

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

INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

**30 SEPTEMBER 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 September 2011, comprising of the interim consolidated statement of financial position as at 30 September 2011, the related interim consolidated income statement and interim consolidated statement of comprehensive income for the three and nine month periods then ended, and the related interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the nine month 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

18 October 2011  
Abu Dhabi

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

### Interim consolidated income statement

For the three and nine month periods ended 30 September 2011 (Unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2011 AED '000	2010 AED '000 Restated	2011 AED '000	2010 AED '000 Restated
Interest income		37,937	49,979	133,337	144,046
Interest expense		(12,569)	(20,222)	(50,797)	(54,554)
<b>Net interest income</b>	4	<b>25,368</b>	<b>29,757</b>	<b>82,540</b>	<b>89,492</b>
Fee and commission income		7,408	9,127	27,890	22,856
Fee and commission expense		(2,949)	(2,188)	(9,096)	(6,470)
<b>Net fee and commission income</b>		<b>4,459</b>	<b>6,939</b>	<b>18,794</b>	<b>16,386</b>
Contract revenue		33,350	26,010	109,767	96,915
Contract expense		(30,829)	(26,880)	(97,946)	(92,102)
<b>Net contract income</b>		<b>2,521</b>	<b>(870)</b>	<b>11,821</b>	<b>4,813</b>
Dividend income from investments carried at fair value through other comprehensive income		580	812	8,059	9,116
Net (loss) income from investments carried at fair value through profit and loss		(3,345)	14,413	(4,823)	15,689
Rental income from investment property		1,900	-	5,067	-
Net unrealized gain on fair valuation of investment property		-	-	-	1,400
Share of (loss) profit of associates		(1,900)	(983)	198	3,933
Other operating income		364	237	1,029	7,992
<b>TOTAL OPERATING INCOME</b>		<b>29,947</b>	<b>50,305</b>	<b>122,685</b>	<b>148,821</b>
Salaries and employee related expenses		(13,700)	(12,437)	(41,331)	(40,481)
Reversal of provision for contract losses		650	2,686	3,225	5,242
Depreciation of property, fixtures and equipment		(1,540)	(1,631)	(4,754)	(4,797)
Other general and administrative expenses		(8,027)	(7,817)	(24,482)	(21,922)
Net allowance for impairment of loans and advances		-	-	-	(888)
<b>TOTAL OPERATING EXPENSES</b>		<b>(22,617)</b>	<b>(19,199)</b>	<b>(67,342)</b>	<b>(62,846)</b>
<b>PROFIT FOR THE PERIOD</b>		<b>7,330</b>	<b>31,106</b>	<b>55,343</b>	<b>85,975</b>
Attributable to:					
Equity holders of the parent		7,775	31,106	55,788	85,975
Non-controlling interests		(445)	-	(445)	-
		<b>7,330</b>	<b>31,106</b>	<b>55,343</b>	<b>85,975</b>
<b>Basic and diluted earnings per share attributable to ordinary shares (AED)</b>	5	<b>0.03</b>	<b>0.10</b>	<b>0.18</b>	<b>0.28</b>

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 nine month periods ended 30 September 2011 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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>
<b>Profit for the period</b>	<b>7,330</b>	31,106	<b>55,343</b>	85,975
Net (loss) income on investments measured at fair value through other comprehensive income	<b>(16,794)</b>	9,006	<b>(48,021)</b>	(71,165)
Directors' remuneration paid	<u>-</u>	<u>-</u>	<b>(8,983)</b>	<u>(9,017)</u>
<b>Other comprehensive (loss) income for the period</b>	<b>(16,794)</b>	<u>9,006</u>	<b>(57,004)</b>	<u>(80,182)</u>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME</b>	<b><u>(9,464)</u></b>	<u>40,112</u>	<b><u>(1,661)</u></b>	<u>5,793</u>
Total comprehensive income attributable to:				
Equity holders of the parent	<b>(9,019)</b>	40,112	<b>(1,216)</b>	5,793
Non-controlling interests	<u>(445)</u>	<u>-</u>	<u>(445)</u>	<u>-</u>
	<b><u>(9,464)</u></b>	<u>40,112</u>	<b><u>(1,661)</u></b>	<u>5,793</u>

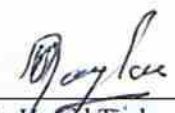
The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

# Finance House P.J.S.C.

## Interim consolidated statement of financial position At 30 September 2011 (Unaudited)

		<i>30 September</i>	<i>(Audited)</i>
		<i>2011</i>	<i>31 December</i>
	<i>Notes</i>	<i>AED'000</i>	<i>AED'000</i>
<b>ASSETS</b>			
Cash balances	6	5,322	1,292
Due from banks	6	397,518	950,243
Investments carried at fair value through other comprehensive income	7	633,039	494,531
Investments carried at fair value through profit and loss	7	38,239	40,175
Loans and advances, net	8	1,121,697	1,117,540
Investment in associates		140,787	68,277
Goodwill	9	4,973	4,973
Property, fixtures and equipment		163,378	119,419
Investment property	10	87,599	71,365
Interest receivable and other assets	11	<u>175,178</u>	<u>256,342</u>
<b>TOTAL ASSETS</b>		<b><u>2,767,730</u></b>	<b><u>3,124,157</u></b>
<b>LIABILITIES</b>			
Customers' deposits	15	1,231,975	1,569,503
Due to banks	6	241,222	207,428
Term loans		307,558	307,933
Interest payable and other liabilities	16	456,702	477,181
Provision for employees' end of service benefits		<u>6,126</u>	<u>5,618</u>
<b>TOTAL LIABILITIES</b>		<b><u>2,243,583</u></b>	<b><u>2,567,663</u></b>
<b>EQUITY</b>			
Share capital	12	302,500	275,000
Employees' share-based payment scheme	13	(1,750)	(1,750)
Statutory reserve		103,021	103,021
Revaluation reserve	14	18,962	18,962
Cumulative changes in fair value of investments carried at fair value through other comprehensive income		(162,465)	(114,444)
Retained earnings		253,760	266,722
Proposed directors' remuneration		-	8,983
Non-controlling interests		<u>10,119</u>	<u>-</u>
<b>TOTAL EQUITY</b>		<b><u>524,147</u></b>	<b><u>556,494</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>2,767,730</u></b>	<b><u>3,124,157</u></b>
Commitments and contingent liabilities	17	<u>997,143</u>	<u>873,655</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 nine months ended 30 September 2011 (Unaudited)

	<i>Share capital</i>	<i>Employees share based payment scheme</i>	<i>Statutory reserve</i>	<i>Revaluation reserve</i>	<i>Cumulative changes in fair value</i>	<i>Retained earnings</i>	<i>Proposed directors' remuneration</i>	<i>Attributable to equity holders of parent</i>	<i>Non-controlling interest</i>	<i>Total</i>
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	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	-	-	-	-	-	55,788	-	55,788	(445)	55,343
Other comprehensive loss	-	-	-	-	(48,021)	-	(8,983)	(57,004)	-	(57,004)
Total comprehensive loss for the period	-	-	-	-	(48,021)	55,788	(8,983)	(1,216)	(445)	(1,661)
Cash dividend paid	-	-	-	-	-	(41,250)	-	(41,250)	-	(41,250)
Stock dividend paid	27,500	-	-	-	-	(27,500)	-	-	-	-
Non controlling interest arising on business combinations	-	-	-	-	-	-	-	-	10,564	10,564
Balance at 30 September 2011	<b><u>302,500</u></b>	<b><u>(1,750)</u></b>	<b><u>103,021</u></b>	<b><u>18,962</u></b>	<b><u>(162,465)</u></b>	<b><u>253,760</u></b>	<b><u>-</u></b>	<b><u>514,028</u></b>	<b><u>10,119</u></b>	<b><u>524,147</u></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	-	-	-	-	-	85,975	-	85,975	-	85,975
Other comprehensive loss	-	-	-	(4,800)	(71,165)	4,800	(9,017)	(80,182)	-	(80,182)
Total comprehensive income for the period	-	-	-	(4,800)	(71,165)	90,775	(9,017)	5,793	-	5,793
Cash dividend paid	-	-	-	-	-	(110,000)	-	(110,000)	-	(110,000)
Stock dividend paid	55,000	-	-	-	-	(55,000)	-	-	-	-
Balance at 30 September 2010	<u>275,000</u>	<u>(1,750)</u>	<u>91,512</u>	<u>18,962</u>	<u>(106,439)</u>	<u>258,101</u>	<u>-</u>	<u>535,386</u>	<u>-</u>	<u>535,386</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 nine months ended 30 September 2011 (Unaudited)

	<i>Notes</i>	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i> <i>Restated</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		<b>55,343</b>	85,975
Non cash adjustments:			
Depreciation		<b>4,754</b>	4,797
Net unrealized gain on fair valuation of investment property		-	(1,400)
Share of profit of associates		<b>(198)</b>	(3,933)
Provision for contract losses		<b>(3,225)</b>	(5,242)
Allowance for impairment of loans and advances		-	888
Net movement in provision for employees' end of service benefits		<b>28</b>	1,263
Loss (gain) on disposal of investments carried at fair value through profit and loss		<b>1,590</b>	(16,522)
Unrealised loss on investments carried at fair value through profit and loss		<b>3,835</b>	1,509
Working capital adjustments:			
Decrease (increase) in due from banks maturing after three months		<b>344,544</b>	(181,877)
(Increase) decrease in loans and advances		<b>(4,157)</b>	111,737
Decrease (increase) in interest receivable and other assets		<b>100,788</b>	(37,917)
(Decrease) increase in due to banks maturing after three months		<b>(39,142)</b>	174,574
Decrease in term loan		<b>(375)</b>	(55,014)
Decrease in customers' deposits		<b>(337,528)</b>	(10,652)
Decrease in interest payable and other liabilities		<b>(30,304)</b>	(17,332)
Dividend income from investments carried at fair value through other comprehensive income		<b>(8,059)</b>	(9,116)
Dividend income from investment carried at fair value through profit and loss		<b>(602)</b>	(676)
Net cash from operating activities		<b><u>87,292</u></b>	<b><u>41,062</u></b>
<b>INVESTING ACTIVITIES</b>			
Purchase of investments carried at fair value through profit and loss		<b>(22,415)</b>	-
Proceeds from sale of investments carried at fair value through profit and loss		<b>18,926</b>	2,635
Purchase of investments carried at fair value through other comprehensive income		<b>(271,582)</b>	(174,761)
Proceeds from sale of investments carried at fair value through other comprehensive income		<b>85,053</b>	196,621
Addition to investment property		<b>(16,234)</b>	(9,003)
Purchase of property, fixtures and equipment		<b>(47,418)</b>	(17,848)
Acquisition of a subsidiary, net of cash acquired		<b>(1,052)</b>	-
Purchase of investments in associates		<b>(106,428)</b>	(3,333)
Proceeds from sale of investments in associates		<b>30,696</b>	9,225
Dividend income received		<b>8,661</b>	<u>10,492</u>
Net cash (used in) from investing activities		<b><u>(321,793)</u></b>	<b><u>14,028</u></b>
<b>FINANCING ACTIVITIES</b>			
Directors' remuneration paid		<b>(8,983)</b>	(9,017)
Cash dividends paid		<b>(41,250)</b>	(110,000)
Net cash used in financing activities		<b><u>(50,233)</u></b>	<b><u>(119,017)</u></b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(284,734)</b>	(63,927)
Cash and cash equivalents at 1 January		<b>461,019</b>	<u>444,678</u>
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	6	<b><u>176,285</u></b>	<b><u>380,751</u></b>

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 nine months ended 30 September 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 nine month period ended 30 September 2011 were authorised for issue by Board of Directors on 18 October 2011.

### 2.1 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
Finance House Securities Co L.L.C	U.A.E.	65	Brokerage



## 2.2 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 nine months ended 30 September 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 followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010, except for the adoption of the following new standards as of 1 January 2011:

### ***IAS 24 Related Party Disclosures (Amendment)***

The amended standard is effective for annual periods beginning on or after 1 January 2011. The amendment clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group has concluded that the Amendment will not have any significant impact on its financial position or performance.

### ***IAS 32 Financial Instruments: Presentation- Classification of Rights Issues (Amendment)***

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

### ***IFRIC 14 Prepayments of a minimum funding requirement (Amendment)***

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group

### ***Improvements to IFRSs (issued in May 2010)***

The IASB issued *Improvements to IFRSs*, an omnibus of amendments to its IFRS standards. The amendments are effective for annual periods on or after either 1 July 2010 or 1 January 2011.

The amendments listed below had no significant impact on the Group's financial position or performance:

- IAS 1: Presentation of Financial Statements
- IFRS 7: Financial Instruments: Disclosures
- IAS 27: Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Reporting

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

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

### 3 BUSINESS COMBINATIONS

#### Acquisition of Finance House Securities Company LLC

On 1 July 2011, the Company acquired an additional 55% of the voting shares of Finance House Securities Company LLC (formerly known as Gulf National Securities Center L.L.C.) increasing its total ownership to 65%. The principal activity of the subsidiary is to act as broker for buying and selling local stocks and bonds and has a branch in Abu Dhabi.

The Company has not yet finalised the purchase price allocation exercise in relation to this acquisition due to the timing of the transaction. Consequently, the fair values of acquired assets and liabilities disclosed below represent provisional amounts.

	<i>Fair value amounts AED '000</i>
Cash and cash equivalents	15,147
Fixed deposits with banks	7,647
Trade and other receivables	19,140
Other current assets	484
Property and equipment	<u>1,295</u>
Total assets	<b>43,713</b>
Trade and other payables	(13,050)
End of service benefits obligation	<u>(480)</u>
Total liabilities	<b>(13,530)</b>
Total identifiable net assets	30,183
Non-controlling interests	<b>(10,564)</b>
Total identifiable net assets acquired	<u>19,619</u>
	<i>AED '000</i>
Purchase consideration:	
Value of investment in Finance House Securities Company LLC directly before achieving control	3,420
Additional consideration paid	<u>16,199</u>
	<u>19,619</u>
Cash outflow on acquisition is as follows:	
Consideration paid	16,199
Cash acquired with Finance House Securities Company LLC	<u>(15,147)</u>
<b>Net cash outflow</b>	<u>1,052</u>

As mentioned above, the fair value is based on the provisional purchase price allocation under taken at the time of the completion date. The purchase price allocation will be finalised before the end of the year. From the date of acquisition until 30 September 2011, FH Securities has contributed AED 271 thousand to revenue and AED 1,272 thousand to loss for the period.

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

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

### 4 NET INTEREST INCOME

	<i>30 September</i> <i>2011</i> <i>AED'000</i>	<i>30 September</i> <i>2010</i> <i>AED'000</i>
<b>Interest income</b>		
Due from banks	<b>20,110</b>	19,295
Loans and advances	<b>105,302</b>	121,713
Others	<b><u>7,925</u></b>	<u>3,038</u>
	<b><u>133,337</u></b>	<u>144,046</u>
<b>Interest expense</b>		
Customer deposits	<b>(38,672)</b>	(47,707)
Due to banks	<b><u>(12,125)</u></b>	<u>(6,847)</u>
	<b><u>(50,797)</u></b>	<u>(54,554)</u>
Net interest income	<b><u>82,540</u></b>	<u>89,492</u>

### 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 September 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 September</i> <i>2011</i>	<i>30 September</i> <i>2010</i>
Net profit for the period attributable to equity holders of the parent (AED '000)	<b><u>55,788</u></b>	<u>85,975</u>
Number of ordinary shares in issue ('000)	<b><u>302,500</u></b>	<u>302,500</u>
Earnings per share (AED)	<b><u>0.18</u></b>	<u>0.28</u>

During the period, the Company issued bonus shares which were 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.

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

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

### 6 CASH AND CASH EQUIVALENTS

	<i>30 September 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
<b>Due from banks</b>		
Current and demand accounts	<b>46,036</b>	45,453
Fixed placements	<b>333,070</b>	898,662
Call accounts	<b><u>18,412</u></b>	<u>6,128</u>
	<b>397,518</b>	950,243
Cash balances	<b>5,322</b>	1,292
Due to banks maturing within three months (deposits)	<b>(75,790)</b>	(2,854)
Due from banks maturing after three months	<b><u>(150,765)</u></b>	<u>(487,662)</u>
Net cash and cash equivalents	<b><u>176,285</u></b>	<u>461,019</u>

Fixed deposits due from banks of AED 150,765 thousand (31 December 2010: AED 487,662 thousand) and due to banks of AED 165,432 thousand (31 December 2010: AED 204,574 thousand) are due to mature after three months from the date of placement and are not included in cash and cash equivalents.

### 7 INVESTMENTS CARRIED AT FAIR VALUE

	<i>30 September 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Investments carried at fair value through other comprehensive income		
UAE	<b>513,275</b>	485,683
Outside UAE	<b><u>119,764</u></b>	<u>8,848</u>
	<b><u>633,039</u></b>	<u>494,531</u>
Investments carried at fair value through profit and loss	<b><u>38,239</u></b>	<u>40,175</u>

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

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

### 8 LOANS AND ADVANCES, NET

	<i>30 September 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Commercial loans	972,071	948,835
Retail finance	<u>304,441</u>	<u>323,520</u>
	1,276,512	1,272,355
Less: allowance for impairment	<u>(154,815)</u>	<u>(154,815)</u>
	<u><b>1,121,697</b></u>	<u><b>1,117,540</b></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 September 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	4,516	7,066
Less: Amounts written off during the period / year	<u>(4,516)</u>	<u>(2,606)</u>
	<u><b>154,815</b></u>	<u><b>154,815</b></u>

### 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.

	<i>AED'000</i>
<b>Payment consideration</b>	
Purchase consideration in cash and cash equivalents	33,098
Fair value of net assets acquired	<u>(28,125)</u>
Goodwill recognised	<u><b>4,973</b></u>

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

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

### 10 INVESTMENT PROPERTY

	<i>30 September 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Opening balance	71,365	47,464
Additions during the period / year	16,234	10,663
Transfer from property, fixtures and equipment	-	11,838
Gain on fair valuation of investment property	<u>-</u>	<u>1,400</u>
	<u><b>87,599</b></u>	<u><b>71,365</b></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 September 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Interest receivable	62,182	72,874
Prepayments	15,697	19,206
Advance for investments	150	94,159
Accounts receivable	30,647	34,779
Amounts due from customers under construction contracts	18,501	27,635
Other assets	<u>48,001</u>	<u>7,689</u>
	<u><b>175,178</b></u>	<u><b>256,342</b></u>

### 12 SHARE CAPITAL

	<i>30 September 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
<i>Authorised, issued and fully paid</i>		
302,500 thousand shares (2010: 275,000 thousand)		
of AED 1 each (31 December 2010: AED 1 each)	<u><b>302,500</b></u>	<u><b>275,000</b></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: AED 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 September 2010: nil shares) to employees and outstanding shares not yet granted to employees as of 30 September 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 September 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
<b>By account</b>		
Call and demand deposits	<b>105,526</b>	36,331
Time deposits	<b><u>1,126,449</u></b>	<u>1,533,172</u>
	<b><u>1,231,975</u></b>	<u>1,569,503</u>
<b>By sector</b>		
Corporate	<b>794,393</b>	843,411
Government	<b><u>437,582</u></b>	<u>726,092</u>
	<b><u>1,231,975</u></b>	<u>1,569,503</u>

**16 INTEREST PAYABLE AND OTHER LIABILITIES**

	<i>30 September 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Interest payable	<b>14,012</b>	22,976
Trade payable	<b>12,766</b>	-
Accrued expenses	<b>44,976</b>	53,563
Margin accounts	<b>268,579</b>	213,757
Provision for estimated contract losses	-	3,225
Other liabilities	<b><u>116,369</u></b>	<u>183,660</u>
	<b><u>456,702</u></b>	<u>477,181</u>

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

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

### 17 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 September 2011 (unaudited) AED'000</i>	<i>31 December 2010 (audited) AED'000</i>
Letters of credit	<b>64,628</b>	38,198
Letters of guarantee	<b>754,377</b>	736,253
Capital commitments	<b>114,989</b>	29,390
Irrevocable commitments to extend credit facilities	<b><u>63,149</u></b>	<u>69,814</u>
	<b><u>997,143</u></b>	<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 consolidated statement of financial position are as follows:

	<i>30 September 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>237</u>	<u>391</u>
<i>Customers' deposits</i>		
From associates	<u>181,111</u>	<u>2,527</u>
From others	<u>5,843</u>	<u>163,903</u>

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

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

	<i>30 September 2011 AED'000</i>	<i>30 September 2010 AED'000</i>
<i>Interest and commission income</i>		
From associates	<u>25</u>	<u>6,617</u>
From key management staff	<u>10</u>	<u>22</u>
<i>Interest expenses</i>		
To associates	<u>3,357</u>	<u>56</u>
To others	<u>6</u>	<u>4,133</u>
<i>Key management remuneration</i>		
Short term benefits (salaries, benefits and bonuses)	<u>11,897</u>	<u>11,869</u>



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

### Notes to the interim condensed consolidated financial statements For the nine months ended 30 September 2011 (Unaudited)

#### 19 SEASONALITY OF RESULTS

No income of a seasonal nature was recorded in the interim consolidated statement of income for the nine months ended 30 September 2011 and 30 September 2010.

#### 20 SEGMENT INFORMATION

For management purposes, the Group is organised into four 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.
- (iv) Brokerage, which involves the Group's subsidiary performing brokerage activities for buying and selling local stocks and bonds.

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.

Information regarding these segments is presented below:

	<i>Commercial and retail financing AED'000</i>	<i>Investment AED'000</i>	<i>Construction AED'000</i>	<i>Brokerage AED'000</i>	<i>Unallocated AED'000</i>	<i>Total AED'000</i>
<b><u>30 September 2011 (unaudited)</u></b>						
Operating income	<u>80,092</u>	<u>30,136</u>	<u>12,186</u>	<u>271</u>	—	<u>122,685</u>
Inter-segment revenues	<u>(41,364)</u>	<u>41,364</u>	—	—	—	—
Segmental results and profits from operations	<u>65,114</u>	<u>26,623</u>	<u>2,831</u>	<u>(1,272)</u>	<u>(37,953)</u>	<u>55,343</u>
Segmental assets	<u>1,098,672</u>	<u>1,489,350</u>	<u>121,334</u>	<u>59,779</u>	—	<u>2,769,135</u>
Commitments and contingent liabilities	<u>732,181</u>	<u>114,989</u>	<u>119,973</u>	<u>30,000</u>	—	<u>997,143</u>
<b><u>30 September 2010 (unaudited)</u></b>						
Operating income	<u>101,159</u>	<u>42,839</u>	<u>4,823</u>	—	—	<u>148,821</u>
Inter-segment revenues	<u>(38,790)</u>	<u>38,790</u>	—	—	—	—
Segmental results and profits from operations	<u>86,179</u>	<u>41,484</u>	<u>(3,942)</u>	—	<u>(37,746)</u>	<u>85,975</u>
Segmental assets	<u>1,106,725</u>	<u>1,503,230</u>	<u>91,044</u>	—	—	<u>2,700,999</u>
Commitments and contingent liabilities	<u>655,971</u>	<u>28,135</u>	<u>86,505</u>	—	—	<u>770,611</u>

## 21 COMPARATIVE FIGURES

Certain comparative figures as discussed below were restated / reclassified to conform with the current year presentation as the Group 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 September 2010 have now been classified as 'Investments carried at fair value through other comprehensive income' and 'Investments carried at fair value through profit and loss'.

- Dividend income amounting to AED 676 thousand for the period ended 30 September 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 September 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 1,509 thousand for the period ended 30 September 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 416,902 thousand that were previously measured at fair value and classified as available-for-sale as at 30 September 2010, have been reclassified to fair value through other comprehensive income in the consolidated statement of financial position.
- Equity instruments amounting to AED 40,080 thousand that were previously measured at fair value and classified as available-for-sale as at 30 September 2010, have been reclassified to fair value through profit or loss in the consolidated statement of financial position.