

Nass Corporation BSC
CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

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

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017

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BOARD OF DIRECTORS' REPORT
for the year ended 31 December 2017

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 13th Annual Report and Audited Annual Accounts of Nass Corporation B.S.C. for the financial year ended 31 December 2017. 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 2017 is summarized below:

Financial highlights	2017	2016
Revenue	173,404	135,818
Profit before finance charges and depreciation	10,099	8,098
Net profit	3,525	3,044
Total assets	157,965	128,761
Total equity	62,984	60,130

Appropriations		
Transfer to statutory reserve	353	304
Proposed dividend	1,075	1,075
Donations and charity reserve	30	10

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 2017, 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 2018.

**BOARD OF DIRECTORS' REPORT
for the year ended 31 December 2017**

Bahraini dinars '000

CONSOLIDATION OF ACCOUNTS

Nass Corporation B.S.C. has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2017.

The low oil price environment continued to hurt the economic growth among oil producing GCC countries during 2017. This affected government spending resulting in lesser and delays in announcement of new projects. The construction industry is facing challenging times due to the present market environment and the ongoing geopolitical tensions in the region. Highly competitive bids, higher input cost, withdrawal of subsidies on fuel, power, and increase in financing costs is building pressure on the margins.

The above circumstances, created pressure on the projects margins which is evident from the marginal growth in operating profit despite growth in the company's turnover during 2017. The year 2017 was the 13th year of operations for Nass Corporation B.S.C. The Group achieved a gross turnover of BD 173.404 million (BD 135.818 million for 2016) on which it achieved a profit before interest and depreciation of BD 10.099 million (BD 8.098 million for 2016) and a net profit of BD 3.525 million (BD 3.044 million for 2016).

Oil production cut and lower oil prices which hindered growth during 2017 is expected to ease during 2018. GCC countries commitment to diversify their economies is evident with the introducing of VAT that is expected to build non-oil revenue and facilitate economic development pace. The Bahrain construction industry in particular is buoyant backed by projects such as Alba Potline 6, BAPCO Expansion, Al Marassi, Bahrain airport expansion and GCC marshal fund backed projects, that are expected to perform beyond 2018. Recently, the Group has been awarded some major projects and as of now, its work-order situation is healthy. The Group is hopeful of securing more works during the course of the year out of these above projects.

Furthermore, the board is conscious of its responsibility and taking required 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 the year 2018 amount to a value of BD 129.98 million. In addition, our portion of work pertaining to joint venture projects is BD 4.06 million.

**BOARD OF DIRECTORS' REPORT
for the year ended 31 December 2017**

Bahraini dinars '000

JOINT VENTURES

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

JV partner	Project	Contract value
Contract International	Tension Fabric Hanger at Sh.Isa Air Base, Shipment and Support Facility etc.	11,578
Contract Watts	Repair of Quay Wall NSA Bahrain	6,524

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 2018.

The Audit Committee is actively involved in the various aspects of corporate functioning. It meets regularly with a view to strengthen the existing Management Information Systems and Internal Control Systems and is involved in providing directions on policy issues. The Company has a Remuneration Committee that comprises of three directors, two of whom are independent, non-executive directors.

Internal Audit function that has been outsourced to professional auditors is being carried out satisfactorily with special emphasis on risk management and corporate governance issues. The Group's 'Compliance Manager' who looks after the day-to-day compliance matters as required by the regulatory authorities is pro-actively following the regulatory guidelines.

AUDITORS

The Board of Directors propose to recommend re-appointment of M/S KPMG Fakhro as the Statutory Auditors of the Group for the year 2018.

**BOARD OF DIRECTORS' REPORT
for the year ended 31 December 2017**

Bahraini dinars '000

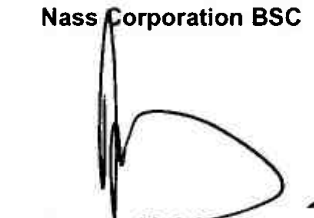
EMPLOYEE RELATIONS

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 Industries and Commerce, the Central Bank of Bahrain and the Bahrain Bourse for their continuing support.

We also appreciate support extended to us by our bankers, financial institutions, suppliers and business associates and our Statutory Auditors M/S KPMG Fakhro and our Internal Auditors BDO for the year 2017.

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

Sameer Abdulla Nass
Chairman



Sami Abdulla Nass
Deputy Chairman and Managing Director

Date: 25 February 2018



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 2017, 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 2017, 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 2017. 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 policies in note 3n and 4a and disclosure in note 16 in the consolidated financial statements)

Description

The recognition of profit on long term contracts is based on the stage of completion of work completed.

Forecast profit or loss on contracts is a key matter for our audit because of the judgment involved in preparing suitable estimates of the forecast costs and revenue on contracts. An error in the contract forecast could result 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.

How the matter was addressed in our audit

Our procedures over contract revenue included:

- We read all key 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 financial statements, including controls over detailed contract reviews performed by management that included estimating total cost, stage of completion of contracts, profit margin and evaluating contract profitability.
- We challenged the financial assessment of the contract progress and percentage complete 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;
- 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 receivables and adequacy of bad debt provision

(Refer to accounting policies in note 3t and 4b and disclosure in note 9 of the consolidated financial statements.)

Description

How the scope of our audit addressed the matter

Trade receivables make up 41.6 % of the Group's total assets (by value).

Significant judgment is required by the Group in assessing the adequacy of the trade receivables provision through considering the expected recoverability of the year end trade receivables.

- We tested the design and operating effectiveness of the Group's relevant credit control and collection procedures;
- We challenged the Group's assumptions in calculating the the bad debt provision. This includes assessing the aging of trade receivables in comparison to previous years and testing the integrity of aging.
- We checked the recoverability of outstanding trade receivables through the examination of subsequent cash receipts.
- We also considered the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision.

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 2017 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 Bahrain 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 Bahrain Commercial Companies Law, or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.

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



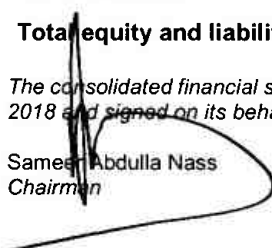
KPMG Fakhro
Partner registration number 100
25 February 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

Bahraini dinars '000

	Note	2017	2016
ASSETS			
Property, plant and equipment	5	27,687	22,744
Held to maturity investments		291	295
Investment in associates		269	349
Interests in joint ventures	6	724	476
Total non-current assets		28,971	23,864
Inventories	8	14,706	7,261
Assets held for sale	7	2,348	2,348
Trade and other receivables	9	65,689	57,045
Due from contract customers	10	28,476	7,591
Due from related parties	23	5,834	7,579
Deposits with banks		609	6,137
Cash and cash equivalents	11	11,332	16,936
Total current assets		128,994	104,897
Total assets		157,965	128,761
EQUITY			
Share capital	20	22,000	22,000
Treasury shares	20	(1,597)	(1,597)
Statutory reserve	21	8,341	7,988
Retained earnings		31,495	29,408
Donations and charity reserve		23	35
Equity attributable to equity holders of the parent		60,262	57,834
Non-controlling interest		2,722	2,296
Total equity		62,984	60,130
Liabilities			
Bank loans	12	822	489
Employee benefits	13	7,071	5,957
Total non-current liabilities		7,893	6,446
Trade and other payables	14	58,031	40,549
Due to contract customers	15	995	5,162
Employee benefits	13	3,265	2,920
Due to related parties	22	8,028	6,810
Bills payable		2,475	1,469
Bank loans	12	1,079	862
Bank overdrafts		13,215	4,413
Total current liabilities		87,088	62,185
Total liabilities		94,981	68,631
Total equity and liabilities		157,965	128,761

The consolidated financial statements which consist of pages 8 to 44 were approved by the Board of Directors on 25 February 2018 and signed on its behalf by:

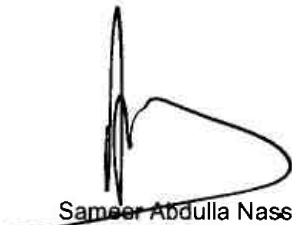
 Sameer Abdulla Nass
Chairman

 Sami Abdulla Nass
Deputy Chairman & Managing Director

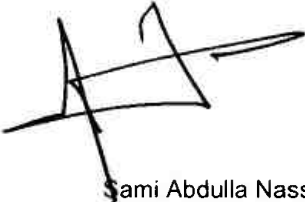
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2017

Bahraini dinars '000

	Note	2017	2016
Revenue	16	173,404	135,818
Cost of sales		(156,079)	(121,087)
Gross profit		17,325	14,731
Other income	17	498	780
Gain on disposal of investment property		-	637
General and administrative expenses	18	(14,799)	(12,740)
Finance income		105	178
Finance cost		(485)	(266)
Share of profit from joint ventures, net	6	1,821	238
Profit for the year		4,465	3,558
Other comprehensive income		-	-
Total comprehensive income for the year		4,465	3,558
Profit and total comprehensive income for the year attributable to:			
Equity holders of the parent		3,525	3,044
Non-controlling interest		940	514
		4,465	3,558
Earnings per share			
Basic and diluted earnings per share (Fils)	19	16.39	14.15



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 2017

Bahraini dinars '000

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

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 2017 (continued)

Bahraini dinars '000

	Attributable to equity holders of the parent						Non-controlling interest	Total Equity
	Share capital	Treasury shares	Statutory reserve	Retained earnings	Donations & charity reserve	Total		
2016								
At 1 January 2016	22,000	(1,597)	7,684	27,753	31	55,871	2,121	57,992
Profit and total comprehensive income for the year	-	-	-	3,044	-	3,044	514	3,558
Transfer to statutory reserve for 2016	-	-	304	(304)	-	-	-	-
2015 Appropriations:								
Final dividend (5 %)	-	-	-	(1,075)	-	(1,075)	(339)	(1,414)
Donations and charity reserve	-	-	-	(10)	10	-	-	-
Utilization of donation and charity reserve	-	-	-	-	(6)	(6)	-	(6)
At 31 December 2016	22,000	(1,597)	7,988	29,408	35	57,834	2,296	60,130

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 2017

Bahraini dinars '000

	Note	2017	2016
Cash flows from operating activities			
Profit for the year		4,465	3,558
<i>Adjustments for:</i>			
Depreciation	5	5,149	4,274
Impairment of trade receivables (net)	9	2,017	971
Impairment of due from customers	10	85	659
Amortization of held to maturity investment		4	5
Gain on disposal of property, plant and equipment	17	(122)	(219)
Gain on disposal of investment property		-	(637)
Share of profit from joint ventures, net	6	(1,821)	(238)
Share of loss / (profit) from associate		80	(92)
Employee benefits		1,114	680
<i>Changes in:</i>			
Inventories		(7,445)	(1,406)
Trade and other receivables		(10,661)	(13,359)
Due from contract customers		(20,970)	1,600
Due from related parties		1,745	(4,198)
Trade and other payables		17,514	11,024
Due to contract customers		(4,167)	3,078
Employee benefits		345	607
Due to related parties		1,218	2,156
Bills payable		1,006	(374)
Net cash (used in) / from operating activities		(10,444)	8,089
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(10,207)	(9,403)
Purchase of held to maturity investment		-	(300)
Proceeds on sale of property, plant and equipment		237	446
Proceeds from sale of investment property		-	1,100
Interests in joint ventures	6	1,573	338
Investment in associates		-	50
Deposits with banks		5,528	562
Net cash used in investing activities		(2,869)	(7,207)
Cash flows from financing activities			
Proceeds from bank loans		1,928	1,744
Repayment of bank loans		(1,378)	(2,279)
Dividends paid to equity shareholders of the parent		(1,107)	(1,073)
Dividends paid to non-controlling shareholders		(514)	(339)
Donations paid		(22)	(6)
Net cash used in financing activities		(1,093)	(1,953)
Net decrease in cash and cash equivalents		(14,406)	(1,071)
Cash and cash equivalents at 1 January		12,523	13,594
Cash and cash equivalents at 31 December	11	(1,883)	12,523

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017

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 60037 and 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 2017 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017**

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 2017

The following standards, amendments and interpretations, which became effective as of 1 January 2017, are relevant to the Group:

(i) Disclosure Initiative (amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017****2 BASIS OF PREPARATION (continued)**

The amendments are effective for annual periods beginning on or after 1 January 2017 on prospective basis.

The new disclosure requirements have been included in these financial statements in note 29, where the Group has presented a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(ii) Annual Improvements to IFRSs 2012–2014 Cycle – various standards.

The annual improvements to IFRSs to 2014–2016 cycles include certain amendments to various IFRSs. Earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The following are the key amendments in brief:

- IFRS 12 Disclosure of Interests in Other Entities – The disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. Effective retrospectively for annual periods beginning on or after 1 January 2017.

- IAS 28 Investments in Associates and Joint Ventures – A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. Effective retrospectively for annual periods beginning on or after 1 January 2018; early application is permitted.

The adoption of these amendments had no significant impact on the consolidated financial statements.

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

The following standards are expected to have a material impact on the Group's consolidated financial statements in the period of initial application.

(i) IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model based on expected credit losses for recognising loan loss provisions and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

The Group will adopt IFRS 9 on 1 January 2018 and will not restate the comparative information.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017****2 BASIS OF PREPARATION (continued)**

The Group estimates the IFRS 9 transition amount will reduce shareholders' equity by approximately BD 2 Mn as at 1 January 2018. The estimated impact relates primarily to the increase in the allowance for credit losses arising from trade receivables under the new impairment requirements. The Group continues to revise, refine and validate the impairment model and related process controls which may change the actual impact on adoption.

(ii) IFRS 15 Revenue from Contracts with Customers

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

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

The Group plans to adopt 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). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

The Group estimates the IFRS 15 transition amount will increase shareholders' equity by BD 200 thousand as at 1 January 2018. The actual impact of adopting IFRS 15 on 1 January 2018 may change because:

- IFRS 15 will require the Group to revise its accounting process and internal controls and these changes are yet to complete;
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group presents its first financial statements that include the date of initial application.

(iii) 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. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

The Group is still assessing the impact on its consolidated financial statements from adoption of this standard.

(iv) 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*).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017****2 BASIS OF PREPARATION (continued)**

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interest in the associate or joint venture.

The effective date for these changes has now been postponed until the completion of a broader review – which the IASB hopes will result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. However, early adoption continues to be permitted.

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

(v) 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 and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied.

In effect, this is a three-step annual process:

- Apply IFRS 9 independently
- True up past allocations
- Book current year equity share

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

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

e) Early adoption of standards

The Group did not early adopt new or amended standards/interpretations in 2017.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied by the Group one consistent with the one applied in prior years.

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

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

(ii) Transactions and non-controlling interest

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as non-controlling interest. Non-controlling interests are recognised initially at their share of the identifiable assets, liabilities and contingent liabilities recognised in the purchase accounting, excluding goodwill. Profits or losses attributable to non-controlling interests are reported in the consolidated comprehensive income as profit or loss attributable to non-controlling interests.

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017****3 SIGNIFICANT ACCOUNTING POLICIES (continued)***(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.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions with subsidiaries are eliminated in preparing the consolidated financial statements. Intra-group gains on transactions between the Group and its equity accounted associates and joint ventures are eliminated to the extent of the Group's interest in the investees. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Financial assets and liabilities

Financial assets of the Group comprise cash and cash equivalents, term deposits with banks, trade and other receivables, due from related parties and held to maturity investments. Financial liabilities of the Group comprise Bank loans, trade and other payables, due to related parties, bills payable and bank overdraft.

(i) Classification

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

(ii) Recognition and de-recognition

All financial assets and liabilities are recognised on the trade date when the entity becomes a party to the contracted provisions of the instrument.

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

(iii) Measurement

A financial asset is initially measured at its fair value plus, for assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. A financial liability is initially recognised at its fair value minus transaction cost incurred.

Financial assets and liabilities are subsequently carried at amortised cost using the effective interest method.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017****3 SIGNIFICANT ACCOUNTING POLICIES (continued)***(iv) Impairment*

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 carrying 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 losses 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.

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

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

(ii) Transactions and balances

Transactions in foreign currencies are translated to Bahraini dinars, which is the Group's measurement currency, at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into Bahraini dinars at the foreign exchange rate ruling at that date. All foreign exchange differences arising on conversion and translation are recognised in profit or loss.

(iii) Group companies

The Group does not have any significant investment in foreign operations. Majority of the Group entities functional currencies are BHD and USD, and hence, the translation of financial statements of the group entities do not result in significant exchange differences.

d) Property, plant & equipment*(i) Owned assets*

Property, plant and equipment which include capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, the costs of dismantling and removing the items and restoring the site on which they are located, capitalised borrowing costs, and any other costs directly attributable to bringing the assets to a working condition for their intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. Capital work-in-progress relating to property, plant and equipment is stated at cost less impairment losses, if any.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent measurement

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in profit or loss as an expense as incurred. The capital work-in-progress is transferred to respective block of property, plant and equipment once it is ready to use.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017**

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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

e) Assets held for sale

Assets held for sale is stated at the lower of cost and net realisable value.

f) Held to maturity investments

These are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Group has the positive intent and ability to hold them to maturity. These are initially recognised at fair value and subsequently measured at amortized cost using the effective interest method.

g) 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.

h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of food inventory is determined on the FIFO basis. The cost of all other inventory is determined on a weighted average basis according to the nature of specific business segments. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

i) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****j) Due from and to customers**

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

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

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

k) 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.

l) Operating leases

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

m) 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.

n) Revenue recognition*(i) Contract revenue and expense*

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

The stage of completion is assessed by reference to the proportion 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.

(ii) Sale of goods

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017****3 SIGNIFICANT ACCOUNTING POLICIES (continued)***(iii) Hire income*

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

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

o) Finance income and expense

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

p) Treasury shares

Where the Company purchases its own equity share capital, the consideration paid, including any attributable transaction costs, are deducted from total equity and recorded as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any gain or loss is included in equity.

q) Statutory reserve

In accordance with the parent company's Articles of Association and in compliance with the Bahrain Commercial Companies Law 2001, a minimum of 10 % of the profit is appropriated to a statutory reserve, until it reaches 50 % of the paid-up share capital. This reserve is not normally distributable, except in the circumstances stipulated in the Bahrain Commercial Companies Law 2001.

r) Earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's 'chief operating decision maker' (Board of Directors) to make decisions about resource allocation to each segment and assess its performance and for which discrete financial information is available. An operating segment is divided into business segments. For management purposes the Group is organised into two major business segments.

t) 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.

u) Trade payables

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

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. 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) Estimating contract revenue and costs on a project

The Group recognises profits on long term contracts based on based on percentage of completion method determined by reference to the proportion of contract costs incurred till date relative to the estimated total contract costs to be incurred on the project. The total costs to be incurred on the project are estimated by the project management. Judgement is involved in preparing suitable estimates of the forecast costs and revenue on contracts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017****4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)****b) Impairment of receivables**

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

c) Impairment of inventories

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

d) Impairment of property, plant and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017

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 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017

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 2016	9,060	3,951	46,719	1,229	181	61,140
Additions	3,373	343	5,554	66	67	9,403
Transfer from capital work in progress	-	12	-	-	(12)	-
Disposals	-	(16)	(720)	(4)	-	(740)
At 31 December 2016	12,433	4,290	51,553	1,291	236	69,803
Depreciation						
At 1 January 2016	2,592	2,008	37,543	1,155	-	43,298
Charge for the year	503	403	3,307	61	-	4,274
Disposals	-	(16)	(493)	(4)	-	(513)
At 31 December 2016	3,095	2,395	40,357	1,212	-	47,059
Net book value						
At 31 December 2016	9,338	1,895	11,196	79	236	22,744

The depreciation charge has been allocated to cost of sales / contract costs - BD 4,511 (2016: BD 3,705) and general administrative expenses- BD 638 (2016: BD 569).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017

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	10 - 20 years	7
2	Plot No. 7019248 & 7019250 Salmabad	Land	Business	Freehold	20 -28 years	328
3	Building No. 1295, Road 239 Salmabad 702	Building	Business	Leasehold	19 years	22
4	Plot No. 4 (01-00-9078) Hidd Industrial Area	Office/Workshop/Stores Building	Business	Leasehold for 10 years renewable	11 years	566
5	Plot No. 07019247 Salmabad	Land	Business	Freehold	3 year	1,753
6	Plot No. 1359, Ras Zuwaid	Land and Building	Business	Freehold	5 year	621
7	Plot no. 12001760, Ras Zuwaid	Land and Building	Business	Freehold	5 year	2,727
8	Plot No. 12010988, Lhassay	Land and Building	Business	Freehold	1 year	969
9	Plot No. 12010989, Lhassay	Land	Business	Freehold	1 year	1,326
10	Plot No. 12009273, Lhassay	Land	Business	Freehold	1 year	1,084

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017

Bahraini dinars '000

6 INTERESTS 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	
			2017	2016
Nass Contrack Joint Venture	Nass Contracting Company W.L.L.	50	418	265
Nass Bramco Joint Venture	Nass Contracting Company W.L.L.	50	-	18
Nass Burhan Joint Venture	Nass Contracting Company W.L.L.	50	4	154
Nass Contrack Watts Joint Venture	Nass Contracting Company W.L.L.	50	302	39
		Total	724	476

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017

Bahraini dinars '000

6 INTERESTS IN JOINT VENTURES (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
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
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
2016						
Immaterial joint ventures	-	626	960	1,550	36	18
Material joint venture	197	752	3,020	3,054	915	458
Total	197	1,378	3,980	4,604	951	476

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017

Bahraini dinars '000

6 INTERESTS IN JOINT VENTURES (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
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
2016							
Immaterial joint ventures	-	-	-	-	-	-	-
Material joint venture	3,367	28	-	476	476	238	301
Total	3,367	28	-	476	476	238	301

The movement in the joint venture interest is as follows:

	2017	2016
At 1 January	476	576
(Repayment) / net cash settlement during the year	(711)	(37)
Share of profit for the year	1,821	238
Distribution of profits during the year	(862)	(301)
	724	476

7 ASSET HELD FOR SALE

The Group received 7 residential villas valued at BD 2,748 from a customer in lieu of a receivable, of which 1 villa was sold during the year 2016 and the balance 6 villas valued at BD 2,348 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.

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8 INVENTORIES

	2017	2016
Raw materials	10,986	3,669
Machineries, spares, fuels and lubricants	3,132	2,760
Goods in transit	28	253
Food products	2,055	1,649
Finished goods	826	351
	17,027	8,682
Impairment allowance for slow moving and obsolete inventories	(2,321)	(1,421)
	14,706	7,261

Movements on impairment allowance for slow moving and obsolete inventories

	2017	2016
At 1 January	1,421	1,248
Charge for the year	936	233
Write-back during the year	(36)	(60)
At 31 December	2,321	1,421

In 2017, inventories of BD 936 (2016: BD 233) were recognised in cost of sales.

9 TRADE AND OTHER RECEIVABLES

	2017	2016
Trade receivables	46,744	47,523
Retentions receivable	15,793	9,627
Advances to suppliers and sub-contractors	7,709	3,407
Prepaid expenses	863	375
Other receivables	691	348
Staff receivables	120	110
	71,920	61,390
Allowance for impairment losses	(6,231)	(4,345)
	65,689	57,045

Movements on allowance for impairment losses

	2017	2016
At 1 January	4,345	3,671
Charge for the year (note 18)	2,018	971
Write-off during the year	(132)	(297)
At 31 December	6,231	4,345

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

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10 DUE FROM CONTRACT CUSTOMERS

	2017	2016
Cost incurred plus attributable profits on contracts-in-progress	230,349	43,833
Progress billings made towards contracts-in-progress	(201,129)	(35,583)
	29,220	8,250
Allowance for impairment losses	(744)	(659)
	28,476	7,591

11 CASH AND CASH EQUIVALENTS

	2017	2016
Cash and bank balances	10,167	13,820
Short-term bank deposits	1,165	3,116
	11,332	16,936
Cash and cash equivalents in statement of financial position		
Bank overdrafts	(13,215)	(4,413)
	(1,883)	12,523
Cash and cash equivalents in statement of cash flows		

12 BANK LOANS

	2017	2016
Current	1,079	862
Non-current	822	489
	1,901	1,351

Movement during the year as follows:

	2017	2016
At 1 January	1,351	1,886
Loans received during the year	1,928	1,744
Loans repaid during the year	(1,378)	(2,279)
	1,901	1,351
At 31 December		

The effective interest rate on loans and borrowings was 3.88% - 5.00% p.a. (2016: 3.71 % - 4.60 % p.a.).

13 EMPLOYEE BENEFITS

	2017	2016
At 1 January	8,877	7,590
Charge for the year	4,203	7,165
Paid during the year	(2,744)	(5,878)
	10,336	8,877

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<i>Analysed as</i>		
Current liabilities	3,265	2,920
Non-current liabilities	7,071	5,957
	10,336	8,877

14 TRADE AND OTHER PAYABLES

	2017	2016
Trade accounts payable	17,427	15,329
Accrued expenses	17,680	10,670
Unclaimed dividends	1,587	1,619
Advances against contracts	14,737	8,927
Retentions payable	3,090	2,046
Other payables	3,510	1,958
	58,031	40,549

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

15 DUE TO CONTRACT CUSTOMERS

	2017	2016
Progress billings received and receivable	37,713	128,709
Costs incurred plus recognised profits on contracts-in-progress	(36,718)	(123,547)
	995	5,162

16 REVENUE

	2017	2016
Contract income	128,301	94,556
Sales of goods	36,337	30,044
Hire income	8,766	11,218
	173,404	135,818

17 OTHER INCOME

	2017	2016
Gain on disposal of property, plant and equipment	122	219
Write-back of provision for inventory	36	60
Miscellaneous income	320	501
	498	780

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18 GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
Salaries of administration staff	7,153	6,597
Management consultancy fees	1,560	1,560
Impairment losses on trade receivables and due from customers	2,103	1,630
Depreciation	638	569
Commission	330	450
Vehicle expenses	463	372
Rent, electricity and water	433	434
Communication	237	246
Directors' remuneration and sitting fees	295	295
Staff recruitment and training	279	96
Reversal of excess provision	-	(260)
Other expenses	1,308	751
	14,799	12,740

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:

	2017	2016
Profit attributable to equity holders of the parent	3,525	3,044
Weighted average number of shares at 31 December (000's)	215,077	215,077
Basic earnings per share	16.39	14.15

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

	2017	2016
a) Authorised share capital 500,000,000 (2016: 500,000,000) shares of 100 fils each	50,000	50,000
b) Issued and fully paid 220,000,000 (2016: 220,000,000) shares of 100 fils each	22,000	22,000
Treasury shares: 4,923,160 (2016: 4,923,160)	(1,597)	(1,597)

Holders of ordinary shares are entitled to dividends from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Group's shares held by the Company are suspended until those shares are re-issued.

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20 SHARE CAPITAL**c) Dividends**

Dividend for the year ended 31 December 2017 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 2018. These financial statements do not reflect this dividend payable. No interim dividend was paid during the year (2016: Nil).

	2017	2016
Proposed dividend	1,075	1,075
Donations and charity reserve	30	10
	1,105	1,085

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	
	2017	2016	2017	2016	2017	2016
Less than 1 %	69,984,428	70,316,138	8,001	8,113	31.81	31.96
1 % up to less than 5 %**	39,361,796	39,030,086	10	10	17.89	17.74
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	8,017	8,129	100.00	100.00

** Includes 4,923,160 (2016: 4,923,160) treasury shares.

21 STATUTORY RESERVE

In accordance with the Company's Articles of Association and in compliance with the Bahrain Commercial Companies Law 2001, 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 Bahrain Commercial Companies Law 2001.

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22 RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Transactions with related parties are conducted in the normal course of business.

Related party	Sales / Revenues		Purchases and operating expenses		Amounts due from		Amounts due to	
	2017	2016	2017	2016	2017	2016	2017	2016
A.A. Nass & Sons and its related companies	6,770	11,333	12,930	10,890	4,831	6,962	7,586	5,748
Joint ventures	1,168	892	-	-	1,003	617	442	1,062
Total	7,938	12,225	12,930	10,890	5,834	7,579	8,028	6,810

During the year, the parent company has provided guarantees of BD 100,357 (2016: BD 89,590) 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 (2016: 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:

	2017	2016
Short-term benefits	1,321	1,328
Post-employment benefits	89	81
	1,410	1,409

The short-term compensation includes provision for directors' fees of BD 92 (2016: 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 203 (2016: BD 203).

23 ACCOUNTING CLASSIFICATION AND FAIR VALUES

i) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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23 ACCOUNTING CLASSIFICATION AND FAIR VALUES (continued)

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- *Level 1*
Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- *Level 2*
Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- *Level 3*
Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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 this short term nature.

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

2017

	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	-	40,351	40,351
Due to related parties	-	8,028	8,028
Bills payable	-	2,475	2,475
Bank overdrafts	-	13,215	13,215
	-	65,970	65,970

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23 ACCOUNTING CLASSIFICATION AND FAIR VALUES (continued)

2016	Loans and receivables	Others at amortised cost	Total carrying value
Trade and other receivables	56,670	-	56,670
Due from related parties	7,579	-	7,579
Term deposits with banks	6,137	-	6,137
Cash and cash equivalents	16,778	-	16,778
	87,164	-	87,164
Bank loans	-	1,351	1,351
Trade and other payables	-	29,879	29,879
Due to related parties	-	6,810	6,810
Bills payable	-	1,469	1,469
Bank overdrafts	-	4,413	4,413
	-	43,922	43,922

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, due from contract customers and certain other current assets. Financial liabilities of the Group include trade payables, due to contract customers, due to related parties, bills payable, loans and borrowings, bank overdrafts and certain other current liabilities.

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

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

b) Credit risk

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

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24 FINANCIAL RISK MANAGEMENT (continued)*(i) Exposure to credit risk*

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

	2017	2016
Trade and other receivables (net)	64,826	56,670
Due from related parties	5,834	7,579
Term deposits with banks	609	6,137
Cash and cash equivalents	11,116	16,778
	82,385	87,164

(ii) Trade and other receivables

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

Purchase limits are established for each customer by every division or subsidiary, which represents the maximum open amount and these limits are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. The Group makes an assessment of creditworthiness of the joint venture partner and the client before entering into an agreement.

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

(iii) Due from related parties

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

(iv) Credit risk by segment

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

	2017		2016	
	Construction and allied activities	Trading activities	Construction and allied activities	Trading activities
Trade and other receivables	61,757	3,069	53,878	2,792
Due from related parties	5,156	678	6,528	1,052
Term deposits in banks	609	-	5,837	300
Cash and cash equivalents	9,936	1,180	14,325	2,452
	77,458	4,927	80,568	6,596

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24 FINANCIAL RISK MANAGEMENT (continued)

(v) Impairment losses

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

	2017		2016	
	Gross	Impairment	Gross	Impairment
Neither past due nor impaired	53,673	-	46,330	-
Past due 0 - 90 days	4,749	-	2,982	-
Past due 91 - 180 days	1,703	-	1,458	-
More than 180 days	10,932	(6,231)	10,245	(4,345)
At 31 December	71,057	(6,231)	61,015	(4,345)

Based on past experience, the Group believes that no impairment allowance is necessary in respect of receivables not past due. Management believes that the unimpaired amounts that are past due are still collectible in full, based on historical payment behaviour, trading history, extensive analysis of customers credit risk, and other guarantees provided against outstanding receivables. The movements in impairment allowances are detailed in note 9.

(vi) Cash and cash equivalents and term deposits with banks

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

(vii) Concentration risk

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

c) Liquidity risk

Liquidity risk, associated with financial liabilities that are settled by delivering cash or another financial asset, is the risk that the Group will encounter difficulties in meeting its financial obligations. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The following are the contractual maturities of financial liabilities:

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	40,351	40,351	32,687	4,574	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	-	-	-
	65,970	66,504	52,717	9,777	3,638	372

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24 FINANCIAL RISK MANAGEMENT (continued)

Commitments and contingencies

- Letter of credit	9,037	9,037	9,037	-	-	-
- Commitments	549	549	549	-	-	-

2016

	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years
Bank Loans	1,351	1,449	467	219	406	357
Trade and other payables	29,879	29,879	22,726	2,944	3,925	284
Due to related parties	6,810	6,810	6,810	-	-	-
Bills payable	1,469	1,473	1,473	-	-	-
Bank overdraft	4,413	4,512	4,512	-	-	-
	43,922	44,123	35,988	3,163	4,331	641

Commitments and contingencies

- Letter of credit	3,633	3,633	3,633	-	-	-
- Commitments	2,998	2,998	1,702	-	853	443

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:

	2017	2016
Fixed rate instruments		
Term deposits with maturity of more than 3 months	609	6,137
Term deposits with maturity of 3 months or less	1,165	3,116
	1,774	9,253
Variable rate instruments		
Loans and borrowings	1,901	1,351
Bank overdraft	13,215	4,413
	15,116	5,764

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24 FINANCIAL RISK MANAGEMENT (continued)

The effective interest on these financial instruments is as follows:

Financial instruments	2017 Effective interest rate % p.a.	2016 Effective interest rate % p.a.
Term deposits with maturity of more than 3 months	2.28-2.50	1.80-1.95
Term deposits with maturity of 3 months or less	2.44-2.86	1.70-2.75
Loans and borrowings	3.88-5.00	3.71-4.60
Bank overdraft	2.98-4.73	2.82-4.78

An increase/ (decrease) of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by BD (133) (2016: BD 35).

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

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the Group's earning will be affected as a result of fluctuations in currency exchange rates. The Group has exposure to foreign exchange risk on its purchases invoiced in foreign currency. The Group's exposure to significant foreign currency risk at the reporting date was only to EURO total exposure as at 31 December 2017 was Euro 1,058 thousand (2016: Euro 844 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.

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25 SEGMENT ANALYSIS

The Group is organised into two operating divisions - Construction and Allied Activities and Trading Activities.

The construction and allied activities are Civil engineering works, Mechanical fabrication and Maintenance contracts, Scaffolding and formwork, Readymix concrete, Precast, Floor and roof slabs, Electrical and instrumentation contracting.

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

	Construction and Allied Activities		Trading Activities		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue								
External sales	160,817	124,367	12,587	11,451	-	-	173,404	135,818
Inter-segment sales	19,749	13,851	4,571	3,364	(24,320)	(17,215)	-	-
Total revenue	180,566	138,218	17,158	14,815	(24,320)	(17,215)	173,404	135,818
Segment result	2,801	2,354	1,682	1,691	(125)	(94)	4,358	3,951
Share of profit/ (loss) from joint ventures	1,821	238	-	-	-	-	1,821	238
Other gains and losses	555	1,497	48	98	-	-	603	1,595
Unallocated corporate expenses	-	-	-	-	-	-	(2,317)	(2,226)
Profit for the year							4,465	3,558

	Construction and Allied Activities		Trading Activities		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
Other Information								
Depreciation	4,716	3,963	433	311	-	-	5,149	4,274
Capital expenditure	9,067	9,131	1,140	272	-	-	10,207	9,403
Total assets	147,784	118,178	10,181	10,583	-	-	157,965	128,761
Total liabilities	91,113	65,466	3,868	3,165	-	-	94,981	68,631
Total net assets	56,671	52,712	6,313	7,418			62,984	60,130

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26 COMMITMENTS AND CONTINGENCIES

	2017	2016
Guarantees	59,188	45,987
Letters of credit	9,037	3,633
Capital commitments	549	2,998

The banks have provided guarantees (performance, retention, financial and others related to contracting activities) amounting to BD 59,188 (2015: BD 45,987) for the various divisions and subsidiaries of the parent company.

27 OPERATING LEASE RENTALS

	2017	2016
Minimum lease payment recognised as an expense during the year	3,999	2,232
Future minimum lease payments:		
- not later than one year	3,557	2,206
- later than one year and not later than five years	1,100	317
- later than five years	1,085	152
Aggregate rental lease expenditure contracted at statement of financial position date	5,742	2,675

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.

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		
Balance at 1 January 2017	1,351	22,000	(1,597)	29,408	8,023	2,296	61,481
<i>Changes from financing cash flows</i>							
Borrowings (net)	550	-	-	-	-	-	550
Dividend paid	-	-	-	(1,107)	-	(514)	(1,621)
Donation paid	-	-	-	-	(22)	-	(22)
Total changes from financing cash flows	550	-	-	(1,107)	(22)	(514)	(1,193)
Equity-related changes	-	-	-	3,194	363	940	4,497
Balance at 31 December 2017	1,901	22,000	(1,597)	31,495	8,364	2,722	64,885