Nass Corporation BSC

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

Head Office	:	P.O. Box 669, Manama, Kingdom of Bahrain Telephone - 17725522 Fax - 17728184
Directors	:	Mr. Sameer Abdulla Nass *(Chairman)* Mr. Sami Abdulla Nass *(Deputy Chairman)* Mr. Adel Abdulla Nass Mr. Ghazi Abdulla Nass Mr. Fawzi Abdulla Nass Mr. Bashar Sameer Nass Mr. Jamal A Al Hazeem Mr. Hisham Al Saie Mr. Hemant Joshi Dr. Mustafa Al Sayed (Retired 30 March 2021) Mr. Abdulla Nooruddin (Elected 30 March 2021)
Bankers	:	HSBC Bank Middle East Ahli United Bank Bank of Bahrain and Kuwait Standard Chartered Bank BNP Paribas Bahrain Islamic Bank Arab Bank Kuwait Finance House Al Salam Bank State Bank of India
Chief executive officer	:	Mr. Shawqi Al Hashimi
Company secretary	:	Mr. Srinath Prabhu
Auditors	:	KPMG Fakhro

Nass Corporation BSC

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

CONTENTS

BOARD OF DIRECTORS' REPORT
for the year ended 31 December 2021

To,
All our esteemed shareholders,

On behalf of the Board of Directors, it is our pleasure and privilege to present to you the 17th Annual Report and Audited Annual Accounts of Nass Corporation B.S.C. (the "Company") for the financial year ended 31 December 2021. The annual report includes the consolidated financial results of Nass Corporation B.S.C. and subsidiaries (together the "Group").

The performance of the Group for the financial year ended 31 December 2021 is summarized below:

Bahraini dinars '000

Financial highlights	**2021**	2020
Revenue	95,042	141,195
(Loss)/ profit before finance charges and depreciation	(9,589)	7,820
Net loss attributable to equity holders of the Company	(17,964)	(2,822)
Total assets	132,332	151,175
Total equity	37,798	56,306

Appropriations		
Transfer to statutory reserve	-	-
Proposed dividend	-	-
Donations and charity reserve	-	-

RESULTS OF THE GROUP

The year 2021 was the 17th year of operations for Nass Corporation B.S.C. The Group achieved a gross turnover of BD 95.042 million (BD 141.195 million for 2020) on which it incurred a loss before interest and depreciation of BD 9.589 million (profit before interest and depreciation of BD 7.820 million for 2020) and a net loss attributable to equity holders of the Company of BD 17.964 million (net loss of BD 2.822 million for 2020).

BOARD OF DIRECTORS' REPORT
for the year ended 31 December 2021

Like last year, year 2021 performance was marred by the spill over impact of COVID-19 pandemic. The uncompromising approach by the clients, especially on completed projects, in approving the variations entitlements resulted in reduction in the revenue there by resulting in significant losses during the year. In order to enforce our contractual entitlements we are pursuing the matter legally to safeguard our dues entitlements. Persisting impact of the pandemic also led to supply chain disruption resulting in rising commodity prices impacting project margins adversely. Additionally, increase in IFRS 9 impairment allowance due to delayed payments by clients resulted in further negative financial performance. Accordingly, the Board has decided not to recommend dividend to the shareholders for financial year 2021 in view of reasons explained above.

The Board constituted 'Claims and Recoveries Committee' to monitor and expedite the recovery process of overdue receivables and claims. The committee has been meeting regularly to oversee the recovery efforts. The Board has decided to divest dredging operations with the intention of efficient application of management efforts on core contracting functions. The consolidation of the construction platform constituents during last year has enabled procedures standardization, cost rationalization and these efforts are on-going across the organisation.

During November 2021, the Board appointed Mr. Shawqi Al Hashimi as Chief Executive Officer (CEO) of the Group. Mr. Shawqi has a vast experience in the construction and project management field and he has successfully handled key multi-million dinar projects. It is hoped that his leadership and project management skills will contribute to the success of the Group in the coming years. The Board extends its full support to Mr. Shawqi in discharging his function and wishes that the Group will consolidate and grow under his leadership.

GCC construction sector market is expected to rebuild as higher and stable oil price is expected to positively contribute to the budget and assist in long term strategic plans that will reinforce the construction sector in the region. Higher government revenue is expected to rebound the construction sector in the region back to pre-pandemic levels. Recently, Government of Bahrain announced its Strategic Projects Plan that will see $30 billion invested in country's national infrastructure and its strategic priority sectors in next several years. The Group will position itself to explore opportunities from the planned strategic projects that are expected in coming years such as Bahrain Metro, Bahrain Marina and new King Hamad Causeway connecting KSA. The Group is hopeful of securing more work during the year and strengthen its work order position.

ORDER BOOK POSITION

The work-orders on hand of constituent divisions/companies (excluding Trading Divisions) at beginning of year 2022 amounts to a value of BD 110 million.

CORPORATE GOVERNANCE

Your Company is committed to a pro-active Corporate Governance Plan and is making satisfactory progress in that direction. The guidelines stipulated by the regulatory agencies are being followed pro-actively. A detailed report on the Corporate Governance compliance forms part of the documentation being provided to the shareholders at the ensuing Annual General Meeting on 30th March 2022.

The Audit Committee is actively involved in the various aspects of corporate functioning. It meets regularly with a view to strengthen the existing Management Information Systems and Internal Control Systems and is involved in providing directions on policy issues. The Board constituted Claims and Recoveries Committee to assist the Board in monitoring recovery of receivables and claims.

Internal Audit function that has been outsourced to professional auditors is being carried out satisfactorily with special emphasis on risk management and corporate governance issues. The Group's 'Compliance Manager' who looks after the day-to-day compliance matters as required by the regulatory authorities is pro-actively following the regulatory guidelines.

BOARD OF DIRECTORS' REPORT
for the year ended 31 December 2021

DISCLOSURE OF REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

The table below shows the remuneration of members of the Board of Directors and the Executive Management for the year ended 31 December 2021.

First: Remuneration of the Board of directors:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses allowance
	Proposed Remunerations of the Chairman and BOD	Total allowance for attending Board and committee	Salaries	Others	Total	Remunerations of the Chairman and BOD	Bonus	Incentive plans	Others	Total			
Independent Directors:													
1- Mr. Jamal A Al Hazeem	-	27,250	-	-	27,250	-	-	-	-	-	-	27,250	-
2- Mr. Hisham Al Saie	-	27,250	-	-	27,250	-	-	-	-	-	-	27,250	-
3- Dr. Mustafa Al Sayed (Retired 30 March 2021)	-	4,500	-	-	4,500	-	-	-	-	-	-	4,500	-
4- Mr. Abdulla Nooruddin (Elected 30 March 2021)	-	15,000	-	-	15,000	-	-	-	-	-	-	15,000	-
Executive Directors													
1- Mr. Sameer Abdulla Nass	-	14,250	150,000	-	164,250	-	-	-	-	-	-	164,250	-
2- Mr. Sami Abdulla Nass	-	19,250	120,000	-	139,250	-	-	-	-	-	-	139,250	-
3- Mr. Adel Abdulla Nass	-	19,250	100,000	-	119,250	-	-	-	-	-	-	119,250	-
4- Mr. Ghazi Abdulla Nass	-	19,250	100,000	-	119,250	-	-	-	-	-	-	119,250	-
5- Mr. Fawzi Abdulla Nass	-	18,750	100,000	-	118,750	-	-	-	-	-	-	118,750	-
6- Mr. Bashar Sameer Nass	-	19,250	45,000	-	64,250	-	-	-	-	-	-	64,250	-
7- Mr. Hemant Joshi	-	26,750	45,000	-	71,750	-	-	-	-	-	-	71,750	-
Total	**-**	**210,750**	**660,000**	**-**	**870,750**	**-**	**-**	**-**	**-**	**-**	**-**	**870,750**	**-**

Notes:
1. All amounts are stated in Bahraini Dinars.

BOARD OF DIRECTORS' REPORT
for the year ended 31 December 2021

Second: Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
Remunerations of top 6 executives (including CEO and Senior Financial Officer).	406,213	30,476	-	436,689
Notes: 1. All amounts are stated in Bahraini Dinars.				

AUDITORS

The Board of Directors propose to recommend re-appointment of M/S KPMG Fakhro as the Statutory Auditors of the Group for the year 2022.

EMPLOYEE RELATIONS

The relations between the Management and employees of the Group continue to remain cordial. On behalf of the Board of Directors, we sincerely acknowledge and appreciate the contribution and commitment of employees at all levels amidst the challenging circumstances.

ACKNOWLEDGEMENTS

On behalf of all the shareholders and the Board of Directors, we take this opportunity to express our sincere gratitude and appreciation to His Majesty King Hamad Bin Isa Al Khalifa, King of the Kingdom of Bahrain, to His Royal Highness Prince Salman Bin Hamad Al Khalifa, the Crown Prince and Prime Minister, to all Government Ministries and Institutions, especially the Ministry of Finance, Ministry of Industry Commerce and Tourism, the Central Bank of Bahrain and the Bahrain Bourse for their continuing support.

We also appreciate support extended to us by our shareholders, bankers, financial institutions, suppliers and business associates, share registrar, our Statutory Auditors M/S KPMG Fakhro and our Internal Auditors BDO for the year 2021.

On behalf of Board of Directors
Nass Corporation BSC

Sameer Abdulla Nass
Chairman

Sami Abdulla Nass
Deputy Chairman

Date: 27 February 2022

KPMG Fakhro
Audit
12th Floor, Fakhro Tower
P O Box 710, Manama
Kingdom of Bahrain

Telephone +973 17 224807
Fax +973 17 227443
Website: home.kpmg/bh
CR No. 6220

Independent auditors' report

To the Shareholders of

Nass Corporation BSC
P.O. Box 669, Manama
Kingdom of Bahrain

Opinion

We have audited the consolidated financial statements of Nass Corporation BSC (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Contract accounting and revenue recognition

Refer to accounting policy in note 3(k) and disclosure in note 16 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Determination of revenue to be recognized on construction contracts is a key audit matter because of the judgment involved in identifying the separate performance obligations within a contract and determining when control over goods and services transfers to the customer. Revenue is recognized based on contract costs to date as percentage of total forecast costs. An error in the contract forecast could results in a material variance in the amount of profit or loss recognized to date and therefore also in the current period. The forecast profits on contracts include key judgments over the expected recovery of costs arising from variations and claims. The inclusion of these amounts in the contract forecast where they are not recoverable could result in a material error in the level of profit or loss recognized by the Group.	Our procedures included: ▪ evaluating the Group's process for identifying the separate performance obligations within a contract and for determining the contract price; ▪ reviewing all significant contracts and discussing with management to obtain an understanding of the specific terms and risk, which informed our consideration of whether revenue was appropriately recognised; ▪ evaluating the design and testing the operating effectiveness of internal controls over the accuracy and timing of revenue recognised in the consolidated financial statements, including controls over detailed contract reviews performed by management that includes estimating total cost and stage at which control is transferred to the customer; ▪ evaluating the financial assessment of the contract progress over time through discussion with project managers and commercial managers and comparing the outcome of our discussion with the underlying records; ▪ assessing a sample of forecast costs to complete for reasonableness by evaluating the basis of the calculation based on the monthly contract review summary prepared by project managers and considering the performance of those contracts and costs post- year end; ▪ evaluating the accuracy of management forecasting by comparing the historical financial performance of ongoing and completed contracts with original budgets and forecast margins for those contracts; ▪ assessing significant exposure to contract variations, claims and liquidated damages for late delivery of work by evaluating management estimates included in the monthly contract review summary, which tracks the nature, quantum and status of such exposures. We also assessed other underlying records, if any, such as legal and third party expert reports commissioned by the Group over contentious positions; and ▪ evaluating the adequacy of the Group's disclosures in relation to contract accounting and revenue recognition by reference to the requirements of the relevant accounting standards.

The adequacy of expected credit loss provision on trade and other receivables and contract assets

Refer to accounting policy in note 3b(iv) and disclosure relating to credit risk in note 25(b).

The key audit matter	How the matter was addressed in our audit
We focused on this area because: ▪ of the significance of the Group's trade and other receivables and contract assets representing 52% of total assets (by value); ▪ significant management judgment is involved over both timing and recognition of impairment; and ▪ use of inherently judgmental complex models and methodologies for determination of expected credit losses.	Our audit procedures included: ▪ we involved our information technology and credit risk specialists to assist us with: ➢ evaluating the appropriateness of the Group's excepted credit loss model under IFRS 9; ➢ evaluating the design and testing operating effectiveness of the relevant controls over the completeness and accuracy of the key inputs and assumptions used in the Expected Credit Loss (ECL) model; ➢ testing relevant controls over the transfer of data between underlying source systems and the impairment models; ➢ evaluating the reasonableness of assumptions and key inputs used in the model; ➢ evaluating and testing relevant controls over the governance and assessment of the output of the ECL model, authorisation and review of post model adjustments and management overlays; and ➢ testing the accuracy of ageing of receivables. ▪ evaluating the adequacy of the Group's disclosures related to ECL for trade and other receivables and contract assets by reference to the requirements of the relevant accounting standards.

Other Information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the board of directors' report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

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

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

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

Responsibilities of Board of Directors for the Consolidated Financial Statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

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

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

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

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Regulatory Requirements

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

2) As required by the Ministry of Industry, Commerce and Tourism in their letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
   a) a corporate governance officer; and
   b) a Board approved written guidance and procedures for corporate governance.

The engagement partner on the audit resulting in this independent auditors' report is Jalil AlAali.

KPMG

KPMG Fakhro
Partner Registration Number 100
27 February 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

Bahraini dinars '000

	Note	**31 December 2021**	31 December 2020
ASSETS			
Property, plant and equipment	5	25,675	28,120
Right of use assets	6	5,301	4,915
Equity accounted investees	7	1,017	1,665
Other assets		-	283
Total non-current assets		**31,993**	34,983
Inventories	8	7,569	6,963
Trade and other receivables	9	51,228	58,972
Contract assets	10	22,692	36,236
Due from related parties	23	1,201	2,814
Deposits with banks		1,070	1,304
Cash and cash equivalents	11	16,579	9,903
Total current assets		**100,339**	116,192
Total assets		**132,332**	151,175
EQUITY			
Share capital	21	22,000	22,000
Treasury shares	21	(1,597)	(1,597)
Statutory reserve	22	8,767	8,767
Retained earnings		6,737	24,701
Donations and charity reserve		48	56
Equity attributable to owners of the Company		**35,955**	53,927
Non-controlling interest		1,843	2,379
Total equity		**37,798**	56,306
Liabilities			
Lease liabilities	6	4,024	3,506
Bank loans	12	6,032	7,482
Employee benefits	13	7,047	6,894
Total non-current liabilities		**17,103**	17,882
Trade and other payables	14	33,726	34,313
Lease liabilities	6	1,499	1,510
Contract liabilities	15	12,724	8,131
Employee benefits	13	3,631	3,871
Due to related parties	23	8,150	9,104
Bills payable		2,041	2,929
Bank loans	12	2,695	2,272
Bank overdrafts		12,965	14,857
Total current liabilities		**77,431**	76,987
Total liabilities		**94,534**	94,869
Total equity and liabilities		**132,332**	151,175

The consolidated financial statements were approved by the Board of Directors on 27 February 2022 and signed on its behalf by:

Sameer Abdulla Nass
Chairman

Sami Abdulla Nass
Deputy Chairman

The accompanying notes 1 to 28 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2021

Bahraini dinars '000

	Note	2021	2020
Revenue	16	95,042	141,195
Cost of sales		(98,224)	(132,623)
Gross (loss)/ profit		**(3,182)**	8,572
Other income	17	2,129	2,365
Government assistance		440	2,394
General and administrative expenses	18	(12,216)	(12,651)
Impairment losses on financial assets	19	(3,954)	(1,721)
Finance income		77	99
Finance cost		(1,138)	(1,211)
Share of profit from equity accounted investees, net	7	37	115
Loss for the year		**(17,807)**	(2,038)
Other comprehensive income		-	-
Total comprehensive income for the year		**(17,807)**	(2,038)
Loss and total comprehensive income for the year attributable to:			
Shareholders of the Company		(17,964)	(2,822)
Non-controlling interest		157	784
		(17,807)	(2,038)
Earnings per share			
Basic and diluted earnings per share (Fils)	20	**(83.52)**	(13.12)

Sameer Abdulla Nass
Chairman

Sami Abdulla Nass
Deputy Chairman

The accompanying notes 1 to 28 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

Bahraini dinars '000

2021	**Attributable to shareholders of the Company**							
	Share capital	**Treasury shares**	**Statutory reserve**	**Retained earnings**	**Donations and charity reserve**	**Total**	**Non-controlling interest**	**Total equity**
At 1 January 2021	22,000	(1,597)	8,767	24,701	56	53,927	2,379	56,306
Loss and total comprehensive income for the year	-	-	-	(17,964)	-	(17,964)	157	(17,807)
Dividend declared for 2020	-	-	-	-	-	-	(718)	(718)
Contribution from non-controlling interest	-	-	-	-	-	-	25	25
Utilization of donation and charity reserve	-	-	-	-	(8)	(8)	-	(8)
At 31 December 2021	**22,000**	**(1,597)**	**8,767**	**6,737**	**48**	**35,955**	**1,843**	**37,798**

2020	Attributable to shareholders of the Company							
	Share capital	Treasury shares	Statutory reserve	Retained earnings	Donations and charity reserve	Total	Non-controlling interest	Total equity
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 year	-	-	-	(2,822)	-	(2,822)	784	(2,038)
Dividend declared for 2019	-	-	-	-	-	-	(685)	(685)
Utilization of donation and charity reserve	-	-	-	-	(8)	(8)	-	(8)
At 31 December 2020	22,000	(1,597)	8,767	24,701	56	53,927	2,379	56,306

The accompanying notes 1 to 28 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

Bahraini dinars '000

	Note	2021	2020
Cash flows from operating activities			
Loss for the year		**(17,807)**	(2,038)
Adjustments for:			
Depreciation of property, plant and equipment	5	5,200	6,332
Amortisation on right of use assets		1,880	2,272
Depreciation of investment property		-	43
Impairment of trade and other receivables (net)	9	3,031	1,011
(Reversal)/ charge for impairment of contract assets	10	(147)	701
Impairment of due from related parties	19	1,073	18
Impairment on property, plant and equipment and other assets		457	374
Amortization of held to maturity investment		-	5
Gain on disposal of property, plant and equipment	17	(1,527)	(1,128)
Loss on disposal of investment properties		-	69
Share of profit from equity accounted investees	7	(37)	(115)
Employee benefits	13	3,235	3,488
Changes in:			
Inventories		(606)	2,437
Trade and other receivables		4,713	5,983
Contract assets		13,691	729
Due from related parties		815	924
Trade and other payables		(811)	(2,670)
Contract liabilities		4,593	(5,351)
Employee benefits paid	13	(3,322)	(3,467)
Due to related parties		(736)	(1,164)
Bills payable		(888)	194
Net cash from operating activities		**12,807**	8,647
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(3,471)	(8,606)
Proceeds on sale of property, plant and equipment		1,318	710
Proceeds from sale of investment properties		-	1,360
Dividend from equity accounted investees		685	-
Movement on deposits with banks		234	(800)
Maturity proceeds of other assets		283	-
Net cash used in investing activities		**(951)**	(7,336)
Cash flows from financing activities			
Proceeds from bank loans	12	764	5,393
Repayment of bank loans	12	(1,791)	(1,652)
Payment of lease liabilities		(1,535)	(1,797)
Dividends paid to equity shareholders of the Company		-	(1,575)
Dividends paid to non-controlling shareholders		(718)	(685)
Donations paid		(8)	(8)
Net cash used in financing activities		**(3,288)**	(324)
Net increase in cash and cash equivalents		**8,568**	987
Cash and cash equivalents at 1 January		(4,954)	(5,941)
Cash and cash equivalents at 31 December	11	**3,614**	(4,954)

The accompanying from 1 to 28 are an integral part of these consolidated financial statements.

for the year ended 31 December 2021 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 Company operates through branches number 60037-2 to 60037-11.

The consolidated financial statements for the year ended 31 December 2021 comprise the results of the Company and its subsidiaries and the Group's interest in associates and joint ventures. Unless otherwise stated, the subsidiaries, joint ventures and associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals to the voting rights held by Group.

The Group's material subsidiaries, interest in joint ventures and associates are as below:

Subsidiaries

Name of the entity	Country of incorporation	Proportion of ownership and voting power held by the Group	Principal activities
Nass Contracting Company W.L.L.	Bahrain	100%	Civil engineering
Nass Mechanical Contracting Company W.L.L.	Bahrain	100%	Mechanical fabrication and maintenance
Nass Electrical Contracting Co. W.L.L.	Bahrain	100%	Electrical contracting
Nass Dredging Company W.L.L.	Bahrain	100%	Extraction of marine sand
Delmon Readymix Concrete and Products Company W.L.L.	Bahrain	80%	Ready mixed concrete
Delmon Precast W.L.L	Bahrain	80%	Precast concrete
Nass Contracting Co. Huta Hegerfeld Saudia JV W.L.L.	Bahrain	75%	Construction of roads, utility projects and other civil engineering projects.
Nass & Nassir Hazza Al Subaie for Contracting W.L.L.	Bahrain	51%	Construction of roads, utility projects and other civil engineering projects.

Joint ventures

Name of the entity	Country of incorporation	Proportion of ownership and voting power held by the Group	Principal activities
Nass Contrack Joint Venture	Bahrain	50%	General contracting
Nass Burhan Joint Venture	Bahrain	50%	General contracting
Nass Contrack Watts Joint Venture	Bahrain	50%	General contracting

Associates

Name of the entity	Country of incorporation	Proportion of ownership and voting power held by the Group	Principal activities
Dona Marine Co. W.L.L.	Bahrain	33.33%	Transportation of bulk materials by marine vessels.

1 *REPORTING ENTITY (continued)*

The subsidiaries, associates and joint ventures have the same financial year end as the Company. All joint ventures are unincorporated and located in Bahrain.

2 BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and in conformity with the requirements of the Commercial Company Law 2001 (as amended).

Going concern basis of accounting

The board of directors continues to have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate (refer note 4 (a) and note 25(c)).

b) Basis of measurement

The consolidated financial statements have been drawn up from the accounting records of the Group under the historical cost convention.

c) New standards and amendments to standards effective from 1 January 2021

There were no new standards and amendments which became effective as of 1 January 2021, which are relevant to and will have a significant impact on the Group' consolidated financial statements.

d) New standards and amendments to standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2022 and earlier application is permitted; however; the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

(i) Onerous contracts – cost of fulfilling a contract (amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022, with early application permitted, to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated.

Adoption of this amendment is not expected to have significant impact on the consolidated financial statements of the Group.

(ii) Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional 'right to defer' settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. This assessment may require management to exercise interpretive judgement.

Further , 'a right to defer' exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date. This new requirement may change how companies classify rollover facilities, with some becoming non-current.

The amendments state that settlement of a liability includes transferring a company's own equity instruments to the counterparty. When classifying liabilities as current or non-current, a company can ignore only those conversion options that are recognized as equity. Therefore, companies may need to reassess the classification of liabilities that can be settled by the transfer of the company's own equity instruments – e.g. convertible debt.

2 *BASIS OF PREPARATION (continued)*

d) New standards and amendments to standards issued but not yet effective (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

Adoption of this amendment is not expected to have significant impact on the consolidated financial statements of the Group.

(iii) Definition of accounting estimates
The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

Adoption of this amendment is not expected to have significant impact on the consolidated financial statements of the Group.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting polices applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied by the Group and are consistent with those applied in prior years except for those changes arising from those new standards and amendments applied during the year.

a) Basis of consolidation

(i) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control effectively ceases.

(ii) Transactions and non-controlling interest
Interests in the equity of subsidiaries not attributable to the Company are reported in consolidated equity as non-controlling interest. Non-controlling interests are recognised initially at their share of the identifiable assets, liabilities and contingent liabilities recognised in the purchase accounting, excluding goodwill. Profits or losses attributable to non-controlling interests are reported in the consolidated statement of profit or loss and other comprehensive income as profit or loss attributable to non-controlling interests.

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

(iii) Interests in equity-accounted investees
Equity accounted investees comprise associates and joint venture. Associates are those enterprises in which the Group holds, between 20% and 50% of the voting power and exercises significant influence, but not control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group reports its interest in associates and joint ventures using the equity method. They are initially recognised at cost which includes transaction costs; and subsequently the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of equity accounted investees until the date on which significant influence or joint control ceases of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment.

When the Group's share of losses exceeds its interest in an associate or a joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

(iv) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions with subsidiaries are eliminated in preparing the consolidated financial statements. Intra-group gains on transactions between the Group and its equity accounted associates and joint ventures are eliminated to the extent of the Group's interest in the investees. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Financial instruments
Financial assets of the Group comprise trade and other receivables, contract assets, due from related parties, deposits with banks and cash and cash equivalents. Financial liabilities of the Group comprise lease liabilities, bank loans, trade and other payables, due to related parties, bills payable and bank overdrafts.

(i) Recognition and initial measurement
Trade and other receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets
On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in consolidated profit or loss. Any gain or loss on de-recognition is recognised in consolidated profit or loss.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

(iii) De-recognition

Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration (including any non-cash assets transferred or liabilities assumed) is recognised in consolidated profit or loss.

b) Financial instruments (continued)

(iv) Impairment of financial assets
The Group recognises loss allowances for Expected Credit Losses (ECL) on financial assets measured at amortised cost and contract assets.

The Group measures loss allowances for trade and other receivables and contract assets based on simplified approach at an amount equal to lifetime ECLs. For bank balances, measurement of loss allowances is based on 12-month ECL.

When determining whether the credit risk of a financial asset at amortised cost has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due for private customers, and 271 days past due for government entities.

Measurement of ECLs

Trade receivables and contract assets - (Simplified approach)
The Group uses allowance matrix to measure the ECLs of trade and other receivables and contract assets.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss rates are calculated using a 'roll rate (net-flow)' method based on the probability of a receivable progressing through successive stages of delinquency to the loss bucket. Recovery from the loss bucket is also considered for computing the historical loss rates. Roll rates are calculated separately for exposures in different segments based on the customer's common credit risk characteristics. Loss rates are based on actual credit loss experience over the past five years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and group view of economic conditions over the expected lives of the receivables. The forward looking adjustment of the loss rates is based on a qualitative score card which factors the management's view on the future economic and business conditions.

Cash and cash equivalents – (General approach)
Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are impaired. A financial asset at amortised cost is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset and contract asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due for all receivables and contract assets other than receivables from government where 271 days past due is considered as default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the consolidated statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

c) Foreign currency transactions

(i) Functional and presentation currency
Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional" currency). The consolidated financial statements are presented in Bahraini Dinars, which is the Group's functional and presentation currency, and are presented in thousands, except specifically stated otherwise.

(ii) Transactions and balances
Transactions in foreign currencies are translated to Bahraini dinars, which is the Group's measurement currency, at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated into Bahraini dinars at the foreign exchange rate ruling at that date. All foreign exchange differences arising on conversion and translation are recognised in consolidated profit or loss.

(iii) Group companies
The Group does not have any significant investment in foreign operations. Majority of the Group entities functional currencies are BHD and USD, and hence, the translation of financial statements of the group entities do not result in significant exchange differences.

d) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments, if necessary, to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in consolidated profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'right-of-use assets' and lease liabilities in the consolidated statement of financial position.

Short term leases and lease of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Extension options
Some leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

e) Property, plant and equipment

(i) Owned assets
Property, plant and equipment which include capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, the costs of dismantling and removing the items and restoring the site on which they are located, capitalised borrowing costs, and any other costs directly attributable to bringing the assets to a working condition for their intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. Capital work-in-progress relating to property, plant and equipment is stated at cost less impairment losses, if any. Any gain or loss on disposal of an item of property, plant and equipment is recognised in consolidated profit or loss.

(ii) Subsequent measurement
Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in consolidated profit or loss as an expense as incurred. The capital work-in-progress is transferred to respective block of property, plant and equipment once it is ready to use.

(iii) Depreciation
Depreciation is charged to consolidated profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment. No depreciation is charged on freehold land. The estimated useful lives are as follows:

Property, plant and equipment class	Estimated useful life in years
Buildings	3 – 15
Improvements on leasehold land	3 – 15
Plant, machinery and motor vehicles	3 – 15
Vessels and barges	10 – 15
Office equipment, furniture and fixtures	1 – 5

f) Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets, (other than inventories), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in consolidated profit or loss. Impairment losses of other assets are recognised in prior periods and assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of food inventory is determined on the First In First Out (FIFO) basis. The cost of all other inventory is determined on a weighted average basis according to the nature of specific business segments. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net Realisable Value (NRV) is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

h) Cash and cash equivalents

Cash and cash equivalents comprises cash and bank balances and short-term bank deposits with original maturities of three months or less when acquired which are subject to insignificant risk of changes in fair value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

i) Contract assets and contract liabilities

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues and invoice to the customer.

Contract liabilities primary relate to the advance consideration received from customers for which revenue is recognised over time.

j) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

k) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

(i) Contract revenue

The Group has determined that for construction contracts, the customer controls all of the work in progress as the work is being performed. This is because these are made to a customer's specification and generally at the client's premises. If a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin. Invoices are issued according to contractual terms. Un-invoiced amounts are presented as contract assets net of any expected credit losses.

Revenue against variations are recognized based on the estimate of the most likely amount only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If variations are for distinct services form original contract, the variations are accounted for as a separate contract else it is accounted for as a modification of the original contract. Contracts which are negotiated with a same commercial objective and relate to a single performance obligation with the same customer are combined and accounted for as a single contract.

Revenue is recognised over time based on contract costs incurred to date as a percentage of total forecast cost. The related costs are recognised in consolidated profit or loss when they are incurred. Advances received are included in "contract liabilities".

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

(ii) Sale of goods
Customers obtains control when the goods are delivered to and have been accepted at their premises or on delivery to the customer's agents. Revenue is recognised at a point in time when the goods are delivered and have been accepted by customers at their premises.

l) Employee benefits

(i) Bahraini employees
Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's contribution to this scheme, which represents a defined contribution scheme under IAS 19 - Employee Benefits, is expensed as incurred.

(ii) Expatriate employees
Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector effective in 2012, based on length of service and final remuneration. Provision is made for amounts payable under the local labour law based on the employees accumulated periods of service since the previous settlement dates and latest entitlements to salaries and allowances at the consolidated statement of financial position date.

m) Finance income and expense
Finance income and expense is recognised using the effective interest method.

n) Treasury shares
Where the Company purchases its own equity share capital, the consideration paid, including any attributable transaction costs, are deducted from total equity and recorded as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any gain or loss is included in equity.

o) Statutory reserve
In accordance with the Commercial Companies Law, a minimum of 10 % of the profit for the year is appropriated to a statutory reserve, until it reaches 50 % of the paid-up share capital. This reserve is not normally distributable, except in the circumstances stipulated in the Commercial Companies Law.

p) Earnings per share
Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

q) Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's 'chief operating decision maker' (Board of Directors) to make decisions about resource allocation to each segment and assess its performance and for which discrete financial information is available. An operating segment is divided into business segments. For management purposes the Group is organised into two major business segments.

r) Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

s) Trade payables
Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Government grants

Government grants are recognised in consolidated profit or loss on a systematic basis over the periods in which the Group recognises expenses for which the grants are intended to compensate. In the case of grants related to assets, requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes accounting estimates and judgements that affect the application of the Group's accounting policies and the reported amount of assets liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

a) Judgment

- Note 3(k) - revenue recognition: whether revenue from contract is recognised over time or at a point in time. Determining when control transfers to the customer requires significant judgement.

- Going concern: whether there are material uncertainties that may cast significant doubt on the entity's ability to continue as a going concern.

The outbreak of the COVID-19 pandemic in 2020, which continued in 2021 and the measures adopted by the government of Bahrain to mitigate its spread have impacted the Group. These measures required the Group to quarantine infected staff and restricted access to certain work sites. This has negatively impacted the Group's financial performance during the year and also its liquidity position.

For the year ended 31 December 2021, the Group recognised a net loss from operation of BD 17,807, net of government grant of BD 440. The Group's current assets as at 31 December 2021 were BD 100,339 compared to current liabilities of BD 77,431.

The Group has BD 17,649 of resources comprising cash and cash equivalents and deposits with banks. It also has sufficient unused credit facilities available at the date of authorisation of these consolidated financial statements.

The appropriateness of the going concern basis of accounting is dependent on the ability of the Group to having access to sufficient external resources and on the continued availability of borrowings by compliance with loan covenants.

The Group has utilized bank overdrafts of BD 12,965 and term loans of BD 8,727 from local banks requiring compliance with financial covenants. As at the date of authorisation of the consolidated financial statements, the Group has sufficient headroom on its facilities.

Also, to respond to a severe downside scenario, the board of directors has the ability to take the following mitigating actions to reduce costs, optimise the Group's cash flow and preserve liquidity:

- reducing non-essential capital expenditure and deferring or cancelling discretionary spend;
- reducing staff headcount; and
- freezing non-essential recruitment.

Based on these factors, the board of directors has a reasonable expectation that the Group has adequate resources and sufficient credit facilities available to support any cash shortfall and provide sufficient resources to continue with the business as a going concern for at least 12 months from the date of these consolidated financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)

Estimates and assumptions

- Note 3(k) - revenue recognition: estimate of future cost to completion
- Note 3(b) - measurement of ECL allowance for trade and other receivables and contract assets: key assumptions in determining the weighted average loss rate.
- Note 3(f) - impairment testing of property plant and equipment: key assumptions underlying the recoverable amounts.
- Note 3(g) - Impairment testing of inventory. Key assumptions underlying NRV.

for the year ended 31 December 2021 Bahraini dinars '000

5 PROPERTY, PLANT AND EQUIPMENT

2021	**Land and buildings**	**Improvements on leasehold land**	**Plant, machinery, vehicles, vessels and barges**	**Office equipment, furniture & fixtures**	**Capital work in progress**	**Total**
Cost						
At 1 January 2021	17,758	5,241	61,447	1,156	1,406	87,008
Additions	15	5	1,183	162	2,106	3,471
Transfer from capital work in progress	658	1,281	958	52	(2,949)	-
Disposals	(42)	(431)	(7,133)	(95)	-	(7,701)
At 31 December 2021	**18,389**	**6,096**	**56,455**	**1,275**	**563**	**82,778**
Depreciation and impairment losses						
At 1 January 2021	4,954	3,657	49,219	1,058	-	58,888
Depreciation	598	381	4,150	71	-	5,200
Impairment	-	187	266	4	-	457
Disposals	(42)	(427)	(6,888)	(85)	-	(7,442)
At 31 December 2021	**5,510**	**3,798**	**46,747**	**1,048**	**-**	**57,103**
Net book value						
At 31 December 2021	**12,879**	**2,298**	**9,708**	**227**	**563**	**25,675**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

Bahraini dinars '000

5 *PROPERTY, PLANT AND EQUIPMENT (continued)*

2020	Land and buildings	Improvements on leasehold land	Plant, machinery, vehicles, vessels and barges	Office equipment, furniture & fixtures	Capital work in progress	Total
Cost						
At 1 January 2020	12,741	5,217	66,326	1,338	872	86,494
Additions	3,885	542	1,763	67	2,349	8,606
Reclassification	-	(17)	(4)	21	-	-
Transfer from capital work in progress	1,197	82	536	-	(1,815)	-
Disposals	(65)	(583)	(7,174)	(270)	-	(8,092)
At 31 December 2020	17,758	5,241	61,447	1,156	1,406	87,008
Depreciation and impairment losses						
At 1 January 2020	4,547	3,767	50,619	1,250	-	60,183
Depreciation	472	452	5,330	78	-	6,332
Impairment	-	-	33	-	-	33
Disposals	(65)	(562)	(6,763)	(270)	-	(7,660)
At 31 December 2020	4,954	3,657	49,219	1,058	-	58,888
Net book value						
At 31 December 2020	12,804	1,584	12,228	98	1,406	28,120

The depreciation charge has been allocated to cost of sales BD 4,404 (2020: BD 5,580) and general and administrative expenses BD 796 (2020: BD 752). Impairment charge of BD 457 (2020: BD 33) has been allocated to general and administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
for the year ended 31 December 2021 Bahraini dinars '000

5 PROPERTY, PLANT AND EQUIPMENT (continued)

Properties of the Group

No	Address	Description	Existing use	Type and Tenure	Average age of the property	Net book value
1	Building No. 910, East Al Ekar	Office/ Factory Building	Business	Leasehold renewable on an annual basis	14 - 24 years	-
2	Plot No. 7019248 & 7019250 Salmabad	Land	Business	Freehold	29 -32 years	328
3	Plot No. 07019249, Building No. 1295, Road 239 Salmabad 702	Building Land	Business	 Mortgaged	23 years 2 year	17 3,885
4	Plot No. 4 (01-00-9078) Hidd Industrial Area	Office/Workshop/Stores Building	Business	Leasehold for 10 years renewable	15 years	442
5	Plot No. 07019247 Salmabad	Land	Business	Freehold	10 year	1,753
6	Plot No. 1359, Ras Zuwaid	Land and Building	Business	Freehold	9 year	226
7	Plot no. 12001760, Ras Zuwaid	Land and Building	Business	Freehold	9 year	1,534
8	Plot No. 12010988, Lhassay	Land and Building	Business	Freehold	5 year	988
9	Plot No. 12010989, Lhassay	Land and Building	Business	Freehold	5 year	1,944
10	Plot No. 12009273, Lhassay	Land and Building	Business	Freehold	2- 5 year	2,139

for the year ended 31 December 2021 Bahraini dinars '000

6 LEASES

The Group has recognised a right of use asset related to land and buildings.

a) Right of use assets

	2021	2020
Balance at 1 January	4,915	6,433
Additions	2,266	754
Amortisation	(1,880)	(2,272)
Balance at 31 December	**5,301**	4,915

The amortisation charge has been allocated to cost of sales BD 1,771 (2020: BD 2,129) and general and administrative expenses BD 109 (2020: BD 143).

b) Lease liabilities

	31 December 2021	31 December 2020
Current	1,499	1,510
Non-current	4,024	3,506
	5,523	5,016

	2021	2020
Amounts recognised in consolidated profit or loss		
Interest on lease liabilities	319	347

Maturity analysis – contractual undiscounted cash flow	**31 December 2021**	31 December 2020
Less than one year	1,730	1,745
One to five years	2,840	2,541
More than five years	2,620	2,117
Total undiscounted lease liabilities	**7,190**	6,403

7 EQUITY ACCOUNTED INVESTEES

	JVs	**Associate**	**Total**
Balance at 1 January 2021	1,166	499	1,665
Share of profit/ (loss) for the year	73	(36)	37
Dividend received	(685)	-	(685)
Balance at 31 December 2021	**554**	**463**	**1,017**

for the year ended 31 December 2021 Bahraini dinars '000

7 *EQUITY ACCOUNTED INVESTEES (continued)*

The following table summarizes the financial position of the associates and joint ventures as included in its own financial statements unadjusted for the Group's share.

	31 December 2021	31 December 2020
Total current assets	2,845	4,287
Total non-current assets	1,417	1,611
Total current liabilities	(1,417)	(1,647)
Total non-current liabilities	(349)	(421)
Net assets (100%)	**2,496**	3,830
Carrying amount of equity accounted investees	**1,017**	1,665

	2021	2020
Revenue	1,578	1,894
Profit for the year	255	318
Total comprehensive income	**255**	318
Group's share of total comprehensive income	37	115
Dividend received by the Group	685	-

8 INVENTORIES

	31 December 2021	31 December 2020
Raw materials	4,036	4,041
Machineries, spares, fuels and lubricants	3,736	3,379
Food products	1,545	1,737
Finished goods	417	273
Goods in transit	48	48
	9,782	9,478
Impairment allowance for slow moving and obsolete inventories	(2,213)	(2,515)
	7,569	6,963

Movements on impairment allowance for slow moving and obsolete inventories:	**2021**	2020
At 1 January	2,515	3,215
Charge for the year	87	248
Reversal during the year	(389)	(613)
Write-off during the year	-	(335)
At 31 December	**2,213**	2,515

for the year ended 31 December 2021 Bahraini dinars '000

9 TRADE AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
Trade receivables	36,928	39,938
Retentions receivable	19,881	20,395
Advances to suppliers and sub-contractors	3,155	3,767
Prepaid expenses	297	250
Other receivables	2,093	3,762
	62,354	68,112
Allowance for impairment losses	(11,126)	(9,140)
	51,228	58,972

Movements on allowance for impairment losses:	**2021**	2020
At 1 January	9,140	8,231
Charge for the year	3,031	1,011
Write off	(1,045)	(75)
Transfer	-	(27)
At 31 December	**11,126**	9,140

Information about the Group's exposure to credit risk and impairment losses for trade and other receivables, is included in note 25(b).

10 CONTRACT ASSETS

	31 December 2021	31 December 2020
Cost incurred plus attributable profits on contracts-in-progress	264,569	300,133
Progress billings made towards contracts-in-progress	(241,027)	(262,815)
	23,542	37,318
Allowance for impairment losses	(850)	(1,082)
	22,692	36,236

Movements on allowance for impairment losses:	**2021**	2020
At 1 January	1,082	381
(Reversal)/ charge for the year	(147)	701
Write off	(85)	-
At 31 December	**850**	1,082

Information about the Group's exposure to credit risk, and impairment losses for due from contract customers is included in note 25(b).

for the year ended 31 December 2021 Bahraini dinars '000

11 CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash and bank balances	13,275	7,225
Short-term bank deposits	3,304	2,678
Cash and cash equivalents in consolidated statement of financial position	**16,579**	9,903
Bank overdrafts	(12,965)	(14,857)
Cash and cash equivalents in consolidated statement of cash flows	**3,614**	(4,954)

12 BANK LOANS

	31 December 2021	31 December 2020
Current	2,695	2,272
Non-current	6,032	7,482
	8,727	9,754

Movement during the year as follows:	**2021**	2020
At 1 January	9,754	6,013
Loans availed during the year	764	5,393
Loans repaid during the year	(1,791)	(1,652)
At 31 December	**8,727**	9,754

The average effective interest rate on loans and borrowings was 3.00% - 4.74% p.a. (2020: 3.50% - 4.88% p.a.).

13 EMPLOYEE BENEFITS

	2021	2020
At 1 January	10,765	10,744
Charge for the year	3,235	3,488
Paid during the year	(3,322)	(3,467)
At 31 December	**10,678**	10,765

	31 December 2021	31 December 2020
Current liabilities	3,631	3,871
Non-current liabilities	7,047	6,894
	10,678	10,765

for the year ended 31 December 2021 Bahraini dinars '000

14 TRADE AND OTHER PAYABLES

	31 December 2021	31 December 2020
Trade accounts payable	10,156	11,538
Accrued expenses	16,343	15,246
Unclaimed dividends	50	50
Retentions payable	5,361	4,946
Other payables	1,816	2,533
	33,726	34,313

15 CONTRACT LIABLITIES

	31 December 2021	31 December 2020
Progress billings received and receivable	16,874	31,227
Costs incurred plus recognised profits on contracts-in-progress	(4,150)	(23,096)
	12,724	8,131

16 REVENUE

A. Revenue streams

	2021	2020
Revenue from contracts with customers		
Contract income	59,204	101,286
Sales of goods	28,406	33,843
Hire income	7,432	6,066
	95,042	141,195

for the year ended 31 December 2021 Bahraini dinars '000

16 REVENUE (continued)

B. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, type of customers, major products and service lines and timing of revenue recognition.

	Contract income, Manufacturing, Service		Trading		Elimination		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Primary geographical markets								
Bahrain	89,332	137,411	16,809	17,256	(13,589)	(19,113)	92,552	135,554
Outside Bahrain	2,501	5,641	-	-	(11)	-	2,490	5,641
	91,833	143,052	**16,809**	17,256	**(13,600)**	(19,113)	**95,042**	141,195
Type of customers								
Government	11,993	19,725	443	286	-	-	12,436	20,011
Non-government	79,840	123,327	16,366	16,970	(13,600)	(19,113)	82,606	121,184
	91,833	143,052	**16,809**	17,256	**(13,600)**	(19,113)	**95,042**	141,195
Timing of revenue recognition								
Products transferred at a point in time	25,794	30,505	16,809	17,256	(9,878)	(15,168)	32,725	32,593
Products transferred over time	66,039	112,547	-	-	(3,722)	(3,945)	62,317	108,602
	91,833	143,052	**16,809**	17,256	**(13,600)**	(19,113)	**95,042**	141,195

C. Contract balances

The amount of BD 6,818 (2020: BD 8,555) recognised in contract liabilities at the beginning of the year has been recognised as revenue for the year ended 31 December 2021.

for the year ended 31 December 2021 Bahraini dinars '000

17 OTHER INCOME

	2021	2020
Gain on disposal of property, plant and equipment	1,527	1,128
Insurance claim	9	700*
Miscellaneous income	593	537
	2,129	2,365

*It relates to an insurance claim agreed with the insurance company relating to building and equipment damaged in a fire incident at one of the divisions.

18 GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Salaries of administrative staff	5,640	5,606
Management fees	1,560	1,502
Professional fee	1,547	833
Depreciation and amortisation	905	895
Impairment on property, plant and equipment and other assets	457	341
COVID-19 related expenses	439	1,137
Vehicle expenses	369	358
IT expenses	227	124
Directors' sitting fees	211	215
Commission	207	152
Rent, electricity and water	158	217
Communication	152	199
Printing and stationery	69	95
Staff recruitment and training	22	71
Inventory loss due to fire*	-	82*
Other expenses	253	824
	12,216	12,651

* Inventory loss is net of BD 1,900 claim agreed with the insurance company .

19 IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2021	2020
Impairment of trade and other receivables	3,031	1,011
Impairment (reversal)/ charge on contract assets	(147)	701
Impairment of due from related parties	1,073	18
Reversal of impairment on bank balances	(3)	(9)
	3,954	1,721

20 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year excluding the average number of ordinary shares purchased by the Company and held as treasury shares, as follows:

	2021	2020
Loss attributable to shareholders of the Company	**(17,964)**	(2,822)
Weighted average number of shares at 31 December (000's)	**215,077**	215,077
Basic earnings per share	**(83.52)**	(13.12)

Diluted earnings per share have not been presented as the Company has no instruments convertible into shares that would dilute earnings per share.

21 SHARE CAPITAL

	31 December 2021	31 December 2020
a) Authorised share capital		
500,000,000 (2020: 500,000,000) shares of 100 fils each	**50,000**	50,000
b) Issued and fully paid		
220,000,000 (2020: 220,000,000) shares of 100 fils each	**22,000**	22,000
Treasury shares: 4,923,160 (2020: 4,923,160)	**(1,597)**	(1,597)

Holders of ordinary shares are entitled to dividends from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Group's shares held by the Company are suspended until those shares are re-issued.

c) Dividends

No dividend is being proposed by the board of directors for the year ended 31 December 2021 (2020: Nil).

The major shareholders are:

Name of shareholder	Number of shares held	Percentage of ownership	Nationality
1. Mr. Sameer Abdulla Nass*	18,810,000	8.55	Bahraini
2. Mr. Sami Abdulla Nass*	18,810,000	8.55	Bahraini
3. Mr. Adel Abdulla Nass*	18,810,000	8.55	Bahraini
4. Mr. Ghazi Abdulla Nass*	18,810,000	8.55	Bahraini
5. Mr. Fawzi Abdulla Nass*	18,810,000	8.55	Bahraini
6. Abdul Rahman Saleh Al Rajhi and Partners Company Limited	15,969,864	7.26	Kingdom of Saudi Arabia
Total	**110,019,864**	**50.01**	

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

for the year ended 31 December 2021 Bahraini dinars '000

21 SHARE CAPITAL (continued)

The distribution schedule of shareholders as at end of the year is as follows:

Categories	Number of shares		Number of shareholders		Percentage of total outstanding shares	
	2021	2020	**2021**	2020	**2021**	2020
Less than 1 %	72,037,187	71,739,176	7,908	7,914	32.74	32.61
1 % up to less than 5 %**	37,942,949	38,240,960	9	9	17.25	17.38
5 % up to less than 10 %	110,019,864	110,019,864	6	6	50.01	50.01
Total	**220,000,000**	220,000,000	**7,923**	7,929	**100.00**	100.00

*** Includes 4,923,160 (2020: 4,923,160) treasury shares.*

22 STATUTORY RESERVE

In accordance with the requirements of the Commercial Companies Law (the "Law") a minimum of 10 % of the net profit is appropriated to a statutory reserve, until such reserve reaches 50 % of the paid-up share capital. This reserve is not normally distributable, except in the circumstances stipulated in the Law.

23 RELATED PARTY TRANSACTIONS AND BALANCES

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. Transactions with related parties are conducted in the normal course of business.

Related party	Sales / Revenues		Purchases and operating expenses		Amounts due from		Amounts due to	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
A.A. Nass & Sons WLL and its related companies	1,567	1,915	10,196	16,401	1,079	2,337	7,887	8,813
Joint ventures	78	135	4	10	122	477	263	291
Total	**1,645**	2,050	**10,200**	16,411	**1,201**	2,814	**8,150**	9,104

*Amount due from A.A. Nass & Sons WLL and its related companies is net of impairment of BD 2,555 (31 December 2020: BD 1,482).

During the year, the Company has provided guarantees of BD 179,040 (2020: BD 181,432) to various banks for banking facilities or other financial accommodation to its subsidiaries.

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 board of directors, the divisional managers, the general managers and their compensation is as follows:

	2021	2020
Short-term benefits	2,772	2,744
Post-employment benefits	45	45
	2,817	2,789

Short-term benefits include management fees of BD 1,560 (2020: BD 1,502) paid to A.A. Nass & Sons Co. WLL by the Group and board committee attendance fees of BD 211 (2020: BD 215). No provision for directors' remuneration has been charged to consolidated profit or loss for the year ended 31 December 2021 (2020: BD Nil).

24 ACCOUNTING CLASSIFICATION AND FAIR VALUES OF FINANCIAL INSTRUEMENTS

(i) Fair value measurement
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.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(ii) Fair value hierarchy
The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- *Level 1*: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

- *Level 2* : Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- *Level 3*: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

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

(iii) Classification of financial assets and financial liabilities, together with the carrying amounts as disclosed in the consolidated statement of financial position.
The Group's financial assets and liabilities are classified and measured at amortised cost for 2021 and 2020.

25 FINANCIAL RISK MANAGEMENT

a) Overview
Financial instruments include financial assets and financial liabilities. Financial assets of the Group include trade and other receivables, contract assets, due from related parties, deposits with banks and cash and cash equivalents. Financial liabilities of the Group include lease liabilities, bank loans, trade and other payables, due to related parties, bills payable and bank overdrafts.

The Group has exposure to the following risks from its use of financial instruments:
- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

for the year ended 31 December 2021 Bahraini dinars '000

25 FINANCIAL RISK MANAGEMENT (continued)

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit.

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables, contract assets, due from related parties, deposits with banks and cash and cash equivalents.

The Group is monitoring the economic environment in response to the COVID-19 pandemic and is taking action to limit its exposures o customers that are severely impacted. In response, the Group is also performing more frequent reviews of sales limits for customers that are severely impacted.

(i) Exposure to credit risk

The maximum exposure to credit risk at the reporting date was:

	31 December 2021	31 December 2020
Trade and other receivables (net)	50,931	58,722
Contract assets	22,692	36,236
Due from related parties	1,201	2,814
Deposits with banks	1,070	1,304
Cash and cash equivalents	16,432	9,703
	92,326	108,779

(ii) *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Sales limits are established for each customer, which are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are government and semi-government and corporates, industry, aging profile, and existence of previous financial difficulties. The Group operates mainly in the Kingdom of Bahrain.

The credit period established by the Group for all its receivables is 90 days after which the dues are classified as past due.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivables and contract assets for which no loss allowance is recognised because of collateral.

(iii) Contract assets

This primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on construction contracts. The contract assets during the year was not significantly impacted by an impairment charge.

(iv) Due from related parties

Due from related parties pertains to the receivable from the A.A. Nass & Sons WLL and its related companies and joint ventures. Transactions with related parties are conducted in the normal course of business, at rates agreed between the parties. The credit risk on these is perceived to be limited.

(v) Cash and cash equivalents and deposits with banks

Group's credit risk on these is limited as these are placed with banks in Bahrain having good credit ratings.

for the year ended 31 December 2021 Bahraini dinars '000

25 *FINANCIAL RISK MANAGEMENT (continued)*

(vi) Credit risk by segment

The maximum exposure to credit risk for trade and other receivables, contract assets, due from related parties, deposit with banks and cash and cash equivalents at the reporting date by segment is:

	31 December 2021		31 December 2020	
	Construction and allied activities	**Trading activities**	Construction and allied activities	Trading activities
Trade and other receivables	46,296	4,635	52,619	6,103
Contract assets	22,692	-	36,236	-
Due from related parties	767	434	2,477	337
Deposit with banks	770	300	1,284	20
Cash and cash equivalents	15,746	686	8,637	1,066
	86,271	**6,055**	101,253	7,526

(vii) *Impairment losses*

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables and contract assets as at 31 December:

31 December 2021	**Gross carrying amount**	**Impairment loss allowance**	**Weighted-average loss rate**	**Credit-impaired**
Current (not past due)	64,748	517	1%	No
1–30 days past due	1,830	241	13%	No
31–60 days past due	1,305	217	17%	No
61–90 days past due	407	168	41%	No
More than 90 days past due	15,695	13,389	85%	Yes
	83,985	**14,532**	**17%**	

31 December 2020	Gross carrying amount	Impairment loss allowance	Weighted-average loss rate	Credit-impaired
Current (not past due)	82,150	1,246	2%	No
1–30 days past due	1,717	161	9%	No
31–60 days past due	997	126	13%	No
61–90 days past due	674	103	15%	No
More than 90 days past due	15,848	10,069	64%	Yes
	101,386	11,705	12%	

c) Liquidity risk

Liquidity risk, associated with financial liabilities that are settled by delivering cash or another financial asset, is the risk that the Group will encounter difficulties in meeting its financial obligations. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The COVID-19 outbreak, quarantine measures, closure of businesses imposed by government of Bahrain to contain the pandemic affected how the Group conducts its business and resulted in additional cost.

for the year ended 31 December 2021 Bahraini dinars '000

25 FINANCIAL RISK MANAGEMENT (continued)

The Group has taken and continue to take actions to mitigate the impact, including reducing capital expenditure, operating expenses and reducing headcount. The Group believes that the effects of COVID-19 pandemic on its operations will continue to have a negative impact on its financial results and liquidity.

As at 31 December 2021, the available cash and cash equivalents, expected cash flows from trade and other receivables will be sufficient to meet its obligations when they fall due.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial labilities (other than trade payables).

The Group also monitors the level of expected cash inflows on trade and other receivables tighter with expected cash outflows on trade and other payables.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments.

31 December 2021	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6 - 12 months**	**1 - 2 years**	**More than 2 years**
Bank loans	8,727	9,576	1,359	1,639	2,616	3,962
Trade and other payables	17,383	17,383	4,230	5,309	4,340	3,504
Lease liabilities	5,523	7,190	921	809	1,063	4,397
Due to related parties	8,150	8,150	2,445	2,445	3,260	-
Bills payable	2,041	2,059	2,059	-	-	-
Bank overdrafts	12,965	14,455	1,588	2,237	2,212	8,418
	54,789	**58,813**	**12,602**	**12,439**	**13,491**	**20,281**
Commitments and contingencies						
- Letter of credit	**1,097**	**1,097**	**1,097**	-	-	-
- Commitments	**328**	**328**	**328**	-	-	-

31 December 2020	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	More than 2 years
Bank loans	9,754	10,979	1,280	1,359	2,651	5,689
Trade and other payables	19,067	19,067	1,728	5,720	8,759	2,860
Lease liabilities	5,016	6,403	1,000	745	1,014	3,644
Due to related parties	9,104	9,104	2,731	2,731	3,642	-
Bills payable	2,929	2,960	2,960	-	-	-
Bank overdrafts	14,857	16,049	3,343	4,041	3,216	5,449
	60,727	64,562	13,042	14,596	19,282	17,642
Commitments and contingencies						
- Letter of credit	322	322	322	-	-	-
- Commitments	661	661	661	-	-	-

for the year ended 31 December 2021 Bahraini dinars '000

d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

Interest rate risk is the risk that the Group's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates. The Group's interest rate risk is limited to its interest bearing short-term deposits, loans and borrowings, and bank overdrafts.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	31 December 2021	31 December 2020
Fixed rate instruments		
Term deposits with maturity of more than 3 months	1,070	1,304
Term deposits with maturity of 3 months or less	3,304	2,678
	4,374	3,982
Variable rate instruments		
Bills payable	2,041	2,929
Bank loans	8,727	9,754
Bank overdrafts	12,965	14,857
	23,733	27,540

The effective interest on these financial instruments is as follows:

Financial instruments	**2021 Effective interest rate % p.a.**	2020 Effective interest rate % p.a.
Term deposits with maturity of more than 3 months	0.90-1.25	1.50-2.61
Term deposits with maturity of 3 months or less	1.20-1.40	1.95-2.20
Bank loans	3.00-4.74	3.50-4.88
Bank overdraft	3.00-4.45	3.25-4.88

An increase of 100 basis points in interest rates at the reporting date would have decreased consolidated profit or loss by BD 194 (2020: BD 236) and a decrease of 100 basis points in interest rates at the reporting date would have increased consolidated profit or loss by BD 194 (2020: BD 236).

Changes in market interest rates are not expected to have a significant impact on the carrying value of these financial instruments.

(i) Foreign exchange risk

Foreign exchange risk is the risk that the Group's earning will be affected as a result of fluctuations in currency exchange rates. The Group has exposure to foreign exchange risk on its purchases invoiced in foreign currency. The Group's exposure to significant foreign currency risk at the reporting date was only to EURO total net payable exposure as at 31 December 2021 was Euro 142 thousand (2020: net receivable Euro 104 thousand).

The Group does not perceive that fluctuations in foreign exchange rates will have any significant impact on the income or equity because the exposure to currencies other than Euro are not significant.

(ii) Equity price risk

The Group is not exposed to any equity price risk as it does not have any investments in equity securities.

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. The Group manages operational risk through appropriate monitoring controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance.

In response to COVID-19 outbreak, the management of the Group has enhanced its monitoring to identify risk events arising from the current situations and the changes in the way business is conducted and introduced measures to regularly test and isolate infected staff.

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 Group. The board of directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity excluding non-controlling interest, and the level of dividends to shareholders.

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Buy and sell decisions are made on a specific transaction basis by the Board.

The Group has complied with local statutory capital requirements. The Group has also complied with covenants related to its bank borrowings. The Group does not have any other externally imposed capital requirements. There were no changes in the Group's approach to capital management during the year.

Bahraini dinars '000

26 SEGMENT ANALYSIS

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, ready-mix 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.

	Construction and allied activities		Trading activities		Eliminations		Consolidated	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Revenue								
External sales	81,729	129,194	13,313	12,001	-	-	95,042	141,195
Inter-segment sales	10,104	13,858	3,497	5,255	(13,601)	(19,113)	-	-
Total revenue	**91,833**	143,052	**16,810**	17,256	**(13,601)**	(19,113)	**95,042**	141,195
Segment result	(17,192)	(1,718)	(1,033)	(733)	(8)	12	(18,233)	(2,439)
Share of profit from joint ventures	73	26	-	-	-	-	73	26
Other gains and losses	1,985	1,750	185	803	-	-	2,170	2,553
Impairment on other assets	-	-	-	-	-	-	-	(341)
Unallocated corporate expenses	-	-	-	-	-	-	(1,817)	(1,837)
Loss for the year							**(17,807)**	(2,038)

	Construction and allied activities		Trading activities		Consolidated	
	2021	2020	**2021**	2020	**2021**	2020
Other information						
Depreciation and impairment on property, plant and equipment and amortisation of right of use assets	6,066	7,523	1,471	1,157	7,537	8,680
Capital expenditure	1,848	5,874	1,623	2,732	3,471	8,606
Total assets	116,331	133,829	16,001	17,346	132,332	151,175
Total liabilities	86,859	87,149	7,675	7,720	94,534	94,869
Total net assets	**29,472**	46,680	**8,326**	9,626	**37,798**	56,306

for the year ended 31 December 2021 Bahraini dinars '000

27 COMMITMENTS AND CONTINGENCIES

	31 December 2021	31 December 2020
Guarantees	**82,107**	73,541
Letters of credit	**1,097**	322
Capital commitments	**328**	661

The banks have provided guarantees (performance, retention, financial and others related to contracting activities) amounting to BD 82,107 (2020: BD 73,541) for the various divisions and subsidiaries of the Company.

28 COMPARATIVES

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

UNAUDITED 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, which continued in 2021. 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 consolidated 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	313
Expenses incurred on sanitizers, masks, gloves, disinfection, quarantine facilities etc.	227
Government assistance for reimbursement of salaries of Bahraini employees	(440)
Net impact	**100**

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.