

Nass Corporation BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 JUNE 2020

Nass Corporation BSC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020**

| CONTENTS | Page |
|--|-------------|
| General Information | 1 |
| Independent auditors' report on review of condensed consolidated interim financial information | 2 |
| Condensed consolidated interim financial information | |
| Condensed consolidated statement of financial position | 3 |
| Condensed consolidated statement of profit or loss and other comprehensive income | 4 |
| Condensed consolidated statement of changes in equity | 5 - 6 |
| Condensed consolidated statement of cash flows | 7 |
| Notes to the condensed consolidated interim financial information | 8 - 15 |
| Unreviewed supplementary information | |
| Financial impact of COVID-19 | 16 |

GENERAL INFORMATION

| | |
|-------------------------------------|--|
| Commercial registration | 60037 |
| Head office | P.O. Box 669 Manama Kingdom of Bahrain |
| Chairman | Mr. Sameer Abdulla Nass |
| Deputy Chairman & Managing Director | Mr. Sami Abdulla Nass |
| Director | Mr. Adel Abdulla Nass |
| Director | Mr. Ghazi Abdulla Nass |
| Director | Mr. Fawzi Abdulla Nass |
| Director | Mr. Bashar Sameer Nass |
| Director | Dr. Mustafa Al Sayed |
| Director | Mr. Jamal A Al Hazeem |
| Director | Mr. Hisham Al Saie |
| Director | Mr. Hemant Joshi |
| Bankers | HSBC Bank Middle East Standard Chartered Bank BNP Paribas BBK Ahli United Bank Bahrain Islamic Bank State Bank of India Arab Bank |
| Company secretary | Mr. Srinath Prabhu |
| Auditors | KPMG Fakhro |



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2

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Board of Directors
Nass Corporation BSC
P.O. Box 669
Manama
Kingdom of Bahrain

13 August 2020

Introduction

We have reviewed the accompanying 30 June 2020 condensed consolidated interim financial information of Nass Corporation BSC (the "Company") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2020;
- the condensed consolidated statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2020;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2020;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2020; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2020 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

Bahraini Dinars '000

| | Note | 30 June 2020 (reviewed) | 31 December 2019 (audited) |
|--|------|-------------------------------|----------------------------------|
| ASSETS | | | |
| Property, plant and equipment | | 28,967 | 26,311 |
| Right-of-use assets | | 5,381 | 6,433 |
| Investment properties | | 991 | 2,022 |
| Equity accounted investees | | 1,576 | 1,550 |
| Other assets | | 456 | 629 |
| Total Non-current assets | | 37,371 | 36,945 |
| Inventories | | 7,537 | 9,400 |
| Trade and other receivables | 7 | 61,248 | 64,916 |
| Contract assets | | 37,599 | 37,666 |
| Due from related parties | 8 | 2,767 | 3,508 |
| Deposits with banks | | 961 | 504 |
| Cash and cash equivalents | | 11,070 | 13,431 |
| Total Current assets | | 121,182 | 129,425 |
| Total assets | | 158,553 | 166,370 |
| EQUITY | | | |
| Share capital | | 22,000 | 22,000 |
| Treasury shares | | (1,597) | (1,597) |
| Statutory reserve | | 8,767 | 8,767 |
| Retained earnings | | 22,117 | 27,523 |
| Donations and charity reserve | | 57 | 64 |
| Equity attributable to equity holders of the parent | | 51,344 | 56,757 |
| Non-controlling interest | | 1,967 | 2,280 |
| Total equity | | 53,311 | 59,037 |
| Liabilities | | | |
| Lease liabilities | | 3,472 | 4,108 |
| Bank loans | | 6,550 | 3,715 |
| Employee benefits | | 7,305 | 7,668 |
| Non-current liabilities | | 17,327 | 15,491 |
| Trade and other payables | 9 | 37,057 | 38,287 |
| Lease liabilities | | 2,003 | 2,324 |
| Contract liabilities | | 13,858 | 13,482 |
| Employee benefits | | 3,837 | 3,076 |
| Due to related parties | 8 | 9,947 | 10,268 |
| Bills payable | | 3,097 | 2,735 |
| Bank loans | | 3,397 | 2,298 |
| Bank overdrafts | | 14,719 | 19,372 |
| Current liabilities | | 87,915 | 91,842 |
| Total liabilities | | 105,242 | 107,333 |
| Total equity and liabilities | | 158,553 | 166,370 |

The condensed consolidated interim financial information were approved by the Board of Directors on 13 August 2020 and signed on its behalf by:

Sameer Abdulla Nass
Chairman

Sameer Abdulla Nass
Deputy Chairman & Managing Director

The accompanying notes 1 to 15 are integral part of the interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

for the six months ended 30 June 2020

Bahraini Dinars'000

| | Note | Six months ended | |
|--|------|----------------------------|----------------------------|
| | | 30 June 2020 (reviewed) | 30 June 2019 (reviewed) |
| Revenue | 10 | 66,663 | 77,090 |
| Cost of sales | | (63,833) | (72,990) |
| Gross profit | | 2,830 | 4,100 |
| Other operating income, net | | 321 | 388 |
| Government assistance | 15 | 1,810 | - |
| General and administrative expenses | 11 | (8,517) | (6,907) |
| Impairment on financial assets | | (942) | (115) |
| Finance income | | 38 | 55 |
| Finance costs | | (600) | (603) |
| Share of profit from equity-accounted investees, net | | 26 | 263 |
| Loss for the period | | (5,034) | (2,819) |
| Other comprehensive income for the period | | -- | - |
| Total comprehensive income for the period | | (5,034) | (2,819) |
| <i>Profit and total comprehensive income attributable to</i> | | | |
| Equity holders of the Company | | (5,406) | (2,717) |
| Non-controlling interest | | 372 | (102) |
| | | (5,034) | (2,819) |
| Earnings per share | | | |
| Basic earnings per share (Fils) | | (25.13) | (12.63) |

The accompanying notes 1 to 15 are integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2020

Bahraini Dinars '000

| | Attributable to equity holders of the parent | | | | | | Non-controlling interest | Total equity |
|--|--|-----------------|-------------------|-------------------|-------------------------------|---------------|--------------------------|---------------|
| | Share capital | Treasury Shares | Statutory Reserve | Retained earnings | Donations and charity reserve | Total | | |
| 2020 (reviewed) | | | | | | | | |
| At 1 January 2020 | 22,000 | (1,597) | 8,767 | 27,523 | 64 | 56,757 | 2,280 | 59,037 |
| Loss and total comprehensive income for the period | - | - | - | (5,406) | - | (5,406) | 372 | (5,034) |
| 2019 Appropriations: | | | | | | | | |
| - Dividend declared (5%) | - | - | - | - | - | - | (685) | (685) |
| Utilization of donation and charity reserve | - | - | - | - | (7) | (7) | - | (7) |
| At 30 June 2020 | 22,000 | (1,597) | 8,767 | 22,117 | 57 | 51,344 | 1,967 | 53,311 |

The accompanying notes 1 to 15 are integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2020 (continued)

Bahraini Dinars '000

| | Attributable to equity holders of the parent | | | | | | Non-controlling interest | Total equity |
|--|--|-----------------|-------------------|-------------------|-------------------------------|---------|--------------------------|--------------|
| | Share capital | Treasury Shares | Statutory reserve | Retained earnings | Donations and charity reserve | Total | | |
| 2019 (reviewed) | | | | | | | | |
| At 1 January 2019 | 22,000 | (1,597) | 8,767 | 31,960 | 43 | 61,173 | 3,170 | 64,343 |
| Profit and total comprehensive income for the period | - | - | - | (2,717) | - | (2,717) | (102) | (2,819) |
| 2018 Appropriations: | | | | | | | | |
| - Dividend declared (5%) | - | - | - | (1,075) | - | (1,075) | (1,250) | (2,325) |
| - Donations and charity approved | - | - | - | (30) | 30 | - | - | - |
| Utilization of donation and charity reserve | - | - | - | - | (9) | (9) | - | (9) |
| At 30 June 2019 | 22,000 | (1,597) | 8,767 | 28,138 | 64 | 57,372 | 1,818 | 59,190 |

The accompanying notes 1 to 15 are integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2020

Bahraini Dinars '000

| | Six months ended 30 June | |
|---|--------------------------|--------------------|
| | 2020 (reviewed) | 2019 (reviewed) |
| Cash flows from operating activities | | |
| Profit for the period before non-controlling interest | (5,034) | (2,819) |
| <i>Adjustments for:</i> | | |
| Depreciation | 4,572 | 4,083 |
| Write off / impairment of trade receivables net | 929 | 713 |
| Impairment on contract assets and related parties | 48 | (59) |
| Impairment on other assets | 171 | - |
| Amortization of held to maturity investment | 2 | 1 |
| Gain on disposal of property, plant and equipment | (122) | (24) |
| Loss on disposal of investment properties | 38 | - |
| Share of profit from equity accounted investments | (26) | (263) |
| Employee benefits | (363) | (1) |
| <i>Changes in:</i> | | |
| Inventories | 1,863 | (420) |
| Trade and other receivables | 2,954 | (732) |
| Contract assets | 29 | (1,696) |
| Due from related parties | 861 | (69) |
| Trade and other payables | (1,797) | 1,053 |
| Contract liabilities | 376 | 1,575 |
| Employee benefits | 761 | 474 |
| Due to related parties | (321) | 40 |
| Bills payable | 362 | 1,081 |
| Net cash from operating activities | 5,303 | 2,937 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (6,041) | (2,246) |
| Proceeds from sale of property, plant and equipment | 205 | 46 |
| Proceeds from sale of investment properties | 610 | - |
| Movement on deposits with banks | (457) | 166 |
| Net cash used in investing activities | (5,683) | (2,034) |
| Cash flows from financing activities | | |
| Proceeds from bank loans | 4,871 | 706 |
| Repayment of bank loans | (937) | (605) |
| Payment of lease liabilities | (894) | (486) |
| Dividends paid to shareholders | (61) | (1,029) |
| Dividends paid to non-controlling interest | (300) | (730) |
| Donations paid | (7) | (9) |
| Net cash from / (used) in financing activities | 2,672 | (2,153) |
| Net increase / (decrease) in cash and cash equivalents | 2,292 | (4,151) |
| Cash and cash equivalents at 1 January | (5,941) | (1,883) |
| Cash and cash equivalents at 30 June | (3,649) | (8,745) |
| <i>Represented by:</i> | | |
| Cash and bank balances | 8,700 | 9,672 |
| Short term bank deposits | 2,370 | 4,507 |
| Bank overdrafts | (14,719) | (22,924) |
| | (3,649) | (8,745) |

The accompanying notes 1 to 15 are integral part of the condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the six months ended 30 June 2020**

Bahraini Dinars '000

1 REPORTING ENTITY

Nass Corporation B.S.C. (the "Company") is a public shareholding Company listed on the Bahrain Bourse incorporated and registered in Bahrain on 9 March 2006 under commercial registration number 60037.

The Company and its subsidiaries ("the Group") are mainly engaged in civil engineering, mechanical and electrical contracting, manufacture and supply of manpower to related contracting activities. It is also involved in the sale of ready mixed concrete, ice blocks, spare parts, foodstuff, and general trading and undertakes contracts relating to precast concrete and water supply.

The condensed consolidated interim financial information ("interim financial information") as at and for the six months period ended 30 June 2020 includes the results of the Company and its subsidiaries (together referred to as the "Group").

2 BASIS OF PREPARATION**a) Statement of compliance**

The condensed consolidated interim financial information have been prepared in accordance with IAS 34 – '*Interim Financial Reporting*'. These do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2019.

The condensed consolidated interim financial information are reviewed, not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2019 and comparatives for the condensed consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity have been extracted from the reviewed condensed consolidated interim financial information for the six month period ended 30 June 2019.

b) Judgments and estimates

The preparation of condensed consolidated interim financial information requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The areas of significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the last audited consolidated financial statements as at and for the year ended 31 December 2019. However, the process of making the required estimates and assumptions involved further challenges due to the prevailing uncertainties arising from COVID-19 and required use of management judgements.

Expected credit losses

The economic uncertainties caused by COVID-19, and the volatility in oil prices impacting the Middle East economic forecasts have required the Group to update the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 30 June 2020. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the six months ended 30 June 2020**

Bahraini Dinars '000

c) Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the last audited consolidated financial statements for the year ended 31 December 2019, except as described below:

- **Credit risk**

The Group has taken pre-emptive measures in the current situation to mitigate credit risk by adopting more cautious approach for setting credit limits for individual customers and enhanced monitoring of outstanding receivables.

- **Operational risk management**

The management of the Group has enhanced its monitoring to identify risk events arising out of the current situation and the changes in the way business is conducted and carried out a comprehensive review of the existing control environment. While these risks cannot be completely eliminated, the management is of the view that the Group did not have significant issues related to operational risks.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and risk management framework applied by the Group in the preparation of the condensed consolidated interim financial information are consistent with those applied in the preparation of the last audited consolidated financial statements as at and for the year ended 31 December 2019 except as below.

Government grants

In accordance with IAS 20, the Group has recognised government grants in profit or loss on a systematic basis in the periods in which compensated expenses are recognised.

4 SEASONALITY OF OPERATIONS

Due to the effect of seasonal variations, the results reported in the condensed consolidated interim financial information may not represent a proportionate share of the overall annual results.

5 APPROPRIATIONS

Appropriations for the current year if any, will be made at the year end. At the Annual General Meeting (AGM) for the year 2019 held on 29 April 2020, the following appropriations were approved which have been effected during the period:

- a final dividend of BD Nil (2018: BD 1,075 - 5 %); and
- transfer to donation and charity reserve of BD Nil (2018: BD 30).

Directors' remuneration of BD Nil (2018: BD 92) was charged to profit or loss and approved by the shareholders at AGM.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020

Bahraini Dinars '000

6 TRADE AND OTHER RECEIVABLES

| | 30 June 2020 (reviewed) | 31 Dec 2019 (audited) |
|---|------------------------------------|----------------------------------|
| Trade receivables | 44,373 | 43,634 |
| Retention receivables | 16,800 | 20,265 |
| Advances to suppliers and sub-contractors | 5,832 | 5,316 |
| Prepaid expenses | 787 | 1,031 |
| Other receivables | 2,581 | 2,901 |
| | 70,373 | 73,147 |
| Allowance for impairment losses | (9,124) | (8,231) |
| | 61,249 | 64,916 |

Movement on impairment allowance is as follows:

| | 30 June 2020 (reviewed) | 31 December 2019 (audited) |
|----------------------------|--|---|
| At beginning of the period | 8,231 | 8,121 |
| Charge for the period, net | 893 | 110 |
| | 9,124 | 8,231 |

7 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Group and other related parties are disclosed below.

| Related party | Sales / revenues | | Purchases and operating expenses | | Amounts due from | | Amounts due to | |
|--|----------------------------|----------------------------|----------------------------------|----------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| | Six months ended | | | | 30 June 2020 (reviewed) | 31 Dec 2019 (audited) | 30 June 2020 (reviewed) | 31 Dec 2019 (audited) |
| | 30 June 2020 (reviewed) | 30 June 2019 (reviewed) | 30 June 2020 (reviewed) | 30 June 2019 (reviewed) | | | | |
| A.A. Nass & Sons WLL and its related parties | 1,138 | 1,103 | 10,315 | 7,351 | 2,350 | 2,863 | 9,614 | 9,994 |
| Joint ventures | 120 | 888 | 5 | - | 417 | 645 | 333 | 274 |
| Total | 1,258 | 1,991 | 10,320 | 7,351 | 2,767 | 3,508 | 9,947 | 10,268 |

Interest in joint ventures of BD 1,140 (31 December 2019: BD 1,140) represents the accumulated capital, share of profits less distribution received from the joint venture projects.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel comprise members of the

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the six months ended 30 June 2020**

Bahraini Dinars '000

8 RELATED PARTY TRANSACTIONS (Continued)

Board of Directors, the Divisional Managers, the General Managers and their compensation is as follows:

| | 30 June 2020 (reviewed) | 30 June 2019 (reviewed) |
|----------------------|------------------------------------|------------------------------------|
| Short-term benefits | 676 | 707 |
| Termination benefits | 21 | 23 |
| | 697 | 730 |

The short-term compensation includes provision for directors' fees of BD 46 (2019: BD 46) and board committee attendance fees BD 104 (2019: BD 108).

Directors' interest in the shares of the Company was as follows:

| | 30 June 2020 (reviewed) | 31 Dec 2019 (audited) |
|---|------------------------------------|----------------------------------|
| Total number of shares held by Directors* | 94,153,230 | 94,153,230 |
| As a percentage of the total number of shares outstanding | 43.78 | 43.78 |

* The shares held by Directors are in their individual capacity.

8 TRADE AND OTHER PAYABLES

| | 30 June 2020 (reviewed) | 31 Dec 2019 (audited) |
|---------------------|------------------------------------|----------------------------------|
| Trade payables | 13,822 | 14,499 |
| Accrued expenses | 14,547 | 15,219 |
| Unclaimed dividends | 1,556 | 1,617 |
| Retention payables | 4,487 | 4,175 |
| Other payables | 2,645 | 2,777 |
| | 37,057 | 38,287 |

9 REVENUE

| | 30 June 2020 (reviewed) | 30 June 2019 (reviewed) |
|-----------------|------------------------------------|------------------------------------|
| Contract income | 45,546 | 55,161 |
| Sales of goods | 17,533 | 15,601 |
| Hire income | 3,584 | 6,328 |
| | 66,663 | 77,090 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020

Bahraini Dinars '000

10 GENERAL AND ADMINISTRATIVE EXPENSES

| | 30 June 2020 (reviewed) | 30 June 2019 (reviewed) |
|---|------------------------------------|------------------------------------|
| Salaries of administration staff | 2,958 | 3,890 |
| Management consultancy fees | 780 | 780 |
| Receivable write off | 36 | 539 |
| Depreciation | 463 | 467 |
| Commission paid | 99 | 140 |
| Vehicle expenses | 173 | 191 |
| Rent, electricity and water | 102 | 130 |
| Communication | 97 | 113 |
| Directors' remuneration and sitting fee | 150 | 154 |
| Impairment on other assets | 171 | - |
| Inventory loss due to fire | 1,939 | - |
| COVID-19 related expenses | 783 | - |
| Other expenses | 766 | 503 |
| | 8,517 | 6,907 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020

Bahraini Dinars '000

11 OPERATING SEGMENTS

The Group is organised into two operating divisions - Construction and Allied Activities and Trading Activities.

The *Construction and Allied Activities* are civil engineering works, mechanical fabrication and maintenance contracts, scaffolding and formwork, readymix concrete, precast, floor and roof slabs, electrical and instrumentation contracting.

The *Trading Activities* are supply of washed sand, sweet water, import and wholesaler of frozen foods, agents for equipment and material manufacturers.

REVENUE

External sales
Inter-segment sales

Total revenue

Segment result
Share of profit from joint ventures
Other gains and losses
Unallocated corporate expenses

Profit for the period

| | Construction & Allied Activities | | Trading Activities | | Eliminations | | Consolidated | |
|-------------------------------------|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 30 June 2020 (reviewed) | 30 June 2019 (reviewed) | 30 June 2020 (reviewed) | 30 June 2019 (reviewed) | 30 June 2020 (reviewed) | 30 June 2019 (reviewed) | 30 June 2020 (reviewed) | 30 June 2019 (reviewed) |
| External sales | 60,071 | 70,560 | 6,592 | 6,530 | - | - | 66,663 | 77,090 |
| Inter-segment sales | 6,152 | 5,975 | 2,883 | 3,321 | (9,035) | (9,296) | - | - |
| Total revenue | 66,223 | 76,535 | 9,475 | 9,851 | (9,035) | (9,296) | 66,663 | 77,090 |
| Segment result | (2,097) | (1,797) | (2,011) | (446) | (97) | (141) | (4,205) | (2,384) |
| Share of profit from joint ventures | - | 217 | - | - | - | - | - | 217 |
| Other gains and losses | 325 | 430 | 60 | 59 | - | - | 385 | 489 |
| Unallocated corporate expenses | - | - | - | - | - | - | (1,214) | (1,141) |
| Profit for the period | | | | | | | (5,034) | (2,819) |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the six months ended 30 June 2020**

Bahraini Dinars '000

11 OPERATING SEGMENTS (continued)

| Other Information | Construction & Allied Activities | | Trading Activities | | Consolidated | |
|-------------------------|----------------------------------|--------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| | 30 June 2020 (reviewed) | 31 Dec 2019 (audited) | 30 June 2020 (reviewed) | 31 Dec 2019 (audited) | 30 June 2020 (reviewed) | 31 Dec 2019 (audited) |
| Capital expenditure | 5,043 | 5,223 | 998 | 318 | 6,041 | 5,541 |
| Depreciation | 3,975 | 7,677 | 597 | 1,238 | 4,572 | 8,915 |
| Total assets | 145,648 | 151,025 | 12,905 | 15,345 | 158,553 | 166,370 |
| Total liabilities | 98,060 | 99,899 | 7,182 | 7,434 | 105,242 | 107,333 |
| Total net assets | 47,588 | 51,126 | 5,723 | 7,911 | 53,311 | 59,037 |

12 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS**a) Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

None of the Company's financial assets and liabilities is measured at fair value. The carrying value of the Company's financial instruments approximate their fair value due to their short-term nature.

b) Classification

All of the Company's financial assets and liabilities are classified and measured at amortised cost.

13 COMMITMENTS AND CONTINGENCIES

| | 30 June 2020 (reviewed) | 31 December 2019 (audited) |
|---------------------|----------------------------|-------------------------------|
| Guarantees | 78,541 | 81,985 |
| Letters of credit | 563 | 1,829 |
| Capital commitments | 364 | 556 |

The banks have provided guarantees (performance, retention, financial and others related to contracting activities) amounting to BD 78,541 (31 December 2019: BD 81,985) for the various divisions and subsidiaries of the parent Company.

14 COMPARATIVES

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2020**

Bahraini Dinars '000

15 IMPACT OF COVID 19

On 11 March 2020, the Coronavirus (COVID 19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global equity and commodity markets have also experienced great volatility and a significant drop in prices. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. The pandemic as well as the resulting measures and policies have had some impact on the Group. The Group is actively monitoring the COVID 19 situation, and in response to this outbreak, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance.

The management expects that the forecasted revenue and net profit for the year 2020 will be affected by disruption in progress of work at project sites due to lockdown and adoption of various preventative measures like social distancing etc.

Governments and central banks across the world have responded with monetary and fiscal interventions to stabilize economic conditions. The Government of Kingdom of Bahrain has announced various economic stimulus programmes ("Packages") to support businesses in these challenging times. The Group has received BD 1,810 from these Packages mainly in the form of reimbursement of salaries of Bahraini employees, temporary waiver of Electricity and Water utility bills, LMRA and work permit renewal fees for 3 months ended 30 June 2020.

The management and the Board of Directors (BOD) has been closely monitoring COVID 19 developments and its impact on the Group's operations and financial position; including possible loss of revenue, impact on asset valuations, impairment, review of onerous contracts and debt covenants, outsourcing arrangements etc. The Group has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans including its liquidity requirements. Based on their assessment, the BOD is of the view that the Group will continue as a going concern entity for the next 12 months from the date of this condensed consolidated interim financial information.

UNREVIEWED SUPPLEMENTARY INFORMATION

Bahraini Dinars '000

Financial impact of COVID-19

On 11 March 2020, the Coronavirus (COVID 19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global equity and commodity markets have also experienced great volatility and a significant drop in prices. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. The pandemic as well as the resulting measures and policies have had some impact on the Group. The Group is actively monitoring the COVID 19 situation, and in response to this outbreak, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance.

The overall impact of Covid-19 on the financial statements as assessed by the Group is as below:

| | |
|---|--------------|
| Productivity impact on projects due to work suspension, delays etc. post emergence of Covid-19 | 2,456 |
| Expenses incurred on sanitizers, masks, gloves, disinfection, quarantine facilities etc. | 440 |
| Donation to MOFNE-The National effort to combat Covid-19 | 50 |
| IFRS 9 impact on receivables due to delayed payments | 451 |
| Government grants for reimbursement of salaries of Bahraini employees, LMRA and work permit renewal fee, industrial land rent, electricity and water etc. | (1,810) |
| Net Impact | 1,587 |

The above supplementary information is provided to comply with the CBB circular number OG/259/2020 (Reporting on Financial Impact of Covid-19), dated 14th July 2020.

The above disclosure should not be interpreted as an indication of the results of the entire year or relied upon for any other purposes. Since the situation of Covid-19 is uncertain and is still evolving, the above impact is as of the date of preparation of this information. Circumstances may change which may result in the information to be out-of-date. In addition, this information does not represent the exact full comprehensive assessment of Covid-19 impact on the Group. This information is not subject to a formal review by the external auditors.