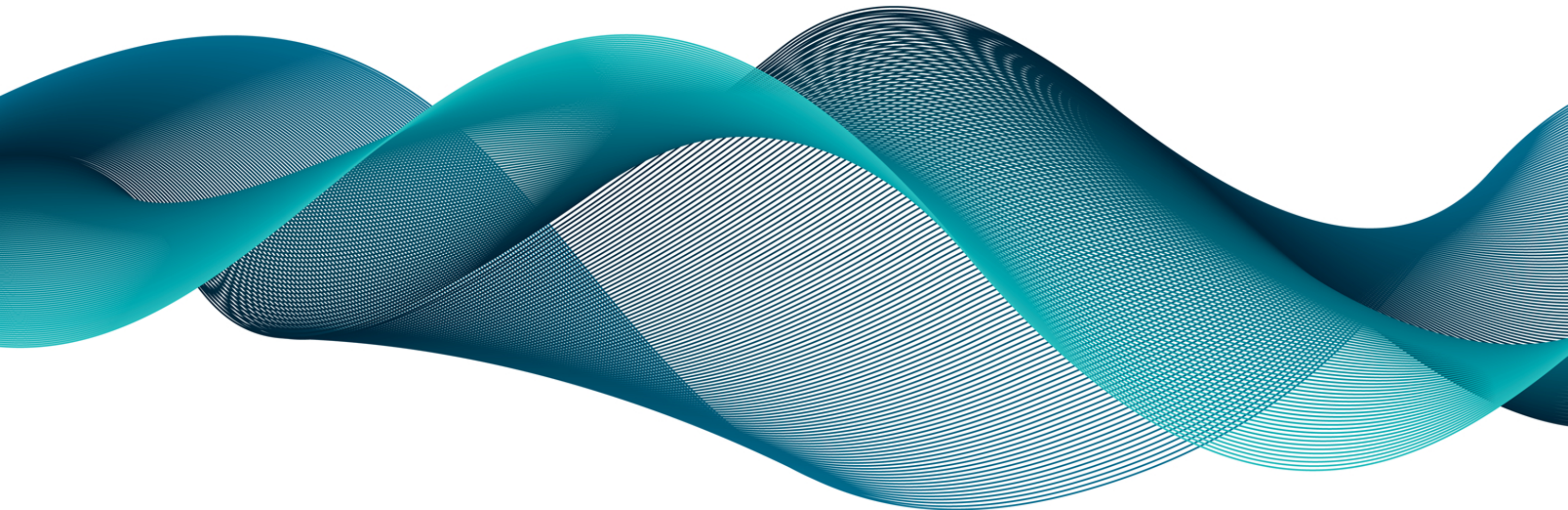


**BUILDING FIRM FOUNDATIONS**

Annual Report 2011





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

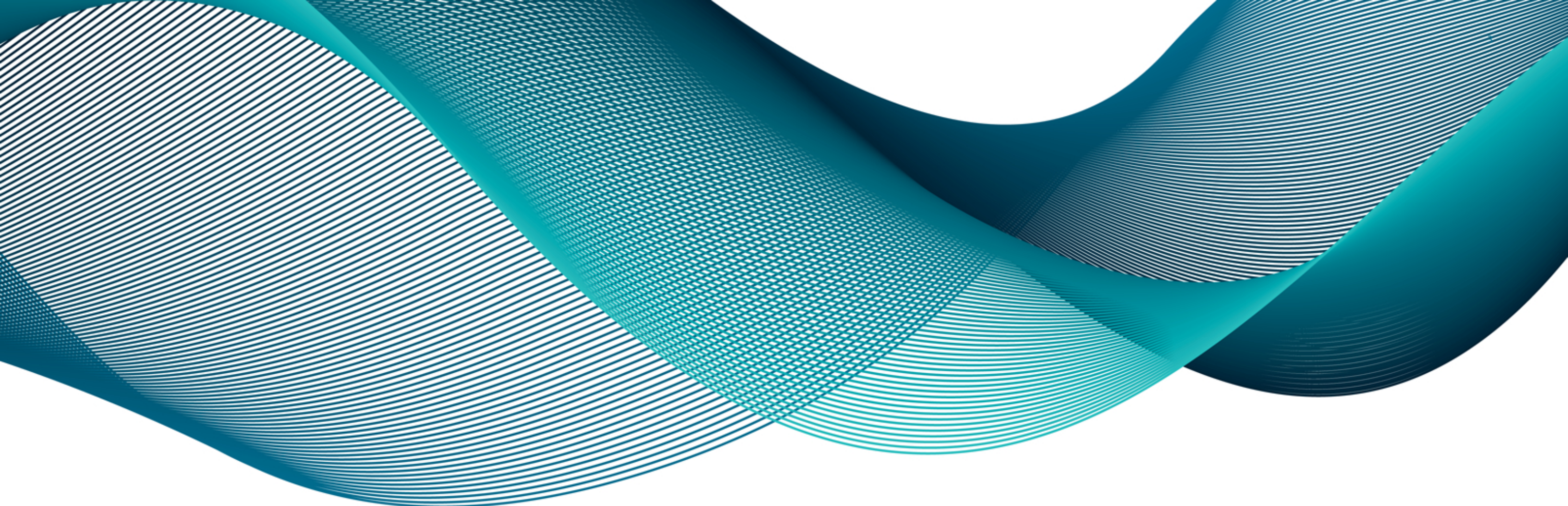


His Royal Majesty  
King Hamad bin Isa  
Al Khalifa  
The King of the  
Kingdom of Bahrain



His Royal Highness  
Prince Salman bin Hamad  
Al Khalifa  
The Crown Prince and  
Deputy Supreme Commander





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## BUILDING WITH VISION

Despite an extremely challenging year, Naseej concluded 2011 on a positive note. Net profit was higher than forecasted, with the Company's first two housing projects now underway.

The most significant development during the year was the signing of an agreement with the Ministry of Housing for the Kingdom of Bahrain's first social and affordable housing Public-Private-Partnership (PPP). Naseej takes pride in being recognised by the Government as a trusted partner for this pioneering landmark project, which will positively contribute to the Kingdom's social housing plans by building over 4,000 social and affordable units over the next three years.

Additionally, the Company's other project in Saar involves the development of mid-income housing, ranging from starter homes to 5 bedroom villas. These will be constructed within an integrated community that provides supporting facilities for home owners.

Today, and in a very short time, Naseej has come to be considered as the leading affordable housing developer in the Kingdom of Bahrain, and potentially, ranked as a major player in this market within the region. Our on-going comprehensive analysis of the affordable housing market means that we know more about this market than any other organisation in Bahrain. Given these achievements during the year, we are highly positive about our future prospects.

Our future looks bright, and we look forward to 2012 being the year of implementation of our plans and aspirations for Naseej.



# About Naseej

Naseej is the MENA region’s only 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; and asset management.

Headquartered in the Kingdom of Bahrain and capitalised at US\$ 286 million, the Company was established by prominent private and public sector investors as a pioneering catalyst for addressing the region’s affordable housing development needs. Key shareholders of Naseej are Ithmaar Bank, Ithmaar Development Company, BBK, Gulf Finance House, Khaleeji Commercial Bank, Faisal Islamic Bank of Egypt, Palm Capital, Social Insurance Organisation of the Kingdom of Bahrain and Eskin Bank.

## Our Vision

To deliver meaningful value through insight

## Our Values

- Integrity
- Prosperity
- Innovation
- Pragmatism







## WE VALUE INNOVATION

The Public-Private-Partnership (PPP) agreement signed between Naseej and the Government of Bahrain marks the first such PPP in the Kingdom for building social and affordable homes for Bahraini nationals, thereby making a positive contribution to the nation's social housing agenda.

Our second housing project in Saar involves the construction of affordable villas for Bahraini citizens in the middle-income bracket, providing them with high quality, eco-friendly and affordable housing units. This new integrated community will comprise housing units ranging from starter homes to five-bedroom villas, built on a fast-track basis and incorporating latest design technologies.



## BOARD OF DIRECTORS



**MR KHALID ABDULLA-JANAHE  
FICAW FCA**

*Chairman*

Chairman of Executive Committee & Corporate Governance Committee; Member of Risk Committee.

Group Chief Executive Officer: Daal Al Maal Al Islami Trust (DMI Trust).

Chairman: Faisal Private Bank (Switzerland); DMI Administrative Services; Islamic Investment Company of the Gulf (Bahamas) Ltd; Solidarity Group Holding; Ithmaar Development Company.

Board Member: Faisal Islamic bank of Egypt; Ithmaar Bank; Ethra Capital; Centre for International & Business Management (CIBAM).

University of Cambridge; Saudi Takaful Company.

Over 30 years' experience in banking and financial services. Fellow of Institute of Chartered Accountants in England & Wales. BSc in Computer Science & Accountancy from the University of Manchester.

UK 'Islamic Banker of the Year' – WIBC 2008



**SHAIKH ABDULLA AL-KHALIFA**

*Vice Chairman*

Chairman of Remuneration & Nomination Committee; Member of Executive Committee and Investment Committee.

Executive Director of Investments: Social Insurance Organisation. Chairman: Seef Properties; SICO.

Board Member: BBK; BFC Group Holdings; Bahrain International Golf Course.

11 years' experience in Banking. BSc in Business Administration (specialising in Information Systems) from the George Washington University, Washington DC, USA; JP Morgan Chase Credit Program.



**MR ABDULKARIM BUCHEERY**

*Board member*

Chairman of Audit Committee; Member of Corporate Governance Committee.

Chief Executive: BBK.

Chairman: CrediMax; Capinnova; Bahrain Association of Banks. Vice Chairman: Bahrain Commercial Facilities Company Board Member: Injaz; Tamkeen; Deposit Protection Board, CBB.

33 years' experience in Banking. BSc in Economic Science Stream from Aleppo University, Syria.



**MR BASHAR AL MUTAWA**

*Board Member*

Member of Audit Committee and Risk Committee.

Managing Director: Noon Investment Company.

Board Member: Al Jazeera Tourism Company; Tashyeed Properties; Saar Investment Company; Al Oula Securities Company.

10 years' business experience. BSc degree in Finance & Economics.



**MR HISHAM AL RAYES**

*Board Member*

Member of Investment Committee.

Chief Investment Officer: Gulf Finance House.

15 years' experience in Commercial and Investment Banking. MBA from De Paul University, Chicago, USA.



**MR IMAD AL NESNAS**

*Board Member*

Member of Audit Committee and Corporate Governance Committee.

Chairman & Managing Director: Bonyan International.

Chairman: Optimum Design. Board Member: Vision 3. Founding Investor: Solidarity; First Leasing Bank; Global Banking Corporation; La Mier Real Estate company.

Al Fares Real Estate Company.

Over 23 years' experience in Construction, Project Development and Real Estate Investment.

BSc in Civil Engineering from TTU, USA; Project Management Program, Columbia University, New York, USA.



**MR JAMEEL AL MATROOK**

*Board Member*

Chairman of Risk Committee; Member of Remuneration & Nomination Committee.

Founder: Jameel Almatrook Co. WLL.

32 years' experience in Real Estate Chartered Civil Engineer. BSc in Civil Engineering from Leeds University, UK.



**MR MOHAMMED BUCHEERI**

*Board Member*

Member of Investment Committee and Corporate Governance Committee.

Chief Executive Officer: Ithmaar Bank. Board Member: Ithmaar Bank; Solidarity Group Holding; Ithmaar Development Company; Islamic Investment Company of the Gulf (Bahamas / Sharjah); Faysal Bahamas Ltd. Crescent International limited, Bermuda, DMI (Jersey) Limited, MFAI (Jersey) Limited Faisal Finance Luxembourg, Shamil Finance Luxembourg, Gulf Investors Asset Management Company, Saudi Arabia, Cantara, Faisal Private Bank, (Switzerland) SA, Overland Capital Group, USA.

Over 42 years' experience in Accounting, Commercial and Offshore Banking. Graduate in Accounting, Mathematics & Economics from Gulf Polytechnic, Bahrain.



**MRS SABAH ALMOAYYED**

*Board Member*

Member of Investment Committee and Remuneration & Nomination Committee. General Manager: Eskin Bank.

Chairman: Southern Development Company (SDC); Southern Tourism Company; Eskin Properties. Board Member: Eskin Bank; Higher Education Council; Ebdar Bank.

Over 10 years' experience in Banking. MBA in Marketing & Change Management from Kelastat Business School, De Paul University, Chicago, USA; BSc in Economics & Business Administration from the American University of Beirut, Lebanon.



**MR MOHAMMED KHALIL ALSAYED**

*Board Member*

Chairman of Investment Committee; Member of Executive Committee.

Chief Executive: Ithmaar Development Company. Chairman: Olive Holding VFM, Board Member: Ithmaar Development Company.

Founding Member: Arabian Gulf Chapter, Project Management Institute, USA.

Member & Past President: Bahrain Society of Engineers. Member: American Society of Civil Engineers; Society of American Value Engineers; American Management Association; Strategic Planning Society, Bahrain.

Over 25 years' experience in Engineering, Project Management, and Real Estate Development. MSc in Structural Engineering from the Southern Methodist University, Texas, USA; BSc in Civil Engineering from the University of Arkansas, USA; Advanced Diploma in Project Management from RMIT University, Australia.



## CHAIRMAN'S STATEMENT



**MR KHALID ABDULLA-JANAHI**  
*Chairman*

On behalf of the Board of Directors, it is my privilege to present the annual report of Naseej for the year ended 31 December 2011. Despite another extremely challenging year, I am delighted to report that we ended 2011 on a very positive note, with our first two housing projects now underway.

Throughout the year and in line with our corporate vision, we concentrated and directed our resources to secure our first development project in the Kingdom of Bahrain and contribute to the development of our nation. As a consequence, and amidst an environment of highly complicated negotiations, we are honoured to have been recognised by the Government of Bahrain as a trusted partner for the first social and affordable housing Public-Private-Partnership (PPP) in the Gulf. This milestone project will significantly reduce the Kingdom's housing shortage by developing 4,100 social and affordable housing units over the next three years. I would therefore like to congratulate the Government of Bahrain for achieving this ground-breaking milestone, through its commitment to provide Bahraini citizens with affordable homes, in partnership with the private sector.

Our other project in Bahrain involves the construction of affordable villas at Saar for completion in 2013. This new integrated community will provide Bahraini nationals in the middle-income bracket with high quality, eco-friendly and affordable housing units. These will range from starter homes to five-bedroom villas, built on a fast-track basis and incorporating latest design technologies.

Naseej is now well and truly on the way to setting new industry benchmarks for addressing the housing needs of Bahrain, whilst contributing to the social well-being and economic prosperity of the Kingdom. For these, and indeed all our projects, we have publicly pledged ourselves to procure services and goods in line with the ethical principles on which Naseej was founded, through a strictly competitive and highly transparent tender process.

During the year, Naseej recorded a total income of BD 4.1 million, compared with BD 3.5 million the previous year, against total expenses of BD 2.4 million (2010: BD 1.2 million). At the end of 2011, total assets stood at BD 113.1 million, up from BD 111.1 million in 2010; while total equity increased to BD 112.6 million (2010: BD 110.8 million).

Our Company therefore remains strongly capitalised, highly liquid and unleveraged, with a sound infrastructure and healthy project pipeline in place. Clearly we are in an advantageous position to make an outstanding business impact in 2012, and deliver enhanced value to our shareholders and investors. We therefore remain on track for a public listing on the Bahrain Bourse, and in this context we have reviewed and developed our corporate governance framework to

ensure continued regulatory compliance with the Corporate Governance Code of the Kingdom of Bahrain.

On behalf of the Board of Directors, I express my sincere appreciation to His Majesty the King, His Royal Highness the Prime Minister, and His Royal Highness the Crown Prince of the Kingdom of Bahrain for their wise leadership and visionary reforms, and their encouragement of the private sector. I would also like to thank the Kingdom's various ministries and government agencies, especially the Ministry of Housing, the Ministry of Industry & Commerce and the Ministry of Finance, for their constructive support and guidance during the year.

Finally, I would like to express my gratitude to our shareholders for their continued trust and confidence; to our business partners for their encouragement and collaboration; and to our management and staff for their commitment and professionalism throughout 2011.

**Khalid Abdulla-Janahi, FICAEW FCA**  
*Chairman*





## WE VALUE INTEGRITY

Naseej is honoured to have been recognised by the Government as a trusted partner in addressing the affordable housing needs of the Kingdom, through the signing of a pioneering social and affordable housing Public-Private-Partnership.

For this landmark project, and indeed all our projects, we have publicly pledged ourselves to procure services and goods in line with the ethical principles on which Naseej was founded, through a strictly competitive and highly transparent tender process.



## CEO'S REPORT



**CHRISTOPHER SIMS**  
*Chief Executive Officer*

Despite 2011 being even more challenging and unpredictable than anyone had expected, we ended our second year of operations with two projects underway, allied to a very healthy project pipeline stream in place.

This was due to our key underlying fundamentals of a very strong financial capital and liquidity position; a widely experienced, high-calibre management and support team; a robust corporate governance and risk management framework; and comprehensive deal-making policies, processes and procedures, supported by a proactive internal and external control regime. All of which reinforce our demand-led and value-generation approach to all our dealings and transactions, backed by extensive research and analysis of market directional requirements.

With such strong foundations in place, we therefore concentrated our attention on actively pursuing new income-generating property development and investment opportunities. Our most notable achievement was the signing of a landmark Public-Private Partnership (PPP) with the Ministry of Housing. This entails the construction of over 4,000 social and affordable housing units within three years, at a total cost in excess of BD 205 million. Not only a first for Bahrain, this PPP is the first of its kind in the GCC. Immense time and effort has been devoted to turning this

groundbreaking initiative into a tangible reality.

In addition to the PPP, Naseej now has an affordable housing project underway in Bahrain at Saar. This project will provide high-quality, smart and affordable villas for Bahraini nationals on medium incomes, a segment which is currently under-served. This development, as with all our projects, will provide a cohesive and sustainable community, and create a new template for development. At the same time, we identified a number of attractive

investment opportunities in the GCC, MENA, Far East and Europe, which are expected to come to fruition in 2012.

Given the challenging economic, social and political environment that marked the first half of the year, we took a number of proactive steps to ensure the ongoing profitability of the business. These included aggressively managing and improving our cash position; cutting all operating costs to a minimum; deferring recruitment pending a transaction closure; conducting all marketing activity and market research internally; and outsourcing legal affairs. These measures proved to be successful, with net profit for the year ending higher than originally forecast.

We also took steps to strengthen our corporate governance, risk management and internal controls. These included the introduction of guidelines for Board members' accountability; revised terms of reference for all Board of Director committees; the establishment of a new Business and Investment Committee; and the adoption of nine corporate policies and procedures related to our business activities.

Throughout 2011, we continued to promote awareness of Naseej and keep our name in the public domain. This included members of the management team speaking at various real estate and

property development seminars and conferences around the region. Naseej also developed new relationships with key stakeholders – at a local, regional and international level – in government, business and industry, the local community, and the media. Notable achievements during the year include becoming members of the US Green Building Council, arguably the world leader in sustainability and environmental quality through its Leadership in Energy and Environmental Design (LEED) system; and joining the Bahrain Property Development Association (BaPDA), which plays a leading role in representing and developing the property development industry in the Kingdom of Bahrain.

In line with our declared commitment to corporate social responsibility, we announced the winners of our innovative design competition for an affordable, high-quality and environmentally-friendly home that meets the aspirations and budgets of middle-income Bahraini nationals. Key elements of the winning entry will be incorporated into the final design for the first affordable homes to be built by Naseej in the Kingdom. In addition, we co-sponsored the first-ever MENA Housing Congress, which focused on critical issues facing the affordable housing sector and mortgage market in the region.

Today, and in a very short time, Naseej has come to be considered the leading affordable housing developer in Bahrain, and potentially, ranked as a major player in this market within the region. Our ongoing comprehensive analysis of the affordable housing market means that we know more about this market than any other organisation in Bahrain; and this has been endorsed by a recent independent report by Jones Lang La Salle, which mirrors our own research. Given these achievements during the year, we are highly positive about our future prospects.

In conclusion, on behalf of the Management team, I would like to express my appreciation to the Board of Directors for its continued support, trust and confidence; and thank all Naseej staff for their sterling contributions during this milestone year for Naseej. Our future looks bright, and we look forward to 2012 being the year of implementation of all plans and aspirations of Naseej.

**Christopher Sims FRICS ACI Arb**  
*Chief Executive Officer*



## WE VALUE PROSPERITY

Naseej is now well and truly on the way to setting a new industry benchmark for addressing the housing needs of Bahrain, whilst contributing to the social well-being and economic prosperity of the Kingdom. We are committed to delivering positive and long-lasting benefits to individuals and communities, and to building the foundations of prosperity for future generations.

Naseej remains on track for a public listing on the Bahrain Bourse, and in this context, we have reviewed and developed our corporate governance framework to ensure continued regulatory compliance with the Corporate Governance Code of the Kingdom of Bahrain.





# MANAGEMENT TEAM



**MR CHRISTOPHER SIMS**  
FRICS ACI Arb  
Chief Executive Officer

Christopher Sims has over 26 years' experience in property development and investment in the UK, Europe, East Asia and the Middle East. During this time, he has held senior positions with Prudential Assurance, Bovis Abroad, Hong Kong Land Company, and Dubai World Trade Centre. Christopher was also founding CEO of ALDAR Properties, guiding the company from start-up operations in 1999 to its landmark IPO in 2004. His active involvement in property development around the world embraces regeneration, heritage-related, PPP/PFI, commercial, residential, retail, leisure and entertainment projects. He has also advised governments on property development, funding and legal structuring, as well as establishing a major closed European property fund. Christopher is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors, and an Associate of the Chartered Institute of Arbitrators. He is a graduate of the College of Estate Management at Reading University, UK.



**MR AHMED AL HAMMADI**  
Head of Finance

Ahmed Al Hammadi has 28 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 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 the UK; and also for 15 years at the Bahrain Institute of Banking & Finance, guiding students for accreditation to the UK Chartered Institute of Bankers.



**MR AMER JANAH**  
MCIPD  
Head of Human Resources & Administration

Amer Janahi has 10 years' experience in human resources management (HRM) in the Kingdom of Bahrain. Prior to joining Naseej, he held various HRM positions with Ithmaar Bank, Bahrain National Gas Company (Banagas), and the Court of the Crown Prince of the Kingdom of Bahrain. His experience covers all aspects of human resources, with a particular focus on recruitment methodologies, compensation schemes, employee relations, training and development, competency-based career progression, employment law and regulations, performance management, and payroll administration. Amer holds a Master of Science degree in Human Resource Management from DePaul University, Chicago, USA; and a Bachelor of Arts degree in Business Information Management from Portobello College, Dublin, Republic of Ireland. An Associate Member of the UK Chartered Institute of Personnel & Development (CIPD), Amer is certified in both Personnel Practice (CPP) and Training Practice (CTP).



**MR MATTHEW BULGER**  
Head of Strategic Planning &  
Property Development

Matthew Bulger's professional background embraces both small start-up businesses and major government programmes, and ranges from rapid capability improvement projects to large-scale mission critical projects. He is experienced in governance, risk management, strategic planning, business development, process re-engineering, and operations management. Prior to joining Naseej, he was a Director for @bahrain, a unique entertainment and business district estimated at \$1.5 billion. Matthew's previous experience includes senior roles with the Tourism Development & Investment Company in Abu Dhabi, and the Department of Immigration & Citizenship (DIAC) in Australia. At DIAC, he co-authored the Change Management strategy and led programme implementation teams as part of a \$495 million business re-engineering project. Matthew is a Registered Project Manager from the Australian Institute of Project Management. He holds an MBA from La Trobe University, Victoria, Australia; and simultaneous BA and BSc degrees from the Australian National University. Matthew was nominated as one of the 'Top 35 People to Watch in 2010' by Realcomm.



**MR MARK HAIKAL**  
Head of Business Development &  
Property Services

A corporate development strategist, Mark Haikal has over 23 years' regional and international experience across a broad spectrum of industries, services, products and technologies. An accomplished change agent, he has a track record in creating blueprints for growth, and implementing processes that fuel profitability and build sustainable competitive advantage. His specialties embrace C-level relationships, account development and acquisition, new market development, due diligence and strategic alliances. Prior to joining Naseej, Mark was COO of Saudi Mubadara Development Company in Saudi Arabia. He was previously Director of Worldwide Sales at NCR Site Preparation Services/Winston Joseph, USA; and Investment Manager at Maynard Capital Partners, USA. Mark is also the Co-Founder & Managing General Partner of LWP Venture Capital, USA. He holds a Masters degree in Economics from the University of Maryland College Park, USA; and a BA in Economics from Central Connecticut State University, USA.





## WE VALUE PRAGMATISM

Naseej remains on track for a public listing on the Bahrain Bourse, and in this context, we have reviewed and developed our corporate governance framework to ensure continued regulatory compliance with the Corporate Governance Code of the Kingdom of Bahrain.

Through extensive research and new business planning activities during 2011, the Company has built a healthy project pipeline stream, and developed a comprehensive project implementation plan for 2012 and beyond.



## CORPORATE GOVERNANCE AND RISK MANAGEMENT

Naseej views corporate governance as a prerequisite to complying with appropriate legal and regulatory requirements, protecting the rights and interests of all stakeholders, enhancing shareholder value, and achieving organisational efficiency.

The adoption and implementation of corporate governance is the direct responsibility of the Board of Directors. As resolved in its first meeting on 21 June 2009, the Board is committed to upholding the highest standards of excellence in corporate governance, and despite not being a listed company, aspires to adherence with the principles of the Bahrain Corporate Governance Code issued by the Ministry of Industry and Commerce in March 2010, in anticipation of a planned future listing on the Bahrain Bourse and subsequent IPO. The Company is currently undertaking an assessment of the regulations of the Bahrain Corporate Governance Code, and will develop an action plan for review by the Board in 2011.

### Shareholders

Naseej has a total of 19 shareholders. Those owning more than a 5% shareholding are:

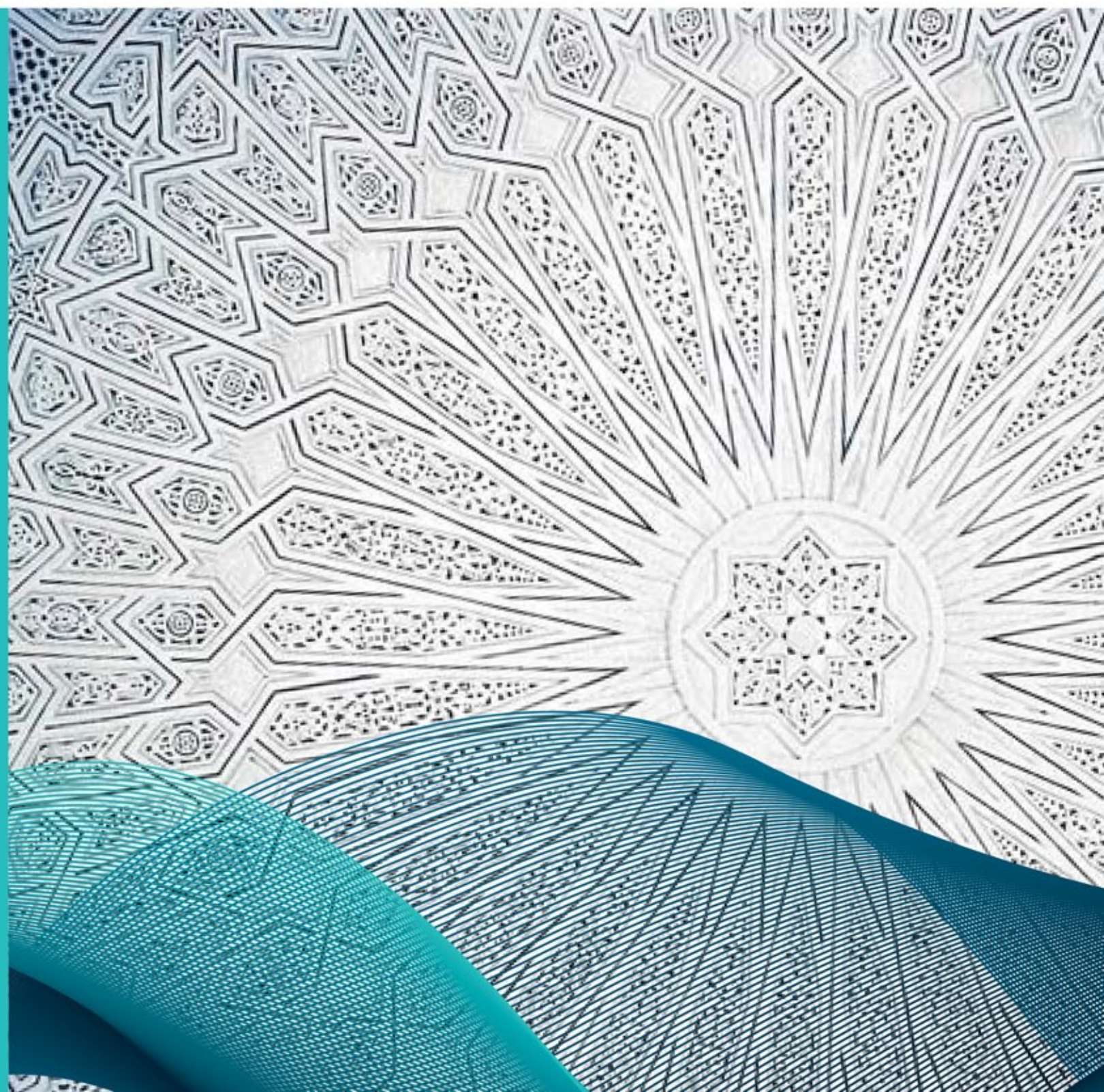
Ithmaar Bank	(17.47%)
BBK	(15.15%)
Gulf Finance House	(13.94%)
Ithmaar Development Company	(11.99%)
Social Insurance Organisation	(10.91%)
and Al Fateh Investment	(6.06%)

### Board of Directors

The Board of Directors of Naseej is accountable to the shareholders for the creation and delivery of strong sustainable financial performance and long-term shareholder value. The Board has oversight responsibility for strategic planning, risk management and internal controls, as well as for ensuring transparency and full disclosure, and acting in a Sharia-principled manner.

The Chairman is responsible for leading the Board, ensuring its effectiveness, monitoring the performance of the Executive Management, and maintaining a dialogue with the Company's shareholders.

As per the Articles of Association, Naseej will have a minimum of five and a maximum of ten directors, who are elected by the Annual General Meeting for a tenure of three years renewable.





### Board Committees

The Board has delegated certain responsibilities to Board Committees without abdicating its responsibility. This is to ensure sound decision making and facilitate the conduct of business without unnecessary impediment. Each Committee has a specific charter covering matters such as the purpose, composition and function of the committee. The Board has appointed the following six committees to assist it in carrying out its responsibilities:

### Executive Committee

The responsibility of this committee is to direct the Group (Naseej and its subsidiaries, affiliated and associated companies) in its widest context and ensure sound operation of general Group management.

#### Members:

Mr Khalid Abdulla-Janahi, Chairman  
Shaikh Abdulla Al Khalifa  
Mr Mohammed Khalil Alsayed  
Mr Christopher Sims

### Audit Committee

The responsibility of this committee is to maintain and monitor an audit-based approach to all financial control and financial management activities of the Company.

#### Members:

Mr Abdulkarim Bucheery, Chairman  
Mr Imad Al Nesnas  
Mr Bashar Al Mutawa

### Business & Investment Committee

The responsibility of this committee is to ensure that shareholders' assets are invested appropriately within the risk appetite determined by the Board and Risk Committee.

#### Members:

Mr Mohammed Khalil Alsayed, Chairman  
Shaikh Abdulla Al Khalifa  
Mrs Sabah Almoayyed  
Mr Hisham Al Rayes  
Mr Mohammed Bucheerei

### Risk Committee

The responsibility of this committee is to establish, maintain and monitor a risk-based approach to all business activities and management of the Company.

#### Members:

Mr Jameel Al Matrook, Chairman  
Mr Khalid Abdulla-Janahi  
Mr Bashar Al Mutawa

### Remuneration & Nomination Committee

The responsibility of this committee is to establish and monitor the Company's human resources, nomination and remuneration policies for Directors, management and staff.

#### Members:

Shaikh Abdulla Al Khalifa, Chairman  
Mr Jameel Al Matrook  
Mrs Sabah Almoayyed

### Corporate Governance Committee

The responsibility of this committee is to periodically monitor the Company's corporate governance policy to ensure compliance with the Bahrain Corporate Governance Code.

#### Members:

Mr Khalid Abdulla-Janahi, Chairman  
Mr Mohammed Bucheerei  
Mr Abdulkarim Bucheery  
Mr Imad Al Nesnas

### Management

The Board delegates authority for the day-to-day management of the business to the Chief Executive Officer, who is supported by a qualified and experienced senior management team.

### Communications

Naseej conducts all communications with its stakeholders in a professional, honest, transparent and timely manner. Main communications channels include an AGM, annual report, corporate website, newsletter and regular announcements in the appropriate local media. To ensure the disclosure of relevant information to all shareholders on a timely basis, the Company maintains a website, on which it posts important information including its financial results.

### Risk Management

Naseej has developed a risk management framework that provides controls and ongoing management of the major risks inherent in the Company's business activities. The Board of Directors has the ultimate authority for setting the overall risk appetite, risk tolerance, parameters and limits, within which the Company operates. The Board Risk Committee is responsible for establishing, maintaining and monitoring a risk-based approach to all business activities and the management of the Company.

### Main Risk Exposure

The main risks to which Naseej is exposed are: credit risk; market risk, including currency and profit rate risk; and liquidity risk. Information concerning

the Company's exposure to each of these risks, and how it measures and manages such risks, is contained in Note 15 to the Financial Statements.

### Capital Management

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence, and to sustain the future development of the Company. The Board seeks to maintain a balance between the higher returns and growth that might be possible with higher levels of borrowings, and the advantages and security offered by a sound capital position.

### Internal Audit

Internal Audit provides an additional line of defence in risk management and

internal controls. The role of internal audit is to provide independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Company is appropriately and effectively applied.

Internal Audit reports on a quarterly basis to the Board through the Audit Committee; reports the results of periodic audits to the Audit Committee; reports issues emerging from each audit to Management and obtains their commitment to take appropriate remedial action; and continually reviews the effectiveness of the Company's risk profile. Naseej currently outsources the internal audit function.

### Board Members & Committee Meetings

Director	Main Board		Audit Committee		Executive Committee		Remuneration Committee		Business & Investment Committee		Corporate Governance Committee		Risk Committee	
	Elig.	Attd.	Elig.	Attd.	Elig.	Attd.	Elig.	Attd.	Elig.	Attd.	Elig.	Attd.	Elig.	Attd.
Khalid Abdulla-Janahi	4	4	NA	NA	7	7	NA	NA	NA	NA	2	2	1	1
Shaikh Abdulla Al Khalifa	4	3	NA	NA	7	7	3	3	8	7	NA	NA	NA	NA
Mohammed Khalil Alsayed	4	4	NA	NA	7	5	NA	NA	8	8	NA	NA	NA	NA
Abdulkarim Bucheery	4	3	4	3	NA	NA	NA	NA	NA	NA	2	2	NA	NA
Mohammed Bucheerei	4	4	NA	NA	NA	NA	NA	NA	8	6	2	1	NA	NA
Sabah Khalil Al Moayyed	4	2	NA	NA	NA	NA	3	3	8	7	NA	NA	NA	NA
Imad Al Nesnas	4	4	4	3	NA	NA	NA	NA	NA	NA	2	2	NA	NA
Jameel Al Matrook	4	3	NA	NA	NA	NA	3	2	NA	NA	NA	NA	1	1
Bashar Al Mutawa	4	3	4	3	NA	NA	NA	NA	NA	NA	NA	NA	1	1
Hisham Al Rayes	4	2	NA	NA	NA	NA	NA	NA	8	5	NA	NA	NA	NA

Elig. - Number of meetings eligible to attend

Attd. - Number of meetings attended

NA - Not applicable

*In accordance with the Naseej's Articles of Association, the Board of Directors meets at least four times a year and the Board expects each Director to attend at least 75 percent of all Board meetings and the meetings of the committees on which they serve.*



# BUILDING FOR THE FUTURE

At Naseej, we deliver projects whose return on investment is measured by more than just a balance sheet. We deliver positive and long-lasting benefits to individuals and communities, building the foundations of prosperity for future generations.

Based on our achievements in 2011, Naseej is poised to embark upon its next exciting phase of business development. In addition to our existing and planned projects in Bahrain, we have identified a number of attractive property development and investment opportunities in the GCC, MENA, Far East and Europe. Some of these are expected to commence during 2012, in line with the Company's strategic plan.





# FINANCIAL STATEMENTS

31 December 2011

## INDEPENDENT AUDITORS' REPORT TO SHAREHOLDERS

Naseej BSC (c)

### Report on the financial statements

We have audited the accompanying financial statements of Naseej BSC (c) ("the Company"), which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in shareholders' equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Responsibility of the board of directors for the financial statements*

The Board of Directors of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Report on other regulatory requirements

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

8 February 2012



## STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

Bahraini dinars

	Note	31 December 2011	31 December 2010
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	4,711,446	24,457,420
Placements with banks	13	103,891,268	86,000,000
Other assets	5	1,904,732	452,547
<b>Total current assets</b>		<b>110,507,446</b>	<b>110,909,967</b>
<b>Non-current assets</b>			
Investment properties	7	2,271,319	-
Property and equipment	6	341,372	203,349
<b>Total non-current assets</b>		<b>2,612,691</b>	<b>203,349</b>
<b>Total assets</b>		<b>113,120,137</b>	<b>111,113,316</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	8	108,000,000	108,000,000
Retained earnings		4,103,425	2,514,836
Statutory reserve		455,936	279,426
<b>Total equity</b>		<b>112,559,361</b>	<b>110,794,262</b>
<b>Current liabilities</b>			
Payable to shareholders	9	28,576	196,434
Trade payables		199,725	95,289
Other liabilities		332,475	27,331
<b>Total current liabilities</b>		<b>560,776</b>	<b>319,054</b>
<b>Total equity and liabilities</b>		<b>113,120,137</b>	<b>111,113,316</b>

The financial statements which consist of pages 32 to 46 were approved by the Board of Directors on 8 February 2012 and signed on their behalf by:

Khalid Abdulla-Janahi  
Chairman

Abdulla Al-Khalifa  
Vice Chairman

Christopher Sims  
Chief Executive Officer

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

Bahraini dinars

	Note	31 December 2011	31 December 2010
<b>INCOME</b>			
Income from placements with banks	14	4,146,220	3,524,950
		<b>4,146,220</b>	<b>3,524,950</b>
<b>EXPENSES</b>			
Staff costs	10	1,110,665	278,967
Office and administrative expenses	11	330,257	228,591
Marketing expenses		74,307	57,349
Operating expenses	12	740,173	551,713
Board expenses		76,264	48,500
Depreciation		49,455	1,297
<b>Total expenses</b>		<b>2,381,121</b>	<b>1,166,417</b>
<b>Profit for the year</b>		<b>1,765,099</b>	<b>2,358,533</b>
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>1,765,099</b>	<b>2,358,533</b>

The financial statements which consist of pages 32 to 46 were approved by the Board of Directors on 8 February 2012 and signed on their behalf by:

Khalid Abdulla-Janahi  
Chairman

Abdulla Al-Khalifa  
Vice Chairman

Christopher Sims  
Chief Executive Officer



## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

Bahraini dinars

2011	Share capital	Retained earnings	Statutory reserve	Total
At 1 January 2011	108,000,000	2,514,836	279,426	110,794,262
Total comprehensive income for the year	-	1,765,099	-	1,765,099
Transfer to statutory reserve	-	(176,510)	176,510	-
At 31 December 2011	108,000,000	4,103,425	455,936	112,559,361

2010	Share capital	Retained earnings	Statutory reserve	Total
At 1 January 2010	108,000,000	392,156	43,573	108,435,729
Total comprehensive income for the year	-	2,358,533	-	2,358,533
Transfer to statutory reserve	-	(235,853)	235,853	-
At 31 December 2010	108,000,000	2,514,836	279,426	110,794,262

## STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

Bahraini dinars

	Note	31 December 2011	31 December 2010
<b>OPERATING ACTIVITIES</b>			
Payments for administrative, marketing and operating expenses		(2,156,865)	(823,286)
<b>Net cash flows used in operating activities</b>		<b>(2,156,865)</b>	<b>(823,286)</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property and equipment	6	(187,478)	(204,646)
Payment for investment properties	7	(2,271,319)	-
Placement made during the period		(17,891,268)	(15,401,512)
Profit received from placements with banks		2,760,956	3,347,655
<b>Net cash flows used in investing activities</b>		<b>(17,589,109)</b>	<b>(12,258,503)</b>
<b>FINANCING ACTIVITIES</b>			
Excess share capital refunded		-	(3,448,680)
Repayments to shareholders		-	(389,336)
Profit paid on excess share capital		-	(75,536)
<b>Cash flows (used in) / from financing activities</b>		<b>-</b>	<b>(3,913,552)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(19,745,974)</b>	<b>(16,995,341)</b>
Cash and cash equivalents at 1 January		24,457,420	41,452,761
Cash and cash equivalents at 31 December	4	4,711,446	24,457,420



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

Bahraini dinars

### 1) INCORPORATION AND ACTIVITIES

Naseej BSC (c) (the "Company") is a Bahraini joint stock company (closed) incorporated in the Kingdom of Bahrain on 5 August 2009 and registered with the Ministry of Commerce under Commercial Registration number 72492. The Company's principal activity is to undertake the construction, development, sale and purchase of real estate projects.

### 2) BASIS OF PREPARATION

#### a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of Bahrain Commercial Companies Law 2001.

#### b. Basis of measurement

The financial statements have been prepared under the historical cost convention. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

#### c. Functional and presentation currency

##### i. Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Bahraini Dinars (BD), which is the Company's functional and presentation currency.

##### ii. Transactions and balances

Transactions in foreign currencies are translated to Bahraini Dinar at exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated into Bahraini Dinar at the foreign exchange rate prevailing at that date. All foreign exchange gains or losses arising on conversion and translation of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

#### d. Use of accounting judgments and estimates

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

- Note 3      b) Estimates of useful lives, residual values, depreciation methods for investment properties
- Note 3      c) Estimates of useful lives, residual values, depreciation methods for property and equipment
- Note 3      e) Provisions
- Note 3      f) Impairment

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

Bahraini dinars

### 3) SIGNIFICANT ACCOUNTING POLICIES

#### a. Cash and cash equivalents

Cash and cash equivalents include cash on hand and placements with banks with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

#### b. Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is stated at cost less accumulated depreciation and any impairment losses. No depreciation is charged for land. Management conducts an assessment of the fair value of land based on market enquiries and discloses the fair value of the land based on such assessment.

#### c. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Depreciation is provided on cost using the straight-line method, which is intended to write off the cost of the assets over their expected useful lives as follows:

Description	Useful lives in years
Leasehold improvements	Lease period (including renewable term)
Office equipment	5
Computers	3

#### d. Placement with banks

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

#### e. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) arising from a past event that can be estimated reliably and is probable that an outflow of economic benefits will be required to settle the obligation.

#### f. Impairment

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

#### g. Investment income

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



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

Bahraini dinars

### 3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### h. Employee benefits

##### i. Bahraini employees

Pension rights (and other social benefits) for Bahraini employees are covered by the Social Insurance Organisation's scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's contributions to this funded scheme, which is a defined contribution scheme under International Accounting Standard 19 - "Employee Benefits", is recognised as an expense in the income statement.

##### ii. Expatriate employees

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector of 1976, based on length of service and final remuneration. Provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard 19 - "Employee Benefits", has been made by calculating the notional liability had all employees left at the reporting date.

#### i. Statutory reserve

In accordance with the Company's Articles of Association and the Bahrain Commercial Companies Law 2001, 10 percent of the net profit is appropriated to a statutory reserve, until such reserve reaches 50 percent of the paid-up share capital. This reserve is not normally distributable, except in the circumstances stipulated in the Bahrain Commercial Companies Law 2001.

### 4) CASH AND CASH EQUIVALENTS

	2011	2010
Cash and balance with banks	4,711,446	293,115
Short term placements with banks	-	24,164,305
	4,711,446	24,457,420

### 5) OTHER ASSETS

	2011	2010
Accrued income	1,801,040	415,776
Prepayments and other assets	103,692	36,771
	1,904,732	452,547

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

Bahraini dinars

### 6) PROPERTY AND EQUIPMENT

	Leasehold improvements	Office equipment	Computers	2011 Total	2010 Total
<b>Cost</b>					
At 1 January	194,810	6,515	3,321	204,646	-
Additions	106,003	10,866	70,609	187,478	204,646
At 31 December	300,813	17,381	73,930	392,124	204,646
<b>Depreciation</b>					
At 1 January	-	633	664	1,297	-
Charge for the year	28,157	2,318	18,980	49,455	1,297
At 31 December	28,157	2,951	19,644	50,752	1,297
<b>Net book value at</b>					
31 December 2011	272,656	14,430	54,286	341,372	-
31 December 2010	194,810	5,882	2,657	-	203,349

### 7) INVESTMENT PROPERTY

This represents acquisition of land at Shakhura, Bahrain for Shakhura property development project. The project involves housing development of the land and construction of 57 residential units over a period of 3 years.

	2011	2010
Cost of land	2,200,894	-
Add Other expenses related to land capitalized	70,425	-
At 31 December	2,271,319	-

The above property was acquired in December 2011 and hence the cost of the property represents the fair value as at the year end.

### 8) SHARE CAPITAL

	2011	2010
<b>a) Authorised share capital</b>		
10,800,000,000 shares of BD 0.100 each	1,080,000,000	1,080,000,000
<b>b) Issued share capital</b>		
1,080,000,000 shares of BD 0.100 issued	108,000,000	108,000,000
<b>c) Called and paid up share capital</b>		
1,080,000,000 shares of BD 0.100	108,000,000	108,000,000



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

Bahraini dinars

### 9) PAYABLE TO SHAREHOLDERS

	2011	2010
Payable to shareholders against expenses	28,576	196,434
	<b>28,576</b>	<b>196,434</b>

### 10) STAFF COSTS

	2011	2010
Salaries and related costs	745,822	146,432
Bonus	196,122	-
Other staff expenses	168,721	132,535
	<b>1,110,665</b>	<b>278,967</b>

Other staff expenses consists of provision for staff indemnity amounting to BD 47,039 (2010 – Nil).

### 11) OFFICE AND ADMINISTRATIVE EXPENSES

	2011	2010
Office rent	169,853	112,317
Other administrative expenses	160,404	116,274
	<b>330,257</b>	<b>228,591</b>

### 12) OPERATING EXPENSES

	2011	2010
Consultancy costs	430,575	198,331
Infrastructure	141,772	99,025
Market research	81,035	48,370
Master plan	57,913	114,832
Other operating expenses	28,878	91,155
	<b>740,173</b>	<b>551,713</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

Bahraini dinars

### 13) CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The table below sets out the Company's classification of each class of financial assets and liabilities, and their fair values.

31 December 2011	Loans and receivables	Others at amortised cost	Total carrying amount	Fair value
<i>Financial assets</i>				
Cash and cash equivalents	4,711,446	-	4,711,446	4,711,446
Placements with banks	103,891,268	-	103,891,268	103,891,268
Accrued income	1,801,040	-	1,801,040	1,801,040
	<b>110,403,754</b>	<b>-</b>	<b>110,403,754</b>	<b>110,403,754</b>
<i>Financial liabilities</i>				
Trade payables	-	199,725	199,725	199,725
Payable to shareholders	-	28,576	28,576	28,576
	<b>-</b>	<b>228,301</b>	<b>228,301</b>	<b>228,301</b>

31 December 2010	Loans and receivables	Others at amortised cost	Total carrying amount	Fair value
<i>Financial assets</i>				
Cash and cash equivalents	24,457,420	-	24,457,420	24,457,420
Placement with banks	86,000,000	-	86,000,000	86,000,000
Accrued income	415,776	-	415,776	415,776
	<b>110,873,196</b>	<b>-</b>	<b>110,873,196</b>	<b>110,873,196</b>
<i>Financial liabilities</i>				
Trade payables	-	95,289	95,289	95,289
Payable to shareholders	-	196,434	196,434	196,434
	<b>-</b>	<b>291,723</b>	<b>291,723</b>	<b>291,723</b>

### 14) RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include major shareholders, associated companies with or without common directors, directors and key management personnel and their close family members.

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

#### a. Balances with shareholders

	31 December 2011	31 December 2010
<b>Assets</b>		
Cash and cash equivalents	4,711,446	24,457,420
Placements with banks	103,891,268	86,000,000
<b>Liabilities</b>		
Payable to shareholders	28,576	196,434



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

Bahraini dinars

### 14) RELATED PARTY TRANSACTIONS (CONTINUED)

#### b. Transactions with shareholders

	31 December 2011	31 December 2010
<b>Income</b>		
Investment income	4,146,220	3,524,950
<b>Expenses</b>		
Lease rent	8,727	59,036
Professional fees	-	68,000

### 15) FINANCIAL RISK MANAGEMENT

#### a. Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- market risk
- liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

#### b. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on placements with banks who are also shareholders.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2011	2010
Cash and cash equivalents	4,711,446	24,457,420
Placement with banks	103,891,268	86,000,000
Other assets	1,801,040	415,776
	110,403,754	110,873,196

The Company has no financial assets that are past due or impaired.

#### c. Market risk

##### i. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's exposure to currency risks is limited as majority of its assets and liabilities are denominated in Bahraini Dinars. The Company does not have any other significant net exposure to foreign currencies at 31 December 2011.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

Bahraini dinars

### 15) FINANCIAL RISK MANAGEMENT (CONTINUED)

#### ii. Profit rate risk

The principal risk to which financial instruments are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market profit rates. The Company is exposed to profit rate risk mainly on its placements with banks.

A change of 100 basis points in profit rates at reporting date would have increased/ (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Equity	
2011	100 bp Increase	100 bp decrease	100 bp Increase	100 bp decrease
<b>Assets</b>				
Placements with banks	1,038,913	(1,038,913)	1,038,913	(1,038,913)

	Profit or loss		Equity	
2010	100 bp Increase	100 bp decrease	100 bp Increase	100 bp decrease
<b>Assets</b>				
Placements with banks	1,101,643	(1,101,643)	1,101,643	(1,101,643)

#### d. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset, or to take advantage of investment opportunities when they arise. The Company has placed a significant portion of its assets in short term placement with banks to meet its liquidity requirements.

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

2011	Carrying amount	Contractual cash flows	Within 3 months	3 to 6 months	6 to 12 months
<b>Non-derivative financial liabilities</b>					
Trade payables	199,725	199,725	199,725	-	-
Payable to shareholders	28,576	28,576	28,576	-	-
	228,301	228,301	228,301	-	-
<b>Off-balance sheet items</b>					
Commitments	5,005,500	5,005,500	-	5,005,000	500



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

Bahraini dinars

### 15) FINANCIAL RISK MANAGEMENT (CONTINUED)

2010	Carrying amount	Contractual cash flows	Within 3 months	3 to 6 months	6 to 12 months
<b>Non-derivative financial liabilities</b>					
Trade payables	95,289	95,289	95,289	-	-
Payable to shareholders	196,434	196,434	196,434	-	-
	291,723	291,723	291,723	-	-
<b>Off-balance sheet items</b>					
Commitments	50,000	50,000	50,000	-	-

#### e. Fair values

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimated fair values of the Company's financial instruments are not significantly different from their carrying values due to the short to medium term nature of the financial assets and liabilities.

#### f. Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The Board seeks to maintain a balance between the higher returns and growth that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Board of Directors monitor the return on capital, which the Company defines as total equity and the level of dividends to shareholders.

The Company's objectives for managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Company is not subject to externally imposed capital requirements.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

Bahraini dinars

### 16) STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED AND EFFECTIVE FROM 1 JANUARY 2011

#### i. IAS 24 - Related party disclosures

The revised standard was issued in November 2009. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

The adoption of the revised standard did not have any significant impact on the related party disclosure of the Company.

#### ii. Improvements to IFRSs

The Improvements to IFRS issued in 2010 contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. There were no material changes to the current accounting policies of the Company as a result of these amendments.

### 17) STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

#### i. IAS 1 - Presentation of items of other comprehensive income

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendment is effective for annual periods beginning on or after 1 July 2012 with an option of early application.

The application of this amendment has no significant impact on the financial statements of the Company.

#### ii. IFRS 7 Disclosures: Transfer of financial assets

##### Transfer of financial assets

The amendments to IFRS 7 introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments are effective for annual periods beginning on or after 1 July 2011, but entities are not required to provide the disclosures for any period presented that begins before the date of initial application of the amendments. Early adoption is permitted.

##### Offset of financial assets and liabilities

Disclosures are required for financial assets and financial liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amendments to IFRS are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendments are to be applied retrospectively.

The application of this amendment has no significant impact on the financial statements of the Company.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

Bahraini dinars

## 17) STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

### iii. IFRS 9 - Financial Instruments

IFRS 9 was issued in November 2009 and amended in October 2010 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets and financial liabilities.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012. In its November 2011 meeting, the IASB tentatively decided to defer the mandatory effective date to 1 January 2015.

The adoption of this standard is not expected to have a significant impact on the Company.

### iv. IFRS 13 - Fair value measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The standard is effective for annual periods beginning on or after 1 January 2013 with an option of early adoption.

### v. Improvements to IFRSs

The Improvements to IFRS issued in 2010 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. "Improvements to IFRS" comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Company's 2011 annual financial statements with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

The Company's has not early adopted any new or amended standards in 2011.

## 18) COMPARATIVES

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