

Nass Corporation BSC
CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

Head Office	:	P.O. Box 669, Manama, Kingdom of Bahrain Telephone - 17725522 Fax - 17728184
Directors	:	Mr. Sameer Abdulla Nass (<i>Chairman</i>) Mr. Sami Abdulla Nass (<i>Deputy Chairman and Managing Director</i>) Mr. Adel Abdulla Nass Mr. Ghazi Abdulla Nass Mr. Fawzi Abdulla Nass Mr. Bashar Sameer Nass Dr. Mustafa Al Sayed Mr. Jamal A Al Hazeem Mr. Hisham Al Saie Mr. Hemant Joshi
Bankers	:	HSBC Bank Middle East Standard Chartered Bank BNP Paribas BBK Ahli United Bank Bahrain Islamic Bank State Bank of India Arab Bank
Company secretary	:	Mr. Srinath Prabhu
Auditors	:	KPMG Fakhro

BOARD OF DIRECTORS' REPORT
for the year ended 31 December 2019

Bahraini dinars '000

To,
All our esteemed shareholders,

On behalf of the Board of Directors, it is our pleasure and privilege to present to you the 15th Annual Report and Audited Annual Accounts of Nass Corporation B.S.C. for the financial year ended 31 December 2019. The annual report includes the consolidated financial results of Nass Corporation B.S.C. and subsidiaries (the "Group")

The performance of the Group for the financial year ended 31 December 2019 is summarized below:

Financial highlights	2019	2018
Revenue	153,484	182,770
Profit before finance charges and depreciation	7,221	12,306
Net (loss) / profit attributable to equity holders of parent	(3,285)	4,262
Total assets	166,795	158,629
Total equity	59,037	64,343

Appropriations		
Transfer to statutory reserve	-	426
Proposed dividend	-	1,075
Donations and charity reserve	-	30

DIVIDEND

In view of challenging market conditions as well as tightening market liquidity in the construction sector and with the objective of strengthening operating performance in the company, the board has decided not to recommend dividend to the shareholders for the financial year 2019. The company values the support of the shareholders over the years and is committed in its efforts to add value for their investments in coming years.

**BOARD OF DIRECTORS' REPORT
for the year ended 31 December 2019**Bahraini dinars '000

CONSOLIDATION OF ACCOUNTS

Nass Corporation B.S.C. has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2019.

Year 2019 was challenging with subdued construction sector performance in the region and we were no exception to this. The challenging climate in the construction sector resulting from increase in input costs, project delays, less favourable contract conditions, delayed payments and aggressive bidding due to limited projects continued to erode profit margins. These events had implications on the company financial performance for the year thereby resulting in loss.

The year 2019 was the 15th year of operations for Nass Corporation B.S.C. The Group achieved a gross turnover of BD 153.484 million (BD 182.770 million for 2018) on which it achieved a profit before interest and depreciation of BD 7.221 million (BD 12.306 million for 2018) and a net loss of BD 3.285 million (net profit of BD 4.262 million for 2018).

Government spending in the region is expected to grow as oil price is expected to be stable in 2020. BAPCO Modernisation project and GCC marshal fund backed projects are key drivers to the construction sectors in Bahrain which are expected to run beyond 2020. The Group has healthy work-order situation and is hopeful of securing more works during the course of the year.

The board is aware of its responsibility and would focus more on timely project completion and within budgets as well as taking steps to streamline the cost structure in order to be competitive in the bidding process. The Group has performed satisfactorily and fulfilled external agencies obligations and is confident of carrying on its performance in a feasible manner in the coming periods.

ORDER BOOK POSITION

The work-orders on hand of constituent divisions/companies (excluding Trading Divisions) at beginning of year 2020 amounts to a value of BD 124.473 million.

**BOARD OF DIRECTORS' REPORT
for the year ended 31 December 2019**Bahraini dinars '000

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 progress of Corporate Governance compliance and the expected dates there of forms a part of the documentation being provided to the shareholders at the ensuing Annual General Meeting on 26 March 2020.

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 Company has a Remuneration Committee that comprises of three directors, two of whom are independent, non-executive directors. The Board constituted Group Tender Committee (GTC) to assist the Board in discharging its oversight duties relating to establishing of intra-group pricing policy and to perform advisory role in pricing process of high value bids.

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.

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 2020.

EMPLOYEE RELATIONS

The relations between the Management and employees of the Group continue to remain cordial. The Group firmly believes that its workforce is instrumental in its overall success and is indeed a valuable asset of the Group. On behalf of the Board of Directors, we sincerely acknowledge and appreciate the contribution of its employees at all levels.

**BOARD OF DIRECTORS' REPORT
for the year ended 31 December 2019**

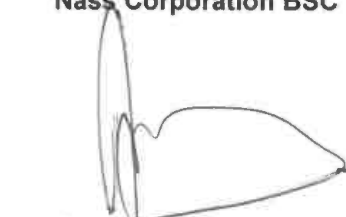
Bahraini dinars '000

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 Shaikh Khalifa Bin Salman Al Khalifa, the Prime Minister, to His Royal Highness Prince Shaikh Salman Bin Hamad Al Khalifa, the Crown Prince, Deputy Supreme Commander and First Deputy Premier, 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 bankers, financial institutions, suppliers and business associates, share registrar, our Statutory Auditors M/S KPMG Fakhro and our Internal Auditors BDO for the year 2019.

**On behalf of Board of Directors
Nass Corporation BSC**



**Sameer Abdulla Nass
Chairman**



**Sami Abdulla Nass
Deputy Chairman and Managing Director**

Date: 26 February 2020



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 CR No. 6220

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Nass Corporation BSC
 Manama – Kingdom of Bahrain

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying 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 2019, 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 2019, 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 Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with 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 for the year ended 31 December 2019. 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(n) and disclosure in Note (16) to the consolidated financial statements)

Description	How our audit addressed the key audit matter
<p>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.</p>	<ul style="list-style-type: none"> ▪ We evaluated the Group's process for identifying the separate performance obligations within a contract and for determining the contract price ; ▪ We reviewed all significant contracts and discussed each with management to obtain full understanding of the specific terms and risk, which informed our consideration of whether revenue was appropriately recognised; ▪ We evaluated and tested the operating effectiveness of internal controls over the accuracy and timing of revenue recognized in the consolidated financial statements, including controls over detailed contract reviews performed by management that included estimating total cost, stage at which control is transferred to the customer;
<p>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.</p>	
<p>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.</p>	<ul style="list-style-type: none"> ▪ We challenged the financial assessment of the contract progress over time through discussion with commercial management and comparing the outcome of our discussion with the underlying records; ▪ We evaluated a sample of forecast costs to complete for reasonableness by assessing the basis of their calculation based on the monthly contract review summary prepared by project managers and considered the performance of those contracts and costs post-year end;

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)
Nass Corporation BSC (continued)

- We assessed 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;
- We evaluated significant exposure to contract variations, claims and liquidated damages for late delivery of work by assessing 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
- Assessing the adequacy of the Group's disclosures in relation to contract accounting and revenue recognition by reference to the requirements of relevant accounting standards.

The recoverability of trade and other receivables and adequacy of expected credit loss provision
 (Refer to accounting policy in note 3(d) and disclosure in Note 24(b))

Description

Trade receivables and other receivables make up 39 % of the Group's total assets (by value).

Significant judgment is required by the Group in assessing the adequacy of the expected credit loss provision for trade and receivables and contract assets.

How our audit addressed the key audit matter

- We evaluated the design and tested the operating effectiveness of the Group's relevant credit control and collection procedures;
- We evaluated the appropriateness of the Group's expected credit loss model under IFRS 9;
- We evaluated the reasonableness of assumptions and key inputs used in the model;
- Assessing the adequacy of the Group's disclosures 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 the 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)
Nass Corporation BSC (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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.

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.

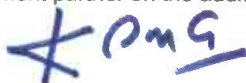
We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 for the year ended 31 December 2019 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 financial statements are in agreement therewith;
 - b) the financial information contained in the 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 Fakhro
Partner registration number 100
26 February 2020

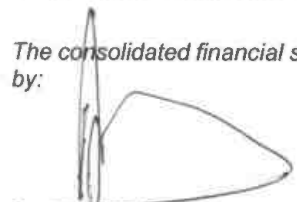
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

Bahraini dinars '000

	Note	2019	2018
ASSETS			
Property, plant and equipment	5	26,311	27,436
Right of use assets	3(a)	6,433	-
Investment properties	7	2,022	2,100
Equity accounted investees	6	1,550	1,592
Other assets		629	982
Total non-current assets		36,945	32,110
Inventories	8	9,400	9,622
Trade and other receivables	9	64,916	70,780
Contract assets	10	37,666	31,208
Due from related parties	22	3,933	4,126
Deposits with banks		504	366
Cash and cash equivalents	11	13,431	10,417
Total current assets		129,850	126,519
Total assets		166,795	158,629
EQUITY			
Share capital	20	22,000	22,000
Treasury shares	20	(1,597)	(1,597)
Statutory reserve	21	8,767	8,767
Retained earnings		27,523	31,960
Donations and charity reserve		64	43
Equity attributable to equity holders of the parent		56,757	61,173
Non-controlling interest		2,280	3,170
Total equity		59,037	64,343
Liabilities			
Lease liabilities	3 (a)	4,108	-
Bank loans	12	3,715	3,668
Employee benefits	13	7,668	7,627
Total non-current liabilities		15,491	11,295
Trade and other payables	14	38,712	40,988
Lease liabilities	3 (a)	2,324	-
Contract liabilities	15	13,482	8,570
Employee benefits	13	3,076	3,799
Due to related parties	22	10,268	9,505
Bills payable		2,735	1,236
Bank loans	12	2,298	981
Bank overdrafts	11	19,372	17,912
Total current liabilities		92,267	82,991
Total liabilities		107,758	94,286
Total equity and liabilities		166,795	158,629

The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated (note 3).

The consolidated financial statements were approved by the Board of Directors on 26 February 2020 and signed on its behalf by:


Sameer Abdulla Nass
Chairman


Sami Abdulla Nass
Deputy Chairman & Managing Director

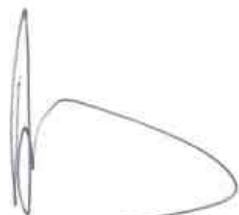
The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2019

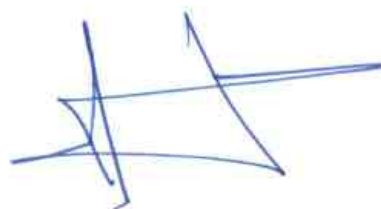
Bahraini dinars '000

	Note	2019	2018
Revenue	16	153,484	182,770
Cost of sales		(143,553)	(163,994)
Gross profit		9,931	18,776
Other income	17	1,040	857
General and administrative expenses	18	(12,986)	(13,686)
Impairment losses on trade and other receivables and contract assets		(93)	(1,016)
Finance income		154	67
Finance cost		(1,278)	(950)
Share of profit from equity accounted investees, net	6	260	1,130
(Loss) / Profit for the year		(2,972)	5,178
Other comprehensive income		-	-
Total comprehensive income for the year		(2,972)	5,178
(Loss) / Profit and total comprehensive income for the year attributable to:			
Equity holders of the parent		(3,285)	4,262
Non-controlling interest		313	916
		(2,972)	5,178
Earnings per share			
Basic and diluted earnings per share (Fils)	19	(15.27)	19.81

The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated (note 3).



Sameer Abdulla Nass
Chairman



Sami Abdulla Nass
Deputy Chairman & Managing Director

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

Bahraini dinars '000

	Attributable to equity holders of the parent					Non-controlling interest	Total Equity	
	Share capital	Treasury shares	Statutory reserve	Retained earnings	Donations & charity reserve			Total
2019								
At 1 January 2019	22,000	(1,597)	8,767	31,960	43	61,173	3,170	64,343
Loss and total comprehensive income for the year	-	-	-	(3,285)	-	(3,285)	313	(2,972)
Dividend for 2018 declared (5 %)	-	-	-	(1,075)	-	(1,075)	(1,250)	(2,325)
Donations and charity reserve approval	-	-	-	(30)	30	-	-	-
Acquisition of balance NCI in a subsidiary	-	-	-	(47)	-	(47)	47	-
Utilization of donation and charity reserve	-	-	-	-	(9)	(9)	-	(9)
At 31 December 2019	22,000	(1,597)	8,767	27,523	64	56,757	2,280	59,037

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019 (continued)

Bahraini dinars '000

	Attributable to equity holders of the parent					Total	Non-controlling interest	Total Equity
	Share capital	Treasury shares	Statutory reserve	Retained earnings	Donations & charity reserve			
2018								
At 1 January 2018 (as previously reported)	22,000	(1,597)	8,341	31,495	23	60,262	2,722	62,984
Impact of adopting IFRS 9	-	-	-	(2,466)	-	(2,466)	(186)	(2,652)
Impact of adopting IFRS 15	-	-	-	200	-	200	-	200
Balance as at 1 January 2018 (restated)	22,000	(1,597)	8,341	29,229	23	57,996	2,536	60,532
Profit and total comprehensive income for the year	-	-	-	4,262	-	4,262	916	5,178
Transfer to statutory reserve for 2018	-	-	426	(426)	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	658	658
2017 Appropriations approved:								
Dividend (5 %)	-	-	-	(1,075)	-	(1,075)	(940)	(2,015)
Donations and charity reserve	-	-	-	(30)	30	-	-	-
Utilization of donation and charity reserve	-	-	-	-	(10)	(10)	-	(10)
At 31 December 2018	22,000	(1,597)	8,767	31,960	43	61,173	3,170	64,343

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

Bahraini dinars '000

	Note	2019	2018
Cash flows from operating activities			
(Loss) / Profit for the year		(2,972)	5,178
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	5	6,524	5,931
Depreciation on right of use assets		2,313	-
Depreciation of investment property		78	78
Impairment of investment property		-	169
Write off / Impairment of trade receivables (net)	9	753	393
Impairment reversal on contract assets	10	(17)	1,400
Impairment on other assets		350	-
Amortization of held to maturity investment		3	-
Gain on disposal of property, plant and equipment	17	(89)	(100)
Share of profit from joint ventures, net	6	(161)	(1,088)
Share of profit from associate		(99)	(42)
Employee benefits		41	556
<i>Changes in:</i>			
Inventories		222	5,084
Trade and other receivables		5,111	(8,312)
Contract assets		(6,446)	(2,840)
Due from related parties		198	238
Trade and other payables		(2,948)	(2,464)
Contract liabilities		4,912	(7,162)
Employee benefits		(723)	534
Due to related parties		763	1,477
Bills payable		1,499	(1,239)
Net cash from / (used) in operating activities		9,312	(2,209)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(5,541)	(4,288)
Proceeds on sale of property, plant and equipment		231	356
Acquisition of subsidiary		-	(1,000)
Dividend from equity accounted investees	6	302	531
Movement on deposits with banks		(138)	243
Net cash used in investing activities		(5,146)	(4,158)
Cash flows from financing activities			
Proceeds from bank loans		2,614	4,463
Repayment of bank loans		(1,250)	(1,715)
Payment of lease liabilities		(1,640)	-
Dividends paid to equity shareholders of the parent		(1,077)	(1,043)
Dividends paid to non-controlling shareholders		(1,250)	(940)
Donations paid		(9)	(10)
Net cash (used) / from in financing activities		(2,612)	755
Net increase / (decrease) in cash and cash equivalents		1,554	(5,612)
Cash and cash equivalents at 1 January		(7,495)	(1,883)
Cash and cash equivalents at 31 December	11	(5,941)	(7,495)

The accompanying from 1 to 29 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019

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 6003.

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 consolidated financial statements for the year ended 31 December 2019 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 Co. 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
Delmon Readymix Concrete and Products Company W.L.L.	Bahrain	80 %	Ready mixed concrete
Delmon Precast Company W.L.L.	Bahrain	80 %	Precast concrete
Nass Dredging Company W.L.L.	Bahrain	100 %	Extraction of marine sand

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019

Bahraini dinars '000

1 REPORTING ENTITY (continued)

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

The subsidiaries, associates and joint venture have the same financial year end as the Company.

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).

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, amendments and interpretations effective from 1 January 2019

The Group adopted IFRS 16 on 1 January 2019. Refer to Note 3(a)

d) New standards, amendments and interpretations issued but not yet effective

(i) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2019**

Bahraini dinars '000

2 BASIS OF PREPARATION (continued)

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

The effective date for these changes has now been postponed until the completion of a broader review

The Group does not expect to have a significant impact on its consolidated financial statements from this amendment.

(ii) Long term interests in associates and joint ventures

An amendment to IAS 28 Investments in Associates and Joint Ventures will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment, which addresses equity-accounted loss absorption by LTI, involves the dual application of IAS 28 and IFRS 9 Financial Instruments.

The amendment applies for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

The Group does not expect to have a significant impact on its consolidated financial statements from adoption of this amendment.

e) Early adoption of standards

The Group did not early adopt new or amended standards and /or interpretations in 2019.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies 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 changes arising from adoption of IFRS 16 as set out below:

a) Changes in significant accounting policies***Adoption of IFRS 16 – "leases"***

The Group initially adopted IFRS 16 Leases from 1 January 2019 using the modified net respective approach under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information for 2018 is not restated and is presented as previously reported under IAS 17 and related interpretation.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

On transition to IFRS 16 on 1 January 2019, the Group has recognised BD 6,632 as right-of-use asset and BD 6,632 as lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2019**

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)**IFRS 16 Leases (continued)**

Amount disclosed as operating lease commitments at 31 December 2018

Less: Low value leases

6,081

(1,212)

Impact of discounting

(1,312)

Extension and termination options reasonably certain to be exercised

3,075

Lease liabilities recognised on 1 January 2019**6,632**

As a result of adoption of IFRS 16, the Group has changed its accounting policy for lease contracts as detailed below.

i) Definition of a lease

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease.

ii) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- 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 Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the nine months ended 30 September 2019**

Bahraini Dinars '000

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**iii) As a lessor**

The Company leases out its investment property, including right-of-use assets. The Group has classified these leases as operating leases.

The accounting policies applicable to the Company as a lessor are not different from those under IAS 17. However, when the Company is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Company has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

The Company sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognised from the head leases are presented in investment property, and measured at fair value on transition to IFRS 16. The sub-lease contracts are classified as operating leases under IFRS 16.

iv) Right-of-use assets

The Group has recognised a right-of-use asset of BD 6,632 as on 1 January 2019 and an addition of BD 2,114 related to land and building and the depreciation charge thereon for the year ended 31 December 2019 of BD 2,313.

v) Lease liabilities**Maturity analysis – contractual undiscounted cash flow**

Less than one year

One to five years

More than five years

Total undiscounted lease liabilities**at 31 December 2019****2019**

2,595

3,394

1,767

7,756

During the year, an amount of BD 439 was recognised as interest on lease liabilities in consolidated statement of profit or loss and other comprehensive income.

b) 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 parent 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 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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019**

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 OCF 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.

c) Financial instruments

Financial assets of the Group comprise trade and other receivables (including related party), cash and cash equivalents and Bank deposits. Financial liabilities of the Group comprise Bank loans, trade and other payables (including related party), bills payable and bank overdraft.

(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 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; 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2019**

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

(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 profit or loss.

d) Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on:
Financial assets measured at amortised cost; and
Contract assets

The Group measures loss allowances for trade and receivables and contract assets based on simplified approach i.e. 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019**

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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 Bank balances – (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 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 reorganization.

Presentation of allowance for ECL in the 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.

e) 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 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019

Bahraini dinars '000

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Assets held for sale

Assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

g) Property, plant & 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 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 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 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 & 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019**

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)**h) 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").

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 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.

i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of food inventory is determined on the 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.

j) 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.

k) Contract assets and liabilities

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

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

l) Provisions

A provision is recognised in the 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.

m) Operating leases

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019**

Bahraini dinars '000

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**n) 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 due from contract customers net of any expected credit losses. Revenue against variations are recognized only if the variations have been approved by the customers. 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 profit or loss when they are incurred. Advances received are included in "contract liabilities".

(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.

o) 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 statement of financial position date.

p) Finance income and expense

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

q) 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.

r) Statutory reserve

In accordance e 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 Bahrain Commercial Companies Law.

s) Earnings per share

Basic EPS 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019**

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)**t) 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.

u) Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

v) Trade payables

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

w) Investment properties

Investment properties are those, which are held to earn rental income or for capital appreciation or both. Investment properties are carried at cost less depreciation and any impairment. Depreciation is calculated on cost by the straight-line method at annual rates, which are intended to write off the cost of the investment property over their estimated useful lives of 10 years. Any gain or loss of disposal (the difference between the net proceeds from the disposal and the carrying amount of the property) is recognised in profit or loss in the period in which it arises.

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes accounting estimates and judgements that affect the reported amount of assets and liabilities within the next financial year and are included in the following notes. 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

a) Judgment

- 3(n) - 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.

b) Estimates and assumptions

- Note 3(c) and 3(d) - measurement of ECL allowance for trade receivables and contract assets: key assumptions in determining the weighted average loss rate
- Note 3(h) impairment testing of property plant and equipment: key assumptions underlying the recoverable amounts.
- Note 3(i) – Impairment testing of inventory. Key assumptions underlying NRV.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019

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5 PROPERTY, PLANT AND EQUIPMENT

Cost	Land & buildings	Improvements on leasehold land	Plant, machinery, vessels & barges	Office equipment, furniture & fixtures	Capital work in progress	Total
At 1 January 2019	12,689	4,942	63,413	1,369	437	82,850
Additions	-	58	3,890	60	1,533	5,541
Reclassification	-	-	9	(9)	-	-
Transfer from capital work in progress	56	217	825	-	(1,098)	-
Disposals	(4)	-	(1,811)	(82)	-	(1,897)
At 31 December 2019	12,741	5,217	66,326	1,338	872	86,494
Depreciation						
At 1 January 2019	4,067	3,299	46,772	1,276	-	55,414
Charge for the year	484	468	5,516	56	-	6,524
Disposals	(4)	-	(1,669)	(82)	-	(1,755)
At 31 December 2019	4,547	3,767	50,619	1,250	-	60,183
Net book value						
At 31 December 2019	8,194	1,450	15,707	88	872	26,311

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019**

Bahraini dinars '000

5 PROPERTY, PLANT AND EQUIPMENT (continued)

Cost	Land & buildings	Improvements on leasehold land	Plant, machinery, vehicles, vessels & barges	Office equipment, furniture & fixtures	Capital work in progress	Total
At 1 January 2018	12,584	4,347	60,228	1,287	280	78,726
Additions	105	1	3,647	83	452	4,288
Additions on acquisition of subsidiary	-	299	1,349	-	-	1,648
Transfer from capital work in progress	-	295	-	-	(295)	-
Disposals	-	-	(1,811)	(1)	-	(1,812)
At 31 December 2018	12,689	4,942	63,413	1,369	437	82,850
Depreciation						
At 1 January 2018	3,577	2,876	43,361	1,225	-	51,039
Charge for the year	490	423	4,966	52	-	5,931
Disposals	-	-	(1,555)	(1)	-	(1,556)
At 31 December 2018	4,067	3,299	46,772	1,276	-	55,414
Net book value						
At 31 December 2018	8,622	1,643	16,641	93	437	27,436

The depreciation charge has been allocated to cost of sales / contract costs - BD 5,782 (2018: BD 5,244) and general and administrative expenses - BD 742 (2018: BD 687).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019**

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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/Garage/Stores Building	Business	Leasehold renewable on an annual basis	12 - 22 years	-
2	Plot No. 7019248 & 7019250 Salmabad	Land	Business	Freehold	22 -30 years	328
3	Building No. 1295, Road 239 Salmabad 702	Building	Business	Leasehold	21 years	26
4	Plot No. 4 (01-00-9078) Hidd Industrial Area	Office/Workshop/Stores Building	Business	Leasehold for 10 years renewable	13 years	628
5	Plot No. 07019247 Salmabad	Land	Business	Freehold	5 year	1,753
6	Plot No. 1359, Ras Zuwaid	Land and Building	Business	Freehold	7 year	424
7	Plot no. 12001760, Ras Zuwaid	Land and Building	Business	Freehold	7 year	2,131
8	Plot No. 12010988, Lhassay	Land and Building	Business	Freehold	3 year	1,029
9	Plot No. 12010989, Lhassay	Land	Business	Freehold	3 year	1,326
10	Plot No. 12009273, Lhassay	Land	Business	Freehold	3 year	1,084

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6 INTERESTS IN EQUITY ACCOUNTED INVESTEE

The movement on equity account investee is as follows:

	2019	2018
At 1 January	1,281	724
Share of profit for the year	161	1,088
Distribution of profits during the year	(302)	(531)
	1,140	1,281

Equity accounted investees includes investment in associate balance as at 31 December 2019 BD 410 (2018: BD 311). Share of profit from equity associated investees includes income from associate during the year 2019 BD 99 (2018: BD 42).

The Group is presently engaged as a joint venture partner in the following joint ventures:

Joint Venture	Subsidiary involved	Interest %	Undistributed capital and profits at the end of the year	
			2019	2018
Nass Contrack Joint Venture	Nass Contracting Company W.L.L.	50	313	507
Nass Burhan Joint Venture	Nass Contracting Company W.L.L.	50	636	636
Nass Contrack Watts Joint Venture	Nass Contracting Company W.L.L.	50	191	138
		Total	1,140	1,281

All the joint ventures are unincorporated entities.

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6 INTERESTS IN EQUITY ACCOUNTED INVESTEEES (continued)

The following table summarizes the financial information of material joint ventures as included in its own financial statements, adjusted for fair value adjustments at acquisition and difference in accounting policies. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in joint ventures.

Joint Venture (JV)	Non-current assets	Cash and cash equivalents	Other current assets	Other current liabilities	Net Asset (100 %)	Group's share of net assets (50 %) Carrying amount of interest in JV
2019						
Immaterial joint ventures	-	323	351	674	-	-
Material joint venture	43	1,702	2,669	2,133	2,281	1,140
Total	43	2,025	3,020	2,807	2,281	1,140

Joint Venture (JV)	Non-current assets	Cash and cash equivalents	Other current assets	Other current liabilities	Net Asset (100 %)	Group's share of net assets (50 %) Carrying amount of interest in JV
2018						
Immaterial joint ventures	-	435	187	622	-	-
Material joint venture	118	1,792	5,950	5,299	2,561	1,281
Total	118	2,227	6,137	5,921	2,561	1,281

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6 INTERESTS IN EQUITY ACCOUNTED investee (continued)

Joint Venture (JV)	Revenue	Depreciation and amortisation	Interest income	Profit from continuing operations	Total comprehensive income	Group's share of comprehensive income (50 %)	Dividend received by the Group
2019							
Immaterial joint ventures	-	-	-	-	-	-	-
Material joint venture	7,483	15	30	322	322	161	302
Total	7,483	15	30	322	322	161	302

Joint Venture (JV)	Revenue	Depreciation and amortisation	Interest income	Profit from continuing operations	Total comprehensive income	Group's share of comprehensive income (50 %)	Dividend received by the Group
2018							
Immaterial joint ventures	610	-	-	610	610	305	305
Material joint venture	9,136	76	-	1,566	1,566	783	226
Total	9,746	76	-	2,176	2,176	1,088	531

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7 INVESTMENT PROPERTIES

This represent 7 residential villas received in 2017 in lieu of a receivable from a customer of which 1 villa was subsequently sold. The fair value of BD 2.02 million has been determined by an independent third party valuer having relevant experience of valuing similar properties in the same location using the sales comparison approach. The fair value is categorised as level 2 in the fair value hierarchy.

8 INVENTORIES

Raw materials
 Machineries, spares, fuels and lubricants
 Goods in transit
 Food products
 Finished goods

	2019	2018
	5,559	6,194
	4,337	3,857
	79	22
	1,379	1,567
	1,261	711
	12,615	12,351
Impairment allowance for slow moving and obsolete inventories	(3,215)	(2,729)
	9,400	9,622

Movements on impairment allowance for slow moving and obsolete inventories

At 1 January
 Charge for the year
 Write-back during the year

	2019	2018
	2,729	2,321
	504	416
	(18)	(8)
At 31 December	3,215	2,729

9 TRADE AND OTHER RECEIVABLES

Trade receivables
 Retentions receivable
 Advances to suppliers and sub-contractors
 Prepaid expenses
 Other receivables

	2019	2018
	43,634	49,611
	20,265	23,292
	5,316	4,163
	1,031	830
	2,901	1,005
	73,147	78,901
Allowance for impairment losses	(8,231)	(8,121)
	64,916	70,780

Movements on allowance for impairment losses

At 1 January
 Transition adjustment on adoption of IFRS 9
 Charge / (reversal) for the year

	2019	2018
	8,121	6,231
	-	2,274
	110	(384)
At 31 December	8,231	8,121

Information about the Group's exposure to credit risk, and impairment losses for trade and other receivables, is included in note 24(b).

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10 CONTRACT ASSETS

	2019	2018
Cost incurred plus attributable profits on contracts-in-progress	331,723	301,140
Progress billings made towards contracts-in-progress	(293,676)	(269,539)
	38,047	31,601
Allowance for impairment losses	(381)	(393)
	37,666	31,208

Information about the Group's exposure to credit risk, and impairment losses for due from contract customers is included in note 24(b).

11 CASH AND CASH EQUIVALENTS

	2019	2018
Cash and bank balances	7,046	7,260
Short-term bank deposits	6,385	3,157
Cash and cash equivalents in statement of financial position	13,431	10,417
Bank overdrafts	(19,372)	(17,912)
Cash and cash equivalents in statement of cash flows	(5,941)	(7,495)

12 BANK LOANS

	2019	2018
Current	2,298	981
Non-current	3,715	3,668
	6,013	4,649

Movement during the year as follows:

	2019	2018
At 1 January	4,649	1,901
Loans availed during the year	2,614	4,463
Loans repaid during the year	(1,250)	(1,715)
At 31 December	6,013	4,649

The average effective interest rate on loans and borrowings was 4.90% - 6.00% p.a. (2018: 4.89% - 5.94% p.a.).

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13 EMPLOYEE BENEFITS

	2019	2018
At 1 January	11,426	10,336
Charge for the year	2,940	4,798
Paid during the year	(3,622)	(3,708)
	10,744	11,426
<i>Analysed as</i>		
Current liabilities	3,076	3,799
Non-current liabilities	7,668	7,627
	10,744	11,426

14 TRADE AND OTHER PAYABLES

	2019	2018
Trade accounts payable	14,499	18,542
Accrued expenses	15,219	15,286
Unclaimed dividends	1,617	1,619
Retentions payable	4,175	3,493
Other payables	3,202	2,048
	38,712	40,988

15 CONTRACT LIABILITIES

	2019	2018
Progress billings received and receivable	17,558	70,494
Costs incurred plus recognised profits on contracts-in-progress	(4,076)	(61,924)
	13,482	8,570

16 REVENUE**A. Revenue streams**

	2019	2018
Revenue from contracts with customers		
- Contract income	108,528	134,514
- Sales of goods	33,573	35,470
- Hire income	11,383	12,786
	153,484	182,770

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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 market, major products and service lines and timing of revenue recognition.

	Contract income, Manufacturing, Service		Trading		Elimination		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Primary Geographical markets								
Bahrain	136,718	173,319	21,805	18,246	(19,718)	(26,455)	138,805	165,110
Outside Bahrain	15,052	17,917	-	-	(373)	(257)	14,679	17,660
	151,770	191,236	21,805	18,246	(20,091)	(26,712)	153,484	182,770
Type of Markets								
Government Sector	27,557	84,122	863	646	-	-	28,420	84,768
Non-government Sector	124,213	107,114	20,942	17,600	(20,091)	(26,712)	125,064	98,002
	151,770	191,236	21,805	18,246	(20,091)	(26,712)	153,484	182,770
Timing of revenue recognition								
Products transferred at a point in time	33,713	43,811	21,805	18,246	(16,571)	(20,405)	38,947	41,652
Products transferred over time	118,057	147,425	-	-	(3,520)	(6,307)	114,537	141,118
Revenue from contracts with customers	151,770	191,236	21,805	18,246	(20,091)	(26,712)	153,484	182,770

C. Contract Balances

The amount of BD 8,570 (2018: BD 15,732) recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2019.

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17 OTHER INCOME

	2019	2018
Gain on disposal of property, plant and equipment	89	100
Write-back of provision for inventory	18	8
Miscellaneous income	933	749
	1,040	857

18 GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
Salaries of administration staff	6,882	7,476
Management consultancy fees	1,560	1,560
Receivable write off	643	777
Depreciation	928	687
Commission	244	369
Vehicle expenses	404	415
Rent, electricity and water	263	524
Communication	209	245
Directors' remuneration and sitting fees	205	301
Staff recruitment and training	209	160
Impairment of investment properties	-	169
Impairment on other assets	350	-
Professional fee	329	413
Printing and stationery	132	141
IT expenses	191	228
Other expenses	437	221
	12,986	13,686

19 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity 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:

	2019	2018
(Loss)/ Profit attributable to equity holders of the parent	(3,285)	4,262
Weighted average number of shares at 31 December (000's)	215,077	215,077
Basic earnings per share	(15.27)	19.81

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

20 SHARE CAPITAL

	2019	2018
a) Authorised share capital 500,000,000 (2018: 500,000,000) shares of 100 fils each	50,000	50,000
b) Issued and fully paid 220,000,000 (2018: 220,000,000) shares of 100 fils each	22,000	22,000
Treasury shares: 4,923,160 (2018: 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.

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20 SHARE CAPITAL

c) Dividends

No dividend is proposed by the Board of Directors for the year ended 31 December 2019. No interim dividend was paid during the year (2018: Nil).

	2019	2018
Proposed dividend	-	1,075
Donations and charity reserve	-	30
	-	1,105

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.

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	
	2019	2018	2019	2018	2019	2018
Less than 1 %	71,723,451	74,240,743	7,917	7,973	32.60	33.74
1 % up to less than 5 %**	38,256,685	35,105,481	9	9	17.39	15.96
5 % up to less than 10 %	110,019,864	110,653,776	6	6	50.01	50.30
10 % up to less than 20 %	-	-	-	-	-	-
Total	220,000,000	220,000,000	7,932	7,988	100.00	100.00

** Includes 4,923,160 (2018: 4,923,160) treasury shares.

21 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.

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22 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	
	2019	2018	2019	2018	2019	2018	2019	2018
A.A. Nass & Sons and its related companies	2,880	1,068	15,072	17,547	2,863	2,464	9,994	9,062
Joint ventures	1,245	2,037	10	-	1,070	1,662	274	443
Total	4,125	3,105	15,082	17,547	3,933	4,126	10,268	9,505

During the year, the parent company has provided guarantees of BD 142,559 (2018: BD 113,432) to various banks for banking facilities or other financial accommodation to its subsidiaries.

Technical and managerial consultancy fee paid to A.A. Nass & Sons Co. WLL by the Group amounts to BD 1,560 (2018: BD 1,560)

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:

	2019	2018
Short-term benefits	1,283	1,573
Post-employment benefits	47	50
	1,330	1,623

The board committee attendance fees for the year BD 205 (2018: BD 209). No provision for directors' fees has been charged to profit or loss for the year ended 31 December 2019 (2018: BD 92).

23 ACCOUNTING CLASSIFICATION AND FAIR VALUE

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.

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23 ACCOUNTING CLASSIFICATION AND FAIR VALUES (continued)*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.

- ii) Classification of financial assets and financial liabilities, together with the carrying amounts as disclosed in the statement of financial position.

The Group's financial assets and liabilities are classified and carried at amortised cost for 2019 and 2018.

24 FINANCIAL RISK MANAGEMENT**a) Overview**

Financial instruments include financial assets and financial liabilities. Financial assets of the Group include cash and cash equivalents, term deposits with banks, trade receivables, due from related parties, and certain other current assets. Financial liabilities of the Group include trade payables, due to related parties, bills payable, loans and borrowings, bank overdrafts and certain other current liabilities.

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

- credit risk
- liquidity risk
- 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.

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.

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24 FINANCIAL RISK MANAGEMENT (continued)

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, related parties receivables, short term-term deposits with banks and bank balances.

(i) Exposure to credit risk

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

	2019	2018
Trade and other receivables (net)	63,885	69,950
Contract assets	37,666	31,208
Due from related parties	3,933	4,126
Term deposits with banks	504	366
Cash and cash equivalents	13,276	10,247
	119,264	115,897

(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 holding company and other related parties. 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 term deposits with banks

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

(vi) Concentration risk

Concentration risk arises when a number of counterparties are engaged in similar economic activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group seeks to manage its concentration risk by establishing geographic and industry wise concentration limits

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24 FINANCIAL RISK MANAGEMENT (continued)

(vii) Credit risk by segment

The maximum exposure to credit risk for trade receivables and other receivables and related party dues at the reporting date by segment is:

	2019		2018	
	Construction and allied activities	Trading activities	Construction and allied activities	Trading activities
Trade and other receivables	58,742	5,143	65,955	3,995
Contract assets	37,666	-	31,208	-
Due from related parties	3,515	418	3,545	581
Term deposits in banks	504	-	366	-
Cash and cash equivalents	11,374	1,902	9,105	1,142
	111,801	7,463	110,179	5,718

(viii) 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:

2019

	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Credit-impaired
Current (not past due)	1%	85,253	788	No
1-30 days past due	7%	3,357	245	No
31-60 days past due	10%	1,181	113	No
61-90 days past due	13%	1,526	200	No
More than 90 days past due	58%	14,873	8,646	Yes
	9%	106,190	9,992	

2018

	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Credit-impaired
Current (not past due)	1%	87,337	975	No
1-30 days past due	15%	4,109	614	No
31-60 days past due	14%	1,254	175	No
61-90 days past due	15%	747	110	No
More than 90 days past due	54%	14,906	8,025	Yes
	9%	108,353	9,899	

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24 FINANCIAL RISK MANAGEMENT (continued)

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. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The following are the contractual maturities of financial liabilities:

2019	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years
Bank Loans	6,013	6,499	1,819	706	1,775	2,199
Trade and other payables	23,493	23,493	7,572	11,746	4,175	-
Lease liabilities	6,432	7,756	1,276	1,319	1,708	3,453
Due to related parties	10,268	10,268	3,080	3,080	4,108	-
Bills payable	2,735	2,788	2,788	-	-	-
Bank overdraft	19,372	20,975	4,407	5,269	9,241	2,058
	68,313	71,779	20,942	22,120	21,007	7,710

Commitments and contingencies

- Letter of credit	1,829	1,829	1,829	-	-	-
- Commitments	556	556	556	-	-	-

2018	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years
Bank Loans	4,649	5,268	682	536	1,392	2,658
Trade and other payables	25,702	25,702	9,063	13,073	3,566	-
Due to related parties	9,505	9,505	3,802	5,703	-	-
Bills payable	1,236	1,250	1,250	-	-	-
Bank overdraft	17,912	18,495	7,398	6,473	4,624	-
	59,004	60,220	22,195	25,785	9,582	2,658

Commitments and contingencies

- Letter of credit	1,046	1,046	1,046	-	-	-
- Commitments	535	535	535	-	-	-

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24 FINANCIAL RISK MANAGEMENT (continued)

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:

	2019	2018
Fixed rate instruments		
Term deposits with maturity of more than 3 months	504	366
Term deposits with maturity of 3 months or less	6,385	3,157
	6,889	3,523
Variable rate instruments		
Bills payable	2,735	1,236
Loans and borrowings	6,013	4,649
Bank overdraft	19,372	17,912
	28,120	23,797

The effective interest on these financial instruments is as follows:

Financial instruments	2019 Effective interest rate % p.a.	2018 Effective interest rate % p.a.
Term deposits with maturity of more than 3 months	3.00-4.25	3.30-4.10
Term deposits with maturity of 3 months or less	2.20-2.70	2.80-4.15
Loans and borrowings	4.90-6.00	4.89-5.94
Bank overdraft	4.00-5.00	3.94-5.67

An increase/ (decrease) of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by BD (212) (2018: BD (203)).

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

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24 FINANCIAL RISK MANAGEMENT (continued)*(ii) 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 exposure as at 31 December 2019 was Euro 768 thousand (2018: Euro 159 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 US \$ are not significant.

(iii) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019

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25 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, Readymix concrete, Precast, Floor and roof slabs, Electrical and instrumentation contracting.

The trading activities are Supply of washed sand, Sweet water, Import and wholesaler of frozen foods, agents for equipment and material manufacturers.

	Construction and Allied Activities		Trading Activities		Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenue								
External sales	139,352	169,707	14,132	13,063	-	-	153,484	182,770
Inter-segment sales	12,419	21,529	7,672	5,183	(20,091)	(26,712)	-	-
Total revenue	151,771	191,236	21,804	18,246	(20,091)	(26,712)	153,484	182,770
Segment result	(1,710)	5,292	40	146	(245)	-	(1,915)	5,438
Share of profit from joint ventures	161	1,088	-	-	-	-	161	1,088
Other gains and losses	1,170	851	123	115	-	-	1,293	966
Unallocated corporate expenses	-	-	-	-	-	-	(2,511)	(2,314)
(Loss) / Profit for the year							(2,972)	5,178

	Construction and Allied Activities		Trading Activities		Consolidated	
	2019	2018	2019	2018	2019	2018
Other Information						
Depreciation	7,677	5,099	1,238	832	8,915	5,931
Capital expenditure	5,223	3,821	318	467	5,541	4,288
Total assets	151,450	146,296	15,345	12,333	166,795	158,629
Total liabilities	100,324	90,348	7,434	3,938	107,758	94,286
Total net assets	51,126	55,948	7,911	8,395	59,037	64,343

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019

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26 COMMITMENTS AND CONTINGENCIES

	2019	2018
Guarantees	81,985	62,753
Letters of credit	1,829	1,046
Capital commitments	556	535

The banks have provided guarantees (performance, retention, financial and others related to contracting activities) amounting to BD 81,985 (2018: BD 62,753) for the various divisions and subsidiaries of the parent company.

27 OPERATING LEASE RENTALS

	2018
Minimum lease payment recognised as an expense during the year	5,019
Future minimum lease payments:	
- not later than one year	3,469
- later than one year and not later than five years	1,439
- later than five years	1,173
Aggregate rental lease expenditure contracted at statement of financial position date	6,081

The operating lease is cancellable / renewable by mutual consent of the lessee and the lessor.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019

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29 RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities	Equity				Non-controlling interest	Total
	Bank loans	Share capital	Treasury shares	Retained earnings	Other reserves		
Balance at 1 January 2019	4,649	22,000	(1,597)	31,960	8,810	3,170	68,992
<i>Changes from financing cash flows</i>							
Borrowings (net)	1,364	-	-	-	-	-	1,364
Dividend paid	-	-	-	(1,077)	-	(1,250)	(2,327)
Donation paid	-	-	-	-	(9)	-	(9)
Total changes from financing cash flows	1,364	-	-	(1,077)	(9)	(1,250)	(972)
Equity-related changes	-	-	-	(3,360)	30	360	(2,970)
Balance at 31 December 2019	6,013	22,000	(1,597)	27,523	8,831	2,280	65,050