

PROGRESSIVE GROWTH IN A CHALLENGING YEAR

ANNUAL REPORT 2020




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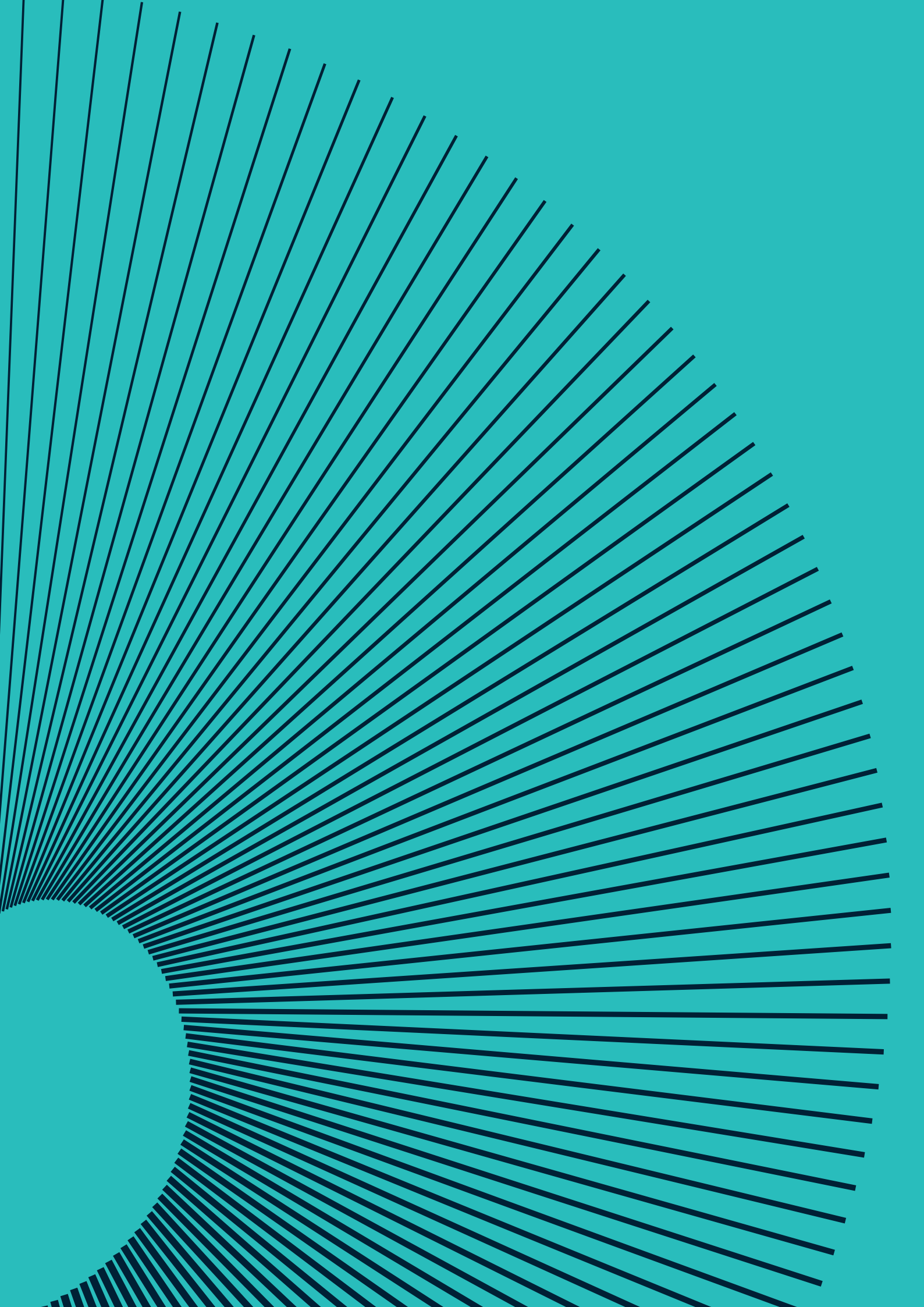
www.naseej.bh



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 and Prime Minister



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EMBRACING CHALLENGES IN A CHANGING ENVIRONMENT



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.

The Company has expanded its real estate activities to cover other types of projects in the Kingdom of Bahrain, such as mixed-use residential and retail developments, and luxury developments, through which to broaden its horizons, further expand its projects portfolio, and widen its market reach. Other than housing projects, Naseej has also considered entering other market segments such as community-based retail facilities and education-related projects. With a vision to provide real estate projects where demand is most felt, the Company strives to provide unique solutions that serve market gaps, and offer what the market truly needs; while ultimately adding value to end users and shareholders.

Looking back at 2020 against the backdrop of the Covid-19 pandemic, it has been an extremely challenging year not only for the real estate sector; but also for everyone, as we have all been faced with a global health crisis on so many levels. Tough times called for drastic changes in our organisational

practices, both internally as a team as well as how we managed our ongoing projects. Backed by a professional and responsive team, we remain strong and adaptive to such challenges.

As we move into 2021, we are pleased to announce that we will be delivering two of our projects very soon. One of them is our flagship project, CanalView, which will definitely be an iconic development in Dilmunia, featuring 246 spectacular waterfront apartments overlooking a beautiful canal and promenade. The other project, Basateen, which is located in Al Busaiteen, comprises 23 semi-furnished villas priced very competitively, and will also be completed at the promised time.

To conclude, we would like to wish all our stakeholders every success in 2021, and look forward to better market conditions as we hope for an end to the coronavirus pandemic. Naseej continues to be one of the leading real estate organisations in the Kingdom of Bahrain, with the determination to achieve even greater success and pass new milestones, in the years to come.

HRH PRINCE KHALIFA BIN SALMAN AL KHALIFA

‘FATHER OF THE NATION’

HRH Prince Khalifa bin Salman Al Khalifa was the architect of modern Bahrain; and led its political, economic and social development following independence in 1971. His tireless efforts and notable achievements during a premiership spanning nearly 50 years, earned him the deserved accolade of ‘Father of the Nation’.

Prior to his appointment as Bahrain’s first Prime Minister on 10 January 1970, Prince Khalifa held a number of prominent government positions. These included President of the Education Council, Chairman of the Administrative Affairs Council, and Head of the Bahrain Monetary Council, among others.

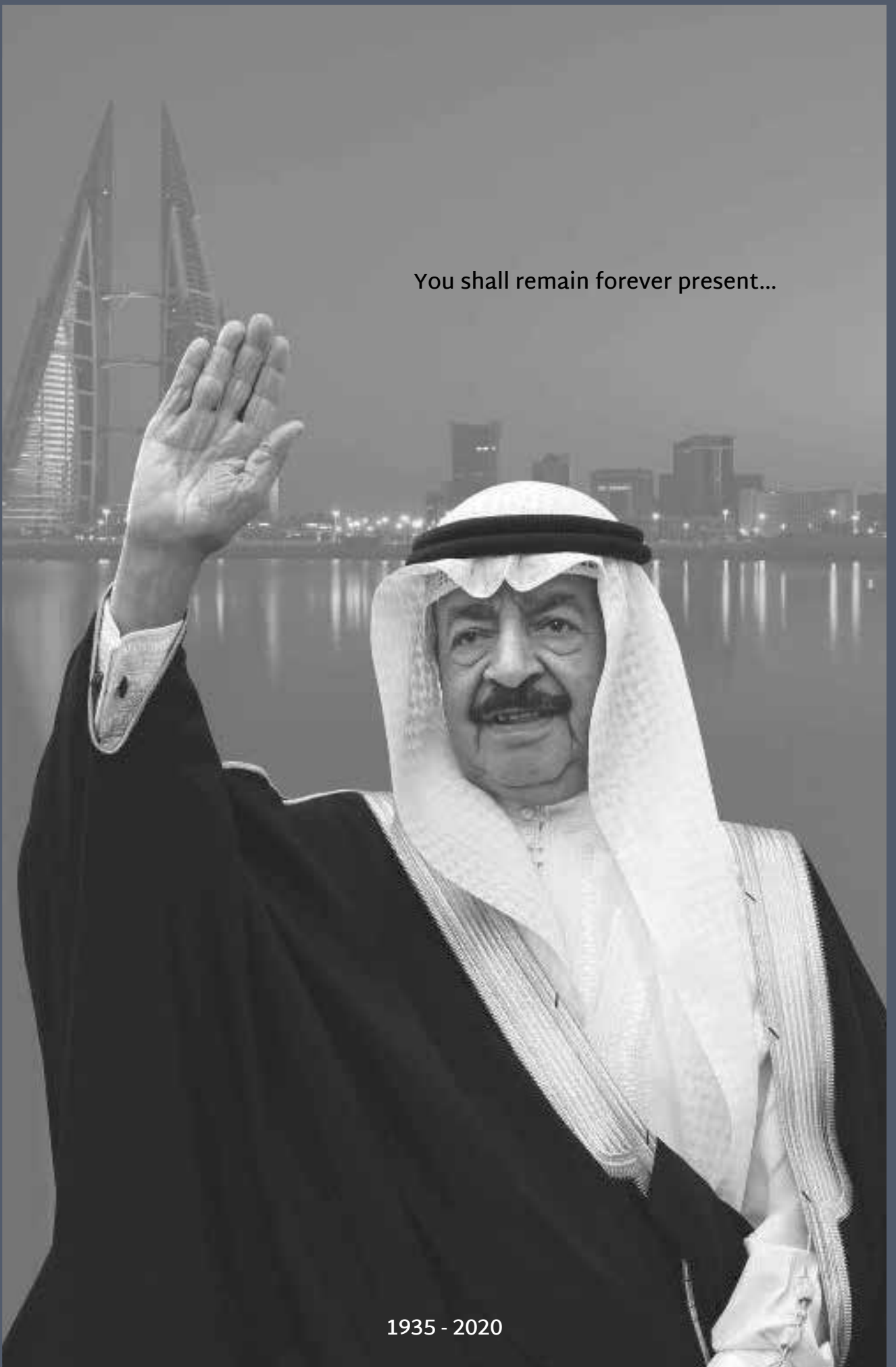
The first two decades of his premiership witnessed the rapid infrastructural development of the country, featuring a new urban planning initiative and master road network plan. This was marked by the creation of new towns and business districts, which were linked by modern highways and causeways. Key highlights include the construction of the new Sitra causeway in 1976, which is one of the most strategic road links in Bahrain. Ten years later, the King Fahad Causeway between Bahrain and Saudi Arabia was officially opened. Regarded as one of the great modern engineering feats, the 25-kilometre causeway provided Bahrain with a vital economic and business gateway to the rest of the GCC.

This pioneering period in Bahrain’s emergence as a modern nation also witnessed the birth of the domestic banking and financial services industry; and the country’s evolution into the premier financial hub of the Middle East. It was also marked by the rapid growth of the real estate and construction sectors, which changed the country’s skyline and urban landscape with numerous iconic residential and commercial property developments.

Additional significant achievements by Prince Khalifa include diversification of the Kingdom’s economy; greater participation by the private sector; and provision of critical welfare services such as housing, education and healthcare. On a personal level, he will be remembered as a generous philanthropist, patron of the arts, benevolent humanitarian, and a highly-respected statesman. Above all, His Royal Highness Prince Khalifa Bin Salman Al Khalifa set a shining example for leadership, enterprise, tireless public service, and strong family values; and bequeathed future generations with an enduring legacy. May God bless him and rest his soul in eternal peace.

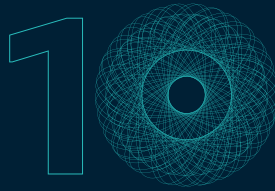
You shall remain forever present...

1935 - 2020



OUR FIRST TEN YEARS

KEY ACHIEVEMENTS



10 YEARS OF EXCELLENCE

10 YEARS OF EXCELLENCE

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 crisis, regional geo-political tensions and COVID-19 pandemic. This 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.



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.



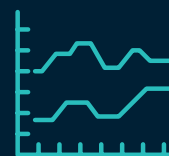
COMPLETED PROJECTS

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.



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.



CONSISTENT PROFITABILITY

Against a challenging backdrop of economic downturns, financial crisis 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 of BD 6.09 million reported in 2016.



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.



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.



CURRENT PROJECTS

Naseej is currently developing five housing projects across the Kingdom of Bahrain, comprising more than 800 residential units with a total value of 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.



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 of 23 semi-furnished villas.



INTERNATIONAL RECOGNITION

In 2020, Naseej received international recognition for its flagship project CanalView located at the health Island of Dilmunia. The UK-based International Property Awards body awarded CanalView with two prestigious awards in two separate categories for their outstanding real estate offering within the Arabian & African region for 2020-2021. CanalView received a five-star rating and a "Best" in its class award for Residential Development Bahrain 2020-2021 in the Arabian & African region. The five-star rating moved CanalView as a Nominee for the International Property awards scheduled in 2021. The Project also received Best Apartment Bahrain 2020-2021 in the Arabian & African region.

COMPANY PROFILE

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

Headquartered in the Kingdom of Bahrain and capitalised at US\$229 million, the Company was established by prominent private and public sector investors to act as a pioneering catalyst for addressing the region's affordable housing development needs. 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.

A NEW VIEW IS COMING TO LIFE

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. CanalView'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. In 2020, CanalView received a five-star rating and a "Best" in its class award for **Residential Development Bahrain 2020-2021** in the Arabian & African region. The five-star rating moved CanalView as a Nominee for the International Property awards scheduled in 2021.

The Project also received **Best Apartment Bahrain 2020-2021** in the Arabian & African region.



ARABIAN
PROPERTY
AWARDS
DEVELOPMENT



BEST RESIDENTIAL
DEVELOPMENT BAHRAIN

CanalView
by Naseej BSC (c)

2020-2021



ARABIAN
PROPERTY
AWARDS
DEVELOPMENT

AWARD WINNER

APARTMENT /
CONDOMINIUM BAHRAIN

CanalView
by Naseej BSC (c)

2020-2021





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 Bucheery 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. Bucheery 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 Eskin 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. 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.



MR. AHMED ABDULQADER SALEH TAQI

Director

Non-Independent & Non-Executive - Appointed 2020 - Member of the Executive Committee

Mr. Ahmed Taqi is Assistant General Manager - Chief Remedial Officer at BBK, Kingdom of Bahrain. Prior to this he held senior positions in Bahrain's wholesale, commercial, consumer and retail banking sectors, with Standard Chartered Bank, Al Salam Bank, Ithmaar Bank and Ahli United Bank. Mr. Taqi holds an MBA from the University of Wales, UK; and an Advanced Banking Studies Diploma from the Bahrain Institute of Banking & Finance. He also attended the Leadership Development Program at the University of Virginia Darden School of Business, USA. Mr. Taqi has 20 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 2020. The year was marked by the unprecedented economic and public health impact of the COVID-19 coronavirus global pandemic.

COMBATING COVID-19

The coronavirus had a particular effect on those sectors involving close human contact, such as construction and real estate development. Accordingly, Naseej took early steps to mitigate the impact by developing a comprehensive business continuity plan to ensure that operations continued with minimum disruption. Priority was placed on protecting the health of employees and ensuring a safe working environment. This proactive approach enabled the Company to maintain steady progress across its real estate development activities.

The Board of Directors extends its sincere appreciation to the wise Leadership of the Kingdom of Bahrain for their extraordinary fiscal support and public health precautionary measures in combating the impact of COVID-19 on the economy, business community and society as a whole. In response, Naseej was pleased to support the efforts of the National Taskforce with a donation of BD 100,000 to the Feena Khair campaign. This initiative was launched by His Highness Shaikh Nasser bin Hamad Al Khalifa, His Majesty the King's Representative for Humanitarian Work and Youth Affairs, National Security Advisor, Chairman of the Supreme Council for Youth and Sports Affairs, and the Royal Humanitarian Foundation Board of Trustees' Chairman.

BUSINESS HIGHLIGHTS

Notable business developments during 2020 include the signing of a partnership agreement with Ithmaar Holdings to develop a BD 40 million residential project of affordable housing at Barbar in the Northern Governorate of Bahrain. Our strategy to diversify the Company's portfolio remains on track, and we continue to pursue selective opportunities in related sectors such as community-based retail facilities, healthcare and education. In this respect, Naseej has signed

Despite the adverse impact of COVID-19, Naseej posted another financial positive performance in 2020.

an agreement with Ithmaar Development Company to develop a private international school in a prime location of the Island of Dilmunia.

FINANCIAL RESULTS

Despite the highly challenging economic and market backdrop, I am pleased to report that Naseej posted another positive financial performance in 2020, despite the adverse impacts of Covid-19, which marks the eleventh consecutive year of profitability since inception. The Company reported a net income of BD 1.20 million compared with BD 3.05 million in 2019. This reflects the cyclical nature of our business activities, with real estate projects averaging between three and five years from planning to handover. A comprehensive revaluation of the Company's assets was conducted during the year, in line with market conditions. At the end of 2020, total assets stood at BD 107.6 million, with shareholders' equity of BD 90.7 million. Based on these results, the Board is recommending a cash dividend of 1.6 per cent (BD 1.38 million) for approval by the shareholders at the Annual General Meeting to be held on 29th June 2021.

CORPORATE SOCIAL RESPONSIBILITY

During the year, Naseej continued to contribute to the sustainable economic prosperity and social well-being of the Kingdom of Bahrain through its comprehensive corporate social responsibility (CSR) program. This provided financial and practical support for beneficiaries including the Zakat Fund of the Ministry of Justice, the Shaikh Ebrahim Centre for Culture and Research, and the Bahrain Education Trade Union. In addition, Naseej employees worked with the Royal Humanitarian Foundation to help Bahraini families in need by providing household and electronic equipment; while for the second year running, Naseej sponsored the Bahrain Real Estate Investment Expo. The Company's CSR donations in 2020, including our contribution to Feena Khair, totaled BD 130,000.

CHANGES TO THE BOARD

Mr. Reyadh Yusuf Sater resigned from the Board during the year, having served diligently as a Director since 2016 as the representative for BBK. I thank him for his highly appreciated contributions and wish him an enjoyable retirement. In turn, I would like to welcome Mr. Ahmed Abdulqader Taqi as a new Board Member, who brings with him considerable experience in the Kingdom's banking sector.

CONDOLENCES

We were saddened during 2020 to witness the passing of His Royal Highness Prince Khalifa Bin Salman Al Khalifa, who served as Prime Minister of the Kingdom of Bahrain for nearly fifty years. His tireless public service and notable

achievements have earned him the deserved accolade of 'Father of the Nation'. His late Highness was also a staunch supporter of the real estate sector in the country. The Board of Directors extends its sincere condolences and prays that may his soul rest in eternal peace.

LOOKING AHEAD

The Board has a cautiously optimistic outlook for Naseej in 2021. This is based on a number of factors, including the Kingdom's successful vaccination rollout, and continued coronavirus awareness and enforcement initiatives. It is also encouraging to note that the IMF has forecast Bahrain's GDP to grow by 3.3 per cent next year, on the back of higher oil prices and improved economic activity across the GCC. In addition, the recently announced National Plan for the Real Estate Sector 2021-2024 will have a beneficial impact on the development of the sector. Naseej has developed a healthy project pipeline, with two landmark projects planned for completion and handover during 2021, which will positively impact the financials results.

In the face of ongoing challenges and uncertainties, we will continue to adopt a prudent business approach, focusing on demand-driven, sustainable and non-speculative developments, through which we strive 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, and His Royal Highness the Crown Prince and Prime Minister, for their wise leadership and visionary reform program, 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 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 the company's management and staff for their commitment and professionalism during such an unprecedented year.

Shaikh Hamed Mohamed Al Khalifa
Chairman of the Board



بساتین BASATEEN



BASATEEN HOMES

NEARING COMPLETION

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, sanitary ware, fully fitted European kitchens with appliances, garage shutter electric doors, intercoms systems, as well as en-suite bathrooms in every room.



Located in a developed
neighborhood in Al Busaiteen



MANAGING DIRECTOR'S STATEMENT



MR. MOHAMMED KHALIL ALSAYED
Managing Director

I am pleased to report that Naseej posted a resilient operating performance in 2020, despite the numerous unprecedented challenges arising from the outbreak of the COVID-19 global pandemic.

BUSINESS CONTINUITY

Naseej took early and proactive steps to minimise all associated health and safety risks. These included the development of a comprehensive business continuity contingency plan to ensure operations continued as normal with minimal disruption. With a policy of 'Staying Safe' leading the Company's approach, a Workplace Health & Safety Code of Conduct for Staff was also introduced.

During the initial lockdown, remote working from home by employees was implemented. This was supported by enhanced cyber security measures, including a two-factor authentication process; secure access to emails and shared files; and virtual communications between staff, and with clients and regulatory authorities. Following the easing of the total lockdown, a two-week duty roster was introduced, with staff alternating between office and home working, in order to reduce the number of staff working in the office at any one time.

Naseej also worked closely with its contractors and professional partners to implement stringent health and safety measures to protect the thousands of workers involved across our projects. These included the provision of masks, gloves and sanitisers; social distancing; and the regular sanitization of labour accommodation and transport.

CONSTRUCTION CHALLENGES

The lockdown and related precautionary health measures resulted in restricted access to the many Government authorities that Naseej deals with on a day-to-day basis; which caused delays in conducting project reviews and obtaining approvals. The procurement of materials and equipment from suppliers in Europe and Asia was also affected, due to manufacturing challenges, transit delivery restrictions, and customs clearance protocols. In addition,

Naseej signed a partnership agreement with Ithmaar Holdings to develop a BD 40 million residential project at Barbar in the Northern Governorate of Bahrain.

the implementation of worksite social distancing and restricted movement, slowed down the rate of work and affected construction target completion deadlines.

PROJECT DEVELOPMENTS

Despite these challenges, I am pleased to report the Company managed to maintain steady overall progress across its real estate development projects. Most notably, CanalView and Basateen met their revised construction targets of 99 per cent and 97 per cent, respectively; which constitutes a significant achievement by Management and the various teams involved. This was made possible by implementing proactive contingency measures such as the advance ordering of materials and equipment from suppliers; and the re-sequencing of construction workflows and schedules. A significant development at the CanalView flagship project was the filling of the Dilmunia canal with water, which feeds the property's waterfall, main basin and fountains; while at Basateen, a show villa was opened, and a villa virtual tour was launched. Elsewhere, the majority of land plots at Jid Al Haj were sold; reclamation of land commenced at Amwaj Island; and a revised masterplan was submitted for the Arad project. In a new development, Naseej signed a partnership agreement with Ithmaar Holdings to develop a BD 40 million residential project at Barbar in the Northern Governorate of Bahrain.

During the year, we continued to implement our strategy of diversifying the Company's portfolio into related sectors such as community-based retail facilities, healthcare and education. At Jumana, local retail facilities now comprise a supermarket, cold store, pharmacy and laundry; restaurant and fast food / takeaway outlets; and special seafront leisure activities. For CanalView, specialist retail consultants have been appointed to advise on the most appropriate facilities. Additionally, Naseej has signed an agreement with Ithmaar Development Company to develop a private international school in a prime location of the Island of Dilmunia.

AWARDS

I am pleased to announce that CanalView, the Company's flagship project on Dilmunia Island, was honoured by receipt of two prestigious awards from the UK-based International Property Awards 2020-2021. These Arab Region-based awards were for Best Residential Development - Bahrain (with the highest 5-star rating) and Best Apartments - Bahrain. In addition, given its 5-star rating, CanalView has been put forward as a Nominee for the International category of these Awards in 2021.

REAL ESTATE SECTOR

Latest statistics show that Bahrain's real estate sector is gaining pace despite the COVID challenges, with a series of major projects and initiatives underway. This rebound has been fuelled by an increase in real estate transactions during the third and fourth quarters of 2020, of 14 per cent and 20 per cent, respectively. Total real estate transactions for the year amounted to BD 717.4 million, which was a decrease of 11 per cent over 2019. According to the Economic

Development Board, mixed-use major real estate projects in the Kingdom are set to exceed BD 4.5 billion. These include Dilmunia, which addresses growing consumer demand for integrated communities that offer opportunities for a 'live, work and play' lifestyle. The trend of rising demand for lower-cost residential housing is expected to continue in 2021, which will provide excellent opportunities for Naseej, given our strategic focus on this segment.

We welcome the launch of the National Plan for the Real Estate Sector 2021-2024 by the Real Estate Regulatory Authority (RERA). Focused on sustainability, innovation, transparency and cohesion, the Plan aims to promote this vital sector as one of the most prominent contributors to the national economy; and to develop Bahrain as a pioneering and leading player in the GCC region's real estate industry.

COVID-19 highlighted the criticality of digitisation and sustainability for the real estate sector. In this respect, PropTech is beginning to drive changes in the buying, selling, renting, marketing, transacting, reporting and monitoring of properties and land, for the benefit of all participants. In addition, contractors are 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.

FUTURE OUTLOOK

Our encouraging performance in 2020 illustrates the continued dedication and professionalism of our management and staff; and the resilience of our support infrastructure and control framework. Looking ahead to 2021, it is hoped that the Government's comprehensive vaccination rollout programme will result in a return to more normal business activities, especially regarding the Company's day-to-day interactions with relevant authorities. Our various projects are expected to gain further momentum; with two planned for handover during the year, namely CanalView and Basateen. We will continue to adopt a prudent business approach, and further implement our strategy to diversify property development activities into related sectors. As such, we are cautiously optimistic about the Company's future prospects.

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 this extremely challenging and testing year.

Mohammed Khalil Alsayed
Managing Director

**A COMPANY THAT
BUILDS HOMES.**

**HOMES THAT BUILD
COMMUNITIES.**

**COMMUNITIES THAT
SHAPE BAHRAIN.**



BUILDING COMMUNITIES THAT BUILD BAHRAIN





THE EXECUTIVE 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. 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.



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).



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. MOHAMMED AL SHAIKH

Head of Investments

Mohammed Al Shaikh has 17 years' experience in investment relationship management across the GCC. Joining Naseej in 2014, he was appointed to his present position in 2020. Prior to this, Mohammed was Director of Investment Placement at Gulf Finance House (GFH) for six years, leading teams covering Oman, the UAE, and Jeddah, Saudi Arabia. He also represented GFH as a Board Member of Oman Development Company. Previously, Mohammed was Investment Placement Officer at Al Khaleej Development Company (Tameer) for Oman and the UAE; and an Underwriter at Bahrain National Insurance. Mohammed holds a BSc in Marine Transportation (minoring in Marine Law) from the CSU California Maritime Academy, USA.



MR. NASER SHARIF CPA
Head of Finance and Risk Officer

Mr. Nasser Sharif has over 26 years of experience in engineering, financial management, accounting and internal audit in various sectors including petrochemicals, banking and finance, investment banks, oil and gas. Prior to joining Naseej, Mr. Sharif was Director of Internal Audit at Seef Properties – Bahrain, and also held several positions in Tatweer Petroleum Company, Arcapita Bank, Yokogawa Middle East and Gulf Petrochemical Industry Company (GPIC). Mr. Nasser Sharif holds an MBA from the University of Bahrain. He holds a Bachelor of Science in accounting from the University of Bahrain and holds a CPA from the State of Delaware, United States.



MR. AHMED ALI ABDULLA
Senior Manager, Property Sales

Ahmed Abdulla has 13 years' sales experience in Bahrain's real estate sector. Prior to joining Naseej in 2019, he was Senior Sales Executive at Durrat Al Khaleej Bahrain Company (Durrat Al Bahrain), the third- largest artificial island city development in the Kingdom. Before this, Ahmed was a Purchasing Executive with APM Terminals Bahrain, which operates Khalifa bin Salman Port. He previously completed an internship with SICO Bank, where he gained on-the-job training in Treasury, Portfolio Management and Proprietary Investments. Ahmed holds a BSc in Business information from AMA University, Bahrain; where he also obtained an Associate Diploma in Business Informatics.



MS. EMMA SHARIF
Senior Manager, Corporate Communications & PR

Emma Sharif has 17 years' experience in corporate communications and customer relationship management, gained in real estate and telecommunications in Bahrain. Before joining Naseej in 2012, she was Director of Corporate Communications at Al Khaleej Development Company (Tameer), and its parent company, Inovent Bahrain. Prior to this, Emma was Segment Manager - Corporate Customers, at Bahrain Telecommunications Company (Batelco). She previously completed an internship with SICO Bank, where she gained experience as a Research Analyst. Emma holds a BSc in Business Management & Administration from the University of Bahrain; and a Professional Diploma in Marketing from the Chartered Institute of Marketing, UK.



MR. KHALID AL JASIM
Senior Manager, Information Technology

Khalid Al Jasim has 11 years' experience in information and communications technology (ICT) across several sectors in Bahrain, including real estate. This covers strategic IT planning and business transformation; systems and networks management; information security and business continuity planning; and IT governance. Prior to joining Naseej in 2012, he was ICT Administrator with @Bahrain. Previously, he was a Solutions Consultant at the Bahrain office of Talal Abu-Ghazaleh Organisation, a global professional services firm. Khalid holds a Bachelor's degree in Information Technology from Queensland University of Technology, Australia; and a Diploma in Information Technology from the Russo Institute of Technology, Australia.

PROJECT PORTFOLIO

REVIEW

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, sanitary ware, fully fitted European kitchens with appliances, garage shutter electric doors, intercoms systems, as well as en-suite bathrooms in every room.

www.basateen.bh

Instagram: naseejbsc

CANALVIEW



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 kilometer 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.

In 2020, CanalView received a five-star rating and a "Best" in its class award for Residential Development Bahrain 2020/21 in the Arabian & African region. The five-star rating moved CanalView as a Nominee for the International Property awards scheduled in 2021.

The Project also received Best Apartment Bahrain 2020-2021 in the Arabian & African region.

www.canalview.bh

Instagram: canalviewbh

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.

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.

PROJECT PORTFOLIO

REVIEW (Cont'd)

AIN AL AOUDA HOUSING PROJECT - MOROCCO



Location: Ain Al Aouda, Morocco | Segment: Social and Affordable 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 and affordable housing units on two adjoining land plots in Ain Al Aouda – which is located 24 kilometres from Rabat and 80 kilometres from Casablanca 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 affordable 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.

LAND BANK - AMWAJ LAND



Project Overview

Naseej expanded its land in Bahrain with the purchase of a plot of land covering 125,000 square metres at Amwaj Islands. The land occupies a prime position close to the main entrance of 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



Project Overview

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: CANALVIEW



Project Overview

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



Project Overview

Naseej is working with a well-known education provider in Bahrain to develop plans for the construction of a new BD12.5 million International school at Dilmunia Island.

CORPORATE SOCIAL RESPONSIBILITY

2020 has been a year filled with numerous CSR initiatives made by Naseej and its projects. Corporate social responsibility is a major pillar of Naseej's corporate strategy for the years ahead as it continues to build upon previous years' contributions and support programmes. The main objectives of the CSR programmes are to build a solid and recognized brand; one that is socially responsible, supportive, ethical, and caring towards the society it operates in. Over the years, Naseej has taken part in several initiatives that have helped and support a great number of people, special causes, and national charities. It is extremely important to Naseej to focus on delivering social support to those individuals and organization where and when needed. The effects witnessed have been extremely positive to the Company's corporate brand. It is important to

note that, Naseej takes every opportunity to help and support people from outside the Company, as well as its very own human capital workforce.

Naseej's CSR strategy is based on an integrated plan that looks to support various sectors and initiatives happening in Bahrain with future plans to provide more support across other sectors under health, education, social development, housing, sports and many other areas.

Below are a number of key CSR initiatives Naseej took part in during 2020, where they span a wide spectrum of sectors that include, health, education and human development, social & welfare, culture and heritage programmes.



BD100,000 donation to “Feena Khair” relief campaign (towards the Coronavirus relief fund)

In support of Bahrain's National campaign to combat the Coronavirus (COVID-19), Naseej was pleased to donate BD100,000 towards the #Feena_Khair campaign that was launched by His Highness Shaikh Nasser bin Hamad Al-Khalifa, His Majesty the King's Representative for Charity Works and Youth Affairs, National Security Advisor and Supreme Council for Youth and Sports Affairs (SCYS) Chairman, and The Royal Humanitarian Foundation (RHF) Board of Trustees' Chairman.



Shaikh Ebrahim Center for Culture & Research

In support of various national cultural and heritage projects, Naseej, has provided support to Shaikh Ebrahim bin Mohammed Al Khalifa Center for Culture and Research in Muharraq. The support was provided by Naseej's Chairman Shaikh Hamed Mohammed Al Khalifa to Her Excellency Shaikha Mai bint Mohammed Al Khalifa, Chairman of the Bahrain Authority for Culture and Antiquities, and Chairman of the Board of Trustees of the Shaikh Ebrahim Center for Culture & Research.



Zakat Fund by the Ministry of Justice, Islamic Affairs & Awqaf

A donation was made to the Zakat Fund-Bahrain, an entity that is appointed by the Ministry of Justice, Islamic Affairs & Awqaf to handle zakah contributions and donations. The Fund is responsible for collecting funds from either organizations, institutions or individuals who wish to support members of Bahraini society by donating money for a special humanitarian cause. The Funds are then distributed amongst charitable programmes and special initiatives.



Bahrain Education Trade Union

To support the educational sector in Bahrain, Naseej made a corporate donation to the Bahrain Education Trade Union. The support was made to provide the teachers union with financial aid to purchase items for their workshops and seminars which bring together a large number of teachers' who want to obtain higher accreditations for their teaching careers.



Bahrainization

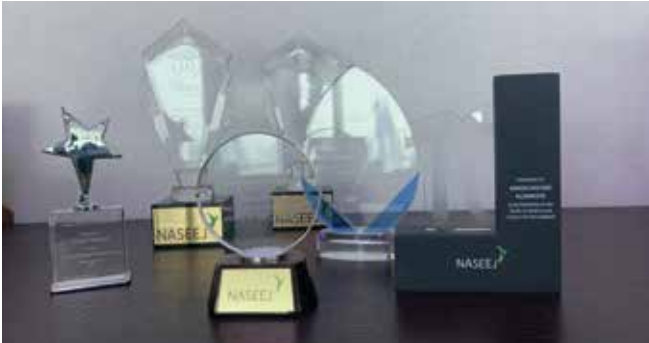
As of 2020, Naseej reported an 81% rate of Bahrainization in the Company; a figure that has seen a 5% growth over the past three years. Of equal importance, the majority of higher-level management roles are currently filled by Bahraini nationals with a strong work background and professional experience. Naseej started its operations in 2009, and since then has grown to become one of Bahrain's leading real estate companies with mega scale projects spread across Bahrain. As for its workforce, Naseej has grown its human capital into qualified and experienced professionals to cover a wide range of real estate and development areas.



Bahraini Families in Need - with the Royal Humanitarian Foundation

Naseej extended its support to a group of underprivileged Bahraini families. The programme helped a number of Bahraini families with various household items and electronics. It was conducted in collaboration with Bahrain's Royal Humanitarian Foundation led by His Highness Shaikh Nasser bin Hamad Al-Khalifa, His Majesty the King's Representative for Charity Works and Youth Affairs, National Security Advisor, Supreme Council for Youth and Sports Affairs (SCYS) Chairman, and The Royal Humanitarian Foundation (RHF) Board of Trustees' Chairman. The programme extended several household items and electrical appliances, and a laptop for an orphan student.

CORPORATE SOCIAL RESPONSIBILITY (Cont'd)



Staff Recognitions, Appreciations and Working Environments

Naseej acknowledges the hard work and accomplishments of its teams by way of employee recognitions, promotions and career path development. Naseej also rolls out an annual employee satisfaction survey where it asks the employees about their views and overall satisfaction towards pay, promotions, working environment, interdepartmental relations, business processes and others in order to hear from the employee first hand; and with complete confidentiality. With regards to employee recognitions, Naseej celebrates the 5 and 10 years of service to the Company, as well as Star employee awards, and promotions. The Company also celebrates employee-related news like marriages, new borns, new qualifications and many others. Naseej believes that with better employee satisfaction there shall be a better working environment, stronger engagement, increased employee morale, better customer service, and lower turnover.



Training and Development

As part of its corporate strategy, Naseej appreciates the importance of investing in its workforce. By this, we aim to further develop the employees' skill sets as well as creating a sustainable career path for future growth and greater role responsibilities. The strategy has proven successful to the Company, as it continuously trains and develops each of its staff members and at all levels of the Company across all departments. Often the training is also made overseas where Naseej takes care of all training costs as well as travel and accommodation expenses.

It is equally important that Naseej develops its workforce and in developing Bahraini nationals into key and higher-level management roles with greater roles and responsibilities. This provides a great deal of employee loyalty, satisfaction and reward, which supports the Company and the employees' best interests.



University Student Internship Programmes

Naseej plays an active role in Bahrain's human capital development, by working closely with the University of Bahrain and other private universities to support Bahraini graduate students with graduate programmes. These programmes aim to give graduate trainees a work-base experience that broadens their horizons and fulfills their graduate requirements for hands-on training. Over the years, Naseej takes pride in supporting this programme and working with the University of Bahrain to allow students to gain work-base experiences with a high degree of competence and professionalism. Naseej has trained a large number of students in various areas of the Company's departments such as financial management, project management, investments, construction, marketing, sales, as well as interior design. Naseej also works with Bahrain Polytechnic and Tamkeen on various educational-based programmes by supporting these entities with resources and funding.



Exhibitions & Real Estate Show Sponsorships

Throughout the years, Naseej has supported a number of key real estate and investment exhibitions in the Kingdom of Bahrain. Corporate sponsorships of these expos play a vital role in making these events happen. Naseej has been sponsoring the annual Gulf Property Show, BIPEX, BREIX and many others. Apart from these national sector specific events, Naseej has also sponsored a number of private events that have been organized by The Bahrain Property Development Association (BaPDA), the Bahrain Chamber of Commerce & Trade, and Bahrain's Real Estate Regulatory Authority.



Health & Safety and Workforce Safeguarding

Naseej follows a comprehensive workplace health & safety framework with the aim of promoting a safe and healthy working environment to its workforce. Naseej believes that a safe and healthy workplace is conducive to a better well-being and higher levels of productivity. All health and safety measures are applied at the Company's headquarters and at the off-site offices it manages (project sites and show-unit facilities). Health and safety manuals, emails, broadcasts and presentations are communicated to all staff throughout the organization with strict measures to ensure they are practiced. The Company has also trained a number of staff on first-aid services, and has also appointed fire marshals amongst the team should any unforeseeable accident occur.



National Events & Special Occasions

Naseej celebrates all the national events that occur in Bahrain; these include National Day, Bahraini Women's Day, Bahrain Sports Day, Labour Day, Mother's Day and Father's Day. These events are celebrated together as one team with a luncheon or event.

Other events throughout the year include Think Pink month, Islamic New Year, Ramadhan Iftar, Eid Al Fitr and Eid Al Adha. Naseej also conducts an annual lunch for all employees, with games and announces its top performers of the year by awarding staff members with Star of the Year plaques. These events have proven to be successful in raising employee satisfaction and promoting a positive family work environment; bringing all staff together, and raising their moral and engagement towards Naseej.

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2020

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2020

1. Description of the actions taken to complete the Corporate Governance Code during the year 2020 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 2020 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 2020.

3. Composition of the Board:

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

01

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

- BS 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

Chairman:

- Riffa Palms Real Estate

Deputy Chairman:

- Bahrain Air Space Agency

Board Member:

- Telecommunications Regulatory Authority

Formerly:

- General Director of Urban Planning. Ministry of Urban Planning & Municipalities
- Investment Manager - Real Estate, Mumtalakat
- Project Manager, Economic Development Board

Board Member:

- Durrat Al-Bahrain and Southern Tourism Company

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2020 (Cont'd)

02

Name: **Abdulkarim Bucheery**

Type (Executive, Non-Executive or Independent)

- Vice Chairman Non-Independent & Non-Executive
- Chairman of the Executive Committee

Experience

Over 40 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:

- Director and Co-Partner of KMH Management Solutions

Chairman:

- Bahrain Bourse
- Bahrain Clear
- Al Ubaf Bank – Audit and Risk Committee
- Management Council of Montreal Cars Co.
- Bahrain Association of Friends of Psychiatric Patients

Board Member:

- Deposit Protection Board, CBB INJAZ Bahrain
- Tamkeen
- Nasser Centre for Rehabilitation and Vocational Training
- Becon International School
- Bahrain International Federation of Business and Professional Women

Formerly:

- Chief Executive Officer, BBK

03

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.
- Currently the Managing Director of Naseej BSC and the Chief Executive Officer of Ithmaar Development Company.

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 of 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 of the Council for Regulating the Practice of Engineering Profession
- President of the Bahrain Society of Engineers (for two consecutive terms)

04

Name: **Abdulelah Ebrahim Al-Qasimi**

Type (Executive, Non-Executive or Independent)

- Non-Independent Non-Executive Director
- 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

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2020 (Cont'd)

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)
- Ithmaar Bank

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

05

Name: **Abdulhakeem Khalil Al Mutawa**

Type (Executive, Non-Executive or Independent)

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

Experience

Over 38 years of experience in banking and finance, and airline and aviation industries. Currently the Deputy Chief Executive Officer, Banking Group at Ithmaar Bank Bahrain.

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)
- Bahrain Airport Services

06

Name: **Bashar Mohamed Al Mutawa**

Type (Executive, Non-Executive or Independent)

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

Experience

- Over 20 years of work experience in the banking and finance fields.
- Currently the Managing Director of Noon Investment Company Bahrain.

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:

- Sanad Investment Company
- Najd Consulting
- Noon Investment Company

Formerly:

- Consultant, KPMG Fakhro, Bahrain

07

Name: **Dr. Khalid Mohamed Abdulla**

Type (Executive, Non-Executive or Independent)

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

Experience

- Over 31 years of banking and finance experience and infrastructural development in Bahrain.
- Currently the General Manager at Eskin Bank.

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, Eskin Bank

Founding Member:

- Bahrain Economic Society

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2020 (Cont'd)

Formerly:

- CEO, Inovent BSC
- CEO, Reef Real Estate Finance Co
- AGM positions at BBK
- Assistant Professor and Chairman of Department of Economics & Finance, University of Bahrain

08

Name: **Khalil Ismaeel Al Meer**

Type (Executive, Non-Executive or Independent)

- Independent Non-Executive Director
- 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 (BSC) 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

Board Member:

- Solidarity Saudi Arabia.
- Bahrain Middle East Bank

Formerly:

- Chief Executive Officer, Khaleeji Commercial Bank
- Head of Corporate Banking Division ,BBK

09

Name: **Saqer Shaheen Saqer**

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.
- Currently the Managing Director & Chief Executive Officer of Shaheen Group of companies.

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

Board Member:

- 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 2019.

For the year 2019, Directors' total remuneration was BD 105,000.

2. The proposed total remunerations to be paid to the directors for the year 2020, which will be presented at the annual general meeting for approval.

For the year 2020, Directors' proposed total remuneration is BD 92,000, which will be presented for Shareholders' approval at the Annual General Meeting to be held on 29 June 2021.

10

Name: **Ahmed Abdulqader Saleh Taqi**

Type (Executive, Non-Executive or Independent)

- Non-Independent Non-Executive Director
- Member of Audit and Risk Committee

Experience

Over 20 years of experience in the local and international banking firms in the field of Retail & Wholesale Banking.

Qualification

Master of Business Administration (MBA), University of Glamorgan, UK. Completed several executive development programs, such as: Communicating for Impact, Harvard Business School – USA, Leadership Development Program, University of Virginia – Darden School of Business – USA, Leadership in a Digital World, City, University of London - Cass 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 2020

Directorships and positions in other companies

Currently:

- Department Head, Remedial Management, Wholesale Banking Group, BBK.

Previous Experience:

- Served in several leadership and management positions at local and international banking firms.

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2020 (Cont'd)

3. Description of the sitting fees paid to the directors for attendance of the Board's committees for the financial year 2020 according to the following table:

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

- c. Number and dates of the Board's meetings held during the financial year 2020, 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 Virtually	No. of Directors Attending by phone	No. of Directors present by proxy
1	26 April 2020	10	0	None
2	07 July 2020	10	0	None
3	10 September 2020	10	0	None
4	08 December 2020	10	0	None

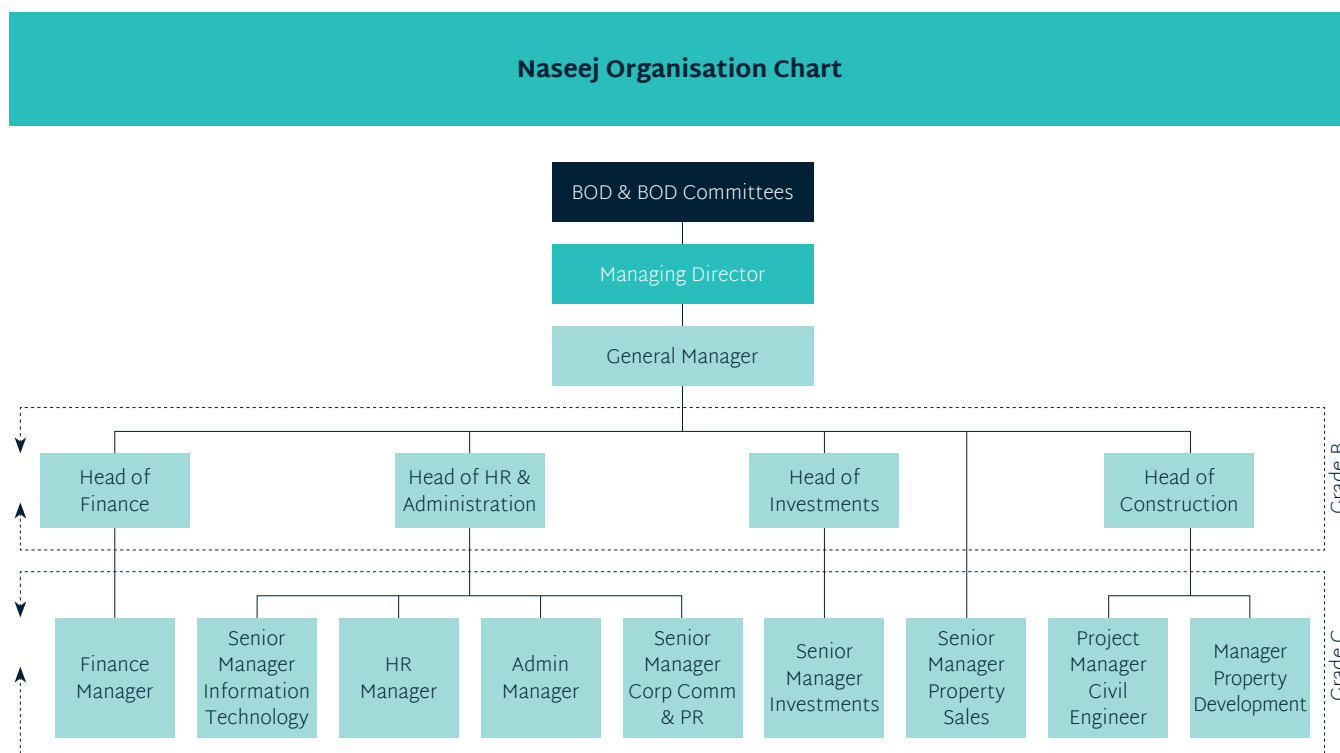
d. Description of the Board's duties and competences carried out on its behalf by the Executive Management by delegation of authority, specifying the duration and validity of the delegation.

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	3,770,000	Income from bank deposits/placements
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 374,529

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2020 (Cont'd)

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.). 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 2020, 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	4 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	4 years
Total audit fees for the financial statements for the year 2020 (BD)	12,705
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2020 (BD) if any. In the absence of such fees, this shall be expressly stated	Nil

5. Audit & Risk Committee (ARC):

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

#	Name	
1	Abdulelah Alqasimi	Chairman
2	Abdulhakeem Almutawa	Member
3	Khalil Almeer	Member
4	Ahmed Taqi	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.

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2020 (Cont'd)

- 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.

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- 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 Chairmen 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.

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2020 (Cont'd)

- 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 Virtually	No. of Directors Attending by phone	No. of Directors present by proxy
1	20 April 2020	3	0	None
2	29 June 2020	3	0	None
3	07 September 2020	3	0	None
4	01 December 2020	3	0	None

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2020 (Cont'd)

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;

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- 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;

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2020 (Cont'd)

- 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 for 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 Virtually	No. of Directors Attending by phone	No. of Directors present by proxy
1	21 April 2020	3	0	None
2	29 November 2020	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 (Upto June 2020)	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.

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2020 (Cont'd)

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 2020.

Meeting No.	Meeting Date	No. of Directors Attending Virtually	No. of Directors Attending by phone	No. of Directors present by proxy
1	26 January 2020	5	0	None
2	02 March 2020	5	0	None
3	17 May 2020	5	0	None
4	25 August 2020	4	0	None
5	25 October 2020	4	0	None
6	01 December 2020	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 2020 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.

During 2020, Naseej continued to contribute to the sustainable economic prosperity and social well-being of the Kingdom of Bahrain through its comprehensive corporate social responsibility (CSR) programme. This provided financial and practical support for beneficiaries including the Zakat Fund of the Ministry of Justice, the Shaikh Ebrahim Centre for Culture and Research, and the Bahrain Education Trade Union. In addition, Naseej employees worked with the Royal Humanitarian Foundation to help Bahraini families in need by providing household and electronic equipment; while for the second year running, Naseej sponsored the Bahrain Real Estate Investment Expo.

The Board of Directors extends its sincere appreciation to the wise Leadership of the Kingdom of Bahrain for their extraordinary fiscal support and public health precautionary measures in combating the impact of COVID-19 on the economy, business community and society as a whole. In response, Naseej was pleased to support the efforts of the National Taskforce with a donation of BD 100,000 to the Feena Khair campaign. This initiative was launched by His Highness Shaikh Nasser bin Hamad Al Khalifa, His Majesty the King's Representative for Humanitarian Work and Youth Affairs, National Security Advisor, Chairman of the Supreme Council for Youth and Sports Affairs, and the Royal Humanitarian Foundation Board of Trustees' Chairman.

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2020 (Cont'd)

a. Statement of shareholders' equity as of 31/12/2020 (individuals, corporate, government or organizations) to be classified as follows: Local, Gulf, Arab, and foreign.

#	Shareholder classification	Shareholding %			
		Individuals	Corporate	Government or Organizations	Total
1	Local	4.69%	62.39%	13.94%	81.02%
2	Arab	2.14%	4.17%	-	6.31%
3	Foreign	-	12.67%	-	12.67%
4	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 31/12/2020 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 31/12/2020 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%

d. Description of the significant events that occurred during the year 2020.

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 *	Companies which offer Islamic services shall adhere to the principles of Islamic Shari'a.				Not Applicable to Naseej
10	The Board shall ensure the integrity of the financial statements submitted to Shareholders through appointment of External Auditors.			✓	
11	The Company shall seek through social responsibility to exercise its role as a good citizen.			✓	

* Applicable only to the companies offering Islamic services.

12. Any disclosures required by the regulatory authorities.

There are no further disclosures.

Shaikh Hamed Mohamed Al-Khalifa
Chairman
Date: 31/05/2021





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

jumana.bh

Jumana – Madinat Salman

This affordable housing component of the PPP project located at Madinat Salman, comprising 165 villas and 202 apartments in a serene seafront setting, made excellent progress during 2018. Following the successful completion and handover of all villas to homeowners in 2017, the effort continued throughout 2018 with the completion and fit-outs of the apartment blocks.



JUMANA
مدينة سلمان



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DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

The Directors have pleasure of 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, 2020.

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, 2020 and the results for the year then ended are set out in the accompanying consolidated financial statements.

DIRECTORS

The following Directors served during the year ended December 31, 2020:

Shaikh Hamed Mohamed Hamed Abdulla AlKhalifa (Chairman)

Abdulkarim Ahmed Abdulrahman Bucheery (Vice Chairman)

Abdulelah Ebrahim Mohamed AlQasimi

Bashar Mohamed Ebrahim AlMutawa

Dr. Khaled Mohamed Abdulla Mohamed Taqi

Khalil Ismaeel Khalil AlMeer

Mohammed Khalil Abdulrahim ALSayed

Abdulhakeem AlMutawa

Reyadh Sater (till June 29, 2020)

Saqer Shaheen

Ahmed Abdulqader Saleh Taqi (from June 20, 2020)

DIVIDEND

Dividend declared and paid during the year ended December 31, 2020 was BD 2,160,000 (2019: BD 5,075,742)

AUDITOR

A resolution proposing the reappointment of Deloitte & Touche – Middle East as the auditors of the Company for the year ended December 31, 2021 and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

On behalf of the Directors:

Shaikh Hamed Mohamed Hamed Abdulla AlKhalifa
Chairman

Abdulkarim Ahmed Abdulrahman Bucheery
Vice Chairman

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 accompanying 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, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2020, 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.

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

- 1) As required by the Bahrain Commercial Companies Law of 2001 (and subsequent amendments), we report that:
 - a) we have obtained all information that we considered necessary for the purposes of our audit;
 - b) the Group has maintained proper accounting records and the consolidated financial statements and the financial information included in the Director's report are in agreement therewith;
 - c) 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, 2020; and
 - d) satisfactory explanations and information have been provided to us by the Directors in response to all our requests.
- 2) 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) a corporate governance officer; and
 - b) 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 20, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	Note	2020 BD	2019 BD
ASSETS			
Non-current assets			
Properties under development	5	66,080,441	53,689,221
Investment properties	6	5,021,000	4,974,324
Investment in an associate	8	395,580	409,391
Investment held at FVTOCI	9	5,586,042	-
Right-of-use asset	10.1	201,499	325,740
Property and equipment	7	106,688	137,314
Total non-current assets		77,391,250	59,535,990
Current assets			
Cash and cash equivalents	12	14,258,002	23,079,089
Placements with financial institutions	11	3,747,944	8,946,540
Trade receivables	14	500,760	3,148,726
Contract receivables	15	10,559,871	10,705,910
Other assets	16	1,146,329	1,999,039
Total current assets		30,212,906	47,879,304
Total assets		107,604,156	107,415,294
EQUITY AND LIABILITIES			
Equity			
Share capital	17	86,400,001	86,400,001
Statutory reserve	18	3,353,299	3,250,747
Retained earnings		1,725,269	2,962,305
Foreign currency translation reserve		(401,185)	(421,916)
Equity attributable to owners of the company		91,077,384	92,191,137
Non-controlling interests		(365,180)	(551,659)
Total equity		90,712,204	91,639,478
Liabilities			
Non-current liabilities			
Lease liability	10.2	163,021	280,966
Employees' end of service benefits	19	598,693	503,959
Total non-current liabilities		761,714	784,925
Current liabilities			
Lease liability	10.2	42,564	54,600
Contactors' retention payable	20	3,510,144	3,790,246
Trade payables	21	611,775	1,678,428
Accruals and other liabilities	22	11,965,755	9,467,617
Total current liabilities		16,130,238	14,990,891
Total liabilities		16,891,952	15,775,816
Total equity and liabilities		107,604,156	107,415,294

The consolidated financial statements were approved by the Board of Directors on May 9, 2021.

Shaikh Hamed Mohamed Hamed Abdulla AlKhalifa
Chairman

Abdulkarim Ahmed Abdulrahman 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, 2020

	Note	2020 BD	2019 BD
Revenue	23	2,484,569	2,605,900
Direct costs	24	(2,320,882)	(611,362)
Gross profit		163,687	1,994,538
Income from placements with financial institutions	13 (b)	935,749	1,846,285
Rental and other income	27	2,230,219	290,543
PPP – Ancillary income		-	1,490,968
Net gain from fair value on properties under development	5	2,115,352	1,189,173
Net gain from fair value on investment properties	6	46,676	-
Administrative expenses	25	(1,936,511)	(2,508,837)
Marketing and selling expenses		(249,002)	(169,570)
Share of results from an associate	8	(13,811)	(11,109)
Depreciation expense on right-of-use asset	10.1	(51,359)	(61,076)
Interest expense on lease liability	10.2	(15,989)	(22,697)
Other operating expenses	26	(1,879,755)	(1,090,354)
(Impairment loss) / reversal of loss allowance on financial assets	31	(133,261)	99,743
Profit for the year		1,211,995	3,047,607
Profit for the year attributable to:			
Owners of the Company		1,025,516	3,057,227
Non-controlling interests		186,479	(9,620)
		1,211,995	3,047,607
Other comprehensive income			
Item that are or may be reclassified subsequently to profit:			
Foreign exchange translation reserve		20,731	17,738
Total comprehensive income for the year		1,232,726	3,065,345
Total comprehensive income for the year attributable to:			
Owners of the Company		1,046,247	3,065,830
Non-controlling interests		186,479	(485)
		1,232,726	3,065,345

The consolidated financial statements were approved by the Board of Directors on May 9, 2021.

Shaikh Hamed Mohamed Hamed Abdulla AlKhalifa
Chairman

Abdulkarim Ahmed Abdulrahman 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, 2020

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Statutory reserve	Retained earnings	Foreign exchange translation reserve	Total		
	BD	BD	BD	BD	BD	BD	BD
At January 1, 2019	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 and paid	-	-	(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
profit for the year	-	-	1,025,516	-	1,025,516	186,479	1,211,995
Other comprehensive income	-	-	-	20,731	20,731	-	20,731
Total comprehensive profit for the year	-	-	1,025,516	20,731	1,046,247	186,479	1,232,726
Transfer to statutory reserves	-	102,552	(102,552)	-	-	-	-
Dividend declared and paid	-	-	(2,160,000)	-	(2,160,000)	-	(2,160,000)
At December 31, 2020	86,400,001	3,353,299	1,725,269	(401,185)	91,077,384	(365,180)	90,712,204

The attached notes form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 BD	2019 BD
Cash flows from operating activities			
Profit for the year		1,211,995	3,047,607
Adjustments for non-cash items:			
Income from deposits	13 (b)	(935,749)	(1,846,285)
Depreciation		51,093	173,914
Depreciation of right-of-use asset	10.1	51,359	61,076
Fair value gain in investment properties		(46,676)	(605,900)
Interest on lease liability	10.2	15,989	22,697
Provision for employees' end of service benefits	19	94,734	83,564
Gain on fair value of properties under development	5	(2,115,352)	(1,189,173)
Provision in relation to Ain Aouda project		327,715	530,800
Share of loss from associates	8	13,811	11,109
Impairment / (reversal of) loss allowance on financial assets	31	133,261	(99,743)
Interest on receivables from Ministry of Housing	15		(1,490,968)
Cash flows before changes in operating assets and liabilities		(1,197,820)	(1,475,216)
Changes in operating assets and liabilities:			
Decrease / (increase) in trade receivables		2,551,864	(2,953,914)
Decrease in contract receivables		137,031	34,715,931
Decrease in other assets		943,984	1,735,146
Increase in properties under development		(10,603,583)	(23,968,710)
Decrease in contractors' retention payable		(280,102)	(9,349,351)
(Decrease) / increase in trade payables		(1,066,653)	1,290,988
Increase / (decrease) in accruals and other liabilities		2,498,138	(11,878,700)
Cash used in operating activities		(7,017,141)	(11,883,826)
Payment for employees' end of service benefits	19	-	(105,227)
Net cash used in operating activities		(7,017,141)	(11,989,053)
Cash flows from investing activities			
Purchase of property and equipment	7	(20,467)	(20,849)
Income received from deposits		844,475	1,642,216
Investment in an associate during the year	8	-	(420,500)
Purchase of investment held at FVTOCI	9	(5,586,042)	-
Interest received from Ministry of Housing	15	-	1,490,968
Fixed deposits redeemed during the year, net		5,230,000	34,912,118
Net cash generated from investing activities		467,966	37,603,953
Cash flows from financing activities			
Repayment of lease liability	10.2	(73,088)	(73,947)
Capital reduction during the year		-	(21,600,000)
Dividend paid		(2,160,000)	(5,075,742)
Net cash used in financing activities		(2,233,088)	(26,749,689)
Net decrease in cash and cash equivalents during the year		(8,782,263)	(1,134,789)
Cash and cash equivalents at the beginning of the year		23,103,814	24,220,865
Effect of currency translation on cash and cash equivalents		20,731	17,738
Cash and cash equivalents at the end of the year	12	14,342,282	23,103,814

The attached notes form part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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 72492-1. 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 include Ithmaar Holding B.S.C., BBK B.S.C., Ithmaar Development Company Ltd., Social Insurance Organisation of the Kingdom of Bahrain, GFH Financial Group B.S.C., Khaleeji Commercial Bank B.S.C., Al Fateh Investment, Ibdar Bank B.S.C., Eskin Bank B.S.C., Faisal Islamic Bank of Egypt, and Palm Capital Company W.L.L.

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

As at December 31, 2020, the Group has the following subsidiaries and an associate:

Entity	Country of incorporation	Place of business	Principal activities	% Ownership
Subsidiaries:				
Naseej Rabat W.L.L.	Bahrain	Bahrain	Real estate	100
Naseej Project Company W.L.L. (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 W.L.L.	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
Associate:				
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 Standards applied with no material impact on the consolidated financial statements

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after January 1, 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

- Amendments to Interest Rate Benchmark Reform in IFRS 9 and IFRS 7: The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.
- Amendments to IFRS 16 Leases relating to Covid-19-Related Rent Concessions: The amendments provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after June 1, 2020.
- Amendments to Reference to the Conceptual Framework in IFRS Standards: The amendments include consequential amendments to affected Standards so that they refer to the new Framework. The Standards which are amended are 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.

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

2.1 New and revised Standards applied with no material impact on the consolidated financial statements (continued)

- Amendments to IFRS 3 Definition of a business: The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.
- Amendments to IAS 1 and IAS 8 Definition of material: The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

2.2 New and revised standards issued but not yet effective

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

- IFRS 17 *Insurance Contracts* (effective from January 1, 2023).
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not yet decided).
- Amendments to IAS 1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current (effective from January 1, 2023).
- Amendments to IFRS 3 *Business Combinations*: Reference to the Conceptual Framework (effective from January 1, 2022).
- Amendments to IAS 16 *Property, Plant and Equipment* related to proceeds before intended use (effective from January 1, 2022).
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* related to Onerous Contracts—Cost of Fulfilling a Contract (effective from January 1, 2022).
- Annual Improvements to IFRS Standards 2018-2020: The Annual Improvements include amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* (effective from January 1, 2022), IFRS 9 *Financial Instruments* (effective from January 1, 2022), IFRS 16 *Leases* (effective date not yet decided) and IAS 41 *Agriculture* (effective from January 1, 2022).
- Amendments to Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16): the amendments require additional disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks (effective from January 1, 2021).

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

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, 2020 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 the consolidated statement of profit or loss and other comprehensive income.

(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 the consolidated statement of profit or loss and other comprehensive income. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 the consolidated statement of profit or loss and other comprehensive income 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 rental income 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 consolidated statement of profit or loss and other comprehensive income 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 consolidated statement of profit or loss and other comprehensive income 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	5 Years
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 (Cont'd)

FOR THE YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 a 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.

A loss is recognised in the consolidated statement of profit or loss and other 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 consolidated statement of profit or loss and other 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income from placements with financial institutions

Income from placements with financial institutions is accrued on a timely basis by referring 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 the 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 consolidated statement of profit or loss and other comprehensive income 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 the consolidated statement of profit or loss and other comprehensive income, 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 the consolidated statement of profit or loss and other comprehensive income, 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 (Cont'd)

FOR THE YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

(a) Classification

The Group classifies its financial assets in the following measurement categories:

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

The classification of financial instruments depend on the Group's business model for managing the financial assets:

- 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; or
- 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 the 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 the consolidated statement of profit or loss and other comprehensive income.

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 the consolidated statement of profit or loss and other comprehensive income and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

Financial liabilities

Financial liabilities include trade payables 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 the consolidated statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 consolidated statement of profit or loss and other comprehensive income.

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 consolidated 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

The Group as a 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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.

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.

Valuation of properties under development

The Group's management obtains valuation reports from independent valuers to determine the fair value of the properties under development at the reporting date, and assesses the fair value of the properties under development on annually.

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

	2020 BD	2019 BD
Land	36,688,715	40,187,046
Development costs	27,276,374	12,313,002
Fair value gain recognised during the year	2,115,352	1,189,173
	66,080,441	53,689,221

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.

5. PROPERTIES UNDER DEVELOPMENT (continued)

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.

The movement in properties under development:

	2020 BD	2019 BD
Balance at the beginning of year	53,689,221	29,202,224
Costs incurred during the year	13,455,265	24,439,986
Costs transferred to cost of revenue during the year (note 24)	(2,320,882)	(611,362)
Fair value gain recognised during the year	2,115,352	1,189,173
	66,938,956	54,220,021
Provision in relation to Ain Aouda project	(858,515)	(530,800)
Balance at the end of year	66,080,441	53,689,221

The project wise break down is as follows:

	2020			
	Land BD	Development costs BD	Fair value (loss)/gain BD	Total BD
Canalview	5,011,035	20,927,372	(230,929)	25,707,478
Arad	14,039,830	13,244	914,736	14,967,810
Amwaj	11,823,693	2,679,544	432,893	14,936,130
Ain Aouda	3,141,488	2,243,200	336,836	5,721,524
Basateen	1,951,314	1,382,821	591,865	3,926,000
Jid Alhaj	721,355	30,193	69,951	821,499
	36,688,715	27,276,374	2,115,352	66,080,441

	2019			
	Land BD	Development costs BD	Fair value gain BD	Total BD
Canalview	5,011,035	9,467,058	-	14,478,093
Arad	12,850,657	13,244	1,189,173	14,053,074
Amwaj	11,823,693	421,824	-	12,245,517
Ain Aouda	5,601,347	1,554,353	-	7,155,700
Basateen	1,951,314	797,656	-	2,748,970
Jid Alhaj	2,949,000	58,867	-	3,007,867
	40,187,046	12,313,002	1,189,173	53,689,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED DECEMBER 31, 2020

5. PROPERTIES UNDER DEVELOPMENT (continued)

	2019		
	Land	Development costs	Total
	BD	BD	BD
Canalview	5,011,035	9,467,058	14,478,093
Arad	14,039,830	13,244	14,053,074
Amwaj	11,823,693	421,824	12,245,517
Ain Aouda	5,601,347	1,554,353	7,155,700
Basateen	1,951,314	797,656	2,748,970
Jid Alhaj	2,949,000	58,867	3,007,867
	41,376,219	12,313,002	53,689,221

Fair value measurement

The Group obtained valuation reports from independent valuers to determine the fair value of the properties under development at the reporting date. As a result, the management revalued its properties under development at an amount of BD 66,080,441.

6. INVESTMENT PROPERTIES

	2020	2019
	BD	BD
Cielo tower	3,665,000	3,836,324
AMAS shops	1,356,000	1,138,000
	5,021,000	4,974,324

Fair value measurement

The Group obtained valuation reports from an independent valuer to determine the fair value of the investment properties at the reporting date. As a result, the management revalued its investment properties at an amount of BD 5,021,000.

7. PROPERTY AND EQUIPMENT

	Leasehold improvements BD	Office equipment & furniture BD	Computers BD	Work in progress BD	Total BD
Cost					
At January 1, 2019	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
Additions	1,959	287	-	18,221	20,467
Transfers	-	-	68,888	(68,888)	-
At December 31, 2020	333,979	48,363	263,788	32,633	678,763
Accumulated depreciation					
At January 1, 2019	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
Depreciation expense	15,779	6,305	29,009	-	51,093
At December 31, 2020	327,584	38,849	205,642	-	572,075
Carrying amount					
December 31, 2020	6,395	9,514	58,146	32,633	106,688
December 31, 2019	20,215	15,532	18,267	83,300	137,314

8. INVESTMENT IN AN ASSOCIATE

	2020 BD	2019 BD
Investment in Olive V.F.M. Company W.L.L.	395,580	409,391

Movement in investment in an associate during the year is as follows:

	2020 BD	2019 BD
Balance as at January 1,	409,391	-
Consideration paid on purchase	-	570,500
Dividend received	-	(150,000)
Share of results during the year	(13,811)	(11,109)
Balance as at December 31,	395,580	409,391

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED DECEMBER 31, 2020

8. INVESTMENT IN AN ASSOCIATE (continued)

The below information is based on the latest available financial statements of the associates:

	2020 BD	2019 BD
Total assets	1,785,625	1,833,908
Total liabilities	(203,304)	(196,345)
Net assets	1,582,321	1,637,563
Proportion of Group's ownership	25%	25%
Share of net assets	395,580	409,391
Revenue	380,260	450,910
Expenses	(435,502)	(495,346)
Net loss (100%)	(55,242)	(44,436)
Group's share of loss profit	(13,811)	(11,109)

9. INVESTMENT HELD AT FVTOCI

The Group acquired 19.5% of Dilmunia Mall Development Company W.L.L. ("MoD"), equivalent to 68,447 total shares at a price of BD 5,586,042, which is equal to the net asset value of MoD. MoD is a company registered in the Kingdom of Bahrain dealing in real estate activities.

10. LEASES

The Group only operates as a lessee.

10.1 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.

	2020 BD	2019 BD
Balance as at January 1,	325,740	386,816
Depreciation during the year	(51,359)	(61,076)
Modifications during the year	(72,882)	-
Balance as at December 31,	201,499	325,740

The following are the amounts recognized in the consolidated statement of profit and loss and other comprehensive income for the year ended December 31, 2020:

	2020 BD	2019 BD
Depreciation on right-of-use asset	51,359	61,076
Interest on lease liability	15,989	22,697

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

10. LEASES (continued)

10.2 Lease liability

	2020 BD	2019 BD
Balance as at January 1,	335,566	386,816
Accretion of interest	15,989	22,697
Payments during the year	(73,088)	(73,947)
Modifications during the year	(72,882)	-
Balance as at December 31,	205,585	335,566

Below is the allocation of lease liabilities as at December 31, 2020:

	2020 BD	2019 BD
Current lease liabilities	42,564	54,600
Non-current lease liabilities	163,021	280,966
Balance as at December 31,	205,585	335,566

11. PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2020 BD	2019 BD
Placements with original maturities more than three months	3,770,000	9,000,000
Less: Loss allowance	(22,056)	(53,460)
	3,747,944	8,946,540

Placements are held with financial institutions in Bahrain with average profit rate of 3.15% to 3.8% (2019: 4.4% to 5.5%).

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

	2020 BD	2019 BD
Balance at January 1,	53,460	260,838
Net decrease in loss allowance during the year (note 30)	(31,404)	(207,378)
Balance as at December 31,	22,056	53,460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED DECEMBER 31, 2020

12. CASH AND CASH EQUIVALENTS

	2020 BD	2019 BD
Cash and bank balances	4,342,282	1,817,814
Placements with original maturities less than 3 months	10,000,000	21,286,000
	14,342,282	23,103,814
Less: Loss allowance	(84,280)	(24,725)
	14,258,002	23,079,089

Placements are held with financial institutions in Bahrain with an original maturity of three months or less with an average profit rate of 2.45% to 3.75% (2019: 4% to 4.5%).

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

	2020 BD	2019 BD
Balance at January 1,	24,725	143,861
Net increase/(decrease) in loss allowance during the year (note 30)	59,555	(119,136)
Balance at December 31,	84,280	24,725

13. 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

	2020 BD	2019 BD
Assets		
Cash and bank balances	14,203,885	22,908,630
Placements with a financial institution	3,747,944	8,946,540
	17,951,829	31,855,170

b) Transactions with shareholders

	2020 BD	2019 BD
Income from placements with financial institutions	935,749	1,846,285
Professional fees	-	240,064

13. RELATED PARTIES (continued)

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:

	2020 BD	2019 BD
Salaries and other short-term benefits	326,997	361,078
Directors' sitting fee	161,250	154,438
Post-employment benefits	36,816	39,182

14. TRADE RECEIVABLES

	2020 BD	2019 BD
Trade receivables (note 14.1)	838,704	3,390,568
Less: Loss allowance (note 14.2)	(337,944)	(241,842)
	500,760	3,148,726

14.1 Trade receivables include BD Nil (2019: BD 3,148,103) invoiced to the Ministry of Housing ("MOH") under the Bahrain Affordable Housing PPP project.

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

	Credit- impaired BD	Collectively assessed BD	Total BD
Balance as at January 1, 2019	-	12,644	12,644
Net increase in loss allowance (note 31)	232,334	(3,136)	229,198
Balance, December 31, 2019	232,334	9,508	241,842
Net increase in loss allowance (note 31)	105,110	(9,008)	96,102
Balance, December 31, 2020	337,444	500	337,944

15. CONTRACT RECEIVABLES

	2020 BD	2019 BD
Due from Ministry of Housing	9,638,600	9,469,600
Due from customers	930,279	1,236,310
	10,568,879	10,705,910
Less: Loss allowance (note 31)	(9,008)	-
	10,559,871	10,705,910

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED DECEMBER 31, 2020

15. CONTRACT RECEIVABLES (continued)

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

	2020 BD	2019 BD
Balance at the beginning of the year	9,469,600	44,086,268
Income recognised during the year	-	1,490,968
Transferred to trade receivables during the year	-	(36,107,636)
Transferred from Due from customers	169,000	-
	9,638,600	9,469,600

16. OTHER ASSETS

	2020 BD	2019 BD
VAT receivable	441,882	376,569
Prepayments	415,921	281,835
Advances to employees	108,878	52,930
Accrued income	91,274	204,069
Security deposits	53,135	48,520
Contractor advances	21,704	1,021,578
Other receivables	14,746	14,749
	1,147,540	2,000,250
Loss allowance	(1,211)	(1,211)
	1,146,329	1,999,039

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

	2020 BD	2019 BD
Balance at January 1,	1,211	3,638
Net decrease in loss allowance during the year (note 31)	-	(2,427)
Balance at December 31,	1,211	1,211

17. SHARE CAPITAL

	2020 BD	2019 BD
Authorised share capital		
864,000,008 shares of BD 0.100 each	86,400,001	86,400,001
Issued and fully paid up share capital		
864,000,008 shares of BD 0.100 each	86,400,001	86,400,001

18. 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 102,552 (2019: BD 305,723) from retained earnings to the statutory reserve.

19. EMPLOYEES' END OF SERVICE BENEFITS

	2020 BD	2019 BD
Balance at the beginning of year	503,959	525,622
Charge for the year (note 25.2)	94,734	83,564
Payments made during the year	-	(105,227)
Balance at the end of year	598,693	503,959

20. CONTRACTORS' RETENTION PAYABLE

Contractors' retention payable amounting to BD 3,510,144 (2019: BD 3,790,246) 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.

21. TRADE PAYABLES

	2020 BD	2019 BD
Bahrain PPP project	354,189	337,128
Trade payables	211,002	121,400
Ain Aouda Project	175,281	38,532
Canalview project	32,998	745,795
Daem project	9,617	75,605
Amwaj project	3,969	398,500
Others	35,721	82,868
	611,775	1,678,428

22. ACCRUALS AND OTHER LIABILITIES

	2020 BD	2019 BD
Sales deposits and progress billings	3,866,854	1,765,488
Provision against arbitration of claims received (note 28)	2,242,282	1,515,000
Accruals to contractors - Sharaka project	1,836,672	4,183,467
Terna bond payable	1,260,659	1,260,659
Payable amount in relation to MoD acquisition	1,086,042	-
Provision against EWA capital contribution	255,623	255,623
Others	1,417,623	487,380
	11,965,755	9,467,617

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED DECEMBER 31, 2020

23. REVENUE

Revenue amounting to BD 2,484,569 pertains to sale of plots for the Jidd Al Haj project. (2019: BD 2,605,900 pertains to sale of villas and apartments, that is recognised over time for the Bahrain PPP project.)

24. DIRECT COSTS

	2020 BD	2019 BD
Professional cost	93,237	611,362
Cost of plots sold	2,227,645	-
	2,320,882	611,362

25. ADMINISTRATIVE EXPENSES

	2020 BD	2019 BD
Salaries and related costs (note 25.2)	1,272,154	1,401,382
Board expenses	174,643	184,010
Professional consultant charges (note 25.1)	161,977	433,855
Office expenses	148,677	149,775
Board remuneration	105,000	135,250
Depreciation	51,093	173,914
Service charges	22,967	30,651
	1,936,511	2,508,837

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

25.2 Salaries and related costs consists of the following:

	2020 BD	2019 BD
Salary expenses	788,855	899,064
Bonus accruals	171,000	220,400
Contractual employees	105,557	103,010
Indemnity charges for the year (note 19)	94,734	83,564
Allowances for the year	67,684	46,975
Others	44,324	48,369
	1,272,154	1,401,382

26. OTHER OPERATING EXPENSES

	2020 BD	2019 BD
Provision against Ain Aouda project	850,506	216,800
Provision against Terna arbitration	727,282	700,000
Other operating expenses	301,967	173,554
	1,879,755	1,090,354

27. RENTAL AND OTHER INCOME

	2020 BD	2019 BD
Rental income	24,760	269,774
Other income (Note 27.1)	2,205,459	20,769
	2,230,219	290,543

27.1 As of December 31, 2020, other income balance includes BD 2,010,873 which relates to the reversal of contract retention payable.

28. CONTINGENCIES AND COMMITMENTS

Based on the arbitration proceedings being unfavourable to the Group, the Group has provided for BD 2,242,282 based on legal advice.

29. FINANCIAL INSTRUMENTS

29.1 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.

29.2 Categories of financial instruments

	2020 BD	2019 BD
Financial assets		
Cash and cash equivalents	14,258,002	23,079,089
Placements with financial institutions	3,747,944	8,946,540
Trade receivables	500,760	3,148,726
Contract receivables	10,559,871	10,705,910
Other assets	1,125,836	901,381
	30,192,413	46,781,646
Financial liabilities		
Contactors' retention payable	4,651,837	3,790,246
Lease liability	205,585	335,566
Trade payables	1,697,817	1,678,428
Accruals and other liabilities	9,738,020	9,467,617
	16,293,259	15,271,857

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED DECEMBER 31, 2020

29. FINANCIAL INSTRUMENTS (continued)

29.3 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.

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).

The table below analyses assets and liabilities, measured at fair value as at the end of the year, by level in the fair value hierarchy into which the fair value measurement is categorized:

	2020 BD	2019 BD
Properties under development - level 3	66,080,441	53,689,221
Investment properties - level 3	5,021,000	4,974,324
Investment held at FVTOCI – level 3	5,586,042	-
	76,687,483	58,663,545

30. 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:

30.1 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 28.

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 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.

(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, 2020, 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 33,983 (2019: BD 151,430).

(c) Equity price risk

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

30.3 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.

	2020				
	Within 3 months	3 to 6 months	6 months to one year	More than one year	Total
	BD	BD	BD	BD	
Trade payables	266,304	54,518	287,875	3,078	611,775
Contactors retention payable	148,233	236,473	476,885	2,648,553	3,510,144
Lease liability	10,641	10,641	21,282	163,021	205,585
Accruals and other liabilities	3,867,812	453,391	946,956	6,697,596	11,965,755
	4,292,990	755,023	1,732,998	9,512,248	16,293,259

	2019				
	Within 3 months	3 to 6 months	6 months to one year	More than one year	Total
	BD	BD	BD	BD	
Trade payables	1,292,953	85,091	277,398	22,986	1,678,428
Contactors retention payable	162,585	287,422	309,478	3,030,761	3,790,246
Lease liability	13,650	13,650	27,300	280,966	335,566
Accruals and other liabilities	2,288,540	226,630	126,423	6,825,148	9,467,617
	11,308,630	287,422	309,478	3,030,761	14,936,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED DECEMBER 31, 2020

31. (IMPAIRMENT LOSS)/REVERSAL OF LOSS ALLOWANCE ON FINANCIAL ASSETS

	2020	2019
	BD	BD
Placements with financial institutions	(31,404)	(207,378)
Cash and cash equivalents	59,555	(119,136)
Trade receivables	96,102	229,198
Contract receivable	9,008	-
Other assets	-	(2,427)
	133,261	(99,743)

32. BORROWINGS

The Group has availed a facility with Kuwait Finance House for a facility amount of BD 5,000,000. As at December 31, 2020 no amount has been utilised from this facility.

33. 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.

34. IMPACT OF COVID-19

The outbreak of the novel Coronavirus (COVID-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities. The Group is continually monitoring its impact, while working closely with the local regulatory authorities, to manage the potential business disruption of the COVID-19 outbreak.

In light of COVID-19, The Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the financial statements. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the financial statements:

Impairment of non-financial assets:

The Group has performed a qualitative assessment, considering the minimal impact of COVID-19 on entities operating in the real estate sector, and compared the actual results for the period against the budget and industry benchmarks to conclude the impairment assessment as at December 31, 2020 remains largely unchanged.

Expected Credit Losses ("ECL") and impairment of financial assets:

The Group has applied management overlays on the existing ECL models by applying probability weightage scenarios on the relevant macroeconomic factors relative to the economic climate of the respective market in which it operates.

The Group has also assessed the exposures in potentially affected sectors for any indicators of impairment and concluded there is no material impact on account of COVID-19.

Commitments and contingent liabilities:

The Group has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Group, customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issues were noted.

Going concern:

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from December 31, 2020. As a result, these financial statements have been appropriately prepared on a going concern basis.

