

**Nass Corporation BSC**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2020**

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Directors : Mr. Sameer Abdulla Nass (*Chairman*)  
Mr. Sami Abdulla Nass (*Deputy Chairman*)  
Mr. Adel Abdulla Nass  
Mr. Ghazi Abdulla Nass  
Mr. Fawzi Abdulla Nass  
Mr. Bashar Sameer Nass  
Dr. Mustafa Al Sayed  
Mr. Jamal A Al Hazeem  
Mr. Hisham Al Saie  
Mr. Hemant Joshi

Bankers : HSBC Bank Middle East  
Standard Chartered Bank  
BNP Paribas  
BBK  
Ahli United Bank  
Bahrain Islamic Bank  
State Bank of India  
Arab Bank

Company secretary : Mr. Srinath Prabhu

Auditors : KPMG Fakhro

## Nass Corporation BSC

### CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2020

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**BOARD OF DIRECTORS' REPORT**  
**for the year ended 31 December 2020**

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 16<sup>th</sup> Annual Report and Audited Annual Accounts of Nass Corporation B.S.C. for the financial year ended 31 December 2020. 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 2020 is summarized below:

<b>Financial highlights</b>	<b>2020</b>	<b>2019</b>
Revenue	141,195	153,484
Profit before finance charges and depreciation	7,853	7,221
Net loss attributable to equity holders of parent	(2,822)	(3,285)
Total assets	<b>151,175</b>	166,795
Total equity	<b>56,306</b>	59,037

<b>Appropriations</b>		
Transfer to statutory reserve	-	-
Proposed dividend	-	-
Donations and charity reserve	-	-

**DIVIDEND**

With the objective of strengthening company's operating performance and to counter the impact of stringent market environment, tightening market liquidity and payment delays in the construction sector, the board has decided not to recommend dividend to the shareholders for the financial year 2020. The company values the support of the shareholders over the years and is committed in its efforts to add value for their investments in coming years.

**BOARD OF DIRECTORS' REPORT  
for the year ended 31 December 2020**

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 2020.

Year 2020 witnessed unprecedented global invasion by Covid-19 pandemic having alarming impact on public health and business operations commercially across sectors. GCC countries had to withstand dual shock of fall in oil price and covid pandemic. The construction sector in the region which was struggling with low margins and fewer contract awards has had a negative setback due to the pandemic. To contain the impact, GCC governments introduced stimulus packages to support the private sectors in the region. Government of Bahrain emphasizing its' commitment to support the private sector during this unprecedented times, introduced stimulus package in the form of Bahraini employees' wage subsidy, waiver of interest and deferment of loans, waiver of industrial land rent and regulatory fees.

Pro-active measures were initiated in the Group to handle this pandemic crisis but despite this there was productivity impact on the projects due to social distancing regulatory norms during Q2 2020. The impact was to a certain extent minimized by the Government concessions that was received as part of stimulus package. It is noteworthy to mention that better safety and social distancing management helped in minimizing the business disruption impact on the projects in the subsequent quarters of the year. Despite the above, productivity impact on projects due to pandemic, delayed payments, restricted clients' budget and limited work opportunities built pressure on the project margins thereby impacting Group's financial performance for the year.

The year 2020 was the 16<sup>th</sup> year of operations for Nass Corporation B.S.C. The Group achieved a gross turnover of BD 141.195 million (BD 153.484 million for 2019) on which it achieved a profit before interest and depreciation of BD 7.853 million (BD 7.221 million for 2019) and a net loss attributable to equity holders of parent of BD 2.822 million (net loss of BD 3.285 million for 2019).

The challenging environment in the construction sector prevailed during this year with fewer projects awarded during the year. The drop in oil prices affected the government spending and delays in new projects awards. In these difficult times, the board has taken measures for better and efficient cost management by consolidating the construction platform constituents of the Group.

**BOARD OF DIRECTORS' REPORT  
for the year ended 31 December 2020**

Bahraini dinars '000

The Bahrain construction sector is expected to recover in year 2021 with growth driven by GCC Marshal Fund projects and on-going BAPCO Modernisation project. This month, Nass Contracting and Huta Hegerfeld JV received letter of award for the AlFateh Highway Upgrade (Main works) for BD 29.662 million. The Group is hopeful of securing more works during the year and strengthen the work order position.

**ORDER BOOK POSITION**

The work-orders on hand of constituent divisions/companies (excluding Trading Divisions) at beginning of year 2021 amounts to a value of BD 83.990 million.

**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. Annual Corporate Governance disclosure report forms part of the documentation being provided to the shareholders at the ensuing Annual General Meeting on 28<sup>th</sup> March 2021.

The Audit Committee is actively involved in the various aspects of corporate functioning. It meets frequently 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 and Corporate Governance Nomination and Safety Committee. The Board constituted Group Tender Committee (GTC) to assist the Board in discharging its oversight duties relating to establishing of intra-group pricing policy and to perform advisory role in pricing process of high value bids.

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

**AUDITORS**

The Board of Directors propose to recommend re-appointment of M/S KPMG Fakhro as the Statutory Auditors of the Group for the year 2021.

**EMPLOYEE RELATIONS**

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

**BOARD OF DIRECTORS' REPORT**  
**for the year ended 31 December 2020**

Bahraini dinars '000

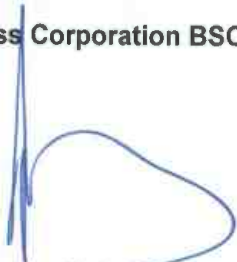
**ACKNOWLEDGEMENTS**

On behalf of all the shareholders and the Board of Directors, we take this opportunity to express our sincere gratitude and appreciation to His Majesty King Hamad Bin Isa Al Khalifa, King of the Kingdom of Bahrain, to His Royal Highness Prince Shaikh Salman Bin Hamad Al Khalifa, the Crown Prince Prime Minister, to all Government Ministries and Institutions, especially the Ministry of Finance, Ministry of Industry Commerce and Tourism, the Central Bank of Bahrain and the Bahrain Bourse for their continuing support.

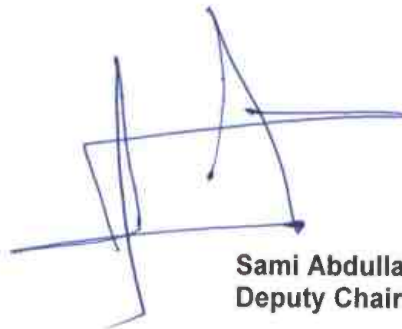
We also appreciate support extended to us by our bankers, financial institutions, suppliers and business associates, share registrar, our Statutory Auditors M/S KPMG Fakhro and our Internal Auditors BDO for the year 2020.

**On behalf of Board of Directors**

**Nass Corporation BSC**



**Sameer Abdulla Nass**  
**Chairman**



**Sami Abdulla Nass**  
**Deputy Chairman**

**Date: 24<sup>th</sup> February 2021**



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 CR No. 6220

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS**

Nass Corporation BSC  
 Manama – Kingdom of Bahrain

**Report on the audit of the consolidated financial statements**

*Opinion*

We have audited the accompanying consolidated financial statements of Nass Corporation BSC (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 International Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Contract accounting and revenue recognition**

(Refer to accounting policy in note 3(l) and disclosure in Note (17) to the consolidated financial statements)

Description	How our audit addressed the key audit matter
<p>Determination of revenue to be recognized on construction contracts is a key audit matter because of the judgment involved in identifying the separate performance obligations within a contract and determining when control over goods and services transfers to the customer. Revenue is recognized based on contract costs to date as percentage of total forecast costs.</p>	<p><i>Our procedures included:</i></p> <ul style="list-style-type: none"> <li>▪ evaluating the Group's process for identifying the separate performance obligations within a contract and for determining the contract price;</li> <li>▪ reviewing all significant contracts and discussing with management to obtain an understanding of the specific terms and risk, which informed our consideration of whether revenue was appropriately recognised;</li> </ul>
<p>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.</p>	<ul style="list-style-type: none"> <li>▪ evaluating the design and testing the operating effectiveness of internal controls over the accuracy and timing of revenue recognised in the consolidated financial statements, including controls over detailed contract reviews performed by management that includes estimating total cost and stage at which control is transferred to the customer;</li> </ul>
<p>The forecast profits on contracts include key judgments over the expected recovery of costs arising from variations and claims. The inclusion of these amounts in the contract forecast where they are not recoverable could result in a material error in the level of profit or loss recognized by the Group.</p>	<ul style="list-style-type: none"> <li>▪ evaluating the financial assessment of the contract progress over time through discussion with project managers and commercial managers and comparing the outcome of our discussion with the underlying records;</li> </ul>

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

- assessing a sample of forecast costs to complete for reasonableness by evaluating the basis of the calculation based on the monthly contract review summary prepared by project managers and considering the performance of those contracts and costs post-year end;
- evaluating 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;
- assessing significant exposure to contract variations, claims and liquidated damages for late delivery of work by evaluating management estimates included in the monthly contract review summary, which tracks the nature, quantum and status of such exposures. We also assessed other underlying records, if any, such as legal and third party expert reports commissioned by the Group over contentious positions; and
- evaluating the adequacy of the Group's disclosures in relation to contract accounting and revenue recognition by reference to the requirements of the relevant accounting standards.

**The adequacy of expected credit loss provision on trade and other receivables and contract assets**  
 (Refer to accounting policy in note 3b(iv) and disclosure relating to credit risk in Note 25(b))

**Description**

**How our audit addressed the key audit matter**

*Our procedures included:*

We focused on this area because:

- of the significance of the Group's trade and other receivables and contract assets representing 63 % of total assets (by value);
- significant management judgment is involved over both timing and recognition of impairment; and
- use of inherently judgmental complex models and methodologies for determination of expected credit losses.

- performing with the involvement of our information technology and credit risk specialists the following testing:
  - evaluating the appropriateness of the Group's expected credit loss model under IFRS 9;
  - evaluating the design and testing operating effectiveness of the relevant controls over the completeness and accuracy of the key inputs and assumptions used in the Expected Credit Loss (ECL) model
  - testing relevant controls over the transfer of data between underlying source systems and the impairment models;
  - evaluating the reasonableness of assumptions and key inputs used in the model;
  - evaluating and testing relevant controls over the governance and assessment of the output of the ECL model, authorisation and review of post model adjustments and management overlays; and
  - testing the accuracy of ageing of receivables.
- evaluating the adequacy of the Group's disclosures related to ECL for trade and other receivables and contract assets by reference to the requirements of the relevant accounting standards.

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

*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.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

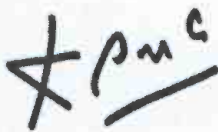
We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate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

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 of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other regulatory requirements**

- 1) As required by the Commercial Companies Law, we report that:
  - a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
  - b) the financial information contained in the directors' report is consistent with the consolidated financial statements;
  - c) we are not aware of any violations during the year of the Commercial Companies Law, or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
  - d) satisfactory explanations and information have been provided to us by management in response to all our requests.
- 2) As required by the Ministry of Industry, Commerce and Tourism in their letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
  - a) a corporate governance officer; and
  - b) a Board approved written guidance and procedures for corporate governance.

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



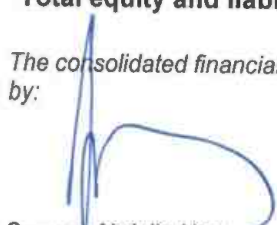
KPMG Fakhro  
Partner registration number 100  
24 February 2021


**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2020

Bahraini dinars '000

	Note	2020	2019
<b>ASSETS</b>			
Property, plant and equipment	5	28,120	26,311
Right of use assets	6	4,915	6,433
Investment properties	7	-	2,022
Equity accounted investees	8	1,665	1,550
Other assets		283	629
<b>Total non-current assets</b>		<b>34,983</b>	<b>36,945</b>
Inventories	9	6,963	9,400
Trade and other receivables	10	58,972	64,916
Contract assets	11	36,236	37,666
Due from related parties	23	2,814	3,933
Deposits with banks		1,304	504
Cash and cash equivalents	12	9,903	13,431
<b>Total current assets</b>		<b>116,192</b>	<b>129,850</b>
<b>Total assets</b>		<b>151,175</b>	<b>166,795</b>
<b>EQUITY</b>			
Share capital	21	22,000	22,000
Treasury shares	21	(1,597)	(1,597)
Statutory reserve	22	8,767	8,767
Retained earnings		24,701	27,523
Donations and charity reserve		56	64
<b>Equity attributable to equity holders of the parent</b>		<b>53,927</b>	<b>56,757</b>
Non-controlling interest		2,379	2,280
<b>Total equity</b>		<b>56,306</b>	<b>59,037</b>
<b>Liabilities</b>			
Lease liabilities	6	3,506	4,108
Bank loans	13	7,482	3,715
Employee benefits	14	6,894	7,668
<b>Total non-current liabilities</b>		<b>17,882</b>	<b>15,491</b>
Trade and other payables	15	34,313	38,712
Lease liabilities	6	1,510	2,324
Contract liabilities	16	8,131	13,482
Employee benefits	14	3,871	3,076
Due to related parties	23	9,104	10,268
Bills payable		2,929	2,735
Bank loans	13	2,272	2,298
Bank overdrafts	12	14,857	19,372
<b>Total current liabilities</b>		<b>76,987</b>	<b>92,267</b>
<b>Total liabilities</b>		<b>94,869</b>	<b>107,758</b>
<b>Total equity and liabilities</b>		<b>151,175</b>	<b>166,795</b>

The consolidated financial statements were approved by the Board of Directors on 24 February 2021 and signed on its behalf by:

  
Sameer Abdulla Nass  
Chairman

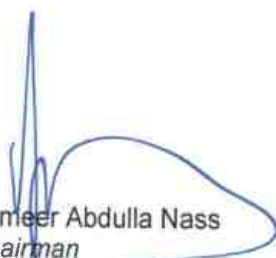
  
Sami Abdulla Nass  
Deputy Chairman

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**for the year ended 31 December 2020**

Bahraini dinars '000

	Note	2020	2019
Revenue	17	141,195	153,484
Cost of sales		(132,847)	(143,705)
<b>Gross profit</b>		<b>8,348</b>	9,779
Other income	18	2,365	1,040
Government assistance		2,394	-
General and administrative expenses	19	(12,502)	(12,834)
Impairment losses on trade and other receivables and contract assets		(1,646)	(93)
Finance income		99	154
Finance cost		(1,211)	(1,278)
Share of profit from equity accounted investees, net	8	115	260
<b>Loss for the year</b>		<b>(2,038)</b>	(2,972)
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<b>(2,038)</b>	(2,972)
<i>Loss and total comprehensive income for the year attributable to:</i>			
Equity holders of the parent		(2,822)	(3,285)
Non-controlling interest		784	313
		<b>(2,038)</b>	(2,972)
<b>Earnings per share</b>			
Basic and diluted earnings per share (Fils)	20	<b>(13.12)</b>	(15.27)

  
 Sameer Abdulla Nass  
 Chairman

  
 Sami Abdulla Nass  
 Deputy Chairman

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2020

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		
2020								
At 1 January 2020	22,000	(1,597)	8,767	27,523	64	56,757	2,280	59,037
Loss and total comprehensive income for the year	-	-	-	(2,822)	-	(2,822)	784	(2,038)
Dividend for 2019 declared	-	-	-	-	-	-	(685)	(685)
Utilization of donation and charity reserve	-	-	-	-	(8)	(8)	-	(8)
At 31 December 2020	22,000	(1,597)	8,767	24,701	56	53,927	2,379	56,306

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2020 (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		
2019								
At 1 January 2019	22,000	(1,597)	8,767	31,960	43	61,173	3,170	64,343
Loss and total comprehensive income for the year	-	-	-	(3,285)	-	(3,285)	313	(2,972)
Dividend for 2018 declared (5 %)	-	-	-	(1,075)	-	(1,075)	(1,250)	(2,325)
Donations and charity reserve approval	-	-	-	(30)	30	-	-	-
Acquisition of remaining stake in a subsidiary	-	-	-	(47)	-	(47)	47	-
Utilization of donation and charity reserve	-	-	-	-	(9)	(9)	-	(9)
At 31 December 2019	22,000	(1,597)	8,767	27,523	64	56,757	2,280	59,037

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the year ended 31 December 2020

Bahraini dinars '000

	Note	2020	2019
<b>Cash flows from operating activities</b>			
<b>Loss for the year</b>		<b>(2,038)</b>	(2,972)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	5	6,365	6,524
Depreciation on right of use assets		2,272	2,313
Depreciation of investment property		43	78
Write off / impairment of trade and other receivables (net)	10,19	1,011	753
Impairment on contract assets	11	701	(17)
Impairment on other assets		341	350
Amortization of held to maturity investment		5	3
Gain on disposal of property, plant and equipment	18	(1,128)	(89)
Loss on disposal of investment properties	7	69	-
Share of profit from equity accounted investees	8	(115)	(260)
Employee benefits	14	3,488	2,940
<i>Changes in:</i>			
Inventories		2,437	222
Trade and other receivables		5,983	5,111
Contract assets		729	(6,446)
Due from related parties		942	198
Trade and other payables		(2,670)	(2,948)
Contract liabilities		(5,351)	4,912
Employee benefits	14	(3,467)	(3,622)
Due to related parties		(1,164)	763
Bills payable		194	1,499
<b>Net cash from operating activities</b>		<b>8,647</b>	9,312
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(8,606)	(5,541)
Proceeds on sale of property, plant and equipment		710	231
Proceeds from sale of investment properties		1,360	-
Dividend from equity accounted investees		-	302
Movement on deposits with banks		(800)	(138)
<b>Net cash used in investing activities</b>		<b>(7,336)</b>	(5,146)
<b>Cash flows from financing activities</b>			
Proceeds from bank loans	13	5,393	2,614
Repayment of bank loans	13	(1,652)	(1,250)
Payment of lease liabilities		(1,797)	(1,640)
Dividends paid to equity shareholders of the parent		(1,575)	(1,077)
Dividends paid to non-controlling shareholders		(685)	(1,250)
Donations paid		(8)	(9)
<b>Net cash used in financing activities</b>		<b>(324)</b>	(2,612)
<b>Net increase in cash and cash equivalents</b>		<b>987</b>	1,554
Cash and cash equivalents at 1 January		(5,941)	(7,495)
<b>Cash and cash equivalents at 31 December</b>	12	<b>(4,954)</b>	(5,941)

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 2020

Bahraini dinars '000

**1 REPORTING ENTITY**

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

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 2020 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 Co	Bahrain	100 %	Mechanical fabrication and maintenance
Nass Electrical Contracting Co.	Bahrain	100 %	Electrical contracting
Delmon Readymix Concrete and Products Company W.L.L.	Bahrain	80 %	Ready mixed concrete
Delmon Precast W.L.L.	Bahrain	80 %	Precast concrete
Nass Dredging Company W.L.L.	Bahrain	100 %	Extraction of marine sand

*Joint ventures*

Entity	Country of incorporation	% ownership	Principal activities
Nass Contrack Joint Venture	Bahrain	50 %	General contracting
Nass Burhan Joint Venture	Bahrain	50 %	General contracting
Nass Contrack Watts Joint Venture	Bahrain	50 %	General contracting

*Associates*

Entity	Country of incorporation	% ownership	Principal activities
Dona Marine Co. W.L.L.	Bahrain	33.33 %	Transportation of bulk materials by marine vessels

The subsidiaries, associates and joint ventures have the same financial year end as the Company. All joint ventures are unincorporated and located in Bahrain.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020

Bahraini dinars '000

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and in conformity with the requirements of the Commercial Company Law 2001 (as amended).

*Going concern basis of accounting*

The board of directors continues to have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate (refer Note 4 (a)) and Note 25(c) .

**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 and amendments to standards effective from 1 January 2020**

There were no new standards and amendments which became effective as of 1 January 2020, which are relevant to and will have a significant impact on the Group' consolidated financial statements.

**d) New standards and amendments to standards issued but not yet effective**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early applied the following new or amended standards in preparing these consolidated financial statements.

*(i) COVID-19-Related Rent Concessions (Amendment to IFRS 16)*

In response to the COVID-19 coronavirus pandemic, the Board has issued amendments to IFRS 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. The rent concessions could be in various forms and may include one-off rent reductions, rent waivers or deferrals of lease payments. If the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognized in profit or loss.

The practical expedient will only apply if:

- (i) the revised consideration is substantially the same or less than the original consideration;
- (ii) the reduction in lease payments relates to payments due on or before 30 June 2021; and
- (iii) no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- (i) that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- (ii) the amount recognized in profit or loss for the reporting period arising from application of the practical expedient.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The amendments are effective for annual reporting periods beginning on or after 1 June 2020, with earlier application permitted. The Group does not expect to have a significant impact on its consolidated financial statements.

*(ii) Onerous contracts – cost of fulfilling a contract (amendments to IAS 37)*

The amendments specify which cost an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments apply for the annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of application, the cumulative applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The group has determined that all contracts existing at 31 December 2020 will be completed before the amendments become effective.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 December 2020**

Bahraini dinars '000

**2 BASIS OF PREPARATION (continued)**

d) *New standards and amendments to standards issued but not yet effective (continued)*

(iii) *Annual Improvements to IFRS Standards 2018-2020*

As part of its process to make non-urgent but necessary amendments to IFRS Standards, the IASB has issued the Annual Improvements to IFRS Standards 2018–2020. The following are the key amendments in brief:

a) *IFRS 9 Financial Instruments*

This amendment clarifies that – for the purpose of performing the “10 per cent test” for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

When a present value technique is used to measure fair value, the assumptions used for the cash flows and discount rates should be internally consistent – i.e. using either after tax or pre-tax for both. The amendments provide the flexibility to use either, as appropriate, in line with IFRS 13. The assumptions about cash flows and discount rates should reflect market participants’ views, which in practice are predominantly performed on a post-tax basis.

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

b) *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*

In the process of making an item of Property, Plant and Equipment available (“PPE”) for its intended use, a company may produce and sell items. Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

The amendments clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin.

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

c) *Classification of liabilities as current or non-current (Amendments to IAS 1)*

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional ‘right to defer’ settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. This assessment may require management to exercise interpretive judgement.

Further, ‘a right to defer’ exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date. This new requirement may change how companies classify rollover facilities, with some becoming non-current.

The amendments state that settlement of a liability includes transferring a company’s own equity instruments to the counterparty. When classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity. Therefore, companies may need to reassess the classification of liabilities that can be settled by the transfer of the company’s own equity instruments – e.g. convertible debt.

The management has started the assessment of the impact of adopting this amendment on its consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2020**

Bahraini dinars '000

**3 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied by the Group and are consistent with those applied in prior years except for those changes arising from those new standards and amendments applied during the year.

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

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

*(ii) Transactions and non-controlling interest*

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

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

*(iii) Interests in equity-accounted investees*

Equity accounted investees comprise associates and joint venture. Associates are those enterprises in which the Group holds, between 20% and 50% of the voting power and exercises significant influence, but not control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

The Group reports its interest in associates and joint ventures using the equity method. They are initially recognised at cost which includes transaction costs; and subsequently the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and OCF of equity accounted investees until the date on which significant influence or joint control ceases of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment.

When the Group's share of losses exceeds its interest in an associate or a joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

*(iv) Transactions eliminated on consolidation*

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

for the year ended 31 December 2020

Bahraini dinars '000

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****b) Financial instruments**

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

*(i) Recognition and initial measurement*

Trade and other receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

*(ii) Classification and subsequent measurement**Financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

*(iii) De-recognition***Financial assets**

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

**Financial liabilities**

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****for the year ended 31 December 2020**

Bahraini dinars '000

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)***b) Financial instruments (continued)**(iv) Impairment of financial assets*

The Group recognises loss allowances for Expected Credit Losses (ECL) on financial assets measured at amortised cost and contract assets.

The Group measures loss allowances for trade and other receivables and contract assets based on simplified approach at an amount equal to lifetime ECLs. For bank balances, measurement of loss allowances is based on 12-month ECL.

When determining whether the credit risk of a financial asset at amortised cost has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due for private customers, and 271 days past due for government entities.

**Measurement of ECLs*****Trade receivables and contract assets - (Simplified approach)***

The Group uses allowance matrix to measure the ECLs of trade and other receivables and contract assets

Loss rates are calculated using a 'roll rate (Net-flow)' method based on the probability of a receivable progressing through successive stages of delinquency to the loss bucket. Recovery from the loss bucket is also considered for computing the historical loss rates. Roll rates are calculated separately for exposures in different segments based on the customer's common credit risk characteristics. Loss rates are based on actual credit loss experience over the past five years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and group view of economic conditions over the expected lives of the receivables. The forward looking adjustment of the loss rates is based on a qualitative score card which factors the management's view on the future economic and business conditions

***Cash and Bank balances – (General approach)***

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2020**

Bahraini dinars '000

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Credit-impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortised cost are impaired. A financial asset at amortised cost is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset and contract asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due for all receivables and contract assets other than receivables from government where 271 days past due is considered as default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

**Write-off**

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

**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) Leases**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**As a lessee**

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2020**

Bahraini dinars '000

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)***d) Leases (continued)*

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments, if necessary, to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in the statement of financial position.

**Short term leases and lease of low-value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Extension options**

Some leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2020**

Bahraini dinars '000

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e) Property, plant & equipment**

*(i) Owned assets*

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. Capital work-in-progress relating to property, plant and equipment is stated at cost less impairment losses, if any. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

*(ii) Subsequent measurement*

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

*(iii) Depreciation*

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment. No depreciation is charged on freehold land. The estimated useful lives are as follows:

Property, plant & equipment class	Estimated useful life in years
Buildings	3 – 15
Improvements on leasehold land	3 – 15
Plant, machinery and motor vehicles	3 – 15
Vessels and barges	10 – 15
Office equipment, furniture and fixtures	1 – 5

**f) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 December 2020**

Bahraini dinars '000

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****g) Inventories**

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

**h) 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.

**i) Contract assets and contract liabilities**

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

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

**j) Provisions**

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**k) Operating leases**

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

**l) Revenue recognition**

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

*(i) Contract revenue*

The Group has determined that for construction contracts, the customer controls all of the work in progress as the work is being performed. This is because these are made to a customer's specification and generally at the client's premises. If a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin. Invoices are issued according to contractual terms. Un-invoiced amounts are presented as due from contract customers net of any expected credit losses.

Revenue against variations are recognized only if the variations have been approved by the customers. If variations are for distinct services from original contract, the variations are accounted for as a separate contract else it is accounted for as a modification of the original contract. Contracts which are negotiated with a same commercial objective and relate to a single performance obligation with the same customer are combined and accounted for as a single contract.

Revenue is recognised over time based on contract costs incurred to date as a percentage of total forecast cost. The related costs are recognised in profit or loss when they are incurred. Advances received are included in "contract liabilities".

*(ii) Sale of goods*

Customers obtain control when the goods are delivered to and have been accepted at their premises or on delivery to the customer's agents. Revenue is recognised at a point in time when the goods are delivered and have been accepted by customers at their premises.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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Bahraini dinars '000

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****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) Finance income and expense**

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

**o) 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.

**p) Statutory reserve**

In accordance with the Commercial Companies Law, a minimum of 10 % of the profit for the year is appropriated to a statutory reserve, until it reaches 50 % of the paid-up share capital. This reserve is not normally distributable, except in the circumstances stipulated in the Bahrain Commercial Companies Law.

**q) 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.

**r) 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.

**s) Trade receivables**

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

**t) Trade payables**

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

**u) Investment properties**

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

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

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**4 SIGNIFICANT ACCOUNTING POLICIES (continued)****v) Government grants**

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for which the grants are intended to compensate. In the case of grants related to assets, requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

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

The Group makes accounting estimates and judgements that affect the application of the Group's accounting policies and the reported amount of assets liabilities, income and expenses. 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. Actual results may differ from these estimates.

**a) Judgment**

- Note 3(l) - revenue recognition: whether revenue from contract is recognised over time or at a point in time. Determining when control transfers to the customer requires significant judgement.
- Going concern: whether there are material uncertainties that may cast significant doubt on the entity's ability to continue as a going concern.

The outbreak of the COVID-19 pandemic and the measures adopted by the government of Bahrain to mitigate its spread have impacted the Group. These measures required the Group to quarantine infected staff, restricted access to certain work sites for about 2-3 months. This has negatively impacted the Group's financial performance during the year and also its liquidity position.

For the year ended 31 December 2020, the Group recognised a net loss from operation of BD 2,038, net of government grant of BD 2,394. The Group's current assets as at 31 December 2020 were BD 116,192 compared to current liabilities of BD 76,987.

The Group has BD 11,207 of resources comprising cash and cash equivalents and deposits with banks. It also has sufficient unused credit lines available at the date of authorisation of these consolidated financial statements.

There is still uncertainty over how the future development of the outbreak will impact the Group's business and its ability to secure new contracts and demands for its products and services. The appropriateness of the going concern basis of accounting is dependent on the ability of the Group to having access to sufficient external resources and on the continued availability of borrowings by compliance with loan covenants.

The Group has overdraft facilities of BD 14,857 and term loans of BD 9,754 from local banks requiring compliance with financial covenants. As at the date of authorisation of the financial statements, the Group has sufficient headroom on its facilities.

Also, to respond to a severe downside scenario, the board of directors has the ability to take the following mitigating actions to reduce costs, optimise the Group's cash flow and preserve liquidity:

- reducing non-essential capital expenditure and deferring or cancelling discretionary spend;
- reducing staff headcount; and
- freezing non-essential recruitment.

Based on these factors, the board of directors has a reasonable expectation that the Group has adequate resources and sufficient loan facility available to support any cash shortfall and provide sufficient resources to continue with the business as a going concern for at least 12 months from the date of these consolidated financial statements

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**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)**

**Estimates and assumptions**

- Note 3(l) - revenue recognition: estimate of future cost to completion
- Note 3(b) - measurement of ECL allowance for trade and other receivables and contract assets: key assumptions in determining the weighted average loss rate.
- Note 3(f) - impairment testing of property plant and equipment: key assumptions underlying the recoverable amounts.
- Note 3(g) - Impairment testing of inventory. Key assumptions underlying NRV.

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**5 PROPERTY, PLANT AND EQUIPMENT**

Cost	Land and buildings	Improvements on leasehold land	Plant, machinery, vehicles, vessels and barges	Office equipment, furniture & fixtures	Capital work in progress	Total
At 1 January 2020	12,741	5,217	66,326	1,338	872	86,494
Additions	3,885	542	1,763	67	2,349	8,606
Reclassification	-	(17)	(4)	21	-	-
Transfer from capital work in progress	1,197	82	536	-	(1,815)	-
Disposals	(65)	(583)	(7,174)	(270)	-	(8,092)
<b>At 31 December 2020</b>	<b>17,758</b>	<b>5,241</b>	<b>61,447</b>	<b>1,156</b>	<b>1,406</b>	<b>87,008</b>
<b>Depreciation</b>						
At 1 January 2020	4,547	3,767	50,619	1,250	-	60,183
Charge for the year	472	452	5,363	78	-	6,365
Disposals	(65)	(562)	(6,763)	(270)	-	(7,660)
<b>At 31 December 2020</b>	<b>4,954</b>	<b>3,657</b>	<b>49,219</b>	<b>1,058</b>	<b>-</b>	<b>58,888</b>
<b>Net book value</b>						
<b>At 31 December 2020</b>	<b>12,804</b>	<b>1,584</b>	<b>12,228</b>	<b>98</b>	<b>1,406</b>	<b>28,120</b>

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

The depreciation charge has been allocated to cost of sales BD 5,613 (2019: BD 5,782) and general and administrative expenses BD 752 (2019: BD 742).

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**5 PROPERTY, PLANT AND EQUIPMENT (continued)**

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**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	13 - 23 years	-
2	Plot No. 7019248 & 7019250 Salmabad	Land	Business	Freehold	23 -31 years	328
3	Plot No. 07019249, Building No. 1295, Road 239 Salmabad 702	Building Land	Business	Mortgaged	22 years 1 year	22 3,885
4	Plot No. 4 (01-00-9078) Hidd Industrial Area	Office/Workshop/Stores Building	Business	Leasehold for 10 years renewable	14 years	358
5	Plot No. 07019247 Salmabad	Land	Business	Freehold	6 year	1,753
6	Plot No. 1359, Ras Zuwaid	Land and Building	Business	Freehold	8 year	325
7	Plot no. 12001760, Ras Zuwaid	Land and Building	Business	Freehold	8 year	1,832
8	Plot No. 12010988, Lhassay	Land and Building	Business	Freehold	4 year	1,009
9	Plot No. 12010989, Lhassay	Land	Business	Freehold	4 year	1,326
10	Plot No. 12009273, Lhassay	Land and Building	Business	Freehold	1- 4 year	2,242

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**6 LEASES**

The Group has recognised a right-of-use asset related to land and buildings.

**a) Right- of- Use Assets**

	2020	2019
Balance at 1 January	6,433	6,632
Additions	754	2,114
Amortisation charge for the period	(2,272)	(2,313)
<b>Balance at 31 December</b>	<b>4,915</b>	<b>6,433</b>

**b) Lease Liabilities**

	2020	2019
Current	1,510	2,324
Non-current	3,506	4,108
<b>Balance at 31 December</b>	<b>5,016</b>	<b>6,432</b>

**Amounts recognised in profit or loss**

	2020	2019
Interest on leases liabilities	347	439

**Maturity analysis – contractual undiscounted cash flow**

	2020	2019
Less than one year	1,745	2,595
One to five years	2,541	3,394
More than five years	2,117	1,767
<b>Total undiscounted lease liabilities at 31 December</b>	<b>6,403</b>	<b>7,756</b>

**7 INVESTMENT PROPERTIES**

Investment properties were sold during the year resulting in a loss of BD 69

**8 EQUITY ACCOUNTED INVESTEEES**

	JVs	Associate	Total
Balance at 1 January 2020	1,140	410	1,550
Share of profit for the year	26	89	115
<b>Balance at 31 December 2020</b>	<b>1,166</b>	<b>499</b>	<b>1,665</b>

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**8 EQUITY ACCOUNTED INVESTEEES (continued)**

The following table summarizes the financial position of the associates and JVs as included in its own financial statements for the Company's share

	2020	2019
Total current assets	4,287	6,040
Total non-current assets	1,611	1,834
Total current liabilities	(1,647)	(3,730)
Total non-current liabilities	(421)	(633)
<b>Net Assets (100%)</b>	<b>3,830</b>	<b>3,511</b>
<b>Carrying amount of equity accounted investees</b>	<b>1,665</b>	<b>1,550</b>

	2020	2019
Revenue	1,894	2,018
Profit / (Loss) for the year	318	620
<b>Total comprehensive income</b>	<b>318</b>	<b>620</b>
Company's share of total comprehensive income	115	260
Dividend received by the Company	-	302

**9 INVENTORIES**

	2020	2019
Raw materials	4,041	5,559
Machineries, spares, fuels and lubricants	3,379	4,337
Goods in transit	48	79
Food products	1,737	1,379
Finished goods	273	1,261
	<b>9,478</b>	<b>12,615</b>
Impairment allowance for slow moving and obsolete inventories	(2,515)	(3,215)
	<b>6,963</b>	<b>9,400</b>

*Movements on impairment allowance for slow moving and obsolete inventories*

	2020	2019
At 1 January	3,215	2,729
Charge for the year	248	504
Reversal during the year	(613)	(18)
Write-off during the year	(335)	-
<b>At 31 December</b>	<b>2,515</b>	<b>3,215</b>

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**10 TRADE AND OTHER RECEIVABLES**

	<b>2020</b>	2019
Trade receivables	39,938	43,634
Retentions receivable	20,395	20,265
Advances to suppliers and sub-contractors	3,767	5,316
Prepaid expenses	250	1,031
Other receivables	3,762	2,901
	<b>68,112</b>	73,147
Allowance for impairment losses	(9,140)	(8,231)
	<b>58,972</b>	64,916
<i>Movements on allowance for impairment losses</i>		
	<b>2020</b>	2019
At 1 January	8,231	8,121
Charge for the year	936	110
Transfer	(27)	-
<b>At 31 December</b>	<b>9,140</b>	8,231

Information about the Group's exposure to credit risk, and impairment losses for trade and other receivables, is included in note 25(b).

**11 CONTRACT ASSETS**

	<b>2020</b>	2019
Cost incurred plus attributable profits on contracts-in-progress	300,133	331,723
Progress billings made towards contracts-in-progress	(262,815)	(293,676)
	<b>37,318</b>	38,047
Allowance for impairment losses	(1,082)	(381)
	<b>36,236</b>	37,666

Information about the Group's exposure to credit risk, and impairment losses for due from contract customers is included in note 25(b).

**12 CASH AND CASH EQUIVALENTS**

	<b>2020</b>	2019
Cash and bank balances	7,225	7,046
Short-term bank deposits	2,678	6,385
<b>Cash and cash equivalents in statement of financial position</b>	<b>9,903</b>	13,431
Bank overdrafts	(14,857)	(19,372)
<b>Cash and cash equivalents in statement of cash flows</b>	<b>(4,954)</b>	(5,941)

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**13 BANK LOANS**

	2020	2019
Current	2,272	2,298
Non-current	7,482	3,715
	<b>9,754</b>	<b>6,013</b>

Movement during the year as follows:

	2020	2019
At 1 January	6,013	4,649
Loans availed during the year	5,393	2,614
Loans repaid during the year	(1,652)	(1,250)
<b>At 31 December</b>	<b>9,754</b>	<b>6,013</b>

The average effective interest rate on loans and borrowings was 3.50% - 4.88% p.a. (2019: 4.90% - 6.00% p.a.).

**14 EMPLOYEE BENEFITS**

	2020	2019
At 1 January	10,744	11,426
Charge for the year	3,488	2,940
Paid during the year	(3,467)	(3,622)
	<b>10,765</b>	<b>10,744</b>

*Analysed as*

	2020	2019
Current liabilities	3,871	3,076
Non-current liabilities	6,894	7,668
	<b>10,765</b>	<b>10,744</b>

**15 TRADE AND OTHER PAYABLES**

	2020	2019
Trade accounts payable	11,538	14,499
Accrued expenses	15,246	15,219
Unclaimed dividends	50	1,617
Retentions payable	4,946	4,175
Other payables	2,533	3,202
	<b>34,313</b>	<b>38,712</b>

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**16 CONTRACT LIABILITIES**

	<b>2020</b>	<b>2019</b>
Progress billings received and receivable	31,227	17,558
Costs incurred plus recognised profits on contracts-in-progress	(23,096)	(4,076)
	<b>8,131</b>	<b>13,482</b>

**17 REVENUE****A. Revenue streams**

	<b>2020</b>	<b>2019</b>
<b>Revenue from contracts with customers</b>		
- Contract income	101,286	108,528
- Sales of goods	33,843	33,573
- Hire income	6,066	11,383
	<b>141,195</b>	<b>153,484</b>

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**17 REVENUE (continued)**

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**B. Disaggregation of revenue from contracts with customers**

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

	Contract income, Service		Trading		Elimination		Total
	2020	2019	2020	2019	2020	2019	
<b>Primary Geographical markets</b>							
Bahrain	137,411	136,719	17,256	21,804	(19,113)	(19,718)	138,805
Outside Bahrain	5,641	15,052	-	-	-	(373)	14,679
	<b>143,052</b>	<b>151,771</b>	<b>17,256</b>	<b>21,804</b>	<b>(19,113)</b>	<b>(20,091)</b>	<b>141,195</b>
<b>Type of Markets</b>							
Government Sector	19,725	27,557	286	863	-	-	20,011
Non-government Sector	123,327	124,214	16,970	20,941	(19,113)	(20,091)	121,184
	<b>143,052</b>	<b>151,771</b>	<b>17,256</b>	<b>21,804</b>	<b>(19,113)</b>	<b>(20,091)</b>	<b>141,195</b>
<b>Timing of revenue recognition</b>							
Products transferred at a point in time	30,505	33,714	17,256	21,804	(15,168)	(16,732)	32,593
Products transferred over time	112,547	118,057	-	-	(3,945)	(3,359)	108,602
	<b>143,052</b>	<b>151,771</b>	<b>17,256</b>	<b>21,804</b>	<b>(19,113)</b>	<b>(20,091)</b>	<b>141,195</b>
<b>C. Contract Balances</b>							

The amount of BD 8,555 (2019: BD 8,570) recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2020.

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**18 OTHER INCOME**

	2020	2019
Gain on disposal of property, plant and equipment	1,128	89
Write-back of provision for inventory	-	18
Insurance claim*	700	-
Miscellaneous income	537	933
	<b>2,365</b>	<b>1,040</b>

\* It relates to an insurance claim agreed with the insurance company relating to building and equipment damaged in a fire incident at one of the divisions.

**19 GENERAL AND ADMINISTRATIVE EXPENSES**

	2020	2019
Salaries of administration staff	5,606	6,730
Management consultancy fees	1,502	1,560
Receivable write off	75	643
Depreciation	895	928
Commission	152	244
Vehicle expenses	358	404
Rent, electricity and water	217	263
Communication	199	209
Directors' remuneration and sitting fees	215	205
Staff recruitment and training	71	209
Impairment on other assets	341	350
Professional fee	609	329
Printing and stationery	95	132
IT expenses	124	191
Covid-19 related expenses	1,137	-
Inventory loss due to fire*	82	-
Other expenses	824	437
	<b>12,502</b>	<b>12,834</b>

\* Inventory loss is net of BD 1,900 claim agreed with the insurance company .

**20 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:

	2020	2019
Loss attributable to equity holders of the parent	<b>(2,822)</b>	(3,285)
Weighted average number of shares at 31 December (000's)	<b>215,077</b>	215,077
Basic earnings per share	<b>(13.12)</b>	(15.27)

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

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**21 SHARE CAPITAL**

- a) **Authorised share capital**  
500,000,000 (2019: 500,000,000) shares of 100 fils each
- b) **Issued and fully paid**  
220,000,000 (2019: 220,000,000) shares of 100 fils each

2020	2019
50,000	50,000
22,000	22,000
(1,597)	(1,597)

Treasury shares: 4,923,160 (2019: 4,923,160)

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.

**c) Dividends**

No dividend is being proposed by the Board of Directors for the year ended 31 December 2020 (2019: Nil).

The major shareholders are:

Name of Shareholder	Number of shares held	Percentage of ownership	Nationality
1. Mr. Sameer Abdulla Nass*	18,810,000	8.55	Bahraini
2. Mr. Sami Abdulla Nass*	18,810,000	8.55	Bahraini
3. Mr. Adel Abdulla Nass*	18,810,000	8.55	Bahraini
4. Mr. Ghazi Abdulla Nass*	18,810,000	8.55	Bahraini
5. Mr. Fawzi Abdulla Nass*	18,810,000	8.55	Bahraini
6. Abdul Rahman Saleh Al Rajhi and Partners Company Limited	15,969,864	7.26	Kingdom of Saudi Arabia
<b>Total</b>	<b>110,019,864</b>	<b>50.01</b>	

\* 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	
	2020	2019	2020	2019	2020	2019
Less than 1 %	71,739,176	71,723,451	7,914	7,917	32.61	32.60
1 % up to less than 5 %**	38,240,960	38,256,685	9	9	17.38	17.39
5 % up to less than 10 %	110,019,864	110,019,864	6	6	50.01	50.01
10 % up to less than 20 %	-	-	-	-	-	-
<b>Total</b>	<b>220,000,000</b>	<b>220,000,000</b>	<b>7,929</b>	<b>7,932</b>	<b>100.00</b>	<b>100.00</b>

\*\* Includes 4,923,160 (2019: 4,923,160) treasury shares.

**22 STATUTORY RESERVE**

In accordance with the requirements of the Commercial Companies Law (the "Law") a minimum of 10 % of the net profit is appropriated to a statutory reserve, until such reserve reaches 50 % of the paid-up share capital. This reserve is not normally distributable, except in the circumstances stipulated in the Law.

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**23 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	
	2020	2019	2020	2019	2020	2019	2020	2019
A.A. Nass & Sons and its related companies	1,915	2,880	16,401	15,072	2,337	2,863	8,813	9,994
Joint ventures	135	1,245	10	10	477	1,070	291	274
<b>Total</b>	<b>2,050</b>	<b>4,125</b>	<b>16,411</b>	<b>15,082</b>	<b>2,814</b>	<b>3,933</b>	<b>9,104</b>	<b>10,268</b>

During the year, the parent company has provided guarantees of BD 158,946 (2019: BD 158,059) 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 1,502 (2019: 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:

	2020	2019
Short-term benefits	1,242	1,283
Post-employment benefits	45	47
	<b>1,287</b>	<b>1,330</b>

The board committee attendance fees for the year BD 215 (2019: BD 205). No provision for directors' fees has been charged to profit or loss for the year ended 31 December 2020 (2019: BD Nil).

**24 ACCOUNTING CLASSIFICATION AND FAIR VALUES OF FINANCIAL INSTRUMENTS**

*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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**24 ACCOUNTING CLASSIFICATION AND FAIR VALUES (continued)***Fair value hierarchy*

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

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

None of the Group's financial assets and liabilities is measured at fair value. The fair value of the Group's material financial assets and liabilities approximate the carrying amount due to their short-term nature.

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

The Group's financial assets and liabilities are classified and measured at amortised cost for 2020 and 2019.

**25 FINANCIAL RISK MANAGEMENT****a) Overview**

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

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

- credit risk;
- liquidity risk; and
- market risk.

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

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

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

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25 *FINANCIAL RISK MANAGEMENT (continued)*

**b) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables, contract assets, related parties receivables, short term-term deposits with banks and bank balances.

The Group is monitoring the economic environment in response to the COVID-19 pandemic and is taking action to limit its exposures o customers that are severely impacted. In response, the Group is also performing more frequent reviews of sales limits for customers that are severely impacted.

*(i) Exposure to credit risk*

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

	<b>2020</b>	<b>2019</b>
Trade and other receivables (net)	58,722	63,885
Contract assets	36,236	37,666
Due from related parties	2,814	3,933
Term deposits with banks	1,304	504
Cash and cash equivalents	9,703	13,276
	<b>108,779</b>	<b>119,264</b>

*(ii) Trade and other receivables*

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

Sales limits are established for each customer, which are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are government and semi-government and corporates, industry, aging profile, and existence of previous financial difficulties. The Group operates mainly in the Kingdom of Bahrain.

The credit period established by the Group for all its receivables is 90 days after which the dues are classified as past due.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivables and contract assets for which no loss allowance is recognised because of collateral.

*(iii) Contract assets*

This primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on construction contracts. The contract assets during the year was not significantly impacted by an impairment charge.

*(iv) Due from related parties*

Due from related parties pertains to the receivable from the holding company and other related parties. Transactions with related parties are conducted in the normal course of business, at rates agreed between the parties. The credit risk on these is perceived to be limited.

*(v) Cash and cash equivalents and term deposits with banks*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 25 FINANCIAL RISK MANAGEMENT (continued)

## (vi) 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:

	2020		2019	
	Construction and allied activities	Trading activities	Construction and allied activities	Trading activities
Trade and other receivables	52,619	6,103	58,742	5,143
Contract assets	36,236	-	37,666	-
Due from related parties	2,477	337	3,515	418
Term deposits in banks	1,284	20	504	-
Cash and cash equivalents	8,637	1,066	11,374	1,902
	<b>101,253</b>	<b>7,526</b>	<b>111,801</b>	<b>7,463</b>

## (vii) Impairment losses

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables and contract assets as at 31 December:

## 2020

	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Credit-impaired
Current (not past due)	2%	82,150	1,246	No
1-30 days past due	9%	1,717	161	No
31-60 days past due	13%	997	126	No
61-90 days past due	15%	674	103	No
More than 90 days past due	64%	15,848	10,069	Yes
	<b>12%</b>	<b>101,386</b>	<b>11,705</b>	

## 2019

	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Credit-impaired
Current (not past due)	1%	85,253	788	No
1-30 days past due	7%	3,357	245	No
31-60 days past due	10%	1,181	113	No
61-90 days past due	13%	1,526	200	No
More than 90 days past due	59%	14,873	8,731	Yes
	<b>9%</b>	<b>106,190</b>	<b>10,077</b>	

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**25 FINANCIAL RISK MANAGEMENT (continued)****c) Liquidity risk**

Liquidity risk, associated with financial liabilities that are settled by delivering cash or another financial asset, is the risk that the Group will encounter difficulties in meeting its financial obligations. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Covid 19 lockdown, quarantine measures, closure of businesses imposed by government of Bahrain to contain the pandemic affected how the Group conducts its business and resulted in additional cost.

The Group has taken and continue to take actions to mitigate the impact, including reducing capital expenditure, operating expenses and reducing headcount. The Group believes that the effects of COVID 19 pandemic on its operations will continue to have a negative impact on its financial results and liquidity.

As at 31 December 2020, the available cash and cash equivalents, expected cash flows from trade and other receivables will be sufficient to meet its obligations when they fall due.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables)

The Group also monitors the level of expected cash inflows on trade and other receivables tighter with expected cash outflows on trade and other payables.

*Exposure to liquidity risk*

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments.

<b>2020</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>6 months or less</b>	<b>6 - 12 months</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>
Bank Loans	9,754	10,979	1,280	1,359	2,651	5,689
Trade and other payables	19,067	19,067	1,728	5,720	8,759	2,860
Lease liabilities	5,016	6,403	1,000	745	1,014	3,644
Due to related parties	9,104	9,104	2,731	2,731	3,642	-
Bills payable	2,929	2,960	2,960	-	-	-
Bank overdraft	14,857	16,049	3,343	4,041	3,216	5,449
	<b>60,727</b>	<b>64,562</b>	<b>13,042</b>	<b>14,596</b>	<b>19,282</b>	<b>17,642</b>

**Commitments and contingencies**

- Letter of credit	<b>322</b>	<b>322</b>	<b>322</b>	-	-	-
- Commitments	<b>661</b>	<b>661</b>	<b>661</b>	-	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 25 FINANCIAL RISK MANAGEMENT (continued)

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

## Commitments and contingencies

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

## 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:

	2020	2019
<b>Fixed rate instruments</b>		
Term deposits with maturity of more than 3 months	1,304	504
Term deposits with maturity of 3 months or less	2,678	6,385
	<b>3,982</b>	<b>6,889</b>
<b>Variable rate instruments</b>		
Bills payable	2,929	2,735
Loans and borrowings	9,754	6,013
Bank overdraft	14,857	19,372
	<b>27,540</b>	<b>28,120</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 25 FINANCIAL RISK MANAGEMENT (continued)

The effective interest on these financial instruments is as follows:

Financial instruments	2020 Effective interest rate % p.a.	2019 Effective interest rate % p.a.
Term deposits with maturity of more than 3 months	1.50-2.61	3.00-4.25
Term deposits with maturity of 3 months or less	1.95-2.20	2.20-2.70
Loans and borrowings	3.50-4.88	4.90-6.00
Bank overdraft	3.25-4.88	4.00-5.00

An increase/ (decrease) of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by BD (236) ( 2019: BD (212) ).

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

*(i) 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~~ net receivable exposure as at 31 December 2020 was Euro 104 thousand (2019: net payable Euro 768 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.

*(ii) 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.

In response to COVID-19 outbreak, the management of the Group has enhanced its monitoring to identify risk events arising from the current situations and the changes in the way business is conducted and introduced measures to regularly test and isolate infected staff.

**f) Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity excluding non-controlling interest, and the level of dividends to shareholders.

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Buy and sell decisions are made on a specific transaction basis by the Board.

The Group has complied with local statutory capital requirements. The Group has also complied with covenants related to its bank borrowings. The Group does not have any other externally imposed capital requirements. There were no changes in the Group's approach to capital management during the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**26 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, Ready-mix 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	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Revenue</b>								
External sales	129,194	139,352	12,001	14,132	-	-	141,195	153,484
Inter-segment sales	13,858	12,419	5,255	7,672	(19,113)	(20,091)	-	-
<b>Total revenue</b>	<b>143,052</b>	<b>151,771</b>	<b>17,256</b>	<b>21,804</b>	<b>(19,113)</b>	<b>(20,091)</b>	<b>141,195</b>	<b>153,484</b>
<b>Segment result</b>								
Share of profit from joint ventures	(1,718)	(1,710)	(733)	40	12	(245)	(2,439)	(1,915)
Other gains and losses	26	161	-	-	-	-	26	161
Impairment on other assets	1,750	1,170	803	123	-	-	2,553	1,293
Unallocated corporate expenses	-	-	-	-	-	-	(341)	(350)
							(1,837)	(2,161)
<b>(Loss) / Profit for the year</b>							<b>(2,038)</b>	<b>(2,972)</b>

	Construction and Allied Activities		Trading Activities		Consolidated	
	2020	2019	2020	2019	2020	2019
<b>Other Information</b>						
Depreciation	7,523	7,677	1,157	1,238	8,680	8,915
Capital expenditure	5,874	5,223	2,732	318	8,606	5,541
Total assets	133,829	151,450	17,346	15,345	151,175	166,795
Total liabilities	87,149	100,324	7,720	7,434	94,869	107,758
<b>Total net assets</b>	<b>46,680</b>	<b>51,126</b>	<b>9,626</b>	<b>7,911</b>	<b>56,306</b>	<b>59,037</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**27 COMMITMENTS AND CONTINGENCIES**

	<b>2020</b>	<b>2019</b>
Guarantees	<b>73,541</b>	81,985
Letters of credit	<b>322</b>	1,829
Capital commitments	<b>661</b>	556

The banks have provided guarantees (performance, retention, financial and others related to contracting activities) amounting to BD 73,541 (2019: BD 81,985) for the various divisions and subsidiaries of the parent company.

**28 COMPARATIVES**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**29 RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES**

	Liabilities	Equity					Non-controlling interest	Total
		Share capital	Treasury shares	Retained earnings	Other reserves			
Balance at 1 January 2020	6,013	22,000	(1,597)	27,523	8,831	2,280	65,050	
<i>Changes from financing cash flows</i>								
Borrowings (net)	3,741	-	-	-	-	-	3,741	
Dividend paid	-	-	-	-	-	(685)	(685)	
Donation paid	-	-	-	-	(8)	-	(8)	
Total changes from financing cash flows	3,741	-	-	(2,822)	(8)	(685)	3,048	
Equity-related changes	-	-	-			784	(2,038)	
<b>Balance at 31 December 2020</b>	<b>9,754</b>	<b>22,000</b>	<b>(1,597)</b>	<b>24,701</b>	<b>8,823</b>	<b>2,379</b>	<b>66,060</b>	

**UNAUDITED SUPPLEMENTARY INFORMATION**

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**Financial impact of COVID-19**

On 11 March 2020, the Coronavirus (COVID 19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global equity and commodity markets have also experienced great volatility and a significant drop in prices. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. The pandemic as well as the resulting measures and policies have had some impact on the Group. The Group is actively monitoring the COVID 19 situation, and in response to this outbreak, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance.

The overall impact of Covid-19 on the financial statements as assessed by the Group is as below:

Productivity impact on projects due to work suspension, delays etc. post emergence of Covid-19	2,219
Expenses incurred on sanitizers, masks, gloves, disinfection, quarantine facilities etc.	630
Donation to MOFNE-The National effort to combat Covid-19	50
IFRS 9 impact on receivables due to delayed payments	451
Government assistance for reimbursement of salaries of Bahraini employees, LMRA and work permit renewal fee, industrial land rent, electricity and water etc.	(2,394)
<b>Net Impact</b>	<b>956</b>

The above supplementary information is provided to comply with the CBB circular number OG/259/2020 (Reporting on Financial Impact of Covid-19), dated 14<sup>th</sup> July 2020.

The above disclosure should not be interpreted as an indication of the results of the entire year or relied upon for any other purposes. Since the situation of Covid-19 is uncertain and is still evolving, the above impact is as of the date of preparation of this information. Circumstances may change which may result in the information to be out-of-date. In addition, this information does not represent the exact full comprehensive assessment of Covid-19 impact on the Group. This information is not subject to a formal review by the external auditors.