

Nass Corporation BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2016

Nass Corporation BSC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2016**

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GENERAL INFORMATION

Commercial registration	60037
Head office	P.O. Box 669 Manama Kingdom of Bahrain
Chairman	Mr. Sameer Abdulla Nass
Deputy Chairman & Managing Director	Mr. Sami Abdulla Nass
Director	Mr. Adel Abdulla Nass
Director	Mr. Ghazi Abdulla Nass
Director	Mr. Fawzi Abdulla Nass
Director	Mr. Bashar Sameer Nass
Director	Dr. Mustafa Al Sayed
Director	Mr. Jamal A Al Hazeem
Director	Mr. Hisham Al Saie
Director	Mr. Hemant Joshi
Bankers	HSBC Bank Middle East Standard Chartered Bank BNP Paribas BBK Ahli United Bank Bahrain Islamic Bank BMI Bank State Bank of India
Auditors	KPMG Fakhro



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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Board of Directors
Nass Corporation BSC
P.O. Box 669
Manama
Kingdom of Bahrain

13 November 2016

Introduction

We have reviewed the accompanying 30 September 2016 condensed consolidated interim financial information of Nass Corporation BSC (the "Company") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2016;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2016;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2016;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2016; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2016 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2016

Bahraini Dinars '000

	Note	30 September 2016 (reviewed)	31 December 2015 (audited)
ASSETS			
Property, plant and equipment		21,138	17,842
Investment property		-	1,500
Held to maturity investment		300	-
Investment in equity accounted investees		840	883
Non-current assets		22,278	20,225
Inventories		7,765	5,855
Trade and other receivables		42,556	47,405
Due from contract customers		12,733	9,850
Due from related parties	8	9,664	3,381
Deposits with banks		12,205	8,553
Cash and banks balances		17,502	15,182
Current assets		102,425	90,226
Total assets		124,703	110,451
EQUITY AND LIABILITIES			
Share capital		22,000	22,000
Treasury shares		(1,597)	(1,597)
Statutory reserve		7,684	7,684
Retained earnings		30,853	27,753
Donations and charity reserve		35	31
Equity attributable to equity holders of the parent		58,975	55,871
Non-controlling interest		2,104	2,121
Total equity		61,079	57,992
Liabilities			
Bank loans		83	310
Employee benefits		5,716	5,277
Trade and other payables		344	151
Non-current liabilities		6,143	5,738
Trade and other payables		39,435	30,809
Due to contract customers		2,548	2,084
Employee benefits		2,842	2,313
Due to related parties	8	6,098	4,654
Bills payable		1,011	1,843
Bank loans		1,149	1,576
Bank overdrafts		4,398	3,442
Current liabilities		57,481	46,721
Total liabilities		63,624	52,459
Total equity and liabilities		124,703	110,451

The condensed consolidated interim financial information which consist of pages 3 to 13 were approved by the Board of Directors on 13 November 2016 and signed on its behalf by:


 Sameer Abdulla Nass
 Chairman


 Sami Abdulla Nass
 Deputy Chairman & Managing Director

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

for the nine months ended 30 September 2016

Bahraini Dinars '000

	Note	Nine months ended 30 September		Three months ended 30 September	
		2016 (reviewed)	2015 (reviewed)	2016 (reviewed)	2015 (reviewed)
REVENUE					
Contract income		61,779	49,131	22,237	16,852
Sales		20,845	17,226	7,221	5,791
Hire income		8,818	6,225	2,650	2,395
Total revenue		91,442	72,582	32,108	25,038
Cost of sales		(79,963)	(62,356)	(28,570)	(22,278)
Gross profit		11,479	10,226	3,538	2,760
Other operating income, net		523	245	124	80
Gain on disposal of investment property		637	-	-	-
General and administrative expenses	7	(8,330)	(8,924)	(2,798)	(2,662)
Finance income		145	125	44	40
Finance costs		(179)	(161)	(65)	(51)
Share of profit from equity accounted investments		232	318	96	350
Profit and total comprehensive income for the period		4,507	1,829	939	517
<i>Attributable to</i>					
Equity holders of the parent		4,185	1,582	868	456
Non-controlling interest		322	247	71	61
		4,507	1,829	939	517
Earnings per share					
Basic earnings per share (Fils)		19.46	7.36	4.04	2.14

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2016

Bahraini Dinars '000

	Attributable to equity holders of the parent						Non-controlling interest	Total Equity
	Share capital	Treasury shares	Statutory reserve	Retained earnings	Donations and charity reserve	Total		
At 1 January 2016	22,000	(1,597)	7,684	27,753	31	55,871	2,121	57,992
2015 Appropriations:				(1,075)	-	(1,075)	(339)	(1,414)
Dividend (5%)	-	-	-	(10)	10	-	-	-
Donations and charity reserve approved	-	-	-	-	-	-	-	-
Balance after 2015 appropriations	22,000	(1,597)	7,684	26,668	41	54,796	1,782	56,578
Profit and total comprehensive income for the period	-	-	-	4,185	-	4,185	322	4,507
Utilisation of donation and charity reserve	-	-	-	-	(6)	(6)	-	(6)
Balance at 30 September 2016	22,000	(1,597)	7,684	30,853	35	58,975	2,104	61,079

The condensed consolidated interim financial information consists of pages 3 to 13.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2016

Bahraini Dinars '000

	Attributable to equity holders of the parent						Non-controlling interest	Total equity
	Share capital	Treasury shares	Statutory Reserve	Retained Earnings	Donations and charity reserve	Total		
2015 (reviewed)								
At 1 January 2015	22,000	(1,597)	7,417	28,588	29	56,437	1,993	58,430
2014 Appropriations:								
Final dividend (15%) – 2014	-	-	-	(3,226)	-	(3,226)	(229)	(3,455)
Donations and charity reserve	-	-	-	(10)	10	-	-	-
Balance after 2014 Appropriations	22,000	(1,597)	7,417	25,352	39	53,211	1,764	54,975
Profit and total comprehensive income for the period	-	-	-	1,582	-	1,582	247	1,829
Utilization of donation and charity reserves	-	-	-	-	(8)	(8)	-	(8)
Balance at 30 September 2015	22,000	(1,597)	7,417	26,934	31	54,785	2,011	56,796

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2016

Bahraini Dinars '000

	Nine months ended 30 September	
	2016 (reviewed)	2015 (reviewed)
Cash flows from operating activities		
Profit for the period before non-controlling interest	4,507	1,829
<i>Adjustments for:</i>		
Depreciation	3,117	2,989
Impairment of trade receivables	125	463
Gain on disposal of property, plant and equipment	(203)	(71)
Gain on disposal of investment property	(637)	-
Share of (profit) / loss from equity associated investments	(232)	(318)
Employee benefits	439	636
<i>Changes in:</i>		
Inventories	(1,910)	(267)
Trade and other receivables	4,724	(10,332)
Due from contract customers	(2,883)	(1,553)
Due from related parties	(6,283)	333
Trade and other payables	10,232	11,454
Due to contract customers	464	(2,467)
Due to related parties	1,481	256
Employee benefits	529	392
Bills payable	(832)	(759)
Net cash from operating activities	12,638	2,585
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,629)	(2,304)
Purchase of held to maturity investment	(300)	-
Proceeds from sale of equipment	419	104
Proceeds from sale of investment property	700	1,500
Dividend from equity accounted investee	238	50
Movement on deposits with banks	(2,442)	4,149
Net cash (used in) / from investing activities	(8,014)	3,499
Cash flows from financing activities		
Proceeds from bank loans	1,109	1,198
Repayment of bank loans	(1,763)	(1,409)
Dividends paid to the company's shareholders	(1,051)	(3,141)
Dividends paid to non-controlling interests	(339)	(229)
Utilization of donation and charity reserve	(6)	(8)
Net cash used in financing activities	(2,050)	(3,589)
Net increase in cash and cash equivalents	2,574	2,495
Cash and cash equivalents at 1 January	13,594	5,002
Cash and cash equivalents at 30 September	16,168	7,497
<i>Represented by</i>		
Cash and bank balances	17,502	10,552
Short term bank deposits (less than 90 days)	3,064	204
Bank overdrafts	(4,398)	(3,259)
	16,168	7,497

The condensed consolidated interim financial information consists of pages 3 to 13.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the nine months ended 30 September 2016

Bahraini Dinars '000

1 REPORTING ENTITY

Nass Corporation BSC (the "Company") is a public shareholding Company incorporated and registered in Bahrain and operates under commercial registration number 60037 obtained on 9 March 2006. The Company is listed on the Bahrain Bourse with an authorised share capital of 500 million ordinary shares of 100 fils each, out of which issued and fully paid up share capital is 220 million ordinary shares of 100 fils each.

It operates through a group consisting of divisions, subsidiaries and joint ventures. The Group is mainly engaged in civil engineering, mechanical and electrical contracting, manufacture and supply of manpower to related contracting activities. It is also involved in the sale of ready mixed concrete, ice blocks, spare parts, foodstuff, and general trading and undertakes contracts relating to precast concrete and water supply.

The condensed consolidated interim financial information ("interim financial information") as at and for the nine month period ended 30 September 2016 includes the results of the Company and its subsidiaries (together referred to as the "Group").

2 BASIS OF PREPARATION**a) Statement of compliance**

The interim financial information have been prepared in accordance with IAS 34 – '*Interim Financial Reporting*'. These do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2015.

b) Judgments and estimates

The preparation of interim financial information requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2015.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in the preparation of the interim financial information are consistent with those applied in the preparation of the audited consolidated financial statements as at and for the year ended 31 December 2015.

The interim financial information is reviewed not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2015 and comparatives for the condensed consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity have been extracted from the reviewed interim financial information for the nine months period ended 30 June 2015.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2016

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4 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2015.

5 SEASONALITY OF OPERATIONS

Due to the effect of seasonal variations, the results reported in the condensed consolidated interim financial information may not represent a proportionate share of the overall annual results.

6 APPROPRIATIONS

Appropriations if any, for the current year will be made at the year end. At the Annual General Meeting (AGM) for the year 2015 held on 21 March 2016, the following appropriations were approved which have been effected during the period:

- dividend of BD 1,075 representing 5% (2014: BD 3,226 - 15 %); and
- transfer to donation and charity reserve of BD 10 (2014: BD 10).

7 GENERAL AND ADMINISTRATIVE EXPENSES

	30 September 2016 (reviewed)	30 September 2015 (reviewed)
Salaries of administration staff	4,826	5,081
Management consultancy fees	1,170	1,170
Impairment / losses on receivables	125	463
Depreciation	418	527
Commission	359	245
Vehicle expenses	277	265
Rent, electricity & water	350	286
Communication	177	174
Directors' remuneration and sitting fees	222	168
Reversal of excess provisions	(191)	(66)
Other expenses	597	611
	8,330	8,924

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the nine months ended 30 September 2016**

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8 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Group and other related parties are disclosed below.

Related party	Sales / revenues		Purchases and operating expenses		Amounts due from		Amounts due to	
	Nine months ended							
	30 September 2016 (reviewed)	30 September 2015 (reviewed)	30 September 2016 (reviewed)	30 September 2015 (reviewed)	30 September 2016 (reviewed)	31 December 2015 (audited)	30 September 2016 (reviewed)	31 September 2015 (audited)
A.A. Nass & Sons WLL and its related parties	5,409	1,473	7,956	4,972	9,127	3,035	5,036	3,556
Joint ventures	552	209	-	-	537	346	1,062	1,098
Total	5,961	1,682	7,956	4,972	9,664	3,381	6,098	4,654

Investment in equity accounted investees of BD 840 (31 December 2015: BD 883) represents the accumulated capital, share of profits less distribution received from interest in joint ventures and investment in associate.

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:

	30 September 2016 (reviewed)	30 September 2015 (reviewed)
Short-term benefits	1,024	837
Termination benefits	69	65
	1,093	902

The short-term compensation includes provision for directors' fees of BD 69 (2015: BD 25) and board committee attendance fees of BD 153 (2015: BD 143).

Directors' interest in the shares of the Company was as follows:

	30 September 2016 (reviewed)	31 December 2015 (audited)
Total number of shares held by Directors*	94,286,430	94,286,430
As a percentage of the total number of shares outstanding	43.84	43.84

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2016

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9 OPERATING SEGMENTS

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 & Allied Activities		Trading Activities		Eliminations		Consolidated	
	30 September 2016 (reviewed)	30 September 2015 (reviewed)	30 September 2016 (reviewed)	30 September 2015 (reviewed)	30 September 2016 (reviewed)	30 September 2015 (reviewed)	30 September 2016 (reviewed)	30 September 2015 (reviewed)
REVENUE								
External sales	83,175	64,188	8,267	8,394	-	-	91,442	72,582
Inter-segment sales	9,429	7,597	2,434	1,726	(11,863)	(9,323)	-	-
Total revenue	92,604	71,785	10,701	10,120	(11,863)	(9,323)	91,442	72,582
Segment result	3,414	1,855	1,855	887	-	-	4,605	2,742
Share of profit / (loss) from equity accounted investees	232	318					232	318
Other gains and losses	1,265	363	40	7	-	-	1,305	370
Unallocated corporate expenses	-	-					(1,635)	(1,601)
Profit for the period							4,507	1,829
Depreciation							3,117	2,989

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the nine months ended 30 September 2016

Bahraini Dinars '000

9 OPERATING SEGMENTS (continued)

Other information	Construction & Allied Activities		Trading Activities		Consolidated	
	30 September 2016 (reviewed)	31 December 2015 (audited)	30 September 2016 (reviewed)	31 December 2015 (audited)	30 September 2016 (reviewed)	31 December 2015 (audited)
Total assets	115,196	101,129	9,507	9,322	124,703	110,451
Total liabilities	60,786	49,351	2,838	3,108	63,624	52,459
Total net assets	54,410	51,778	6,669	6,214	61,079	57,992
Capital expenditure	6,401	3,389	228	203	6,629	3,592

10 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

a) Fair value

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.

The carrying value of the company's financial instruments approximate their fair value due to their short term nature.

b) Classification

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

30 September 2016 (reviewed)

Financial assets

Trade and other receivables
Due from related parties
Deposits with banks
Cash and bank balances

	Loans and receivables	At amortised cost	Total carrying value
	41,849	-	41,849
	9,664	-	9,664
	12,205	-	12,205
	17,335	-	17,335
	81,053	-	81,053
Financial liabilities			
Bank loans	-	1,232	1,232
Trade and other payables	-	28,336	28,336
Due to related parties	-	6,098	6,098
Bills payable	-	1,011	1,011
Bank overdrafts	-	4,398	4,398
	-	41,075	41,075

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the nine months ended 30 September 2016**

Bahraini Dinars '000

10 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

31 December 2015 (audited)

	Loans and receivables	At amortised cost	Total carrying value
Financial assets			
Trade and other receivables	47,108	-	47,108
Due from related parties	3,381	-	3,381
Deposits with banks	8,553	-	8,553
Cash and bank balances	15,069	-	15,069
	74,111	-	74,111
Financial liabilities			
Bank loans	-	1,886	1,886
Trade and other payables	-	25,640	25,640
Due to related parties	-	4,654	4,654
Bills payable	-	1,843	1,843
Bank overdrafts	-	3,442	3,442
	-	37,465	37,465

11 COMMITMENTS AND CONTINGENCIES

	30 September 2016 (reviewed)	31 December 2015 (audited)
Guarantees	48,617	38,093
Letters of credit	3,930	1,686
Capital commitments	551	748

The banks have provided guarantees (performance, retention, financial and others related to contracting activities) amounting to BD 48,617 (31 December 2015: BD 38,093) for the various divisions and subsidiaries of the parent company out of which BD Nil (31 December 2015: BD 1,019) have been issued for the joint venture activities.

12 COMPARATIVES

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