

**Finance House P.J.S.C.**

INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

31 MARCH 2011 (UNAUDITED)

## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF FINANCE HOUSE P.J.S.C.

### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Finance House P.J.S.C (the "Company") and its subsidiaries (the "Group") as of 31 March 2011, comprising of the interim consolidated statement of financial position as at 31 March 2011 and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three months period then ended and explanatory information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



Signed by  
Richard Mitchell  
Partner  
Ernst & Young  
Registration No. 446

19 April 2011  
Abu Dhabi

## Finance House P.J.S.C.

### Interim consolidated income statement For the three months ended 31 March 2011 (Unaudited)

	<i>Note</i>	<i>2011 AED'000</i>	<i>2010 AED'000 Restated</i>
Interest income		<b>52,332</b>	46,326
Interest expense		<b>(21,049)</b>	<b>(16,148)</b>
<b>Net interest income</b>	4	<b><u>31,283</u></b>	<b><u>30,178</u></b>
Fee and commission income		<b>10,805</b>	6,485
Fee and commission expense		<b>(2,487)</b>	<b>(1,869)</b>
<b>Net fee and commission income</b>		<b><u>8,318</u></b>	<b><u>4,616</u></b>
Contract revenue		<b>37,893</b>	30,643
Contract expense		<b>(29,897)</b>	<b>(30,716)</b>
<b>Net contract income (expense)</b>		<b><u>7,996</u></b>	<b><u>(73)</u></b>
Dividend income from investments carried at fair value through other comprehensive income		<b>1,800</b>	5,705
Net (loss) income from investments carried at fair value through profit and loss		<b>(2,063)</b>	7,884
Rental income from investment property		<b>1,267</b>	-
Share of profit of associates		<b>3,800</b>	301
Other operating income		<b><u>314</u></b>	<b><u>4,438</u></b>
<b>TOTAL OPERATING INCOME</b>		<b><u>52,715</u></b>	<b><u>53,049</u></b>
Salaries and employee related expenses		<b>(13,535)</b>	(13,705)
Provision for contract losses		-	2,556
Depreciation of property, fixtures and equipment		<b>(1,015)</b>	(1,556)
Other general and administrative expenses		<b>(8,906)</b>	(6,176)
Allowance for impairment of loans and advances, net		<b><u>-</u></b>	<b><u>(2,066)</u></b>
<b>TOTAL OPERATING EXPENSES</b>		<b><u>(23,456)</u></b>	<b><u>(20,947)</u></b>
<b>PROFIT FOR THE PERIOD</b>		<b><u>29,259</u></b>	<b><u>32,102</u></b>
<b>Basic and diluted earnings per share attributable to ordinary shares (AED)</b>	5	<b><u>0.10</u></b>	<b><u>0.11</u></b>

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

## Finance House P.J.S.C.

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Interim consolidated statement of comprehensive income  
For the three months ended 31 March 2011 (Unaudited)

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i> <i>Restated</i>
<b>Net profit for the period</b>	<b><u>29,259</u></b>	<b><u>32,102</u></b>
Net loss on financial assets measured at fair value through other comprehensive income	<b>(25,773)</b>	(32,887)
Directors' remuneration paid	<b><u>(8,983)</u></b>	<u>(9,017)</u>
<b>Other comprehensive loss for the period</b>	<b><u>(34,756)</u></b>	<b>(41,904)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b><u>(5,497)</u></b>	<b><u>(9,802)</u></b>

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

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# Finance House P.J.S.C.

## Interim consolidated statement of financial position At 31 March 2011 (Unaudited)

		<i>(Audited)</i>
		31 March
		31 December
		2011
		2010
	<i>Notes</i>	<i>AED'000</i>
		<i>AED'000</i>
<b>ASSETS</b>		
Cash balances	6	3,267
Due from banks	6	998,214
Investments carried at fair value through other comprehensive income	7	489,808
Investments carried at fair value through profit and loss	7	35,201
Loans and advances, net	8	1,110,785
Investment in associates		144,475
Goodwill	9	4,973
Property, fixtures and equipment		148,613
Investment property	10	71,581
Interest receivable and other assets	11	<u>214,814</u>
<b>TOTAL ASSETS</b>		<u><b>3,221,731</b></u>
<b>LIABILITIES</b>		
Customers' deposits	15	1,590,753
Due to banks	6	394,995
Term loans		230,547
Interest payable and other liabilities	16	448,564
Provision for employees' end of service benefits		<u>5,875</u>
<b>TOTAL LIABILITIES</b>		<u><b>2,670,734</b></u>
<b>EQUITY</b>		
Share capital	12	302,500
Employees' share-based payment scheme		(1,750)
Statutory reserve		103,021
Revaluation reserve	14	18,962
Cumulative changes in fair value of investments carried at fair value through other comprehensive income		(140,217)
Retained earnings		268,481
Proposed directors' remuneration		<u>8,983</u>
<b>TOTAL EQUITY</b>		<u><b>550,997</b></u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>3,221,731</b></u>
Commitments and contingent liabilities	17	<u><b>945,066</b></u>

  
Mr. Mohammed Alqubaisi  
CHAIRMAN

  
Mr. Hamid Taylor  
GENERAL MANAGER

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

## Finance House P.J.S.C.

### Interim consolidated statement of changes in equity For the three months ended 31 March 2011 (Unaudited)

	Share capital AED'000	Proposed bonus shares AED'000	Employees share-based payment scheme AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Cumulative changes in fair value AED'000	Retained earnings AED'000	Proposed directors' remuneration AED'000	Attributable to the equity holders of the parent AED'000	Total AED'000
Balance at 1 January 2011	275,000	-	(1,750)	103,021	18,962	(114,444)	266,722	8,983	556,494	556,494
Profit for the period	-	-	-	-	-	-	29,259	-	29,259	29,259
Other comprehensive income	-	-	-	-	-	(25,773)	-	(8,983)	(34,756)	(34,756)
Total comprehensive income for the period	-	-	-	-	-	(25,773)	29,259	(8,983)	(5,497)	(5,497)
Stock dividend paid	27,500	-	-	-	-	-	(27,500)	-	-	-
Balance at 31 March 2011	<b>302,500</b>	-	<b>(1,750)</b>	<b>103,021</b>	<b>18,962</b>	<b>(140,217)</b>	<b>268,481</b>	-	<b>550,997</b>	<b>550,997</b>
Balance at 1 January 2010	220,000	-	(1,750)	91,512	23,762	(35,274)	332,326	9,017	639,593	639,593
Profit for the period	-	-	-	-	-	-	32,102	-	32,102	32,102
Other comprehensive loss	-	-	-	-	-	(32,887)	-	(9,017)	(41,904)	(41,904)
Total comprehensive loss for the period	-	-	-	-	-	(32,887)	32,102	(9,017)	(9,802)	(9,802)
Cash dividend paid	-	-	-	-	-	-	(110,000)	-	(110,000)	(110,000)
Proposed bonus shares	-	55,000	-	-	-	-	(55,000)	-	-	-
Balance at 31 March 2010	<u>220,000</u>	<u>55,000</u>	<u>(1,750)</u>	<u>91,512</u>	<u>23,762</u>	<u>(68,161)</u>	<u>199,428</u>	-	<u>519,791</u>	<u>519,791</u>

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

# Finance House P.J.S.C.

## Interim consolidated statement of cash flows For the three months ended 31 March 2011 (Unaudited)

	<i>Notes</i>	<i>2011 AED'000</i>	<i>2010 AED'000 Restated</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		<b>29,259</b>	32,102
Non cash adjustments for:			
Depreciation		<b>1,015</b>	1,556
Share of profit of associates		<b>(3,800)</b>	(301)
Provision for contract losses		-	(2,556)
Allowance for impairment of loans and advances		-	2,066
Net movement in provision for employees' end of service benefits		<b>257</b>	436
Gain on disposal of investments carried at fair value through profit and loss		<b>(4,519)</b>	(6,785)
Unrealised (loss) gain on investments carried at fair value through profit and loss		<b>6,583</b>	(1,062)
Working capital adjustments:			
(Increase) decrease in due from banks maturing after three months		<b>(143,977)</b>	49,980
Decrease in loans and advances		<b>6,755</b>	34,771
Increase in due to banks maturing after three months		<b>187,160</b>	100,000
(Decrease) increase in term loan		<b>(77,386)</b>	49,994
Decrease (increase) in interest receivable and other assets		<b>41,528</b>	(58,577)
Increase (decrease) in customers' deposits		<b>21,250</b>	(273,338)
Decrease in interest payable and other liabilities		<b>(28,617)</b>	(48,453)
Dividend income from investments carried at fair value through other comprehensive income		<b>(1,800)</b>	(5,705)
Dividend income from investment carried at fair value through profit and loss		<b>(1)</b>	(37)
Net cash from (used in) operating activities		<b><u>33,707</u></b>	<b><u>(125,909)</u></b>
<b>INVESTING ACTIVITIES</b>			
Purchase of investments carried at fair value through profit and loss		<b>(9,884)</b>	-
Proceeds from sale investments carried at fair value through profit and loss		<b>12,794</b>	2,635
Purchase of investments carried at fair value through other comprehensive income		<b>(82,419)</b>	(41,632)
Proceeds from sale of investments carried at fair value through other comprehensive income		<b>61,369</b>	58,804
Addition to investment property		<b>(216)</b>	-
Purchase of property, fixtures and equipment		<b>(30,209)</b>	(7,590)
Purchase of investments in associates		<b>(103,095)</b>	-
Proceeds from sale of investments in associates		<b>30,697</b>	-
Dividend income received		<b>1,801</b>	5,742
Net cash (used in) from investing activities		<b><u>(119,162)</u></b>	<b><u>17,959</u></b>
<b>FINANCING ACTIVITIES</b>			
Directors' remuneration paid		<b>(8,983)</b>	(9,017)
Cash dividends paid		<b>-</b>	(110,000)
Net cash used in financing activities		<b><u>(8,983)</u></b>	<b><u>(119,017)</u></b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(94,438)</b>	(226,967)
Cash and cash equivalents at 1 January		<b><u>461,019</u></b>	<b><u>444,678</u></b>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>6</b>	<b><u>366,581</u></b>	<b><u>217,711</u></b>

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

# Finance House P.J.S.C.

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Notes to the interim condensed consolidated financial statements  
For the three months ended 31 March 2011 (Unaudited)

## 1 ACTIVITIES

Finance House P.J.S.C. (the “Company”) is a Public Joint Stock Company incorporated in Abu Dhabi, United Arab Emirates (U.A.E.) in accordance with the provisions of the U.A.E. Federal Commercial Companies Law No. (8) of 1984 (as amended), the U.A.E. Central Bank, the Monetary System and Organization of Banking Law No. (10) of 1980 and under authority of resolutions of the Board of Directors of the U.A.E. Central Bank relating to Finance Companies.

The Company was established on 13 March 2004 and commenced its operations on 18 July 2004. The Company performs its activities through its head office in Abu Dhabi and its Abu Dhabi, Dubai and Sharjah branches. The principal activities of the Company consist of investments, consumer and commercial financing and other related services.

The registered head office of the Company is at P.O. Box 7878, Abu Dhabi, U.A.E.

The interim condensed consolidated financial statements of the Group for the three months period ended 31 March 2011 were authorised for issue by Board of Directors on 19<sup>th</sup> April 2011.

## 2 BASIS OF PREPARATION

### Statement of compliance

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, “Interim Financial Reporting” issued by the International Accounting Standards Board and also comply with the applicable requirements of the laws in the U.A.E.

### Accounting convention

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and properties which are carried at fair value.

The interim condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) which is the functional currency of the Group.

### Basis of consolidation

The accompanying interim condensed consolidated financial statements are comprised of the financial statements of the Company and its subsidiaries (together referred to as the “Group”). The details of the Company’s subsidiaries and their principal activities are as follows:

<i>Name of subsidiary</i>	<i>Country of incorporation</i>	<i>Ownership interest %</i>	<i>Principal activity</i>
Third Vision Investment L.L.C.	U.A.E.	100	Own and manage head office premises
Benyan Development Co L.L.C.	U.A.E.	100	Construction
Emirates National Electromechanical L.L.C.	U.A.E.	100	Electromechanical contracting
FH Capital Limited (D.I.F.C.)	U.A.E.	100	Investment and asset management



Notes to the interim condensed consolidated financial statements  
For the three months ended 31 March 2011 (Unaudited)

**3 ACCOUNTING POLICIES**

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2010.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2010. In addition, results for the three month ended 31 March 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010.

**4 NET INTEREST INCOME**

	<i>31 March 2011 AED'000</i>	<i>31 March 2010 AED'000</i>
<b>Interest income</b>		
Due from banks	9,707	5,700
Loans and advances	40,351	40,076
Others	<u>2,274</u>	<u>550</u>
	<b><u>52,332</u></b>	<b><u>46,326</u></b>
<b>Interest expense</b>		
Customer deposits	(16,353)	(14,060)
Due to banks	<u>(4,696)</u>	<u>(2,088)</u>
	<b><u>(21,049)</u></b>	<b><u>(16,148)</u></b>
Net interest income	<b><u>31,283</u></b>	<b><u>30,178</u></b>

## Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements  
For the three months ended 31 March 2011 (Unaudited)

### 5 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit for the period by the weighted average number of shares outstanding during the period. Diluted earnings per share is determined by adjusting the net profit and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares. As of 31 March 2011, the Company has not issued any instruments which would have a dilutive impact on earnings per share when converted or exercised.

The calculation of the basic and diluted earnings per share is based on the following data:

	<i>31 March 2011</i>	<i>31 March 2010</i>
Net profit for the period (AED '000)	<u>29,259</u>	<u>32,102</u>
Number of ordinary shares in issue ('000)	<u>302,500</u>	<u>302,500</u>
Earnings per share (AED)	<u>0.10</u>	<u>0.11</u>

### 6 CASH AND CASH EQUIVALENTS

	<i>31 March 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
<b>Due from banks</b>		
Current and demand accounts	<b>33,419</b>	45,453
Fixed placements	<b>864,159</b>	898,662
Call accounts	<u><b>100,636</b></u>	<u>6,128</u>
	<b>998,214</b>	950,243
Cash balances	<b>3,267</b>	1,292
Due to banks maturing within three months (deposits)	<b>(3,261)</b>	( 2,854)
Due from banks maturing after three months	<u><b>(631,639)</b></u>	<u>(487,662)</u>
Net cash and cash equivalents	<u><b>366,581</b></u>	<u>461,019</u>

Fixed deposits due from banks of AED 631,639 thousand (31 December 2010: AED 487,662 thousand) and due to banks of AED 391,734 thousand (31 December 2010: 204,574 thousand) are due to mature after three months from the date of placement and are not included in cash and cash equivalents.

## Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements  
For the three months ended 31 March 2011 (Unaudited)

### 7 INVESTMENTS CARRIED AT FAIR VALUE

	<i>31 March 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Investments carried at fair value through other comprehensive income		
UAE	483,114	485,683
Outside UAE	<u>6,694</u>	<u>8,848</u>
	<u>489,808</u>	<u>494,531</u>
Investments carried at fair value through profit and loss	<u>35,201</u>	<u>40,175</u>

### 8 LOANS AND ADVANCES, NET

	<i>31 March 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Commercial loans	949,063	948,835
Retail finance	<u>316,537</u>	<u>323,520</u>
	1,265,600	1,272,355
Less: allowance for impairment	<u>(154,815)</u>	<u>(154,815)</u>
	<u>1,110,785</u>	<u>1,117,540</u>

Loans and advances are stated net of allowance for impairment. The movement in the allowance during the period / year is as follows:

	<i>31 March 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
At 1 January	154,815	150,355
Charge for the period / year	983	7,066
Less: Amounts written off during the period / year	<u>(983)</u>	<u>(2,606)</u>
At period / year end	<u>154,815</u>	<u>154,815</u>

## Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements  
For the three months ended 31 March 2011 (Unaudited)

### 9 GOODWILL

On 27 January 2009 and 28 September 2009, the Company acquired an additional 35% and 5% shareholding, respectively, in Third Vision Investment L.L.C., a subsidiary. The principal activities of the subsidiary are ownership and management of head office premises.

*AED'000*

#### Payment consideration

Purchase consideration in cash and cash equivalents	33,098
Fair value of net assets acquired	<u>(28,125)</u>
Goodwill recognised	<u>4,973</u>

### 10 INVESTMENT PROPERTY

	<i>31 March 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Opening balance	71,365	47,464
Additions during the period / year	216	10,663
Transfer from property, fixtures and equipment	-	11,838
Gain on fair valuation of investment property	<u>-</u>	<u>1,400</u>
Closing balance	<u>71,581</u>	<u>71,365</u>

The fair value of land is based on a valuation carried out on 5 November 2009 by independent valuers not related to the Group. The independent valuers have the appropriate qualifications and recent experience in the valuation of properties in the relevant location. The valuation was arrived at using the sales comparison method.

### 11 INTEREST RECEIVABLE AND OTHER ASSETS

	<i>31 March 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Interest receivable	74,888	72,874
Prepayments	34,232	19,206
Advance for investments	14,727	94,159
Accounts receivable	41,241	34,779
Amounts due from customers under construction contracts	11,694	27,635
Other assets	<u>38,032</u>	<u>7,689</u>
	<u>214,814</u>	<u>256,342</u>

## Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements  
For the three months ended 31 March 2011 (Unaudited)

### 12 SHARE CAPITAL

	<i>31 March 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
<b>Authorised, issued and fully paid</b>		
302.5 million shares (2010: 275 million) of AED 1 each (31 December 2010: AED 1 each)	<u>302,500</u>	<u>275,000</u>

In the annual general meeting held on 21 March 2011, the shareholders approved the distribution of bonus shares equal to 10% (2010: 25%) of the nominal value of the shares in the ratio of one share for every ten shares (2010: one share for every four shares) held amounting to AED 27,500 thousand (2010: 55,000 thousand).

### 13 EMPLOYEES' SHARE-BASED PAYMENT SCHEME

The share-based payment scheme is administered by a trustee and gives the Board of Directors the authority to determine which employees of the Group will be granted the shares. The value of shares granted to employees are expensed in the period in which they are granted, and that of the remaining shares are included within equity.

During the period, no shares were granted (period ended 31 March 2010: nil shares) to employees and outstanding shares not yet granted to employees as of 31 March 2011 were 1,650,357 (31 December 2010: 1,650,357 shares).

### 14 REVALUATION RESERVE

Revaluation reserve represents reserves that arose on revaluation of a plot of land in Abu Dhabi in 2009.

### 15 CUSTOMERS' DEPOSITS

	<i>31 March 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
<b>By account</b>		
Call and demand deposits	125,355	36,331
Time deposits	<u>1,465,398</u>	<u>1,533,172</u>
	<u>1,590,753</u>	<u>1,569,503</u>
<b>By sector</b>		
Corporate	953,518	843,411
Government	<u>637,235</u>	<u>726,092</u>
	<u>1,590,753</u>	<u>1,569,503</u>

## Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements  
For the three months ended 31 March 2011 (Unaudited)

### 16 INTEREST PAYABLE AND OTHER LIABILITIES

	<i>31 March 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Interest payable	26,411	22,976
Accrued expenses	45,573	53,563
Margin accounts	229,274	213,757
Provision for estimated contract losses	3,225	3,225
Other liabilities	<u>144,081</u>	<u>183,660</u>
	<u>448,564</u>	<u>477,181</u>

### 17 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>31 March 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Letters of credit	49,725	38,198
Letters of guarantee	735,465	736,253
Capital commitments	122,920	29,390
Irrevocable commitments to extend credit facilities	<u>36,956</u>	<u>69,814</u>
	<u>945,066</u>	<u>873,655</u>

### 18 RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Group enters into transactions with major shareholders, directors, senior management and their related concerns at commercial interest and commission rates.

The period / year end balances in respect of related parties included in the statement of financial position are as follows:

	<i>31 March 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
<i>Loans and advances to customers</i>		
To associates	<u>-</u>	<u>48,768</u>
To key management staff	<u>367</u>	<u>391</u>
<i>Customers' deposits</i>		
From associates	<u>299,032</u>	<u>2,527</u>
From others	<u>11,283</u>	<u>163,903</u>

## Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements  
For the three months ended 31 March 2011 (Unaudited)

### 18 RELATED PARTY TRANSACTIONS continued

Commitments and contingent liabilities (note 18) include letters of guarantee issued by the Company on behalf of associates amount to AED 59,111 thousand (31 December 2010: AED 8,500 thousand)

Significant transactions with related parties during the three month period were as follows:

	<i>31 March 2011 AED'000</i>	<i>31 March 2010 AED'000</i>
<i>Interest and commission income</i>		
From associates	<u>—</u>	<u>1,537</u>
From key management staff	<u>3</u>	<u>12</u>
<i>Interest expenses</i>		
To associates	<u>1,237</u>	<u>19</u>
To others	<u>3</u>	<u>1,091</u>
<i>Key management remuneration</i>		
Short term benefits (salaries, benefits and bonuses)	<u>3,937</u>	<u>4,004</u>

### 19 SEASONALITY OF RESULTS

No income of a seasonal nature was recorded in the interim consolidated statement of income for the three months ended 31 March 2011 and 31 March 2010.

### 20 SEGMENT INFORMATION

The Group has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8: *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (IAS 14: *Segment Reporting*) required an entity to identify two types of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. However, the business segments reported earlier as per the requirements of IAS 14 *Segment Reporting* are also used by the General Manager to allocate resources to the segments and to assess its performance.

Therefore, for operating purposes, the Group is organised into three major business segments:

- (i) Commercial and retail financing, which principally provides loans and other credit facilities for institutional and individual customers.
- (ii) Investment, which involves the management of the Group's investment portfolio and its treasury activities.
- (iii) Construction, which involves the Group's subsidiaries performing real estate construction related activities.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at rates determined by management taking into consideration the cost of funds.

## Finance House P.J.S.C.

### Notes to the interim condensed consolidated financial statements For the three months ended 31 March 2011 (Unaudited)

#### 20 SEGMENT INFORMATION continued

Information regarding these segments is presented below:

	31 March 2011 (unaudited)				
	<i>Commercial and retail financing</i> AED'000	<i>Investment</i> AED'000	<i>Construction</i> AED'000	<i>Unallocated</i> AED'000	<i>Total</i> AED'000
Operating income	<u>49,845</u>	<u>(5,225)</u>	<u>8,095</u>	<u>-</u>	<u>52,715</u>
Inter-segment revenues	<u>11,466</u>	<u>(11,466)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Segmental results and profits from operations	<u>32,911</u>	<u>(6,798)</u>	<u>3,995</u>	<u>(849)</u>	<u>29,259</u>
Segmental assets	<u>2,281,818</u>	<u>841,344</u>	<u>98,569</u>	<u>-</u>	<u>3,221,731</u>
Commitments and contingent liabilities	<u>707,962</u>	<u>122,920</u>	<u>114,184</u>	<u>-</u>	<u>945,066</u>
	31 March 2010 (unaudited)				
	<i>Commercial and retail financing</i> AED'000	<i>Investment</i> AED'000	<i>Construction</i> AED'000	<i>Unallocated</i> AED'000	<i>Total</i> AED'000
Operating income	<u>46,877</u>	<u>6,235</u>	<u>(63)</u>	<u>-</u>	<u>53,049</u>
Inter-segment revenues	<u>10,138</u>	<u>(10,138)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Segmental results and profits from operations	<u>29,080</u>	<u>5,710</u>	<u>(1,961)</u>	<u>(727)</u>	<u>32,102</u>
Segmental assets	<u>1,590,110</u>	<u>765,120</u>	<u>70,427</u>	<u>-</u>	<u>2,425,657</u>
Commitments and contingent liabilities	<u>624,286</u>	<u>31,952</u>	<u>86,844</u>	<u>-</u>	<u>743,082</u>

#### 21 COMPARATIVE FIGURES

Certain comparative figures as discussed below were restated / reclassified to conform with the current year presentation as the Company early adopted IFRS 9 as on 1 January 2010. Accordingly, investments previously classified under 'Investments held for trading' and 'Available for sale investments' as at 31 March 2010 have now been classified as 'Investments carried at fair value through other comprehensive income' and 'Investments carried at fair value through profit or loss'.

- Dividend income amounting to AED 37 thousand for the period ended 31 March 2010 previously shown as dividend income has now been shown as net income from investments carried at fair value through profit and loss in the consolidated income statement.
- Gain on disposal of investments amounting to AED 228 thousand for the period ended 31 March 2010 previously shown as net realised gain on disposal of held for trading investments has now been shown as net income from investments carried at fair value through profit and loss in the consolidated income statement.
- Increase in fair value of available for sale investments amounting to AED 1,062 thousand for the period ended 31 March 2010 previously shown under revaluation reserve in the consolidated statement of financial position has now been transferred to the consolidated income statement.
- Equity instruments amounting to AED 446,970 thousand that were previously measured at fair value and classified as available-for-sale as at 31 March 2010, have been reclassified to fair value through other comprehensive income in the consolidated statement of financial position.
- Equity instruments amounting to AED 45,812 thousand that were previously measured at fair value and classified as available-for-sale as at 31 March 2010, have been reclassified to fair value through profit or loss in the consolidated statement of financial position.