

Finance House P.J.S.C.

**Interim condensed consolidated financial statements
For the six months ended 30 June 2015**

Finance House P.J.S.C.

**Interim condensed consolidated financial statements
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Review report to the Directors of Finance House P.J.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Finance House P.J.S.C (“the Company”) and its subsidiaries (together referred to as “the Group”) as at 30 June 2015 and the related interim condensed consolidated statements of income, comprehensive income for the three-month and six-month periods then ended and the interim condensed consolidated statement of changes in equity and cash flows for the six-month period then ended, and other explanatory notes. 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”. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, ‘Review of interim financial information performed by the independent auditor of the entity’. A review of interim condensed consolidated financial statements 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 is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

Other matter

The comparative amounts in the interim condensed consolidated statement of financial position at 31 December 2014 and related explanatory information were audited by another auditor whose report dated 12 February 2015 expressed an unqualified opinion thereon. The comparative amounts in the interim condensed consolidated income statement and statements of comprehensive income, changes in equity and cash flows and related explanatory information for the three-month and six-month periods then ended 30 June 2014, were reviewed by another auditor who issued an unqualified conclusion dated 23 July 2014 .

PricewaterhouseCoopers
10 August 2015

Paul Suddaby
Registered Auditor Number 309
Abu Dhabi, United Arab Emirates

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Douglas O'Mahony, Paul Suddaby and Jacques Fakhoury are registered as practising auditors with the UAE Ministry of Economy

Finance House P.J.S.C.

Interim condensed consolidated statement of financial position

	Notes	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
ASSETS			
Cash balances	6	36,213	35,304
Due from banks	6	781,095	931,457
Investments carried at fair value through other comprehensive income	7	335,442	327,818
Investments carried at fair value through profit or loss	7	278,393	248,377
Investments carried at amortized cost	7	536,698	531,735
Loans and advances, net	8.1	1,891,804	1,931,460
Islamic financing and investing assets	8.2	177,499	138,811
Investment in associates	9	52,212	44,507
Statutory deposit		6,000	6,000
Property, fixtures and equipment		15,615	13,421
Intangibles		13,898	14,290
Investment properties		376,200	376,200
Interest receivable and other assets		229,933	277,741
Total assets		4,731,002	4,877,121
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	310,050	302,500
Treasury shares	14	(9,525)	(9,263)
Employees' share-based payment scheme	16	(1,750)	(1,750)
Statutory reserve		131,865	131,865
Revaluation reserve		22,409	22,409
Cumulative changes in fair value of investments carried at fair value through other comprehensive income		(5,067)	(12,488)
Retained earnings		219,844	165,763
Proposed directors' remuneration		-	6,249
		667,826	605,285
Non-controlling interests		81,686	138,286
Net equity		749,512	743,571
LIABILITIES			
Customers' deposits	10	2,547,526	2,850,221
Due to banks	6	62,311	64,379
Short term borrowings	11	335,000	190,000
Interest payable and other liabilities		900,754	893,824
Provision for employees' end of service benefits		9,599	8,826
Non-convertible sukuk	12	126,300	126,300
Total liabilities		3,981,490	4,133,550
Total equity and liabilities		4,731,002	4,877,121
Commitments and contingent liabilities	17	1,644,174	1,373,414

.....
Mr. Mohammed Alqubaisi
Chairman

.....
Mr. Hamid Taylor
General Manager

The notes on pages 8 to 32 are an integral part of the interim condensed consolidated financial statements (2)

AS

Finance House P.J.S.C.

Interim condensed consolidated income statement (unaudited)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2015 AED'000	2014 AED'000	2015 AED' 000	2014 AED '000
Interest income and income from Islamic financing and investing assets	3	64,605	47,125	124,023	89,362
Interest expense and profit distributable to depositors	3	(15,294)	(13,319)	(30,641)	(25,696)
Net interest income and income from Islamic financing and investing assets	3	49,311	33,806	93,382	63,666
Net fee and commission income		12,857	20,248	22,268	35,773
Net contract expense		(411)	(2,559)	(1,078)	(4,510)
Net insurance income		1,241	1,992	2,460	2,639
Profit distributable to sukuk holders		(1,974)	(1,953)	(3,947)	(3,969)
Net income from investments	4	24,347	15,262	42,512	62,440
Net income from investment property		9,457	1,897	17,684	3,789
Share of profit/(loss) of associates	9	7,499	(407)	7,705	(830)
Other operating income, net		1,687	815	2,376	1,307
Total operating income		104,014	69,101	183,362	160,305
Salaries and employee related expenses		(29,131)	(26,540)	(57,115)	(51,235)
Depreciation of property, fixtures and equipment		(1,823)	(1,260)	(3,441)	(2,467)
Amortization of intangibles		(196)	(196)	(392)	(914)
General and administrative expenses		(16,430)	(10,308)	(31,717)	(26,198)
Allowance for impairment of loans and advances, net	8.1	(14,272)	(4,289)	(22,596)	(16,231)
Allowance for impairment of Islamic financing and investing assets	8.2	(1,460)	(841)	(1,865)	(2,079)
Total operating expenses and allowances		(63,312)	(43,434)	(117,126)	(99,124)
Profit for the period		40,702	25,667	66,236	61,181
Attributable to:					
Equity holders of the Company		41,795	23,794	68,784	56,262
Non-controlling interests		(1,093)	1,873	(2,548)	4,919
		40,702	25,667	66,236	61,181
Basic and diluted earnings per share attributable to ordinary shares (AED)	5	0.14	0.08	0.23	0.19

The notes on pages 8 to 32 are an integral part of the interim condensed consolidated financial statements (3)

OR

Finance House P.J.S.C.

Interim condensed consolidated statement of comprehensive income (unaudited)

	Three months ended 30 June		Six months ended 30 June	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Profit for the period	40,702	25,667	66,236	61,181
Other comprehensive income:				
Items that will not be reclassified to income statement:				
Net profit/(loss) on financial assets measured at fair value through other comprehensive income	10,890	(8,897)	6,993	(1,776)
Directors' remuneration paid	(500)	-	(6,249)	(5,404)
	10,390	(8,897)	744	(7,180)
Items that may be reclassified subsequently to income statement	-	-	-	-
Other comprehensive profit/(loss) for the period	10,390	(8,897)	744	(7,180)
Total comprehensive income for the period	51,092	16,770	66,980	54,001
<i>Attributable to:</i>				
Equity holders of the Company	52,097	15,942	69,763	49,761
Non-controlling interests	(1,005)	828	(2,783)	4,240
	51,092	16,770	66,980	54,001

The notes on pages 8 to 32 are an integral part of the interim condensed consolidated financial statements (4)

AW

Finance House P.J.S.C.

Interim consolidated statement of changes in equity

	Share capital AED'000	Treasury shares 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	Attributable to shareholders of the parent company AED'000	Non controlling interest AED'000	Total AED'000
Balance at 1 January 2014	302,500	(7,213)	(1,750)	123,797	18,962	(25,336)	171,461	5,404	587,825	141,188	729,013
Profit on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	-	(3,040)	3,040	-	-	-	-
Profit for the period	-	-	-	-	-	-	56,262	-	56,262	4,919	61,181
Decrease in fair value of investments carried at fair value through other comprehensive income	-	-	-	-	-	(1,097)	-	-	(1,097)	(679)	(1,776)
Directors' remuneration paid	-	-	-	-	-	-	-	(5,404)	(5,404)	-	(5,404)
Total comprehensive income (expense) for the period	-	-	-	-	-	(1,097)	56,262	(5,404)	49,761	4,240	54,001
Cash dividend	-	-	-	-	-	-	(75,625)	-	(75,625)	-	(75,625)
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	(2,623)	(2,623)
Purchase of treasury shares	-	(854)	-	-	-	-	-	-	(854)	-	(854)
Balance at 30 June 2014	<u>302,500</u>	<u>(8,067)</u>	<u>(1,750)</u>	<u>123,797</u>	<u>18,962</u>	<u>(29,473)</u>	<u>155,138</u>	<u>-</u>	<u>561,107</u>	<u>142,805</u>	<u>703,912</u>
Balance at 1 January 2015	302,500	(9,263)	(1,750)	131,865	22,409	(12,488)	165,763	6,249	605,285	138,286	743,571
Profit on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	-	193	(193)	-	-	23	23
Profit for the period	-	-	-	-	-	-	68,784	-	68,784	(2,548)	66,236
Increase in fair value of investments carried at fair value through other comprehensive income	-	-	-	-	-	7,228	-	-	7,228	(235)	6,993
Directors' remuneration paid	-	-	-	-	-	-	-	(6,249)	(6,249)	-	(6,249)
Total comprehensive income (expense) for the period	-	-	-	-	-	7,228	68,784	(6,249)	69,763	(2,783)	66,980
Stock dividend paid	7,550	-	-	-	-	-	(7,550)	-	-	-	-
Acquisition of non-controlling interest (note 15)	-	-	-	-	-	-	(6,960)	-	(6,960)	(53,840)	(60,800)
Purchase of treasury shares	-	(262)	-	-	-	-	-	-	(262)	-	(262)
Balance at 30 June 2015	<u>310,050</u>	<u>(9,525)</u>	<u>(1,750)</u>	<u>131,865</u>	<u>22,409</u>	<u>(5,067)</u>	<u>219,844</u>	<u>-</u>	<u>667,826</u>	<u>81,686</u>	<u>749,512</u>

The notes on pages 8 to 32 are an integral part of the interim condensed consolidated financial statements

M

Finance House P.J.S.C.

Interim condensed consolidated statement of cash flows (unaudited)

	Notes	Six months ended 30 June	
		2015 AED'000	2014 AED'000
Operating activities			
Profit for the period		66,236	61,181
Non-cash adjustments:			
Depreciation of property, fixtures and equipment		3,441	2,467
Amortization of intangible asset		392	914
(Gain)/loss on sale of investments carried at amortized cost	4	(1,846)	997
Share of results of associates, net	9	(7,705)	830
Dividend income from investments	4	(19,446)	(8,509)
Gain on disposal of investments carried at fair value through profit or loss	4	(2,185)	(88,872)
Unrealised (gain)/loss on investments carried at fair value through profit or loss	4	(19,035)	33,944
Allowance for impairment of loans and advances	8.1	22,596	16,231
Allowance for impairment of Islamic financing and investing assets	8.2	1,865	2,079
Net movement in provision for employees' end of service benefits		773	1,217
		<u>45,086</u>	<u>22,479</u>
Working capital adjustments:			
Decrease in due from banks maturing after three months		-	88,100
Increase in Islamic financing and investing assets		(40,553)	(23,436)
Decrease/(increase) in loans and advances		17,060	(143,635)
Decrease/(increase) in interest receivable and other assets		47,808	(32,335)
Decrease in due to banks maturing after three months		-	(140,000)
(Decrease)/increase in customers' deposits		(302,695)	478,570
Increase/(decrease) in interest payable and other liabilities		6,930	(16,367)
Net cash (used in)/generated from operating activities		<u>(226,364)</u>	<u>233,376</u>
Investing activities			
Purchase of investments carried at fair value through other comprehensive income		(17,911)	(46,637)
Proceeds from sale of investments carried at fair value through other comprehensive income		17,303	13,247
Purchase of investments carried at fair value through profit or loss		(65,036)	(99,093)
Proceeds from sale investments carried at fair value through profit or loss		56,240	251,318
Purchase of investments carried at amortized cost		(79,885)	-
Proceeds from sale of investments carried at amortized cost		76,768	23,097
Purchase of property, fixtures and equipment		(5,635)	(13,362)
Acquisition of a subsidiary, net of cash acquired		(6,960)	-
Investments in an associate	9	-	(7,547)
Dividend income received		19,446	8,509
Net cash (used in)/generated from investing activities		<u>(5,670)</u>	<u>129,532</u>

The notes on pages 8 to 32 are an integral part of the interim condensed consolidated financial statements (6)

MS

Finance House P.J.S.C.

Interim condensed consolidated statement of cash flows (unaudited) (continued)

	Notes	Six months ended 30 June	
		2015 AED'000	2014 AED'000
Financing activities			
Increase in short term borrowings		145,000	80,000
Directors' remuneration paid		(6,249)	(5,404)
Cash dividends paid		-	(75,625)
Non-convertible Sukuk		-	(2,000)
Purchase of treasury shares		(262)	(854)
Change in non-controlling interest		(53,840)	(2,623)
Net cash provided by/(used in) financing activities		84,649	(6,506)
Net (decrease)/increase in cash and cash equivalents		(147,385)	356,402
Cash and cash equivalents, beginning of the period		902,382	816,950
Cash and cash equivalents, end of the period	6	754,997	1,173,352

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015

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.

This interim condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as, the “Group”) for the period ended 30 June 2015 were authorised for issue by Board of Directors on 10 August 2015.

2 Basis of preparation

Statement of compliance

The interim condensed consolidated financial statements has been prepared in accordance with IFRS, International Accounting Standard (IAS) 34: Interim Financial Reporting as issued by International Accounting Standard Board (IASB). These financial statements do not include all the information required for full annual audited consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2014.

Significant accounting policies

The accounting policies and methods of computation applied by the Group in the interim condensed consolidated financial statements are the same as those applied by the Group in its audited consolidated financial statements as at and for the year ended 31 December 2014.

The results for the sixmonth period ended 30 June 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

This interim condensed consolidated financial statements is presented in United Arab Emirates Dirhams (“AED”), which is the “functional currency”, rounded to the nearest thousand.

As required by the Securities and Commodities Authority of the U.A.E. (“SCA”) Notification No. 2624/2008 dated October 12, 2008, accounting policies relating to investment securities and investment properties have been disclosed in the interim condensed consolidated financial statements.

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

2 Basis of preparation (continued)

2.1 Basis of consolidation

The interim condensed consolidated financial statements incorporates the financial statements of the Company and its subsidiaries (collectively referred to as, the “Group”).

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date that control ceases. The details of the Company’s subsidiaries and their principal activities are as follows:

Name of subsidiary	Country of incorporation	Ownership interest %		Principal activity
		30 June 2015	31 December 2014	
Third Vision Investment L.L.C.	U.A.E.	100	100	Management Investment and
Finance House Holding L.L.C.	U.A.E.	100	100	development
National Project House L.L.C.	U.A.E.	100	100	Construction
Benyan Development Company L.L.C.	U.A.E.	100	100	Construction
Emirates National Electromechanical L.L.C.	U.A.E.	100	100	Electromechanical contracting
FH Capital Limited (D.I.F.C.)	U.A.E. Cayman	100	100	Investment and asset management
Finance House Sukuk Company 1	Islands	100	100	Sukuk issuance Islamic financing
Islamic Finance House P.J.S.C.	U.A.E.	100	47.83	services
Insurance House P.S.C.	U.A.E.	44.83	44.83	Insurance
Finance House Securities Co L.L.C.	U.A.E.	70	70	Brokerage
CAPM Investment P.J.S	U.A.E.	100	100	Investment and asset management

Insurance House P.S.C is considered a subsidiary by virtue of Control

Transactions eliminated on consolidation

All intragroup balances and income, expenses and cash flows resulting from intragroup transactions are eliminated in full on consolidation.

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

2 Basis of preparation (continued)

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 New and revised IFRSs effective for accounting periods beginning 1 January 2015

New standards and significant amendments to standards applicable to the Group	Effective date
Annual improvements 2012 These annual improvements amend standards from the 2010 - 2012 reporting cycle. It includes changes to: <ul style="list-style-type: none">• IFRS 8, 'Operating segments' which is amended to require disclosure of the judgements made by management in applying the aggregation criteria to operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.• IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.• IAS 24, 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.	1 July 2014 although endorsed for annual period on or after 1 February 2015
Annual improvements 2013 <ul style="list-style-type: none">• IFRS 13 'Fair value measurement' on clarification of the portfolio exemption in IFRS 13 - The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.	1 July 2014 although endorsed for annual period on or after 1 February 2015
IAS 19, Defined benefit plans: Employee contributions The amendment clarifies the accounting by entities with plans that require contributions linked only to service in each period. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employees' working lives. Management should consider how it will apply that model.	1 July 2014 although endorsed for annual period on or after 1 February 2015

There is no impact of these provisions on the interim condensed consolidated financial statements of the Group.

There are no other IFRSs that were effective for the first time for the financial year beginning 1 January 2015 that had a material impact on the Group's interim condensed consolidated financial statements.

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

2 Basis of preparation (continued)

2.2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2.2 Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2015 and not early adopted

The Group has not early adopted relevant new and revised IFRSs that have been issued but are not yet effective (except for IFRS 9).

<p>Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortisation.</p> <p>This amendment clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.</p> <p>The presumption may only be rebutted in certain limited circumstances.</p> <ul style="list-style-type: none">• IAS 1 Amendments to IAS 1, 'Presentation of financial statements' Disclosure initiative. The amendments clarify that it may be necessary to disaggregate some of the line items specified in IAS 1 paragraphs 54 (statement of financial position) and 82 (profit or loss). That disaggregation is required where it is relevant to an understanding of the entity's financial position or performance.	1 January 2016
<p>Amendments to IFRS 10 and IAS 28, 'Investments in associates and joint ventures' regarding the sale or contribution of assets between an investor and its associate or joint venture</p> <p>These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.</p>	1 January 2016

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

2 Basis of preparation (continued)

2.2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2.2 Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2015 and not early adopted (continued)

<p>Annual improvements 2014</p> <p>These annual improvements amend standards from the 2012 - 2014 reporting cycle. It includes changes to:</p> <ul style="list-style-type: none">• IFRS 7, 'Financial instruments: Disclosures' – The amendment related to servicing contracts requires that if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets.• IAS 19, 'Employee benefits' – The amendment clarifies, when determining the discount rate for post-employment benefit obligations, that it is the currency that the liabilities are denominated in that is important, not the country where they arise.• IAS 34, 'Interim financial reporting', regarding information disclosed elsewhere in the interim financial report. The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.	1 January 2016
<p>IFRS 15, 'Revenue from contracts with customers'</p> <p>This standard replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.</p>	1 January 2017

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

2 Basis of preparation (continued)

2.2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2.2 Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2015 and not early adopted (continued)

IFRS 9, 'Financial instruments' The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.	1 January 2018 Earlier application is permitted. If an entity elects to early apply it must apply all of the requirements at the same time with the following exception: Entities with a date of initial application before 1 February 2015 continue to have the option to apply the Standard in phases.
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The Group has early adopted IFRS 9 effective in 2010 with regards to the financial asset's classification and measurement and will also consider the impact of the remaining phases of IFRS 9 in due course.

The application of the finalised version of IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's interim condensed consolidated financial statements in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Group performs a detailed review.

The Group is assessing the impact of the above new standards and amendments to published standards or IFRIC interpretations issued but not yet effective for the Group's financial year beginning on 1 January 2015.

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

2 Basis of preparation (continued)

2.2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2.2 Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2015 and not early adopted (continued)

There are no other applicable new standards and amendments to published standards or International Financial Reporting Interpretations Committee (IFRIC) interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2015 that would be expected to have a material impact on the interim condensed consolidated financial statements of the Group.

Significant accounting policies

Investment in associates

The Group's investments in associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Losses in excess of the cost of the investment in an associate are recognised when the Group has incurred obligations on its behalf.

The Group's share of the result of operations of associates is included in the consolidated income statement. Unrealized profits and losses from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate.

Financial assets

Financial assets – initial recognition and subsequent measurement

Date of recognition

All financial assets are initially recognised on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Initial measurement

All financial assets are initially measured at their fair value plus transaction costs, except for those financial assets measured at fair value through profit or loss.

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

2 Basis of preparation (continued)

Significant accounting policies (continued)

Financial assets (continued)

Financial assets – initial recognition and subsequent measurement (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on the Group's business model for managing those financial assets and their contractual cash flow characteristics.

Transaction costs expected to be incurred on transfer or disposal of a financial instrument are not included in the measurement of the financial instrument.

Financial assets measured at amortised cost

Financial assets are measured at amortised cost only if the asset is held within a business model whose objective is to hold the asset to collect its contractual cash flows and that the contractual terms of the financial asset give rise, on specified dates, to cash flows constituting solely principal and interest on the outstanding principal amount. An inability to meet these two criteria requires the financial asset to be subsequently measured at fair value through profit or loss. However, even where both conditions are met, the Group may elect upon initial recognition to measure the financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments (including derivatives embedded in financial host assets) meeting these criteria are subsequently measured at amortised cost using the effective interest rate method, adjusted for any impairment charges and transaction costs incurred upon initial recognition. The effective interest rate method calculates an interest rate which exactly discounts estimated future cash receipts through the expected life of the financial asset or a shorter period (where appropriate) to the net carrying amount of the financial asset. After initial measurement at fair value, amounts due from banks and loans and advances are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate method. The amortisation is included in interest income in the income statement. The losses arising from impairment are recognised in the income statement in allowance for impairment of loans and advances.

Other financial assets measured at fair value through profit and loss

Financial assets which do not meet the amortised cost criteria such as derivatives and financial assets held for trading are measured at fair value through profit or loss. Gains or losses arising on subsequent measurement of these financial assets are recognised in the income statement.

Financial assets held-for-trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend is recorded in net trading income according to the terms of the contract, or when the right to the payment has been established.

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

2 Basis of preparation (continued)

Significant accounting policies (continued)

Financial assets (continued)

Financial assets – initial recognition and subsequent measurement (continued)

Islamic financing and investing assets

Islamic financing assets are financial assets with fixed or expected profit payments. These assets are not quoted in an active market. They arise when the Group provides funds directly to a customer with no intention of trading the receivable.

Murabaha is stated at amortised cost less any provisions for impairment and deferred income.

Istisna'a cost is measured and reported in the financial statements at a value not exceeding the cash equivalent value.

The Ijara is classified as a finance lease, when the Group undertakes to sell the leased assets to the lessee using an independent agreement upon the maturity of the lease and the sale results in transferring all the risks and rewards incident to an ownership of the leased assets to the lessee. Leased assets represents finance lease of assets for periods, which either approximate or cover a major part of the estimated useful lives of such assets. Leased assets are stated at amounts equal to the net investment outstanding in the leases including the income earned thereon less impairment provisions.

Equity investments at fair value through other comprehensive income

Equity investments not held for trading can be designated as being measured at fair value through other comprehensive income at initial recognition and such an election is irrevocable. This designation is made on an instrument-by-instrument basis. Gains or losses arising on subsequent measurement of these equity investments are recognised in other comprehensive income. The gain or loss on disposal of the asset is reclassified to retained earnings and is not recycled to profit or loss. Transaction costs on disposal are taken to the income statement. Dividends received on these equity investments are recognised in the income statement unless the dividend represents recovery of the cost of the investment.

Financial assets designated at fair value through profit or loss

Financial assets classified in this category are those that have been designated by management at initial recognition. Management may designate a financial asset at fair value through profit or loss upon initial recognition only when the first of the following criteria is met. Designation is determined on an instrument by instrument basis:

- it has been acquired principally for the purpose of selling in the near future; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking.

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

2 Basis of preparation (continued)

Significant accounting policies (continued)

Financial assets (continued)

Financial assets – initial recognition and subsequent measurement (continued)

Financial assets designated at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in net gain or loss on financial assets designated at fair value through profit or loss. Interest earned is accrued in interest income, using the effective interest rate method, while dividend income is recorded in other operating income when the right to the payment has been established.

Financial assets, other than those designated at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value which reflects market conditions at the statement of financial position date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group measures such property at fair value at the date of change in use. Any revaluation surplus is credited to the revaluation reserve included in the equity section of the condensed consolidated statement of financial position. A revaluation deficit is recognised in the consolidated income statement.

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

3 Net interest income and income from Islamic financing and investing assets

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Due from banks	1,271	4,348	3,754	7,840
Loans and advances	46,985	36,996	88,496	69,894
Income from Islamic financing and investing assets	5,465	3,091	9,855	5,689
Others	10,884	2,690	21,918	5,939
Interest income and income from Islamic financing and investing assets	64,605	47,125	124,023	89,362
Customer deposits	(13,624)	(11,937)	(27,696)	(22,594)
Profit distributable to depositors	(885)	(658)	(1,617)	(1,288)
Due to banks	(785)	(724)	(1,328)	(1,814)
Interest expense and profit distributable to depositors	(15,294)	(13,319)	(30,641)	(25,696)
Net interest income and income from Islamic financing and investing assets	49,311	33,806	93,382	63,666

4 Net income from investments

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Gain on disposal of investments carried at fair value through profit or loss	4,467	53,614	2,185	88,872
Change in fair value of investments carried at fair value through profit or loss	13,681	(40,431)	19,035	(33,944)
Dividends from investments carried at fair value through profit or loss	2,834	1,136	7,534	2,160
Net income from investments carried at fair value through profit or loss	20,982	14,319	28,754	57,088
Dividend income from investments carried at fair value through other comprehensive income	3,365	1,499	11,912	6,349
(Loss)/gain on disposal of investment carried at amortized cost	-	(556)	1,846	(997)
Net income from investments	24,347	15,262	42,512	62,440

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

5 Basic and diluted earnings per share

Earnings per share are 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 2015, the Group 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:

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Profit for the period attributable to equity holders of the parent (AED '000)	<u>41,795</u>	<u>23,794</u>	<u>68,784</u>	<u>56,262</u>
Number of ordinary shares in issue ('000)	310,050	302,500	310,050	302,500
Less: Treasury shares ('000)	(2,690)	(2,285)	(2,690)	(2,285)
Less: Employees' share-based payment scheme ('000)	<u>(1,750)</u>	<u>(1,750)</u>	<u>(1,750)</u>	<u>(1,750)</u>
	<u>305,610</u>	<u>298,465</u>	<u>305,610</u>	<u>298,465</u>
Earnings per share (AED)	<u>0.14</u>	<u>0.08</u>	<u>0.23</u>	<u>0.19</u>

6 Cash and cash equivalents

	30 June 2015 AED'000	31 December 2014 AED'000
Current and demand accounts	125,501	102,591
Fixed placements	325,152	755,000
Wakala deposits with banks	3,000	25,000
Call accounts	<u>327,442</u>	<u>48,866</u>
Due from banks	<u>781,095</u>	<u>931,457</u>
Cash balances	11,213	10,304
Short-term investments in commercial papers	<u>25,000</u>	<u>25,000</u>
	<u>36,213</u>	<u>35,304</u>
Due to banks with original maturity of less than three months	<u>(62,311)</u>	<u>(64,379)</u>
Net cash and cash equivalents	<u>754,997</u>	<u>902,382</u>

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

7 Investments

	At fair value through OCI AED'000	At fair value through Profit or loss AED'000	At amortized cost AED'000	Total AED'000
30 June 2015 (unaudited)				
Equity instruments:				
- Quoted	178,036	263,599	-	441,635
- Unquoted	148,538	-	-	148,538
Debt instruments:				
- Quoted - fixed rate	-	14,794	433,850	448,644
- Unquoted leverage investments	-	-	102,848	102,848
Investment in managed funds	8,868	-	-	8,868
	<u>335,442</u>	<u>278,393</u>	<u>536,698</u>	<u>1,150,533</u>
UAE	323,052	272,915	262,812	858,779
Outside UAE	12,390	5,478	273,886	291,754
	<u>335,442</u>	<u>278,393</u>	<u>536,698</u>	<u>1,150,533</u>
31 December 2014				
Equity instruments:				
- Quoted	174,918	245,854	-	420,772
- Unquoted	143,877	-	-	143,877
Debt instruments:				
- Quoted - fixed rate	-	2,523	428,885	431,408
- Unquoted leverage investments	-	-	102,850	102,850
Investment in managed funds	9,023	-	-	9,023
	<u>327,818</u>	<u>248,377</u>	<u>531,735</u>	<u>1,107,930</u>
UAE	318,372	248,377	262,323	829,072
Outside UAE	9,446	-	269,412	278,858
	<u>327,818</u>	<u>248,377</u>	<u>531,735</u>	<u>1,107,930</u>

The fair value of investments carried at amortized cost at 30 June 2015 is AED 540,683 thousand (31 December 2014: AED 538,065 thousand).

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

8 Loans, advances and Islamic financing and investing assets

8.1 Loans and advances, net

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Commercial loans	1,715,342	1,793,547
Retail finance	344,979	336,810
	<u>2,060,321</u>	<u>2,130,357</u>
Less: allowance for impairment		
Specific	(146,843)	(177,234)
Collective	(21,674)	(21,663)
	<u>1,891,804</u>	<u>1,931,460</u>

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

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
At the beginning of the period/year	198,897	165,970
Charge for the period/year, net	22,596	34,932
Written off during the period/year	(52,976)	(2,005)
At the end of the period/year	<u>168,517</u>	<u>198,897</u>

8.2 Islamic financing and investing assets

Commodities Murabaha	121,003	70,761
Covered card and drawings	39,763	34,912
Purchase and lease back	16,745	30,857
Ijarah	7,936	8,364
	<u>185,447</u>	<u>144,894</u>
Less: allowance for impairment		
Specific	(5,364)	(4,069)
Collective	(2,584)	(2,014)
	<u>177,499</u>	<u>138,811</u>

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

8 Loans, advances and Islamic financing and investing assets (continued)

8.2 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:

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
At the beginning of the period/year	6,083	3,228
Charge for the period/year, net	1,865	2,855
At the end of the period/year	<u>7,948</u>	<u>6,083</u>

9 Investment in associates

The Group has the following investments in an associate

	Country of incorporation	Percentage of holding		Principal activity
		2015	2014	
Mainland Management L.L.C.	United Arab Emirates	33.33%	33.33%	Hospitality management services

The Group's interest in associates is accounted for using the equity method in the consolidated financial statements. Movement in investment in an associate is as follows:

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
At the beginning of the period/year	44,507	30,422
Share of results for the period/year	7,705	(1,915)
Additions during the period/year	-	16,000
At the end of the period/year	<u>52,212</u>	<u>44,507</u>

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

10 Customers' deposits

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Call and demand deposits	246,787	138,794
Time deposits	2,161,450	2,591,262
Wakala deposits	139,289	120,165
	<u>2,547,526</u>	<u>2,850,221</u>
Analysis of customers' deposits by sector is as follows:		
Government	827,640	948,064
Corporate	1,719,886	1,902,157
	<u>2,547,526</u>	<u>2,850,221</u>

11 Short term borrowings

During the period, the Group issued short term commercial papers of AED 75 million (31 December 2014: AED 80 million) with original maturity of 1 to 6 months which carries an interest rates of an average of 1.75% (31 December 2014: 1.75%). Furthermore the Group obtained short-term loans from a number of reputable banks with a net amount of AED 70 million (31 December 2014: AED 110 million), those short-term loans carry an average interest rates of 2.49% (31 December 2014: 1.95%), and are secured by a promissory note in the amount of AED 468,365 thousand.

12 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% or 6.25% per annum whichever is higher, payable semi annually as periodic distribution amount. Profit distribution accrued as of 30 June 2015 relating to sukuk held by external parties amounted to AED 104 thousand (31 December 2014: AED 104 thousand). Sukuk amounting to AED 23.7 million (31 December 2014: AED 23.7 million) were held by subsidiaries of the Group and, accordingly eliminated in the interim condensed consolidated statement of financial position.

13 Share capital

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
<i>Authorised, issued and fully paid</i> 310.1 million shares (2014: 302.5 million shares) of AED 1 each (2014: AED 1 each)	<u>310,050</u>	<u>302,500</u>

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

14 Treasury shares

Treasury shares represent the cost of 2,690 thousand shares of the Company held by the Company and a subsidiary as at 30 June 2015 (31 December 2014: 2,582 thousand shares).

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Share held by Finance House PJSC (502 thousand shares)	1,818	1,719
Share held by Insurance House PJSC (2,188 thousand shares)	7,707	7,544
	9,525	9,263

15 Acquisition of non-controlling interest

On 04 January 2015, the Company purchased the remaining 52.17% share capital of Islamic Finance House held by the minority shareholders, thereby increasing the entity's ownership interest from 47.83% to 100%. The Company paid a total consideration amounting to AED 60.8 million. The carrying amount of Islamic Finance House PJSC's net assets on acquisition was AED 53.84 million. Accordingly, the excess of the consideration over the net assets acquired, amounting to AED 6.96 million was recorded within the equity as a decrease in retained earnings.

16 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, no shares were granted to employees and the value of outstanding shares not yet granted to employees as of 30 June 2015 was AED 1,750 thousand (31 December 2014: AED 1,750 thousand).

17 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.

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

17 Commitments and contingent liabilities (continued)

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:

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Letters of credit	117,815	105,105
Letters of guarantee	1,302,188	1,075,651
Capital commitments	7,357	7,357
Irrevocable commitments to extend credit	216,814	185,301
	<u>1,644,174</u>	<u>1,373,414</u>

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

18 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:

	30 June 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
<i>Loans and advances to customers</i>		
To key management staff	691	412
To board of directors	4,899	2,518
<i>Customer deposits</i>		
From others	9,027	7,466

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

18 Related party disclosures (continued)

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

	Six months ended 30 June (Unaudited)	
	2015 AED'000	2014 AED'000
<i>Interest and commission income</i>		
From board of directors	6	4
<i>Interest expense</i>		
To others	19	18
<i>Key management remuneration</i>		
Short term benefits (salaries, benefits and bonuses)	10,551	10,184

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 2015 and 2014.

20 Dividends

The Company's General Assembly in their annual meeting held on 16 March 2015 approved a stock dividend of AED 7,549,961. The dividend was approved by the U.A.E Central Bank and paid during the period.

**Notes to the interim condensed consolidated financial statements
for the six months ended 30 June 2015 (continued)**

21 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.

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

21 Segment information (continued)

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 2015 (Unaudited)								
Operating income/(loss)	73,238	85,329	10,456	(360)	6,714	7,985	-	183,362
Inter-segment revenues	(32,320)	32,320	-	-	-	-	-	-
Segmental results and profits/(losses) from operations	30,321	80,375	1,998	(1,600)	2,276	(5,808)	(41,326)	66,236
Segmental assets	1,884,560	2,067,112	318,577	19,678	209,872	231,203	-	4,731,002
Segmental liabilities	1,854,239	1,627,910	212,690	31,941	136,581	118,129	-	3,981,490
30 June 2014 (Unaudited)								
Operating income	54,945	73,084	6,301	(4,365)	13,798	16,542	-	160,305
Inter-segment revenues	(31,207)	31,207	-	-	-	-	-	-
Segmental results and profits/(losses) from operations	20,670	68,896	75	(7,068)	8,453	4,214	(34,059)	61,181
Segmental assets	1,649,267	2,091,842	255,958	48,690	194,703	259,827	-	4,500,287
Segmental liabilities	1,628,597	1,673,800	153,961	69,250	154,241	116,526	-	3,796,375

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

22 Fair value measurement

While the Group prepares its interim condensed consolidated financial statements under the historical cost convention modified for measurement to fair value of investments carried at fair value and investment properties, in the opinion of management, the estimated carrying values and fair values of financial assets and liabilities, that are not carried at fair value in the interim condensed consolidated financial statements are not materially different, since assets and liabilities are either short term in nature or in the case of deposits and performing loans and advances, frequently repriced. For impaired loans and advances, expected cash flows, including anticipated realisation of collateral, were discounted using the original interest rates, considering the time of collection and a provision for the uncertainty of the cash flows.

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy as at 30 June 2015:

	Date of valuation	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Assets measured at fair value					
Investment property	17 December 2014	-	-	376,200	376,200
At fair value through profit or loss					
Quoted equities	30 June 2015	263,599	-	-	263,599
Quoted debt instruments	30 June 2015	14,794	-	-	14,794
		278,393	-	-	278,393
At fair value through other comprehensive income					
Quoted equities	30 June 2015	178,036	-	-	178,036
Unquoted equities	31 December 2014	-	18,569	129,969	148,538
Investment in managed funds	30 June 2015	-	8,868	-	8,868
		178,036	27,437	129,969	335,442
Assets for which fair value is disclosed					
Investment carried at amortised cost	30 June 2015	436,674	104,009	-	540,683

Finance House P.J.S.C.

Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

22 Fair value measurement (continued)

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy as at 31 December 2014:

	Date of valuation	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Assets measured at fair value					
Investment property	17 December 2014	-	-	376,200	376,200
At fair value through profit or loss					
Quoted equities	31 December 2014	245,854	-	-	245,854
Quoted debt instruments	31 December 2014	2,523	-	-	2,523
		<u>248,377</u>	<u>-</u>	<u>-</u>	<u>248,377</u>
At fair value through other comprehensive income					
Quoted equities	31 December 2014	174,918	-	-	174,918
Unquoted equities	31 December 2014	-	17,578	126,299	143,877
Investment in managed funds	31 December 2014	-	9,023	-	9,023
		<u>174,918</u>	<u>26,601</u>	<u>126,299</u>	<u>327,818</u>
Assets for which fair value is disclosed					
Investment carried at amortised cost	31 December 2014	<u>433,928</u>	<u>104,137</u>	<u>-</u>	<u>538,065</u>

The following is a description of the determination of fair value for assets which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the assets.

Investments carried at fair value through profit or loss

Investments carried at fair value through profit and loss are listed equities and debt instruments in local as well as international exchanges. Valuations are based on market prices as quoted in the exchange.

Investments carried at fair value through other comprehensive income

Investments carried at fair value through other comprehensive income, the revaluation gains/losses of which are recognized through equity, comprise long term strategic investments in listed and unlisted equities, and private equity funds. Listed equity valuations are based on market prices as quoted in the exchange while funds are valued on the basis of net asset value statements received from fund managers. For unquoted equities, the financial statements provide the valuations of these investments which are arrived at primarily by discounted cash flow analysis. Fair value of the unquoted ordinary shares has been estimated using DCF model and Price Earning Multiple basis valuation. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility and price earnings multiples. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

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Notes to the interim condensed consolidated financial statements for the six months ended 30 June 2015 (continued)

22 Fair value measurement (continued)

Investments carried at fair value through other comprehensive income (continued)

Following is the description of the significant unobservable inputs used in the valuation of unquoted equities categorized under level 3 fair value measurement.

	Valuation technique	Significant unobservable inputs to valuation	Range (Weighted average)	Sensitivity of the input to fair value
Unquoted equities	DCF Method	Long term growth rate	2%	1.5% increase (decrease) in the long term growth rate would result in increase (decrease) in the fair value by AED 2.1 million and (AED 0.3 million) respectively.
		Discount rate	15%	1% increase (decrease) in the discount rate would result in (decrease) increase in fair value by (AED 0.8 million) and AED 2.6 million respectively.
		Growth rate in revenue projections	4% - 6%	1% increase (decrease) in the growth rates in cash flows would result in increase (decrease) in fair value by AED 7.9 million and (AED 6 million) respectively.
Unquoted equities	Price Earning Multiple Valuation Basis	PE Multiple	7 – 13	Increase (decrease) in the PE Multiples by 1 would result in increase (decrease) in fair value by AED 5 million

Transfers between categories

During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements (2014: None). Furthermore, the only movement in the level 3 fair value assets, represents a purchase of unquoted equities in the amount of AED 3.67 million.

**Notes to the interim condensed consolidated financial statements
for the six months ended 30 June 2015** (continued)

23 Legal proceeding

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's interim condensed consolidated financial statements if disposed unfavourably.

24 Comparative figures

Certain comparative figures have been reclassified where appropriate to conform to the presentation and accounting policies adopted in these interim condensed consolidated financial statements.