

Finance House P.S.C.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2012 (UNAUDITED)

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Finance House P.S.C (the "Company") and its subsidiaries (the "Group") as of 30 June 2012, comprising of the interim consolidated statement of financial position as at 30 June 2012 and the related interim consolidated income statement and interim consolidated statement of comprehensive income for the three and six month periods then ended, and the related interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six 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

16 July 2012
Abu Dhabi

Finance House P.S.C.

Interim consolidated income statement

For the three and six month periods ended 30 June 2012 (Unaudited)

	Notes	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
		<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Interest income		45,696	43,068	90,311	95,400
Interest expense		(18,638)	(17,179)	(35,670)	(38,228)
Net interest income	3	<u>27,058</u>	<u>25,889</u>	<u>54,641</u>	<u>57,172</u>
Fee and commission income		9,532	9,677	18,176	20,482
Fee and commission expense		(2,936)	(3,660)	(5,826)	(6,147)
Net fee and commission income		<u>6,596</u>	<u>6,017</u>	<u>12,350</u>	<u>14,335</u>
Contract revenue		29,780	38,524	57,909	76,417
Contract expense		(29,396)	(37,220)	(56,443)	(67,117)
Net contract income		<u>384</u>	<u>1,304</u>	<u>1,466</u>	<u>9,300</u>
Dividend income from investments carried at fair value through other comprehensive income		5,284	5,679	9,242	7,479
Net (loss) income from investments carried at fair value through profit and loss		(788)	585	3,859	(1,478)
Gain on sale of investments carried at amortised cost		8,387	-	16,494	-
Rental income from investment property		1,893	1,900	3,793	3,167
Share of (loss) profit of associates		(1,899)	(1,702)	(4,391)	2,098
Other operating income		<u>385</u>	<u>351</u>	<u>727</u>	<u>665</u>
TOTAL OPERATING INCOME		<u>47,300</u>	<u>40,023</u>	<u>98,181</u>	<u>92,738</u>
Salaries and employee related expenses		(14,472)	(14,096)	(28,380)	(27,631)
Reversal of provision for contract losses		-	2,575	-	2,575
Depreciation of property, fixtures and equipment		(837)	(2,199)	(1,823)	(3,214)
Other general and administrative expenses		(10,421)	(7,549)	(16,530)	(16,455)
Net allowance for impairment of loans and advances		<u>(385)</u>	<u>-</u>	<u>(385)</u>	<u>-</u>
TOTAL OPERATING EXPENSES		<u>(26,115)</u>	<u>(21,269)</u>	<u>(47,118)</u>	<u>(44,725)</u>
PROFIT FOR THE PERIOD		<u>21,185</u>	<u>18,754</u>	<u>51,063</u>	<u>48,013</u>
Attributable to:					
Equity holders of parent		21,480	18,754	51,695	48,013
Non-controlling interests		<u>(295)</u>	<u>-</u>	<u>(632)</u>	<u>-</u>
		<u>21,185</u>	<u>18,754</u>	<u>51,063</u>	<u>48,013</u>
Basic and diluted earnings per share attributable to ordinary shares (AED)	4	<u>0.07</u>	<u>0.06</u>	<u>0.17</u>	<u>0.16</u>

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

Finance House P.S.C.

Interim consolidated statement of comprehensive income
For the three and six month periods ended 30 June 2012 (Unaudited)

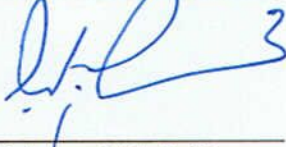
	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Profit for the period	21,185	18,754	51,063	48,013
Net (loss) income on investments measured at fair value through other comprehensive income	(3,694)	(5,454)	4,777	(31,227)
Directors' remuneration paid	<u>-</u>	<u>-</u>	<u>(4,179)</u>	<u>(8,983)</u>
Other comprehensive (loss) income for the period	<u>(3,694)</u>	<u>(5,454)</u>	<u>598</u>	<u>(40,210)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>17,491</u>	<u>13,300</u>	<u>51,661</u>	<u>7,803</u>
Total comprehensive income attributable to:				
Equity holders of the parent	17,786	13,300	52,293	7,803
Non-controlling interests	<u>(295)</u>	<u>-</u>	<u>(632)</u>	<u>-</u>
	<u>17,491</u>	<u>13,300</u>	<u>51,661</u>	<u>7,803</u>

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

Finance House P.S.C.

Interim consolidated statement of financial position At 30 June 2012 (Unaudited)

		<i>(Audited)</i>
		<i>30 June</i>
		<i>31 December</i>
		<i>2012</i>
		<i>2011</i>
	<i>Notes</i>	<i>AED'000</i>
		<i>AED'000</i>
ASSETS		
Cash balances	5	6,005
Due from banks	5	1,131,013
Investments carried at fair value through other comprehensive income	6	258,132
Investments carried at fair value through profit and loss	6	42,995
Investments carried at amortised cost	6	453,703
Loans and advances, net	7	1,229,559
Investment in associates		145,091
Goodwill	8	4,973
Property, fixtures and equipment		201,030
Investment property	9	91,233
Interest receivable and other assets	10	<u>190,739</u>
TOTAL ASSETS		<u>3,754,473</u>
LIABILITIES		
Customers' deposits	14	2,009,806
Due to banks		297,713
Term loans		268,424
Interest payable and other liabilities	15	508,727
Provision for employees' end of service benefits		6,705
Non-convertible Sukuk	16	<u>150,000</u>
TOTAL LIABILITIES		<u>3,241,375</u>
EQUITY		
Share capital	11	302,500
Employees' share-based payment scheme	12	(1,750)
Statutory reserve		109,345
Revaluation reserve	13	18,962
Cumulative changes in fair value of investments carried at fair value through other comprehensive income		(77,154)
Retained earnings		150,486
Proposed directors' remuneration		-
Non-controlling interests		<u>10,709</u>
TOTAL EQUITY		<u>513,098</u>
TOTAL LIABILITIES AND EQUITY		<u>3,754,473</u>
Commitments and contingent liabilities	17	<u>919,725</u>


Mr. Mohammed Alqubaisi
CHAIRMAN


Mr. Hamid Taylor
GENERAL MANAGER

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

Finance House P.S.C.

Interim consolidated statement of changes in equity For the six months ended 30 June 2012 (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>Attributable to shareholders of the parent company</i> AED'000	<i>Non controlling interests</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	-	556,494
Profit for the period	-	-	-	-	-	48,013	-	48,013	-	48,013
Decrease in fair value of investments carried at fair value through other comprehensive income	-	-	-	-	(31,227)	-	-	(31,227)	-	(31,227)
Directors' remuneration paid	-	-	-	-	-	-	(8,983)	(8,983)	-	(8,983)
Total comprehensive income for the period	-	-	-	-	(31,227)	48,013	(8,983)	7,803	-	7,803
Cash dividend paid	-	-	-	-	-	(41,250)	-	(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>	<u>-</u>	<u>523,047</u>
Balance at 1 January 2012	302,500	(1,750)	109,345	18,962	(137,222)	214,582	4,179	510,596	11,341	521,937
Loss on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	55,291	(55,291)	-	-	-	-
Profit for the period	-	-	-	-	-	51,695	-	51,695	(632)	51,063
Increase in fair value of investments carried at fair value through other comprehensive income	-	-	-	-	4,777	-	-	4,777	-	4,777
Directors' remuneration paid	-	-	-	-	-	-	(4,179)	(4,179)	-	(4,179)
Total comprehensive income for the period	-	-	-	-	4,777	51,695	(4,179)	52,293	(632)	51,661
Cash dividend paid	-	-	-	-	-	(60,500)	-	(60,500)	-	(60,500)
Balance at 30 June 2012	<u>302,500</u>	<u>(1,750)</u>	<u>109,345</u>	<u>18,962</u>	<u>(77,154)</u>	<u>150,486</u>	<u>-</u>	<u>502,389</u>	<u>10,709</u>	<u>513,098</u>

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

Finance House P.S.C.

Interim consolidated statement of cash flows For the six months ended 30 June 2012 (Unaudited)

	<i>Six months ended 30 June 2012 AED'000</i>	<i>Six months ended 30 June 2011 AED'000</i>
	<i>Note</i>	
OPERATING ACTIVITIES		
Profit for the period	51,063	48,013
Non cash adjustments:		
Depreciation	1,823	3,214
Share of loss (profit) of associates	4,391	(2,098)
Provision for contract losses	-	(2,575)
Allowance for impairment of loans and advances	385	-
Net movement in provision for employees' end of service benefits	381	(300)
Gain on disposal of investments carried at fair value through profit and loss	(711)	(1,168)
Unrealised (gain) loss on investments carried at fair value through profit and loss	(2,453)	3,248
Gain on disposal of investments carried at amortised cost	(16,494)	-
Working capital adjustments:		
(Increase) decrease in due from banks maturing after three months	(51,909)	6,007
(Increase) decrease in loans and advances	(21,087)	105,307
(Increase) decrease in interest receivable and other assets	(2,865)	70,872
Decrease in due to banks maturing after three months	(133,702)	(44,559)
Decrease in term loan	(139,776)	(55,460)
Increase (decrease) in customers' deposits	388,129	(148,634)
Increase (decrease) in interest payable and other liabilities	43,969	(25,162)
Dividend income from investments carried at fair value through other comprehensive income	(9,242)	(7,479)
Dividend income from investment carried at fair value through profit and loss	(695)	(602)
Net cash from (used in) operating activities	<u>111,207</u>	<u>(51,376)</u>
INVESTING ACTIVITIES		
Purchase of investments carried at fair value through profit and loss	(3,723)	(10,015)
Proceeds from sale investments carried at fair value through profit and loss	1,880	15,360
Purchase of investments carried at fair value through other comprehensive income	(1,248)	(156,940)
Proceeds from sale of investments carried at fair value through other comprehensive income	25,198	67,317
Purchase of investments carried at amortised cost	(390,213)	-
Proceeds from sale of investments carried at amortised cost	393,554	-
Addition to investment property	(3,634)	(16,219)
Purchase of property, fixtures and equipment	(31,675)	(38,801)
Purchase of investments in associates	-	(106,429)
Proceeds from sale of investments in associates	-	30,697
Dividend income received	9,937	8,081
Net cash from (used in) investing activities	<u>76</u>	<u>(206,949)</u>
FINANCING ACTIVITIES		
Directors' remuneration paid	(4,179)	(8,983)
Cash dividends paid	(60,500)	(41,250)
Non-convertible Sukuk	150,000	-
Net cash from (used in) financing activities	<u>85,321</u>	<u>(50,233)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	196,604	(308,558)
Cash and cash equivalents at 1 January	495,613	461,019
CASH AND CASH EQUIVALENTS AT 30 JUNE	692,217	152,461

The attached notes 1 to 20 form part of these interim condensed consolidated financial statements.

Finance House P.S.C.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2012 (Unaudited)

1 ACTIVITIES

Finance House P.S.C. (the “Company”) is a Public 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 month period ended 30 June 2012 were authorised for issue by Board of Directors on 16 July 2012 .

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. All values are rounded to the nearest (AED’ 000), except otherwise indicated.

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
FH Services L.L.C.	U.A.E.	100	Investment management
Finance House Securities Co L.L.C.	U.A.E.	65	Brokerage
Finance House Sukuk Company 1	Cayman Islands	100	Sukuk issue

Finance House P.S.C.

Notes to the interim condensed consolidated financial statements For the six months ended 30 June 2012 (Unaudited)

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 2011.

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 2011. In addition, results for the six months ended 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

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 2011, except for the adoption of the following amendments:

IAS 12 Income Taxes – Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment became effective for annual periods beginning on or after 1 January 2012.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment became effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

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

3 NET INTEREST INCOME

	<i>30 June 2012 AED'000</i>	<i>30 June 2011 AED'000</i>
Interest income		
Due from banks	13,859	17,241
Loans and advances	66,923	73,525
Others	<u>9,529</u>	<u>4,634</u>
	<u>90,311</u>	<u>95,400</u>
Interest expense		
Customer deposits	(29,472)	(29,281)
Due to banks	<u>(6,198)</u>	<u>(8,947)</u>
	<u>(35,670)</u>	<u>(38,228)</u>
Net interest income	<u>54,641</u>	<u>57,172</u>

Finance House P.S.C.

Notes to the interim condensed consolidated financial statements
For the six months ended 30 June 2012 (Unaudited)

4 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 2012, 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 2012</i>	<i>30 June 2011</i>
Profit for the period attributable to equity holders of the parent (AED '000)	<u>51,695</u>	<u>48,013</u>
Number of ordinary shares in issue ('000)	<u>302,500</u>	<u>302,500</u>
Earnings per share (AED)	<u>0.17</u>	<u>0.16</u>

5 CASH AND CASH EQUIVALENTS

	<i>30 June 2012 (unaudited) AED'000</i>	<i>31 December 2011 (audited) AED'000</i>
Due from banks		
Current and demand accounts	72,986	20,625
Fixed placements	975,039	706,062
Call accounts	<u>82,988</u>	<u>11,346</u>
	1,131,013	738,033
Cash balances	6,005	7,233
Due to banks maturing within three months (deposits)	(194,905)	(51,666)
Due from banks maturing after three months	<u>(249,896)</u>	<u>(197,987)</u>
Net cash and cash equivalents	<u>692,217</u>	<u>495,613</u>

Fixed deposits due from banks of AED 249,896 thousand (2011: AED 197,987 thousand) and due to banks of AED 102,808 thousand (2011: 236,510 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.S.C.

Notes to the interim condensed consolidated financial statements
For the six months ended 30 June 2012 (Unaudited)

6 INVESTMENTS

	<i>30 June 2012 (unaudited) AED'000</i>	<i>31 December 2011 (audited) AED'000</i>
Investments carried at fair value through other comprehensive income		
UAE	244,295	262,702
Outside UAE	<u>13,837</u>	<u>14,603</u>
	<u>258,132</u>	<u>277,305</u>
Investments carried at fair value through profit and loss	<u>42,995</u>	<u>37,988</u>
Investments carried at amortised cost		
UAE	192,808	277,673
Outside UAE	<u>260,895</u>	<u>162,877</u>
	<u>453,703</u>	<u>440,550</u>

The Group enters into asset repurchase transactions whereby it retains substantially all of the risks and rewards of ownership of the assets and accordingly, the assets are not derecognized from the consolidated statement of financial position. The Group has entered into repurchase agreements relating to investments held at amortised cost amounting to AED 316,848 thousand (2011: AED 304,129 thousand). The related liability amounted to AED 246,829 thousand (2011: AED 236,510 thousand).

7 LOANS AND ADVANCES, NET

	<i>30 June 2012 (unaudited) AED'000</i>	<i>31 December 2011 (audited) AED'000</i>
Commercial loans	1,100,739	1,062,792
Retail finance	<u>291,389</u>	<u>308,249</u>
	1,392,128	1,371,041
Less: allowance for impairment		
Specific	(149,254)	(149,242)
Collective	<u>(13,315)</u>	<u>(12,942)</u>
	<u>1,229,559</u>	<u>1,208,857</u>

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

At 1 January	162,184	154,815
Charge for the period / year	1,523	13,507
Less: Reversals during the period / year	<u>(1,138)</u>	<u>(6,138)</u>
	<u>162,569</u>	<u>162,184</u>

Finance House P.S.C.

Notes to the interim condensed consolidated financial statements
For the six months ended 30 June 2012 (Unaudited)

8 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>
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>

9 INVESTMENT PROPERTY

	<i>30 June 2012 (unaudited) AED'000</i>	<i>31 December 2011 (audited) AED'000</i>
Opening balance	87,599	71,365
Additions during the period / year	<u>3,634</u>	<u>16,234</u>
	<u>91,233</u>	<u>87,599</u>

Investment properties were valued based on management's best estimates based on information and assumptions considered by management to be adequate and appropriate in the circumstances as of 31 December 2011.

10 INTEREST RECEIVABLE AND OTHER ASSETS

	<i>30 June 2012 (unaudited) AED'000</i>	<i>31 December 2011 (audited) AED'000</i>
Interest receivable	59,042	70,841
Prepayments	16,424	19,447
Advance for investment	4,000	-
Accounts receivable	57,948	37,419
Amounts due from customers under construction contracts	32,063	48,080
Other assets	<u>21,262</u>	<u>12,087</u>
	<u>190,739</u>	<u>187,874</u>

Finance House P.S.C.

Notes to the interim condensed consolidated financial statements
For the six months ended 30 June 2012 (Unaudited)

11 SHARE CAPITAL

	<i>30 June 2012 (unaudited) AED'000</i>	<i>31 December 2011 (audited) AED'000</i>
<i>Authorised, issued and fully paid</i>		
302.5 million shares (2011: 302.5 million shares)		
of AED 1 each (31 December 2011: AED 1 each)	<u>302,500</u>	<u>302,500</u>

12 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 2011: nil shares) to employees and outstanding shares not yet granted to employees as of 30 June 2012 were 1,650,357 (31 December 2011: 1,650,357 shares).

13 REVALUATION RESERVE

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

14 CUSTOMERS' DEPOSITS

	<i>30 June 2012 (unaudited) AED'000</i>	<i>31 December 2011 (audited) AED'000</i>
By account		
Call and demand deposits	110,933	69,023
Time deposits	<u>1,898,873</u>	<u>1,552,654</u>
	<u>2,009,806</u>	<u>1,621,677</u>
By sector		
Government	670,943	437,582
Corporate	<u>1,338,863</u>	<u>1,184,095</u>
	<u>2,009,806</u>	<u>1,621,677</u>

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15 INTEREST PAYABLE AND OTHER LIABILITIES

	<i>30 June 2012 (unaudited) AED'000</i>	<i>31 December 2011 (audited) AED'000</i>
Interest payable	12,659	14,426
Trade payables	20,457	4,070
Accrued expenses	51,473	52,087
Margin accounts	318,323	292,480
Other liabilities	<u>105,815</u>	<u>101,695</u>
	<u>508,727</u>	<u>464,758</u>

16 NON-CONVERTIBLE SUKUK

In June 2012, the Company raised financing by way of a Shari'a compliant subordinated Sukuk issued by Finance House Sukuk Company 1 (the issuer and a special purpose vehicle) amounting to AED 150 million and maturing in June 2017. The Sukuk carries a profit rate of 6 months EIBOR plus 3.00% or 6.25% per annum whichever is higher, payable semi annually as periodic distribution amount. Profit distribution accrued up to period end 30 June 2012 amounts to AED 104 thousand.

17 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 June 2012 (unaudited) AED'000</i>	<i>31 December 2011 (audited) AED'000</i>
Letters of credit	25,797	55,103
Letters of guarantee	777,899	792,220
Capital commitments	71,229	102,705
Irrevocable commitments to extend credit	<u>44,800</u>	<u>75,920</u>
	<u>919,725</u>	<u>1,025,948</u>

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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 June 2012 (unaudited) AED'000</i>	<i>31 December 2011 (audited) AED'000</i>
<i>Loans and advances to customers</i>		
To key management staff	<u>118</u>	<u>197</u>
<i>Customers' deposits</i>		
From associates	<u>72,630</u>	<u>131,670</u>
From others	<u>1,011</u>	<u>768</u>

Commitments and contingent liabilities (note 17) include letters of guarantee issued by the Company on behalf of associates amounting to AED 36,893 thousand (31 December 2011: AED 59,111 thousand)

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

	<i>30 June 2012 AED'000</i>	<i>30 June 2011 AED'000</i>
<i>Interest and commission income</i>		
From associates	<u>6</u>	<u>13</u>
From key management staff	<u>3</u>	<u>4</u>
<i>Interest expenses</i>		
To associates	<u>1,171</u>	<u>2,475</u>
To others	<u>-</u>	<u>5</u>
<i>Key management remuneration</i>		
Short term benefits (salaries, benefits and bonuses)	<u>7,406</u>	<u>8,301</u>

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Notes to the interim condensed consolidated financial statements For the six months ended 30 June 2012 (Unaudited)

19 SEASONALITY OF RESULTS

No income of a seasonal nature was recorded in the interim consolidated income statement for the six months ended 30 June 2012 and 30 June 2011.

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>
30 June 2012 (unaudited)						
Operating income	<u>50,988</u>	<u>44,590</u>	<u>1,559</u>	<u>1,044</u>	<u>-</u>	<u>98,181</u>
Inter-segment revenues	<u>(26,515)</u>	<u>26,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Segmental results and profits from operations	<u>38,982</u>	<u>43,515</u>	<u>(5,979)</u>	<u>(1,805)</u>	<u>(23,650)</u>	<u>51,063</u>
Segmental assets	<u>1,308,074</u>	<u>2,286,685</u>	<u>107,418</u>	<u>52,296</u>	<u>-</u>	<u>3,754,473</u>
Segmental liabilities	<u>1,129,309</u>	<u>1,974,179</u>	<u>92,738</u>	<u>45,149</u>	<u>-</u>	<u>3,241,375</u>
Commitments and contingent liabilities	<u>730,929</u>	<u>71,229</u>	<u>97,567</u>	<u>20,000</u>	<u>-</u>	<u>919,725</u>
30 June 2011 (unaudited)						
Operating income	<u>60,415</u>	<u>22,839</u>	<u>9,484</u>	<u>-</u>	<u>-</u>	<u>92,738</u>
Inter-segment revenues	<u>(25,843)</u>	<u>25,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Segmental results and profits from operations	<u>48,755</u>	<u>20,197</u>	<u>3,117</u>	<u>-</u>	<u>(24,056)</u>	<u>48,013</u>
Segmental assets	<u>1,086,523</u>	<u>1,744,393</u>	<u>122,546</u>	<u>-</u>	<u>-</u>	<u>2,953,462</u>
Segmental liabilities	<u>894,103</u>	<u>1,435,467</u>	<u>100,844</u>	<u>-</u>	<u>-</u>	<u>2,430,414</u>
Commitments and contingent liabilities	<u>697,469</u>	<u>120,523</u>	<u>119,448</u>	<u>-</u>	<u>-</u>	<u>937,440</u>