NASEEJ

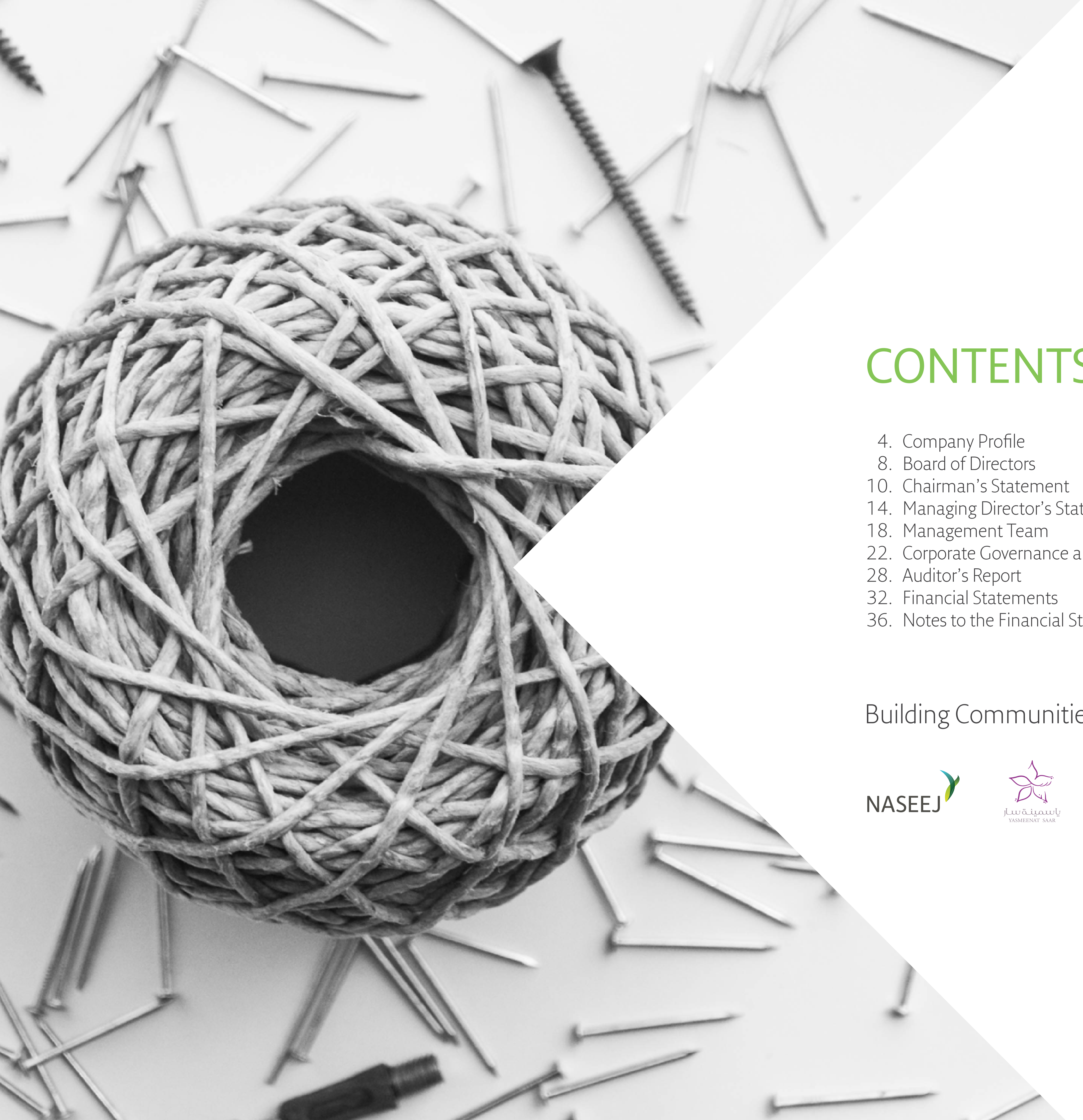
ANNUAL REPORT 2017

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

NASEEJ

ياسمينة سار
YASMEENAT SAAR

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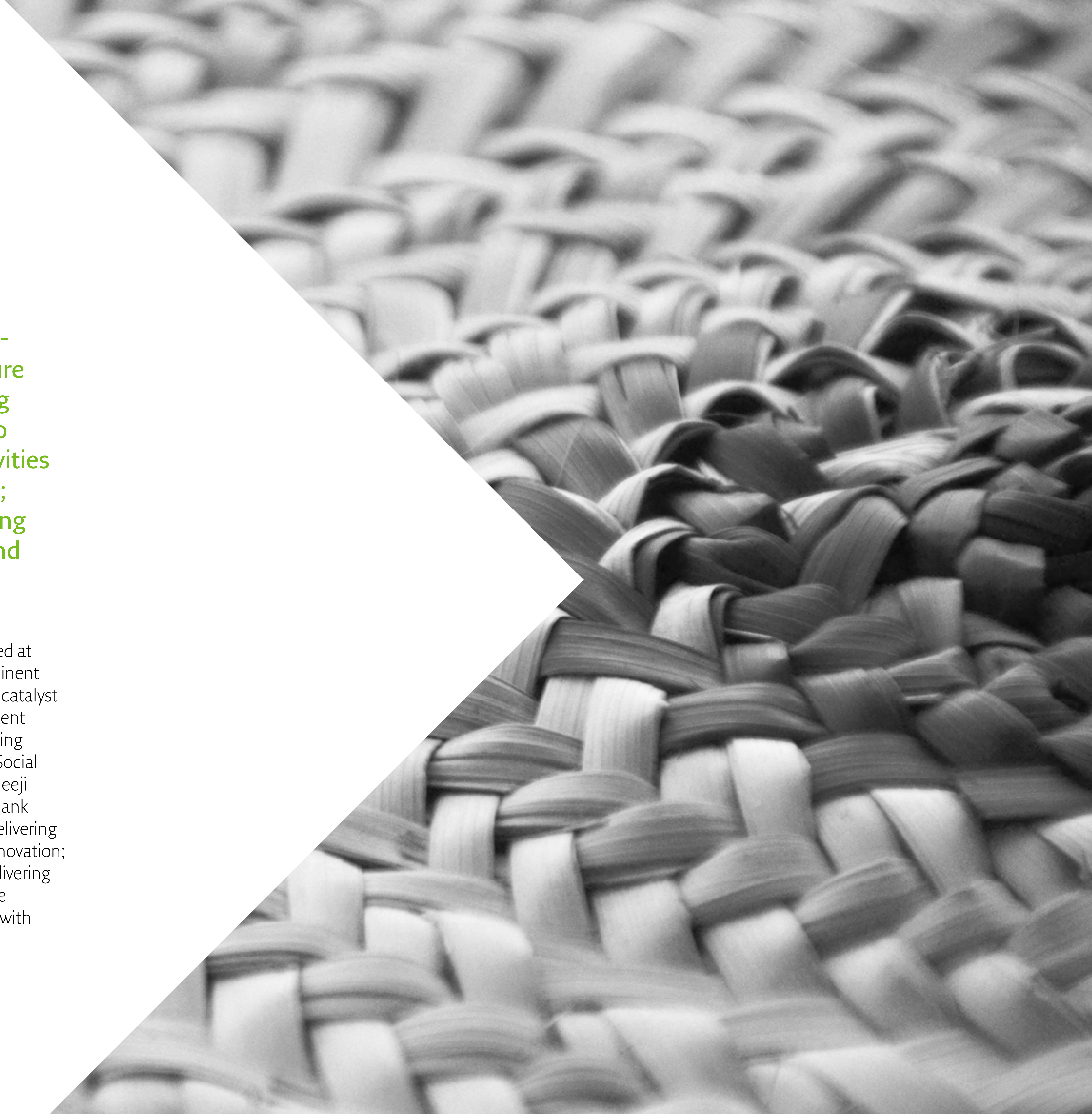
المدينة الشمالية

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 Holding B.S.C, BBK B.S.C, Ithmaar Development Company Ltd, Social Insurance Organisation of the Kingdom of Bahrain, Khaleeji Commercial Bank B.S.C, Alfateh Investment and Ibdar Bank B.S.C. 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.

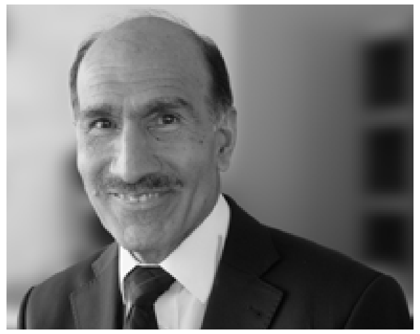
BOARD OF DIRECTORS

MR. MOHAMMED A.RAHMAN BUCHEEREI | Chairman

Mr. Bucheerei has more than 47 years of experience in Accounting, Commercial and Offshore Banking. He was Chief Executive Officer of Ithmaar Bank from 12 July, 2010 to 31 August, 2013, and has been a Member of the Ithmaar Bank Board of Directors since March 2010. He is also a Member of the Bank's Executive Committee. Mr. Bucheerei is Group Chief Executive Officer of Dar Al Maal Al Islami Trust. Previously, he served as the General Manager of the Private Offices of HRH Prince Mohamed Al Faisal Al Saud, Saudi Arabia, and Executive Vice-President, Shamil Bank of Bahrain. He is Chairman of the Islamic Investment Company of the Gulf (Sharjah) Limited, and a Member of the Board of Directors of the Islamic Investment Company of the Gulf (Bahamas) Limited. Mr. Bucheerei is Chairman of DMI (Jersey) Limited, MFAI (Jersey) Limited, Cantara S.A. (Switzerland), Faisal Finance Maroc S.A, Faisal Private Bureau, DMI Administrative Services, Ithmaar Development Company, Naseej (Bahrain), Naseej Rabat and Sharaka for Housing Projects. He is a member of the Board of Directors of IB Capital (Bahrain), Faysal Bahamas Limited, Crescent International Limited (Bermuda), Gulf Investors Asset Management Company (Saudi Arabia), Overland Capital Group (USA), DMI NV, Faisal Finance Luxembourg and Shamil Finance Luxembourg. He studied accounting, mathematics and economics at Gulf Polytechnic, Bahrain.

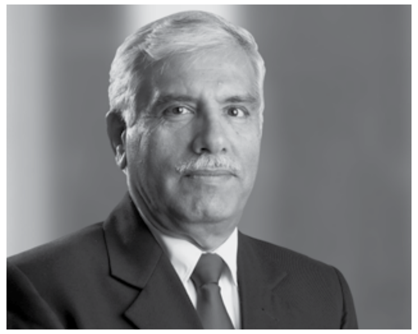
MR. REYADH YUSUF SATER | Vice Chairman

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.



DR. ABDULAZIZ HASAN ABUL | Director

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. ABDULELAH EBRAHIM AL QASIMI | Director

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 Solidarity Group Holding, Naseej BSC, Faysal Bank Limited (Pakistan), Ithmaar Holding, Ithmaar Bank and IB Capital (Ithmaar) and Chairman of Saudi Solidarity Takaful Co. 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 KHALIL AL MUTAWA | Director

Mr Al Mutawa has over 35 years of experience in banking and finance, and 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 the Deputy Chief Executive Officer, Banking Group at Ithmaar Bank Bahrain. He joined the board of Naseej BSC (c) in 2013 and is a member the Project & Investment Committee.

MR. BASHAR MOHAMED AL MUTAWA | Director

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, 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.

DR. KHALID MOHAMED ABDULLA | Director

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 ISMAEEL AL MEER | Director

Mr Al Meer has over 33 years of experience in corporate banking, gained in senior roles at National Bank of Bahrain and Bank of Bahrain and Kuwait. He is the former Chief Executive Officer of Khaleeji Commercial Bank. 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). He joined the board of Naseej BSC (c) in 2015 and is a member the Finance & Risk Committee and Remuneration, Nomination, and Governance Committee.

MR. MOHAMMED KHALIL ALSAYED | Managing Director

With more than three decades 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 the Managing Director 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), Chairman of Health Island BSC (c) 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 more than a decade ago. In other roles he has discharged during his career, Mr. Alsayed chaired the council that regulates the engineering profession in Bahrain, that is now called the CRPEP, Council for Regulating the Practice of Engineering Profession (2008 – 2013). He is also a 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 for two consecutive terms. 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. SAQER SHAHEEN SAQER | Director

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 of Naseej BSC (c) in 2012 and is the Chairman of the Project & Investment Committee.

CHAIRMANS STATEMENT

MOHAMMED BUCHEEREI
Chairman

On behalf of the Board of Directors, it is my privilege to present the annual report of Naseej for the year ended 31 December 2017. Against a backdrop of volatile market conditions and a changing regulatory landscape, I am pleased to report that the Company posted a resilient overall performance.

The Company's key business achievement during the year was the timely completion of the social housing component of Bahrain's pioneering social and affordable housing public-private-partnership (PPP) project. All social housing units were handed over to the Ministry of Housing within the stipulated time frame. I would like to congratulate the Government of Bahrain on the success of this groundbreaking initiative, which has validated the PPP model as the most effective way of addressing the Kingdom's housing shortage.

As the first PPP of its kind in the GCC, all involved parties faced a steep learning curve in addressing the innumerable new challenges posed by such a complex project. However, it has provided substantial experience that will help in executing future social and affordable housing PPPs with greater efficiency. Recent developments in technology and eGovernment will also help to enhance effectiveness and minimise bureaucratic delays. Preliminary discussions regarding a new social and affordable housing PPP are currently underway, and Naseej remains committed to helping the Government meet the growing demand for affordable housing and sustainable communities in Bahrain.

Naseej posted a strong financial performance in 2017, with net income of BD 5.1 million. Significantly, this marks the eighth consecutive year of profitability since the Company commenced operations in 2009. Revenue from construction and related services amounted to BD 34.8 million, while direct construction costs were BD 27.8 million. At the end of the year, total assets had risen to BD 160.5 million, with shareholders' equity of BD 132.1 million. Based on these results, the Board is recommending distribution of a cash dividend of BD 20 million for approval by shareholders at the annual general meeting to be held on 11 June 2018.

The Company's new three-year strategy was approved by the Board of Directors during 2017. While maintaining its primary focus on social and affordable housing projects, Naseej will seek to diversify its portfolio by pursuing opportunities in related sectors such as retail, education, health and tourism. We will continue to adopt a prudent business approach, focusing on demand-driven, sustainable and non-speculative developments, through which to enhance value to our shareholders and end users.

Naseej welcomes the latest reform initiatives from the Government to strengthen regulation of the real estate market. These will create a more stable, accountable and competitive environment, which in turn should have a positive impact on investor confidence. In response, we reviewed and revised the Company's policies, processes and procedures to ensure adherence to the provisions of the new Real Estate Law, and also the requirements of the newly-established Real Estate Regularity Authority. Naseej has an enduring commitment to uphold the highest standards of transparency and corporate governance.

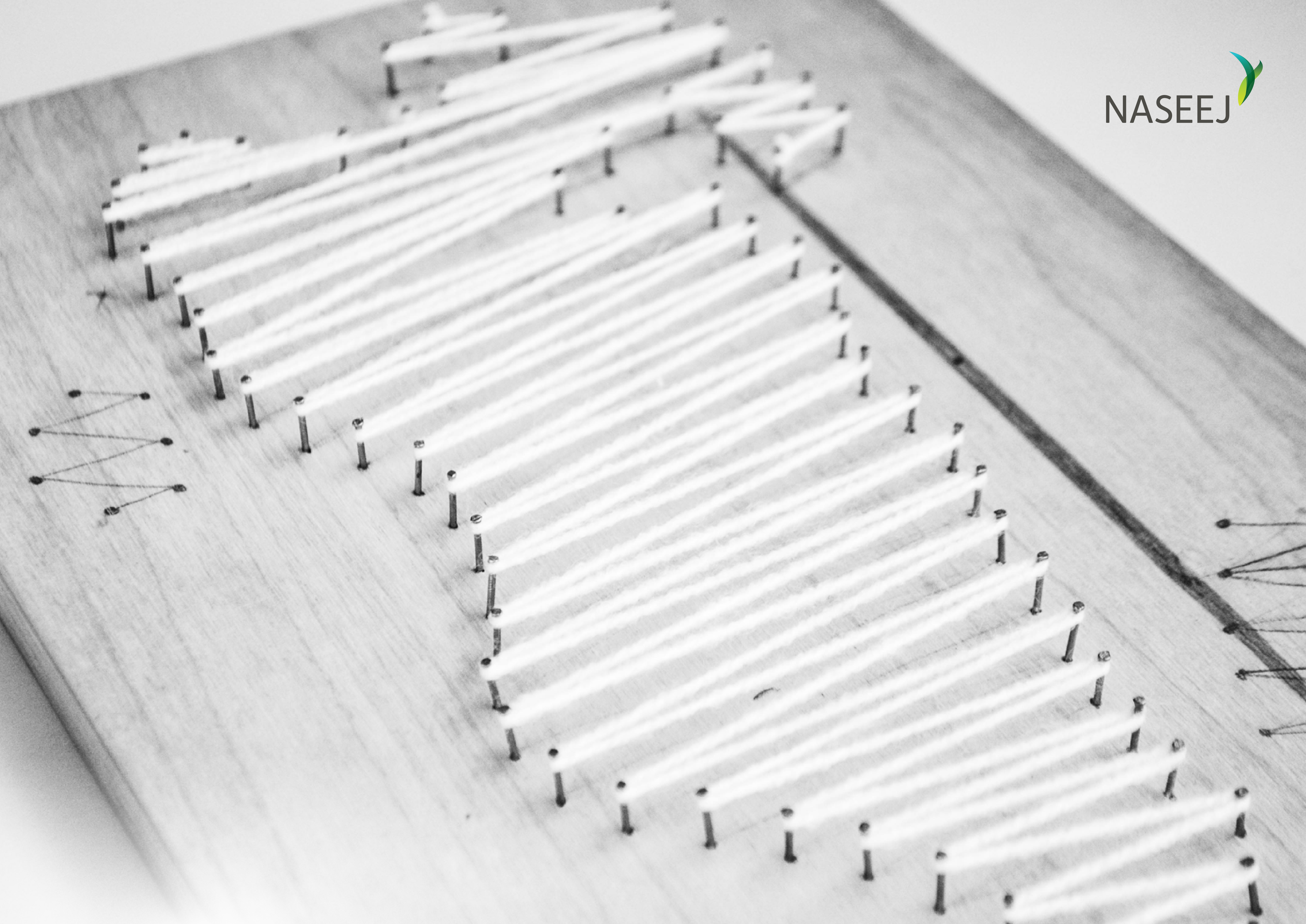
Naseej remains committed to helping the Government meet the growing demand for affordable housing and sustainable communities in Bahrain.

Looking ahead, we expect 2018 to be another highly challenging year, as the Kingdom of Bahrain and the GCC continue to adjust to a new economic reality and changing regulatory environment. However, latest statistics from Bahrain's Economic Development Board show that the Kingdom continues to be one of the most diversified and fastest-growing economies in the GCC, with both non-oil and real GDP forecast to grow next year. In addition, Bahrain's real estate sector continues to demonstrate resilience and growth. Against such an encouraging backdrop, we are optimistic about the Company's future prospects.

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 programme; and their encouragement for greater private sector participation. I also gratefully acknowledge the constructive support and guidance we received during the year from the Kingdom's various ministries and government agencies, especially the Ministry of Housing, the Ministry of Industry, Commerce & Tourism and the Ministry of Finance.

I would also like to thank our shareholders for their continued trust and confidence, and our business partners for their collaboration; and pay tribute to the commitment and professionalism of our management and staff throughout 2017.

Mohammed Bucheerei
Chairman of the Board



MANAGING DIRECTOR'S STATEMENT

MR. MOHAMMED KHALIL ALSAYED
Managing Director

I am pleased to announce that for its eighth Annual Report since inception, Naseej has made commendable progress so far and we closed 2017 in completing three prominent social and affordable housing projects, while commencing development of a new and unique mixed-use residential and retail project.

SOCIAL AND AFFORDABLE HOUSING PROJECTS: BAHRAIN

The pioneering social and affordable housing public-private-partnership (PPP) project in the Kingdom of Bahrain passed a major milestone in 2017 with the certification and handover of all the remaining phases of the Affordable Housing Public-Private-Partnership (PPP) project with the Ministry of Housing of Bahrain. The completion and handover of 2,318 social housing units located at Al Luwzi and at Madinat Salman (Al Madina Al Shamaliya) marks a distinct achievement not only due to such a Housing PPP project being a first for the region, but also because of the complexity, magnitude and footprint of this pioneering initiative.

Jumana – which is the affordable housing component of the PPP project at Al Madinat Salman (Al Madina Al Shamaliya) – made excellent progress during the year. This project comprises 165 villas and 202 apartments in a serene seafront setting. Handover of the villas has commenced, and the nine apartment towers have been completed.

SOCIAL HOUSING PROJECT: MOROCCO

Naseej is also developing a large social housing project in Morocco, which involves construction of around 8,000 social housing apartments for sale to end users in the affordable segment of the income bracket. The Government has been very supportive in encouraging the participation of the private sector by putting in place a sound financial and regulatory environment for social and affordable housing. Naseej engaged closely with the Moroccan authorities during 2017 for various commercial and technical aspects of this large project including on the requested extension to the original agreement. It intends to commence construction of Phase I during 2018, once formal approvals are received.

MIXED-USE DEVELOPMENT PROJECT: BAHRAIN

Our latest flagship project – Canal View – also progressed well in 2017. This is a mixed-use project occupying a prime canal-side location of over 13,000 square metres on the prestigious Dilmunia Island. The project comprises 246 apartments in four buildings set in landscaped gardens next to a sweeping canal promenade providing a diverse range of retail and dining outlets. Key developments in 2017 include the selection of the main contractor after due process, and completion of piling works on site.

FUTURE PROJECTS

Naseej has developed a healthy pipeline of potential new projects based on sustainable and demand-driven opportunities in Bahrain and the GCC. These are currently under review by the Projects and Investment Committee (PIC) for consideration and thereafter, as the case may be, for approval by the Board of Directors of Naseej. In addition to the social and affordable housing sector, we are looking at related sectors that would create synergy for Naseej's deal pipeline, so that our projects would leave a positive impact on the economy while helping foster vibrant communities through a diversified portfolio of projects.

HUMAN CAPITAL

Our business performance in 2017 is testament to the dedication, focus and professionalism of our executive management team, support staff and their proactive response to the many challenges encountered during the year. It is encouraging to note that Naseej has one of the highest profit-per-staff ratios in the real estate and related sectors. During the year, we continued to invest in human capital development by imparting performance development training programmes for our staff.

CORPORATE SOCIAL RESPONSIBILITY

Naseej has an enduring commitment to contribute to the social well-being and economic prosperity of the Kingdom of Bahrain as witnessed through the projects it has taken up. In addition, during 2017, we continued to support the development of the real estate sector through sponsorship and participation in leading industry events such as the Bahrain International Property exhibition (BIPEX), Cityscape Global and the Gulf Property Show. Naseej also supported the professional development of young Bahrainis by providing summer internships for students from the University of Bahrain to gain practical work experience in different disciplines.

> Naseej has developed a healthy pipeline of potential new projects based on sustainable and demand-driven opportunities in Bahrain and the GCC.

LOOKING AHEAD

The recent discovery of large oil and gas reserves in the Khaleej Al Bahrain basin bodes well for the future of the Kingdom as it will boost consumer and investor confidence, that will have larger positive effects across other segments of the economy over the longer term.

While we wait to see the introduction of a VAT regime in Bahrain in 2019, we remain hopeful of a smooth transition to a new regulatory framework for the real estate sector, so that the institutional frameworks work in-step with the private players.

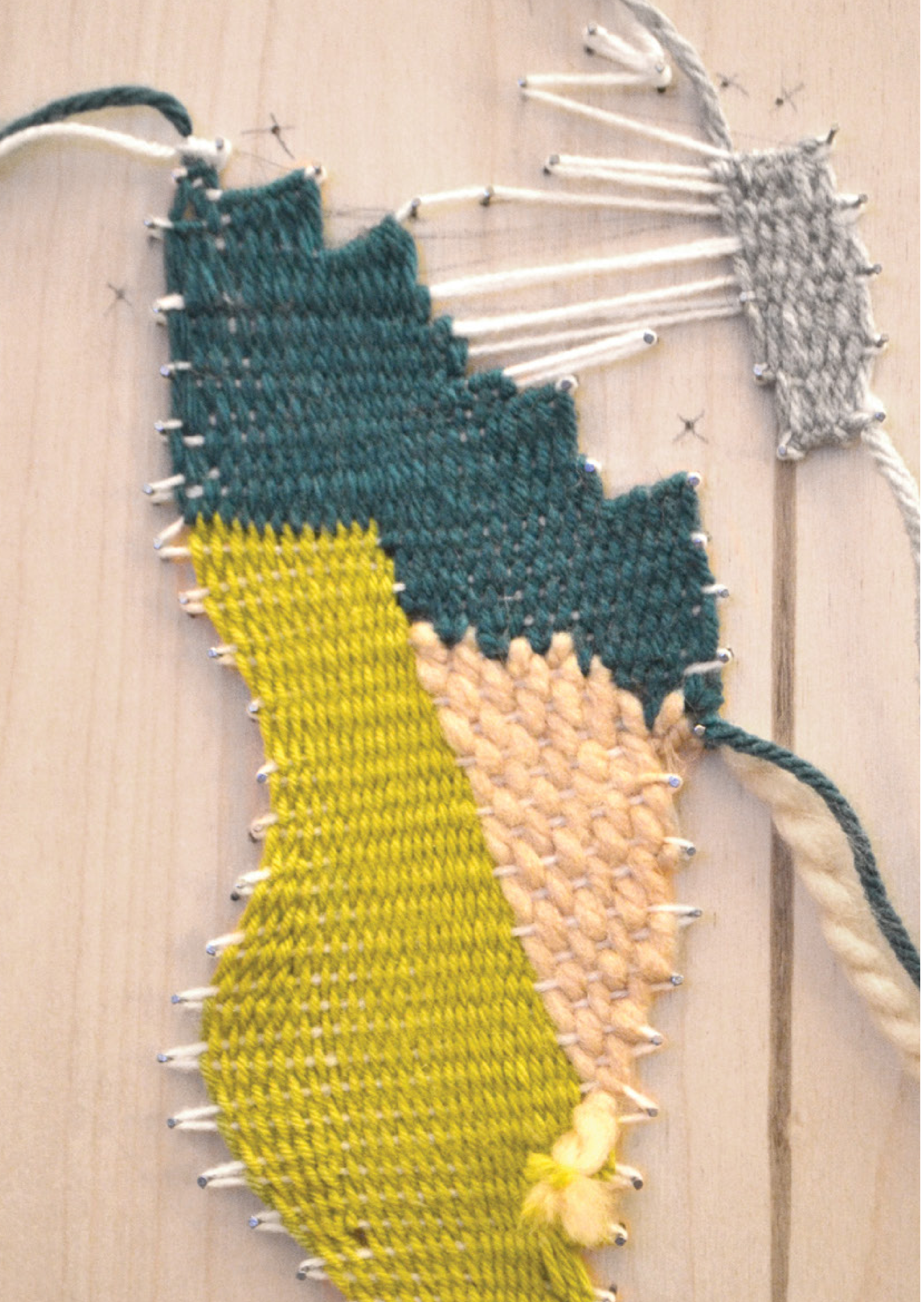
Bahrain's real estate sector was fairly competitive in the residential segment for most income levels, marked by an uptick in demand for residential and retail developments, with the affordable / low-cost residential segment experiencing particularly high demand. This trend is expected to continue into next year, which will provide excellent opportunities for Naseej, given our strategic focus on these segments.

Naseej intends to consolidate its position in its core strength areas while building a portfolio of successful projects and income generating assets. In particular, in 2018, we plan to adopt a more aggressive approach to identifying new local and regional opportunities where we can capitalise on our unique PPP expertise, and also address demand gaps in other market segments that offer significant potential. These include mixed-use developments in which we are already active through our Canal View project; together with related demand-driven sectors such as education, health and tourism. This will further diversify our portfolio, while supporting key pillars of Bahrain's Vision 2030 and the Government Action Plan.

ACKNOWLEDGEMENTS

On behalf of the Management team, I would like to place on record, my gratitude to all the stakeholders of Naseej and in particular, express my appreciation to the Board of Directors for its continued support, trust and encouragement. Finally, I thank the employees of Naseej for their contribution and urge them to continue to give their best in the years to come so that we truly become the developer of choice, building communities that build Bahrain, and in other countries where we are present.

Mohammed Khalil Alsayed
Managing Director



A COMPANY THAT BUILDS HOMES. HOMES THAT BUILD COMMUNITIES. COMMUNITIES THAT SHAPE **BAHRAIN**.

NASEEJ

JUMANA
المدينة الشمالية

CANALVIEW
AT DILMUNIA

ياسمينة سار
YASMEENAT SAAR

MANAGEMENT TEAM

MR. MOHAMMED KHALIL ALSAYED | Managing Director

With more than three decades 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 the Managing Director 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), Chairman of Health Island BSC (c) 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 more than a decade ago. In other roles he has discharged during his career, Mr. Alsayed chaired the council that regulates the engineering profession in Bahrain, that is now called the CRPEP, Council for Regulating the Practice of Engineering Profession (2008 – 2013). He is also a 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 for two consecutive terms. 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 | General Manager

Ahmed Al Hammadi has 35 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 17 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 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 has over 40 years' experience in construction and brings a wealth of knowledge across a wide range of sectors including contracting, project management, consulting and client development, Roy has gained international experience working in a number of countries spanning the United Kingdom, North Africa, Europe and the Middle East. Roy fully engages in all aspects of the construction cycle to ensure objectives are met and has a great aptitude to problem solving and has an accomplished track record throughout his career holding senior management positions with some of the world's leading construction related organisations. These include Arabtec Construction International, Dar Al-Handasah Shair & Partners Consultants, HBG Construction - Royal BAM Group, Bluestone - Morgan Sindall Group, Balfour Beatty Construction UK, Bovis Europe, Tarmac Major Projects and Baxter Fell International. Throughout his extensive career, Roy has gained vast experience working on a wide spectrum of challenging projects across numerous sectors. These include Shopping malls; Hotel and Residential projects; Healthcare -Hospitals facilities; Educational Universities; Data centers; Commercial office blocks; National Exhibition Conference halls; Sport and leisure centers; High security prison and Government military bases.

WELCOME TO A NEW **VIEW.**

CANALVIEW
AT DILMUNIA

"Our latest flagship project – Canal View, progressed *well in 2017. This is a mixed-use project occupying a prime canal-side location of over 13,000 square metres on the prestigious Dilmunia Island - Muharraq.*"

"*Key developments in 2017 include the selection of the main contractor after due process, and completion of piling works on site.*"

Mohammed Alsayed, Managing Director
Naseej BSC (c)

In the heart of Dilmunia.

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CanalView.bh

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 2017

- Chairman Mr. Khalid Abdulla-Janahi resigned and left the Board of Directors on June 14, 2017.
- Mr. Mohammed Bucheerei joined the Board of Directors on July 5, 2017, representing Ithmaar Development Company, and was elected by all Board members for the position of Chairman. He also joined the Finance and Risk Committee.
- Mr. Reyadh Sater became the new Vice Chairman of Naseej BSC.

OWNERSHIP

Naseej has a total of 29 shareholders. The names of the major shareholders owning shares in excess of 5% are as follows:

• Ithmaar Holding B.S.C	18.70%
• BBK B.S.C	15.15%
• Ithmaar Development Company Ltd	11.99%
• Social Insurance Organisation	10.91%
• Khaleeji Commercial Bank B.S.C	6.26%
• Al Fateh Investment	6.06%
• Ibdar Bank B.S.C	5.84%

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 Almutawa, Chairman
  Abbas Radhi
  Abdulellah Alqasimi

- 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 Almutawa
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:
Mohammed Bucheerei, Chairman
Dr. Khalid Abdulla
Khalil Almeer
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 corporate governance policy to ensure compliance with the Corporate Governance Code of the Kingdom of Bahrain.

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

CORPORATE GOVERNANCE AND RISK MANAGEMENT (CONT.)

BOARD AND COMMITTEE MEETINGS

During the period from 1st January 2017 to 31st December 2017, 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:

		COMMITTEES			
DIRECTORS	Board	Audit Committee	Project & Investment Committee	Finance & Risk Committee	Remuneration, Nomination & Corporate Governance
Number of meetings held during the year.	5	4	9	2	4
ATTENDANCE:					
Mohammed Bucheerei*	2			1	
Reyadh Yusuf Sater	5		9	2	
Dr. Abdulaziz Abul	4				4
Abdulellah Alqasimi	5	4			
Abdulhakeem Almutawa	5		9		
Bashar Almutawa	5	4			
Dr. Khalid Abdulla	5			2	
Khalil Ismail Almeer	5			2	4
Mohammed Khalil Alsayed	5		9		4
Saqer Shaheen Saqer	5		9		
Abbas Radhi**		4			
AbdulKarim Bucheery***					4
Khalid-Abdulla Janahi****	3			1	

* Joined the Board of Directors July 5, 2017
** Independent Audit Committee member
*** Independent RNGC Committee member
**** Left the Board June 14, 2017

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

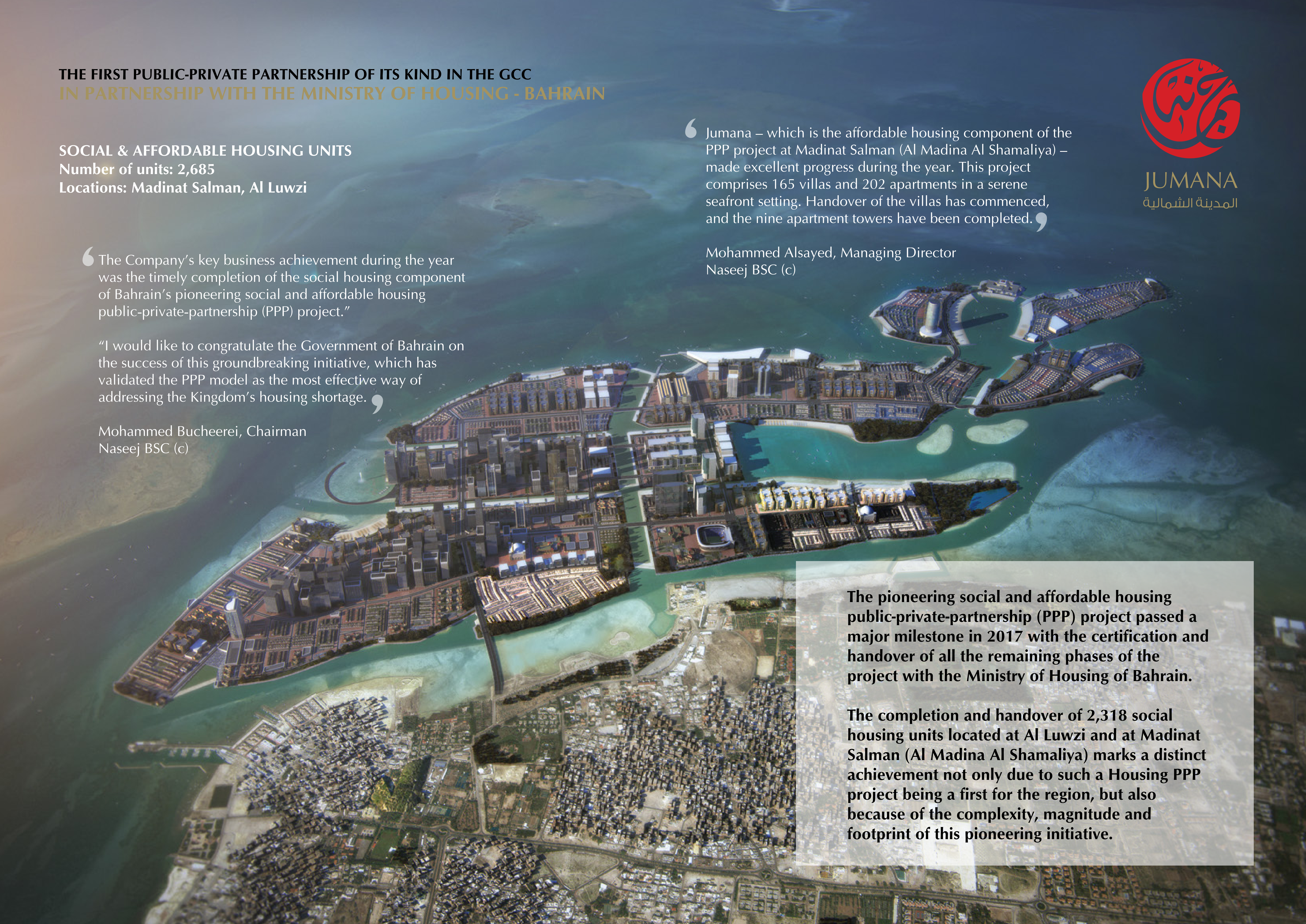
Naseej has developed a risk management framework that provides controls and ongoing management of the major risks inherent in the Company's business activities. The Board of Directors has the ultimate authority for setting the overall risk appetite, risk tolerance, parameters and limits, within which 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 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.



THE FIRST PUBLIC-PRIVATE PARTNERSHIP OF ITS KIND IN THE GCC

IN PARTNERSHIP WITH THE MINISTRY OF HOUSING - BAHRAIN

JUMANA

المدينة الشمالية

SOCIAL & AFFORDABLE HOUSING UNITS
Number of units: 2,685
Locations: Madinat Salman, Al Luwzi

“The Company’s key business achievement during the year was the timely completion of the social housing component of Bahrain’s pioneering social and affordable housing public-private-partnership (PPP) project.”

“I would like to congratulate the Government of Bahrain on the success of this groundbreaking initiative, which has validated the PPP model as the most effective way of addressing the Kingdom’s housing shortage.”

Mohammed Bucheerei, Chairman
Naseej BSC (c)

“Jumana – which is the affordable housing component of the PPP project at Madinat Salman (Al Madina Al Shamaliya) – made excellent progress during the year. This project comprises 165 villas and 202 apartments in a serene seafront setting. Handover of the villas has commenced, and the nine apartment towers have been completed.”

Mohammed Alsayed, Managing Director
Naseej BSC (c)

The pioneering social and affordable housing public-private-partnership (PPP) project passed a major milestone in 2017 with the certification and handover of all the remaining phases of the project with the Ministry of Housing of Bahrain.

The completion and handover of 2,318 social housing units located at Al Luwzi and at Madinat Salman (Al Madina Al Shamaliya) marks a distinct achievement not only due to such a Housing PPP project being a first for the region, but also because of the complexity, magnitude and footprint of this pioneering initiative.

NASEEJ B.S.C. (C)

Directors' Report
For the year ended 31 December 2017

The Directors have pleasure in submitting their report together with the audited consolidated financial statements of Naseej B.S.C. (c) (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2017.

PRINCIPAL ACTIVITY
The principal activity of the Company is to construct, develop, sale and purchase of real estate.

RESULT OF FINANCIAL POSITION
The consolidated financial position of the Group as at 31 December 2017 and the results for the year ended 31 December 2017 are set out in the accompanying consolidated financial statements.

CHANGE IN DIRECTORS
During the year, Khalid Abdulla-Janahi resigned on June 14, 2017 and Mohammed Bucheerei was appointed on July 5, 2017.

AUDITORS
The auditors, Deloitte & Touche Middle East, have expressed their willingness to be reappointed as auditors of the Group for the year ending 31 December 2018.

Mohammed Bucheerei
Chairman

Reyadh Sater
Vice Chairman

March 6, 2018

Deloitte.

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Naseej B.S.C. (c) (the "Company"), and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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

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

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

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

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of 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.

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

Deloitte.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

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 of the bahrain commercial companies law or the terms of the company's memorandum and articles of association, having occurred during the year that might have had a material adverse effect on the business of the company or on its consolidated financial position; and
(d) Satisfactory explanations and information have been provided to us by the board of directors in response to all our requests.

Deloitte & Touche,
Partner Registration No. 157
Manama, Kingdom of Bahrain

March 6, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	Note	December 31 2017 BD	December 31 2016 BD
ASSETS			
Non-current assets			
Properties under development	5	12,699,693	13,391,680
Investment property	6	4,611,262	4,199,311
Property and equipment	7	139,005	162,680
Fixed Deposits with Bank	8	4,077,632	-
Total non-current assets		21,527,592	17,753,671
Current assets			
Cash and cash equivalents	8	46,204,181	8,041,424
Fixed deposits with banks	8	5,286,461	12,500,000
Trade Receivables	9	23,638,016	5,665,840
Unbilled Revenue	9	62,843,230	112,903,644
Other assets	10	1,038,200	1,899,324
Total current assets		139,010,088	141,010,232
Total assets		160,537,680	158,763,903
EQUITY AND LIABILITIES			
Equity			
Share capital	14	108,000,001	108,000,001
Statutory reserve	13	2,544,487	2,033,932
Foreign currency translation reserve		(498,585)	(606,758)
Retained earnings		22,016,972	22,821,974
Equity attributable to owners of the Company		132,062,875	132,249,149
Non-controlling interests		(650,987)	(765,484)
Total equity		131,411,888	131,483,665
Liabilities			
Non-current liabilities			
Contractors' retention		-	12,524,762
Employees' end of service benefits		406,674	325,605
Total Non-current liabilities		406,674	12,850,367
Current liabilities			
Contractors' retention		13,073,806	-
Trade and other payables	12	9,332,541	13,614,871
Borrowings	11	5,497,771	-
Provision	17(c)	815,000	815,000
Total current liabilities		28,719,118	14,429,871
Total liabilities		29,125,792	27,280,238
Total equity and liabilities		160,537,680	158,763,903

The consolidated financial statements consisting of pages 32 to 57 were approved by the Board of Directors on March 6, 2018

Mohammed Bucheerei
Chairman

Reyadh Sater
Vice Chairman

Notes 1 to 21 form part of this consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

	Note	December 31 2017 BD	December 31 2016 BD
Revenue		34,841,306	86,884,624
Direct Costs	15	(27,826,395)	(78,465,030)
Gross Profit		7,014,911	8,419,594
Income from Deposits	8	506,633	995,151
Other income		392,910	44,835
Expenses			
Administrative expenses	16	(2,363,820)	(2,059,234)
Marketing expenses		(237,111)	(112,130)
Other operating expenses		(201,646)	(64,755)
Provision for claims and contingencies	17 (c)	-	(815,000)
Provision for foreseeable loss on project	17 (b)	-	(314,000)
Profit for the year		5,111,877	6,094,461
Profit for the year attributable to:			
Owners of the Company		5,105,553	6,132,514
Non-controlling interest		6,324	(38,053)
		5,111,877	6,094,461
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign exchange translation reserve		216,346	(175,208)
Total comprehensive income for the year		5,328,223	5,919,253
Total comprehensive income for the year attributable to			
Owners of the Company		5,213,726	6,044,910
Non-controlling interest		114,497	(125,657)
		5,328,223	5,919,253

The consolidated financial statements consisting of pages 32 to 57were approved by the Board of Directors on March 6, 2018

Mohammed Bucheerei
Chairman

Reyadh Sater
Vice Chairman

Notes 1 to 21 form part of this consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017

2016	Attributable to Owners of Company						
	Share capital	Statutory reserve	Retained earnings	Foreign exchange translation reserve	Total	Non-controlling interests	Total equity
	BD	BD	BD	BD	BD	BD	BD
At 1 January 2016	108,000,001	1,420,681	17,302,711	(519,154)	126,204,239	(639,827)	125,564,412
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	2,033,932	22,821,974	(606,758)	132,249,149	(765,484)	131,483,665

2017	Attributable to Owners of Company						
	Share capital	Statutory reserve	Retained earnings	Foreign exchange translation reserve	Total	Non-controlling interests	Total equity
	BD	BD	BD	BD	BD	BD	BD
At 1 January 2017	108,000,001	2,033,932	22,821,974	(606,758)	132,249,149	(765,484)	131,483,665
Profit for the year	-	-	5,105,553	-	5,105,553	6,324	5,111,877
Other comprehensive income	-	-	-	108,173	108,173	108,173	216,346
Total comprehensive income for the year	-	-	5,105,553	108,173	5,213,726	114,497	5,328,223
Transfer to statutory reserves	-	510,555	(510,555)	-	-	-	-
Dividend declared	-	-	(5,400,000)	-	(5,400,000)	-	(5,400,000)
At 31 December 2017	108,000,001	2,544,487	22,016,972	(498,585)	132,062,875	(650,987)	131,411,888

The attached notes 1 to 21 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

	December 31 2017 BD	December 31 2016 BD
Changes in operating assets and liabilities		
Profit for the year	5,111,877	6,094,461
Adjustments for:		
Income from deposits	(506,633)	(995,151)
Provision for claims and contingencies	-	815,000
Provision for foreseeable loss on project	-	314,000
Depreciation	182,099	82,334
Loss from disposal	1,714	-
Profit for the year before changes in operating assets and liabilities	4,789,057	6,310,644
Changes in operating assets and liabilities		
Decrease in properties under development	159,887	7,290,688
Increase in trade receivables	(17,972,176)	(4,683,161)
Decrease / (increase) in unbilled revenue	50,060,414	(61,946,936)
Decrease in other assets	730,261	3,325,768
Decrease in trade and other payables	(4,610,352)	(2,914,202)
Increase in contractors retention	549,044	6,612,896
Net cash generated from / (used in) operating activities	33,706,135	(46,004,303)
Cash flows from investing activities		
Purchase of property and equipment	(40,282)	(16,979)
Proceed from disposal of property and equipment	293	-
Purchase of investment property	-	(4,210,700)
Income from deposits	637,496	2,300,902
Fixed deposits encashed during the year, net	3,135,907	43,000,000
Net cash from investing activities	3,733,414	41,073,223
Cash flows from financing activities		
Net movement in loan	5,497,771	-
Dividend paid	(4,990,909)	-
Net cash generated from financing activities	506,862	-
Net increase / (decrease) in cash and cash equivalents during the year	37,946,411	(4,931,080)
Cash and cash equivalents at the beginning of the year	8,041,424	13,147,712
Effects of currency translation on cash and cash equivalents	216,346	(175,208)
Cash and cash equivalents at the end of the year	46,204,181	8,041,424

The attached notes 1 to 21 form part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

1 INCORPORATION AND ACTIVITIES:

Naseej B.S.C. (c) is a closed joint stock company (the "Company" or "Naseej") incorporated in the Kingdom of Bahrain on August 5, 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 information of the Company and its subsidiaries (collectively the "Group").

As at December 31, 2017, the Group has the following subsidiaries:

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

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS):

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 12;
- Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses; and
- Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities.

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective for annual periods beginning on or after January 1, 2017:

- IFRS 9 Financial Instruments (effective date 1 January 2018)

  IFRS 9 'Financial Instruments' replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after January 1, 2018. IFRS 9 impacts the classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. The primary impact on the Group relates to the provisioning for future credit losses on its financial assets and the requirement of certain additional disclosures.

- Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.

- Amendments to IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued):

2.2 New and revised IFRS in issue but not yet effective (Continued)

- IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018)

  In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on January 1, 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue arising from contracts with customers and establishes a five-step model for that. Under IFRS 15 revenue will be recognized as goods and services are transferred, to the extent that the transferor anticipates entitlement to consideration in exchange for those goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

- IFRS 16 Leases (effective date 1 January 2019)

  IFRS 16 Leases specifies how an IFRS reporter will recognise, measure, present and disclose leases.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date 1 January 2018)

  The interpretation addresses foreign currency transactions or parts of transactions in certain circumstances.

- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 (effective date 1 January 2018)

- IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant.

  IFRS 9 Financial instruments

  During 2017, the Group performed a preliminary impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its consolidated financial statements.

  IFRS 15 Revenue from Contracts with Customers

  The core principle of IFRS 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to the customers. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods.

  During 2017, the Group performed a preliminary analytics of IFRS 15, which is subject to changes arising from a more detailed analysis. Overall, the Group expects no significant impact on its consolidated financial statements.

  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 lease 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.

  Other standards and interpretations that have been issued but not yet effective are not likely to have any significant impact on the consolidated financial statements of the Group in the period of their initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES:

Statement of compliance

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

Basis of preparation

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

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

The principal accounting policies are set out below.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

a) Cash and cash equivalents

Cash and cash equivalents include cash on hand and fixed deposits with banks with original maturities within three months or less after the year end, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the consolidated statement of financial position.

b) 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; and
- 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.

c) 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 consolidated statements of profit or loss. No depreciation is charged on land. Buildings are depreciated over their estimated useful lives of 30 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

d) Property and equipment

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

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

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

Leasehold improvements	Lease period
Furniture, fixtures, and equipment	5 Years
Computers	3 Years

e) 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.

f) 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.

g) 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.

h) Investment income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

i) Provision for employees' end-of-service benefits

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

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

j) 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.

a) 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.

b) 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.

k) Impairment of non-financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

l) Financial assets

Financial assets include fixed deposit from banks, due from customer, and Cash and cash equivalents. Financial assets are recognized on the date at which they are originated. Financial assets are initially recognized at fair value plus directly attributable transaction costs for instruments not at fair value through profit or loss.

Receivables: Subsequent to initial recognition, accounts receivables are measured at amortized cost, less any allowance for impairment.

Impairment of financial assets: Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

The objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

Individually significant financial assets are tested for impairment on an individual basis. Remaining financial assets which share similar credit characteristics are assessed for impairment on a collective basis.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets: The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

The difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

m) Financial liabilities

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

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

Derecognition of financial liabilities: The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.
The difference between the carrying amount of the financial liability derecognized and the sum of the consideration paid and payable is recognized in profit or loss.

n) Provisions

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

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

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

o) Foreign currencies

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.

p) Offsetting Financial Assets and Financial Liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

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

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

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3, management did not have to make judgements that may have significant effect on the amounts recognized in the consolidated financial statements.

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

- Note 3 d): Estimates of useful lives, residual values, depreciation methods for property and equipment,
- Note 3 n): Provision
- Note 3 g): Revenue recognition
- Note 3 k): Impairment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

5. PROPERTIES UNDER DEVELOPMENT:

These include cost of acquisition of land at Ain Aoude, Morocco for the Ain Aoude social property development project and land in Dilmunia at Bahrain for the Dilmunia 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 include various expenses incurred in relation to the above projects and the Bahrain Affordable Housing PPP project.

5.1 The movement in properties under development:

	December 31, 2017 BD	December 31, 2016 BD
Opening	13,705,680	20,996,368
Expenses incurred during the year	27,666,508	71,174,342
Cost recognised during the year (Note 15)	(27,826,395)	(78,465,030)
Transfer to investment property (Note 6)	(532,100)	-
	13,013,693	13,705,680
Provision for foreseeable loss on project*	(314,000)	(314,000)
	12,699,693	13,391,680

* Relates to the Morocco project (see also note 17b)

5.2 The country-wise breakdown is as follows:

	December 31, 2017 BD	December 31, 2016 BD
Bahrain		
- Bahrain Affordable Housing PPP Project	706,002	5,967,053
- Dilmunia project	5,485,550	1,207,433
Morocco	6,508,141	6,217,194
	12,699,693	13,391,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

6. INVESTMENT PROPERTY:

	December 31, 2017 BD	December 31, 2016 BD
Opening	4,199,311	-
Transfer from property under development (Note 5)	532,100	-
Additions during the year	-	4,210,700
Depreciation for the year (Note 16)	(120,149)	(11,389)
Closing	4,611,262	4,199,311

The investment property is carried under the cost model. Management believes that the carrying value of the investment property is not significantly different from its fair value at the reporting dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

7. PROPERTY AND EQUIPMENT:

	Leasehold Improvements BD	Office equipment & Furniture BD	Computers BD	Work in Progress BD	Total BD
Cost:					
At January 1, 2016	315,810	47,845	213,124	-	576,779
Additions	8,850	4,048	4,081	-	16,979
At December 31, 2016	324,660	51,893	217,205	-	593,758
Additions	2,076	24,119	4,087	10,000	40,282
Reclassifications	4,414	(9,342)	4,928	-	-
Disposals	(1,166)	(2,659)	(63,582)	-	(67,407)
At December 31, 2017	**329,984**	**64,011**	**162,638**	**10,000**	566,633
Accumulated Depreciation					
At January 1, 2016	162,197	33,476	164,460	-	360,133
Depreciation Expense (Note 16)	35,568	9,259	26,118	-	70,945
At December 31, 2016	197,765	42,735	190,578	-	431,078
Depreciation expense (Note 16)	37,388	7,062	17,500	-	61,950
Relating to reclassifications	2,610	(7,286)	4,676	-	-
Relating to disposals	(815)	(2,611)	(61,974)	-	(65,400)
At December 31, 2017	**236,948**	**39,900**	**150,780**	-	427,628
Carrying Amount:					
December 31, 2017	**93,036**	**24,111**	**11,858**	**10,000**	139,005
December 31, 2016	**126,895**	**9,158**	**26,627**	-	162,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

8. RELATED PARTIES:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant shareholders and entities over which the Group and the shareholders exercise significant influence, directors and other key management of the Group.

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

a) Balances with shareholders

	December 31, 2017 BD	December 31, 2016 BD
Assets		
Cash and bank balances	36,204,181	8,041,424
Fixed deposits with bank		
- Original maturity within 3 months	10,000,000	-
	46,204,181	8,041,424

	December 31, 2017 BD	December 31, 2016 BD
Fixed deposits with banks		
- Original maturity of 4 months to 1 year	5,286,461	12,500,000
- Original maturity more than 1 year	4,077,632	-
	9,364,093	12,500,000
Unamortised debt arrangement fee	45,000	105,000
Liabilities		
Borrowings (Note 11)	5,497,771	-

Fixed deposits are held with financial institutions in Bahrain with an average profit rate of ranged from 2.4% to 3.7% (2016: 2.75% to 3.8%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

8. RELATED PARTIES (CONTINUED):

b) Transactions with shareholders

	December 31, 2017 BD	December 31, 2016 BD
Income from deposits	506,633	995,151
Borrowing cost (Note 11)	769,999	-
Debt arrangement fee (Note 15)	60,000	60,000
Professional fees	444,956	1,498,350

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:

	December 31, 2017 BD	December 31, 2016 BD
Directors' remuneration	-	275,000
Directors' sitting fee	208,750	123,706
Salaries and other short term benefits	355,170	395,823
Post employment benefits	36,548	37,776

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

9. DUE FROM CUSTOMERS:

	December 31, 2017 BD	December 31, 2016 BD
Trade receivables *	23,638,016	5,665,840
Unbilled revenue **	62,843,230	112,903,644

* Trade receivables include BD 23,478,888 (2016: 4,561,408) invoiced to the Ministry of Housing under the Bahrain Affordable Housing PPP project and was collected subsequent to year end.

** Unbilled revenue includes revenue recognised on Bahrain Affordable Housing PPP project for an amount of Nil (2016: BD 54,721,838) which are not billed and are expected to be collected for more than 12 months after year-end.

10. OTHER ASSETS:

	December 31, 2017 BD	December 31, 2016 BD
Accrued income	116,304	247,319
Prepayments and advances *	342,687	1,158,082
Other assets	579,209	493,923
	1,038,200	1,899,324

* The above mainly relates to advance made to contractors as per the signed agreements for the Bahrain Affordable Housing PPP project.

11. BORROWING:

	December 31, 2017 BD	December 31, 2016 BD
Current portion	5,497,771	-
	5,497,771	-

Borrowings carry a weighted average finance charge of 7.25% per annum. During the year, the borrowing costs amounted to BD 769,999 (Note 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

12. TRADE AND OTHER PAYABLES:

	December 31, 2017 BD	December 31, 2016 BD
Trade payables	1,225,976	10,182,249
Advance from customer	-	68,000
Dividends payable	409,091	-
Security deposit	34,000	34,000
Other payables	7,663,474	3,330,622
	9,332,541	13,614,871

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

13. STATUTORY RESERVE:

In accordance with the Bahrain Commercial Companies Law and the Company's Articles of Association, 10% of the yearly net profit should be appropriated to statutory reserve. The Group may elect to discontinue such appropriation when the reserves reaches 50% of the capital. This reserve is not available for distribution.

14. SHARE CAPITAL:

	December 31, 2017 BD	December 31, 2016 BD
Authorised share capital		
10,800,000,000 shares of BD 0.100 each	1,080,000,000	1,080,000,000
Issued share capital		
1,080,000,010 shares of BD 0.100 issued	1,080,000,001	108,000,001
Called and paid up share capital		
1,080,000,010 shares of BD 0.100	1,080,000,001	1,080,000,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

15. DIRECT COSTS:

	December 31, 2017 BD	December 31, 2016 BD
Construction cost	23,140,015	73,717,805
Professional cost	3,856,381	4,687,225
Borrowing cost	769,999	-
Debt arrangement fee (Note 8)	60,000	60,000
	27,826,395	78,465,030

All the direct costs relate to the Bahrain Affordable Housing PPP project.

16. ADMINISTRATIVE EXPENSES:

	December 31, 2017 BD	December 31, 2016 BD
Salaries and related costs	1,531,050	1,087,739
Other staff expenses	139,401	118,080
Board expenses	248,450	425,938
Office rent	103,255	103,255
Investment property depreciation (Note 6)	120,149	11,389
Depreciation from property and equipment (Note 7)	61,950	70,945
Other administrative expenses	159,565	241,888
	2,363,820	2,059,234

17. CONTINGENCIES AND COMMITMENTS:

Contingencies

a) Bahrain Affordable Housing PPP project

The Group entered into a Concession Agreement with the Ministry of Housing of the Kingdom of Bahrain (MoH) relating to the Bahrain Affordable Housing PPP Project on January 2, 2012 to build 4,152 affordable and social houses in Bahrain. Subsequently an amendment had been signed with MoH on July 28, 2013 to reduce the number of social and affordable houses to 2,685 units.

As per the terms of the agreement relating to the Bahrain Affordable Housing PPP Project, the Group issued a Nil (2016: BD 12.2 million) performance bond. The Group has recourse against the contractors for any delays in performance and completion of contract work.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

17. CONTINGENCIES AND COMMITMENTS:

Contingencies (Continued)

b) Ain Aoude project, Morocco

The Group entered into an agreement with the Government of Morocco on July 3, 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 July 3, 2012. The Group is subject to 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. 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 Group has recognised a provision for foreseeable loss of BD 314,000 during the year ended 31 December 2016 on this project.

c) 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 favorable outcome in the arbitration. However as matter of prudence the Group has made a provision of BD 815,000 for such claims in the prior year while there is no additional provision made during the current period.

Commitments

d) Other financial commitments

The Group entered into agreements with other contractors for BD 6,028,593.

Commitments under operating leases:
The Group only operates as a lessee. Operating leases relates substantially to its office with lease terms of ten years. The operating lease contract contain clause for auto renewal on the expiry of the term for the same period as agreed at the inception of the lease. The Group does not have option to purchase the property at the expiry of the lease period.

	December 31, 2017 BD	December 31, 2016 BD
Recognized in expense:		
Minimum lease payments	103,255	103,255
Operating lease commitments:		
Within one year	103,255	103,255
Between one to five years	240,928	344,183
	344,183	447,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

18. FINANCIAL INSTRUMENTS:

The Group's financial assets are categorized as loans and receivables and its financial liabilities are at amortized cost:

	December 31, 2017 BD	December 31, 2016 BD
Financial assets	142,165,824	139,358,227
Financial liabilities	28,719,118	26,954,633

The Group's use of financial instruments exposes it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework and monitoring the risk management policies in close co-operation with the shareholder. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions.

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

Credit Risk

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

The maximum exposure to credit risk is limited to the carrying values of its financial assets, in addition to the commitments disclosed in Note 17.

Foreign exchange risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

18. FINANCIAL INSTRUMENTS: (CONTINUED)

Interest rate risk

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

The Group's interest rate risk arises from short-term bank deposits and banks' borrowings. Term borrowings from banks are at fixed rate of 7.25%, which expose the Group to cash flow interest rate risk (Note 11).

At December 31, 2017, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been lower/higher by BD 96,820 (2016: BD 62,500).

Liquidity risk

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

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

2017

	Within 3 months BD	3 to 6 months BD	6 to one year BD	More than one year BD
Trade and other payables	9,317,952	-	-	-
Contactors retention	-	-	13,073,806	-
Borrowings	-	2,674,837	2,822,934	-
	9,317,952	2,674,837	15,896,740	-

2016

	Within 3 months BD	3 to 6 months BD	6 to one year BD	More than one year BD
Trade and other payables	13,512,871	-	-	-
Contactors retention	-	-	-	12,524,762
	13,512,871	-	-	12,524,762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

19. CAPITAL RISK MANAGEMENT:

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

Below is the gearing ratio at the reporting date. This ratio is calculated as net debt divided by total capital. Net debt represents total borrowings less cash and cash equivalents. Total capital includes equity plus net debt.

	December 31, 2017 BD	December 31, 2016 BD
Borrowings from banks (Note 11)	5,497,771	-
Less: Cash and cash equivalents (Note 8)	(46,204,181)	(8,041,424)
Net debt	(40,706,410)	(8,041,424)
Total equity	131,411,888	131,483,665
Gearing ratio	-	-

20. FAIR VALUE:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

20.1 Fair value measurements recognised in the consolidated statement of financial position

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

20. FAIR VALUE: (CONTINUED)

The Directors believe that the fair values of financial instruments carried at amortised cost are not significantly different from the carrying values included in the consolidated financial statements.

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

21. COMPARATIVES:

The comparative figures have 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.