

NATIONAL FINANCE HOUSE BSC (c)

30 JUNE 2017

CONDENSED INTERIM FINANCIAL INFORMATION

Commercial registration	: 58880
Board of Directors	: Farouk Yousif Khalil Almoayyed Fuad Ebrahim Kanoo Talal Fuad Ebrahim Kanoo Mohammed Farouk Y. Almoayyed Sameer Ebrahim Al Wazzan Khaled Saleh Alkhattaf Shrikanth Shenoy 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

CONDENSED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2017

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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

Introduction

We have reviewed the accompanying 30 June 2017 condensed interim financial information of National Finance House BSC (c) (the "Company") which comprises:

- the condensed statement of financial position as at 30 June 2017;
- the condensed statement of profit or loss and other comprehensive income for the six months period ended 30 June 2017;
- the condensed statement of changes in equity for the six months period ended 30 June 2017;
- the condensed statement of cash flows for the six months period ended 30 June 2017; 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 2017 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

14 August 2017

CONDENSED STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

Bahraini dinars

	note	30 June 2017 (reviewed)	31 December 2016 (audited)
ASSETS			
Cash and cash equivalents		2,562,574	2,415,741
Deposits with banks		2,000,000	-
Loans to customers	8	49,162,173	48,142,730
Furniture, fixtures and equipments		330,544	408,566
Other assets		393,409	265,777
Total assets		54,448,700	51,232,814
LIABILITIES AND EQUITY			
Liabilities			
Bank borrowings	10	38,782,139	36,023,221
Other liabilities		1,768,374	1,275,850
Total liabilities		40,550,513	37,299,071
Equity			
Share capital		7,500,000	7,500,000
Share premium		112,500	112,500
Statutory reserve		842,125	842,125
Retained earnings		5,443,562	5,479,118
Total equity (page 4)		13,898,187	13,933,743
Total equity and liabilities		54,448,700	51,232,814

Fuad Ebrahim Kanoo
Deputy Chairman

Talal Fuad Ebrahim Kanoo
Director

The Board of Directors approved the condensed interim financial information consisting of pages 2 to 8 on 14 August 2017.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2017

Bahraini dinars

	30 June 2017 (reviewed)	30 June 2016 (reviewed)
Interest income	2,281,224	2,188,642
Interest expense	(938,398)	(782,397)
Net interest income	1,342,826	1,406,245
Fees and commission income	554,719	495,197
Fees and commission expense	(262,257)	(258,494)
Net fee and commission income	292,462	236,703
Total income	1,635,288	1,642,948
Salaries and related costs	407,238	436,052
Other operating expenses	339,138	302,626
Depreciation	77,195	81,342
Impairment on loans to customers, net of recoveries	247,273	177,096
Total expenses	1,070,844	997,116
Profit for the period	564,444	645,832
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	564,444	645,832

The condensed interim financial information consists of pages 2 to 8

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2017

Bahraini dinars

2017 (reviewed)	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Balance at 1 January 2017	7,500,000	112,500	842,125	5,479,118	13,933,743
Total comprehensive income for the period	-	-	-	564,444	564,444
Dividends declared for 2016	-	-	-	(600,000)	(600,000)
Balance at 30 June 2017	7,500,000	112,500	842,125	5,443,562	13,898,187

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	13,189,638
Total comprehensive income for the period	-	-	-	645,832	645,832
Dividends declared for 2015	-	-	-	(525,000)	(525,000)
Balance at 30 June 2016	7,500,000	112,500	715,214	4,982,756	13,310,470

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

CONDENSED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2017

Bahraini dinars

	30 June 2017 (reviewed)	30 June 2016 (reviewed)
Operating activities		
Interest, fees and commission received	2,835,232	2,683,839
Loans disbursed	(11,365,654)	(12,119,840)
Loan repayments	10,692,424	10,494,811
Payments for staff salaries and related costs	(515,726)	(485,405)
Payments for other operating expenses	(729,643)	(516,873)
Net cash generated from operating activities	916,633	56,532
Investing activities		
Deposits with banks	(2,000,000)	(1,000,000)
Purchase of furniture, fixtures and equipment	(1,560)	(73,231)
Net cash used in investing activities	(2,001,560)	(1,073,231)
Financing activities		
Proceeds from bank borrowings	7,000,000	6,000,000
Repayment of bank borrowings	(4,241,082)	(3,373,150)
Interest paid	(927,158)	(781,789)
Dividends paid	(600,000)	(525,000)
Net cash generated from financing activities	1,231,760	1,320,061
Net increase in cash and cash equivalents during the period	146,833	303,362
Cash and cash equivalents at 1 January	2,415,741	1,761,589
Cash and cash equivalents as at 30 June	2,562,574	2,064,951

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 2017**

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 issued by Central Bank of Bahrain. It provides consumer finance services in the form of motor vehicle financing.

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 2016. 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 audited financial statements as at and for the year ended 31 December 2016.

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 2016.

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 2016.

5 Seasonality

The Company does not have income of a seasonal nature.

6 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 2016.

7 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 2016 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 2016.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2017

Bahraini dinars

8 Loans to customers

	30 June 2017 (Reviewed)	31 December 2016 (Audited)
Gross loans	51,026,805	49,711,714
Less: impairment allowance	(1,864,632)	(1,568,984)
Net loans to customers	49,162,173	48,142,730

Movement on provision for impairment:

	30 June 2017 (Reviewed)	31 December 2016 (Audited)
Opening balance	1,568,984	1,257,791
Charge for the period	306,559	509,597
Write off during the period	(10,911)	(198,404)
Closing balance	1,864,632	1,568,984

During the period, the company recovered BD 59,286 from loans written off in the previous years.

9 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 2017 (Reviewed)	30 June 2016 (Reviewed)
Related party transactions		
<i>Expenses</i>		
Insurance premium charges (shareholder)	88,634	85,964
Call centre charges (shareholders)	9,000	9,000

	30 June 2017 (Reviewed)	31 December 2016 (Audited)
Related party balances		
Payable for vehicles financed (shareholders)	527,298	470,725
Prepaid expenses (shareholders)	24,197	12,286

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2017

Bahraini dinars

9 *Related party transactions (continued)*

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:

Transactions with key management personnel	30 June 2017 (Reviewed)	30 June 2016 (Reviewed)
Key management compensation	140,726	139,232
Board of directors remuneration and attendance allowance	29,645	24,026
Staff loans disbursed	-	10,000

10 Bank borrowings

Bank borrowings are term loans with floating interest rates and are subject to re-pricing on a monthly/quarterly basis. These loans require certain financial loan covenants.

11 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 and classified as 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.

Deposits with banks are at fixed rate and for short term, hence the carrying value represents its approximates fair value.

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