

**Nass Corporation BSC**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2015**

<b>Head Office</b>	:	P.O. Box 669, Manama, Kingdom of Bahrain Telephone - 17725522 Fax - 17728184
<b>Directors</b>	:	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
<b>Bankers</b>	:	HSBC Bank Middle East Standard Chartered Bank BNP Paribas BBK Ahli United Bank Bahrain Islamic Bank BMI Bank State Bank of India
<b>Company secretary</b>	:	Mr. Srinath Prabhu
<b>Auditors</b>	:	KPMG Fakhro

**CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

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**BOARD OF DIRECTORS' REPORT  
for the year ended 31 December 2015**

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 Eleventh Annual Report and Audited Annual Accounts of Nass Corporation B.S.C. for the financial year ended 31 December 2015. 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 2015 is summarized below:

<b>Financial highlights</b>	<b>2015</b>	<b>2014</b>
Revenue	99,284	83,026
Profit before finance charges, depreciation, and directors' remuneration	7,325	9,421
Net profit	2,668	4,100
Total assets	<b>110,451</b>	<b>100,059</b>
Total equity	<b>57,992</b>	<b>58,430</b>

<b>Appropriations</b>		
Transfer to statutory reserve	267	410
Proposed dividend	1075	3,226
Donations and charity reserve	10	10

### **DIVIDEND**

We are pleased to inform you that your Directors have recommended for the financial year ended 31 December 2015, a dividend of 5 fils per share of 100 fils each, on its 215,076,840 Ordinary shares (out of total issued shares of 220,000,000, the Company is holding 4,923,160 shares as treasury shares). Upon approval at the ensuing Annual General Meeting, the said dividend will be paid to all those members whose names appear in the Register of members as on the day of the Annual General Meeting viz. 21<sup>st</sup> March 2016

### **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 2015.

**BOARD OF DIRECTORS' REPORT  
for the year ended 31 December 2015**

Bahraini dinars '000

**PERFORMANCE FOR THE YEAR 2015 AND FUTURE OUTLOOK**

The year 2015 had started with the hope that the slide in the oil prices which had begun in June 2014 would be arrested and that the oil prices would firm up during the year. Contrary to the expectations, the oil prices continued to slide down during 2015 even further and reached abysmally lower levels. This resulted in the fiscal and current account balances in the Gulf countries' treasury deteriorating sharply and created bigger shadows of uncertainty. The global economic woes compounded further by a slowdown in the Chinese economy, worries about even further falls in oil prices and other commodities, and rising Federal Reserve interest rates in the US. The inevitable consequence of these macro-economic factors was that the construction and allied services sectors in the Gulf in general and Bahrain in particular languished for dearth of major governmental projects.

In view of the above circumstances, lack of major infra-structural projects, delays in starting up of the projects awarded earlier, shrinking of the profit margins and a continuous pressure exerted by increase in the input prices resulted in the operating results for the year taking a severe beating and the company's performance and profitability for the year suffered significantly. Although the Company was able to maintain and in fact increase its turnover marginally, compared to the previous year, dwindling of margins of some of the earlier projects resulted in a fall in the operating profits by a substantial amount.

The Company is conscious of its responsibility and commitment to the shareholders of providing them with a value for their investment. As a demonstration of this spirit, despite very onerous situation and adverse financial conditions, We are pleased to announce that the Board of Directors are recommending a token dividend 5 fils for every share of 100 fils.

Going forward, the Company has been awarded some major projects during the past 9 months and as of now, its work-order situation is very healthy. The company has secured projects to a value of about BD 100 mn. to be executed over the next two years. The Company is hopeful of securing more work during the course of the year out of the \$ 1.1 bn airport expansion and other projects coming out of ALBA and BAPCO. The Marshall Funding is also expected to generate more work for Bahrain.

The governmental authorities have recently announced significant fiscal measures to augment revenues, including increases in retail prices of fuel products, electricity and water. These economic reforms introduced by the Government will inevitably lead to inflationary pressures and could be a drag on the economy.

During these difficult times, the Company is conscious of continuing its policy of rationalising its cost structure and taking steps to remain competitive. The Company is continuing to be discrete in bidding and negotiating for future work. The Group has performed its obligations to the satisfaction of its clients, sub-contractors, suppliers and all the external agencies and is confident of carrying on its operations in an economically feasible manner in the period to follow.

The period from 1 January 2015 to 31 December 2015 was the eleventh year of operations for Nass Corporation B.S.C. Your Group achieved a gross turnover of BD 99.284 million (BD 83.026 million for 2014) on which it achieved a profit before interest, depreciation and directors' remuneration of BD 7.325 million (BD 9.421 million for 2014) and a net profit of BD 2.668 million (BD 4.100 million for 2014).

We are committed to endeavour to be competitive and competent and preserve and provide value for shareholders' money. We are committed to diversify and mitigate risks in every single aspect of the Group's business and ensure that all the stakeholders' interests are safeguarded to the maximum possible extent.

**BOARD OF DIRECTORS' REPORT  
for the year ended 31 December 2015**

Bahraini dinars '000

**ORDER BOOK POSITION**

The work-orders on hand of constituent divisions/companies (excluding Trading Divisions) as of 24 February 2016 amount to a value of BD 207.57 million. In addition, our portion of work pertaining to joint venture projects is BD 2.87 million.

**JOINT VENTURES**

Your Group is presently engaged as a joint venture partner in the following joint ventures.

<b>JV partner</b>	<b>Project</b>	<b>Contract value</b>
Contract International	Tension Fabric Hanger at Sh.lsa Air Base	2,374
Contract Watts	Repair of Quay Wall NSA Bahrain	3,366

**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

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.

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 2016.

**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.

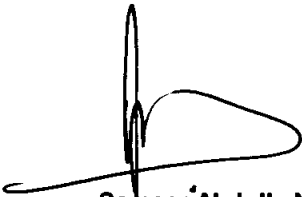
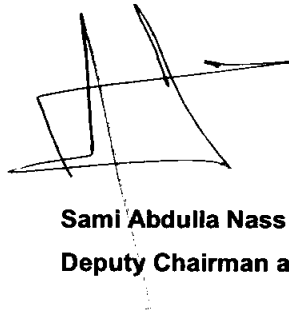
**BOARD OF DIRECTORS' REPORT  
for the year ended 31 December 2015**

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 Industries and Commerce, 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 and our Statutory Auditors M/S KPMG Fakhro and our Internal Auditors BDO for the year 2015.

**On behalf of Board of Directors****Nass Corporation BSC****Sameer Abdulla Nass  
Chairman****Sami Abdulla Nass  
Deputy Chairman and Managing Director**

Date: 24 February 2016



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## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS**

### **Nass Corporation BSC**

Manama, Kingdom of Bahrain

#### **Report on the consolidated financial statements**

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 2015, 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 a summary of significant accounting policies and other explanatory information.

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

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

#### *Auditors' responsibility*

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

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

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

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **Report on other regulatory requirements**

As required by the Bahrain Commercial Companies Law, we report that:

- a) the Company has maintained proper accounting records and the consolidated 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 Bahrain 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.

KPMG Fakhro  
Partner Registration No. 187  
24 February 2016

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2015**

Bahraini dinars '000

	Note	2015	2014
<b>ASSETS</b>			
Property, plant and equipment	6	17,842	18,335
Investment property	7	1,500	1,500
Investment in associates	8	307	380
Interests in joint ventures	25	576	611
<b>Non-current assets</b>		<b>20,225</b>	<b>20,826</b>
Inventories	9	5,855	5,545
Trade and other receivables	10	47,405	44,008
Due from contract customers	11	9,850	4,753
Due from related parties	23	3,381	4,226
Term deposits with banks		6,699	11,589
Cash and cash equivalents	13	17,036	9,112
<b>Current assets</b>		<b>90,226</b>	<b>79,233</b>
<b>Total assets</b>		<b>110,451</b>	<b>100,059</b>
<b>EQUITY</b>			
Share capital	21	22,000	22,000
Treasury shares	21	(1,597)	(1,597)
Statutory reserve	22	7,684	7,417
Retained earnings		27,753	28,588
Donations and charity reserve		31	29
<b>Equity attributable to equity holders of the parent</b>		<b>55,871</b>	<b>56,437</b>
Non-controlling interest		2,121	1,993
<b>Total equity</b>		<b>57,992</b>	<b>58,430</b>
<b>Liabilities</b>			
Loans and borrowings	12	310	302
Employee benefits	14	5,277	4,570
Trade and other payables		151	129
<b>Non-current liabilities</b>		<b>5,738</b>	<b>5,001</b>
Trade and other payables	15	30,809	17,983
Due to contract customers	16	2,084	5,034
Employee benefits	14	2,313	1,850
Due to related parties	23	4,654	5,151
Bills payable		1,843	1,236
Loans and borrowings	12	1,576	1,264
Bank overdrafts	13	3,442	4,110
<b>Current liabilities</b>		<b>46,721</b>	<b>36,628</b>
<b>Total liabilities</b>		<b>52,459</b>	<b>41,629</b>
<b>Total equity and liabilities</b>		<b>110,451</b>	<b>100,059</b>

The consolidated financial statements which consist of pages 6 to 46 were approved by the Board of Directors on 24 February 2016 and signed on its behalf by:

Sameer Abdulla Nass  
Chairman

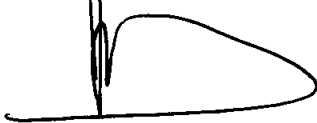
Sameer Abdulla Nass  
Deputy Chairman & Managing Director

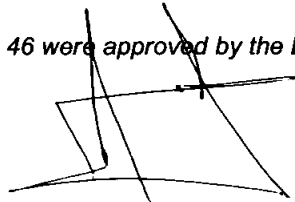


**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**for the year ended 31 December 2015** Bahraini dinars '000

	Note	2015	2014
Revenue	17	99,284	83,026
Cost of sales		(85,246)	(67,590)
<b>Gross profit</b>		<b>14,038</b>	<b>15,436</b>
Other operating income, net	19	443	320
General and administrative expenses	18	(11,990)	(10,778)
Finance income		154	447
Finance costs		(211)	(344)
Share of profit/ (loss) from joint ventures, net	25	515	(806)
Share of profit from associate	8	76	72
<b>Profit</b>		<b>3,025</b>	<b>4,347</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>3,025</b>	<b>4,347</b>
<b>Profit for the year attributable to</b>			
Equity holders of the parent		2,668	4,100
Non-controlling interest		357	247
		<b>3,025</b>	<b>4,347</b>
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the parent		2,668	4,100
Non-controlling interest		357	247
		<b>3,025</b>	<b>4,347</b>
<b>Earnings per share</b>			
Basic earnings per share (Fils)	20	<b>12.40</b>	<b>19.06</b>

The consolidated financial statements which consist of pages 6 to 46 were approved by the Board of Directors on 24 February 2016 and signed on its behalf by:

  
Sameer Abdulla Nass  
Chairman

  
Sami Abdulla Nass  
Deputy Chairman & Managing Director

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

**1 REPORTING ENTITY**

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

It operates through a group consisting of divisions, subsidiaries, joint ventures and associates. The Group is 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 2015 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group") 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 country of incorporation or registration is also their principal place of business.

The Group's operations are organised along the following divisions, subsidiaries, interest in joint ventures and associates at the end of the reporting period:

**List of divisions:**

<b>Divisions</b>	<b>Principal Activity</b>
Nass Ice Plant	Production and sale of ice blocks and sweet water
Nass Scafform	Supply, erection and dismantling of scaffolding
Nass Industrial Services (NIS)	Mechanical fabrication and maintenance contracts
Nass Commercial	Sales, distribution, spares parts, service facilities and authorised agents
Nass Foods	Import and wholesale of frozen food products
Nass Sand Processing Plant	Sale of processed sand produced through its sand processing plant, land reclamation and the hire of equipment

**List of subsidiaries**

<b>Name of the entity</b>	<b>Place of business / country of incorporation</b>	<b>Proportion of ownership and voting power held by the Group</b>	<b>Proportion of ownership held by the NCI</b>	<b>Principal activities</b>
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 %	20 %	Ready mixed concrete
Delmon Precast Company W.L.L.	Bahrain	80 %	20 %	Precast concrete

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

**1 REPORTING ENTITY (continued)**

**List of joint ventures**

<b>Name of the entity</b>	<b>Place of business / country of incorporation</b>	<b>Proportion of ownership and voting power held by the Group</b>	<b>Principal activities</b>
Nass Contrack Joint Venture	Bahrain	50 %	General contracting
Nass Murray Roberts Joint Venture	Bahrain	50 %	General contracting
Nass Burhan Joint Venture	Bahrain	50 %	General contracting
Nass Bramco Joint Venture	Bahrain	50 %	General contracting
Nass Braemar Joint Venture	Bahrain	50 %	Building and managing golf course
Nass Emco Joint Venture	Bahrain	50 %	General contracting
Nass Contrack Watts Joint Venture	Bahrain	50 %	General contracting
Breamer NASS WLL	Bahrain	50 %	General contracting

**List of associates**

<b>Name of the entity</b>	<b>Place of business / country of incorporation</b>	<b>Proportion of ownership and voting power held by the Group</b>	<b>Principal activities</b>
BK Gulf - Nass Contracting Company W.L.L.	Bahrain	40 %	Electrical contracting
Dona Marine Co. W.L.L.	Bahrain	26.67 %*	Transportation of bulk materials by marine vessels

All of the above associates and joint ventures are accounted for using the equity method in these consolidated financial statements.

\* Investment in associate represents a 33.33 % interest in Dona Marine WLL, a limited liability company registered in the Kingdom of Bahrain, held by Delmon Readymix Concrete and Products Company WLL, which is 80% owned by the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2015

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### 2 BASIS OF PREPARATION

#### a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of Bahrain Commercial Company Law 2001.

#### b) Basis of measurement

The consolidated financial statements have been drawn up from the accounting records of the Group under the historical cost convention except for investment in associates and interests in joint ventures which are stated at lower of its carrying value and fair value less cost to sell.

#### c) New standards, amendments and interpretations effective from 1 January 2015

The following standards, amendments and interpretations, which became effective as of 1 January 2015, are relevant to the Group:

##### *(i) Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to define benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees periods of service using the project unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees periods of service.

The above amendments does not have any material impact on the consolidated financial statements of the Group.

##### *(ii) Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle*

The annual improvements to IFRSs to 2010-2012 and 2011 -2013 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 July 2014; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The amendments are not expected to have any material impact on the consolidated financial statements of the Group.

The following are the key amendments in brief:

- The amendments to IFRS 2 changes the definitions of "vesting condition" and "market condition"; and add definitions for "performance condition" and "service condition" which were previously included in the definition of vesting condition.

- The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit or loss. IAS 37 Provisions, Contingent Liabilities and Contingent Assets is amended to exclude provisions related to contingent consideration. IFRS 3 is also not applicable to the accounting for the formation of all types of joint arrangements in IFRS 11 Joint Arrangements (including joint operations) in the financial statements of joint arrangements themselves.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2015

### 2 BASIS OF PREPARATION (continued)

- IFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include:

- a brief description of the operating segments that have been aggregated; and
- the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics.

In addition, this amendment clarifies that a reconciliation of the total of the reportable segments assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker.

- The IASB has clarified that, in issuing IFRS 13 and making consequential amendments to IAS 39 and IFRS 9, it did not prevent entities from measuring short term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is not material. IFRS 13 has also been amended to clarify that portfolio exception applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

- The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. The accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.

- The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of IAS 24.

- IAS 40 has been amended to clarify that an entity should:

- assess whether an acquired property is an investment property under IAS 40; and
- perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below. The Group does not plan to early adopt these standards.

##### (i) IFRS 9 - Financial Instruments

IFRS 9 published in July 2014, replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2015****2 BASIS OF PREPARATION (continued)***(ii) IFRS 15 - Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

*(iii) Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations*

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. The amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016.

*(iv) Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to IAS 16 prohibits entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

The above amendments does not have any material impact on the consolidated financial statements of the Group.

*(v) Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply.

*(vi) Equity Method in Separate Financial Statements (Amendments to IAS 27)*

The IASB has made amendments to IAS 27 *Separate Financial Statements*, which will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.

IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates).

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2015****2 BASIS OF PREPARATION (continued)****(vii) Annual Improvements to IFRSs 2012–2014 Cycle – various standards.**

The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 January 2016; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The amendments are not expected to have any material impact on the consolidated financial statements of the Group.

The following are the key amendments in brief:

IFRS 5 – when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such

IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition

**(viii) Disclosure Initiative (Amendments to IAS 1).**

The amendments to IAS 1 *Presentation of Financial Statements* are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

**(ix) Early adoption of standards**

The Group did not early adopt new or amended standards/interpretations in 2015.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2015**

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**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 to all periods presented in the consolidated financial statements, and have been consistently applied by the Group entities.

**a) Basis of consolidation***(i) Subsidiaries*

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

*(ii) Transactions and non-controlling interest*

Interests in the equity of subsidiaries not attributable to the 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.

*(iii) Interests in equity-accounted investees*

Associates are those enterprises in which the Group holds, directly or indirectly, more than 20 % 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. The investments are initially recognised at cost which includes transaction costs, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss 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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2015****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****b) Financial assets and liabilities***(i) Recognition and de-recognition*

Financial assets of the Group comprise cash and cash equivalents, term deposits with banks, trade and other receivables, and due from related parties. Financial liabilities of the Group comprise loans and borrowings, trade and other payables, due to related parties, bills payable and bank overdraft. All financial assets and liabilities are recognised on the date at which they are originated.

A financial asset or liability is initially measured at fair value which is the value of the consideration given (in the case of an asset) or received (in the case of a liability).

The Group derecognises a financial asset when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership. The Group writes off certain financial assets when they are determined uncollectible. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

*(ii) Classification of financial assets and liabilities*

The Group allocates financial assets to the IAS 39 categories loans and receivables. All of the financial liabilities of the Group are classified at amortised cost. Management determines the classification of its financial instruments at initial recognition.

*(iii) Measurement principles*

Financial assets and liabilities are measured at amortised cost.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

**c) Foreign currency transactions***(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

Transactions in foreign currencies are translated to Bahraini dinars, which is the Group's measurement currency, at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the 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.

**d) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2015**

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position 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 – 10
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

**e) Investment property**

Property that is held to earn rentals or for capital appreciation or both, and that is not self-occupied by the Group is classified as investment property. Land acquired and held for undetermined future use is also classified as investment property. Transfers to, or from, investment property into trading properties or property and equipment is made when there is a change in use of the property.

Investment property is measured initially at its cost, including related transaction costs. Investment property of the Group is stated at cost less any impairment losses. No depreciation is charged on freehold land.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

**f) Impairment**

The carrying amounts of the Group's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. All impairment losses are recognised in profit or loss.

**g) 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 is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2015****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****h) Cash and cash equivalents**

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

**i) Due from and to customers**

*Due from contract customers* represents the gross unbilled amount expected to be collected from customers for contract work performed till date. It is measured at cost plus profit recognised till date less progress billings and recognised losses when incurred.

*Due to contract customers* represents the excess of progress billings over the revenue recognised (costs plus attributable profits) for the contract work performed till date.

Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activity based on normal operating capacity.

**j) 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.

**k) Operating leases**

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

**l) Employee benefits****(i) Bahraini employees**

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

**(ii) Expatriate employees**

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

**m) Revenue****(i) Contract revenue and expense**

Contract revenue and expense are recognised in profit or loss in proportion to the stage of completion of the contract as soon as the outcome of the contract can be measured reliably. Contract revenue includes the initial amount agreed in a contract plus any variations in contract work and claims to the extent that it is probable that they can be measured reliably and will be accepted by the customer.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, completion of a physical proportion of the contract work and surveys of work performed depending on the nature of the contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2015****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****(ii) Sale of goods**

Sales represent the invoiced value of goods supplied and services performed during the year measured at the fair value of consideration received or receivable. The revenue is recognised when the significant risk and rewards of ownership have been transferred to the buyer and the recovery of the consideration is probable.

**(iii) Hire income**

Hire income represents the value of scaffolding and equipment hire charges and related services provided and are recognised as when the services are rendered.

When the Group acts in the capacity of an agent rather than as the principal in the transaction, the revenue recognised is the net amount of commission earned by the Group.

**n) Finance income**

*Finance income* is interest income recognised on a time-apportioned basis over the period of the short-term deposit.

**o) Other income**

*Scrap sales* is recognised upon sale of scrap inventory and spare parts.

*Commission income* is recognised when earned and the related services are performed.

**p) 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.

**q) Statutory reserve**

In accordance with the parent company's Articles of Association and in compliance with the Bahrain Commercial Companies Law 2001, a minimum of 10 % of the profit 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 2001.

**r) Earnings per share**

The Group presents basic earnings per share (EPS) data for its shares. 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.

**s) 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.

**t) Term deposits with banks**

Term deposits with banks are short-term deposits which do not fall under the definition of cash equivalents with original maturities of more than three months when acquired which are subject to insignificant risk of changes in fair value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2015**

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**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

The Group makes estimates and assumptions that affect the reported amount of assets and liabilities within the next financial year. 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) Impairment of receivables**

An impairment allowance for receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The receivables recoverable amount is estimated based on past experience and estimated cash flows.

**b) Impairment of inventories**

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value and the difference between the carrying amount and the realisable value is provided for.

**c) Impairment of property, plant and equipment**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

**d) Claims and expected losses on contracts in progress**

Claims for additional contract compensation due to the Group are not reflected in the consolidated financial statements until it is probable that such claims can be measured reliably and will be accepted by the customer. Provision for expected losses on claims and contracts in progress is made in full in the period in which such losses are first determined.

**e) Estimated contract revenue and costs on a project**

The revenue to be recognised on a project is based on a percentage of completion method in which the costs incurred till date are compared to the total estimated costs to be incurred on the project. The total costs to be incurred on the project are estimated by the project management. A change in estimate of contract costs or contract revenue are recognised in the period in which the change is made and in subsequent periods.

**5 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, due from contract customers and certain other current assets. Financial liabilities of the Group include trade payables, due to contract customers, 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

Bahraini dinars '000

**5 FINANCIAL RISK MANAGEMENT (continued)**

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

**b) Credit risk**

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

*(i) Exposure to credit risk*

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

	<b>2015</b>	<b>2014</b>
Trade and other receivables (net)	47,108	43,735
Due from related parties	3,381	4,226
Term deposits with banks	6,699	11,589
Cash and cash equivalents	16,923	8,977
	<b>74,111</b>	<b>68,527</b>

*(ii) Trade and other receivables*

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

Purchase limits are established for each customer by every division or subsidiary, which represents the maximum open amount and these limits 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 an individual or legal entity, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Group makes an assessment of creditworthiness of the joint venture partner and the client before entering into an agreement.

The credit period established by the Group for all its receivables is 90 days after which the dues are classified as past due. All dues outstanding in excess of one year are assessed for impairment and the estimated unrecoverable amount is considered impaired and provided for.

*(iii) Due from related parties*

Due from related parties pertains to the receivable from the holding company and related parties of the Group. Transactions with related parties are conducted in the normal course of business, at rates agreed on an arms' length basis. The credit risk on these is perceived to be minimal by the Group.

*(iv) 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:

	<b>2015</b>		<b>2014</b>	
	<b>Construction and allied activities</b>	<b>Trading activities</b>	<b>Construction and allied activities</b>	<b>Trading activities</b>
Trade and other receivables	44,072	3,036	40,936	2,799
Due from related parties	2,529	852	3,377	849
Term deposits in banks	6,399	300	11,589	-
Cash and cash equivalents	15,749	1,174	7,934	1,043
	<b>68,749</b>	<b>5,362</b>	<b>63,836</b>	<b>4,691</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

Bahraini dinars '000

## 5 FINANCIAL RISK MANAGEMENT (continued)

## (v) Impairment losses

The aging of trade and other receivables at the reporting date was:

	2015		2014	
	Gross	Impairment	Gross	Impairment
Neither past due nor impaired	25,238	-	29,385	-
Past due 0 - 90 days	5,906	-	4,978	-
Past due 91 - 180 days	4,256	-	3,654	-
More than 180 days	15,379	(3,671)	8,844	(3,126)
<b>At 31 December</b>	<b>50,779</b>	<b>(3,671)</b>	<b>46,861</b>	<b>(3,126)</b>

Based on past experience, the Group believes that no impairment allowance is necessary in respect of receivables not past due. Management believes that the unimpaired amounts that are past due are still collectible in full, based on historical payment behaviour, trading history, extensive analysis of customers credit risk, and other guarantees provided against outstanding receivables. The movements in impairment allowances are detailed in note 10.

## (vi) 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.

## (vii) 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.

## 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:

2015	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years
Loans and borrowings	1,886	1,948	857	548	383	160
Trade and other payables	25,640	25,640	16,595	4,508	3,348	1,189
Due to related parties	4,654	4,654	4,654	-	-	-
Bills payable	1,843	1,856	1,856	-	-	-
Bank overdraft	3,442	3,511	3,511	-	-	-
	<b>37,465</b>	<b>37,609</b>	<b>27,473</b>	<b>5,056</b>	<b>3,731</b>	<b>1,349</b>

**Commitments and contingencies**

- Letter of credit	1,686	1,686	1,686	-	-	-
- Commitments	748	748	748	-	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

Bahraini dinars '000

## 5 FINANCIAL RISK MANAGEMENT (continued)

2014	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years
Loans and borrowings	1,566	1,623	830	462	155	176
Trade and other payables	12,396	12,396	11,479	788	129	-
Due to related parties	5,151	5,151	5,151	-	-	-
Bills payable	1,236	1,239	1,239	-	-	-
Bank overdraft	4,110	4,193	4,193	-	-	-
	24,459	24,602	22,892	1,250	284	176

*Commitments and contingencies*

- Letter of credit	887	887	887	-	-	-
- Commitments	197	197	197	-	-	-

## 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:

	2015	2014
<b>Fixed rate instruments</b>		
Term deposits with maturity of more than 3 months	6,699	11,589
Term deposits with maturity of 3 months or less	1,854	202
	<b>8,553</b>	11,791
<b>Variable rate instruments</b>		
Loans and borrowings	1,886	1,566
Bank overdraft	3,442	4,110
	<b>5,328</b>	5,676



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

Bahraini dinars '000

**5 FINANCIAL RISK MANAGEMENT (continued)**

The effective interest on these financial instruments is as follows:

<b>Financial instruments</b>	<b>2015 Effective interest rate % p.a.</b>	<b>2014 Effective interest rate % p.a.</b>
Term deposits with maturity of more than 3 months	1.10-2.60	1.15 - 4.00
Term deposits with maturity of 3 months or less	0.60-1.70	1.00 - 1.15
Loans and borrowings	2.81-4.00	2.80 - 4.00
Bank overdraft	2.31-4.19	2.51 - 4.07

An increase/ (decrease) of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by BD 32 (2014: BD 61).

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

*(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 2015 was Euro 975 thousand (2014: Euro 435 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 2015

Bahraini dinars '000

**6 PROPERTY, PLANT AND EQUIPMENT**

Cost	Land & buildings	Improvements on leasehold land	Plant, machinery, vehicles, vessels & barges	Office equipment, furniture & fixtures	Capital work in progress	2015 Total
At 1 January	9,146	3,914	44,459	1,276	15	58,810
Additions	9	37	3,332	33	181	3,592
Transfer from capital work in progress	-	-	15	-	(15)	-
Disposals	(95)	-	(1,087)	(80)	-	(1,262)
<b>At 31 December</b>	<b>9,060</b>	<b>3,951</b>	<b>46,719</b>	<b>1,229</b>	<b>181</b>	<b>61,140</b>
<b>Depreciation</b>						
At 1 January	2,144	1,634	35,518	1,179	-	40,475
Charge for the year	543	374	3,028	55	-	4,000
Disposals	(95)	-	(1,003)	(79)	-	(1,177)
<b>At 31 December</b>	<b>2,592</b>	<b>2,008</b>	<b>37,543</b>	<b>1,155</b>	<b>-</b>	<b>43,298</b>
<b>Net book value</b>						
<b>At 31 December 2015</b>	<b>6,468</b>	<b>1,943</b>	<b>9,176</b>	<b>74</b>	<b>181</b>	<b>17,842</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2015**

Bahraini dinars '000

**6 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	2014 Total
At 1 January	8,949	3,869	43,379	1,249	86	57,532
Additions	197	19	2,008	36	21	2,281
Transfer from capital work in progress	-	26	59	6	(91)	-
Disposals	-	-	(987)	(15)	(1)	(1,003)
At 31 December	9,146	3,914	44,459	1,276	15	58,810
Depreciation						
At 1 January	1,733	1,225	32,459	1,072	-	36,489
Charge for the year	411	409	3,741	123	-	4,684
Disposals	-	-	(682)	(16)	-	(698)
At 31 December	2,144	1,634	35,518	1,179	-	40,475
Net book value						
At 31 December 2014	7,002	2,280	8,941	97	15	18,335

The depreciation charge has been allocated to cost of sales / contract costs - BD 3,338 (2014: BD 3,961) and general administrative expenses - BD 662 (2014: BD 808).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2015**

Bahraini dinars '000

**6 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	10 - 18 years	23
2	Plot No. 7019248 & 7019250 Salmabad	Land	Business	Freehold	20 -26 years	328
3	Building No. 1295, Road 239 Salmabad 702	Building	Business	Leasehold	17 years	34
4	Plot No. 4 (01-00-9078) Hidd Industrial Area	Office/Workshop/Stores Building	Business	Leasehold for 10 years renewable	9 years	866
5	Plot No. 07019247 Salmabad	Land	Business	Freehold	1 year	1,753
6	Plot No. 1359, Ras Zuwaid	Land and Building	Business	Freehold	3 year	819
7	Plot no. 12001760, Ras Zuwaid	Land and Building	Business	Freehold	3 year	3,323