

## NATIONAL FINANCE HOUSE BSC (c)

30 JUNE 2016

### CONDENSED INTERIM FINANCIAL INFORMATION

Commercial registration	: 58880
Board of Directors	: Farouk Yousif Khalil Almoayyed Fuad Ebrahim Kanoo Mohammed Farouk Y. Almoayyed Talal Fuad Ebrahim Kanoo Sameer Ebrahim Al Wazzan Shrikanth Shenoy Khaled Saleh Alkhattaf Khalid Shaheen Saqer Shaheen Kalyan Sunderam
Chief Executive Officer	: 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 Ahli United Bank National Bank of Bahrain Kuwait Finance House The Housing Bank for Trade & Finance BMI Bank Bahrain Islamic Bank Khaleeji Commercial Bank
Auditors	: KPMG Fakhro, Bahrain

**National Finance House BSC (c)**

**CONDENSED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2016**

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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

14 August 2016

### Introduction

We have reviewed the accompanying 30 June 2016 condensed interim financial information of National Finance House BSC (c) (the "Company") which comprises:

- the condensed statement of financial position as at 30 June 2016;
- the condensed statement of profit or loss and other comprehensive income for the six months period ended 30 June 2015;
- the condensed statement of changes in equity for the six months period ended 30 June 2016;
- the condensed statement of cash flows for the six months period ended 30 June 2016; 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 2016 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 2016

Bahraini dinars

	note	<b>30 June 2016 (reviewed)</b>	31 December 2015 (audited)
<b>ASSETS</b>			
Cash and cash equivalents		2,064,951	1,761,589
Deposits with banks		1,000,000	-
Loans to customers	7	48,073,203	45,835,998
Furniture, fixtures, equipment and capital work in progress		481,089	489,200
Other assets		297,929	270,495
<b>Total assets</b>		<b>51,917,172</b>	<b>48,357,282</b>
<b>LIABILITIES AND EQUITY</b>			
Liabilities			
Bank borrowings	9	36,486,103	33,859,253
Other liabilities		2,120,599	1,308,391
<b>Total liabilities</b>		<b>38,606,702</b>	<b>35,167,644</b>
Equity			
Share capital		7,500,000	7,500,000
Share premium		112,500	112,500
Statutory reserve		715,214	715,214
Retained earnings		4,982,756	4,861,924
<b>Total equity (page 4)</b>		<b>13,310,470</b>	<b>13,189,638</b>
<b>Total equity and liabilities</b>		<b>51,917,172</b>	<b>48,357,282</b>



**Fuad Ebrahim Kanoo**  
Deputy Chairman



**Sameer Ebrahim Al Wazzan**  
Director

The Board of Directors approved the condensed interim financial information consisting of pages 2 to 8 on 23 August 2016.

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the six months ended 30 June 2016

Bahraini dinars

	<b>30 June 2016 (reviewed)</b>	<b>30 June 2015 (reviewed)</b>
Interest income	2,188,642	2,046,362
Interest expense	(782,397)	(685,659)
<b>Net interest income</b>	<b>1,406,245</b>	1,360,703
Fees and commission income	495,197	375,117
Fees and commission expense	(258,494)	(193,590)
<b>Net fee and commission income</b>	<b>236,703</b>	181,527
<b>Total income</b>	<b>1,642,948</b>	1,542,230
Salaries and related costs	436,052	422,343
Other operating expenses	302,626	290,659
Depreciation	81,342	54,276
Impairment on loans to customers, net of recoveries	177,096	241,602
<b>Total expenses</b>	<b>997,116</b>	1,008,880
<b>Profit for the period</b>	<b>645,832</b>	533,350
<b>Other comprehensive income</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>645,832</b>	533,350
<b>Basic earnings per share</b>	<b>8.61 fils</b>	7.11 fils

  
**Fuad Ebrahim Kanoo**  
Deputy Chairman

  
**Sameer Ebrahim Al Wazzan**  
Director

The Board of Directors approved the condensed interim financial information consisting of pages 2 to 8 on 23 August 2015.

**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
for the six months ended 30 June 2016

Bahraini dinars

2016 (reviewed)	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Balance at 1 January 2016	7,500,000	112,500	715,214	4,861,924	<b>13,189,638</b>
Total comprehensive income for the period	-	-	-	645,832	<b>645,832</b>
Dividends declared for 2015	-	-	-	(525,000)	<b>(525,000)</b>
<b>Balance at 30 June 2016</b>	<b>7,500,000</b>	<b>112,500</b>	<b>715,214</b>	<b>4,982,756</b>	<b>13,310,470</b>

2015 (reviewed)	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Balance at 1 January 2015	7,500,000	112,500	597,064	4,248,572	12,458,136
Total comprehensive income for the period	-	-	-	533,350	533,350
Dividends declared for 2014	-	-	-	(450,000)	(450,000)
Balance at 30 June 2015	7,500,000	112,500	597,064	4,331,922	12,541,486

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

**CONDENSED STATEMENT OF CASH FLOWS**  
**for the six months ended 30 June 2016**

Bahraini dinars

	<b>30 June 2016 (reviewed)</b>	<b>30 June 2015 (reviewed)</b>
<b>Operating activities</b>		
Interest, fees and commission received	2,683,839	2,421,473
Loans disbursed	(12,119,840)	(10,422,158)
Loan repayments	10,494,811	9,674,892
Payments for staff salaries and related costs	(485,405)	(469,588)
Payments for other operating expenses	(516,873)	(359,736)
<b>Net cash generated from operating activities</b>	<b>56,532</b>	<b>844,883</b>
<b>Investing activities</b>		
Deposits with bank	(1,000,000)	(2,000,000)
Purchase of furniture, fixtures and equipment	(73,231)	(186,208)
Sale of furniture, fixtures and equipment	-	6
<b>Net cash used in investing activities</b>	<b>(1,073,231)</b>	<b>(2,186,202)</b>
<b>Financing activities</b>		
Proceeds from bank borrowings	6,000,000	8,000,000
Repayment of bank borrowings	(3,373,150)	(3,391,685)
Interest paid	(781,789)	(624,831)
Dividends paid	(525,000)	(450,000)
<b>Net cash generated from financing activities</b>	<b>1,320,061</b>	<b>3,533,484</b>
<b>Net increase in cash and cash equivalents during the period</b>	<b>303,362</b>	<b>2,192,165</b>
Cash and cash equivalents at 1 January	1,761,589	1,162,268
<b>Cash and cash equivalents as at 30 June</b>	<b>2,064,951</b>	<b>3,354,433</b>

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
for the six months ended 30 June 2016**

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 comprising short term and medium term loans to individuals and incorporated entities for the purpose of financing purchase of motor vehicles on an instalment basis.

**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 2015. 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 its performance since the last annual financial statements as at and for the year ended 31 December 2015.

**3 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 2015.

**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 2015.

**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 2015.

- 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 2015 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 2015.



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
for the six months ended 30 June 2016

Bahraini dinars

**7 Loans to customers**

	<b>30 June 2016 (Reviewed)</b>	<b>31 December 2015 (Audited)</b>
Gross loans	49,522,163	47,093,789
Less: impairment allowance	(1,448,960)	(1,257,791)
<b>Net loans to customers</b>	<b>48,073,203</b>	<b>45,835,998</b>

## Movement on provision for impairment

	<b>30 June 2016 (Reviewed)</b>	<b>31 December 2015 (Audited)</b>
Opening balance	1,257,791	987,568
Charge for the period	268,002	477,679
Write off during the period	(76,833)	(207,456)
<b>Closing balance</b>	<b>1,448,960</b>	<b>1,257,791</b>

**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.

	<b>30 June 2016 (Reviewed)</b>	<b>30 June 2015 (Reviewed)</b>
<b>Related party transactions</b>		
<i>Expenses</i>		
Insurance premium charges (shareholder)	85,964	80,899

	<b>30 June 2016 (Reviewed)</b>	<b>31 December 2015 (Audited)</b>
<b>Related party balances</b>		
Payable for vehicles financed (shareholders)	819,155	532,365
Prepaid expenses (shareholders)	23,020	12,293

**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:

	<b>30 June 2016 (Reviewed)</b>	<b>30 June 2015 (Reviewed)</b>
<b>Transactions with key management personnel</b>		
Key management compensation	139,232	98,480
Board of directors remuneration and attendance allowance	24,026	23,048
Staff loans	10,000	12,500

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
for the six months ended 30 June 2016**

Bahraini dinars

**9 Bank borrowings**

Bank borrowings are term loans with 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 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 Company has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Company 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.

The Company does not have assets or liabilities that are measured at fair value.

Bank borrowings are at floating rate and are re-priced periodically hence the carrying value represents its approximate fair value. (level 2)

The average interest rate of the loan portfolio is in line with current market rates for similar facilities and hence after consideration of adjustment for prepayment risk and impairment charges it is expected that the carrying value would not be materially different to fair value of these assets.

The fair values of all other financial assets and financial liabilities approximate their carrying value due to their short term nature.