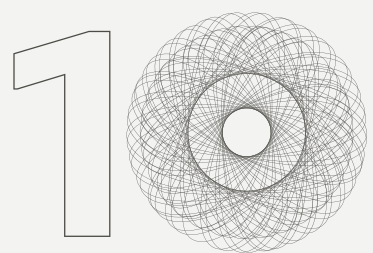




BUILDING SUSTAINABLE COMMUNITIES

ANNUAL REPORT

2019



10 YEARS OF EXCELLENCE

Naseej B.S.C.(c)  
46<sup>th</sup> Floor, East Tower  
Bahrain Financial Harbour  
P.O. Box 1383, Manama  
Kingdom of Bahrain

Tel: +973 1655 7999  
Fax: +973 1655 7990  
info@naseej.bh  
www.naseej.bh



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

## OUR FIRST TEN YEARS: KEY ACHIEVEMENTS



### BAHRAIN PPP PROJECT

Naseej was the exclusive private sector partner of the Government of Bahrain's pioneering social and affordable housing public-and-private partnership (PPP). The first of its kind in the GCC, this ground-breaking initiative involved the construction of 2,318 social and affordable housing units at the two strategic locations of Salman Town and Al Luwzi.



### CURRENT PROJECTS

Naseej is currently developing five housing projects across the Kingdom of Bahrain, comprising more than 800 residential units with a total value approximately 100 million. These include social and affordable housing projects at Arad, Barbar, Budaiya and Busaiteen; and a mixed-use high-end residential and retail development on Dilmunia Island.



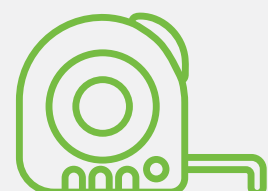
### COMPLETED PROJECTS

Naseej has completed three projects to date in Bahrain, comprising more than 2,500 homes with a total value of BD 148 million. These projects include the Government's Social & Affordable Housing PPP; Jumana – the affordable housing and retail component of the PPP at Salman Town; and the luxury villa development of Yasmeenat Saar.



### NEARING COMPLETION

Two projects in Bahrain are planned for completion by the end of 2020. Canal View is an iconic canal-side mixed-use development of 246 luxury apartments and retail facilities located on the prestigious Dilmunia Island. The Basateen mid-income housing project comprises 23 semi-furnished villas.



### LAND BANK DEVELOPMENT

Naseej currently has a total land bank exceeding 626,000 square metres, to support the development of planned housing projects. The land bank in Bahrain comprises 270,000 square metres at Amwaj Islands, Arad and Jid Al Haj. In Morocco, two adjoining plots at Ain Al Aouda cover over 356,000 square metres.



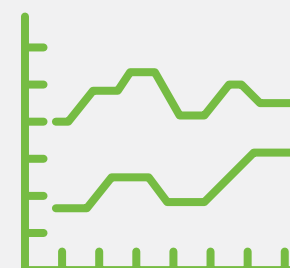
### OUTSIDE BAHRAIN

Naseej is working with the Government of Morocco to develop social and affordable housing units, with retail and commercial facilities, on two adjoining land plots in Ain Al Aouda – located 24 kilometres from Rabat and 80 kilometres from Casablanca – to help address the country's housing shortage.



### MAZAYA SCHEME

Naseej is an approved property developer for the Ministry of Housing's innovative Mazaya Scheme, which helps Bahraini citizens on the social housing list purchase their own homes, through subsidised mortgages from participating financial institutions. Naseej is currently developing over 500 affordable villas under this Scheme at Budaiya, Barbar and Arad.



### CONSISTENT PROFITABILITY

Against a challenging backdrop of economic downturns, financial crises and geo-political tensions, which affected the regional real estate industry, Naseej has achieved ten consecutive years of profitability since commencing operations in 2009. The average annual net profit equates to BD 3.64 million, with a record BD 6.09 million reported in 2016.



## CONTENTS

Company Profile	8
Board of Directors	12
Chairman's Statement	14
Managing Director's Statement	18
Management Team	22
Project Portfolio Review	24
Corporate Governance Report for the year 2019	26
Directors Report	58
Auditor's Report	59
Financial Statements	61
Notes to the Financial Statements	65

Building Communities that Build Bahrain

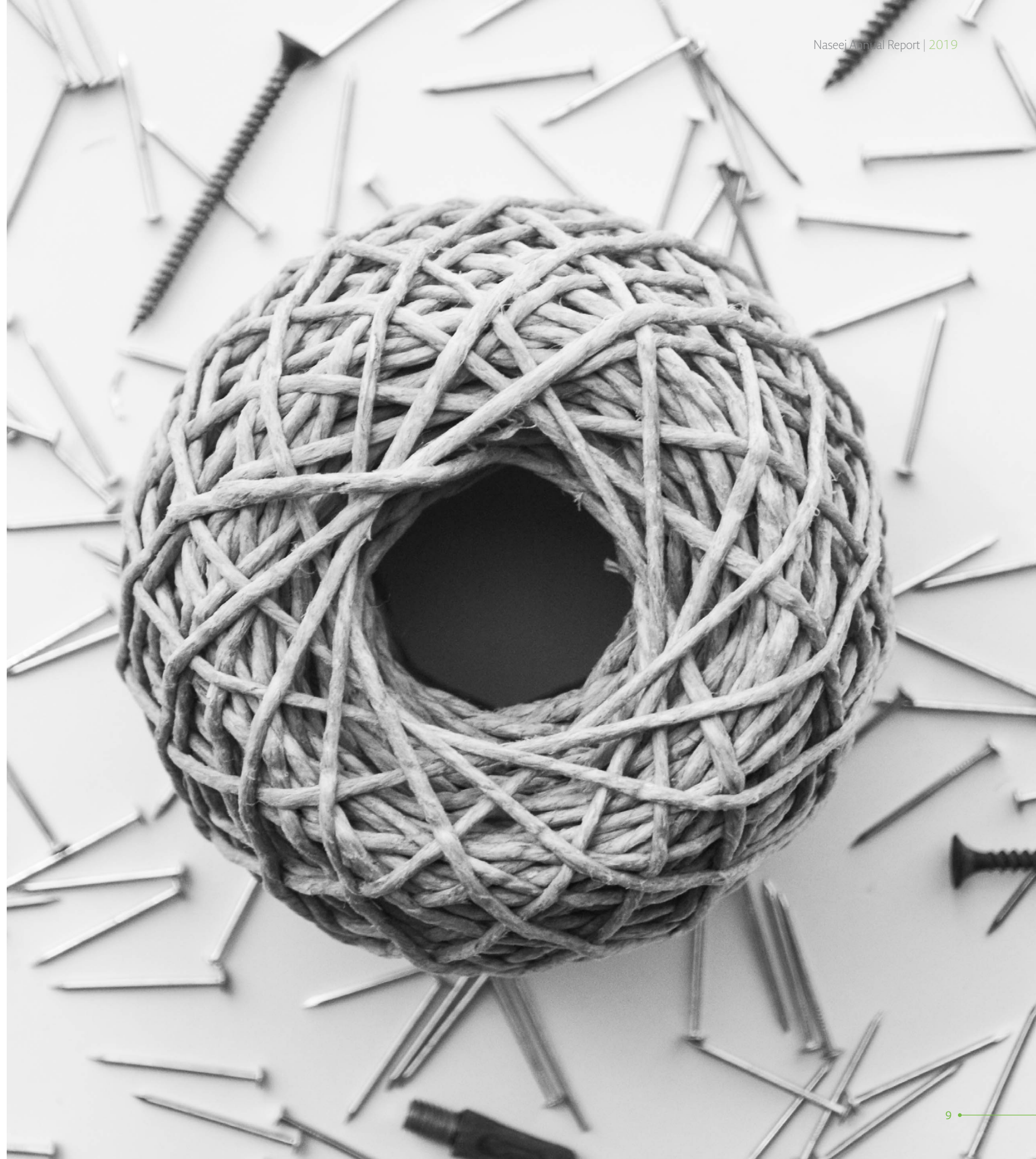




## COMPANY PROFILE

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

Headquartered in the Kingdom of Bahrain and capitalised at BD 86,400,001, 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 opportunity 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



### SHAIKH HAMED MOHAMED HAMED AL KHALIFA | Chairman

**Non-Independent & Non-Executive**

**Elected 2018**

**Chairman of Remuneration, Nomination & Governance Committee**

Shaikh Hamed Al Khalifa is Chief Executive Officer of GFH Properties, a subsidiary of GFH Financial Group. Prior to this, he was General Director of Urban Planning at Bahrain's Ministry of Urban Planning & Municipalities, where he led the development of the Kingdom's revised 2016 Masterplan. Previously, he was Investment Manager - Real Estate, at Mumtalakat, the sovereign wealth fund of the Kingdom of Bahrain; and Project Manager in charge of national planning development studies at the Bahrain Economic Development Board. Shaikh Hamed is Chairman of Riffa Palms Real Estate, Deputy Chairman of the Bahrain Air Space Agency, and a Board Member of the Telecommunications Regulatory Authority. He is also a former Board Member of Durrat Al-Bahrain and Southern Tourism Company. Shaikh Hamed holds an MSc in Engineering Management and a BSc in Systems Analysis, from George Washington University, USA. He has 21 years' professional experience.



### MR. ABDULKARIM BUCHEERY | Vice Chairman

**Non-Independent & Non-Executive | Elected 2018**

**Chairman of the Executive Committee**

With over 40 years of experience in the banking and finance fields, Mr. Abdulkarim Buceery holds a Bachelor of Science in Economic Science Stream from the University of Aleppo, Syria - 1976. He has held many senior management posts in the banking sector and was the Group Chief Executive Officer of Bank of Bahrain & Kuwait (BBK) for many years before he retired in 2016. Mr. Buceery is currently the Chairman of Bahrain Bourse Co., Chairman of Bahrain Clear Co., Director of Al Ubaf International Bank, Bahrain, Director at Nasser Centre for Rehabilitation and Vocational Training Director of Beacon International School, Director of Bahrain International Federation of Business and Professional Women, Honorary Chairman of Bahrain Association of Friends of Psychiatric patients and a Co-Partner of KMH Management Solution Co. Bahrain. Prior to his retirement he held many posts amongst which were Vice Chairman of Khaleeji Commercial Bank, Vice Chairman of Ibdar Bank, Vice Chairman of BCFC, Chairman of Credimax, Chairman of Capinnova Islamic Investment Bank, Director of CBB Deposit Protection Scheme, Director of SICO, Tamkeen and Injaz, and a Director of the Wagf Fund.



### MR. MOHAMMED KHALIL ALSAYED | Managing Director

**Non-Independent & Executive**

**Appointed 2009**

**Member of the Remuneration, Nomination & Governance Committee**

One of the originators and co-founders of Naseej, Mr. Alsayed is Vice Chairman and Chief Executive Officer of Ithmaar Development Company (IDC). Prior to joining IDC, he was an Undersecretary in the Ministry of Works & Housing. He is currently Chairman of Dilmunia Health Island and Olive FM Holding Company, in Bahrain. Mr. Alsayed is a Founding Member of the Arabian Gulf Chapter of Project Management Institute; and a Member of the American Society of Civil Engineers; Society of American Value Engineers; and the American Management Association, USA. Formerly, he was Chairman of the Council for Regulating the Practice of Engineering Profession (CRPEP) in Bahrain for five years; and served as President of the Bahrain Society of Engineers for two consecutive terms. 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 has 32 years' professional experience.



### MR. ABDOLELAH EBRAHIM AL-QASIMI | Director

**Non-Independent & Non-Executive**

**Appointed 2014**

**Chairman of the Audit & Risk Committee**

Mr. Al-Qasimi is former Chief Executive Officer of Tamkeen, and former Deputy CEO of the Labour Fund Project at the Bahrain Economic Development Board. Prior to that, he was Undersecretary for Training at the Bahrain Ministry of Labour, and Director of Engineering at the Bahrain Ministry of Health. He is currently Chairman of Saudi Solidarity Takaful Company; and a Board Member of Ithmaar Holding, IB Capital, Solidarity Group Holding, and Faysal Bank Limited (Pakistan). He is also a Member of the Board of Trustees of Arabian Pearl Gulf School. Previously, he was Steering Committee Chairman of the Bahrain Qualifications Framework, and also Career Expo. Mr. Al-Qasimi holds an MSc in Health Facility Planning from the University of North London, UK; a BSc in Civil Engineering from Queen Mary College, University of London, UK; and a Diploma in Healthcare Management from the Royal College of Surgeons in Ireland, Bahrain. He has 37 years' professional experience.



### MR. ABDULHAKEEM KHALIL AL MUTAWA | Director

**Non-Independent & Non-Executive**

**Appointed 2013**

**Member of the Audit & Risk Committee**

Mr. Abdulhakeem Al Mutawa has spent 17 years of his career in banking. Joining Ithmaar Bank in 2003, he is currently Deputy Chief Executive Officer - Banking Group. Prior to this, he held various executive positions in banking and finance, and in the airline and aviation industries. Mr. Al Mutawa holds an MBA and a Postgraduate Diploma in Management from the University of Bahrain; and a BSc in Mechanical Engineering from University of Texas at Austin, USA. He has 38 years' professional experience.



### MR. BASHAR MOHAMED AL MUTAWA | Director

**Non-Independent & Non-Executive**

**Appointed 2009**

**Member of the Executive Committee**

Mr. Bashar Al Mutawa is Managing Director of Noon Investment Company, Bahrain. He is a Board Member of Al Jazeera Tourism Company, Sanad Investment Company, Al Oula Securities Company, and AMA University. He is also a former Board member of GFH Financial Group. Mr. Al Mutawa holds a BSc in Finance & Economics from Babson College, Boston, USA. He has 16 years' professional experience.



### DR. KHALID MOHAMED ABDULLA | Director

**Non-Independent & Non-Executive**

**Appointed 2013**

**Member of the Executive Committee**

Dr. Khalid Abdulla is General Manager of Eskan Bank, Bahrain. Prior to this, he was Chief Executive Officer at Inovent and Reef Real Estate Finance Company; and also held a number of Assistant General Manager positions at BBK. Dr. Abdulla was previously Assistant Professor and Chairman of the Department of Economics & Finance at the University of Bahrain. He is a Founding Member of the Bahrain Economic Society, and a Member of the Board of Trustees of MENA Investment Centre. Dr. Abdulla holds a PhD in Economics from Exeter University, UK; and an MSc in Economic Development from the University of East Anglia, UK. He has 31 years' professional experience.



### MR. KHALIL ISMAEEL AL MEER | Director

**Independent & Non-Executive**

**Elected 2015**

**Member of the Remuneration, Nomination & Governance Committee**

**Member of the Audit & Risk Committee**

Mr. Khalil Al Meer is a former Chief Executive Officer of Khaleeji Commercial Bank. He has also served in several executive management positions at the National Bank of Bahrain and BBK during his banking career. Mr. Al Meer holds a BSc in Business Administration from the University of Bahrain. He also attended the Gulf Executive Development Program at Darden Graduate School of Business, University of Virginia, USA; and the Senior International Bankers' Programme at Manchester Business School, UK. Mr. Al Meer has 34 years' professional experience.



### MR. REYADH YUSUF SATER | Director

**Non-Independent & Non-Executive**

**Appointed 2016**

**Member of the Executive Committee**

Mr. Reyadh Sater's distinguished banking career with BBK started in 1978, and culminated in his appointment in 2016 as Chief Executive Officer, which he held until his retirement in 2020. He was named as one of the top ten regional financial sector CEOs at the Top CEO Awards in 2019. Mr. Sater is Chairman of CrediMax, and Vice Chairman of Bahrain Credit Facilities Company, in Bahrain; and is also a Board Member of the Crown Prince's International Scholarship Program, and INJAZ Bahrain. He holds an MBA from the University of Glamorgan, UK. Mr. Sater has 42 years' professional experience.



### MR. SAQER SHAHEEN SAQER | Director

**Non-Independent & Non-Executive**

**Appointed 2013**

**Member of the Executive Committee**

Mr. Saqer Shaheen Saqer is Managing Director & Chief Executive Officer of the Shaheen Group, Bahrain. He is Vice Chairman of the Labour Market Regulatory Authority, and a Board Member of several local and regional companies. These include Bahrain Industrial Group, Asmak Company, Gulf Services Company, Awal Products Group, Hilti Bahrain, and Abrasive Technologies Industries Company. Mr. Saqer holds an MSc in Industrial & Systems Engineering from San Jose State University, USA; and a BSc in Industrial Engineering from the University of Miami, USA. He has 33 years' professional experience.

## CHAIRMAN'S STATEMENT



**SHAIKH HAMED  
MOHAMED HAMED ALKHALIFA**  
*Chairman*

On behalf of the Board of Directors, it is my privilege to present the annual report and consolidated financial statements of Naseej for the year ended 31 December 2019, which marked our tenth anniversary. I am pleased to report that the Company delivered another resilient performance for this milestone year.

### TENTH ANNIVERSARY

Since its establishment in 2009, Naseej has steadily developed into one of the most prominent property developers in the Kingdom of Bahrain, and a leading provider of social and affordable housing solutions. This has been achieved despite a challenging backdrop of economic downturns, financial crises and regional geo-political tensions.

During this time, we have delivered over 2,500 social and affordable homes for Bahraini citizens through three projects with a total value of BD 148 million. These include the Bahrain Government's landmark social and affordable housing PPP project, for which we were honoured to be selected as the exclusive private sector partner. Based on the invaluable experience gained, Naseej is keen to participate in similar projects in the future. We are committed to supporting the housing objectives of the Social Agenda of Bahrain's Economic Vision 2030, by partnering with the Government to provide citizens with affordable homes and sustainable communities.

### BUSINESS ACTIVITIES

Notable new business achievements in 2019 include finalising negotiations for the initiation of a major social and affordable housing project at Barbar, which is our eighth project in Bahrain; together with significant expansion of the Company's land bank in the Kingdom. We also made good progress in implementing our strategic plan to diversify the Company's portfolio, through pursuing selective opportunities in related sectors such as community-based retail facilities, healthcare and education.

During the year, Naseej acquired a 25 per cent stake in Olive VFM Company, a subsidiary of Ithmaar Development Company,

which provides comprehensive facilities management solutions. This acquisition reinforces the integrated core activities of Naseej, which encompass the entire value chain from concept to completion. These comprise architectural design and master planning; development and construction; building technologies and materials; mortgage facilitation; and asset management.

### OPERATIONAL DEVELOPMENTS

In light of changing market dynamics and a challenging macroeconomic environment, we took steps to strengthen our institutional capability during 2019. This entailed a particular focus on enhancing the Company's corporate governance framework in line with global best practice. This will ensure compliance with the latest regulatory requirements of the Corporate Governance Code of the Kingdom of Bahrain issued by the Ministry of Industry, Commerce and Tourism; while further bolstering our operational infrastructure. At the same time, we expanded our corporate social responsibility programme through which we support the ongoing economic prosperity and social well-being of the Kingdom of Bahrain.

### FINANCIAL RESULTS

Naseej reported another positive financial performance in 2019, marking the tenth consecutive year of profitability. Net income was BD 3.05 million compared with BD 4.04 million in the previous year. This reflects the cyclical nature of the Company's business activities, with real estate projects averaging between three and five years from planning to handover. Total expenses, which include direct cost, administrative, marketing and other expenses, reduced to BD 4.48 million from BD 9.33 million in 2018. At the end of 2019, total assets stood at BD 107.4 million, with shareholders' equity of BD 91.64 million. Based on these results, the Board is recommending a cash dividend of 2.5 per cent (BD 2.16 million) for approval by the shareholders at the annual general meeting to be held on 29 June 2020.

During the year, the Board took steps to establish a more efficient capital structure and reduced surplus cash, in line with key operational performance metrics. Accordingly, the Company's

## NASEEJ REMAINS COMMITTED TO HELPING THE GOVERNMENT MEET THE GROWING DEMAND FOR AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES IN BAHRAIN.

issued and paid-up share capital was reduced from BD 108,000,001 to BD 86,400,001.

### REAL ESTATE SECTOR

Bahrain's real estate sector has remained resilient in the face of macroeconomic challenges; and has maintained a positive, albeit subdued, growth trajectory in recent years. Overall activity in 2019 remained flat, but certain sub-sectors such as the under-served low-to-medium income (affordable) housing segment, continued to experience high demand.

Measures introduced by Real Estate Regulatory Authority (RERA) over the past two years have resulted in the development of a more transparent, stable and sustainable property market. Latest initiatives, such as the introduction of the Bahrain Valuation Standards and Property Measurement Standards; and the planned establishment of a dedicated Real Estate Court; will further strengthen the sector. This will be supported by the development of a National Real Estate Plan in collaboration with the private sector.

### LOOKING AHEAD

We expect 2020 to be an even more challenging year, especially in view of the COVID-19 pandemic. However, the early and decisive measures taken by the Government of Bahrain to control the spread of the coronavirus, will help to mitigate the social and economic impact on the Kingdom. We are blessed to be living in one of the safest countries in the world.

Supported by a strong project pipeline, we are cautiously optimistic about the prospects for Naseej in 2020. Two projects are planned for handover next year, which will have a beneficial effect on the Company's bottom line.

It should be noted that Naseej has a solid financial footing, with a strong capital base, high levels of liquidity, and no debt. Together with the measures we have taken to strengthen our institutional capability, the Company is well equipped to face the many new challenges that lie ahead. 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.

### ACKNOWLEDGEMENTS

In conclusion, 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 support and guidance we received during the year from the Ministry of Housing, Ministry of Industry, Commerce & Tourism, Ministry of Finance, and other Government institutions.

In addition, I would like to extend the Board's gratitude to our shareholders for their continued trust and confidence, and to our business partners for their constructive collaboration. Special tribute is also due to our management and staff for their commitment and professionalism during 2019, and for their valuable contributions over the past decade.

**Shaikh Hamed Mohamed Hamed Al Khalifa**  
*Chairman of the Board*





This residential housing development, comprising of 23 semi-furnished luxury villas, is situated in a highly sought-after neighbourhood of Muharraq, which is well-served by numerous local community facilities.



## MANAGING DIRECTOR'S STATEMENT



**MR. MOHAMMED KHALIL ALSAYED**

*Managing Director*

This special tenth anniversary annual report highlights the remarkable progress that Naseej has made since commencing operations in 2009. The Company's numerous achievements illustrate our success in implementing the founding shareholders' vision. This is to establish an integrated real estate and infrastructure development company, which will act as a pioneering catalyst for addressing the affordable housing needs of the MENA region, with a primary focus on the Kingdom of Bahrain.

### THE FIRST TEN YEARS

The Company's property development activities to date comprise nine projects in Bahrain and Morocco. Through its first three completed projects in Bahrain, Naseej has delivered 2,500 housing units with a total value of BD 148 million. The most significant achievement has been completion of the Government of Bahrain's pioneering social and affordable housing PPP, for which Naseej was the exclusive private sector partner. The success of this complex and challenging project has validated the PPP approach as a highly-viable and efficient model for addressing national housing needs. This entails governments and the private sector working together to provide affordable housing with greater efficiency than either party could hope to achieve on its own.

Five projects with a total value approximately 100 million are currently underway in the Kingdom, and will provide an additional 508 residential units. Three of these are intended to target beneficiaries of the Ministry of Housing's Mazaya Scheme, involving construction of over 500 affordable housing units, which enables Bahrainis on the Government housing list to purchase homes from approved property developers through subsidised mortgages from appointed financial institutions.

Outside Bahrain, Naseej is working on a revised residential masterplan at Ain Al Aouda, Morocco. This ambitious project is designed to ease the country's acute housing shortage.

During the past decade, Naseej has acquired a total land bank of 626,000 square metres in Bahrain and Morocco to support the

development of housing projects. The land bank in Bahrain covers 270,000 square metres spread across prime locations in the Kingdom.

These developments constitute an impressive achievement in a relatively short space of time. They have resulted in Naseej becoming widely recognised as the leading property developer in Bahrain specialising in the provision of social and affordable housing.

### DEVELOPMENTS IN 2019

In another busy and productive year, Naseej initiated discussions to invest in the development of a 150,000 square meters of land at Barbar. This is planned to be used for the construction of 301 affordable homes, the majority of which will be offered under the Mazaya Scheme. We also expanded our land bank through the acquisition of a strategically-located plot of 125,000 square metres in Amwaj Islands. All current projects are progressing well, with two scheduled for handover at the end of 2020. These are Canal View, a landmark residential and retail development at Dilmunia Island; and Basateen, an affordable housing project in Muharraq.

### CORPORATE GOVERNANCE

In 2019, we reviewed the results of an independent gap analysis to determine the Company's compliance with the revised Corporate Governance Code of the Kingdom of Bahrain (the Code), issued by the Ministry of Industry, Commerce & Tourism (MOICT) in October 2018. Accordingly, we developed a Corporate Governance Policy, which was approved by the Board; appointed a Corporate Governance Officer with responsibility for reporting to the MOICT; and enhanced the structure and content of Company's annual Corporate Governance Report, which forms part of this year's annual report.

### CORPORATE SOCIAL RESPONSIBILITY

During the year, we also developed a Corporate Social Responsibility (CSR) Policy, which sets out the criteria for how the

## NASEEJ HAS DEVELOPED A HEALTHY PIPELINE OF POTENTIAL NEW PROJECTS BASED ON SUSTAINABLE AND DEMAND-DRIVEN OPPORTUNITIES IN BAHRAIN AND THE GCC.

Company contributes to the sustainable economic prosperity and social well-being of the Kingdom of Bahrain. The core pillars of the Policy are aligned with the Company's mission and business activities as the most appropriate way of creating sustainable value for all stakeholders. These cover education and training; architectural and cultural heritage; health, safety and environment; community engagement; donations to charities and deserving causes; and support for the development of Bahrain's real estate sector.

### FUTURE OUTLOOK

Having proved its resilience in facing various financial and economic crises over the past decade, Bahrain's real estate sector now faces a new challenge arising from the economic impact of COVID-19. However, the trend of rising demand for lower-cost residential housing is expected to continue in 2020, which will provide excellent opportunities for Naseej, given our strategic focus on this segment. Regarding the coronavirus, I would like to point out that we are working closely with our appointed contractors to ensure that all necessary health and safety precautions, in line with Government guidelines and best practice, are being taken to protect the thousands of workers involved in our projects.

As we prepare to enter our second decade of operations, we look forward to an even busier year in 2020, as our various projects gain momentum; and we implement our strategy to diversify activities by entering into related sub-sectors such as community-based retail facilities, healthcare and education. In this respect, Naseej is working with a well-known education provider in Bahrain to develop plans for the construction of a new BD 14 million school at Dilmunia Island.

The emergence of PropTech is set to be a game changer for the real estate sector; with the entry of data-powered models enabling property developers, owners and financiers to interact in an online marketplace. PropTech will drive changes in buying, selling, renting, marketing, transacting, reporting and monitoring real estate, for the benefit of all participants.

New criteria, such as sustainability, are also becoming important factors for the end customer when buying real estate, which will result in contractors using more innovative types of construction and building materials. Naseej has already taken a lead in this area through the identification and use of sustainable, eco-friendly construction methodologies, building technologies, materials and landscaping, across all our projects.

### ACKNOWLEDGEMENTS

In conclusion, I express my sincere appreciation to the Board of Directors for its continued support, trust and encouragement. I also thank our business partners for their constructive collaboration; and the relevant regulatory authorities for their cooperation and guidance. In addition, I would like to pay special tribute to the management and staff of Naseej for their commitment, professionalism and valuable contributions during yet another challenging year.

**Mohammed Khalil Alsayed**

*Managing Director*



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



BUILDING COMMUNITIES THAT BUILD BAHRAIN



## MANAGEMENT TEAM



### MR. MOHAMMED KHALIL ALSAYED

#### *Managing Director*

Mohammed Alsayed is one of the originators and co-founders of Naseej. He has 32 years' public and private sector experience in engineering, project management and real estate development. Currently, Mohammed is Vice Chairman and Chief Executive Officer of Ithmaar Development Company (IDC). Prior to joining IDC, he was an Undersecretary in the Ministry of Works & Housing. Mohammed is Chairman of Dilmunia Health Island and Olive FM Holding Company, in Bahrain. Mohammed is a Founding Member of the Arabian Gulf Chapter of Project Management Institute; and a Member of the American Society of Civil Engineers; Society of American Value Engineers; and the American Management Association, USA. Formerly, he was Chairman of the Council for Regulating the Practice of Engineering Profession (CRPEP) in Bahrain for five years; and served as President of the Bahrain Society of Engineers for two consecutive terms. Mohammed 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.



### MR. ROY SULLIVAN

#### *Head of Construction*

Roy Sullivan has 41 years' international experience in contracting, construction, project management, consulting and client development. His professional career has spanned the United Kingdom, North Africa, Europe, and the Middle East. Prior to joining Naseej in 2013, Roy held senior management positions with some of the world's leading construction-related organisations, such as 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. He has worked on a wide spectrum of projects across numerous sectors. These include shopping and leisure malls; hotels, hospitals, universities and sports centres; commercial and residential complexes; exhibition and conference centres; high security prisons and military bases; and data centres.



### MR. AHMED AL HAMMADI FCCA

#### *General Manager*

Ahmed Al Hammadi has 38 years' experience in management, finance and accounting, in the public and private sectors of the Kingdom of Bahrain. Prior to joining Naseej in 2010, he was Country Director - Bahrain for Majid Al Futtaim Group. Previously, Ahmed spent 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 a Budget Coordinator in the Ministry of Finance & National Economy, rising to the position of Chief Accountant. Ahmed was a Visiting Lecturer for four years at the British Council, assisting students to prepare for MBA studies in Strathclyde University; and for 15 years at the Bahrain Institute of Banking & Finance, guiding students for accreditation to the UK Chartered Institute of Bankers. A Fellow of the UK Chartered Institute of Certified Accountants, Ahmed is a Business Studies graduate of the University of Bahrain.



### MS. SHAYMA ABULFATEH CFA

#### *Head of Finance*

Resigned 31 July 2019

Shayma Abulfateh has 16 years' experience in banking and financial services in Bahrain. Prior to joining Naseej in 2018, she headed the Operations department of First Investment Bank in Bahrain. Previously, she was a member of the Operations team at Kuwait Finance House - Bahrain. A Chartered Financial Analyst (CFA), Shayma holds an MBA from DePaul University, Chicago, USA; and BSc in Computer Science (minoring in Accounting) from the American University of Sharjah, UAE.



### MR. AMER JANAHI MCIPD

#### *Head of Human Resources & Administration Board Secretary & Corporate Governance Officer*

Amer Janahi has 18 years' public and private sector experience in human resources management (HRM) in the Kingdom of Bahrain. Prior to joining Naseej in 2010, 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 expertise covers recruitment methodologies, compensation schemes and employee relations; training and development, performance management and competency-based career progression; and employment law and regulations. Amer holds an MSc in Human Resource Management from DePaul University, Chicago, USA; and a Bachelor's 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).



## PROJECT PORTFOLIO REVIEW

### JID AL HAJ PROJECT



**Location:** Jid Al Haj, Bahrain | **Segment:** Social Housing (Mazaya) | **Value:** BD 5.4 million | **Size:** 13,333 square metres

#### Project Overview

This social housing project comprises 36 four-bedroom villas, which will be allocated to the Ministry of Housing's Mazaya Scheme.

#### Developments in 2019

The masterplan has been completed, and land clearance commenced. Naseej has signed a Memorandum of Understanding with the Ministry of Housing and Ministry of Works for a waiver of standard infrastructure fees. Consultants have been appointed to verify the waiver approval and check the engineering design, to enable Naseej to apply for building permit approval which is planned for the second quarter of 2020.

### ARAD



**Location:** Muharraq, Bahrain | **Segment:** Social (Mazaya) & Affordable Housing | **Value:** BD 25.2 million | **Size:** 130,000 square metres

#### Project Overview

This large property development site is located at Arad Bay. The project comprises a total of 203 villas and 98 land plots for sale. All villas will be allocated to the Mazaya Scheme.

#### Developments in 2019

The masterplan and villa designs have been completed, and Naseej is currently awaiting approval from the Urban Planning & Development Authority (UPDA) for its revised masterplan application. The UPDA has offered the Company use of Recreational Zone land under a separate title deed, which would be developed, managed and maintained by Naseej. The associated cost implications for development of the Recreational Zone land, involving soft landscaping, facilities management and maintenance, are currently being reviewed.

### BASATEEN



**Location:** Busaiteen, Bahrain | **Segment:** Mid-income housing | **Value:** BD 3.6 million | **Size:** 5,750 square metres

#### Project Overview

This residential housing development is situated in a highly sought-after neighbourhood of Muharraq, which is well-served by numerous local community facilities. The project comprises 23 semi-furnished, luxury villas, complete with air conditioning, European tiling, lighting, gypsum, sanitaryware, fully-fitted European kitchens with appliances, garage shutter electric doors, intercom systems, and ensuite bathrooms in all bedrooms.

#### Developments in 2019

Construction is on track with 70% progress to date, and completion expected by the end of 2020. A show villa has been opened to support sales and marketing activities.

### AL LUWZI HOUSING PROJECT



**Location:** Al Luwzi, Bahrain | **Segment:** Social Housing | **Value:** Subject to tender

#### Project Overview

This project is the pilot phase of a new Ministry of Housing scheme for the private sector to build social housing units on Government-owned land. The Ministry issued a tender in December 2019 for the construction of 132 social housing units, which will be sold under the Mazaya Scheme; and Naseej is leading a consortium to bid for the project. If the pilot phase proves to be successful, the Ministry plans to roll out the scheme to other locations in the Kingdom, with a target of 15,000 units over a 10-year period.

### CANAL VIEW



**Location:** Dilmunia Island, Bahrain | **Segment:** Mixed-use residential and retail | **Value:** BD 27.5 million | **Size:** 13,000 square metres

#### Project Overview

This landmark mixed-use property development of over 13,000 square metres occupies a prime location on the prestigious Dilmunia Island, situated alongside a 1.6-kilometre canal with dual pedestrian access, and featuring a waterfall and fountains. The project comprises 246 luxury apartments in four buildings, which are set in landscaped gardens next to a sweeping canal promenade providing a diverse range of retail and leisure-related outlets. Canal View's amenities include indoor and outdoor swimming pools, a gymnasium and multi-sport court, residents' club house, and a shaded rooftop garden with a BBQ area. A number of special apartments will have their own private garden areas.

#### Developments in 2019

The project is making good progress, with a 62% overall completion rate, and is on target to be finished by the end of 2020. Substructure and superstructure of the residential towers is 100% complete; while glazing and aluminium cladding, and mechanical, electrical and plumbing works have commenced. The lower and upper retail levels are also nearing completion. New design enhancements include the addition of sauna and steam rooms.

### AIN AL AOUDA HOUSING PROJECT - MOROCCO

**Location:** Ain Al Aouda, Morocco | **Segment:** Social housing with retail | **Value:** BD 9.6 million | **Size:** 356,100 square metres

#### Project Overview

In 2012, Naseej signed an agreement with the Government of Morocco to develop social housing units on two adjoining land plots in Ain Al Aouda – which is located 24 kilometres from Rabat and 80 kilometres from Casablanca – through which to help address the country's housing shortage. The project suffered initial delays due to socio-economic and financial issues. The overall masterplan and use of land were changed by the Government in 2017, with the original social housing concept being expanded to embody social housing, and complementary retail and commercial facilities. Naseej successfully negotiated significant concessions with the Government, which reduced financing risks and enhanced the viability of this project.

#### Developments in 2019

The masterplan for the social housing segment is progressing positively, while discussions are underway regarding the masterplan for the D4 Zone.

### BARBAR

**Location:** Barbar, Bahrain | **Segment:** Social (Mazaya) & Affordable Housing | **Value:** BD 39.7 million | **Size:** 150,000 square metres

#### Project Overview

This large property development project is located in the vicinity of Barbar Village, close to the historic Dilmun-era Barbar Temple, which is a tentative UNESCO heritage site. The project will comprise 301 villas and 100 land plots for sale. The villas will be launched in phases, with the first phase consisting of 57 villas, of which 34 will be allocated to the Ministry of Housing's Mazaya Scheme.

#### Developments in 2019

Discussions are underway to conclude the property purchase transaction.

### LAND BANK - AMWAJ LAND

Naseej expanded its land in Bahrain with the purchase of a BD 11.5 million plot of land covering 125,000 square metres at Amwaj Islands. The land occupies a prime position near the main entrance to Amwaj, overlooking the International School of Choueifat. Progress to date includes submission of a revised traffic plan to the Marine Recourse Directorate; receipt of two Letters of No Objection from adjoining neighbours, Dilmunia Island Management and the International School of Choueifat; and the start of reclamation works.

### PORTFOLIO DIVERSIFICATION

While maintaining its primary focus on social and affordable housing projects in Bahrain, Naseej plans to diversify its portfolio by pursuing selective opportunities in related sectors such as community-based retail facilities, education and healthcare. The Company will adopt a prudent business approach, focusing on demand-driven, sustainable and non-speculative developments, through which to enhance value to both shareholders and end users.

#### RETAIL: Jumana

The retail component of Naseej's affordable housing development at Salman Town has been completed, and leasing of the units has commenced. During 2019, Raseel Restaurant & Café, offering a variety of Asian cuisines, became the first dining outlet to open at Jumana.

#### RETAIL: Canal View

Canal View features a retail component covering two storeys at the podium level of the four residential towers, which will offer a variety of shops, restaurants and cafés, fashion outlets and service stores; together with the possibility of entertainment facilities geared towards canal-side water activities. A retail consultant will be appointed to provide insight and knowledge on how to attract and fill the spaces in a manner that is profitable to the Company, while also keeping in mind the well-being of residents.

#### EDUCATION

Naseej is working with a well-known education provider in Bahrain to develop plans for the construction of a new BD 14 million International school at Dilmunia Island.

# CORPORATE GOVERNANCE REPORT FOR THE YEAR 2019

---



1. Description of the actions taken to complete the Corporate Governance Code during the year 2019 and how they were applied.

Naseej is committed to upholding the highest standards of corporate governance in full compliance with all relevant local governing laws and regulations; and in line with international best practice. The Company has developed a Corporate Governance Framework to ensure adoption of the highest standards of ethical conduct, transparent disclosure and operational effectiveness; while protecting the rights and interests of all stakeholders.

The Framework has been designed in accordance with the 10 Principles of the revised Corporate Governance Code of the Kingdom of Bahrain, which was issued by the Ministry of Industry, Commerce & Tourism in October 2018. Ensuring adoption and implementation of the Code, and adherence to the Company’s Corporate Governance Framework, is the direct responsibility of the Board of Directors.

2. Description of the transactions of the directors, their spouses and sons on the Company’s shares during the year 2019 according to the following table:

There were no transactions related to the directors, their spouses and sons on the Company’s shares during the year 2019.

3. Composition of the Board:

a. Description of the current Board composition according to the following table:

1

**Name:** Shaikh Hamed Mohamed Al-Khalifa

**Type (executive, non-executive or independent)**

• Chairman of the Board of Directors • Non-Independent & Non-Executive • Chairman of Remuneration, Nomination & Governance Committee

**Experience**

Bahrain’s former chief urban planner offering comprehensive background in community-based planning, project management and policy and program development. Formerly the General Director of Urban Planning in the Kingdom of Bahrain (for 9 years), was also an Investment Manager at Mumtalakat overlooking the real estate portfolio, and formerly served at the Board of Durrat Al-Bahrain and Southern Tourism Company.

**Qualification**

BSc in Systems Analysis Engineering with a minor in Economics from the George Washington University, USA.

Masters in Engineering Management with a concentration in economics, finance, and cost engineering from the George Washington University, USA.

**The period of his term as a director of the Company starting from the date of his first election or appointment:**  
Since 2018

**Directorships and positions in other companies**

**Currently:**

**CEO:** GFH Properties

**Chairman:** Riffa Palms Real Estate

**Deputy Chairman:** Bahrain Air Space Agency

**Board Member:** Telecommunications Regulatory Authoritys • Durrat Al-Bahrain and Southern Tourism Compan

**Formerly:**

**General Director:** Urban Planning. Ministry of Urban Planning & Municipalities

**Investment Manager:** Real Estate, Mumtalaka

**Project Manager:** Economic Development Board

2

**Name:** Abdulkarim Bucheery

**Type (executive, non-executive or independent)**

**Vice Chairman:** Non-Independent & Non-Executive • Chairman of the Executive Committee

**Experience**

Over 36 years of experience in the banking and finance fields.

**Qualification**

BSc in Economic Science Stream from the University of Aleppo, Syria.

**The period of his term as a director of the Company starting from the date of his first election or appointment:**  
Since 2018

**Directorships and positions in other companies**

**Currently:**

**Chairman:** Bahrain Bourse • Bahrain Clear

**Vice Chairman:** Bahrain Commercial Facilities Company

**Board Member:** Deposit Protection Board, CBB • INJAZ Bahrain • Tamkeen • Nasser Centre for Rehabilitation and Vocational Training

**Formerly:**

**Chief Executive Officer:** BBK

3

**Name:** Abdulelah Alqasimi

**Type (executive, non-executive or independent)**

Non-Independent & Non-Executive • Chairman of Audit & Risk Committee

**Experience**

Over 38 years of experience in Engineering, Finance, Economics, Training and labor & trade union issues.

**Qualification**

MSc in Health Facility Planning from University of North London, UK

BSc in Civil Engineering from Queen Mary College, University of London, UK

Diploma in Health Care Management from Royal College of Surgeons in Ireland, Bahrain

**The period of his term as a director of the Company starting from the date of his first election or appointment:**  
Since 2014

**Directorships and positions in other companies**

**Currently:**

**Chairman:** Saudi Solidarity Takaful Co

**Board Member:** Ithmaar Holding • IB Capital (Ithmaar) • Solidarity Group Holding • Faysal Bank Limited (Pakistan) • Board of Trustees, Arabian Gulf Pearl School

**Formerly:**

**CEO:** Labour Fund (Tamkeen)

**Deputy CEO:** Labour Fund Project at Bahrain Economic Development Board

**Undersecretary for Training:** Ministry of Labour

**Director of Engineering:** Ministry of Health

**Chairman:** Steering Committee Bahrain Qualifications Framework • Steering Committee Bahrain Career Expo



4

**Name:** Abdulhakeem Almuwata

**Type (executive, non-executive or independent)**

Non-Independent & Non-Executive • Member of Audit & Risk Committee

**Experience**

Over 38 years of experience in banking and finance, and airline and aviation industries.

**Qualification**

MBA from the University of Bahrain

BSc in Engineering from the University of Texas, Austin.

**The period of his term as a director of the Company starting from the date of his first election or appointment:**  
Since 2013

**Directorships and positions in other companies**

**Currently:**

**Deputy CEO:** Banking Group, Ithmaar Bank

**Board Member:** Bahrain Airport Company • Gulf Air Holding • Gulf Aviation Academy • Ithmaar Development Company • Cityview Real Estate Co. • Dilmunia Fund Co. • First Solidarity, (Jordan)

5

**Name:** Bashar Almuwata

**Type (executive, non-executive or independent)**

Non-Independent & Non-Executive • Member of Executive Committee

**Experience**

Over 16 years of work experience in the banking and finance fields.

**Qualification**

BSc in Finance & Economics from Babson College, Boston USA

**The period of his term as a director of the Company starting from the date of his first election or appointment:**  
Since 2009

**Directorships and positions in other companies**

**Currently:**

**Managing Director:** Noon Investment Company

**Board Member:** Al Jazeera Tourism Company • Sanad Investment Company • AMA University • Najd Consulting • Noon Investment Company

**Formerly:**

**Consultant:** KPMG Fakhro, Bahrain

**Board Member:** GFH Financial Group

6

**Name:** Dr. Khalid Abdulla

**Type (executive, non-executive or independent)**

Non-Independent & Non-Executive • Member of Executive Committee

**Experience**

Over 31 years of banking and finance experience and infrastructural development in Bahrain.

**Qualification**

Master of Science Degree in Economic Development from the University of East Anglia, UK.

Doctorate of Philosophy in Economics from Exeter University, UK.

**The period of his term as a director of the Company starting from the date of his first election or appointment:**  
Since 2013

**Directorships and positions in other companies**

**Currently:**

**General Manager:** Eskan Bank

**Founding Member:** Bahrain Economic Society

**Member:** Board of Trustees of MENA Investment Centre

**Formerly:**

**CEO:** Inovent BSC

**CEO:** Reef Real Estate Finance Co

**AGM positions:** BBK

**Assistant Professor and Chairman:** Department of Economics & Finance, University of Bahrain

7

**Name:** Khalil Almeer

**Type (executive, non-executive or independent)**

Independent & Non-Executive • Member of Remuneration, Nomination & Governance Committee • Member of Audit & Risk Committee

**Experience**

Over 34 years of experience in corporate banking, gained in senior roles at National Bank of Bahrain and Bank of Bahrain and Kuwait.

**Qualification**

Bachelor of Science in Business Administration from the University of Bahrain.

Attended the Gulf Executive Development Program at Darden Graduate School of Business in University of Virginia (USA) and the Senior International Bankers Program of the International Centre for Banking and Finance Services at Manchester Business School (UK).

**The period of his term as a director of the Company starting from the date of his first election or appointment:**  
Since 2015

**Directorships and positions in other companies**

**Currently:**

**Board Member:** Solidarity Saudi Arabia • Bahrain Middle East Bank

**Formerly:**

**Chief Executive Officer:** Khaleeji Commercial Bank • Head of Corporate Division ,BBK

8

**Name:** Mohammed Khalil Alsayed

**Type (executive, non-executive or independent)**

Managing Director • Non-Independent & Executive Director • Member of Remuneration, Nomination & Governance Committee

**Experience**

Over 35 years of experience in Engineering, Project Management and Real Estate Development.

**Qualification**

MSc in Structural Engineering from the Southern Methodist University, Texas, USA.

BSc in Civil Engineering from the University of Arkansas, USA; and an Advanced Diploma in Project Management from RMIT University, Australia.

**The period of his term as a director of the Company starting from the date of his first election or appointment:**  
Since 2009

**Directorships and positions in other companies**

**Currently:**

**Vice Chairman & CEO:** Ithmaar Development Company

**Chairman:** Dilmunia Health Island Company • Olive VFM Holding Company • Chase Manara WLL • IDC Properties BSC

**Directorship:** Sharaka for Housing Projects BSC • Naseej Projects Co. S.P.C • Naseej Rabat WLL

**Managing Director:** Naseej BSC • HI One SPC • HI Four SPC

**Founding Member:** Arabian Gulf Chapter of Project Management Institute, USA

**Member:** Bahrain Society of Engineers • American Society of Civil Engineers • Society of American Value Engineers • American Management Association

**Formerly:**

**Undersecretary:** Ministry of Works & Housing

**Chairman:** The Council for Regulating the Practice of Engineering Profession

**President:** The Bahrain Society of Engineers (for two consecutive terms)

9

**Name:** Reyadh Sater

**Type (executive, non-executive or independent)**

Non-Independent & Non-Executive • Director • Member of Executive Committee

**Experience**

Over 42 years of experience in the banking sector.

**Qualification**

MBA from University of Glamorgan, UK.

**The period of his term as a director of the Company starting from the date of his first election or appointment:**  
Since 2016

**Directorships and positions in other companies**

**Currently:**

**Chairman:** CrediMax

**Vice Chairman:** Bahrain Credit Facilities Co

**Board Member:** Crown Prince's International Scholarship Program • INJAZ Bahrain

**Formerly:**

**Chief Executive Officer:** BBK

10

**Name:** Saqer Shaheen

**Type (executive, non-executive or independent)**

Non-Independent & Non-Executive Director • Member of Executive Committee

**Experience**

Over 33 years of experience in the Real Estate and industrial sector

**Qualification**

Master of Science in Industrial and Systems Engineering San Jose State University, California, U.S.A.

BSc in Industrial Engineering from the University of Miami, Florida, U.S.A.

**The period of his term as a director of the Company starting from the date of his first election or appointment:**  
Since 20 November 2012

**Directorships and positions in other companies**

**Currently:**

**Managing Director & CEO:** Shaheen Group, Bahrain

**Vice Chairman:** Bahrain Labour Market Regulatory Authority

**Board Member:** Bahrain Industrial Group • Asmak Company • Gulf Services Company • Awal Products Group • Hilti Bahrain • Abrasive Technologies Industries Company



**b. Description of the following:****1. Total remunerations paid to the directors for the (last) year 2018.**

For the year 2018, Directors' total remuneration was BD 135,250.

**2. The proposed total remunerations to be paid to the directors for the year 2019, which will be presented at the annual general meeting for approval.**

For the year 2019, Directors' proposed total remuneration is BD 105,000, which will be presented for Shareholders' approval at the Annual General Meeting to be held on 29 June 2020.

**3. Description of the sitting fees paid to the directors for attendance of the Board's committees for the financial year 2019 according to the following table:**

#	Name	Sitting fees paid for attendance of the Board's committees		
		Name of committee	Sitting fees amount	No. of meetings
1	Hamed Mohamed Al-Khalifa	Board of Directors	BD 14,000	4
		Remuneration, Nomination & Governance Committee	BD 3,000	3
		Executive Committee	BD 188	1
2	Abdulkarim Bucheery	Board of Directors	BD 10,000	4
		Executive Committee	BD 6,000	6
3	Abdulelah Alqasimi	Board of Directors	BD 10,000	4
		Audit & Risk Committee	BD 4,000	4
4	Abdulhakeem Almutawa	Board of Directors	BD 10,000	4
		Audit & Risk Committee	BD 3,000	4
5	Bashar Almutawa	Board of Directors	BD 10,000	4
		Executive Committee	BD 4,500	6
6	Dr. Khalid Abdulla	Board of Directors	BD 10,000	4
		Executive Committee	BD 4,500	6
7	Khalil Almeer	Board of Directors	BD 10,000	4
		Remuneration, Nomination & Governance Committee	BD 2,250	3
		Audit & Risk Committee	BD 3,000	4
8	Mohammed Khalil Alsayed	Board of Directors	BD 10,000	4
		Remuneration, Nomination & Governance Committee	BD 2,250	3
9	Reyadh Sater	Board of Directors	BD 10,000	4
		Executive Committee	BD 3,750	5
10	Saqr Shaheen	Board of Directors	BD 10,000	4
		Executive Committee	BD 4,500	6

**c. Number and dates of the Board's meetings held during the financial year 2019, in addition to the number of times directors attended in person or by visual communication and a description of the directors present by proxy.**

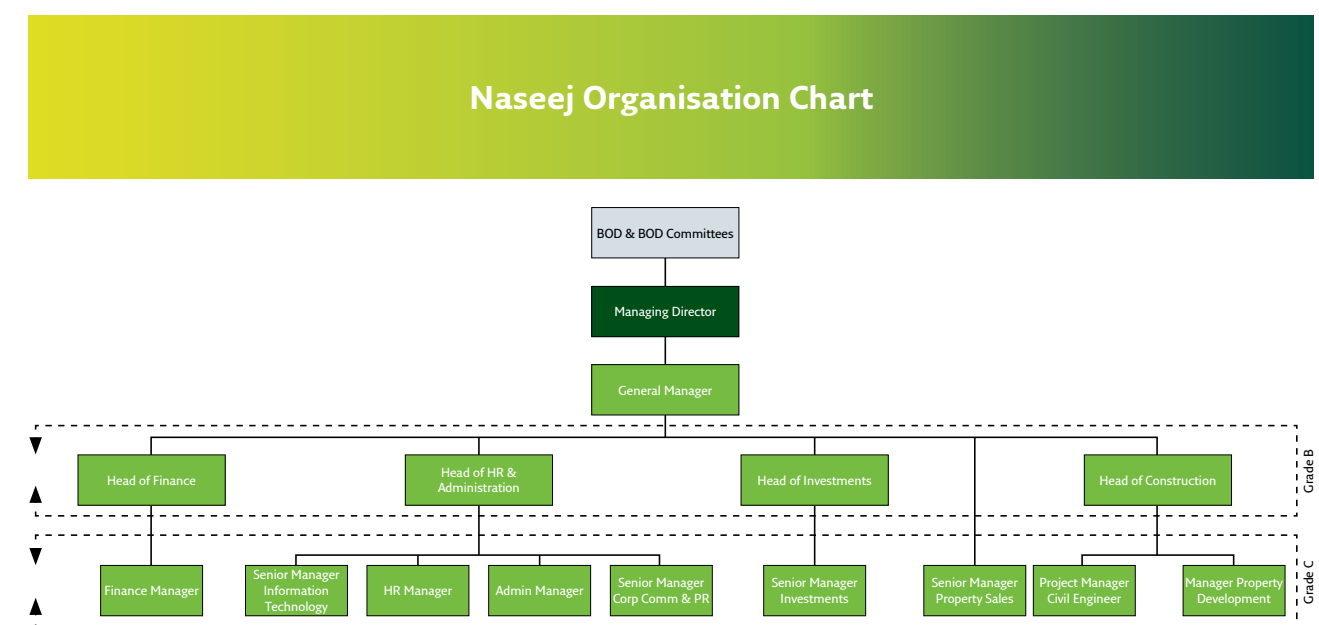
Meeting No.	Board Meeting Date	No. of Directors Attending in person	No. of Directors Attending by phone	No. of Directors present by proxy
1	13 March 2019	10	0	None
2	10 June 2019	10	0	None
3	19 September 2019	10	0	None
4	04 December 2019	10	0	None

**d. Description of the Board's duties and competences carried out on its behalf by the Executive Management by delegation of authority, specifying the duration and validity of the delegation.**

The Board carries its duties and competences as per the Board charter and no duties of the Board have been carried out on its behalf by the Executive Management by delegation of authority.

**e. Details of transactions with related parties (stakeholders), indicating the nature of relationship and type of transaction.**

Name	Relationship	Amount	Type of Transaction
Ithmaar Bank	Shareholder	1,846,285	Income from bank deposits/placements
Olive VFM Company	Shareholder related	409,391	Acquisition of Shares (25%)
Olive VFM Company	Shareholder related	64,260	Facility Management for Jumana apartments

**f. The Company's organizational structure, including the first and second grades at a minimum and including the Company's general manager and/or chief executive officer, deputy general manager and managers.**

g. Total remunerations paid to the key executive officers (the top five employees), including salaries, benefits, allowances, increases, stock options, end-of-service benefits, pensions, etc.

BD 361,078

4. External Auditors:

a. Providing shareholders with the auditor’s profile and overview of its professional performance.

Deloitte & Touche (M.E.), Bahrain are external auditors of the Company. Deloitte in Bahrain was established in 1955 and is part of Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL). Through the years the variety of high quality of services delivered by Deloitte Bahrain has been instrumental in the setting up of a wide range of small, medium and large businesses (including some banks and insurance companies) on the island.

b. Fees and charges for the audit or services provided by the external auditor during the year 2019, in addition to a description of the auditor’s years of service as the Company’s external auditor. According to the following table:

Name of the audit firm	Deloitte & Touche (M.E.), Bahrain
Years of service as the Company’s external auditor	3 years
Name of the partner in charge of the Company’s audit	Mr. Irshad Mahmood
The partner’s years of service as the partner in charge of the Company’s audit	3 years
Total audit fees for the financial statements for the year 2019 (BD)	12,650*
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2019 (BD) if any.	4,752*

\*Exclusive of VAT & out of pocket expenses.

5. Audit & Risk Committee (ARC):

a. Names, competences and duties of the audit committee’s members.

#	Name	
1	Abdulelah Alqasimi	Chairman
2	Abdulhakeem Almuwata	Member
3	Khalil Almeer	Member

Competencies:

The BOD must satisfy itself that at least a majority of the Committee members have financial literacy qualifications as set out in the Bahrain Corporate Governance Code, which includes:

- an ability to read and understand corporate financial statements including the balance sheet, income statement and cash flow statement and changes in shareholders’ equity;
- an understanding of the accounting principles which are applicable to the Company’s financial statements;
- experience in evaluating financial statements that have a level of accounting complexity comparable to that which can be expected in the Company’s business;
- an understanding of internal controls and procedures for financial reporting; and
- an understanding of the Audit and Risk Committee’s function and importance.

Duties:

General Responsibilities:

- Have regard to the Laws of Bahrain and any approved Company policies relative to the matters under consideration;
- Carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions;
- Carry out any other responsibilities and duties delegated to it by the BOD related to the purposes of the Committee;
- Remain flexible, to best react to changing conditions and to be in the best position to ensure to the BOD and stakeholders of the Company that the Company’s governance principles, policies, standards and practices are upheld and maintained in all matters before it, so as to optimally assist the BOD and the Company’s Management to effectively and efficiently promote the best interests of the Company by appropriately balancing the interests of its stakeholders;
- May not delegate any of its decision making responsibilities to Management;
- May study or investigate any matter of interest or concern that it deems appropriate or relevant to the matters before it for review;
- Maintain effective working relationships and open avenue for communication between the BOD, Management, and the Internal and External Auditors.
- If necessary, institute special investigations as and when required and hire special counsel or experts to assist; and
- Review any other matter referred to it by either the BOD or the Chairperson.

Internal Control:

- Obtain explanation from management and internal auditors and external auditors on whether Naseej’s financial and operating controls are adequate and functioning effectively.
- Ensure that the Company’s operations, individually and collectively are measured, monitored and controlled by appropriate effective and prudent risk management framework/system that commensurate with the scope of the Company’s activities and are supported by an appropriate control environment.
- Monitor and review the standards of risk management and the effectiveness and integrity of internal control systems, including the procedures for ensuring that material business risks, fraud and related matters, are properly identified and managed.
- Review compliance systems to ensure compliance with legislation including relevant filings and compliance with the accounting standards.
- Ensure management is accountable for the security of computer systems and applications, and the business continuity and disaster recovery plans.
- Confirm with the internal and external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues and ensure that audit / control recommendations by internal and external auditors are promptly implemented.

Financial Reporting:

- Examine all formal announcements relating to financial performance including annual and half yearly financial statements, or quarterly, as may be required as a publicly quoted company, and all preliminary financial announcements before submission to the BOD including:
  - Considering the appropriateness and application of accounting policies, compliance with accounting standards, stock exchange, legal and regulatory requirements, including any changes in accounting standards in the period;
  - Considering any significant adjustments proposed by the Auditor during their review and any matters of significant disagreement between Auditor and management;
  - Considering and concluding on the treatment of any other major judgmental items;
  - Considering the appropriateness of the going concern assumption;
  - Reviewing the disclosure of the principal Audits in the business and the associated corporate governance statement regarding internal controls and compliance with the Bahrain Corporate Governance Code;
  - Reviewing the clarity and completeness of disclosures in the financial statements and consider whether the disclosures made are set properly in context; and



- Considering whether the financial statements provide a true and fair view.
- Prepare a report for inclusion in the Annual Report detailing:
  - A summary of the role of the ARC;
  - The names and qualifications of all members of the ARC during the period;
  - The number of ARC meetings; and
  - The way the ARC has discharged its responsibilities.
- Ensure processes are established and maintained to address critical financial reporting risks and transparency of financial reporting.
- Monitor the integrity of the Company's financial statements (including annual and interim reports, preliminary result announcements and any other formal announcements relating to the Company's financial performance), reviewing significant financial reporting issues and judgments which they contain.
- Review and challenge, where necessary, the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Company.
- Review proposed professional and regulatory pronouncements regarding accounting policies and financial reporting and assess their impact on the Company's financial statements.
- Discuss with management and the external auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
- Review any legal matters, which could significantly impact the financial statements.
- Examine the process of preparation of annual and interim financial statements including adherence to accounting standards.
- Review Management's assessment of the effectiveness of the Company's internal control structure and procedures for financial reporting.
- Pay particular attention to complex and/or unusual transactions as well as judgmental areas involving commitments and contingencies.
- Meet with Management and the external auditors to review the financial statements, the results of the audit, management letter and the annual report before its release.
- Determine the appropriateness of the going concern assumption as the basis on which the accounts are prepared.
- Monitor the adequacy of management reporting processes.

#### External Audit:

- Recommend to the BOD for approval by the shareholders the appointment of the external Auditor and monitor thereafter the relationship including:
  - Considering the audit fee, and fees for non-audit work;
  - Approving their engagement letter, including any issued at the start of an audit;
  - Considering the nature, scope and materiality of the audit, ensure that there are no restrictions on the audit scope;
  - Reviewing the external Auditor's management letter and management's response;
  - Agreeing with the BOD, a policy on the employment of former employees of the Auditor;
  - Monitoring the Auditor's compliance with relevant ethical and professional guidance on the rotation of partners;
  - Seeking reassurance that the auditors and their staff have no financial, business, employment or family and other personal relationship with the company which could adversely affect the auditor's independence and objectivity;
  - Defining a formal policy to specify the types of non-audit work that the Auditor is excluded from; can be engaged without referral to the Committee; and for which a case by case decision is necessary; and
  - Reviewing the effectiveness and objectivity of the audit process on an annual basis, the quality control procedures and consider the expertise and resources of the Auditor. The annual transparency report of the audit firm should also be considered, when published.

- Meet at least annually with the external Auditor, without management being present, to discuss their remit and any issues arising from the audit.
- Consider communications from the external Auditor on audit planning and finds and on any material weaknesses in account and internal control systems that come to the Auditor's attention.
- Assess periodically the Audits associated with the possible withdrawal of the Auditor from the market and consider whether any mitigating action is appropriate.
- Oversee the selection and compensation process for new auditors and if auditors resign, the Committee shall investigate the issues leading to the resignation and decide whether any action is required.
- Consider and make recommendations to the BOD, to be presented to shareholders for approval at the Shareholder Meeting, in relation to the appointment, compensation and re-appointment and removal of the Company's external auditors. The external auditor shall report directly to the Committee.
- Assess independence, accountability and effectiveness of the external auditor.
- Review the external auditors proposed audit scope, plan and approach, engagement letter, letters of representation (giving particular consideration to matters that relate to non-standard issues) as well as ensure there are no unjustified restrictions or limitations on the scope of work and access to requested information.
- Review and ensure that significant findings and recommendations of the audit with the external auditors are received and discussed on a timely basis. This shall include, but will not be limited to, the following:
  - A discussion of any major issues which arose during the audit;
  - Accounting and audit judgments; and
  - Levels of errors identified during the audit.
- Ensure that Management responds to recommendations by the external auditors.
- Review all significant adjustments resulting from the external audit.
- Approve the non-audit services policy for the Company documenting the prohibited and pre-approved non-audit services that may be provided by the external auditors.
- Ensure that the external auditors do not carry out any non-audit services which may affect their impartiality or independence.
- Ensure that the external auditors attend the AGM to read their report to the Shareholders and answer their questions and queries regarding the financial statements for the year end.

#### Internal Audit:

- Monitor and review the company's internal controls and Audit management including:
  - Reviewing the internal control and Audit management systems; and
  - Considering reports from the management on the effectiveness of the systems they have established and the conclusion of any test carried out by internal or external auditors.
- Monitor and review the effectiveness of the company's internal audit function including:
  - At least annually, reviewing and approving the internal audit programme;
  - Approve the appointment, replacement, reassignment or dismissal of the Head of Internal Audit or outsourced service provider.
  - Considering the terms of reference for internal audit;
  - Reviewing internal audit reports and procedures to ensure implementation of recommendations including management responses thereto;
  - Assessing the adequacy of resourcing of the internal audit function;
  - Considering the terms of the outsourcing arrangements for the conduct of the internal audit programme; and
  - Meeting at least annually with the head of the internal audit function without management being present to discuss their remit and any issues arising from audits they have carried out. Notwithstanding that the head of the internal audit function will have direct access to the Chairman of the Committee at all times.

- Set up an internal audit function, whether in-house or outsourced, which shall report directly to the Committee, with an administrative reporting line to the MD/GM for day to day matters as deemed appropriate.
- Review the qualifications and effectiveness of internal audit personnel.
- Review and approve the internal audit strategy, annual internal audit plan (preferably risk based) and the audit methodologies adopted by the internal audit function, and to ensure that adequate resources and budget are available for its successful completion.
- Review the activities and performance of the internal audit function and ensure there are no unjustified restrictions or limitations on the scope of work.
- The Committee is responsible for approving all reports and documentation pertaining to the Internal Audit function.
- Review internal audit and its relationship with the external auditors, including plans, performance and co-ordination of activities.
- Review the activities, resources and the operational effectiveness of internal audit, and where appropriate, make recommendations to the BOD.
- Meet separately with the Head of Internal Audit to discuss any matters that ARC or auditors believe should be discussed privately.
- Review and discuss the internal audit findings, recommendations that have been reported to management and the progress of the related corrective actions and management’s responsiveness.
- Ensure audit recommendations / corrective actions are implemented by Management promptly.
- Evaluate the performance of internal audit function [internal audit assessment and external quality assurance review process at least once every 5 years] and any recommendations with respect to improving the performance of or strengthening of the internal audit function.

**Risk Management:**

- Consider, review, amend and recommend to the BOD, the Company’s Risk management strategy and policy, financial policies and procedures, delegated authority levels, expenditure and tender policies.
- Consider, review, amend and recommend to the BOD, the Company’s credit risk, debt levels, interest risk, liquidity risk and operational risk exposure in relation to the BOD’s risk appetite and the Company’s capital adequacy.
- Identify, consider and report to the BOD and thereafter inform the Management of the Company of the investment, equity and risk criteria for the Company’s business and investment activities.
- Undertake Risk management audits and assessments of specific business activities of the Company both on pre and post commitment, as may be requested by the BOD from time to time.
- Review and be satisfied that the Company’s risk management strategy and policies are fairly represented in the Company’s Annual Report.
- Be responsible for selecting and appointing any risk management consultants who advise the Committee.

**Compliance with Corporate Policies:**

- Evaluate the adequacy and effectiveness of the Company’s procedures and systems for ensuring compliance with legal and regulatory requirements and internal policies.
- The Committee shall review annually with the Internal Auditor the adequacy and appropriateness of the Company’s compliance with the Corporate Policies issued from time to time as well as the Code of Conduct.
- Receive and discuss reports from management on an annual basis and/or as needed basis relating to:
  - Compliance, including regulatory and fiduciary compliance;
  - Significant reported ethics violations;
  - Fraud and operating loss;
  - Technology and information security;
  - The Company’s insurance; and
  - Any other reports or documents the Committee considers appropriate.

- Ensure compliance with laws, regulations, ethical and other issues including:
  - Reviewing with the Group’s lawyer and others any legal, tax or regulatory matter that may have a material impact on the Group’s operations or financial statements;
  - Ensuring that the Company maintains suitable arrangements for its employees to raise concerns, in confidence, about possible wrongdoings in financial report, or other matters and that these arrangements provide for independent investigation, appropriate follow up action and appropriate escalation to the Committee for its review;
  - Considering fraud or ethical issues;
  - In areas where the ARC has responsibility for monitor compliance with internal policies and procedures review the relevant policies annually or when there is a significant change and assess compliance with those policies on an annual basis;
  - Considering other topics as defined by the BOD;
  - Monitoring and evaluate the performance of the ARC and make recommendations to the BOD with regard to any necessary adjustments; and
  - Reporting its activities to the BOD on a regular basis and review these terms of reference on an annual basis.

**Whistle Blowing Programme:**

- ARC must review and oversee the implementation of whistle blowing programme and, ensure that whistle-blowers are heard and their rights are safeguarded.
- Review the whistleblowing complaints/allegations received by the designated contact.
- Substantiate whistleblowing complaints/allegations reported by the Designated Contact and decide on the course of action.
- Depending on the nature of investigation required, approve the internal or outsourced team to perform the investigation.
- Review the investigation report submitted and decide on the course of action to be taken, and inform the BOD, if necessary.
- Communicate to the Designated Contact and Whistle-blower, on the decision taken on the complaint/allegation after investigation, to be updated in the whistleblowing log.

**Review of Legal and Regulatory Compliance:**

- The Committee shall periodically review with management, including the Legal Advisor and the Internal Auditor any correspondence with, or other action by, regulators or governmental agencies and any employee complaints or published reports that raise concerns regarding the Company’s financial statements, accounting or auditing matters or compliance with the laws, particularly the Environmental Law, Commercial Company Law and Labour Laws.
- Monitor whether regulatory returns etc., are submitted on time.
- Review the effectiveness of the system for monitoring compliance with legal and regulatory requirements and the results of management’s investigations and follow-up (including disciplinary action) of any fraudulent actions or non-compliance.

**b. Number and dates of meetings held by the audit committee during the year to discuss issues related to financial statements and any other matters and the number of times members attended the meetings in person.**

Meeting No.	Meeting Date	No. of Directors Attending in person	No. of Directors Attending by phone	No. of Directors present by proxy
1	3 March 2019	3	0	None
2	29 May 2019	3	0	None
3	18 September 2019	3	0	None
4	26 November 2019	3	1	None



6. Remuneration Nomination and Governance Committee (RNGC):

a. Names, competences and duties of the RNGC committee’s members.

#	Name	
1	Sh. Hamed Al-Khalifa	Chairman
2	Mohammed Khalil Alsayed	Member
3	Khalil Almeer	Member

Duties:

General Responsibilities

- Have regard to the Laws of Bahrain and any approved Company policies relative to the matters under consideration;
- Carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions;
- Carry out any other responsibilities and duties delegated to it by the BOD related to the purposes of the Committee;
- Remain flexible, to best react to changing conditions and to be in the best position to ensure to the BOD and stakeholders of the Company that the Company’s governance principles, policies, standards and practices are upheld and maintained in all matters before it, so as to optimally assist the BOD and the Company’s Management to effectively and efficiently promote the best interests of the Company by appropriately balancing the interests of its stakeholders;
- May not delegate any of its decision making responsibilities to Management; and
- May study or investigate any matter of interest or concern that it deems appropriate or relevant to the matters before it for review.

Nomination responsibilities

- Evaluate and make recommendations to the BOD about:
  - The BOD’s and its Committees motivations as a fiduciary of the Company, including the attendance of the members of same to the BOD’s and its Committees meetings;
  - The BOD’s and its Committees relevant knowledge and proficiency to be effective in its role;
  - The BOD’s independence from management and other stakeholders and its accountability to the Shareholders;
  - The BOD’s diligence and attentiveness in applying governance best practices and responding to the requirements of the business;
  - The BOD’s oversight and monitoring of management and planning for management succession;
  - The BOD’s focus on strategic critical success factors such as its most critical issues and risks;
  - The appropriateness and clarity of allocated roles and responsibilities between the BOD and management;
  - The committee TORs and their ongoing evaluation;
  - The performance of the committees relative to their TORs;
  - The BOD’s performance;
  - The improvements based on findings from all BOD and BOD committee performance assessments; and new or special committees of the BOD that may be necessary to properly address ethical, legal and/or other matters that may arise.
  - The adequacy of the constituent documents of the Company;
  - The attendance at meetings by members of the BOD and their Committees and the establishment of a minimum attendance requirement to provide for such continuing attendance of any of these meetings;

- Consider, amend and review the Company’s HR policies, HR Documents, employment code of ethics mandates, employment grading structure and others such related documents relating to employment and thereafter approve such documents;
  - Consider, amend and review the Company’s HR budgets, recruitment strategies, recruitment procedures, recruitment programmes and organisation charts relative to the Company’s business and establishment plans and others such related documents and thereafter approve such documents;
  - Interview all proposed Grade B employees recommended by the MD/GM for such positions within the Company as may be required from time to time and instruct the MD/GM, as appropriate, to appoint or decline the employment of such Grade B employees;
  - Interview all proposed temporary individual consultants, equivalent to Grade B employment status, recommended by the MD/GM for such positions within the Company as may be required from time to time and instruct the MD/GM, as appropriate, to appoint or decline the employment of such Consultants; and
  - Evaluate the MD/GM’s performance in light of corporate goals and objectives; and performance of all other officers of the company in consultation with the MD/GM and the Chairperson of the Board.
- Review and recommend changes to the Board size, structure, composition, duties or meeting frequency.
  - Establish and supervise the Board’s criteria, materiality thresholds and process for selecting new Directors including Independent Non-Executive Directors.
  - Each Shareholder for their respective nominee seats will identify and nominate to the Board, individuals qualified to serve as Board members of the Company, consistent with Board criteria (subject to approval of shareholders).
  - Implement procedures to secure adequate succession of Board members and the MD/GMs.
  - Provide stringent criteria for re-appointment of a Director considering performance evaluation results and independence of the Director.
  - Assess and articulate the minimum time and availability commitments to fulfil the roles, including Chairperson and non-executive directors. This should consider the maximum number of directorships on the boards of other companies that may be held by an individual.
  - Establish the decision-making process of the Board concerning potential conflicts of interest.
  - Ensure that the Secretary, on behalf of the Board, has written to all new appointees, detailing their role and time commitments, providing Charters for each committee to which they are being appointed, to undertake an induction programme and, as necessary, training, that has been produced in consultation with the Chairperson.
  - Ensure each new Director has signed their Letter of Appointment.

Remuneration responsibilities

- Review and recommend to the BOD for their approval any salary increments and bonus awards for all levels of the staff;
- Review and approve any unusual or special increments and/or promotions throughout the year for any member of staff;
- In relation to any bonus scheme operated by the Company, determine annual targets and key performance indicators for, and assess performance against targets and key performance indicators by (i) the Company and (ii) the MD/GM and all grade B employees;
- Approve the grant of long term incentive awards, such as share appreciation rights and performance shares, including the monitoring of any performance conditions subject to which any long term incentive awards may be granted under any schemes adopted by the Company;
- Consider and recommend to the BOD the broad policy for the remuneration and incentivisation of the MD/GM, Directors of the BOD, members of the Leadership Team of the Company’s business units and corporate units and employees of the Company including the scope of annual salary increments, bonus schemes, share option schemes, termination payments and pension arrangements;
- Review the design of all share incentive schemes, including the setting of performance conditions, to be put forward for approval by the BOD and shareholders;
- Agree the policy for authorising claims for expenses from the MD/GM and the Chairperson;
- Review and be satisfied that the Company’s remuneration practices and policies are fairly represented in the Company’s Annual Report;
- Be responsible for selecting and appointing any remuneration consultants who advise the Committee;

- Review and recommend to the shareholders for approving the compensation policy guidelines and working instructions of the Company in particular for the Board and Executive Directors;
- Ensure that the recruitment policies of the organisation are designed to attract and retain quality staff whilst providing appropriate accountability for performance;
- Review recommendations made by the MD/GM of the Company regarding the remuneration arrangements of the Company’s senior management. Specifically, in consultation with the MD/GM, the Board will:
- Review and determine the terms of the service contracts of the Company’s senior management (primarily direct reports of MD/GM);
- Review any other matters related to the remuneration, long term incentives and benefits of the Company’s senior management and make recommendations to the Board accordingly;
- Evaluate the MD/GM’s performance in light of corporate goals and objectives; and performance of all other officers of the company in consultation with the MD/GM and the Chairperson of the Board; and
- Ensure that the employment costs of the organisation remain within agreed budgetary guidelines.

Corporate Governance responsibilities

- Develop and recommend written corporate governance policy / guidelines covering the matters stated in the Bahrain Corporate Governance Code and other corporate governance matters deemed appropriate by the BOD;
- Recommend to the BOD, appointment of a suitable candidate as the Secretary of the BOD and Corporate Governance Officer (“CGO”) for the Company, and the job description for the positions;
- Oversee and monitor the implementation of the governance policy framework by working together with the CGO;
- Provide the BOD with reports and recommendations, based on its findings, in the exercise of its duties;
- Review the annual Corporate Governance Report prepared by the CGO, and recommend to the BOD for approval;
- Ensure that all weaknesses identified during governance audits by, the Company’s internal auditor or external auditors, are rectified immediately;
- Ensure that the BOD and relevant employees of the Company are provided with training on Corporate Governance, periodically;
- Review on an annual basis the Company’s compliance with the respective corporate governance rules and regulations issued by the Ministry of Industry, Commerce and Tourism and ensure that proper action is taken to implement the necessary measures to close any gaps identified;
- Review and recommend to the BOD, for submission to the Shareholders for approval, the Related Party Transactions Policy for the Company;
- Approve the related party transactions, as per the delegation of authority in place.
- The establishment of corporate governance guidelines that keep abreast of developments with regard to corporate governance to enable the Committee to make recommendations to the BOD as may be appropriate, with particular relevance to developing and recommending to the BOD a Code of Conduct that complies with (applicable) values, standards and rules, that:
  - Shall address at least the following subjects: conflicts of interest; corporate opportunities; confidentiality; fair dealing; protection and proper use of company assets; compliance with laws, rules and regulations; encouraging the reporting of any illegal or unethical behavior;
  - Incorporate such issues related to the Company’s senior financial officers as required by (applicable) rules;
  - At least annually, review the Code of Conduct and take such actions, as the Committee deems necessary or appropriate.
- Approving or disapproving all transactions involving the Company and any director, executive officer, senior financial officer or any related party and other questions of actual and potential conflicts of interest or appearances of impropriety or involving the Company’s directors, executive officers or senior financial officers or any related party as they may arise and, when determined necessary or appropriate, to issue to such persons instructions on how to conduct himself/herself in such matters so as to ensure that the best interests of the Company are protected;
- Review the related party transactions details that will be incorporated in the Annual Report/ financial statements of the Company;
- Ensure that the external auditors perform their obligations towards related party transactions during their audit the following year;

- Review on an annual basis the Company’s compliance with the BOD and BOD Committees’ approved charters; and
- The Committee shall direct the Internal Auditor to conduct an annual review of compliance with the Corporate Governance Code. Any findings arising there from shall be reported by the Committee to the BOD / Shareholders.

b. Number and dates of meetings held by the committee during the financial year and the number of times members attended the meetings in person.

Meeting No.	Meeting Date	No. of Directors Attending in person	No. of Directors Attending by phone	No. of Directors present by proxy
1	5 March 2019	3	0	None
2	28 May 2019	3	0	None
3	18 November 2019	3	0	None

7. Executive Committee (ExCom):

a. Names, competences and duties of the governance committee’s members.

#	Name	
1	AbdulKarim Bucheery	Chairman
2	Bashar Almutawa	Member
3	Dr. Khalid Abdulla	Member
4	Saqer Shaheen Saqer	Member
5	Reyadh Sater	Member

Duties:

General Responsibilities

- Have regard to the Laws of Bahrain and any approved Company policies relative to the matters under consideration.
- Carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions.
- Carry out any other responsibilities and duties delegated to it by the BOD related to the purposes of the Committee.
- Remain flexible, to best react to changing conditions and to be in the best position to ensure to the BOD and stakeholders of the Company that the Company’s governance principles, policies, standards and practices are upheld and maintained in all matters before it, so as to optimally assist the BOD and the Company’s Management to effectively and efficiently promote the best interests of the Company by appropriately balancing the interests of its stakeholders.
- May not delegate any of its decision making responsibilities to Management.
- May study or investigate any matter of interest or concern that it deems appropriate or relevant to the matters before it for review.

Key Responsibilities

- Consider those transactions put before it for review by the Company’s management and officers and thereafter advise the Management to treat with such transactions as follows:
  - Recommend Management to proceed as the Committee may decide and direct;



- Advise Management to amend, change, resubmit or disregard those transactions as the Committee may direct or conclude.
- Approve and instruct Management, as the Committee may decide and direct, any cash investment with the Company’s shareholder banks that require a tenure greater than a particular number of calendar months as stipulated in PPM4 Delegation of Authority.
- Consider those transactions put before it for approval by the Company’s Management and Officers that as being compliant with the BOD’s approved business and investment Equity IRR benchmarks and thereafter action such transactions as follows:
  - Approve and instruct Management to proceed with, as the Committee may decide and direct, those transactions that do not require a transaction or a financial obligation (Project Size) greater than the amount stipulated in PPM4 Delegation of Authority;
  - Recommend to the BOD for approval, as the Committee may decide and direct, those transactions that will require a transaction or a financial obligation (Project Size) greater than the amount stipulated in PPM4 Delegation of authorities;
  - Refer those transactions back to Management in the event that the Committee requires further confirmation that a proposed transaction is in accordance with the BODs approved business and investment IRR benchmarks.
- Naseej Group Management’s performance evaluation on all matters and assignment of accountability and any incentive or reward program;
- Oversight on Management’s implementation of the Company’s strategy and monitoring of actual financial, operational and administrative performance of the Group against plans;
- Review, as delegated, matters requiring decisions between BOD meetings, the outcome of which would be binding on the BOD;
- Review any urgent matter which, in the opinion of the Chairperson of the BOD, does not permit the calling of a regular or special meeting of the BOD, and also approve the transactions as specifically delegated by the BOD on a case-to-case basis, and submit for BOD re approval and/or ratification at the BOD next meeting;
- Partial or full asset write-offs within its delegated financial authorities;
- Product Pricing;
- Capital and project or other significant overhead expenditure / procurement / tender award;
- Material issues relating to the organisational structure of the Company;
- Treasury activities and performance;
- Acquisitions and disposals, where delegated by the BOD;
- Investment diversification in terms of products and markets; and
- Disaster Recovery, Business Continuity and Crisis Management plans.

Corporate Social Responsibility

- Allocate funds allotted for Corporate Social Responsibility (CSR) activities for each cause supported by the Company;
- Develop an annual plan for CSR activities detailing the specific identified causes that it will support during the year to be approved by the BOD;
- Evaluate donation/sponsorship proposals in line with the criteria provided in the CSR policy; and
- Ensure a thorough due diligence is performed on beneficiary organizations

b. Summary of the committee performance report during the year 2019.

Meeting No.	Meeting Date	No. of Directors Attending in person	No. of Directors Attending by phone	No. of Directors present by proxy
1	20 January 2019	5	0	None
2	12 March 2019	5	0	None
3	30 May 2019	5	0	None
4	18 September 2019	5	0	None
5	14 October 2019	5	0	None
6	28 November 2019	4	0	None

8. Corporate governance officer’s name, qualifications, date of appointment, and contact details.

Name:	Ahmed Alhammadi
Qualifications:	Ahmed Al Hammadi has over 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.
Date of Appointment:	25/7/2018
Contact Details:	Office No.16557988 Mobile No. 39699799 Email: ahmed.alhammadi@naseej.bh

9. Details of any irregularities committed during the financial year, their causes (if any), and the plan to address them in order to avoid future recurrence.

None.

10. Description of the cash and in-kind contributions made by the Company during the year 2019 for the purpose of community development and environment preservation (In the absence of contributions, it should be stated that the Company did not make any contributions), indicating the recipients of these contributions.

In 2019, Naseej made total donations of BD 22,157 as part of its Corporate Social Responsibility (CSR) programme. Donations focused primarily on charitable institutions; education and training; architectural and cultural heritage; and health, safety and environment.

As well as providing financial assistance, Naseej supports the sustainable economic development and social well-being of the Kingdom of Bahrain through a wide variety of community engagement and related CSR activities.

a. Statement of shareholders’ equity as of 31/12/2019 (individuals, corporate, government or organizations) to be classified as follows: Local, Gulf, Arab, and foreign.

#	Shareholder classification	Shareholding %			
		Individuals	Corporate	Government or Organizations	Total
	Local	4.69%	62.39%	13.94%	81.02%
	Arab	2.14%	4.17%	-	6.31%
	Foreign	-	12.67%	-	12.67%
	Total	6.83%	79.23%	13.94%	100%

**b. Description of the shareholders who hold 5% or more of the Company's share capital, indicating the name of the natural person who holds the shares, the final beneficiary, as at 31/12/2019 as follows:**

#	Name	Number of shares held	Shareholding %	Name of the natural person, the final beneficiary
1	Ithmaar Holding B.S.C.	201,974,470	18.70%	
2	BBK B.S.C.	163,636,370	15.15%	
3	Ithmaar Development Company Ltd	129,506,280	11.99%	Ithmaar Holding B.S.C.
4	Social Insurance Organisation	117,818,190	10.91%	
5	GFH Finance Group BSC	70,648,340	6.54%	
6	Khaleeji Commercial Bank B.S.C.	67,605,400	6.26%	
7	Alfateh Investment	65,454,550	6.06%	

**c. Description of how shareholders are distributed according to their respective shareholding as at 31/12/2019 as follows:**

#	Shareholding (share)	No of shareholders	Number of shares held	Shareholding %
1	<50,000	0	0	0
2	50,000 to 500,000	1	146,550	0.01%
3	500,000 to 5,000,000	7	14,402,754	1.33%
4	>5,000,000	20	1,065,450,706	98.66%

**h. Description of the significant events that occurred during the year 2019.**

The issued and paid up share capital of Naseej was reduced from BD 108,000,001 to BD 86,400,001 in 2019.

During the year, Naseej acquired a 25% stake in Olive VFM Company, a subsidiary of Ithmaar Development (a company that provides facilities management solutions), a subsidiary of Olive VFM Holding WLL, which in turn is a subsidiary of Ithmaar Development Company.

**11. Compliance with the provisions of the Corporate Governance Code, as follows:**

	Principle	Not Compliant	Partially Compliant	Fully Compliant	Explanation of Non- Compliance
1	The Company shall be headed by an effective, qualified and expert Board.		√		The Chairman is no longer an Independent Director
2	The Directors and Executive Management shall have full loyalty to the Company.			√	
3	The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law.		√		The ARC has only one Independent Director
4	The Company shall have effective procedures for appointment, training, and evaluation of the Directors.			√	
5	The Company shall remunerate Directors and Senior Officers fairly and responsibly.			√	
6	The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.			√	
7	The Company shall communicate with Shareholders, encourage their participation, and respect their rights.			√	
8	The Company shall disclose its corporate governance.			√	
9	The Board shall ensure the integrity of the financial statements submitted to Shareholders through appointment of External Auditors.			√	
10	The Company shall seek through social responsibility to exercise its role as a good citizen.			√	
11 *	Companies which offer Islamic services shall adhere to the principles of Islamic Shari'a.				Not Applicable to Naseej

\* Applicable only to the companies offering Islamic services.

**12. Any disclosures required by the regulatory authorities.**

There are no further disclosures.

**Chairman Signature**



# WELCOME TO A NEW VIEW

*"The construction of Canal View – Naseej's flagship project occupying a prime canal-side location of over 13,000 square metres on the prestigious Island of Dilmunia has now entered the final stages of construction completion. 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, with spectacular views of the canal, waterfall and dancing fountains."*

*Mr. Mohammed Khalil Alsayed, Managing Director  
Naseej BSC (c)*



CANAL VIEW

AT DILMUNIA

*In the heart of Dilmunia.*

+973 1651 1111  
[www.CanalView.bh](http://www.CanalView.bh)

    
CanalView bh



NASEEJ B.S.C. (C)  
INDEPENDENT AUDITOR’S REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2019

NASEEJ B.S.C. (C)

General information

Commercial registration number 72492

Board of Directors  
Shaikh Hamed Al-Khalifa (Chairman)  
Abdulkarim Bucheery (Vice Chairman)  
Abdulelah AlQasimi  
Abdulhakeem Almutawa  
Bashar Almutawa  
Dr. Khalid Abdulla  
Khalil Ismail Almeer  
Mohammed Khalil Al Sayed  
Reyadh Sater  
Saqr Shaheen

Registered office  
Bahrain Financial Harbour  
East Tower, 46<sup>th</sup> Floor  
Manama, Kingdom of Bahrain

Principal bankers  
Ithmaar Bank B.S.C. (c)  
Khaleeji Commercial Bank B.S.C.  
Bank of Bahrain and Kuwait B.S.C.

Auditor  
Deloitte & Touche – Middle East  
P.O. Box 421  
Manama  
Kingdom of Bahrain

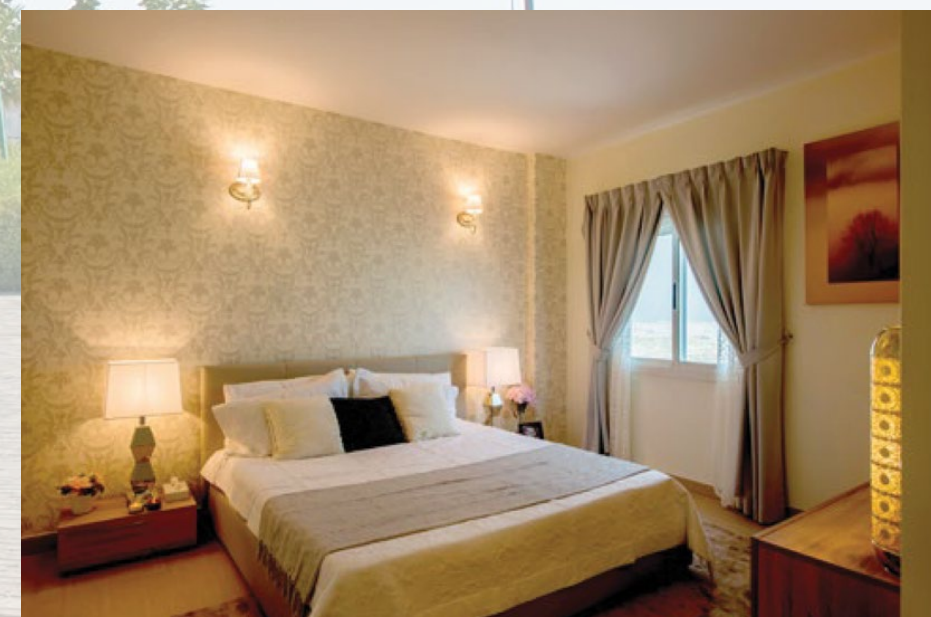




**JUMANA**  
مدينة سلمان

## Jumana – Madinat Salman

This affordable housing component of the PPP project located at Madinat Salman, comprises 165 villas and 202 apartments in a serene seafront setting. All villas have been handed over to homeowners. Jumana also features a range of convenient community-based retail facilities, for which leasing has commenced.



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

**IN PARTNERSHIP WITH THE  
MINISTRY OF HOUSING - BAHRAIN**

**SOCIAL & AFFORDABLE HOUSING UNITS**

**Number of units: 2,685**

**Locations: Madinat Salman, Al Luwzi**



# CONTENTS

Directors' report	58
Independent auditor's report	59 & 60
Consolidated statement of financial position	61
Consolidated statement of profit or loss and other comprehensive income	62
Consolidated statement of changes in equity	63
Consolidated statement of cash flows	64
Notes to the consolidated financial statements	65 to 88



NASEEJ B.S.C. (C)

Directors’ report  
For the year ended December 31, 2019

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 December 31, 2019.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the construction, development, sales and purchase of real estate.

RESULTS AND FINANCIAL POSITION

The consolidated financial position of the Group as at December 31, 2019 and the results for the year ended December 31, 2019 are set out in the accompanying consolidated financial statements.

DIVIDENDS

The directors have proposed a dividend payment of BD 2.16 million for the year ended December 31, 2019 (2018: BD 5.4 million), which will be submitted for Shareholder’s approval at the Annual General Meeting.

DIRECTORS

The following Directors served during the year ended December 31, 2019:

- Shaikh Hamed Al-Khalifa (Chairman)
- Abdulkarim Bucheery (Vice Chairman)
- Abdulelah AlQasimi
- Abdulhakeem Almutawa
- Bashar Almutawa
- Dr. Khalid Abdulla
- Khalil Ismail Almeer
- Mohammed Khalil Al Sayed
- Reyadh Sater
- Saqer Shaheen

AUDITORS

The auditors, Deloitte & Touche - Middle East, have expressed their willingness to be reappointed as auditors of the Group for the year ending December 31, 2020.

On behalf of the Directors:

Shaikh Hamed Al-Khalifa  
Chairman

Abdulkarim Bucheery  
Vice Chairman

Deloitte.

INDEPENDENT AUDITOR’S REPORT

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

Deloitte & Touche – Middle East  
Partner Registration Number: 157  
Manama, 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, 2019, 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, 2019, 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 Directors are 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 or 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.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as the Directors determine 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 Directors are 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 Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

# Deloitte.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

### Report on other legal and regulatory requirements

- As required by the Bahrain Commercial Companies Law of 2001 (and subsequent amendments), we report that:
  - we have obtained all information that we considered necessary for the purposes of our audit;
  - the Company has maintained proper accounting records and the consolidated financial statements and the financial information included in the Chairman's report are in agreement therewith;
  - nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law of 2001 (and subsequent amendments), or of its memorandum and articles of association which would materially affect its activities or its financial position as at December 31, 2019; and
  - satisfactory explanations and information have been provided to us by the Directors in response to all our requests.
- As required by the Ministry of Industry, Commerce and Tourism in their letter dated January 30, 2020 in respect of the requirements of Article 8 of section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
  - a corporate governance officer; and
  - a Board approved written guidance and procedures for corporate governance.

*Deloitte & Touche*

Deloitte & Touche – Middle East  
Partner Registration Number: 157  
Manama, Kingdom of Bahrain

May 12, 2020

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	Note	2019 BD	2018 BD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Properties under development	5	53,689,221	28,888,224
Investment property	6	4,974,324	4,489,843
Investment in an associate	8	409,391	-
Right-of-use asset	9	325,740	-
Property and equipment	7	137,314	168,960
<b>Total non-current assets</b>		<b>59,535,990</b>	<b>33,547,027</b>
<b>Current assets</b>			
Cash and cash equivalents	11	23,079,089	24,077,004
Placements with financial institutions	10	8,946,540	43,651,280
Trade receivables	13	3,148,726	424,010
Contract receivables	14	10,705,910	45,421,841
Other assets	15	1,999,039	3,527,689
<b>Total current assets</b>		<b>47,879,304</b>	<b>117,101,824</b>
<b>Total assets</b>		<b>107,415,294</b>	<b>150,648,851</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	86,400,001	108,000,001
Statutory reserve	17	3,250,747	2,945,024
Retained earnings		2,962,305	5,286,543
Foreign currency translation reserve		(421,916)	(430,519)
<b>Equity attributable to owners of the company</b>		<b>92,191,137</b>	<b>115,801,049</b>
Non-controlling interests		(551,659)	(551,174)
<b>Total equity</b>		<b>91,639,478</b>	<b>115,249,875</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liability	9	280,966	-
Employees' end of service benefits	18	503,959	525,622
<b>Total non-current liabilities</b>		<b>784,925</b>	<b>525,622</b>
<b>Current liabilities</b>			
Lease liability	9	54,600	-
Contactors' retention payable	19	3,790,246	13,139,597
Trade payables	20	1,678,428	387,440
Accruals and other liabilities	21	9,467,617	21,346,317
<b>Total current liabilities</b>		<b>14,990,891</b>	<b>34,873,354</b>
<b>Total liabilities</b>		<b>15,775,816</b>	<b>35,398,976</b>
<b>Total equity and liabilities</b>		<b>107,415,294</b>	<b>150,648,851</b>

The consolidated financial statements were approved by the Board of Directors on May 11, 2020.

Shaikh Hamed Al-Khalifa  
Chairman

Abdulkarim Bucheery  
Vice Chairman

The attached notes form part of these consolidated financial statements



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019 BD	2018 BD
Revenue	22	2,605,900	9,603,901
Direct costs	23	(611,362)	(6,855,887)
<b>Gross profit</b>		<b>1,994,538</b>	<b>2,748,014</b>
Income from placements with financial institutions	12 (b)	1,846,285	1,975,019
Rental and other income		290,543	497,146
PPP – Anxillary income	24	1,490,968	1,286,268
Net gain from fair value adjustment on properties under development	5	1,189,173	-
Administrative expenses	25	(2,508,837)	(1,888,746)
Marketing expenses		(169,570)	(199,166)
Share of results from associate	8	(11,109)	-
Depreciation expense on right-of-use asset	9	(61,076)	-
Interest expense on lease liability	9	(22,697)	-
Other operating expenses	26	(1,090,354)	(295,514)
Impairment loss allowance on financial assets	30	99,743	(85,703)
<b>Profit for the year</b>		<b>3,047,607</b>	<b>4,037,318</b>
Profit for the year attributable to:			
Owners of the Company		3,057,227	4,005,371
Non-controlling interests		(9,620)	31,947
		<b>3,047,607</b>	<b>4,037,318</b>
<b>Other comprehensive income</b>			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange translation reserve		17,738	135,947
<b>Total comprehensive income for the year</b>		<b>3,065,345</b>	<b>4,173,265</b>
Total comprehensive income for the year attributable to:			
Owners of the Company		3,065,830	4,073,437
Non-controlling interests		(485)	99,828
		<b>3,065,345</b>	<b>4,173,265</b>

The consolidated financial statements were approved by the Board of Directors on May 11, 2020.

Shaikh Hamed Al-Khalifa  
Chairman

Abdulkarim Bucheery  
Vice Chairman

The attached notes form part of these consolidated financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

	Attributable to Owners of Company						Non-controlling interests	Total equity
	Share capital	Statutory reserve	Retained earnings	Foreign exchange translation reserve	Total			
	BD	BD	BD	BD	BD	BD	BD	BD
At January 1, 2018	108,000,001	2,544,487	21,681,709	(498,585)	131,727,612	(651,002)		131,076,610
Profit for the year	-	-	4,005,371	-	4,005,371	31,947		4,037,318
Other comprehensive income	-	-	-	68,066	68,066	67,881		135,947
Total comprehensive income for the year	-	-	4,005,371	68,066	4,073,437	99,828		4,173,265
Transfer to statutory reserves	-	400,537	(400,537)	-	-	-		-
Dividend declared	-	-	(20,000,000)	-	(20,000,000)	-		(20,000,000)
At December 31, 2018	108,000,001	2,945,024	5,286,543	(430,519)	115,801,049	(551,174)		115,249,875
Profit for the year	-	-	3,057,227	-	3,057,227	(9,620)		3,047,607
Other comprehensive income	-	-	-	8,603	8,603	9,135		17,738
Total comprehensive income for the year	-	-	3,057,227	8,603	3,065,830	(485)		3,065,345
Transfer to statutory reserves	-	305,723	(305,723)	-	-	-		-
Dividend declared	-	-	(5,075,742)	-	(5,075,742)	-		(5,075,742)
Capital reduction	(21,600,000)	-	-	-	(21,600,000)	-		(21,600,000)
At December 31, 2019	86,400,001	3,250,747	2,962,305	(421,916)	92,191,137	(551,659)		91,639,478

The attached notes form part of these consolidated financial statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019 BD	2018 BD
<b>Cash flows from operating activities</b>			
Profit for the year		3,047,607	4,037,318
Adjustments for non-cash items:			
Income from deposits	12 (b)	(1,846,285)	(1,975,019)
Depreciation		173,914	185,306
Depreciation of right-of-use asset	9	61,076	-
Movement in investment properties		(605,900)	-
Interest on lease liability	9	22,697	-
Provision for employees' end of service benefits	18	83,564	121,203
Gain on fair value recognised	5	(1,189,173)	-
Share of loss from an associate	8	11,109	-
Impairment loss allowance on financial assets	30	(99,743)	85,703
Interest on receivables from Ministry of Housing	14	(1,490,968)	(1,286,268)
Cash flows before changes in operating assets and liabilities		(1,832,102)	1,168,243
Changes in operating assets and liabilities			
(Increase)/decrease in trade receivables		(2,953,914)	23,201,362
Decrease in contract receivables		34,715,931	17,421,389
Decrease/(increase) in other assets		1,735,146	(1,997,073)
Increase in properties under development		(23,611,824)	(16,188,531)
(Decrease)/increase in contractors retention payable		(9,349,351)	65,791
Increase/(decrease) in trade payables		1,290,988	(838,536)
(Decrease)/increase in accruals and other liabilities		(11,878,700)	12,783,304
Cash (used in)/generated from operating activities		(11,883,826)	51,804,480
Payment for employees' end of service benefits	18	(105,227)	(2,255)
<b>Net cash (used in)/generated from operating activities</b>		<b>(11,989,053)</b>	<b>51,802,225</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	7	(20,849)	(95,214)
Proceeds from disposal of property and equipment		-	1,372
Income received from deposits		1,642,216	1,478,965
Investment in an associate during the year	8	(420,500)	-
Interest received from Ministry of Housing	14	1,490,968	1,286,268
Fixed deposits redeemed/(placed) during the year, net		34,912,118	(34,548,025)
<b>Net cash generated from/(used in) investing activities</b>		<b>37,603,953</b>	<b>(31,876,634)</b>
<b>Cash flows from financing activities</b>			
Repayment of lease liability	9	(73,947)	-
Net movement in loan		-	(5,497,771)
Capital reduction during the year		(21,600,000)	-
Dividend paid		(5,075,742)	(20,358,552)
<b>Net cash used in financing activities</b>		<b>(26,749,689)</b>	<b>(25,856,323)</b>
<b>Net decrease in cash and cash equivalents during the year</b>		<b>(1,134,789)</b>	<b>(22,119,263)</b>
Cash and cash equivalents at the beginning of the year		24,220,865	46,204,181
Effect of currency translation on cash and cash equivalents		17,738	135,947
<b>Cash and cash equivalents at the end of the year</b>	11	<b>23,103,814</b>	<b>24,220,865</b>

The attached notes form part of these consolidated financial statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

### 1. INCORPORATION AND ACTIVITIES

Naseej B.S.C. (c) is a closed joint stock company (the "Company") incorporated in the Kingdom of Bahrain on August 5, 2009 under commercial registration number 72492. The Company is principally engaged in the construction, development, sale and purchase of real estate. The registered office of the Company is Bahrain Financial Harbour, East Tower, 46th Floor, Manama, Kingdom of Bahrain.

The Company's major shareholders are Ithmaar Bank, BBK, Ithmaar Development Company, Social Insurance Organisation of the Kingdom of Bahrain, Ibdar Bank, Gulf Finance House, Khaleeji Commercial Bank, Eskan Bank, Faisal Islamic Bank of Egypt, and Palm Capital.

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

As at December 31, 2019, the Group has the following subsidiaries and associate:

Entity	Country of incorporation	Place of business	Principal activities	% Ownership
<b>Subsidiaries:</b>				
Naseej Rabat W.L.L.	Bahrain	Bahrain	Real estate	100
Naseej Project Company S.P.C. (Formerly known as "Shakhoura Development S.P.C.")	Bahrain	Bahrain	Real estate	100
Sharaka for Housing Projects B.S.C. (c)	Bahrain	Bahrain	Real estate	100
Canalview Development Company S.P.C.	Bahrain	Bahrain	Real estate	100
Bahrain PPP Investment Company Limited	Cayman Islands	Bahrain	Real estate	100
Ashghal Development Company SARL	Morocco	Morocco	Real estate	50
<b>Associate:</b>				
Olive V.F.M. Company W.L.L.	Bahrain	Bahrain	Real estate	25

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

#### 2.1 New and revised IFRS standards that are effective for the current year

In the current year, the Group has adopted IFRS 16 Leases as issued by the IASB in January 2016. The Standard replaces the existing guidance on leases, 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 in the Legal Form of a Lease.

IFRS 16 results in lessees accounting for most leases within the scope of the Standard in a manner similar to the way in which finance leases are accounted for under IAS 17 Leases. The Standard requires lessees to recognize a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset is amortized over the length of the lease and the financial liability is measured at amortized cost. The requirements for lessor accounting remains substantially unchanged.

The Group's accounting policies for its leases are detailed in note 3.

The date of initial application of IFRS 16 for the Group is January 1, 2019. Upon adoption of IFRS 16, the Group has opted for the modified retrospective application permitted by the Standard

#### Practical expedients used and impact of application of IFRS 16 Leases

During the first time application of IFRS 16 to operating leases, the Group has used the following practical expedients:

- Use of a single discount rate.
- Reliance on previous assessments on whether leases are onerous.
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

The associated right-of-use assets for property leases were measured on a modified retrospective basis as if the new rules had always been applied. The recognized right-of-use assets relate to the following types of assets:

	December 31, 2019	January 1, 2019
	BD	BD
Office premises	325,740	386,816

The off-balance sheet lease obligations as of December 31, 2018 are reconciled as follows to the recognized the lease liabilities as of January 1, 2019:

#### Operating lease commitments disclosed as of December 31, 2018

Discounted using the Group's incremental borrowing rate at the date of initial application

#### Lease liabilities recognized as at January 1, 2019

Impact of the application of IFRS 16 on assets, liability and equity as at January 1, 2019:

	As previously reported	IFRS 16 adjustments	January 1, 2019
	BD	BD	BD
Right-of-use asset	-	386,816	386,816
Net impact on total asset	-	386,816	386,816
Lease liability	-	386,816	386,816
Net impact on total liability	-	386,816	386,816

The following table summarizes the impact on the statement of profit or loss for the year ended December 31, 2019.

	For the year ended December 31, 2019		
	As reported	IFRS 16	Without adoption of IFRS 16
	BD	BD	BD
Interest on lease liability	22,697	(22,697)	-
Depreciation on right-of-use asset	61,076	(61,076)	-
Administrative expenses	2,532,890	73,947	2,606,837
Profit for the year	3,278,095	9,826	3,287,921

The following table summarizes the impact on the statement of cash flows for the year ended December 31, 2019.

	For the year ended December 31, 2019		
	As reported	IFRS 16	Without adoption of IFRS 16
	BD	BD	BD
Depreciation on right-of-use assets	61,076	(61,076)	-
Interest on lease liabilities	22,697	(22,697)	-
Net cash flows from operating activities	83,773	(83,773)	-
Payment of principal portion of lease liabilities	(73,947)	73,947	-
Net cash used in financing activities	(73,947)	73,947	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

#### 2.2 Other new and revised standards applied with no material impact on the financial statements

In the current year the Group has applied the following IFRS Standards and interpretations that are effective for an annual period that begins on or after January 1, 2019. Their adoption did not have any material impact on the disclosures or on the amounts reported in the financial statements:

- Amendments to IFRS 9 Prepayment Features with Negative Compensation and Modification of financial liabilities: The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.
- Amendments to IAS 28 Long term interests in associates and joint ventures  
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity is not applied but that in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long term investments. The amendments also clarify that in applying IFRS 9, an entity does not take into account of any losses of the associate or joint venture, or any impairment losses on the net investments that arise from applying IAS 28.
- Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement to clarify the accounting for defined benefit plan amendments, curtailments and settlements.
- IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- the effect of changes in facts and circumstances.

#### 2.3 New and revised standards issued but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (effective from January 1, 2020).
- Amendments to IFRS 3 Business Combinations - Definition of a Business (effective from January 1, 2020).
- Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 (effective from January 1, 2020).
- Amendments to IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments. Amendments regarding pre-replacement issues in the context of the IBOR reform (effective from January 1, 2020).

The Directors do not expect that the adoption of the above Standards will have a material impact on the Group's financial statements in future periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless, otherwise stated.

#### Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs and the applicable requirements of the Bahrain Commercial Companies Law of 2001 (and subsequent amendments).

#### 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 consolidated financial statements comprise of the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires the Management to exercise its judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's consolidated financial statements therefore fairly present its consolidated financial position as at December 31, 2019 and the results for the year then ended. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in note 4.

#### Going concern

The Group's Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

#### 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 interests 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, 2019

### Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and placements with financial institutions 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 amortised cost in the consolidated statement of financial position.

### Properties under development

Properties acquired, constructed or in the course of construction for sale in the ordinary course of business are classified as properties under development and are stated at measured initially at cost, including transaction costs. Subsequent to initial recognition, properties under development are measured at fair value. Gains or losses arising from changes in the fair value of properties under development are included in profit or loss in the period in which they arise.

The Management reviews the carrying values of the development properties on an annual basis.

### Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

### 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 capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is recognised 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
Office equipment & furniture	5 Years
Computers	3 Years

### Placements with financial institutions

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### Revenue recognition

The application of the new standard requires Management to apply the following new accounting policies:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, customer returns and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

#### (i) Contract revenue

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. As part of the impact assessment exercise, Group has concluded that for majority of its arrangements, it is either creating or enhancing an asset controlled by the customer or it is creating an asset with no alternative use and has an enforceable right to payment for work completed. Therefore, it meets the criteria to recognise revenue overtime and measure progress of its projects through the cost to complete method (input method) as it best depicts the transfer of control of products and services under each performance obligation.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Variations which are in the nature of the extension of an existing scope of work are accounted for using cumulative catch up adjustments to the cost to complete method of revenue recognition. Variation orders which require the addition of distinct goods and services to the scope at discounted prices are accounted for prospectively and variation orders which require addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers.

Claims are accounted for as variable consideration. They are included in contract revenue using the expected value or most likely amount approach (whichever is more predictive of the amount the entity expects to be entitled to receive) and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the claim is subsequently resolved.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

A loss is recognised in the statement of comprehensive income when the expected contract costs exceed the total anticipated contract revenue.

Pre-contract cost of obtaining a contract with a customer is recognised as an asset if those costs are expected to be recovered.

Revenue is recognised in the statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably.

### Income from placements with financial institutions

Income from placements with financial institutions is accrued on a time basis, by reference to the principal outstanding and at the effective profit rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### Provision for employees' end-of-service benefits

The Group provides end of service benefits to all employees in accordance with the Bahrain Labour 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.

### Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

#### (i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

#### (ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

### 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 recognised 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 recognised for the asset in prior years. A reversal of an impairment loss is recognised 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, 2019

### Financial instruments

The application of the new standard required the Management to apply the following new accounting policies:

#### (a) Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification of depends on the Group's business model for managing the financial assets that whether the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the cash flows that whether contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Management determines the classification of its investment at initial recognition.

#### (b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### (c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments through two measurement categories:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

### Financial liabilities

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

Accounts payable are stated at their nominal value. Borrowings are initially recognised 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 recognised in profit or loss.

### Provisions

Provisions are recognised 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### Foreign currencies

Transactions in foreign currencies are translated to Bahraini Dinars at exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated into Bahraini Dinars 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 recognised 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.

### 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 realise the assets and settle the liabilities simultaneously.

### Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

### Leases

#### Leases (effective from January 1, 2019)

The Group as lessee:

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following where applicable:

- Fixed lease payments, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- Amount expected to payable by the lessee under the residual value guarantees;
- The exercise price of the purchase option, if the lessee is reasonably certain to exercise the options; and
- Payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated amortization (over the shorter period of lease term and useful life of the underlying asset) and impairment losses.

The Group recognizes a provision when it incurs an obligation for costs to dismantle and remove a leased asset or restore the site on which it is located.

#### Leases (Prior to January 1, 2019)

The Group as lessee:

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance expenses and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the lease.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 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 recognised 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.

#### Useful lives of tangible assets

The Group's management determines the useful lives of tangible assets and the related depreciation charge. The depreciation charge for the year will change significantly if the actual life is different from the estimated useful life of the asset.

#### Measurement of the expected credit loss allowance

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group's management uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Refer to accounting policy in note 3.

#### Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Management did not include the extension options in the lease terms on the basis that lease cannot be renewed without the consent of both parties.

### 5. PROPERTIES UNDER DEVELOPMENT:

	2019 BD	2018 BD
Land (note 5.2)	41,376,219	25,115,353
Development costs (note 5.3)	12,313,002	3,772,871
	<b>53,689,221</b>	<b>28,888,224</b>

Properties acquired, constructed or in the course of construction for sale in the ordinary course of business are classified as development properties and include the costs of:

- Freehold land;
- Amounts paid to contractors for construction including the cost of construction of infrastructure; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Common infrastructure cost is allocated to various projects and forms part of the estimated cost to complete a project in order to determine the cost attributable to revenue being recognised. The development span of some of the development properties is estimated to be over 10 years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 5.1 The movement in properties under development:

	2019 BD	2018 BD
Balance at the beginning of the year	29,202,224	12,329,554
Costs incurred during the year	23,828,624	23,728,557
Costs transferred to cost of revenue during the year	-	(6,855,887)
Fair value gains recognised during the year	1,189,173	-
	<b>54,220,021</b>	<b>29,202,224</b>
Provision in relation to Ain Aouda project	(530,800)	(314,000)
Balance at the end of the year	<b>53,689,221</b>	<b>28,888,224</b>

### 5.2 The following table represents the movement in land during the year:

	2019 BD	2018 BD
Balance at the beginning of the year	25,115,353	10,418,901
Purchases during the year	15,071,693	14,696,452
Fair value gains recognised during the year	1,189,173	-
Balance as the end of the year	<b>41,376,219</b>	<b>25,115,353</b>

### 5.3 The following table represents the movement in development costs during the year:

	2019 BD	2018 BD
Balance at the beginning of the year	4,086,871	1,910,653
Costs incurred during the year	8,756,931	9,032,105
Costs transferred to cost of revenue during the year	-	(6,855,887)
	<b>12,843,802</b>	<b>4,086,871</b>
Provision in relation to Ain Aouda project	(530,800)	(314,000)
Balance as the end of the year	<b>12,313,002</b>	<b>3,772,871</b>

### 5.4 Project wise breakdown is as follows:

	2019 BD	2018 BD
<b>Land costs</b>		
- Canalview project	5,011,035	4,927,269
- Basateen project	1,951,314	1,951,314
- Arad project	14,039,830	12,635,847
- Ain Aouda project	5,601,347	5,600,923
- Amwaj project	11,823,693	-
- Jid Alhaj project	2,949,000	-
	<b>41,376,219</b>	<b>25,115,353</b>
<b>Development costs</b>		
- Canalview project	9,467,058	2,652,790
- Basateen project	797,656	12,275
- Arad project	13,244	-
- Ain Aouda project	1,554,353	1,107,806
- Amwaj project	421,824	-
- Jid Alhaj project	58,867	-
	<b>12,313,002</b>	<b>3,772,871</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

#### 6. INVESTMENT PROPERTY:

	2019 BD	2018 BD
Cielo tower	3,836,324	3,957,743
AMAS shops	1,138,000	532,100
	<b>4,974,324</b>	<b>4,489,843</b>

#### 7. PROPERTY AND EQUIPMENT

	Leasehold improvements	Office equipment & furniture	Computers	Work in progress	Total
	BD	BD	BD	BD	BD
<b>Cost:</b>					
At December 31, 2017	329,984	64,011	162,638	10,000	566,633
Additions	1,370	7,045	25,799	61,000	95,214
Reclassifications	(1,300)	1,300	-	-	-
Disposals	(120)	(24,280)	-	-	(24,400)
At December 31, 2018	329,934	48,076	188,437	71,000	637,447
Additions	2,086	-	6,463	12,300	20,849
At December 31, 2019	332,020	48,076	194,900	83,300	658,296
<b>Accumulated depreciation:</b>					
At December 31, 2017	236,948	39,900	150,780	-	427,628
Depreciation expense	37,992	8,310	17,585	-	63,887
Relating to reclassifications	(994)	994	-	-	-
Relating to disposals	(10)	(23,018)	-	-	(23,028)
At December 31, 2018	273,936	26,186	168,365	-	468,487
Depreciation expense	37,869	6,358	8,268	-	52,495
At December 31, 2019	311,805	32,544	176,633	-	520,982
<b>Carrying amount:</b>					
December 31, 2019	20,215	15,532	18,267	83,300	<b>137,314</b>
December 31, 2018	55,998	21,890	20,072	71,000	<b>168,960</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

#### 8. INVESTMENT IN AN ASSOCIATE

	2019 BD	2018 BD
Investment in Olive V.F.M. Company W.L.L.	<b>409,391</b>	-

During the year, the Group acquired 25% of the shareholding in Olive V.F.M Company W.L.L., a company registered in the Kingdom of Bahrain dealing in real estate activities.

#### Movement in the carrying value of investment:

	2019 BD
Consideration paid	570,500
Cum dividend received	(150,000)
Net consideration paid	420,500
Share of results during the year	(11,109)
Balance as at December 31	<b>409,391</b>

#### The below information is based on the latest available FS of the associate:

	2019 BD
Current assets	1,765,557
Non-current assets	68,351
Current liabilities	(140,185)
Non-current liabilities	(56,160)
Net assets	1,637,563
Proportion of Group's ownership	25%
Share of net assets	409,391
Revenue	450,910
Expenses	(495,346)
Net profit (100%)	(44,436)
Group's share of net profit (25%)	(11,109)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 9. LEASES

The Group only operates as a lessee.

#### 9.1 Right-of-use asset

The recognized right-of-use asset relating to the Group's office premises at Bahrain Financial Harbour, which are leased by the Group, for an average term of 5 years.

	2019 BD
Balance as at December 31, 2018	-
Transition adjustments on IFRS 16 adoption	386,816
Balance as at January 1, 2019	386,816
Depreciation during the period	(61,076)
Balance as at December 31, 2019	<b>325,740</b>

The following are the amounts recognized in profit and loss for the year ended December 31, 2019:

	2019 BD
Depreciation on right-of-use asset	61,076
Interest on lease liability	22,697

At the reporting date, none of the property leases in which the Group is the lessee, contain variable lease payment terms.

#### 9.2 Lease liability

	2019 BD
Balance, December 31, 2018	-
Transition adjustments on IFRS 16 application	386,816
Balance, January 1, 2019 (restated)	386,816
Accretion of interest	22,697
Payments during the year	(73,947)
Balance, December 31, 2019	<b>335,566</b>

Below is the allocation of lease liabilities as at December 31, 2019:

	2019 BD
Current lease liabilities	54,600
Non-current lease liabilities	280,966
	<b>335,566</b>

The maturity analysis of lease liabilities as at December 31, 2019 is as follows:

	2019 BD
Not later than 1 year	73,947
Later than 1 year and not later than 5 years	320,435
Less: unearned interest	(58,816)
	<b>335,566</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 10. PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2019 BD	2018 BD
Placements with original maturities	9,000,000	43,912,118
Loss allowance (note 10.1)	(53,460)	(260,838)
	<b>8,946,540</b>	<b>43,651,280</b>

Placements are held with financial institutions in Bahrain with average profit rate of 4.4% to 5.5% (2018: 3% to 3.8%).

10.1 The movement in loss allowance for impairment of placements with financial institutions are as follows:

	2019 BD	2018 BD
Balance at the beginning of year – calculated under IFRS 9	260,838	115,023
Net (decrease)/increase in loss allowance during the year (note 30)	(207,378)	145,815
Balance at the end of year	<b>53,460</b>	<b>260,838</b>

### 11. CASH AND CASH EQUIVALENTS

	2019 BD	2018 BD
Cash and bank balances	1,817,814	1,720,865
Placements with original maturities less than 3 months	21,286,000	22,500,000
	<b>23,103,814</b>	<b>24,220,865</b>
Loss allowance (note 11.1)	(24,725)	(143,861)
	<b>23,079,089</b>	<b>24,077,004</b>

Placements are held with financial institutions in Bahrain with an original maturity of three months or less with an average profit rate of 4% to 4.5% (2018: 1.6% to 2.7%).

11.1 The movement in loss allowance for impairment of cash and cash equivalents are as follows:

	2019 BD	2018 BD
Balance at the beginning of year – calculated under IFRS 9	143,861	214,944
Net decrease in loss allowance during the year (note 30)	(119,136)	(71,083)
Balance at the end of year	<b>24,725</b>	<b>143,861</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

#### 12. 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

##### Assets

	2019 BD	2018 BD
Cash and bank balances	22,908,630	24,077,004
Placements with a financial institution	8,946,540	43,651,280
	<u>31,855,170</u>	<u>67,728,284</u>

##### b. Transactions with shareholders

	2019 BD	2018 BD
Income from placements with financial institutions	<u>1,846,285</u>	1,975,019
Borrowing cost (note 23)	-	99,837
Debt arrangement fee (note 23)	-	45,000
Professional fees	<u>240,064</u>	67,149

##### c. Key management compensation

Key management personnel of the Group comprise of the 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:

	2019 BD	2018 BD
Directors' sitting fee	154,438	166,500
Salaries and other short term benefits	361,078	412,476
Post-employment benefits	<u>39,182</u>	<u>44,963</u>

#### 13. TRADE RECEIVABLES

	2019 BD	2018 BD
Trade receivables (note 13.1)	3,390,568	436,654
Loss allowance (note 13.2)	(241,842)	(12,644)
	<u>3,148,726</u>	<u>424,010</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

13.1 Trade receivables include 3,148,103 (2018: BD Nil) invoiced to the MoH under the Bahrain Affordable Housing PPP project.

13.2 The movement in loss allowance for impairment of trade receivables is as follows:

	Credit- impaired	Collectively assessed	Total
	BD	BD	BD
Balance as at January 1, 2018	-	4,620	4,620
Net increase in loss allowance	-	8,024	8,024
Balance, December 31, 2018	-	12,644	12,644
Net increase in loss allowance (note 30)	232,334	(3,136)	229,198
Balance, December 31, 2019	<u>232,334</u>	<u>9,508</u>	<u>241,842</u>

#### 14. CONTRACT RECEIVABLE

	2019 BD	2018 BD
Due from Ministry of Housing (note 14.1)	9,469,600	44,086,268
Due from customers	1,236,310	1,335,573
	<u>10,705,910</u>	<u>45,421,841</u>

14.1 The movement in due from Ministry of Housing is as follows:

	2019 BD	2018 BD
Balance at the beginning of the year	44,086,268	62,843,230
Income recognised during the year (note 24)	1,490,968	1,286,268
Transferred to trade receivables during the year	(36,107,636)	(20,043,230)
	<u>9,469,600</u>	<u>44,086,268</u>

#### 15. OTHER ASSETS

	2019 BD	2018 BD
Contractor advances	1,021,578	2,120,454
VAT receivable	376,569	308,697
Accrued income	204,069	612,358
Security deposits	48,520	163,708
Advances to employees	52,930	46,966
Prepayments	23,150	20,770
Other receivables	<u>273,434</u>	<u>258,374</u>
	2,000,250	3,531,327
Loss allowance (note 15.1)	(1,211)	(3,638)
	<u>1,999,039</u>	<u>3,527,689</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

#### 15.1 The movements in loss allowance of accrued income are as follows:

	2019 BD	2018 BD
Balance at the beginning of year – calculated under IFRS 9	3,638	691
Net increase in loss allowance during the year (note 30)	(2,427)	2,947
Balance at the end of year	<b>1,211</b>	3,638

#### 16. SHARE CAPITAL

##### Authorised share capital

864,000,008 shares of BD 0.100 each (2018: 1,080,000,000 shares of BD 0.100 each)

	2019 BD	2018 BD
	<b>86,400,001</b>	108,000,000

##### Issued and fully paid up share capital

864,000,008 shares of BD 0.100 each (2018: 1,080,000,010 shares of BD 0.100 each)

	2019 BD	2018 BD
	<b>86,400,001</b>	108,000,001

On 13 March 2019, the Group resolved to reduce the Group's issued and paid up share capital in an amount equal to BD 21,600,000 by cancelling 216,000,002 shares in total, resulting in the reduction of the issued and paid up share capital of the Company from BD 108,000,001 divided into 1,080,000,010 ordinary shares of the nominal value of BD 0.100 each to BD 86,400,001 divided into 864,000,008 ordinary shares of the nominal value of BD 0.100 per share.

#### 17. STATUTORY RESERVE

In accordance with the Bahrain Commercial Companies Law of 2001 and the Company's Articles of Association, 10% of the profit for the year should be appropriated to the statutory reserve. The Group may elect to discontinue such appropriation when the reserve reaches 50% of the capital. This reserve is not available for distribution. During the year, the Group has transferred BD 305,723 (2018: BD 400,537) from retained earnings to the statutory reserve.

#### 18. EMPLOYEES' END OF SERVICE BENEFITS

	2019 BD	2018 BD
Balance at the beginning of the year	525,622	406,674
Charge for the year (note 25)	83,564	121,203
Payments made during the year	(105,227)	(2,255)
Balance at the end of the year	<b>503,959</b>	525,622

#### 19. CONTRACTORS' RETENTION PAYABLE

Contractors' retention payable amounting to BD 3,790,246 (2018: BD 13,139,597) represents retention that has been withheld by the Group from payments due to contractors and are due for less than one year from the end of the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

#### 20. TRADE PAYABLES

	2019 BD	2018 BD
Canalview project	745,795	59,502
Amwaj project	398,500	-
Bahrain PPP project	337,128	235,026
Daem project	75,605	-
Others	121,400	92,912
Trade payables	<b>1,678,428</b>	387,440

#### 21. ACCRUALS AND OTHER LIABILITIES

	2019 BD	2018 BD
Accrued operating expenses to contractors for the Sharaka projects	4,183,467	4,648,259
Terna bond payable	1,260,659	1,260,659
Sales deposits and progress billings	1,765,488	1,152,194
Provision against arbitration of claims received (note 27)	1,515,000	815,000
Provision against EWA capital contribution	255,623	255,623
Payables in relation to the acquisition of land (note 21.1)	-	12,635,847
Dividends payable	-	50,539
Others	487,380	528,196
	<b>9,467,617</b>	21,346,317

##### 21.1 Amount pertains to the purchase of land in Arad during the year for the purpose of development and construction.

#### 22. REVENUE

Revenue amounting to 2,605,900 (2018: BD 9,603,901) pertains to sale of villas and apartments, that is recognised over time for the Bahrain PPP project.

#### 23. DIRECT COSTS

	2019 BD	2018 BD
Professional cost	611,362	2,224,733
Construction cost	-	4,486,317
Borrowing cost (note 12 b)	-	99,837
Debt arrangement fee (note 12 b)	-	45,000
	<b>611,362</b>	6,855,887

The professional cost incurred during the year relates to the Bahrain PPP project which was completed in 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

#### 24. OTHER INCOME

	2019 BD	2018 BD
Interest on receivables from Ministry of Housing (note 14)	<b>1,490,968</b>	1,286,268

The interest receivable from Ministry of Housing relates to the amount receivable on the Bahrain PPP project at a rate of 7.5% per annum.

#### 25. ADMINSTRATIVE EXPENSES

	2019 BD	2018 BD
Salaries and related costs (note 25.2)	1,401,382	1,185,651
Professional consultant charges (note 25.1)	433,855	69,775
Board expenses	184,010	199,292
Board remuneration	135,250	-
Depreciation	173,914	185,306
Service charges	30,651	29,308
Office rent	-	73,947
Other administrative expenses	149,775	145,467
	<b>2,508,837</b>	1,888,746

25.1 The professional consultant charges for the current year relates primarily to the arbitration expenses incurred for the Terna dispute.

25.2 Salaries and related costs consists of the following:

	2019 BD	2018 BD
Salary expenses	899,064	927,558
Bonus accruals	220,400	214,866
Contractual employees	103,010	65,738
Indemnity charges for the year (note 18)	83,564	121,203
Allowances for the year	46,975	52,901
Others	48,369	(196,615)
	<b>1,401,382</b>	1,185,651

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2019

#### 26. OTHER OPERATING EXPENSES

	2019 BD	2018 BD
Provision against Terna arbitration	700,000	-
Provision against Ain Aouda project	216,800	-
Other operating expenses	173,554	39,891
Provision provided on EWA capital contribution	-	255,623
	<b>1,090,354</b>	295,514

#### 27. CONTINGENCIES AND COMMITMENTS

##### a. Ain Aouda project, Morocco

During 2018, the nature of the project has changed from social property development to housing that will cater to the mid and high class individuals. The authority of the project has been changed from the Wali of Rabat to the Municipality. A new master plan is being developed and the elements of the project are currently under negotiation with the Municipality. Based on the new master plan, the Management are of the view that the elements of the previous conditions of failure of completing the project are no longer applicable.

##### b. Claims and contingencies

During the year 2016, the Group has received claims of BD 1.4 million. This matter is subject to arbitration proceedings and based on the legal advice the Group has made a provision of BD 1,515,000 for such claims.

#### 28. FINANCIAL INSTRUMENTS

##### 28.1 Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 of the consolidated financial statements.

##### 28.2 Categories of financial instruments

The Group's financial assets are categorised as loans and receivables and its financial liabilities are carried at amortised cost:

	2019 BD	2018 BD
<b>Financial assets:</b>		
Cash and cash equivalents	23,079,089	24,077,004
Placements with financial institutions	8,946,540	43,651,280
Trade receivables	3,148,726	424,010
Contract receivables	10,705,910	45,421,841
Other assets	901,381	1,339,499
	<b>46,781,646</b>	114,913,634
<b>Financial liabilities:</b>		
Contractors' retention payable	3,790,246	13,139,597
Trade payables	1,678,428	387,440
Accruals and other liabilities	9,491,670	21,346,317
	<b>14,960,344</b>	34,873,354



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

28.3 Fair value of financial instruments

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.

The Management considers that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate their fair values.

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).

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

29. FINANCIAL RISK MANAGEMENT

The Group’s use of financial instruments exposes it to a variety of financial risks such as credit risk, market risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels.

The Management 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:

29.1 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 financial institutions, trade and contract receivables. The Group manages this risk by placing liquid funds with financial institutions of good financial standing.

The Group does not have any additional significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

The maximum exposure to credit risk is limited to the carrying values of its financial assets, in addition to the commitments disclosed in note 27.

29.2 Market risk

Market risk is the risk that changes in market prices, such as profit rates, foreign exchange rates and equity prices which will affect the value of the Group’s assets, the amount of its liabilities and/or the Group’s income. Market risk arises in the Group due to fluctuations in the value of liabilities and the value of investments held.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

a. 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 pegged to the US Dollar, balances in US Dollars are not considered to represent a significant currency risk.

b. 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 placements with financial institutions.

At December 31, 2019, 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 higher/lower by BD 151,430 (2018: BD 332,061).

c. Equity price risk

The Group does not have any exposure to equity price risk.

29.3 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 and cash equivalents, availability of funding from credit facilities and its ability to close out market positions on short notice.

Below is an analysis of the Group’s financial liabilities segregated 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.

	2019				
	Within 3 months	3 to 6 months	6 months to one year	More than one year	Total
	BD	BD	BD	BD	
Trade payables	1,678,428	-	-	-	1,678,428
Contactors retention payable	162,585	287,422	309,478	3,030,761	3,790,246
Accruals and other liabilities	9,467,617	-	-	-	9,467,617
	11,308,630	287,422	309,478	3,030,761	14,936,291

	2018				
	Within 3 months	3 to 6 months	6 months to one year	More than one year	Total
	BD	BD	BD	BD	
Trade payables	387,440	-	-	-	387,440
Contactors retention payable	-	-	13,139,597	-	13,139,597
Accruals and other liabilities	21,346,317	-	-	-	21,346,317
	21,733,757	-	13,139,597	-	34,873,354

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

### 30. IMPAIRMENT LOSS ALLOWANCE ON FINANCIAL ASSETS

	2019 BD	2018 BD
Placements with financial institutions (note 10)	(207,378)	145,815
Cash and cash equivalents (note 11)	(119,136)	(71,083)
Trade receivables (note 13)	229,198	8,024
Other assets (note 15)	(2,427)	2,947
	<u>(99,743)</u>	<u>85,703</u>

### 31. BORROWINGS

The Group has availed a facility with Kuwait Finance House for a facility amount of BD 5,000,000. As at December 31, 2019 no amount has been utilised from this facility.

### 32. CAPITAL RISK MANAGEMENT

The Group’s objective when managing its capital is 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.

### 33. COMPARATIVE FIGURES

Certain prior period figures have been represented to conform to the current period presentation. This did not affect the financial position or results for the period.

### 34. SUBSEQUENT EVENTS

As of the date of approval of these financial statements, the outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The outbreak of COVID-19 has had an impact on demand for oil and petroleum products. Recent global developments in March 2020 have caused further volatility in commodity markets.

The extent and duration of such impacts remain uncertain and are dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these financial statements. These developments could impact the Company’s future financial results, cash flows and financial condition consequent to the adverse effect of the disruption on the operations of the Company.





# Building Communities that Build Bahrain

Located opposite Saar Mall, Yasmeenat Saar comprises of 27 mid-high end villas built to the highest standard specification with open plan layouts to suit today's life-style aspirations.

 yasmeenatsaar    yasmeenatsaar.bh







**Naseej B.S.C.(c)**  
46th Floor, East Tower  
Bahrain Financial Harbour  
P.O. Box 1383, Manama  
Kingdom of Bahrain

Tel: +973 1655 7999  
Fax: +973 1655 7990  
info@naseej.bh  
www.naseej.bh