17,012,439	17,012,439

Due to the short term nature of the above assets and liabilities, their carrying value approximates the fair value.
See also note 20.

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17 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

	2016	2015
Assets		
Cash and cash equivalents	8,041,424	13,147,712
Fixed deposits with banks		
- Maturity up to 1 year	12,500,000	55,500,000
Unamortised debt arrangement fee	105,000	165,000

b) Transactions with shareholders

	2016	2015
Interest income	995,151	2,364,938
Professional fees	(1,498,350)	(1,419,788)
Debt arrangement fee	(60,000)	(60,000)

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

	2016	2015
Directors' remuneration *	275,000	-
Directors' sitting fee	123,706	170,777
Salaries and other short term benefits	395,823	415,440
Post employment benefits	37,776	34,716

* Directors' remuneration is subject to approval of the shareholders in the Annual General Meeting.

18 CONTINGENCIES AND COMMITMENTS

a) Bahrain Affordable Housing PPP project

The Group entered into a Concession Agreement with Ministry of Housing of the Kingdom of Bahrain (MoH) relating to the Bahrain Affordable Housing PPP Project on 2 January 2012 to build 4,152 affordable and social houses in Bahrain. Subsequently an amendment has been signed with MoH on 28 July 2013 to reduce the number of social and affordable houses to 2,817 units.

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. The Company has recourse against the contractors for any delays in performance and completion of contract work.

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 60 months period commenced on 3 July 2012. The Group is subject to a penalty 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. Alternatively, the Group can sell the land but will have to pay 10% of the sale price for each year of the ownership to the Government of Morocco. Accordingly the Company has recognised a provision for foreseeable loss of BD 314,000 on this project.

c) Dilmunia project, Bahrain

The Group entered into an agreement with the Health Island BSC (c) on 17 November 2015 to purchase 3 plots in Dilmunia at Bahrain. The total purchase price for the plots is BD 4,927,270 out of which the Group has paid BD 985,454.

d) Claims and contingencies

The Group has received claims of BD 1.4 million against which the Group has raised counter claims. This matter is subject to arbitration proceedings and the Group expects favourable outcome in the arbitration. However as matter of prudence the group has made a provision of BD 815,000 for such claims.

The group has entered into adjudication proceedings with a customer in regard to various matters. The claim raised by the Group in this regard amount to BD 2.5 million.

19 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 fixed deposits with banks who are also shareholders. The carrying amount of financial assets represents the maximum credit exposure.

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19 FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

The maximum exposure to credit risk at the reporting date was:

	2016	2015
Cash and cash equivalents	8,041,424	13,147,712
Fixed deposits with banks	12,500,000	55,500,000
Due from customers	118,568,070	51,939,387
Accrued income	247,319	1,553,069
	139,356,813	122,140,168

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 2016 was BD 305,240 (2015: BD 236,515).

	2016	
	Average rate	Reporting date spot rate
MAD/BD	25.60	26.62

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 2016		31 December 2015	
	Equity	Consolidated statement of profit or loss and other comprehensive income	Equity	Consolidated statement of profit or loss and other comprehensive income
BD	-	3,805	-	3,013

19 FINANCIAL RISK MANAGEMENT (continued)

c) Market risk (continued)

(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 fixed deposits 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	
2016	100 bps Increase	100 bps decrease	100 bps Increase	100 bps decrease
Assets				
Fixed deposits with banks	125,000	(125,000)	125,000	(125,000)

	Profit or loss		Equity	
2015	100 bps Increase	100 bps decrease	100 bps Increase	100 bps decrease
Assets				
Fixed deposits with banks	585,000	(585,000)	585,000	(585,000)

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 fixed deposits with banks to meet its liquidity requirements.

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

2016	Carrying amount	Contractual cash flows	Within 3 months	More than 1 year
Non-derivative financial liabilities				
Trade payables	10,014,310	10,014,310	10,014,310	-
Contractor retention	12,524,762	12,524,762	-	12,524,762
	22,539,072	22,539,072	10,014,310	12,524,762
Off-balance sheet items				
Commitments	40,306,742	40,306,742	492,727	39,814,015

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19 FINANCIAL RISK MANAGEMENT (continued)

d) Liquidity risk (continued)

2015	Carrying amount	Contractual cash flows	Within 3 months	More than 1 year
Non-derivative financial liabilities				
Trade payables	11,100,573	11,100,573	11,100,573	-
Contractor retention	5,911,866	5,911,866	-	5,911,866
	17,012,439	17,012,439	11,100,573	5,911,866
Off-balance sheet items				
Commitments	100,349,611	100,349,611	492,727	99,856,884

20 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.

21 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.

22 NON-CONTROLLING INTEREST 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:

	2016	2015
Ashghal Development Company		
NCI percentage	50 %	50 %
Current assets	351,150	230,018
Non-current assets	6,535,331	6,379,138
Current liabilities	(150,187)	(89,239)
Other current liabilities	(7,041,534)	(6,756,432)
Net assets	(305,240)	(236,515)

23 COMPARATIVES

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