

NATIONAL FINANCE HOUSE BSC (c)

INTERIM FINANCIAL INFORMATION

30 JUNE 2008

Commercial registration	: 58880
Board of Directors	: Farouk Yousif Khalil Almoayyed Fuad Ebrahim Kanoo Mahmood Al Soufi Akbar Ali Habib Tariq Mutlaq Almutlaq Sheikh Abdulla Mohammed Jabor Al Thani Mohammed Farouk Y. Almoayyed Talal Fuad Ebrahim Kanoo Majid Saif Al Ghurair Ali Rashid Al Amin
General Manager	: Jassim Khalaf
Address	: PO Box 21774, Office No. – 186 Road - 66, Block - 364 Bilad Al Qadeem, Kingdom of Bahrain Tel: 17407999 Fax: 17403995
Bankers	: Bank of Bahrain and Kuwait BNP Paribas Ahli United Bank National Bank of Bahrain Kuwait Finance House
Auditors	: KPMG Fakhro

INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2008

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Independent auditors' report on review of interim financial information

The Board of Directors
National Finance House BSC (c)
P O Box 21774
Kingdom of Bahrain

10 August 2008

Introduction

We have reviewed the accompanying condensed balance sheet of National Finance House BSC (c) (the "Company") as at 30 June 2008, and the related condensed statements of income, changes in equity and cash flows for the six month period then ended ("the interim financial information"). The comparative figures for 2007 set out in the condensed statements of income, changes in equity and cash flows, and the notes to the interim financial information were not reviewed by an independent auditor and accordingly, we do not express an opinion or any other form of assurance on them.

The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standard IAS 34 - *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with 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 interim financial information are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.


CONDENSED BALANCE SHEET
 as at 30 June 2008

Bahraini dinars

	Note	30 June 2008 (reviewed)	31 December 2007 (audited)
ASSETS			
Cash and cash equivalents		1,165,814	975,618
Loans to customers	5	16,889,163	12,153,994
Other assets		46,476	20,458
Furniture, fixtures and equipment		128,972	142,984
Total assets		18,230,425	13,293,054
LIABILITIES AND EQUITY			
Liabilities			
Borrowings from banks	4	8,500,000	4,000,000
Other liabilities		1,636,267	1,415,459
Total liabilities		10,136,267	5,415,459
Equity			
Share capital		7,500,000	7,500,000
Share premium		112,500	112,500
Statutory reserve		26,509	26,509
Retained earnings		455,149	238,586
Total equity (page 5)		8,094,158	7,877,595
Total equity and liabilities		18,230,425	13,293,054



Chairman



Director

The Board of Directors approved the interim financial information consisting of pages 2 to 7 on 10 August 2008.


CONDENSED INCOME STATEMENT
for the six months ended 30 June 2008

Bahraini dinars

	Six months ended		Three months ended	
	30 June 2008 (reviewed)	30 June 2007 (not reviewed)	30 June 2008 (reviewed)	30 June 2007 (not reviewed)
Interest income	715,343	341,459	385,458	192,653
Interest expense	153,573	-	81,178	-
Net interest income	561,770	341,459	304,280	192,653
Fees and commission income	110,161	79,933	61,258	40,836
Fees and commission expense	51,657	35,448	29,242	17,256
Net fee and commission income	58,504	44,485	32,016	23,580
Operating income	620,274	385,944	336,296	216,233
Impairment of loans to customers	47,813	80,799	27,792	49,004
Salaries and related costs	214,376	143,378	101,213	74,415
General and administrative expenses	118,360	68,899	60,592	35,424
Depreciation	23,162	21,343	11,632	10,669
	403,711	314,419	201,229	169,512
Profit for the period	216,563	71,525	135,067	46,721



Chairman



Director

The interim financial information consists of pages 2 to 7.

CONDENSED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2008

Bahraini dinars

	2008 (reviewed)	2007 (not reviewed)
Operating activities		
Interest, fees and commission receipts	825,504	421,392
Loans disbursed (net)	(4,513,726)	(3,591,126)
Payments of staff salaries and related costs	(247,924)	(148,513)
Payments of other operating expenses	(180,293)	(114,652)
Cash flows from operating activities	(4,116,439)	(3,432,899)
Investing activities		
Purchase of furniture, fixtures and equipment	(9,150)	(3,822)
Cash flows from investing activities	(9,150)	(3,822)
Financing activities		
Proceeds from bank borrowings	4,500,000	-
Payment of interest	(184,215)	-
Share capital received	-	1,037,500
Cash flows from financing activities	4,315,785	1,037,500
Net increase in cash and cash equivalents	190,196	(2,399,221)
Cash and cash equivalents at 1 January	975,618	4,006,112
Cash and cash equivalents as at 30 June	1,165,814	1,606,891

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2008

Bahraini dinars

2008 (reviewed)	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
At 1 January	7,500,000	112,500	26,509	238,586	7,877,595
Profit for the period (page 3)	-	-	-	216,563	216,563
Total recognised income and expense	-	-	-	216,563	216,563
At 30 June	7,500,000	112,500	26,509	455,149	8,094,158
2007 (not reviewed)	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
At 1 January	7,500,000	112,500	2,262	20,358	7,635,120
Profit for the period (page 3)	-	-	-	71,525	71,525
Total recognised income and expense	-	-	-	71,525	71,525
At 30 June	7,500,000	112,500	2,262	91,883	7,706,645

The interim financial information consists of pages 2 to 7.

NOTES

for the six months ended 30 June 2008

Bahraini dinar

- 1 The interim financial information has been prepared in condensed form in accordance with International Accounting Standard 34, Interim Financial Reporting. The interim financial information do 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 2007.
- 2 The interim financial information is not audited but has been reviewed by KPMG Fakhro. The comparatives for the condensed balance sheet have been extracted from the audited financial statements for the year ended 31 December 2007. The comparative figures for 2007 set out in the condensed statements of income, changes in equity and cash flows and notes to the interim financial information have been compiled from the books of account of the Company.
- 3 The accounting policies used in the preparation of the interim financial information are consistent with those used in the preparation of the audited financial statements for the year ended 31 December 2007.
- 4 During the six months period ended 30 June 2008, the Company has availed of additional borrowings of BD 4.5 million from banks. Borrowings include BD 1.5 million secured by assignment of receivables and the remaining BD 7 million is unsecured. Borrowings are subject to an interest rate of BIBOR plus 1.25%.

5 LOANS TO CUSTOMERS

	30 June 2008 (reviewed)	31 December 2007 (audited)
Loans disbursed	20,631,205	14,911,594
Unearned interest on loans	(3,571,445)	(2,634,816)
Impairment allowance (net of write offs)	(170,597)	(122,784)
	16,889,163	12,153,994

- 6 Due to the effect of cyclical variations, the results reported in this interim financial information may not represent a proportionate share of the overall annual results.
- 7 Appropriations, if any, are made only at the year end.

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.

Related party transactions

	30 June 2008 (reviewed)	30 June 2007 (not reviewed)
<i>Expenses</i>		
Insurance premium paid to a shareholder	13,698	6,053

NOTES

for the six months ended 30 June 2008

Bahraini dinar

8 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 2008 (reviewed)	30 June 2007 (not reviewed)
Key management compensation	91,369	65,318
Board of directors remuneration	Nil	Nil

Balances due to related parties	30 June 2008 (reviewed)	31 December 2007 (audited)
Amounts payable for vehicles financed	967,949	950,015
Accrued expenses	930	1,000
	968,879	951,015