Nass Corporation BSC

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

Head Office	:	P.O. Box 669, Manama, Kingdom of Bahrain Telephone - 17725522 Fax - 17728184
Directors	:	Mr. Sameer Abdulla Nass *(Chairman)* Mr. Sami Abdulla Nass *(Deputy Chairman and Managing Director)* 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

Nass Corporation BSC

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2018

CONTENTS Page

BOARD OF DIRECTORS' REPORT
for the year ended 31 December 2018 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 14th Annual Report and Audited Annual Accounts of Nass Corporation B.S.C. for the financial year ended 31 December 2018. 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 2018 is summarized below:

Financial highlights	**2018**	2017
Revenue	182,770	173,404
Profit before finance charges and depreciation	12,306	10,099
Net profit	4,262	3,525
Total assets	**158,629**	157,965
Total equity	**64,343**	62,984

Appropriations		
Transfer to statutory reserve	426	353
Proposed dividend	1,075	1,075
Donations and charity reserve	30	30

DIVIDEND

The company values the support of the shareholders over the years and is committed in its efforts to add value for their investment. We are pleased to inform you that your Directors have recommended for the financial year ended 31 December 2018, 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.28 March 2019.

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 2018.

GCC countries are playing a prominent role in stimulating the economic growth. Sustained increase in oil price in 2018 has driven an economic recovery in the region which is narrowing fiscal deficit and boosting public spending. In addition, reforms such as VAT, rolling back of subsidy, business environment and labour market reforms were taken to strengthen economic conditions in the region. However, challenges in the construction industry continued with competitive bids, increase in input costs, rolling down of subsidies on fuel, power, and increase in financing costs building pressure on the profit margin. The narrowing of project margins continued in 2018 as is evident from the marginal growth in operating profit despite growth in the company's turnover.

The year 2018 was the 14th year of operations for Nass Corporation B.S.C. The Group achieved a gross turnover of BD 182.770 million (BD 173.404 million for 2017) on which it achieved a profit before interest and depreciation of BD 12.306 million (BD 10.099 million for 2017) and a net profit of BD 4.262 million (BD 3.525 million for 2017).

Surge in the oil price along with fiscal reforms has provided the required momentum for the GCC countries to push public expenditure. The Bahrain construction industry in particular is buoyant backed by projects such as BAPCO Expansion, Al Marassi, GCC marshal fund backed projects and King Abdulla medical city project, which are expected to run beyond 2019. The Group has healthy work-order situation and is hopeful of securing more works during the course of the year out of the above projects.

The board is cognizant of its responsibility and taking steps to streamline the cost structure in order to be competitive in the bidding process and building up the work order. 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 2019 amounts to a value of BD 100.971 million. In addition, our portion of work pertaining to joint venture projects is BD 2.949 million.

JOINT VENTURES

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

JV partner	Project	Contract value
Contrack International	Tension Fabric Hanger at Sh.Isa Air Base, Shipment and Support Facility etc.	12,439
Contrack Watts	Repair of Quay Wall NSA Bahrain, Construction of Mini Mart	11,391

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 28 March 2019.

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 2019.

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.

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 2018.

On behalf of Board of Directors
Nass Corporation BSC

Sameer Abdulla Nass
Chairman

Sami Abdulla Nass
Deputy Chairman and Managing Director

Date: 26 February 2019

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

Telephone +973 17 224807
Fax +973 17 227443
Website: www.kpmg.com/bh
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 2018, 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 2018, 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 2018. 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***
Determination of revenue to be recognized on construction contracts is a key audit matter because of the judgment involved in identifying the separate performance obligations within a contract and determining when control over goods and services transfers to the customer. Revenue is recognized based on contract costs to date as percentage of total forecast costs. An error in the contract forecast could results in a material variance in the amount of profit or loss recognized to date and therefore also in the current period. The forecast profits on contracts include key judgments over the expected recovery of costs arising from variations and claims. The inclusion of these amounts in the contract forecast where they are not recoverable could result in a material error in the level of profit or loss recognized by the Group.	▪ 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; ▪ 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;

- 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	***How our audit addressed the key audit matter***
Trade receivables and other receivables make up 43.5 % 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.	▪ 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 excepted 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.

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 2018 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

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.

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

KPMG Fakhro
Partner registration number 100
26 February 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018 Bahraini dinars '000

	Note	2018	2017
ASSETS			
Property, plant and equipment	5	27,436	27,687
Investment properties	7	2,100	-
Equity accounted investees	6	1,592	993
Other assets		982	291
Total non-current assets		**32,110**	28,971
Inventories	8	9,622	14,706
Assets held for sale	7	-	2,348
Trade and other receivables	9	69,002	65,689
Contract assets	10	31,516	28,476
Due from related parties	23	5,596	5,834
Deposits with banks		366	609
Cash and cash equivalents	11	10,417	11,332
Total current assets		**126,519**	128,994
Total assets		**158,629**	157,965
EQUITY			
Share capital	20	22,000	22,000
Treasury shares	20	(1,597)	(1,597)
Statutory reserve	21	8,767	8,341
Retained earnings		31,960	31,495
Donations and charity reserve		43	23
Equity attributable to equity holders of the parent		**61,173**	60,262
Non-controlling interest		3,170	2,722
Total equity		**64,343**	62,984
Liabilities			
Bank loans	12	3,668	822
Employee benefits	13	7,627	7,071
Total non-current liabilities		**11,295**	7,893
Trade and other payables	14	40,988	43,294
Contract liabilities	15	8,570	15,732
Employee benefits	13	3,799	3,265
Due to related parties	22	9,505	8,028
Bills payable		1,236	2,475
Bank loans	12	981	1,079
Bank overdrafts	11	17,912	13,215
Total current liabilities		**82,991**	87,088
Total liabilities		**94,286**	94,981
Total equity and liabilities		**158,629**	157,965

The consolidated financial statements were approved by the Board of Directors on 26 February 2019 and signed on its behalf by:

Sameer Abdulla Nass
Chairman

Sami Abdulla Nass
Deputy Chairman & Managing Director

The accompanying notes from 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 2018 Bahraini dinars '000

	Note	2018	2017
Revenue	16	182,770	173,404
Cost of sales		(163,994)	(156,079)
Gross profit		**18,776**	17,325
Other income	17	857	578
General and administrative expenses	18	(12,909)	(12,696)
Impairment losses on trade and other receivables and contract assets	9, 10	(1,793)	(2,103)
Finance income		67	105
Finance cost		(950)	(485)
Share of profit from equity accounted investees, net	6	1,130	1,741
Profit for the year		**5,178**	4,465
Other comprehensive income		**-**	-
Total comprehensive income for the year		**5,178**	4,465
Profit and total comprehensive income for the year attributable to:			
Equity holders of the parent		4,262	3,525
Non-controlling interest		916	940
		5,178	4,465
Earnings per share			
Basic and diluted earnings per share (Fils)	19	**19.81**	16.39

Sameer Abdulla Nass
Chairman

Sami Abdulla Nass
Deputy Chairman & Managing Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

Bahraini dinars '000

	Attributable to equity holders of the parent							
2018	**Share capital**	**Treasury shares**	**Statutory reserve**	**Retained earnings**	**Donations & charity reserve**	**Total**	**Non-controlling interest**	**Total Equity**
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 (note 3 (a))	-	-	-	(2,466)	-	(2,466)	(186)	(2,652)
Impact of adopting IFRS 15 (note 3 (b))	-	-	-	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 from 1 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018 *(continued)*

Bahraini dinars '000

	Attributable to equity holders of the parent							
2017	Share capital	Treasury shares	Statutory reserve	Retained earnings	Donations & charity reserve	Total	Non-controlling interest	Total Equity
At 1 January 2017	22,000	(1,597)	7,988	29,408	35	57,834	2,296	60,130
Profit and total comprehensive income for the year	-	-	-	3,525	-	3,525	940	4,465
Transfer to statutory reserve for 2017	-	-	353	(353)	-	-	-	-
2016 Appropriations approved:								
dividend (5 %)	-	-	-	(1,075)	-	(1,075)	(514)	(1,589)
Donations and charity reserve	-	-	-	(10)	10	-	-	-
Utilization of donation and charity reserve	-	-	-	-	(22)	(22)	-	(22)
At 31 December 2017	22,000	(1,597)	8,341	31,495	23	60,262	2,722	62,984

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2018 Bahraini dinars '000

	Note	2018	2017
Cash flows from operating activities			
Profit for the year		**5,178**	4,465
Adjustments for:			
Depreciation of property, plant and equipment	5	5,931	5,149
Depreciation of investment property		78	-
Impairment of investment property		169	-
Impairment of trade receivables (net)	9	1,793	2,018
Impairment of due from customers	10	-	85
Amortization of held to maturity investment		-	4
Gain on disposal of property, plant and equipment	17	(100)	(122)
Share of profit from joint ventures, net	6	(1,088)	(1,821)
Share of (profit) / loss from associate		(42)	80
Employee benefits		556	1,114
Changes in:			
Inventories		5,084	(7,445)
Trade and other receivables		(8,312)	(10,662)
Contract assets		(2,840)	(20,970)
Due from related parties		238	1,745
Trade and other payables		(17,201)	2,777
Contract liabilities		7,575	10,570
Employee benefits		534	345
Due to related parties		1,477	1,218
Bills payable		(1,239)	1,006
Net cash used in operating activities		**(2,209)**	(10,444)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(4,288)	(10,207)
Proceeds on sale of property, plant and equipment		356	237
Acquisition of subsidiary		(1,000)	-
Interests in joint ventures	6	531	1,573
Deposits with banks		243	5,528
Net cash used in investing activities		**(4,158)**	(2,869)
Cash flows from financing activities			
Proceeds from bank loans		4,463	1,928
Repayment of bank loans		(1,715)	(1,378)
Dividends paid to equity shareholders of the parent		(1,043)	(1,107)
Dividends paid to non-controlling shareholders		(940)	(514)
Donations paid		(10)	(22)
Net cash from / (used) in financing activities		**755**	(1,093)
Net decrease in cash and cash equivalents		**(5,612)**	(14,406)
Cash and cash equivalents at 1 January		(1,883)	12,523
Cash and cash equivalents at 31 December	11	**(7,495)**	(1,883)

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

for the year ended 31 December 2018 Bahraini dinars '000

1 REPORTING ENTITY

Nass Corporation B.S.C. (the "Company") is a public shareholding Company incorporated and registered in Bahrain on 17 September 2005 under commercial registration number 60037and was listed on the Bahrain Bourse on 22 November 2005.

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 2018 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	60 %	Extraction of marine sand

for the year ended 31 December 2018 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 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 Emco Joint Venture	Bahrain	50 %	General contracting
Nass Contrack Watts Joint Venture	Bahrain	50 %	General contracting
Breamer Nass W.L.L.	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 the requirements of Bahrain 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 2018

The Group adopted IFRS 9 and IFRS 15 on 1 January 2018. Refer to Note 3(a)

2 *BASIS OF PREPARATION (continued)*

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

The following standards and amendments which are relevant to the Group have been issued but not yet effective and accordingly have not been applied in the preparation of the consolidated financial statements.

(i) IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet 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 optional 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

The standard is effective for annual periods beginning on or after 1 January 2019.
The Group is still assessing the impact on its consolidated financial statements from adoption of this standard.

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

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.

(iii) 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 this amendment. .

e) Early adoption of standards

The Group did not early adopt new or amended standards and /or interpretations in 2018.

for the year ended 31 December 2018 Bahraini dinars '000

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting polices applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied by the Group and are consistent with those applied in prior years except for changes arising from adoption of IFRS 9 and IFRS 15 as set out below:

a) Changes in significant accounting policies

(i) Adoption of IFRS 9 "financial instruments"

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Group has initially applied IFRS 9 from 1 January 2018. Due to the transition options chosen by the Group in applying this standard, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying this standards is mainly attributed to an increase in impairment losses recognised on financial assets at amortised cost and contract assets which has been adjusted against the opening balance of retained earnings as 1 January 2018.

As a result of adopting IFRS 9, the Group has adopted consequential amendments to IAS 1 "Presentation of Financial Statements", which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade and other receivables and contract assets in general and administrative expenses. Consequently, the Group reclassified impairment losses amounting to BD 2,103, recognised under IAS 39, from 'general and administrative expenses' to 'impairment loss on trade and other receivables and contract assets ' in the statement of profit or loss and OCI for the year ended 31 December 2017.

Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information

The following table summarises the impact of transition to IFRS 9 on the opening of retained earnings and NCI

	Retained earnings	**Non-controlling interests**
Balance under IAS 39 at 31 December 2018	31,495	2,722
Impact of expected credit loss on trade and other receivables and contract assets	(2,466)	(186)
Balance under IFRS 9 on date of initial application at 1 January 2018	**29,029**	**2,536**

The ECL on cash and cash equivalents and contract assets was not significant.

for the year ended 31 December 2018 Bahraini dinars '000

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Classification and measurement of financial instruments

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. There were no significant changes to the classification and measurement of the Group's financial liabilities.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

The following table reconciles the original classification categories and carrying amounts of financial assets under IAS 39 to the new classification categories and carrying amounts under IFRS 9 as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 at 31 December 2017	Re-measure-ment	New carrying amount under IFRS 9 at 1 January 2018
Trade and other receivables	Loans and receivables	Amortised cost	93,302	(2,652)	90,650
balances with banks and bank deposits	Loans and receivables	Amortised cost	11,725	-	11,725
Investment in debt instrument	Held to maturity	Amortised cost	291	-	291
			105,318	**(2,652)**	**102,666**

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and contract assets. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The Group has determined that the application of IFRS 9 impairment requirements at 1 January 2018 resulted in an additional allowance for impairment as follows:

Loss allowance at 31 December 2017 under IAS 39	6,231
Additional impairment recognised at 1 January 2018 on:	
Trade and other receivables and contract assets	2,652
Loss allowance at 1 January 2018 under IFRS 9	**8,883**

for the year ended 31 December 2018 Bahraini dinars '000

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) Adoption of IFRS 15 revenue from contract with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e.1 January 2018). Accordingly, the information presented for 2017 has not been restated to reflect the new requirements – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The following table summarises the impact, net of tax, of transition to IFRS 15 on retained earnings and Non-controlling interest (NCI) at 1 January 2018.

	As at 31 December 2017	**Adjustments due to adoption of IFRS 15**	**Adjusted opening balance at 1 January 2018**
Retained earnings	31,495	200	31,695
Non-controlling interest	2,722	-	2,722

There was no significant impact from adopting IFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018.

The details of the main new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below.

Type of product /service	**New revenue recognition criteria**	**Change from previous accounting policy**
Performance obligations	A performance obligation is a promise in the contract to transfer a good or service to a customer – it is the unit of account for contract accounting. The Group, based on the guidance of the new standard, identifies separate components of a contract that may result in goods or services being unbundled or bundled. If a revenue arrangement from a bundled contract includes more than one performance obligation, the arrangement consideration is allocated to each performance obligation based on their relative standalone selling price.	The Company provides a significant integration services by combining all the goods and services in the contract, into a combined item for which the customer has contracted. Combination of these assets are generally represents a single performance obligation. However, the Group exercises judgment whether the different elements of the contract are closely inter-related or interdependent based on the comprehensive guidance of IFRS 15, and that a significant integration service is performed in order to account for the contract as a single performance obligation.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

Variable consideration	Variable consideration is estimated at either the 'expected value' (i.e. the sum of probability weighted amounts) or the 'most likely amount' (i.e. the single most likely amount) and included in the revenue to the extent that is highly probable that the revenue would not reverse.	As per previous accounting policy, 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 adoption of IFRS 15 resulted in a change of the approach to account for variable considerations, which is now based on 'expected value' or 'most likely amount'. Also the Group assesses which of the two methods best predicts the amount of consideration to which it would be entitled
Contract Costs	Contract costs that are incremental in obtaining a contract with a customer are capitalized and amortised over the period of related revenues.	Previously all contract costs were expensed as incurred. Adoption of IFRS 15 resulted in recognition of contract assets and subsequent amortisation in respect of these costs within the Group's balance sheet.

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.

(iii) Interests in equity-accounted investees

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. 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.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

(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

Policy applicable from 1 January 2018
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.

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.

Policy applicable before 1 January 2018
Financial assets
The Group classifies financial assets as loans and receivables that are measured at amortised cost.

Financial liabilities
Liabilities are classified and measured at amortised cost

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

(iii) De-recognition

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

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

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

d) Impairment of financial assets

Policy applicable from 1 January 2018
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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Policy applicable before 1 January 2018
The Group assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impairment. A financial assets or a group of financial assets is impairment as a result of one or more events that occurred after the initial recognition of the assets (a "loss event") and the loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For financial assets at amortised cost, the amount of loss is measured as the difference between the asset's currying amount and P."V. of the estimated C/F (excluding future credit losses) discounted at the financial assets, original effective interest rate. If, in a subsequent period the amount of the impairment loses decreases and the decrease can be related objectively to on event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

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.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

(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.

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

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 and invoice to the customer.

Contract liabilities primary 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Revenue recognition

Policy from 1 January 2018
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.

Policy before 1 January 2018
(iii) 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 of contract costs incurred for the work performed at the balance sheet date relative 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.

(iv) 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, usually when the goods are delivered and accepted by the customer.

(v) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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) - 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.

for the year ended 31 December 2018 Bahraini dinars '000

5 PROPERTY, PLANT AND EQUIPMENT

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**

for the year ended 31 December 2018 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 2017	12,433	4,290	51,553	1,291	236	69,803
Additions	178	31	9,500	36	462	10,207
Transfer from capital work in progress	-	26	386	6	(418)	-
Disposals	(27)	-	(1,211)	(46)	-	(1,284)
At 31 December 2017	12,584	4,347	60,228	1,287	280	78,726
Depreciation						
At 1 January 2017	3,095	2,395	40,357	1,212	-	47,059
Charge for the year	509	481	4,100	59	-	5,149
Disposals	(27)	-	(1,096)	(46)	-	(1,169)
At 31 December 2017	3,577	2,876	43,361	1,225	-	51,039
Net book value						
At 31 December 2017	9,007	1,471	16,867	62	280	27,687

The depreciation charge has been allocated to cost of sales / contract costs - BD 5,244 (2017: BD 4,511) and general administrative expenses – BD 687 (2017: BD 638).

for the year ended 31 December 2018 Bahraini dinars '000

5 PROPERTY, PLANT AND EQUIPMENT (continued)

Properties of the Group

No	Address	Description	Existing use	Type and Tenure	Average age of the property	Net book value
1	Building No. 910, East Al Ekar	Office/ Factory/Garage/Stores Building	Business	Leasehold renewable on an annual basis	11 - 21 years	-
2	Plot No. 7019248 & 7019250 Salmabad	Land	Business	Freehold	21 -29 years	328
3	Building No. 1295, Road 239 Salmabad 702	Building	Business	Leasehold	20 years	29
4	Plot No. 4 (01-00-9078) Hidd Industrial Area	Office/Workshop/Stores Building	Business	Leasehold for 10 years renewable	12 years	509
5	Plot No. 07019247 Salmabad	Land	Business	Freehold	4 year	1,753
6	Plot No. 1359, Ras Zuwaid	Land and Building	Business	Freehold	6 year	522
7	Plot no. 12001760, Ras Zuwaid	Land and Building	Business	Freehold	6 year	2,429
8	Plot No. 12010988, Lhassay	Land and Building	Business	Freehold	2 year	1,034
9	Plot No. 12010989, Lhassay	Land	Business	Freehold	2 year	1,326
10	Plot No. 12009273, Lhassay	Land	Business	Freehold	2 year	1,084

for the year ended 31 December 2018 Bahraini dinars '000

6 INTERESTS IN EQUITY ACCOUNTED INVESTEES

Equity accounted investees includes investment in associate balance as at 31 December 2018 BD 311 (2017: BD 269). Share of profit from equity associated investees includes income from associate during the year 2018 BD 42 (2017: loss (80).

The movement on interest in joint venture is as follows:

	2018	2017
At 1 January	724	476
(Repayment) / net cash settlement during the year	-	(711)
Share of profit for the year	1,088	1,821
Distribution of profits during the year	(531)	(862)
	1,281	724

a. *Investments in joint ventures*

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 2018	2017
Nass Contrack Joint Venture	Nass Contracting Company W.L.L.	50	507	418
Nass Burhan Joint Venture	Nass Contracting Company W.L.L.	50	636	4
Nass Contrack Watts Joint Venture	Nass Contracting Company W.L.L.	50	138	302
		Total	**1,281**	724

All the joint ventures except Braemar Nass W.L.L. are unincorporated entities.

for the year ended 31 December 2018 Bahraini dinars '000

6 INTERESTS IN EQUITY ACCOUNTED INVESTEES (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**
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**

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
2017						
Immaterial joint ventures	-	1,261	187	1,448	-	-
Material joint venture	185	2,084	3,517	4,339	1,447	724
Total	185	3,345	3,704	5,787	1,447	724

for the year ended 31 December 2018 Bahraini dinars '000

6 INTERESTS IN EQUITY ACCOUNTED INVESTEE (continued)

Joint Venture (JV)	**Revenue**	**Depreciation and amortisation**	**Interest income**	**Profit (loss) from continuing operations**	**Total comprehensive income (loss)**	**Group's share of comprehensive income (loss) (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**

Joint Venture (JV)	Revenue	Depreciation and amortisation	Interest income	Profit (loss) from continuing operations	Total comprehensive income (loss)	Group's share of comprehensive income (loss) (50 %)	Dividend received by the Group
2017							
Immaterial joint ventures	1,212	-	-	133	133	67	-
Material joint venture	10,310	76	-	3,509	3,509	1,754	862
Total	11,522	76	-	3,642	3,642	1,821	862

for the year ended 31 December 2018 Bahraini dinars '000

7 INVESTMENT PROPERTIES

This represent 7 residential villas received in 2017 in lieu of a receivable from a customer of which 1 villa was sold and the balance 6 villas was recognised as assets held for sale. The assets were recognised at the fair value on the date of transfer as determined by an independent third party valuer having relevant experience of similar properties in the same location using the sales comparison approach. During the year, the properties were transferred to Investments Property because the Group was not able to dispose of the property within the 12 months timeframe allowed by IFRS 5 - discontinued operations and assets held for sale.

8 INVENTORIES

	2018	2017
Raw materials	6,194	10,986
Machineries, spares, fuels and lubricants	3,857	3,132
Goods in transit	22	28
Food products	1,567	2,055
Finished goods	711	826
	12,351	17,027
Impairment allowance for slow moving and obsolete inventories	(2,729)	(2,321)
	9,622	14,706

Movements on impairment allowance for slow moving and obsolete inventories	**2018**	2017
At 1 January	2,321	1,421
Charge for the year	416	936
Write-back during the year	(8)	(36)
At 31 December	**2,729**	2,321

9 TRADE AND OTHER RECEIVABLES

	2018	2017
Trade receivables	49,611	46,744
Retentions receivable	23,292	15,793
Advances to suppliers and sub-contractors	4,163	7,709
Prepaid expenses	830	863
Other receivables	875	691
Staff receivables	130	120
	78,901	71,920
Allowance for impairment losses	(9,899)	(6,231)
	69,002	65,689

Movements on allowance for impairment losses	**2018**	2017
At 1 January	6,231	4,345
Additional impairment recognised under IFRS 9	2,652	-
Charge for the year	1,793	2,018
Write-off during the year	(777)	(132)
At 31 December	**9,899**	6,231

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

for the year ended 31 December 2018 Bahraini dinars '000

10 CONTRACT ASSETS

	2018	2017
Cost incurred plus attributable profits on contracts-in-progress	301,140	230,349
Progress billings made towards contracts-in-progress	(269,539)	(201,129)
	31,601	29,220
Allowance for impairment losses	(85)	(744)
	31,516	28,476

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

11 CASH AND CASH EQUIVALENTS

	2018	2017
Cash and bank balances	7,260	10,167
Short-term bank deposits	3,157	1,165
Cash and cash equivalents in statement of financial position	**10,417**	11,332
Bank overdrafts	(17,912)	(13,215)
Cash and cash equivalents in statement of cash flows	**(7,495)**	(1,883)

12 BANK LOANS

	2018	2017
Current	981	1,079
Non-current	3,668	822
	4,649	1,901

Movement during the year as follows:

	2018	2017
At 1 January	1,901	1,351
Loans received during the year	4,463	1,928
Loans repaid during the year	(1,715)	(1,378)
At 31 December	**4,649**	1,901

The effective interest rate on loans and borrowings was 4.89% - 5.94% p.a. (2017: 3.88% - 5.00% p.a.).

for the year ended 31 December 2018 Bahraini dinars '000

13 EMPLOYEE BENEFITS

	2018	2017
At 1 January	10,336	8,877
Charge for the year	4,798	4,203
Paid during the year	(3,708)	(2,744)
	11,426	10,336

Analysed as		
Current liabilities	3,799	3,265
Non-current liabilities	7,627	7,071
	11,426	10,336

14 TRADE AND OTHER PAYABLES

	2018	2017
Trade accounts payable	18,542	17,427
Accrued expenses	15,286	17,680
Unclaimed dividends	1,619	1,587
Retentions payable	3,493	3,090
Other payables	2,048	3,510
	40,988	43,294

Information about the Group's exposure to currency and liquidity risks is included in note 24.

15 CONTRACT LIABLITIES

	2018	2017
Progress billings received and receivable	70,494	57,259
Costs incurred plus recognised profits on contracts-in-progress	(61,924)	(41,527)
	8,570	15,732

16 REVENUE

A. Revenue streams

	2018	2017
Revenue from contracts with customers		
- Contract income	134,514	128,301
- Sales of goods	35,470	36,337
- Hire income	12,786	8,766
	182,770	173,404

for the year ended 31 December 2018 Bahraini dinars '000

16 REVENUE (continued)

B. Disaggregation of revenue from contracts with customers

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

	Contract Income, Manufacturing, Service		Trading		Elimination		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Primary Geographical markets								
Bahrain	173,319	157,458	18,246	17,158	(26,455)	(24,320)	165,110	150,296
Outside Bahrain	17,917	23,108	-	-	(257)	-	17,660	23,108
	191,236	180,566	**18,246**	17,158	**(26,712)**	(24,320)	**182,770**	173,404
Type of Markets								
Government Sector	84,122	79,022	646	466	-	-	84,768	79,488
Non-government Sector	107,114	101,544	17,600	16,692	(26,712)	(24,320)	98,002	93,916
	191,236	180,566	**18,246**	17,158	**(26,712)**	(24,320)	**182,770**	173,404
Timing of revenue recognition								
Products transferred at a point in time	42,034	37,338	18,246	17,158	(20,355)	(15,630)	39,925	38,866
Products transferred over time	149,202	143,228	-		(6,357)	(8,690)	142,845	134,538
Revenue from contracts with customers	**191,236**	180,566	**18,246**	17,158	**(26,712)**	(24,320)	**182,770**	173,404

C. Contract Balances

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

17 OTHER INCOME

	2018	2017
Gain on disposal of property, plant and equipment	100	122
Write-back of provision for inventory	8	36
Miscellaneous income	749	420
	857	578

18 GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
Salaries of administration staff	7,476	7,153
Management consultancy fees	1,560	1,560
Depreciation	687	638
Commission	369	330
Vehicle expenses	415	463
Rent, electricity and water	524	433
Communication	245	237
Directors' remuneration and sitting fees	301	295
Staff recruitment and training	160	279
Impairment of investment properties	169	-
Professional fee	413	235
IT expenses	228	204
Other expenses	362	869
	12,909	12,696

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:

	2018	2017
Profit attributable to equity holders of the parent	**4,262**	3,525
Weighted average number of shares at 31 December (000's)	215,077	215,077
Basic earnings per share	**19.81**	16.39

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

	2018	2017
a) Authorised share capital		
500,000,000 (2017: 500,000,000) shares of 100 fils each	**50,000**	50,000
b) Issued and fully paid		
220,000,000 (2017: 220,000,000) shares of 100 fils each	**22,000**	22,000
Treasury shares: 4,923,160 (2017: 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.

for the year ended 31 December 2018 Bahraini dinars '000

20 *SHARE CAPITAL*

c) Dividends

Dividend for the year ended 31 December 2018 of BD 5 fils per share, amounting to BD 1,075 is being proposed by the Board of Directors for the approval at the Shareholders Annual General Meeting on 28 March 2019. These financial statements do not reflect this dividend payable. No interim dividend was paid during the year (2017: Nil).

	2018	2017
Proposed dividend	1,075	1,075
Donations and charity reserve	30	30
	1,105	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	16,603,776	7.55	Kingdom of Saudi Arabia
Total	**110,653,776**	**50.30**	

** 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**	
	2018	2017	**2018**	2017	**2018**	2017
Less than 1 %	74,240,743	69,984,428	7,973	8,001	33.74	31.81
1 % up to less than 5 %**	35,105,481	39,361,796	9	10	15.96	17.89
5 % up to less than 10 %	110,653,776	110,653,776	6	6	50.30	50.30
10 % up to less than 20 %	-	-	-	-	-	-
Total	**220,000,000**	220,000,000	**7,988**	8,017	**100.00**	100.00

*** Includes 4,923,160 (2017: 4,923,160) treasury shares.*

21 STATUTORY RESERVE

In accordance with the requirements of the Bahrain 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.

for the year ended 31 December 2018 Bahraini dinars '000

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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
A.A. Nass & Sons and its related companies	1,068	6,770	17,547	12,930	3,934	4,831	9,062	7,586
Joint ventures	2,037	1,168	-	-	1,662	1,003	443	442
Total	**3,105**	7,938	**17,547**	12,930	**5,596**	5,834	**9,505**	8,028

During the year, the parent company has provided guarantees of BD 113,432 (2017: BD 100,357) 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 (2017: 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:

	2018	2017
Short-term benefits	1,573	1,520
Post-employment benefits	103	94
	1,676	1,614

The short-term compensation includes provision for directors' fees of BD 92 (2017: BD 92) charged to profit or loss subject to approval by the shareholders at the Annual General Meeting and board committee attendance fees of BD 209 (2017: BD 203).

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.

for the year ended 31 December 2018 Bahraini dinars '000

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.

2018 (under IFRS 9)
The Group's financial assets and liabilities are classified and carried at amortised cost.

2017 (under IAS 39)	Loans and receivables	Others at amortised cost	Total carrying value
Trade and other receivables	64,826	-	64,826
Due from related parties	5,834	-	5,834
Term deposits with banks	609	-	609
Cash and cash equivalents	11,116	-	11,116
	82,385	-	82,385
Bank loans	-	1,901	1,901
Trade and other payables	-	25,614	25,614
Due to related parties	-	8,028	8,028
Bills payable	-	2,475	2,475
Bank overdrafts	-	13,215	13,215
		51,233	51,233

for the year ended 31 December 2018 Bahraini dinars '000

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.

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:

	2018	2017
Trade and other receivables (net)	68,172	64,826
Contract assets	31,516	28,476
Due from related parties	5,596	5,834
Term deposits with banks	366	609
Cash and cash equivalents	10,247	11,116
	115,897	110,861

for the year ended 31 December 2018 Bahraini dinars '000

24 FINANCIAL RISK MANAGEMENT (continued)

(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

(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:

	2018		2017	
	Construction and allied activities	**Trading activities**	Construction and allied activities	Trading activities
Trade and other receivables	64,183	3,989	61,757	3,069
Contract assets	31,516	-	28,476	-
Due from related parties	3,822	1,774	5,156	678
Term deposits in banks	366	-	609	-
Cash and cash equivalents	9,105	1,142	9,936	1,180
	108,992	**6,905**	105,934	4,927

for the year ended 31 December 2018 Bahraini dinars '000

24 FINANCIAL RISK MANAGEMENT (continued)

(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:

2018 (under IFRS 9)

	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Credit-impaired
Current (not past due)	1%	87,337	958	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**	**9,882**	

2017 (under IAS 39)

	Gross	Impairment
Neither past due nor impaired	53,673	-
Past due 0 - 90 days	4,749	-
Past due 91 - 180 days	1,703	-
More than 180 days	10,932	(6,231)
	71,057	**(6,231)**

for the year ended 31 December 2018 Bahraini dinars '000

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:

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**	-	-	-

2017	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years
Bank Loans	1,901	2,031	725	386	548	372
Trade and other payables	25,614	25,614	21,865	659	3,090	-
Due to related parties	8,028	8,028	3,211	4,817	-	-
Bills payable	2,475	2,516	2,516	-	-	-
Bank overdraft	13,215	13,578	13,578	-	-	-
	51,233	51,767	41,895	5,862	3,638	372
Commitments and contingencies						
- Letter of credit	9,037	9,037	9,037	-	-	-
- Commitments	549	549	549	-	-	-

for the year ended 31 December 2018 Bahraini dinars '000

d) Market risk

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

(i) Interest rate risk

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

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

	2018	2017
Fixed rate instruments		
Term deposits with maturity of more than 3 months	366	609
Term deposits with maturity of 3 months or less	3,157	1,165
	3,523	1,774
Variable rate instruments		
Bills payable	1,236	2,475
Loans and borrowings	4,649	1,901
Bank overdraft	17,912	13,215
	23,797	17,591

The effective interest on these financial instruments is as follows:

Financial instruments	**2018 Effective interest rate % p.a.**	2017 Effective interest rate % p.a.
Term deposits with maturity of more than 3 months	3.30-4.10	2.28-2.50
Term deposits with maturity of 3 months or less	2.80-4.15	2.44-2.86
Loans and borrowings	4.89-5.94	3.88-5.00
Bank overdraft	3.94-5.67	2.98-4.73

An increase/ (decrease) of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by BD (203) (2017: BD (158)).

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

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 2018 was Euro 159 thousand (2017: Euro 1,058 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.

for the year ended 31 December 2018 Bahraini dinars '000

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**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Revenue								
External sales	169,707	160,817	13,063	12,587	-	-	182,770	173,404
Inter-segment sales	21,529	19,749	5,183	4,571	(26,712)	(24,320)	-	-
Total revenue	**191,236**	180,566	**18,246**	17,158	**(26,712)**	(24,320)	**182,770**	173,404
Segment result	5,292	2,801	146	1,682	-	(125)	5,438	4,358
Share of profit/ (loss) from joint ventures	1,088	1,821	-	-	-	-	1,088	1,821
Other gains and losses	851	555	115	48	-	-	966	603
Unallocated corporate expenses	-	-	-	-	-	-	(2,314)	(2,317)
Profit for the year							**5,178**	4,465

	Construction and Allied Activities		**Trading Activities**		**Consolidated**	
	2018	2017	**2018**	2017	**2018**	2017
Other Information						
Depreciation	5,099	4,716	832	433	5,931	5,149
Capital expenditure	3,821	9,067	467	1,140	4,288	10,207
Total assets	146,296	147,784	12,333	10,181	158,629	157,965
Total liabilities	90,348	91,113	3,938	3,868	94,286	94,981
Total net assets	**55,948**	56,671	**8,395**	6,313	**64,343**	62,984

for the year ended 31 December 2018 Bahraini dinars '000

26 COMMITMENTS AND CONTINGENCIES

	2018	2017
Guarantees	**62,753**	59,188
Letters of credit	**1,046**	9,037
Capital commitments	**535**	549

The banks have provided guarantees (performance, retention, financial and others related to contracting activities) amounting to BD 62,753 (2017: BD 59,188) for the various divisions and subsidiaries of the parent company.

27 OPERATING LEASE RENTALS

	2018	2017
Minimum lease payment recognised as an expense during the year	**5,019**	3,999
Future minimum lease payments:		
- not later than one year	3,469	3,557
- later than one year and not later than five years	1,439	1,100
- later than five years	1,173	1,085
Aggregate rental lease expenditure contracted at statement of financial position date	**6,081**	5,742

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.

for the year ended 31 December 2018 Bahraini dinars '000

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 2018	1,901	22,000	(1,597)	31,495	8,364	2,722	64,885
Changes from financing cash flows							
Borrowings (net)	2,748	-	-	-	-	-	2,748
Dividend paid	-	-	-	(1,043)	-	(940)	(1,983)
Donation paid	-	-	-	-	(10)	-	(10)
Total changes from financing cash flows	2,748	-	-	(1,043)	(10)	(940)	755
Equity-related changes		-	-	1,508	456	1,388	3,352
Balance at 31 December 2018	**4,649**	**22,000**	**(1,597)**	**31,960**	**8,810**	**3,170**	**68,992**