

NATIONAL FINANCE HOUSE BSC (c)

30 JUNE 2014

CONDENSED INTERIM FINANCIAL INFORMATION

Commercial registration	: 58880
Board of Directors	: Farouk Yousif Khalil Almoayyed Fuad Ebrahim Kanoo Sameer Ebrahim Al Wazzan 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 Sunderam
Chief Executive Officer	: Venkatachalam PS
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Bankers	: Bank of Bahrain and Kuwait Ahli United Bank National Bank of Bahrain

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

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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 2014

Introduction

We have reviewed the accompanying 30 June 2014 condensed interim financial information of National Finance House BSC (c) (the "Company") which comprises:

- the condensed statement of financial position as at 30 June 2014;
- the condensed statement of profit or loss and other comprehensive income for the six months period ended 30 June 2014;
- the condensed statement of changes in equity for the six months period ended 30 June 2014;
- the condensed statement of cash flows for the six months period ended 30 June 2014; 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.

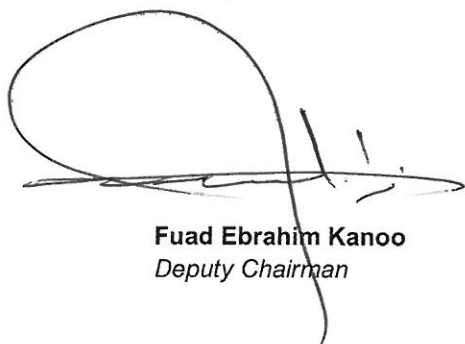
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2014 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 2014

Bahraini dinars

	Notes	30 June 2014 (reviewed)	31 December 2013 (audited)
ASSETS			
Cash and cash equivalents		7,142,845	1,528,693
Loans to customers	7	41,261,165	41,550,227
Furniture, fixtures and equipment		386,003	382,389
Other assets		251,438	201,674
Total assets		49,041,451	43,662,983
LIABILITIES AND EQUITY			
Liabilities			
Bank loans	9	34,849,094	29,210,664
Other liabilities		2,256,801	2,629,262
Total liabilities		37,105,895	31,839,926
Equity			
Share capital		7,500,000	7,500,000
Share premium		112,500	112,500
Statutory reserve		496,056	496,056
Retained earnings		3,827,000	3,714,501
Total equity (page 4)		11,935,556	11,823,057
Total equity and liabilities		49,041,451	43,662,983



Fuad Ebrahim Kanoo
Deputy Chairman



Mohammed Farouk Y. Almoayyed
Director

The Board of Directors approved the condensed interim financial information consisting of pages 2 to 8 on 24 July 2014.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30 June 2014

Bahraini dinars

	30 June 2014 (reviewed)	30 June 2013 (reviewed)
Interest income	1,923,553	1,738,771
Interest expense	(628,957)	(568,805)
Net interest income	1,294,596	1,169,966
Fees and commission income	314,899	355,370
Fees and commission expense	(168,512)	(196,137)
Net fee and commission income	146,387	159,233
Total income	1,440,983	1,329,199
Salaries and related costs	(432,481)	(371,082)
Other operating expenses	(302,254)	(233,449)
Depreciation	(41,101)	(39,495)
Impairment on loans to customers	(177,648)	(286,787)
Total expenses	(953,484)	(930,813)
Profit for the period	487,499	398,386
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	487,499	398,386
Basic earnings per share	6.50 fils	5.31 fils



Fuad Ebrahim Kanoo
Deputy Chairman



Mohammed Farouk Y. Almoayyed
Director

The Board of Directors approved the condensed interim financial information consisting of pages 2 to 8 on 24 July 2014.

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

Bahraini dinars

2014 (reviewed)	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Balance at 1 January 2014	7,500,000	112,500	496,056	3,714,501	11,823,057
Total comprehensive income for the period	-	-	-	487,499	487,499
Dividends declared for 2013	-	-	-	(375,000)	(375,000)
Balance at 30 June 2014	7,500,000	112,500	496,056	3,827,000	11,935,556

2013 (reviewed)	Share capital	Share premium	Statutory reserve	Retained earnings	Total equity
Balance 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)
Balance at 30 June 2013	7,500,000	112,500	411,933	3,355,781	11,380,214

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

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

Bahraini dinars

	30 June 2014 (reviewed)	30 June 2013 (reviewed)
Operating activities		
Interest, fees and commission received	2,232,182	2,094,091
Loans disbursed	(8,356,785)	(9,997,000)
Loan repayments	7,657,106	6,475,646
Payments for staff salaries and related costs	(416,377)	(394,089)
Payments for other operating expenses	(101,084)	(528,045)
Net cash generated from / (used in) operating activities	1,015,042	(2,349,397)
Investing activities		
Purchase of furniture, fixtures and equipment	(44,897)	(261,910)
Sale of furniture, fixtures and equipment	78	-
Net cash used in investing activities	(44,819)	(261,910)
Financing activities		
Proceeds from bank loans	8,000,000	5,000,000
Repayment of bank loans	(2,361,570)	(1,828,698)
Interest paid	(619,501)	(566,007)
Dividends paid	(375,000)	(375,000)
Net cash generated from financing activities	4,643,929	2,230,295
Net increase / (decrease) in cash and cash equivalents during the period	5,614,152	(381,012)
Cash and cash equivalents at 1 January	1,528,693	3,614,665
Cash and cash equivalents as at 30 June	7,142,845	3,233,653

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 2014

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 2013.

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 2013.

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 2013.

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 2013.

- 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 2013 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 2013. 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 2013.

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

Bahraini dinars

7 Loans to customers

	30 June 2014 (Reviewed)	31 December 2013 (Audited)
Gross loans	43,158,916	43,343,417
Less: impairment allowance	(1,897,751)	(1,793,190)
Net loans to customers	41,261,165	41,550,227

Movement on provision for impairment

	30 June 2014 (Reviewed)	31 December 2013 (Audited)
Opening balance	1,793,190	1,237,660
Charge for the period / year	177,648	575,677
Write off during the period / year	(73,087)	(20,147)
Closing balance	1,897,751	1,793,190

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 2014 (Reviewed)	30 June 2013 (Reviewed)
Related party transactions		
<i>Expenses</i>		
Insurance premium charges (shareholder)	70,688	64,085

	30 June 2014 (Reviewed)	31 December 2013 (Audited)
Related party balances		
Payable for vehicles financed (shareholders)	698,741	1,619,422
Prepaid expenses (shareholders)	29,668	13,554
Payable to insurance company (shareholder)	-	210
Other payables (shareholders)	879,885	418,872

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 2014 (Reviewed)	30 June 2013 (Reviewed)
Transactions with key management personnel		
Key management compensation	105,145	96,138
Board of directors remuneration and attendance allowance	19,445	14,547

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

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 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.

If an asset or a liability measured at fair value has a bid price and an ask price, the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

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

Loans to customers are classified as level 3, 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.