

Finance House P.J.S.C.

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

30 JUNE 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 30 June 2011, comprising of the interim consolidated statement of financial position as at 30 June 2011, the related interim consolidated income statement and interim consolidated statement of comprehensive income for the three and six months period then ended, and the related interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six 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

20 July 2011
Abu Dhabi

Finance House P.J.S.C.

Interim consolidated income statement

For the three and six months period ended 30 June 2011 (Unaudited)

	Notes	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
		<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
			<i>Restated</i>		<i>Restated</i>
Interest income		43,068	47,741	95,400	94,067
Interest expense		(17,179)	(18,184)	(38,228)	(34,332)
Net interest income	4	<u>25,889</u>	<u>29,557</u>	<u>57,172</u>	<u>59,735</u>
Fee and commission income		9,677	7,244	20,482	13,729
Fee and commission expense		(3,660)	(2,413)	(6,147)	(4,282)
Net fee and commission income		<u>6,017</u>	<u>4,831</u>	<u>14,335</u>	<u>9,447</u>
Contract revenue		38,524	40,262	76,417	70,905
Contract expense		(37,220)	(34,506)	(67,117)	(65,222)
Net contract income		<u>1,304</u>	<u>5,756</u>	<u>9,300</u>	<u>5,683</u>
Dividend income from investments carried at fair value through other comprehensive income		5,679	2,599	7,479	8,304
Net income (loss) from investments carried at fair value through profit and loss		585	(6,608)	(1,478)	1,276
Rental income from investment property		1,900	-	3,167	-
Net unrealized gain on fair valuation of investment property		-	1,400	-	1,400
Share of (loss) profit of associates		(1,702)	4,615	2,098	4,916
Other operating income		351	3,317	665	7,755
TOTAL OPERATING INCOME		<u>40,023</u>	<u>45,467</u>	<u>92,738</u>	<u>98,516</u>
Salaries and employee related expenses		(14,096)	(14,339)	(27,631)	(28,044)
Provision for contract losses		2,575	-	2,575	2,556
Depreciation of property, fixtures and equipment		(2,199)	(1,610)	(3,214)	(3,166)
Other general and administrative expenses		(7,549)	(7,929)	(16,455)	(14,105)
Net allowance for impairment of loans and advances		-	1,178	-	(888)
TOTAL OPERATING EXPENSES		<u>(21,269)</u>	<u>(22,700)</u>	<u>(44,725)</u>	<u>(43,647)</u>
PROFIT FOR THE PERIOD		<u>18,754</u>	<u>22,767</u>	<u>48,013</u>	<u>54,869</u>
Basic and diluted earnings per share attributable to ordinary shares (AED)	5	<u>0.06</u>	<u>0.08</u>	<u>0.16</u>	<u>0.18</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 comprehensive income

For the three and six months period ended 30 June 2011 (Unaudited)

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
		<i>Restated</i>		<i>Restated</i>
Profit for the period	18,754	22,767	48,013	54,869
Net loss on financial assets measured at fair value through other comprehensive income	(5,454)	(47,284)	(31,227)	(80,171)
Directors' remuneration paid	<u>-</u>	<u>-</u>	<u>(8,983)</u>	<u>(9,017)</u>
Other comprehensive loss for the period	<u>(5,454)</u>	<u>(47,284)</u>	<u>(40,210)</u>	<u>(89,188)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>13,300</u>	<u>(24,517)</u>	<u>7,803</u>	<u>(34,319)</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 financial position At 30 June 2011 (Unaudited)

		<i>(Audited)</i>
		30 June 2011
		31 December 2010
	<i>Notes</i>	<i>AED'000</i>
		<i>AED'000</i>
ASSETS		
Cash balances	6	4,404
Due from banks	6	772,008
Investments carried at fair value through other comprehensive income	7	552,926
Investments carried at fair value through profit and loss	7	32,750
Loans and advances, net	8	1,012,233
Investment in associates		146,107
Goodwill	9	4,973
Property, fixtures and equipment		155,006
Investment property	10	87,584
Interest receivable and other assets	11	<u>185,470</u>
TOTAL ASSETS		<u>2,953,461</u>
LIABILITIES		
Customers' deposits	15	1,420,869
Due to banks	6	302,311
Term loans		252,472
Interest payable and other liabilities	16	449,444
Provision for employees' end of service benefits		<u>5,318</u>
TOTAL LIABILITIES		<u>2,430,414</u>
EQUITY		
Share capital	12	302,500
Employees' share-based payment scheme	13	(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		(145,671)
Retained earnings		245,985
Proposed directors' remuneration		<u>-</u>
TOTAL EQUITY		<u>523,047</u>
TOTAL LIABILITIES AND EQUITY		<u>2,953,461</u>
Commitments and contingent liabilities	17	<u>937,440</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 six months ended 30 June 2011 (Unaudited)

	<i>Share capital</i> AED'000	<i>Employees share-based payment scheme</i> AED'000	<i>Statutory reserve</i> AED'000	<i>Revaluation reserve</i> AED'000	<i>Cumulative changes in fair value</i> AED'000	<i>Retained earnings</i> AED'000	<i>Proposed directors' remuneration</i> AED'000	<i>Total</i> AED'000
Balance at 1 January 2011	275,000	(1,750)	103,021	18,962	(114,444)	266,722	8,983	556,494
Profit for the period	-	-	-	-	-	48,013	-	48,013
Other comprehensive loss	-	-	-	-	(31,227)	-	(8,983)	(40,210)
Total comprehensive income for the period	-	-	-	-	(31,227)	48,013	(8,983)	7,803
Cash dividend paid	-	-	-	-	-	(41,250)	-	(41,250)
Stock dividend paid	27,500	-	-	-	-	(27,500)	-	-
Balance at 30 June 2011	<u>302,500</u>	<u>(1,750)</u>	<u>103,021</u>	<u>18,962</u>	<u>(145,671)</u>	<u>245,985</u>	<u>-</u>	<u>523,047</u>
Balance at 1 January 2010	220,000	(1,750)	91,512	23,762	(35,274)	332,326	9,017	639,593
Profit for the period	-	-	-	-	-	54,869	-	54,869
Other comprehensive loss	-	-	-	(4,800)	(80,171)	4,800	(9,017)	(89,188)
Total comprehensive loss for the period	-	-	-	(4,800)	(80,171)	59,669	(9,017)	(34,319)
Cash dividend paid	-	-	-	-	-	(110,000)	-	(110,000)
Stock dividend paid	55,000	-	-	-	-	(55,000)	-	-
Balance at 30 June 2010	<u>275,000</u>	<u>(1,750)</u>	<u>91,512</u>	<u>18,962</u>	<u>(115,445)</u>	<u>226,995</u>	<u>-</u>	<u>495,274</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 six months ended 30 June 2011 (Unaudited)

	<i>Notes</i>	2011 AED'000	2010 AED'000 <i>Restated</i>
OPERATING ACTIVITIES			
Profit for the period		48,013	54,869
Non cash adjustments:			
Depreciation		3,214	3,166
Net unrealized gain on fair valuation of investment property		-	(1,400)
Share of profit of associates		(2,098)	(4,916)
Provision for contract losses		(2,575)	(2,556)
Allowance for impairment of loans and advances		-	888
Net movement in provision for employees' end of service benefits		(300)	924
Gain on disposal of investments carried at fair value through profit and loss		(1,168)	(7,858)
Unrealised loss on investments carried at fair value through profit and loss		3,248	7,258
Working capital adjustments:			
Decrease in due from banks maturing after three months		6,007	855
Decrease in loans and advances		105,307	75,491
(Decrease) increase in due to banks maturing after three months		(44,559)	35,000
Decrease in term loan		(55,460)	(50,006)
Decrease (increase) in interest receivable and other assets		70,872	(52,634)
Decrease in customers' deposits		(148,634)	(18,199)
Decrease in interest payable and other liabilities		(25,162)	(16,548)
Dividend income from investments carried at fair value through other comprehensive income		(7,479)	(8,304)
Dividend income from investment carried at fair value through profit and loss		(602)	(676)
Net cash (used in) from operating activities		<u>(51,376)</u>	<u>15,354</u>
INVESTING ACTIVITIES			
Purchase of investments carried at fair value through profit and loss		(10,015)	-
Proceeds from sale investments carried at fair value through profit and loss		15,360	2,635
Purchase of investments carried at fair value through other comprehensive income		(156,940)	(161,768)
Proceeds from sale of investments carried at fair value through other comprehensive income		67,317	95,718
Addition to investment property		(16,219)	(5,487)
Purchase of property, fixtures and equipment		(38,801)	(12,614)
Purchase of investments in associates		(106,429)	-
Proceeds from sale of investments in associates		30,697	9,225
Dividend income received		<u>8,081</u>	<u>8,980</u>
Net cash used in investing activities		<u>(206,949)</u>	<u>(63,311)</u>
FINANCING ACTIVITIES			
Directors' remuneration paid		(8,983)	(9,017)
Cash dividends paid		<u>(41,250)</u>	<u>(110,000)</u>
Net cash used in financing activities		<u>(50,233)</u>	<u>(119,017)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(308,558)</u>	<u>(166,974)</u>
Cash and cash equivalents at 1 January		<u>461,019</u>	<u>444,678</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	6	<u>152,461</u>	<u>277,704</u>

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

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 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 six months period ended 30 June 2011 were authorised for issue by Board of Directors on 20th July 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 comprise 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

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 six month ended 30 June 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>30 June 2011 AED'000</i>	<i>30 June 2010 AED'000</i>
Interest income		
Due from banks	17,241	10,887
Loans and advances	73,525	81,682
Others	<u>4,634</u>	<u>1,498</u>
	<u>95,400</u>	<u>94,067</u>
Interest expense		
Customer deposits	(29,281)	(30,146)
Due to banks	<u>(8,947)</u>	<u>(4,186)</u>
	<u>(38,228)</u>	<u>(34,332)</u>
Net interest income	<u>57,172</u>	<u>59,735</u>

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements
For the six months ended 30 June 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 30 June 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>30 June 2011</i>	<i>30 June 2010</i>
Net profit for the period (AED '000)	<u>48,013</u>	<u>54,869</u>
Number of ordinary shares in issue ('000)	<u>302,500</u>	<u>302,500</u>
Earnings per share (AED)	<u>0.16</u>	<u>0.18</u>

During the period, the Company issued bonus shares which was duly approved by the U.A.E. Central Bank. The calculation of basic and diluted earnings per share for the prior period is based on the new numbers of shares.

6 CASH AND CASH EQUIVALENTS

	<i>30 June 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Due from banks		
Current and demand accounts	16,150	45,453
Fixed placements	654,144	898,662
Call accounts	101,714	<u>6,128</u>
	772,008	950,243
Cash balances	4,404	1,292
Due to banks maturing within three months (deposits)	(142,296)	(2,854)
Due from banks maturing after three months	(481,655)	<u>(487,662)</u>
Net cash and cash equivalents	<u>152,461</u>	<u>461,019</u>

Fixed deposits due from banks of AED 481,655 thousand (31 December 2010: AED 487,662 thousand) and due to banks of AED 160,015 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 six months ended 30 June 2011 (Unaudited)

7 INVESTMENTS CARRIED AT FAIR VALUE

	<i>30 June 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Investments carried at fair value through other comprehensive income		
UAE	504,927	485,683
Outside UAE	<u>47,999</u>	<u>8,848</u>
	<u>552,926</u>	<u>494,531</u>
Investments carried at fair value through profit and loss	<u>32,750</u>	<u>40,175</u>

8 LOANS AND ADVANCES, NET

	<i>30 June 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Commercial loans	861,835	948,835
Retail finance	<u>305,213</u>	<u>323,520</u>
	1,167,048	1,272,355
Less: allowance for impairment	<u>(154,815)</u>	<u>(154,815)</u>
	<u>1,012,233</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>30 June 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	2,914	7,066
Less: Amounts written off during the period / year	<u>(2,914)</u>	<u>(2,606)</u>
	<u>154,815</u>	<u>154,815</u>

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements
For the six months ended 30 June 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>30 June 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Opening balance	71,365	47,464
Additions during the period / year	16,219	10,663
Transfer from property, fixtures and equipment	-	11,838
Gain on fair valuation of investment property	<u>-</u>	<u>1,400</u>
	<u>87,584</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>30 June 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Interest receivable	62,041	72,874
Prepayments	16,993	19,206
Advance for investments	16,199	94,159
Accounts receivable	36,336	34,779
Amounts due from customers under construction contracts	41,743	27,635
Other assets	<u>12,158</u>	<u>7,689</u>
	<u>185,470</u>	<u>256,342</u>

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements
For the six months ended 30 June 2011 (Unaudited)

12 SHARE CAPITAL

	<i>30 June 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Authorised, issued and fully paid		
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 is included within equity.

During the period, no shares were granted (period ended 30 June 2010: nil shares) to employees and outstanding shares not yet granted to employees as of 30 June 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>30 June 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
By account		
Call and demand deposits	89,460	36,331
Time deposits	<u>1,331,409</u>	<u>1,533,172</u>
	<u>1,420,869</u>	<u>1,569,503</u>
By sector		
Corporate	995,251	843,411
Government	<u>425,618</u>	<u>726,092</u>
	<u>1,420,869</u>	<u>1,569,503</u>

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements
For the six months ended 30 June 2011 (Unaudited)

16 INTEREST PAYABLE AND OTHER LIABILITIES

	<i>30 June 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Interest payable	13,529	22,976
Accrued expenses	42,163	53,563
Margin accounts	252,274	213,757
Provision for estimated contract losses	650	3,225
Other liabilities	<u>140,828</u>	<u>183,660</u>
	<u>449,444</u>	<u>477,181</u>

17 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 June 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Letters of credit	41,415	38,198
Letters of guarantee	726,158	736,253
Capital commitments	120,523	29,390
Irrevocable commitments to extend credit facilities	<u>49,344</u>	<u>69,814</u>
	<u>937,440</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>30 June 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>218</u>	<u>391</u>
<i>Customers' deposits</i>		
From associates	<u>190,254</u>	<u>2,527</u>
From others	<u>6,590</u>	<u>163,903</u>

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2011 (Unaudited)

18 RELATED PARTY TRANSACTIONS continued

Commitments and contingent liabilities (note 17) include letters of guarantee issued by the Company on behalf of associates amount to AED 9,500 thousand (31 December 2010: AED 8,500 thousand)

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

	30 June 2011 AED'000	30 June 2010 AED'000
<i>Interest and commission income</i>		
From associates	<u>13</u>	<u>5,673</u>
From key management staff	<u>4</u>	<u>18</u>
<i>Interest expenses</i>		
To associates	<u>2,475</u>	<u>38</u>
To others	<u>5</u>	<u>2,631</u>
<i>Key management remuneration</i>		
Short term benefits (salaries, benefits and bonuses)	<u>8,301</u>	<u>7,820</u>

19 SEASONALITY OF RESULTS

No income of a seasonal nature was recorded in the interim consolidated statement of income for the six months ended 30 June 2011 and 30 June 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.

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Notes to the interim condensed consolidated financial statements For the six months ended 30 June 2011 (Unaudited)

20 SEGMENT INFORMATION continued

Information regarding these segments is presented below:

	<i>30 June 2011 (unaudited)</i>				
	<i>Commercial and retail financing AED'000</i>	<i>Investment AED'000</i>	<i>Construction AED'000</i>	<i>Unallocated AED'000</i>	<i>Total AED'000</i>
Operating income	<u>60,065</u>	<u>23,189</u>	<u>9,484</u>	<u>-</u>	<u>92,738</u>
Inter-segment revenues	<u>(26,156)</u>	<u>26,156</u>	<u>-</u>	<u>-</u>	<u>-</u>
Segmental results and profits from operations	<u>25,974</u>	<u>20,511</u>	<u>3,117</u>	<u>(1,589)</u>	<u>48,013</u>
Segmental assets	<u>1,098,672</u>	<u>1,732,243</u>	<u>122,546</u>	<u>-</u>	<u>2,953,461</u>
Commitments and contingent liabilities	<u>697,469</u>	<u>120,523</u>	<u>119,448</u>	<u>-</u>	<u>937,440</u>
	<i>30 June 2010 (unaudited)</i>				
	<i>Commercial and retail financing AED'000</i>	<i>Investment AED'000</i>	<i>Construction AED'000</i>	<i>Unallocated AED'000</i>	<i>Total AED'000</i>
Operating income	<u>67,156</u>	<u>25,667</u>	<u>5,693</u>	<u>-</u>	<u>98,516</u>
Inter-segment revenues	<u>(26,252)</u>	<u>26,252</u>	<u>-</u>	<u>-</u>	<u>-</u>
Segmental results and profits from operations	<u>33,554</u>	<u>24,747</u>	<u>(1,949)</u>	<u>(1,483)</u>	<u>54,869</u>
Segmental assets	<u>1,127,134</u>	<u>1,434,104</u>	<u>101,418</u>	<u>-</u>	<u>2,662,656</u>
Commitments and contingent liabilities	<u>642,008</u>	<u>15,767</u>	<u>86,505</u>	<u>-</u>	<u>744,280</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 30 June 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 676 thousand for the period ended 30 June 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 30 June 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.
- Decrease in fair value of available for sale investments amounting to AED 7,258 thousand for the period ended 30 June 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 489,561 thousand that were previously measured at fair value and classified as available-for-sale as at 30 June 2010, have been reclassified to fair value through other comprehensive income in the consolidated statement of financial position.
- Equity instruments amounting to AED 31,912 thousand that were previously measured at fair value and classified as available-for-sale as at 30 June 2010, have been reclassified to fair value through profit or loss in the consolidated statement of financial position.