

NATIONAL FINANCE HOUSE BSC (c)

30 JUNE 2013

CONDENSED INTERIM FINANCIAL INFORMATION

Commercial registration	58880
Board of Directors	: Farouk Yousif Khalil Almoayyed Fuad Ebrahim Kanoo Mahmood Al Soufi Sheikh Abdulla Mohammed Jabor Al Thani Mohammed Farouk Y. Almoayyed Talal Fuad Ebrahim Kanoo Al Sayyida Rawan Ahmed Al Said Bader Abdulmohsen Al Mutlaq Khalid Shaheen Saqer Shaheen Kalyan Sunderman
General Manager	: Venkatachalam PS
Address	: PO Box 21774, Office No. 186 Road - 66, Block - 364 Bilad Al Qadeem, Kingdom of Bahrain Tel: 17407407 Fax: 17403995 Toll-Free: 80008005
Bankers	: Bank of Bahrain and Kuwait BNP Paribas Ahli United Bank National Bank of Bahrain Kuwait Finance House BMI Bank Bahrain Islamic Bank Khaleeji Commercial Bank
Auditors	: KPMG Fakhro, Bahrain

CONDENSED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013

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Independent auditors' report on review of condensed interim financial information

To
The Board of Directors
National Finance House B.S.C. (c)
Manama,
Kingdom of Bahrain

31 July 2013

Introduction

We have reviewed the accompanying 30 June 2013 condensed interim financial information of National Finance House BSC (c) (the "Company") which comprises:

- the condensed statement of financial position as at 30 June 2013;
- the condensed statement of comprehensive income for the six months period ended 30 June 2013;
- the condensed statement of changes in equity for the six months period ended 30 June 2013;
- the condensed statement of cash flows for the six months period ended 30 June 2013; and
- notes to the condensed interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed 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 2013 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.



CONDENSED STATEMENT OF FINANCIAL POSITION
as at 30 June 2013

Bahraini dinars

	Notes	30 June 2013 (reviewed)	31 December 2012 (audited)
ASSETS			
Cash and cash equivalents		3,233,653	3,614,665
Loans to customers	7	38,612,103	36,418,052
Furniture, fixtures and equipment		389,466	167,191
Other assets		194,479	90,614
Total assets		42,429,701	40,290,522
LIABILITIES AND EQUITY			
Liabilities			
Bank loans	9	29,409,734	26,238,432
Other liabilities		1,639,753	2,695,262
Total liabilities		31,049,487	28,933,694
Equity			
Share capital		7,500,000	7,500,000
Share premium		112,500	112,500
Statutory reserve		411,933	411,933
Retained earnings		3,355,781	3,332,395
Total equity (page 4)		11,380,214	11,356,828
Total equity and liabilities		42,429,701	40,290,522



Fuad Ebrahim Kanoo
Deputy Chairman



Mahmood Al Soufi
Director

The Board of Directors approved the condensed interim financial information consisting of pages 2 to 8 on 31 July 2013.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2013

Bahraini dinars

	30 June 2013 (reviewed)	30 June 2012 (reviewed)
Interest income	1,738,771	1,515,089
Interest expense	(568,805)	(452,538)
Net interest income	1,169,966	1,062,551
Fees and commission income	355,370	295,616
Fees and commission expense	(196,137)	(171,470)
Net fee and commission income	159,233	124,146
Total income	1,329,199	1,186,697
Salaries and related costs	(371,082)	(350,374)
Other operating expenses	(233,449)	(223,671)
Depreciation	(39,495)	(27,517)
Impairment on loans to customers	(286,787)	(144,556)
Total expenses	(930,813)	(746,118)
Profit for the period	398,386	440,579
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	398,386	440,579
Basic earnings per share	5.31 fils	5.87 fils



Fuad Ebrahim Kanoo
Deputy Chairman



Mahmood Al Soufi
Director

The Board of Directors approved the condensed interim financial information consisting of pages 2 to 8 on 31 July 2013.

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2013

Bahraini dinars

2013 (reviewed)	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
At 1 January 2013	7,500,000	112,500	411,933	3,332,395	11,356,828
Total comprehensive income for the period	-	-	-	398,386	398,386
Dividends declared for 2012	-	-	-	(375,000)	(375,000)
At 30 June 2013	7,500,000	112,500	411,933	3,355,781	11,380,214

2012 (reviewed)	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
At 1 January 2012	7,500,000	112,500	339,738	2,682,638	10,634,876
Total comprehensive income for the period	-	-	-	440,579	440,579
At 30 June 2012	7,500,000	112,500	339,738	3,123,217	11,075,455

The condensed interim financial information consists of pages 2 to 8.

CONDENSED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2013

Bahraini dinars

	30 June 2013 (reviewed)	30 June 2012 (reviewed)
Operating activities		
Interest, fees and commission received	2,094,091	1,810,705
Loans disbursed	(9,997,000)	(8,981,456)
Loan repayments	6,475,646	8,737,077
Payments for staff salaries and related costs	(394,089)	(392,072)
Payments for other operating expenses	(528,045)	(375,071)
Net cash (used in) / generated from operating activities	(2,349,397)	799,183
Investing activities		
Purchase of furniture, fixtures and equipment	(261,910)	(12,579)
Net cash used in investing activities	(261,910)	(12,579)
Financing activities		
Proceeds from bank loans	5,000,000	2,000,000
Repayment of bank loans	(1,828,698)	(3,736,109)
Interest paid	(566,007)	(489,941)
Dividends paid	(375,000)	-
Net cash generated from / (used in) financing activities	2,230,295	(2,226,050)
Net decrease in cash and cash equivalents during the period	(381,012)	(1,439,446)
Cash and cash equivalents at 1 January	3,614,665	2,109,640
Cash and cash equivalents as at 30 June	3,233,653	670,194

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013**

Bahraini dinars

1 Reporting entity

National Finance House BSC (c) ("the Company") is a closed joint stock Company incorporated and registered in the Kingdom of Bahrain on 4 December 2005 and operates as a financing company under a license from Central Bank of Bahrain. It provides consumer finance services and grant short term and medium term loans to individuals and incorporated entities for the purpose of financing all type of purchase of an instalment basis, including for the purchase of motor vehicles.

2 Basis of preparation

The condensed interim financial information has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting, which permits the interim financial information to be in summarised form. The condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2012.

3 Significant accounting policies

The accounting policies and methods of computation applied by the Company in the preparation of the interim financial information are consistent with those applied in the preparation of the audited financial statements for the year ended 31 December 2012. The Company has adopted the revised IAS 34 effective 1 January 2013 which requires certain additional disclosures relating to fair value measurement in the interim financial information, which has been disclosed in note 10.

4 Judgements and estimates

The preparation of the condensed interim financial information requires management to make judgements, 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 these condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2012.

5 Financial risk management

The Company's risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 31 December 2012.

6 The condensed interim financial information is reviewed, not audited. The comparatives for the condensed statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2012 and the comparatives for the condensed statements of comprehensive income, changes in equity and cash flows have been extracted from the reviewed condensed interim financial information for the six months period ended 30 June 2012. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2012.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013

Bahraini dinars

7 Loans to customers

	30 June 2013 (Reviewed)	31 December 2012 (Audited)
Gross loans	40,125,264	37,655,712
Less: impairment allowance	(1,513,161)	(1,237,660)
Net loans to customers	38,612,103	36,418,052

Movement in impairment allowance

	30 June 2013 (Reviewed)	31 December 2012 (Audited)
Opening balance	1,237,660	701,413
Charge for the period	286,787	550,593
Write off during the period	(11,286)	(14,346)
Closing balance	1,513,161	1,237,660

8 Related party transactions

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. These represent transactions with shareholders and directors of the Company.

	30 June 2013 (Reviewed)	30 June 2012 (Reviewed)
Related party transactions		
<i>Expenses</i>		
Insurance premium charges (shareholder)	64,085	48,111

	30 June 2013 (Reviewed)	31 December 2012 (Audited)
Related party balances		
Amounts payable for vehicles financed (shareholders)	946,839	2,356,242
Prepaid expenses (shareholder)	29,267	12,747
Amounts payable to insurance company (shareholder)	3,645	957

Transactions with key management personnel

Key management personnel of the Company comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel compensation is as follows:

	30 June 2013 (Reviewed)	30 June 2012 (Reviewed)
Transactions with key management personnel		
Key management compensation	96,138	76,004
Board of directors remuneration and attendance allowance	14,547	6,868

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013**

Bahraini dinars

9 Bank loans

Bank borrowings are all term loans which have floating interest rates and are subject to re-pricing on a monthly / half-yearly basis. These loans require certain financial loan covenants.

10 Fair Value

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. This represents 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.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

As at 30 June 2013 and 31 December 2012, the carrying value of bank balances, loans and advances, other financial assets and other financial liabilities approximate their fair value because of their short term nature. Bank borrowings are at floating rate and are re-priced periodically hence the carrying value represents its approximate fair value.