

Finance House P.J.S.C.

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

30 JUNE 2013 (UNAUDITED)

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Finance House P.J.S.C (the “Company”) and its subsidiaries (the “Group”) as of 30 June 2013, comprising of the interim consolidated statement of financial position as at 30 June 2013 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 other 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

23 July 2013
Abu Dhabi

Finance House P.J.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013 (unaudited)

		<i>(Audited)</i>
		<i>30 June</i>
		<i>31 December</i>
	<i>Notes</i>	<i>2013</i>
		<i>2012</i>
		<i>AED'000</i>
		<i>AED'000</i>
ASSETS		
Cash balances	5	8,533
Due from banks	5	645,298
Investments carried at fair value through other comprehensive income	6	230,547
Investments carried at fair value through profit and loss	6	290,758
Investment carried at amortized cost	6	244,479
Loans and advances, net	7.1	1,420,221
Islamic financing and investing assets	7.2	99,992
Investment in associates		30,793
Goodwill		15,596
Statutory deposit		6,000
Property, fixtures and equipment		258,285
Investment property		77,494
Interest receivable and other assets		<u>218,143</u>
TOTAL ASSETS		<u>3,546,139</u>
LIABILITIES		
Customers' deposits	8	1,765,856
Due to banks	5	275,102
Term loans		-
Interest payable and other liabilities		689,705
Provision for employees' end of service benefits		8,103
Non-convertible sukuk	9	<u>129,800</u>
TOTAL LIABILITIES		<u>2,868,566</u>
EQUITY		
Share capital	10	302,500
Treasury shares	11	(6,486)
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		(49,637)
Retained earnings		160,935
Proposed directors' remuneration		<u>-</u>
		540,636
Non-controlling interests		<u>136,937</u>
TOTAL EQUITY		<u>677,573</u>
TOTAL LIABILITIES AND EQUITY		<u>3,546,139</u>
Commitments and contingent liabilities	13	<u>1,190,686</u>

Mr. Mohammed Alqubaisi
CHAIRMAN

Mr. Hamid Taylor
GENERAL MANAGER

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

Finance House P.J.S.C.

INTERIM CONSOLIDATED INCOME STATEMENT

For the three and six month periods ended 30 June 2013 (unaudited)

	Notes	Three months ended 30 June 2012		Six months ended 30 June 2012	
		2013 AED '000	Restated AED '000	2013 AED '000	Restated AED '000
Interest income		38,694	47,539	87,118	93,936
Interest expense		(10,401)	(18,049)	(23,129)	(34,398)
Net interest income	3	28,293	29,490	63,989	59,538
Fee and commission income		13,045	6,668	24,713	18,179
Fee and commission expense		(1,627)	(72)	(4,255)	(5,826)
Net fee and commission income		11,418	6,596	20,458	12,353
Contract revenue		6,414	29,780	16,766	57,909
Contract expense		(7,830)	(29,396)	(19,158)	(56,443)
Net contract (expense) income		(1,416)	384	(2,392)	1,466
Net insurance premiums earned		11,435	8,384	24,719	13,865
Net insurance claims incurred		(5,457)	(2,273)	(9,215)	(3,626)
Net insurance commission expense		(3,163)	(6,447)	(7,896)	(8,626)
Net insurance income (expense)		2,815	(336)	7,608	1,613
Income from Islamic financing and investing assets		2,126	2,431	4,336	4,357
Profit distributable to depositors		(704)	(200)	(1,381)	(422)
Profit distributable to sukuk holders		(2,028)	(104)	(4,056)	(104)
Dividend income from investments carried at fair value through other comprehensive income		2,336	5,490	6,487	9,771
Net income from investments carried at fair value through profit and loss		8,286	(1,396)	15,146	3,596
Net income from investment property		6,194	1,893	8,091	3,793
Gain on disposal of investments carried at amortized cost		-	12,249	-	20,356
Share of loss of associates		(809)	(2,657)	(2,032)	(4,402)
Gain on disposal of investment in an associate		5,871	-	5,871	-
Other operating income, net		988	594	1,384	1,111
Total operating income		63,370	54,434	123,509	113,026
Salaries and employee related expenses		(18,653)	(16,438)	(37,553)	(31,851)
Depreciation of property, fixtures and equipment		(1,174)	(1,145)	(2,288)	(2,419)
General and administrative expenses		(9,419)	(11,969)	(18,800)	(19,744)
Allowance for impairment of Islamic financing and investing assets		(100)	(279)	(440)	(562)
Allowance for impairment of loans and advances, net		(3,317)	65	(7,913)	(385)
Total operating expenses and allowances		(32,663)	(29,766)	(66,994)	(54,961)
Profit for the period		30,707	24,668	56,515	58,065
Attributable to:					
Equity holders of parent		28,620	22,626	52,517	54,820
Non-controlling interests		2,087	2,042	3,998	3,245
		30,707	24,668	56,515	58,065
Basic and diluted earnings per share attributable to ordinary shares (AED)	4	0.10	0.08	0.18	0.18

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

Finance House P.J.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the three and six month periods ended 30 June 2013 (unaudited)

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>AED '000</i>	<i>Restated AED '000</i>	<i>AED '000</i>	<i>Restated AED '000</i>
Profit for the period	30,707	24,668	56,515	58,065
Other comprehensive income:				
Items that will not be reclassified to statement of income:				
Net gain (loss) on financial assets measured at fair value through other comprehensive income	7,373	(3,792)	13,038	4,292
Directors' remuneration paid	<u>-</u>	<u>-</u>	<u>(4,578)</u>	<u>(4,179)</u>
	7,373	(3,792)	8,460	113
Items that may be reclassified subsequently to statement of income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income (loss) for the period	<u>7,373</u>	<u>(3,792)</u>	<u>8,460</u>	<u>113</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>38,080</u>	<u>20,876</u>	<u>64,975</u>	<u>58,178</u>
<i>Attributable to:</i>				
Equity holders of the parent	35,702	18,889	60,483	55,187
Non-controlling interests	<u>2,378</u>	<u>1,987</u>	<u>4,492</u>	<u>2,991</u>
	<u>38,080</u>	<u>20,876</u>	<u>64,975</u>	<u>58,178</u>

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

Finance House P.J.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six month period ended 30 June 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 - Restated	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 - Restated	-	-	-	-	59,685	(59,685)	-	-	-	-	-
Profit for the period - Restated	-	-	-	-	-	54,820	-	-	54,820	3,245	58,065
Increase (decrease) in fair value of investments carried at fair value through other comprehensive income - Restated	-	-	-	-	4,546	-	(4,179)	-	4,546	(254)	4,292
Directors' remuneration paid	-	-	-	-	-	-	(4,179)	-	(4,179)	-	(4,179)
Total comprehensive income (loss) for the period - Restated	-	-	-	-	4,546	54,820	(4,179)	-	55,187	2,991	58,178
Cash dividend paid	-	-	-	-	-	(60,500)	-	(398)	(60,500)	-	(60,500)
Purchase of treasury shares - Restated	-	-	-	-	-	-	-	(398)	(398)	-	(398)
Balance at 30 June 2012 - Restated	302,500	(1,750)	109,345	18,962	(71,969)	147,699	-	(4,580)	500,207	131,926	632,133
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	-	-	-	-	4,607	(4,637)	-	-	(30)	30	-
Profit for the period	-	-	-	-	-	52,517	-	-	52,517	3,998	56,515
Increase in fair value of investments carried at fair value through other comprehensive income	-	-	-	-	12,544	-	(4,578)	-	12,544	494	13,038
Directors' remuneration paid	-	-	-	-	-	-	(4,578)	-	(4,578)	-	(4,578)
Total comprehensive income (loss) for the period	-	-	-	-	12,544	52,517	(4,578)	-	60,483	4,492	64,975
Cash dividend paid	-	-	-	-	-	(36,300)	-	-	(36,300)	-	(36,300)
Change in non-controlling interest	-	-	-	-	-	-	-	(1,797)	-	(363)	(363)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,797)	(1,797)	-	(1,797)
Balance at 30 June 2013	302,500	(1,750)	116,112	18,962	(49,637)	160,935	-	(6,486)	540,636	136,937	677,573

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

OR

Finance House P.J.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS For the six months ended 30 June 2013 (unaudited)

	<i>Six months ended 30 June 2013 AED'000</i>	<i>Restated Six months ended 30 June 2012 AED'000</i>
OPERATING ACTIVITIES		
Profit for the period	56,515	58,065
Non cash adjustments:		
Depreciation	2,288	2,419
Gain on sale of investments carried at amortized cost	-	(20,356)
Gain on disposal of investment property	(4,297)	-
Share of loss of associates	2,032	4,402
Gain on disposal of investment in an associate	(5,871)	-
Allowance for impairment of loans and advances	7,913	385
Allowance for impairment of Islamic financing and investing assets	440	562
Net movement in provision for employees' end of service benefits	542	486
Working capital adjustments:		
Decrease (increase) in due from banks maturing after three months	199,549	(165,817)
(Increase) decrease in Islamic financing and investing assets	(22,137)	3,234
Increase in loans and advances	(49,349)	(21,087)
Decrease (increase) in interest receivable and other assets	39,223	(18,138)
Decrease in term loan	(228,831)	(139,776)
Increase (decrease) in due to banks maturing after three months	164,144	(62,799)
(Decrease) increase in customers' deposits	(37,815)	442,292
Increase in interest payable and other liabilities	77,346	61,423
Dividend income from investments carried at fair value through other comprehensive income	(6,487)	(9,771)
Dividend income from investment carried at fair value through profit and loss	(2,399)	(166)
Gain on disposal of investments carried at fair value through profit and loss	(2,821)	(974)
Unrealised gain on investments carried at fair value through profit and loss	<u>(9,926)</u>	<u>(2,456)</u>
Net cash from operating activities	<u>180,059</u>	<u>131,928</u>
INVESTING ACTIVITIES		
Purchase of investments carried at fair value through other comprehensive income	-	(5,070)
Proceeds from sale of investments carried at fair value through other comprehensive income	24,490	27,635
Purchase of investments carried at fair value through profit and loss	(76,805)	(5,525)
Proceeds from sale investments carried at fair value through profit and loss	32,635	1,880
Purchase of investments carried at amortized cost	(172,980)	(424,382)
Proceeds from sale of investments carried at amortized cost	-	397,679
Proceeds from sale of investment property	29,013	-
Addition to investment property	(647)	(3,634)
Purchase of property, fixtures and equipment	(25,082)	(32,737)
Acquisition of a subsidiary, net of cash acquired	(3,918)	-
Proceeds from sale of investment in associates	16,201	-
Dividend income received	<u>8,886</u>	<u>9,937</u>
Net cash used in investing activities	<u>(168,207)</u>	<u>(34,217)</u>
FINANCING ACTIVITIES		
Directors' remuneration paid	(4,578)	(4,179)
Cash dividends paid	(36,300)	(60,500)
Non-convertible Sukuk	1,200	150,000
Purchase of treasury shares	<u>(1,797)</u>	<u>-</u>
Net cash (used in) from financing activities	<u>(41,475)</u>	<u>85,321</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(29,623)	183,032
Cash and cash equivalents at 1 January	<u>599,074</u>	<u>526,092</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	5 <u>569,451</u>	<u>709,124</u>

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

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 period ended 30 June 2013 were authorised for issue by Board of Directors on 23 July 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
CAPM Investment PJS	U.A.E.	100	Investment and asset management

Finance House P.J.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2013 (unaudited)

2.1 BASIS OF PREPARATION continued

Basis of consolidation continued

Summarized financial information of 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>30 June 2013</i>	<i>31 December 2012</i>	<i>30 June 2013</i>	<i>31 December 2012</i>	<i>30 June 2013</i>	<i>31 December 2012</i>	<i>30 June 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	258,015	302,566	312,447	263,549	103,334	70,794	673,796	636,909
Liabilities	124,577	175,882	211,045	162,928	73,467	42,079	409,089	380,889
Net assets	133,438	126,684	101,402	100,621	29,867	28,715	264,707	256,020
<i>Subsidiaries' revenues and profits (losses)</i>								
Revenue, net	13,353	12,254	4,812	4,910	4,586	1,044	22,751	18,208
Net profit (loss) for the period	5,777	6,326	730	687	1,152	(1,805)	7,659	5,208
Total comprehensive income (loss) for the period	7,118	5,815	779	260	1,152	(1,805)	9,049	4,270

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 six month ended 30 June 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.

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 recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized 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.

2.2 ACCOUNTING POLICIES continued

Standards early adopted for the year ended 31 December 2012

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 and six month periods ended 30 June 2012 presented in these interim condensed consolidated financial statements have been restated to consolidate Insurance House PSC and Islamic Finance House PJSC.

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 and six month periods ended 30 June 2012:

	<i>Three month period ended 30 June 2012 AED'000</i>	<i>Six month period ended 30 June 2012 AED'000</i>
<i>Changes in income/expenses</i>		
Increase in interest income	1,843	3,625
Decrease in interest expense	<u>485</u>	<u>1,168</u>
Increase in net interest income	<u>2,328</u>	<u>4,793</u>
Increase in fee and commission income	<u>-</u>	<u>3</u>
Increase in net insurance premium earned	8,384	13,865
Increase in net insurance claims incurred	(2,273)	(3,626)
Increase in net insurance commission expense	<u>(6,447)</u>	<u>(8,626)</u>
(Decrease) increase in net insurance income	<u>(336)</u>	<u>1,613</u>
Increase in income from Islamic financing and investing assets	2,431	4,357
Increase in dividend Income from investments carried at fair value through other comprehensive income	206	529
Increase in net income from investments carried at fair value through profit and loss	3,254	3,599
Increase in share of loss of associates	(758)	(11)
Increase in profit distributable to depositors	(200)	(422)
Increase in other operating income	<u>209</u>	<u>384</u>
Increase in total operating income	<u>7,134</u>	<u>14,845</u>
Increase in salaries and employees related expenses	(1,966)	(3,471)
Increase in depreciation of property, fixtures and equipment	(308)	(596)
Increase in general and administrative expenses	(1,098)	(3,214)
Increase in allowance for impairment of Islamic financing assets	<u>(279)</u>	<u>(562)</u>
Increase in total operating expenses and allowances	<u>(3,651)</u>	<u>(7,843)</u>
Increase in profit for the period	<u>3,483</u>	<u>7,002</u>

2.2 ACCOUNTING POLICIES continued

The following adjustments were made to the interim consolidated statement of changes in equity as at 1 January 2012:

	<i>1 January 2012 AED'000</i>
<i>Changes in equity</i>	
Increase in treasury shares	<u>4,182</u>
Increase in changes in fair value of investments carried at fair value through other comprehensive income	<u>1,022</u>
Decrease in retained earnings	<u>(1,518)</u>
Increase in non-controlling interest	<u>117,594</u>

2.3 ACQUISITION OF A SUBSIDIARY

During May 2013, the Group acquired 100% ownership interest in CAPM Investments PJS for a total consideration of AED 58,918 thousand.

The principal activities of CAPM Investments PJS include providing investment banking, asset management and brokerage services in the United Arab Emirates.

The Group has provisionally accounted for the acquisition in these interim condensed consolidated financial statements and recognized a goodwill of AED 3,918 thousand on acquisition.

Finance House P.J.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2013 (Unaudited)

3 NET INTEREST INCOME (EXPENSE)

	<i>Six month period ended 30 June 2013 AED'000</i>	<i>Restated Six month period ended 30 June 2012 AED'000</i>
Interest income		
Due from banks	6,271	14,272
Loans and advances	72,002	66,923
Others	<u>8,845</u>	<u>12,741</u>
	87,118	93,936
Interest expense		
Customer deposits	(19,899)	(28,200)
Due to banks	<u>(3,230)</u>	<u>(6,198)</u>
	(23,129)	(34,398)
Net interest income	<u>63,989</u>	<u>59,538</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 30 June 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>30 June 2013</i>	<i>Restated 30 June 2012</i>
Profit for the period attributable to equity holders of the parent (AED '000)	<u>52,517</u>	<u>54,820</u>
Number of ordinary shares in issue ('000)	302,500	302,500
Less: Treasury shares ('000)	(1,882)	(1,183)
Less: Employees' share-based payment scheme ('000)	<u>(1,750)</u>	<u>(1,750)</u>
	<u>298,868</u>	<u>299,567</u>
Earnings per share (AED)	<u>0.18</u>	<u>0.18</u>

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5 CASH AND CASH EQUIVALENTS

	<i>30 June 2013 AED'000</i>	<i>Restated 30 June 2012 AED'000</i>
Current and demand accounts	52,517	83,392
Fixed placements	518,840	1,104,020
Wakala deposits with banks	18,500	28,500
Call accounts	55,441	96,045
Other bank balances	<u>-</u>	<u>4,039</u>
Due from banks	645,298	1,315,996
Cash balances	8,533	6,129
Due to banks with original maturity of less than three months	(5,540)	(194,905)
Due from banks with original maturity of more than three months	<u>(78,840)</u>	<u>(418,096)</u>
Net cash and cash equivalents	<u>569,451</u>	<u>709,124</u>

Fixed deposits due from banks of AED 78,840 thousand (30 June 2012: AED 418,096 thousand) and due to banks of AED 269,562 thousand (30 June 2012: AED 102,808 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>
30 June 2013				
Equity instruments:				
- Quoted	73,360	128,131	-	201,491
- Unquoted	144,827	-	-	144,827
Debt Instruments:				
- Quoted - fixed rate	-	162,627	244,479	407,106
Investment in managed funds	<u>12,360</u>	<u>-</u>	<u>-</u>	<u>12,360</u>
	<u>230,547</u>	<u>290,758</u>	<u>244,479</u>	<u>765,784</u>
UAE	220,709	221,238	149,892	591,839
Outside UAE	<u>9,838</u>	<u>69,520</u>	<u>94,587</u>	<u>173,945</u>
	<u>230,547</u>	<u>290,758</u>	<u>244,479</u>	<u>765,784</u>
31 December 2012 (Audited)				
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>
	<u>242,362</u>	<u>305,340</u>	<u>-</u>	<u>547,702</u>
UAE	228,724	93,752	-	322,476
Outside UAE	<u>13,638</u>	<u>211,588</u>	<u>-</u>	<u>225,226</u>
	<u>242,362</u>	<u>305,340</u>	<u>-</u>	<u>547,702</u>

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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 Nil (31 December 2012: AED 67,874 thousand). The related liability amounting to Nil (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>30 June</i> <i>2013</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2012</i> <i>AED'000</i>
Commercial loans	1,295,589	1,267,289
Retail finance	<u>291,662</u>	<u>298,008</u>
	1,587,251	1,565,297
Less: allowance for impairment		
Specific	(152,707)	(170,765)
Collective	<u>(14,323)</u>	<u>(15,747)</u>
	<u>1,420,221</u>	<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>30 June</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	186,512	162,184
Charge for the period/year, net	7,913	35,153
Written off during the period/year	<u>(27,395)</u>	<u>(10,825)</u>
At 30 June / 31 December	<u>167,030</u>	<u>186,512</u>

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7.2 ISLAMIC FINANCING AND INVESTING ASSETS

	<i>30 June</i> <i>2013</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2012</i> <i>AED'000</i>
Commodities Murabaha	43,418	35,242
Covered cards and drawings	26,367	19,239
Purchase and lease back	19,982	12,403
Ijarah	<u>12,552</u>	<u>13,298</u>
	102,319	80,182
Less: allowance for impairment		
Specific	(1,392)	(1,339)
Collective	<u>(935)</u>	<u>(548)</u>
	<u>99,992</u>	<u>78,295</u>

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>30 June</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>440</u>	<u>1,210</u>
At 30 June / 31 December	<u>2,327</u>	<u>1,887</u>

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8 CUSTOMERS' DEPOSITS

	<i>30 June</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	44,571	65,111
Time deposits	1,554,219	1,593,290
Wakala deposits	<u>167,066</u>	<u>145,270</u>
	<u>1,765,856</u>	<u>1,803,671</u>

Analysis of customers' deposits by sector is as follows:

Government	765,455	673,351
Corporate	<u>1,000,401</u>	<u>1,130,320</u>
	<u>1,765,856</u>	<u>1,803,671</u>

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 30 June 2013 relating to sukuk held by external parties amounted to AED 104 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>30 June</i> <i>2013</i> <i>AED'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2012</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>302,500</u>	<u>302,500</u>

11 TREASURY SHARES

Treasury shares represent the cost of 1,882,456 shares of the Company held by a subsidiary as at 30 June 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 30 June 2013 were AED 1,750 thousand (31 December 2012: AED 1,750 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013 (Unaudited)

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.

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

	<i>30 June</i>	<i>(Audited)</i>
	<i>2013</i>	<i>31 December</i>
	<i>AED'000</i>	<i>2012</i>
		<i>AED'000</i>
Letters of credit	80,996	62,176
Letters of guarantee	956,827	858,612
Capital commitments	70,838	70,837
Irrevocable commitments to extend credit	<u>82,025</u>	<u>88,789</u>
	<u>1,190,686</u>	<u>1,080,414</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013 (Unaudited)

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>30 June</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>150</u>	<u>166</u>
<i>Customers' deposits</i>		
From associates	<u>-</u>	<u>261</u>
From others	<u>9,410</u>	<u>926</u>

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

	<i>Six month period ended</i> <i>30 June</i> <i>2013</i> <i>AED'000</i>	<i>30 June</i> <i>2012</i> <i>AED'000</i>
<i>Interest and commission income</i>		
From associates	<u>-</u>	<u>6</u>
From key management	<u>1</u>	<u>3</u>
<i>Interest expense</i>		
To associates	<u>-</u>	<u>1,171</u>
To others	<u>40</u>	<u>-</u>
<i>Key management remuneration</i>		
Short term benefits (salaries, benefits and bonuses)	<u>9,296</u>	<u>8,515</u>

15 SEASONALITY OF RESULTS

No income of a seasonal nature was recorded in the interim consolidated income statement for the six months ended 30 June 2013 and 30 June 2012.

16 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:

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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16 SEGMENT INFORMATION continued

Products and services from which reportable segments derive their revenues

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

	Commercial and retail financing AED '000	Investment AED '000	Islamic financing and investing AED '000	Construction AED '000	Brokerage AED '000	Insurance AED '000	Unallocated AED '000	Total AED '000
30 June 2013								
Operating income	57,721	45,412	4,812	(2,375)	4,586	13,353	-	123,509
Inter-segment revenues	(29,590)	29,590	-	-	-	-	-	-
Segmental results and profits from operations	28,684	48,646	730	(6,057)	1,152	5,777	(22,417)	56,515
Segmental assets	<u>1,509,434</u>	<u>1,291,995</u>	<u>312,447</u>	<u>70,914</u>	<u>103,334</u>	<u>258,015</u>	<u>-</u>	<u>3,546,139</u>
Segmental liabilities	<u>1,474,750</u>	<u>830,597</u>	<u>211,045</u>	<u>154,130</u>	<u>73,467</u>	<u>124,577</u>	<u>-</u>	<u>2,868,566</u>
30 June 2012								
Operating income	50,988	44,579	4,910	1,559	1,044	9,946	-	113,026
Inter-segment revenues	(26,515)	26,515	-	-	-	-	-	-
Segmental results and profits from operations	38,982	43,504	687	(5,979)	(1,805)	6,326	(23,650)	58,065
31 December 2012 (Audited)								
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>