

# **Finance House P.S.C.**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**31 MARCH 2013 (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 31 March 2013, comprising of the interim consolidated statement of financial position as at 31 March 2013 and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three 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

22 April 2013  
Abu Dhabi

# Finance House P.S.C.

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013 (unaudited)

		<i>(Audited)</i>
		<i>31 March</i>
		<i>31 December</i>
		<i>2013</i>
		<i>2012</i>
	<i>Notes</i>	<i>AED '000</i>
		<i>AED '000</i>
<b>ASSETS</b>		
Cash balances	5	6,864
Due from banks	5	586,318
Investments carried at fair value through other comprehensive income	6	224,208
Investments carried at fair value through profit and loss	6	556,467
Loans and advances, net	7.1	1,441,493
Islamic financing and investing assets	7.2	76,916
Investment in associates		41,932
Goodwill		11,678
Statutory deposit		6,000
Property, fixtures and equipment		245,133
Investment property		101,886
Interest receivable and other assets		<u>264,268</u>
<b>TOTAL ASSETS</b>		<b><u>3,563,163</u></b>
<b>LIABILITIES</b>		
Customers' deposits	8	1,698,083
Due to banks	5	423,019
Term loans		-
Interest payable and other liabilities		662,947
Provision for employees' end of service benefits		7,781
Non-convertible sukuk	9	<u>129,800</u>
<b>TOTAL LIABILITIES</b>		<b><u>2,921,630</u></b>
<b>EQUITY</b>		
Share capital	10	302,500
Treasury shares	11	(4,809)
Employees' share-based payment scheme	12	(1,750)
Statutory reserve		116,112
Revaluation reserve		18,962
Cumulative changes in fair value of investments carried at fair value through other comprehensive income		(58,675)
Retained earnings		134,271
Proposed directors' remuneration		<u>-</u>
Non-controlling interests		<u>506,611</u>
<b>TOTAL EQUITY</b>		<b><u>641,533</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>3,563,163</u></b>
Commitments and contingent liabilities	13	<u>1,090,436</u>

Mr. Mohammed Alqubaisi  
CHAIRMAN

Mr. T. K. Raman  
GROUP CHIEF FINANCIAL OFFICER

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

## Finance House P.S.C.

### INTERIM CONSOLIDATED INCOME STATEMENT

For the three month period ended 31 March 2013 (unaudited)

	<i>Notes</i>	<i>31 March 2013 AED'000</i>	<i>Restated 31 March 2012 AED'000</i>
Interest income		48,424	46,397
Interest expense		<u>(12,728)</u>	<u>(16,349)</u>
<b>Net interest income</b>	3	<b><u>35,696</u></b>	<b><u>30,048</u></b>
Fee and commission income		11,668	11,511
Fee and commission expense		<u>(2,628)</u>	<u>(5,754)</u>
<b>Net fee and commission income</b>		<b><u>9,040</u></b>	<b><u>5,757</u></b>
Contract revenue		10,352	28,129
Contract expense		<u>(11,328)</u>	<u>(27,047)</u>
<b>Net contract (expense) income</b>		<b><u>(976)</u></b>	<b><u>1,082</u></b>
Net insurance premiums earned		13,284	5,481
Net insurance claims incurred		<u>(3,758)</u>	<u>(1,353)</u>
Net insurance commission expense		<u>(4,733)</u>	<u>(2,179)</u>
<b>Net insurance income</b>		<b><u>4,793</u></b>	<b><u>1,949</u></b>
Income from Islamic financing and investing assets		2,210	1,926
Profit distributable to depositors		(677)	(222)
Profit distributable to sukuk holders		<u>(2,028)</u>	-
Dividend income from investments carried at fair value through other comprehensive income		4,151	4,281
Net income from investments carried at fair value through profit and loss		6,860	4,992
Net income from investment property		1,897	1,900
Gain on disposal of investments carried at amortized cost		-	8,107
Share of loss of associates		<u>(1,223)</u>	<u>(1,745)</u>
Other operating income, net		<u>396</u>	<u>517</u>
<b>Total operating income</b>		<b><u>60,139</u></b>	<b><u>58,592</u></b>
Salaries and employee related expenses		<u>(18,900)</u>	<u>(15,413)</u>
Depreciation of property, fixtures and equipment		<u>(1,114)</u>	<u>(1,274)</u>
General and administrative expenses		<u>(9,381)</u>	<u>(7,775)</u>
Allowance for impairment of Islamic financing and investing assets		<u>(340)</u>	<u>(283)</u>
Allowance for impairment of loans and advances, net		<u>(4,596)</u>	<u>(450)</u>
<b>Total operating expenses and allowances</b>		<b><u>(34,331)</u></b>	<b><u>(25,195)</u></b>
<b>Profit for the period</b>		<b><u>25,808</u></b>	<b><u>33,397</u></b>
Attributable to:			
Equity holders of the parent		23,897	32,194
Non-controlling interests		<u>1,911</u>	<u>1,203</u>
		<b><u>25,808</u></b>	<b><u>33,397</u></b>
<b>Basic and diluted earnings per share attributable to ordinary shares (AED)</b>	4	<b><u>0.08</u></b>	<b><u>0.11</u></b>

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

## Finance House P.S.C.

### INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three month ended 31 March 2013 (unaudited)

	<i>31 March 2013 AED'000</i>	<i>Restated 31 March 2012 AED'000</i>
<b>Profit for the period</b>	<b>25,808</b>	33,397
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to statement of income:</b>		
Net gain on financial assets measured at fair value through other comprehensive income	<b>5,665</b>	8,085
Directors' remuneration paid	<b><u>(4,578)</u></b>	<u>(4,179)</u>
	<b>1,087</b>	3,906
<b>Items that may be reclassified subsequently to statement of income</b>	<b>—</b>	—
<b>Other comprehensive income for the period</b>	<b><u>1,087</u></b>	<u>3,906</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>26,895</u></b>	<u>37,303</u>
<i>Attributable to:</i>		
Equity holders of the parent	<b>24,781</b>	36,299
Non-controlling interests	<b><u>2,114</u></b>	<u>1,004</u>
	<b><u>26,895</u></b>	<u>37,303</u>

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

## Finance House P.S.C.

### INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three month period ended 31 March 2013 (unaudited)

	Share capital AED'000	Employees' share-based payment scheme AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Cumulative changes in fair value AED'000	Retained earnings AED'000	Proposed directors' remuneration AED'000	Treasury shares AED'000	Attributable to shareholders of the parent company AED'000	Non controlling interest AED'000	Total AED'000
Balance at 1 January 2012	302,500	(1,750)	109,345	18,962	(136,200)	213,064	4,179	(4,182)	505,918	128,935	634,853
Loss on disposal of investments carried at fair value through other comprehensive income - <i>Restated</i>	-	-	-	-	47,201	(47,201)	-	-	-	-	-
Profit for the period - <i>Restated</i>	-	-	-	-	-	32,194	-	-	32,194	1,203	33,397
Increase (decrease) in fair value of investments carried at fair value through other comprehensive income - <i>Restated</i>	-	-	-	-	8,284	-	-	-	8,284	(199)	8,085
Directors' remuneration paid	-	-	-	-	-	-	(4,179)	-	(4,179)	-	(4,179)
Total comprehensive income (loss) for the period - <i>Restated</i>	-	-	-	-	8,284	32,194	(4,179)	-	36,299	1,004	37,303
Cash dividend paid	-	-	-	-	-	(30,250)	-	-	(30,250)	-	(30,250)
Purchase of treasury shares - <i>Restated</i>	-	-	-	-	-	-	-	(208)	(208)	-	(208)
Balance at 31 March 2012 - <i>Restated</i>	<u>302,500</u>	<u>(1,750)</u>	<u>109,345</u>	<u>18,962</u>	<u>(80,715)</u>	<u>167,807</u>	<u>-</u>	<u>(4,390)</u>	<u>511,759</u>	<u>129,939</u>	<u>641,698</u>
Balance at 1 January 2013	302,500	(1,750)	116,112	18,962	(66,788)	149,355	4,578	(4,689)	518,280	132,778	651,058
Loss on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	2,651	(2,681)	-	-	(30)	30	-
Profit for the period	-	-	-	-	-	23,897	-	-	23,897	1,911	25,808
Increase in fair value of investments carried at fair value through other comprehensive income	-	-	-	-	5,462	-	-	-	5,462	203	5,665
Directors' remuneration paid	-	-	-	-	-	-	(4,578)	-	(4,578)	-	(4,578)
Total comprehensive income (loss) for the period	-	-	-	-	5,462	23,897	(4,578)	-	24,781	2,114	26,895
Cash dividend paid	-	-	-	-	-	(36,300)	-	-	(36,300)	-	(36,300)
Purchase of treasury shares	-	-	-	-	-	-	-	(120)	(120)	-	(120)
Balance at 31 March 2013	<u>302,500</u>	<u>(1,750)</u>	<u>116,112</u>	<u>18,962</u>	<u>(58,675)</u>	<u>134,271</u>	<u>-</u>	<u>(4,809)</u>	<u>506,611</u>	<u>134,922</u>	<u>641,533</u>

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

# Finance House P.S.C.

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2013 (unaudited)

	<i>Note</i>	<b>31 March 2013 AED'000</b>	<i>Restated 31 March 2012 AED'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		25,808	33,397
Non cash adjustments:			
Depreciation		1,114	1,274
Gain on sale of investments carried at amortized cost		-	(8,107)
Share of loss of associates		1,223	1,745
Allowance for impairment of loans and advances		4,596	450
Allowance for impairment of Islamic financing and investing assets		340	283
Net movement in provision for employees' end of service benefits		220	266
Working capital adjustments:			
Decrease (increase) in due from banks maturing after three months		47,370	(190,907)
Decrease in Islamic financing and investing assets		1,039	4,734
Increase in loans and advances		(67,304)	(9,654)
(Increase) decrease in interest receivable and other assets		(6,902)	14,653
Decrease in term loans		(228,831)	(120,613)
Increase (decrease) in due to banks maturing after three months		312,678	(137,996)
(Decrease) increase in customers' deposits		(105,588)	69,386
Increase in interest payable and other liabilities		14,288	266,113
Dividend income from investments carried at fair value through other comprehensive income		(4,151)	(4,281)
Dividend income from investment carried at fair value through profit and loss		(1,861)	(532)
Gain on disposal of investments carried at fair value through profit and loss		(3,119)	(1,001)
Unrealised gain on investments carried at fair value through profit and loss		<u>(1,880)</u>	<u>(3,459)</u>
Net cash used in operating activities		<u>(10,960)</u>	<u>(84,249)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of investments carried at fair value through other comprehensive income		-	(3,307)
Proceeds from sale of investments carried at fair value through other comprehensive income		23,819	21,748
Purchase of investments carried at fair value through profit and loss		(289,024)	(70,149)
Proceeds from sale investments carried at fair value through profit and loss		42,896	1,880
Purchase of investments carried at amortized cost		-	(139,444)
Proceeds from sale of investments carried at amortized cost		-	108,853
Addition to investment property		(323)	(1,632)
Purchase of property, fixtures and equipment		(10,756)	(16,931)
Dividend income received		<u>6,012</u>	<u>4,490</u>
Net cash used in investing activities		<u>(227,376)</u>	<u>(94,492)</u>
<b>FINANCING ACTIVITIES</b>			
Directors' remuneration paid		(4,578)	(4,179)
Non-convertible sukuk		1,200	-
Purchase of treasury shares		<u>(120)</u>	<u>-</u>
Net cash used in financing activities		<u>(3,498)</u>	<u>(4,179)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(241,834)</b>	<b>(182,920)</b>
Cash and cash equivalents at 1 January		<u>599,074</u>	<u>526,093</u>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	5	<u><b>357,240</b></u>	<u><b>343,173</b></u>

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

# Finance House P.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2013 (unaudited)

### 1 ACTIVITIES

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

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

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

The interim condensed consolidated financial statements of the Group for the three month period ended 31 March 2013 were authorised for issue by Board of Directors on 22 April 2013.

### 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 thousand (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
Finance House Sukuk Company 1	Cayman Islands	100	Sukuk issuance
Islamic Finance House P.J.S.C.	U.A.E.	47.83	Islamic financing services
Insurance House P.S.C.	U.A.E.	44.38	Insurance
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 P.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2013 (unaudited)

#### 2.1 BASIS OF PREPARATION continued

##### Basis of consolidation continued

Summarized financial information on subsidiaries with non-controlling interests before elimination entries is as follows:

	<i>Insurance House P.S.C.</i>		<i>Islamic Finance House P.J.S.C.</i>		<i>Finance House Securities Co. LLC</i>		<i>Total</i>	
	<i>31 March 2013</i>	<i>31 December 2012</i>	<i>31 March 2013</i>	<i>31 December 2012</i>	<i>31 March 2013</i>	<i>31 December 2012</i>	<i>31 March 2013</i>	<i>31 December 2012</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Non-controlling interests %	55.62	55.62	52.17	52.17	35	35	-	-
<i>Subsidiaries' statement of financial position</i>								
Assets	275,493	302,566	247,189	263,549	77,062	70,794	599,744	636,909
Liabilities	145,325	175,882	146,232	162,928	48,259	42,079	339,816	380,889
Net assets	130,168	126,684	100,957	100,621	28,803	28,715	259,928	256,020
	<i>Three month period ended</i>		<i>Three month period ended</i>		<i>Three month period ended</i>		<i>Three month period ended</i>	
	<i>31 March 2013</i>	<i>31 March 2012</i>	<i>31 March 2013</i>	<i>31 March 2012</i>	<i>31 March 2013</i>	<i>31 March 2012</i>	<i>31 March 2013</i>	<i>31 March 2012</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<i>Subsidiaries' revenues and profits (losses)</i>								
Revenue, net	13,420	6,459	2,417	2,199	1,760	548	17,597	9,206
Net profit (loss) for the period	3,110	2,688	287	86	88	(963)	3,485	1,811
Total comprehensive income (loss) for the period	3,485	2,581	334	(362)	88	(963)	3,907	1,256

#### 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 2012.

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 2012. In addition, results for the three months ended 31 March 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

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 2012, except for the adoption of the following new standards and amendments to standards effective for the annual periods beginning on or after 1 January 2013:

##### *IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income- 1 July 2012*

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified.

The amendment impacts the presentation of the statement of comprehensive income and did not have any impact on the accounting policy, financial position and performance of the Group during the period.

##### *IAS 19 Employee Benefits (Amendment) – 1 January 2013*

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

The amendment did not have any impact on the accounting policy, financial position and performance of the Group

during the period.

## Finance House P.S.C.

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2013 (unaudited)

#### 2.2 ACCOUNTING POLICIES continued

##### *IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities – 1 January 2013*

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

The amendment did not have any impact on the accounting policy, financial position and performance of the Group during the period.

##### *IFRS 13 Fair Value Measurement – 1 January 2013*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

The amendment did not have any impact on the accounting policy, financial position and performance of the Group during the period.

#### **New Standards relating to consolidated financial statements**

The Company had voluntarily adopted IFRS 10, IFRS 11 and IFRS 12 and the amendments to IAS 27 and IAS 28 for the year ended 31 December 2012. The Company had chosen to use 1 January 2012 as its date of initial application.

The early adoption of IFRS 10 resulted in the establishment of 'de facto' control over two of the Company's investees, Insurance House PSC and Islamic Finance House PJSC which were previously accounted for as associates. These entities are consolidated in the Group's consolidated financial statements retrospectively from April 2011 being the date on which the Company obtained control. Accordingly, the interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period ended 31 March 2012 presented in these interim condensed consolidated financial statements have been restated to consolidate Insurance House PSC and Islamic Finance House PJSC.

## Finance House P.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2013 (unaudited)

#### 2.2 ACCOUNTING POLICIES continued

As a result of the voluntary changes in accounting policies described above, the following adjustments were made to the interim consolidated statement of income for the three month period ended 31 March 2012:

	<i>AED'000</i>
<i>Changes in income/expenses</i>	
Increase in interest income	1,782
Decrease in interest expense	<u>683</u>
Increase in net interest income	<u>2,465</u>
Increase in fee and commission income	<u>3</u>
Increase in net insurance premium earned	5,481
Increase in net insurance claims incurred	(1,353)
Increase in net insurance commission expense	<u>(2,179)</u>
Increase in net insurance income	<u>1,949</u>
Increase in income from Islamic financing and investing assets	1,926
Increase in dividend Income from investments carried at fair value through other comprehensive income	323
Increase in net income from investments carried at fair value through profit and loss	345
Decrease in share of loss of associates	746
Increase in profit distributable to depositors	(222)
Increase in other operating income	<u>176</u>
Increase in total operating income	<u>7,711</u>
Increase in salaries and employees related expenses	(1,505)
Increase in depreciation of property, fixtures and equipment	(288)
Increase in general and administrative expenses	(2,116)
Increase in allowance for impairment of Islamic financing assets	<u>(283)</u>
Increase in total operating expenses and allowances	<u>(4,192)</u>
Increase in profit for the period	<u>3,519</u>

## Finance House P.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2013 (unaudited)

#### 3 NET INTEREST INCOME

	<i>Three month period ended 31 March 2013 AED'000</i>	<i>Restated Three month period ended 31 March 2012 AED'000</i>
<b>Interest income</b>		
Due from banks	3,971	6,108
Loans and advances	40,287	33,603
Others	<u>4,166</u>	<u>6,686</u>
	<u>48,424</u>	<u>46,397</u>
<b>Interest expense</b>		
Customer deposits	(10,930)	(13,086)
Due to banks	<u>(1,798)</u>	<u>(3,263)</u>
	<u>(12,728)</u>	<u>(16,349)</u>
Net interest income	<u>35,696</u>	<u>30,048</u>

#### 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 31 March 2013, the Company has not issued any instruments which would have a dilutive impact on earnings per share when converted or exercised.

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

	<i>31 March 2013</i>	<i>Restated 31 March 2012</i>
Profit for the period attributable to equity holders of the parent (AED '000)	<u>23,897</u>	<u>32,194</u>
Number of ordinary shares in issue ('000)	302,500	302,500
Less: Treasury shares ('000)	(1,254)	(1,121)
Less: Employees' share-based payment scheme ('000)	<u>(1,750)</u>	<u>(1,750)</u>
	<u>299,496</u>	<u>299,629</u>
Earnings per share (AED)	<u>0.08</u>	<u>0.11</u>

## Finance House P.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2013 (unaudited)

#### 5 CASH AND CASH EQUIVALENTS

	<b>31 March 2013 AED'000</b>	<i>Restated 31 March 2012 AED'000</i>
Current and demand accounts	<b>36,137</b>	30,329
Fixed placements	<b>468,019</b>	777,036
Wakala deposits with banks	-	3,000
Call accounts	<b>82,162</b>	153,650
Other bank balances	<u>-</u>	<u>5,499</u>
Due from banks	<b>586,318</b>	969,514
Cash balances	<b>6,864</b>	8,213
Due to banks with original maturity of less than three months	<b>(4,923)</b>	(155,460)
Due from banks with original maturity of more than three months	<b>(231,019)</b>	(479,094)
Net cash and cash equivalents	<b><u>357,240</u></b>	<b><u>343,173</u></b>

Fixed deposits due from banks of AED 231,019 thousand (31 March 2012: AED 479,094 thousand) and due to banks of AED 418,096 thousand (31 March 2012: AED 98,514 thousand) are due to mature after three months from the date of placement and are not included in cash and cash equivalents.

#### 6 INVESTMENTS

	<i>At fair value through OCI AED'000</i>	<i>At fair value through profit or loss AED'000</i>	<i>At amortized cost AED'000</i>	<i>Total AED'000</i>
<b>31 March 2013</b>				
Equity instruments:				
- Quoted	<b>65,499</b>	<b>55,818</b>	-	<b>121,317</b>
- Unquoted	<b>146,349</b>	-	-	<b>146,349</b>
Debt Instruments:				
- Quoted - fixed rate	-	<b>500,649</b>	-	<b>500,649</b>
Investment in managed funds	<u>12,360</u>	<u>-</u>	<u>-</u>	<u>12,360</u>
	<b><u>224,208</u></b>	<b><u>556,467</u></b>	<u>-</u>	<b><u>780,675</u></b>
UAE	<b>214,133</b>	<b>268,014</b>	-	<b>482,147</b>
Outside UAE	<u>10,075</u>	<u>288,453</u>	<u>-</u>	<u>298,528</u>
	<b><u>224,208</u></b>	<b><u>556,467</u></b>	<u>-</u>	<b><u>780,675</u></b>
<b>31 December 2012 (Audited)</b>				
Equity instruments:				
- Quoted	78,562	50,053	-	128,615
- Unquoted	148,131	-	-	148,131
Debt Instruments:				
- Quoted - fixed rate	-	255,287	-	255,287
Investment in managed funds	<u>15,669</u>	<u>-</u>	<u>-</u>	<u>15,669</u>
	<b><u>242,362</u></b>	<b><u>305,340</u></b>	<u>-</u>	<b><u>547,702</u></b>
UAE	228,724	93,752	-	322,476
Outside UAE	<u>13,638</u>	<u>211,588</u>	<u>-</u>	<u>225,226</u>
	<b><u>242,362</u></b>	<b><u>305,340</u></b>	<u>-</u>	<b><u>547,702</u></b>

## Finance House P.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013 (unaudited)

#### 6 INVESTMENTS continued

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 interim consolidated statement of financial position. The Group has entered into repurchase agreements relating to investments carried at fair value through profit or loss amounting to AED 234,403 thousand (31 December 2012: AED 67,874 thousand). The related liability amounting to AED 188,369 thousand (31 December 2012: AED 56,295 thousand) is included in due to banks.

#### 7 LOANS, ADVANCES AND ISLAMIC FINANCING AND INVESTING ASSETS

##### 7.1 LOANS AND ADVANCES, NET

	<i>31 March</i>	<i>31 December</i>
	<i>2013</i>	<i>2012</i>
	<i>AED'000</i>	<i>AED'000</i>
Commercial loans	<b>1,325,324</b>	1,267,289
Retail finance	<b><u>298,216</u></b>	<u>298,008</u>
	<b>1,623,540</b>	1,565,297
Less: allowance for impairment		
Specific	<b>(166,751)</b>	(170,765)
Collective	<b><u>(15,296)</u></b>	<u>(15,747)</u>
	<b><u>1,441,493</u></b>	<u>1,378,785</u>

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

	<i>31 March</i>	<i>31 December</i>
	<i>2013</i>	<i>2012</i>
	<i>AED'000</i>	<i>AED'000</i>
At 1 January	<b>186,512</b>	162,184
Charge for the period/year, net	<b>4,596</b>	35,153
Written off during the period/year	<b><u>(9,061)</u></b>	<u>(10,825)</u>
At 31 December	<b><u>182,047</u></b>	<u>186,512</u>

##### 7.2 ISLAMIC FINANCING AND INVESTING ASSETS

	<i>31 March</i>	<i>31 December</i>
	<i>2013</i>	<i>2012</i>
	<i>AED'000</i>	<i>AED'000</i>
Commodities Murabaha	<b>33,811</b>	35,242
Covered card and drawings	<b>19,706</b>	19,239
Purchase & lease back	<b>12,328</b>	12,403
Ijarah	<b><u>13,298</u></b>	<u>13,298</u>
	<b>79,143</b>	80,182
Less: allowance for impairment		
Specific	<b>(1,545)</b>	(1,339)
Collective	<b><u>(682)</u></b>	<u>(548)</u>

76,91678,295

Finance House P.S.C.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
31 March 2013 (unaudited)
**7 LOANS, ADVANCES AND ISLAMIC FINANCING AND INVESTING ASSETS** continued**7.2 ISLAMIC FINANCING AND INVESTING ASSETS** continued

Islamic financing and investing assets are stated net of allowance for impairment. The movement in the allowance during the period/year is as follows:

	<i>31 March</i> <i>2013</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2012</i> <i>AED'000</i>
At 1 January	1,887	677
Charge for the period/year	<u>340</u>	<u>1,210</u>
At 31 December	<u>2,227</u>	<u>1,887</u>

**8 CUSTOMERS' DEPOSITS**

	<i>31 March</i> <i>2013</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2012</i> <i>AED'000</i>
Call and demand deposits	57,196	65,111
Time deposits	1,517,501	1,593,290
Wakala deposits	<u>123,386</u>	<u>145,270</u>
	<u>1,698,083</u>	<u>1,803,671</u>

Analysis of customers' deposits by sector is as follows:

Government	391,171	673,351
Corporate	<u>1,306,912</u>	<u>1,130,320</u>
	<u>1,698,083</u>	<u>1,803,671</u>

## Finance House P.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2013 (unaudited)

#### 9 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 as of 31 March 2013 relating to sukuk held by external parties amounted to AED 2,028 thousand (31 December 2012: AED 112 thousand). Sukuk amounting to AED 20,200 thousand (31 December 2012: AED 21,400 thousand) were held by subsidiaries of the Group and, accordingly, were eliminated in the interim consolidated statement of financial position.

#### 10 SHARE CAPITAL

	<i>(Audited)</i>
	<i>31 March</i>
	<i>31 December</i>
	<i>2013</i>
	<i>2012</i>
	<i>AED'000</i>
	<i>AED'000</i>
<i>Authorised, issued and fully paid</i>	
302.5 million shares (2012: 302.5 million shares)	
of AED 1 each (31 December 2012: AED 1 each)	
	<u><b>302,500</b></u>
	<u><b>302,500</b></u>

#### 11 TREASURY SHARES

Treasury shares represent the cost of 1,254,120 shares of the Company held by a subsidiary as at 31 March 2013 (31 December 2012: 1,219,357 shares).

#### 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 values of shares granted to employees are expensed in the period in which they are granted, and that of the remaining shares are included within shareholders' equity.

During the period, nil shares were granted to employees and the value of outstanding shares not yet granted to employees as of 31 March 2013 were AED 1,750 thousand (31 December 2012: AED 1,750 thousand).

#### 13 COMMITMENTS AND CONTINGENT LIABILITIES

The Group provides letters of credit and financial guarantees on behalf of customers to third parties. These agreements have fixed limits and are generally for a certain period of time.

Capital commitments represent future capital expenditures that the Group has committed to spend on assets over a period of time.

Irrevocable commitments to extend credit represent contractual irrevocable commitments to make loans and revolving credits.



## Finance House P.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2013 (unaudited)

#### 13 COMMITMENTS AND CONTINGENT LIABILITIES continued

The Group had the following commitments and contingent liabilities outstanding at period / year end:

	<i>31 March</i> <i>2013</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2012</i> <i>AED'000</i>
Letters of credit	74,182	62,176
Letters of guarantee	866,700	858,612
Capital commitments	70,838	70,837
Irrevocable commitments to extend credit	<u>78,716</u>	<u>88,789</u>
	<u><b>1,090,436</b></u>	<u><b>1,080,414</b></u>

All financial guarantees were issued in the ordinary course of business.

#### 14 RELATED PARTY DISCLOSURES

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 interim consolidated statement of financial position are as follows:

	<i>31 March</i> <i>2013</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2012</i> <i>AED'000</i>
<i>Loans and advances to customers</i>		
To key management staff	<u>153</u>	<u>166</u>
<i>Customers' deposits</i>		
From associates	<u>217</u>	<u>261</u>
From others	<u>2,301</u>	<u>926</u>

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

	<i>Three month period ended</i> <i>31 March</i> <i>2013</i> <i>AED'000</i>	<i>31 March</i> <i>2012</i> <i>AED'000</i>
<i>Interest and commission income</i>		
From key management	<u>-</u>	<u>1</u>
<i>Interest expense</i>		
To associates	<u>-</u>	<u>1</u>
To others	<u>4</u>	<u>-</u>
<i>Key management remuneration</i>		
Short term benefits (salaries, benefits and bonuses)	<u>4,374</u>	<u>4,322</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
31 March 2013 (unaudited)

**15 SEASONALITY OF RESULTS**

No income of a seasonal nature was recorded in the interim consolidated income statement for the three months ended 31 March 2013 and 31 March 2012.

**16 DIVIDEND**

The Company's General Assembly in their meeting held during March 2013 approved a cash dividend of AED 12 fils per share (total dividend of AED 36,300 thousand). The dividend was approved by the U.A.E Central Bank and paid subsequent to the period end.

In 2012, the Company's General Assembly in their meeting held during March 2012 approved a cash dividend of AED 20 fils per share (total dividend of AED 60,500 thousand) subject to the approval of the U.A.E Central Bank. The interim condensed consolidated financial statements for the three month period ended 31 March 2012 reflect dividend of 10 fils per share (total dividend of AED 30,250 thousand), which represents the dividend approved by the U.A.E Central Bank prior to the period end. The remaining 10 fils per share was approved by the U.A.E Central Bank subsequent to 31 March 2012.

**17 SEGMENT INFORMATION**

For management purposes, the Group is organised into six 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) Islamic financing and investing, which involves one of the Group's subsidiaries principally providing investment, consumer and commercial financing and other related services based on Islamic Sharia's rules and principles.
- (iv) Insurance, which involves one of the Group's subsidiaries providing non-life insurance services.
- (v) Construction, which involves the Group's subsidiaries performing real estate construction related activities.
- (vi) Brokerage, which involves one of the Group's subsidiaries providing brokerage services.

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 the Group's reportable segments is presented below:

## Finance House P.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013 (unaudited)

#### 17 SEGMENT INFORMATION continued

##### Products and services from which reportable segments derive their revenues

Information regarding the Group's reportable segments is presented below:

	<i>Commercial and retail financing AED'000</i>	<i>Investment AED'000</i>	<i>Islamic financing and investing AED'000</i>	<i>Construction AED'000</i>	<i>Brokerage AED'000</i>	<i>Insurance AED'000</i>	<i>Unallocated AED'000</i>	<i>Total AED'000</i>
<b>31 March 2013</b>								
Operating income	<u>32,756</u>	<u>16,946</u>	<u>2,260</u>	<u>(959)</u>	<u>1,760</u>	<u>7,376</u>	<u>-</u>	<u>60,139</u>
Inter-segment revenues	<u>(15,078)</u>	<u>15,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Segmental results and profits from operations	<u>20,730</u>	<u>15,345</u>	<u>287</u>	<u>(3,015)</u>	<u>88</u>	<u>3,110</u>	<u>(10,737)</u>	<u>25,808</u>
Segmental assets	<u>1,539,158</u>	<u>1,316,953</u>	<u>247,189</u>	<u>107,308</u>	<u>77,062</u>	<u>275,493</u>	<u>-</u>	<u>3,563,163</u>
Segmental liabilities	<u>1,518,428</u>	<u>875,904</u>	<u>146,232</u>	<u>187,482</u>	<u>48,259</u>	<u>145,325</u>	<u>-</u>	<u>2,921,630</u>
<b>31 March 2012</b>								
Operating income	<u>25,058</u>	<u>24,120</u>	<u>2,199</u>	<u>1,155</u>	<u>548</u>	<u>7,921</u>	<u>(2,409)</u>	<u>58,592</u>
Inter-segment revenues	<u>(13,360)</u>	<u>13,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Segmental results and profits from operations	<u>21,041</u>	<u>23,575</u>	<u>86</u>	<u>(1,905)</u>	<u>(963)</u>	<u>2,687</u>	<u>(11,124)</u>	<u>33,397</u>
<b>31 December 2012 (Audited)</b>								
Segmental assets	<u>1,540,725</u>	<u>1,775,104</u>	<u>29,449</u>	<u>106,098</u>	<u>70,794</u>	<u>199,895</u>	<u>-</u>	<u>3,722,065</u>
Segmental liabilities	<u>1,261,129</u>	<u>1,245,732</u>	<u>162,928</u>	<u>183,257</u>	<u>42,079</u>	<u>175,882</u>	<u>-</u>	<u>3,071,007</u>