

## **NATIONAL FINANCE HOUSE B.S.C (c)**

**30 JUNE 2023**

### **CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

Commercial registration	: 58880
Board of Directors	: Talal Fuad Ebrahim Kanoo Mohammed Farouk Y. Almoayyed Redha Abdulla Ali Faraj Raed Abdulla Fakhri Ahmed Adnan Alaseeri Sanjay Kawatra I Mohammed Abdullah Alwabi Khalid Shaheen Saqer Shaheen Tawfeeq Mohammed Bastaki
Chief Executive Office	: May Al Mahmood
Address	: P.O. 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 The Housing Bank for Trade & Finance Ahli United Bank Habib Bank Limited National Bank of Bahrain Kuwait Finance House
Auditors	: KPMG Fakhro, Bahrain

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2023**

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**CONTENTS**

Independent auditors' report on review of condensed consolidated interim financial information	1
<b>Condensed consolidated interim financial information</b>	
Condensed consolidated statement of financial position	2
Condensed consolidated statement of profit or loss and other comprehensive income	3
Condensed consolidated statement of changes in equity	4
Condensed consolidated statement of cash flows	5
Notes to the condensed consolidated interim financial information	6 – 9



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# Independent auditors' report on review of condensed consolidated 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 2023 condensed consolidated interim financial information of National Finance House B.S.C (c) (the "Company") and its subsidiary (together the "Group") which comprises:

- the condensed consolidated statement of financial position as at 30 June 2023;
- the condensed consolidated statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2023;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2023;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2023; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Group is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated 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 2023 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

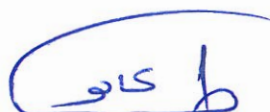
17 August 2023


**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2023

Bahraini dinars

	Note	30 June 2023 (reviewed)	31 December 2022 (audited)
<b>ASSETS</b>			
Cash and bank balances		745,230	1,483,618
Loans to customers	7	49,245,187	50,662,598
Property and equipment	8	330,045	334,759
Right-of-use assets		343,339	209,964
Other assets		397,540	382,900
<b>Total assets</b>		<b>51,061,341</b>	<b>53,073,839</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Bank borrowings	9	31,373,402	32,863,604
Other liabilities	11	2,925,679	3,252,485
<b>Total liabilities</b>		<b>34,299,081</b>	<b>36,116,089</b>
<b>Equity</b>			
Share capital		7,500,000	7,500,000
Share premium		112,500	112,500
Statutory reserve		1,554,411	1,554,411
Retained earnings		7,595,349	7,790,839
<b>Total equity (page 4)</b>		<b>16,762,260</b>	<b>16,957,750</b>
<b>Total equity and liabilities</b>		<b>51,061,341</b>	<b>53,073,839</b>

The condensed consolidated interim financial information was approved by the Board of directors on 17 August 2023 and signed on its behalf by:

  
**Talal Fuad Ebrahim Kanoo**  
Chairman

  
**Mohammed Farouk Y. Almoayyed**  
Deputy Chairman

The accompanying notes 1 to 13 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

**for the six months ended 30 June 2023**

Bahraini dinars

	Note	<b>30 June 2023 (reviewed)</b>	30 June 2022 (reviewed)
Interest income		2,530,694	2,417,195
Interest expense		(1,479,133)	(812,560)
<b>Net interest income</b>		<b>1,051,561</b>	1,604,635
Fees and commission income		215,764	228,290
Fees and commission expense		(67,085)	(76,204)
<b>Net fee and commission income</b>		<b>148,679</b>	152,086
Other income	12	191,672	166,191
<b>Total income</b>		<b>1,391,912</b>	1,922,912
Salaries and related costs		423,885	422,467
Other operating expenses		297,331	305,025
Depreciation		83,955	81,865
Impairment on loans to customers	7(b)	182,231	208,217
<b>Total expenses</b>		<b>987,402</b>	1,017,574
<b>Profit for the period</b>		<b>404,510</b>	905,338
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the period</b>		<b>404,510</b>	905,338

The accompanying notes 1 to 13 form an integral part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the six months ended 30 June 2023**

Bahraini dinars

<b>2023 (reviewed)</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Statutory reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance at 1 January 2023	7,500,000	112,500	1,554,411	7,790,839	16,957,750
Total comprehensive income for the period	-	-	-	404,510	404,510
Dividends declared for 2022	-	-	-	(600,000)	(600,000)
<b>Balance at 30 June 2023</b>	<b>7,500,000</b>	<b>112,500</b>	<b>1,554,411</b>	<b>7,595,349</b>	<b>16,762,260</b>

<b>2022 (reviewed)</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Statutory reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance at 1 January 2022	7,500,000	112,500	1,420,223	7,183,148	16,215,871
Total comprehensive income for the period	-	-	-	905,338	905,338
Dividends declared for 2021	-	-	-	(600,000)	(600,000)
Balance 30 June 2022	7,500,000	112,500	1,420,223	7,488,486	16,521,209

The accompanying notes 1 to 13 form an integral part of this condensed consolidated interim financial information

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the six months ended 30 June 2023**

Bahraini dinars

	<b>30 June 2023 (reviewed)</b>	30 June 2022 (reviewed)
<b>Operating activities</b>		
Interest, fees and commission received	2,863,979	2,745,841
Fees and commission paid	(65,885)	(78,329)
Loans disbursed	(7,161,416)	(9,620,311)
Loans repayments	7,992,291	6,476,731
Receipt from sale of vehicles	1,434,655	1,135,218
Payment for purchase of vehicles	(1,388,166)	(1,319,427)
Payments for staff salaries and related costs	(500,317)	(459,584)
Payments for other operating expenses	(270,939)	(328,565)
<b>Net cash from/ (used in) operating activities</b>	<b>2,904,202</b>	<b>(1,448,426)</b>
<b>Investing activities</b>		
Purchase of furniture, fixtures and equipment	(40,722)	(11,859)
<b>Net cash used in investing activities</b>	<b>(40,722)</b>	<b>(11,859)</b>
<b>Financing activities</b>		
Drawdown of bank borrowings	3,268,000	8,265,000
Repayment of bank borrowings	(4,758,202)	(4,693,946)
Interest paid	(1,460,790)	(814,904)
Payment of lease liabilities	(46,344)	(46,344)
Dividends paid	(600,000)	(600,000)
<b>Net cash (used in)/ from financing activities</b>	<b>(3,597,336)</b>	<b>2,109,806</b>
<b>Net (decrease)/ increase in cash and cash equivalents during the period</b>	<b>(733,856)</b>	<b>649,521</b>
Cash and cash equivalents at 1 January	1,471,501	610,429
<b>Cash and cash equivalents as at 30 June*</b>	<b>737,645</b>	<b>1,259,950</b>

\* Cash and cash equivalents as at 30 June 2023 is gross of the expected credit loss of BHD 2,634 (30 June 2022: BHD 2,634); and excluding restricted cash of BHD 10,219 (30 June 2022: BHD 8,967) collected from customers as insurance premium on behalf of insurance companies.

The accompanying notes 1 to 13 form an integral part of this condensed consolidated interim financial information.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
for the six months ended 30 June 2023**

Bahraini dinars

**1 Reporting entity**

National Finance House B.S.C (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 the Central Bank of Bahrain (the "CBB"). It provides consumer finance services in the form of motor vehicle financing.

The Company has a wholly owned subsidiary, National Finance House Auto Mall W.L.L ("NFH Auto Mall"), established for the purpose of sale/ trade of motor vehicles and registered with the Ministry of Industry and Commerce on 19 March 2017 with registration no. 111539.

This financial information is the reviewed condensed consolidated interim financial information (the "condensed consolidated interim financial information") of the Company and its subsidiary (together referred to as the "Group") for the six-month period ended 30 June 2023.

**2 Basis of preparation**

The accompanying condensed consolidated 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 consolidated interim financial information is reviewed, not audited. The condensed consolidated interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2022. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last audited annual consolidated financial statements as at and for the year ended 31 December 2022.

The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2022 and the comparatives for the condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows have been extracted from the reviewed condensed consolidated interim financial information for the six-month period ended 30 June 2022.

Certain comparative figures have been regrouped to conform to the presentation in the current period. Such regroupings did not affect previously reported profit for the period or total equity.

**3 Significant accounting policies**

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are consistent with those applied in the preparation of the audited financial statements for the year ended 31 December 2022.

**4 Judgements and estimates**

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended 31 December 2022.

**5 Seasonality**

The Group does not have income of a seasonal nature.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****for the six months ended 30 June 2023**

Bahraini dinars

**6 Financial risk management**

The Group's activities expose it to a variety of financial risks: credit risk, market risk, liquidity risk and operational risk. The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual consolidated financial statements and they should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2022. There have been no changes in the risk management department or in any risk management policies since 31 December 2022.

**7 Loans to customers****(a) Exposure by staging****30 June 2023****(reviewed)**

Gross loans to customers  
Less: expected credit loss

**Net loans**

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	45,102,856	3,328,297	3,251,036	51,682,189
	(479,739)	(354,233)	(1,603,030)	(2,437,002)
<b>Net loans</b>	<b>44,623,117</b>	<b>2,974,064</b>	<b>1,648,006</b>	<b>49,245,187</b>

31 December 2022

**(audited)**

Gross loans to customers  
Less: expected credit loss

**Net loans**

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	48,156,929	1,983,295	3,067,510	53,207,734
	(497,957)	(368,489)	(1,678,690)	(2,545,136)
<b>Net loans</b>	<b>47,658,972</b>	<b>1,614,806</b>	<b>1,388,820</b>	<b>50,662,598</b>

**(b) Expected credit loss movement****2023 (reviewed)**

At 1 January 2023  
Transfer to Stage 1  
Transfer to Stage 2  
Transfer to Stage 3  
Net re-measurement of loss allowance  
Write-off during the period

**As at 30 June 2023**

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	497,957	368,489	1,678,690	2,545,136
	132,091	(47,667)	(84,424)	-
	(54,520)	144,940	(90,420)	-
	(80,015)	(98,601)	178,616	-
	(15,774)	(12,928)	210,933	182,231
	-	-	(290,365)	(290,365)
<b>As at 30 June 2023</b>	<b>479,739</b>	<b>354,233</b>	<b>1,603,030</b>	<b>2,437,002</b>

2022 (audited)

At 1 January 2022  
Transfer to Stage 1  
Transfer to Stage 2  
Transfer to Stage 3  
Net re-measurement of loss allowance  
Write-off during the year

**As at 31 December 2022**

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	441,432	278,818	1,822,549	2,542,799
	79,989	(24,360)	(55,629)	-
	(20,465)	48,700	(28,235)	-
	(16,614)	(33,867)	50,481	-
	13,615	99,198	370,183	482,996
	-	-	(480,659)	(480,659)
<b>As at 31 December 2022</b>	<b>497,957</b>	<b>368,489</b>	<b>1,678,690</b>	<b>2,545,136</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****for the six months ended 30 June 2023**

Bahraini dinars

**8 Property and equipment**

Furniture, fixtures and equipment is net of accumulated depreciation of BHD 1,343,634 (2022: BHD 1,298,198).

**9 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. Average interest rate range from 7.7% to 9.53%.

**10 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 Group.

<b>Related party transactions</b>	<b>30 June 2023 (reviewed)</b>	30 June 2022 (reviewed)
<b>Operating income</b>		
Insurance commission - Motor vehicles (Shareholder)	24,099	22,033
<b>Operating expenses</b>		
Auto Mall purchases of motor vehicles (Shareholders)	221,698	207,360
Insurance premium charges (Shareholder)	117,729	100,270
Salaries and related costs (Shareholder)*	7,613	8,030
Other operating expenses (Shareholders)	25,774	27,192

\* This amount relates to NFH Group contribution of employees saving scheme and does not include employee's contribution.

<b>Related party balances</b>	<b>30 June 2023 (reviewed)</b>	31 December 2022 (audited)
Payable for vehicles financed (Shareholders)	1,074,153	1,435,001
Payable for insurance premiums (Shareholders)	25,369	29,428
Prepaid expenses (Shareholders)	44,962	19,611
Payable for operating and capital expenditure (Shareholders)	7,979	6,826
Receivable of insurance agency commission (Shareholders)	4,094	8,416

**Transactions with key management personnel**

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

	<b>30 June 2023 (reviewed)</b>	30 June 2022 (reviewed)
Key management compensation	129,357	128,557
Board of Directors remuneration and attendance allowance	28,250	34,000
Staff Loans disbursed	7,080	-

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the six months ended 30 June 2023**

Bahraini dinars

10 *Related party transactions (continued)*

	<b>30 June 2023 (reviewed)</b>	31 December 2022 (audited)
<b>Balances with key management personnel</b>		
Board of Directors remuneration and attendance allowance	2,750	32,500
Staff loans	5,880	-

11 **Other liabilities**

	<b>30 June 2023 (reviewed)</b>	31 December 2022 (audited)
Payable to vehicles agents	1,670,315	2,121,920
Payable to equipment dealers	30,150	35,700
Payable to insurance companies	546,454	500,801
Lease liability	349,464	212,369
Interest payables	151,780	133,437
Accrued expenses and other liabilities	177,516	248,258
	<b>2,925,679</b>	<b>3,252,485</b>

12 **Other income**

Other income mainly includes recoveries of BHD 116,761 (2022: BHD 100,069) from loans written-off in prior years and gain on sale of vehicles of BHD 74,151 (2022: BHD 65,836).

13 **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 Group has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Group 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 Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

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

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 from their 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 fair values of the Group's all other financial assets and financial liabilities approximate their carrying value due to their short-term nature.