

Nass Corporation BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2014

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2014

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GENERAL INFORMATION

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

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

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

6 August 2014

Introduction

We have reviewed the accompanying 30 June 2014 condensed consolidated interim financial information of Nass Corporation BSC (the "Company") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2014;
- the condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2014;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2014;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2014; and
- notes to the condensed consolidated interim financial information.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2014 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

Bahraini Dinars '000

| | 30 June 2014 (reviewed) | 31 December 2013 (audited) |
|--|-------------------------------|----------------------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 19,964 | 21,043 |
| Investment property | 1,500 | 1,500 |
| Investment in associates | 473 | 428 |
| Total non-current assets | 21,937 | 22,971 |
| Current assets | | |
| Interests in joint ventures | 1,193 | 2,191 |
| Inventories | 5,514 | 4,984 |
| Trade and other receivables | 38,526 | 35,971 |
| Due from contract customers | 4,078 | 3,086 |
| Due from related parties | 4,889 | 5,142 |
| Term deposits with banks | 10,932 | 9,476 |
| Cash and cash equivalents | 12,996 | 15,153 |
| Total current assets | 78,128 | 76,003 |
| Total assets | 100,065 | 98,974 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 22,000 | 22,000 |
| Treasury shares | (1,597) | (1,597) |
| Statutory reserve | 7,007 | 7,007 |
| Retained earnings | 27,844 | 28,134 |
| Donations and charity reserve | 36 | 30 |
| Total equity attributable to equity holders of the parent | 55,290 | 55,574 |
| Non-controlling interest | 1,902 | 1,872 |
| Total equity (page 5) | 57,192 | 57,446 |
| Liabilities | | |
| Non-current liabilities | | |
| Loans and borrowings | 822 | 1,536 |
| Employee benefits | 4,247 | 4,046 |
| Trade and other payables | 177 | 224 |
| Total non-current liabilities | 5,246 | 5,806 |
| Current liabilities | | |
| Trade and other payables | 16,553 | 15,575 |
| Due to contract customers | 4,518 | 6,354 |
| Employee benefits | 2,446 | 2,291 |
| Due to related parties | 5,729 | 4,748 |
| Bills payable | 1,491 | 333 |
| Loans and borrowings | 1,922 | 2,357 |
| Bank overdrafts | 4,968 | 4,064 |
| Total current liabilities | 37,627 | 35,722 |
| Total liabilities | 42,873 | 41,528 |
| Total equity and liabilities | 100,065 | 98,974 |

The condensed consolidated interim financial statements which consist of pages 3 to 16 were approved by the Board of Directors on 6 August 2014 and signed on its behalf by:

Samir Abdulla Nass
Chairman

Sami Abdulla Nass
Deputy Chairman & Managing Director

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

for the six months ended 30 June 2014

Bahraini Dinars'000

| | Six months ended | | Three months ended | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 30 June 2014 (reviewed) | 30 June 2013 (reviewed) | 30 June 2014 (reviewed) | 30 June 2013 (reviewed) |
| REVENUE | | | | |
| Contract income | 18,877 | 21,220 | 9,617 | 10,096 |
| Sales | 13,981 | 13,711 | 7,496 | 6,388 |
| Hire income | 6,444 | 5,985 | 3,085 | 2,876 |
| Total revenue | 39,302 | 40,916 | 20,198 | 19,360 |
| Cost of sales / contract costs | (31,333) | (33,712) | (15,650) | (16,140) |
| Gross profit | 7,969 | 7,204 | 4,548 | 3,220 |
| Other operating income, net | 1,180 | 586 | 111 | 195 |
| General and administrative expenses | (5,705) | (5,562) | (2,880) | (2,934) |
| Finance income | 226 | 159 | 115 | 65 |
| Finance costs | (192) | (170) | (99) | (88) |
| Share of loss from joint ventures, net | (421) | (52) | (455) | (87) |
| Share of profit from associate | 45 | 91 | 32 | 51 |
| Profit for the period | 3,102 | 2,256 | 1,372 | 422 |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive income for the period | 3,102 | 2,256 | 1,372 | 422 |
| <i>Profit attributable to</i> | | | | |
| Equity holders of the Company | 2,946 | 2,143 | 1,276 | 378 |
| Non-controlling interest | 156 | 113 | 96 | 44 |
| | 3,102 | 2,256 | 1,372 | 422 |
| Basic earnings per 100 fils share (fils) | 13.70 | 9.96 | 5.94 | 1.75 |

The condensed consolidated interim financial statements which consist of pages 3 to 16 were approved by the Board of Directors on 6 August 2014 and signed on its behalf by


Samir Abdulla Nass
Chairman


Samir Abdulla Nass
Deputy Chairman & Managing Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2014

Bahraini Dinars '000

2014 (reviewed)

| | Attributable to equity holders of the parent | | | | | | Non-controlling interest | Total equity |
|--|--|-----------------|-------------------|-------------------|-------------------------------|---------------|--------------------------|---------------|
| | Share capital | Treasury shares | Statutory reserve | Retained earnings | Donations and charity reserve | Total | | |
| Balance at 1 January 2014 | 22,000 | (1,597) | 7,007 | 28,134 | 30 | 55,574 | 1,872 | 57,446 |
| 2013 Appropriations: | - | - | - | (3,226) | - | (3,226) | (126) | (3,352) |
| - Final dividend (15 %) - 2013 | - | - | - | (10) | 10 | - | - | - |
| - Donations and charity reserve | - | - | - | - | - | - | - | - |
| Balance after 2013 Appropriations | 22,000 | (1,597) | 7,007 | 24,898 | 40 | 52,348 | 1,746 | 54,094 |
| Profit for the period | - | - | - | 2,946 | - | 2,946 | 156 | 3,102 |
| Total comprehensive income for the period | - | - | - | 2,946 | - | 2,946 | 156 | 3,102 |
| Utilization of donation and charity reserve | - | - | - | - | (4) | (4) | - | (4) |
| Balance at 30 June 2014 | 22,000 | (1,597) | 7,007 | 27,844 | 36 | 55,290 | 1,902 | 57,192 |

The condensed consolidated interim financial information consists of pages 3 to 16.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2014

Bahraini Dinars '000

2013 (reviewed)

| | Attributable to equity holders of the parent | | | | | | | Non-controlling interest | Total equity |
|---|--|-----------------|-------------------|-------------------|-------------------------------|---------|--------------|--------------------------|--------------|
| | Share capital | Treasury shares | Statutory reserve | Retained earnings | Donations and charity reserve | Total | Total equity | | |
| Balance at 1 January 2013 | 22,000 | (1,597) | 6,595 | 27,658 | 39 | 54,695 | 1,958 | 56,653 | |
| 2012 Appropriations: | - | - | - | (3,226) | - | (3,226) | (231) | (3,457) | |
| - Final dividend (15 %) - 2012 | - | - | - | (10) | 10 | - | - | - | |
| - Donations and charity reserve | - | - | - | - | - | - | - | - | |
| Balance after 2012 Appropriations | 22,000 | (1,597) | 6,595 | 24,422 | 49 | 51,469 | 1,727 | 53,196 | |
| Profit for the period | - | - | - | 2,143 | - | 2,143 | 113 | 2,256 | |
| Total comprehensive income for the period | - | - | - | 2,143 | - | 2,143 | 113 | 2,256 | |
| Utilization of donation and charity reserve | - | - | - | - | (11) | (11) | - | (11) | |
| Balance at 30 June 2013 | 22,000 | (1,597) | 6,595 | 26,565 | 38 | 53,601 | 1,840 | 55,441 | |

The condensed consolidated interim financial information consists of pages 3 to 16.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2014

Bahraini Dinars '000

| | Six months ended 30 June | |
|---|-------------------------------------|----------------------------|
| | 2014 (reviewed) | 2013 (reviewed) |
| OPERATING ACTIVITIES | | |
| Profit for the period before non-controlling interest | 3,102 | 2,256 |
| <i>Adjustments</i> | | |
| Depreciation | 2,328 | 2,583 |
| Impairment of trade receivables | 143 | 564 |
| Gain on disposal of property, plant and equipment | (36) | (39) |
| Share of loss from joint ventures, net | 421 | 52 |
| Share of profit from associate | (45) | (91) |
| Employee benefits | 201 | 101 |
| <i>Working capital changes</i> | | |
| Inventories | (530) | 248 |
| Trade and other receivables | (2,698) | 4,470 |
| Due from contract customers | (992) | 5,225 |
| Due from related parties | 253 | 1,838 |
| Trade and other payables | 449 | (8,284) |
| Due to contract customers | (1,836) | (1,854) |
| Due to related parties | 981 | (2,385) |
| Employee benefits | 155 | 237 |
| Bills payable | 1,158 | (651) |
| Cash flows from operating activities | 3,054 | 4,270 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (1,267) | (6,913) |
| Proceeds from sale of property, plant and equipment | 54 | 76 |
| Receipt of share of profits from joint ventures | 577 | 700 |
| Repayment of loan from associate | - | 403 |
| (Paid for) / maturity of term deposits with banks | (1,456) | 3,182 |
| Cash flows used in investing activities | (2,092) | (2,552) |
| FINANCING ACTIVITIES | | |
| Proceeds from loans and borrowings | 490 | 1,849 |
| Repayment of loans and borrowings | (1,639) | (1,698) |
| Dividends paid to equity shareholders of the parent | (2,806) | (2,939) |
| Dividends paid to non-controlling shareholders | (64) | (135) |
| Utilization of donation and charity reserve | (4) | (11) |
| Cash flows used in financing activities | (4,023) | (2,934) |
| Net decrease in cash and cash equivalents | (3,061) | (1,216) |
| Cash and cash equivalents at 1 January | 11,089 | 8,221 |
| Cash and cash equivalents at 30 June | 8,028 | 7,005 |
| <i>Represented by</i> | | |
| Cash and bank balances | 12,795 | 7,978 |
| Short term deposits | 201 | 2,963 |
| Bank overdrafts | (4,968) | (3,936) |
| | 8,028 | 7,005 |

The condensed consolidated interim financial information consists of pages 3 to 16.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the six months ended 30 June 2014**

Bahraini Dinars '000

1 REPORTING ENTITY

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

The condensed consolidated interim financial information ("interim financial information") as at and for the six month period ended 30 June 2014 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures. It does not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2013.

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

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

The interim financial information have been prepared in accordance with IAS 34 - '*Interim Financial Reporting*'. These do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2013.

b) Judgments and estimates

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

In preparing the interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2013.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2014**

Bahraini Dinars '000

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and risk management framework applied by the Group in the preparation of the interim financial information are consistent with those applied in the preparation of the consolidated financial statements as at and for the year ended 31 December 2013, except for the adoption of relevant new IFRSs, amendments and interpretations issued by IASB that are effective for annual periods beginning on or after 1 January 2014. The adoption of these new standards / amendments did not have a significant impact on the interim financial information.

The interim financial information are not audited but have been reviewed by KPMG Fakhro. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2013 and comparatives for the condensed consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity have been extracted from the reviewed interim financial information for the six months period ended 30 June 2013.

4 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2013.

5 SEASONALITY OF OPERATIONS

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

6 APPROPRIATIONS

Appropriations for the current year will be made at the year end. At the Annual General Meeting (AGM) for the year 2013 held on 31 March 2014, the following appropriations were approved which have been effected during the period:

- a final dividend of BD 3,226 - 15 % (2012: BD 3,226 - 15 %); and
- transfer to donation and charity reserve of BD 10 (2012: BD 10).

The directors' remuneration of BD 48 (2012: BD 242) was charged to profit or loss and approved by the shareholders at AGM held on 31 March 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the six months ended 30 June 2014****Bahraini Dinars '000****7 RELATED PARTY TRANSACTIONS****a) Transactions and balances with subsidiaries and other related parties**

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

| Related party | Sales / revenues | | Purchases and operating expenses | | Amounts due from | | Amounts due to | |
|--|----------------------------|----------------------------|----------------------------------|----------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| | Six months ended | | | | 30 June 2014 (reviewed) | 31 Dec 2013 (audited) | 30 June 2014 (reviewed) | 31 Dec 2013 (audited) |
| | 30 June 2014 (reviewed) | 30 June 2013 (reviewed) | 30 June 2014 (reviewed) | 30 June 2013 (reviewed) | | | | |
| A.A. Nass & Sons WLL and its related parties | 839 | 6,017 | 3,459 | 3,959 | 3,284 | 3,534 | 3,068 | 2,697 |
| Joint ventures | 1,031 | 1,368 | 426 | 1,105 | 1,605 | 1,608 | 2,661 | 2,051 |
| Total | 1,870 | 7,385 | 3,885 | 5,064 | 4,889 | 5,142 | 5,729 | 4,748 |

Interest in joint ventures of BD 1,193 (31 December 2013: BD 2,191) represents the accumulated capital, share of profits less distribution received from the joint venture projects.

b) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel comprise members of the Board of Directors, the Divisional Managers, the General Managers and their compensation is as follows:

| | 30 June 2014 (reviewed) | 30 June 2013 (reviewed) |
|----------------------|----------------------------|----------------------------|
| Short-term benefits | 640 | 576 |
| Termination benefits | 45 | 35 |
| | 685 | 611 |

The short-term compensation includes provision for directors' fees of BD 81 (2013: BD 121) charged to profit or loss subject to approval by the shareholders at the Annual General Meeting and board committee attendance fees BD 74 (2013: BD 13).

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2014**

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7 RELATED PARTY TRANSACTIONS (continued)

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

| | 30 June 2014 (reviewed) | 31 Dec 2013 (audited) |
|---|------------------------------------|----------------------------------|
| Total number of shares held by Directors* | 86,496,969 | 97,386,369 |
| As a percentage of the total number of shares outstanding | 39 | 44 |

* The shares held by Directors are in their individual capacity. The shares as of 31 December 2013, includes the shares of the late Abdulla Ahmed Nass of 22,440,000 shares.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2014

Bahraini Dinars '000

8 OPERATING SEGMENTS

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

The *Construction and Allied Activities* are civil engineering works, mechanical fabrication and maintenance contracts, scaffolding and formwork, readymix concrete, precast, floor and roof slabs, electrical and instrumentation contracting.

The *Trading Activities* are supply of washed sand, sweet water, import and wholesaler of frozen foods, agents for equipment and material manufacturers.

| | Construction & Allied Activities | | Trading Activities | | Eliminations | | Consolidated | |
|-----------------------------------|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 30 June 2014 (reviewed) | 30 June 2013 (reviewed) | 30 June 2014 (reviewed) | 30 June 2013 (reviewed) | 30 June 2014 (reviewed) | 30 June 2013 (reviewed) | 30 June 2014 (reviewed) | 30 June 2013 (reviewed) |
| REVENUE | | | | | | | | |
| External sales | 33,573 | 35,305 | 5,729 | 5,611 | - | - | 39,302 | 40,916 |
| Inter-segment sales | 2,821 | 3,073 | 1,012 | 1,021 | (3,833) | (4,094) | - | - |
| Total revenue | 36,394 | 38,378 | 6,741 | 6,632 | (3,833) | (4,094) | 39,302 | 40,916 |
| Segment result | 2,549 | 1,907 | 516 | 456 | - | - | 3,065 | 2,363 |
| Share of loss from joint ventures | (421) | (52) | - | - | - | - | (421) | (52) |
| Other gains and losses | 1,408 | 764 | 43 | 72 | - | - | 1,451 | 836 |
| Unallocated corporate expenses | - | - | - | - | - | - | (993) | (891) |
| Profit for the period | | | | | | | 3,102 | 2,256 |
| Depreciation | | | | | | | 2,328 | 2,583 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2014

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8 OPERATING SEGMENTS (continued)

| Other Information | Construction & Allied Activities | | Trading Activities | | Consolidated | |
|-------------------------|----------------------------------|--------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| | 30 June 2014 (reviewed) | 31 Dec 2013 (audited) | 30 June 2014 (reviewed) | 31 Dec 2013 (audited) | 30 June 2014 (reviewed) | 31 Dec 2013 (audited) |
| Total assets | 89,981 | 89,941 | 10,084 | 9,033 | 100,065 | 98,974 |
| Total liabilities | 39,605 | 39,535 | 3,268 | 1,993 | 42,873 | 41,528 |
| Total net assets | 50,376 | 50,406 | 6,816 | 7,040 | 57,192 | 57,446 |
| Capital expenditure | 1,092 | 7,456 | 175 | 276 | 1,267 | 7,732 |

9 FAIR VALUE

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

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.

When there is no quoted price in an active market, the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the six months ended 30 June 2014****Bahraini Dinars '000****9 FAIR VALUE (continued)**

- **Level 3**

Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

30 June 2014 (reviewed)

| | Loans and receivables | At amortised cost | Total carrying value |
|------------------------------|------------------------------|--------------------------|-----------------------------|
| Financial assets | | | |
| Trade and other receivables | 38,147 | - | 38,147 |
| Due from related parties | 4,889 | - | 4,889 |
| Term deposits with banks | 10,932 | - | 10,932 |
| Cash and cash equivalents | 12,841 | - | 12,841 |
| | 66,809 | - | 66,809 |
| Financial liabilities | | | |
| Loans and borrowings | - | 2,744 | 2,744 |
| Trade and other payables | - | 10,323 | 10,323 |
| Due to related parties | - | 5,729 | 5,729 |
| Bills payable | - | 1,491 | 1,491 |
| Bank overdrafts | - | 4,968 | 4,968 |
| | - | 25,255 | 25,255 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the six months ended 30 June 2014****Bahraini Dinars '000****9 FAIR VALUE (continued)**

31 December 2013 (audited)

| | Loans and receivables | At amortised cost | Total carrying value |
|------------------------------|-----------------------|-------------------|----------------------|
| Financial assets | | | |
| Trade and other receivables | 35,809 | - | 35,809 |
| Due from related parties | 5,142 | - | 5,142 |
| Term deposits with banks | 9,476 | - | 9,476 |
| Cash and cash equivalents | 14,956 | - | 14,956 |
| | 65,383 | - | 65,383 |
| Financial liabilities | | | |
| Loans and borrowings | - | 3,893 | 3,893 |
| Trade and other payables | - | 10,208 | 10,208 |
| Due to related parties | - | 4,748 | 4,748 |
| Bills payable | - | 333 | 333 |
| Bank overdrafts | - | 4,064 | 4,064 |
| | - | 23,246 | 23,246 |

The table below analyses financial instrument at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized:

30 June 2014 (reviewed)

Financial liabilities not measured at fair value

Other loans and borrowings

| Fair value | | | |
|------------|--------------|----------|------------------|
| Level 1 | Level 2 | Level 3 | Total fair value |
| - | 2,744 | - | 2,744 |
| - | 2,744 | - | 2,744 |

31 December 2013 (audited)

Financial liabilities not measured at fair value

Other loans and borrowings

| Fair value | | | |
|------------|--------------|----------|------------------|
| Level 1 | Level 2 | Level 3 | Total fair value |
| - | 3,893 | - | 3,893 |
| - | 3,893 | - | 3,893 |

There were no transfers between any of the categories during the period. Other loans and borrowings are repriced at frequent intervals and hence the carrying value is a reasonable approximation of its fair value. The Group has not disclosed the fair value for financial instruments such as short term trade and other receivables, trade and other payables and cash and bank balances, because their carrying amounts are a reasonable approximation of fair values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2014

Bahraini Dinars '000

10 COMMITMENTS AND CONTINGENCIES

| | 30 June 2014 (reviewed) | 31 December 2013 (audited) |
|---------------------|--|---|
| Guarantees | 27,742 | 28,404 |
| Letters of credit | 1,719 | 1,116 |
| Capital commitments | 37 | 597 |

The banks have provided guarantees (performance, retention, financial and others related to contracting activities) amounting to BD 27,742 (31 December 2013: BD 28,404) for the various divisions and subsidiaries of the Company out of which BD 7,047 (31 December 2013: BD 11,505) have been issued for the joint venture activities.

11 COMPARATIVES

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