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

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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

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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.

KPMG

Independent auditors' report
Nass Corporation BSC (continued)

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.