

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

**Condensed Consolidated Interim  
financial statements  
for the nine months ended 30 September 2017**

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

**Condensed consolidated interim financial statements  
for the nine months ended 30 September 2017**

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## **Review report on condensed consolidated interim financial information to the board of directors of Finance House P.J.S.C**

### **Introduction**

We have reviewed the accompanying condensed consolidated interim 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 September 2017 and the related condensed consolidated interim statements of income and comprehensive income for the three and nine month periods then ended and condensed consolidated interim statements of changes in equity and cash flows for the nine month period then ended and notes to the condensed consolidated interim financial statements. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 condensed consolidated 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting.

PricewaterhouseCoopers

*2. November 2017*

Jacques E. Fakhoury  
Registered Auditor Number 379  
Abu Dhabi, United Arab Emirates

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

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

### Condensed consolidated interim statement of financial position

		At 30 September 2017 AED'000 (Unaudited)	At 31 December 2016 AED'000 Audited
<b>ASSETS</b>			
Cash balances	8	18,992	13,388
Due from banks	8	553,011	777,395
Investments carried at fair value through other comprehensive income	9	745,817	712,425
Investments carried at fair value through profit or loss	9	181,175	204,766
Investments carried at amortised cost	9	86,231	128,569
Loans and advances	10.1	2,216,817	2,053,529
Islamic financing and investing assets	10.2	176,360	180,016
Investment in an associate		52,180	50,477
Property, fixtures and equipment		13,397	14,676
Intangibles		7,162	7,750
Interest receivable and other assets		208,622	144,137
		<u>4,259,764</u>	<u>4,287,128</u>
Assets classified as held for sale		130,044	125,215
<b>Total assets</b>		<u><b>4,389,808</b></u>	<u><b>4,412,343</b></u>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Customers' deposits and margin accounts	11	2,646,563	2,841,982
Due to banks	8	13,952	47,175
Short term borrowings		296,585	192,500
Medium term loan		150,000	87,500
Interest payable and other liabilities		313,623	247,476
Provision for employees' end of service benefits		13,155	12,056
		<u>3,433,878</u>	<u>3,428,689</u>
Liabilities directly associated with assets classified as held for sale		32,685	29,902
<b>Total liabilities</b>		<u><b>3,466,563</b></u>	<u><b>3,458,591</b></u>

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

### Condensed consolidated interim statement of financial position (continued)

		At 30 September 2017 AED'000 (Unaudited)	At 31 December 2016 AED'000 Audited
<b>EQUITY</b>			
Share capital	12	310,050	310,050
Treasury shares	13	(21,402)	(12,587)
Employees' share-based payment scheme	14	(1,750)	(1,750)
Statutory reserve		142,752	142,752
Cumulative changes in fair value of investments carried at fair value through other comprehensive income		(4,055)	17,493
Retained earnings		139,031	133,227
Tier 1 Sukuk		286,550	288,700
Proposed directors' remuneration		-	2,076
		<u>851,176</u>	<u>879,961</u>
Non-controlling interests		72,069	73,791
<b>Total equity</b>		<u>923,245</u>	<u>953,752</u>
<b>Total liabilities and equity</b>		<u>4,389,808</u>	<u>4,412,343</u>
<b>Commitments and contingent liabilities</b>	15	<u>1,923,161</u>	<u>1,969,881</u>

.....  
Mr. Mohammed Alqubaisi  
Chairman

.....  
Mr. Hamid Taylor  
General Manager

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

### Condensed consolidated interim income statement

	Note	Three months ended 30 September		Nine months ended 30 September	
		2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
		.....(unaudited).....			
Interest income and income from Islamic financing and investing assets	5	60,989	74,666	179,426	209,189
Interest expense and profit distributable to depositors	5	(18,699)	(16,755)	(54,185)	(44,890)
Net interest income and income from Islamic financing and investing assets	5	42,290	57,911	125,241	164,299
Income from tier 1 capital instruments		6,142	6,045	19,034	19,093
Interest income, income from Islamic financing and investing assets and income from tier 1 capital instruments		48,432	63,956	144,275	183,392
Net fee and commission income		10,634	11,826	35,189	36,404
Net insurance income/(loss)		7,227	(1,937)	18,989	6,982
Net income/(loss) from investments	6	4,025	(491)	5,695	27,709
Share of (loss)/profit in an associate		(568)	(772)	1,703	(549)
Gain on disposal of a subsidiary		-	-	15,001	-
Reversal of impairment charges on loans and advances no longer required		-	-	5,300	-
Other operating income		9,760	1,060	15,920	13,085
<b>Total operating income</b>		<b>79,510</b>	<b>73,642</b>	<b>242,072</b>	<b>267,023</b>
Salaries and employee related expenses		(31,455)	(31,886)	(91,994)	(95,634)
Depreciation of property, fixtures and equipment		(1,781)	(1,759)	(5,315)	(5,500)
Amortisation of intangibles		(196)	(196)	(588)	(588)
General and administrative expenses		(24,209)	(14,627)	(67,893)	(52,654)
Impairment charges on loans and advances and on Islamic financing and investing assets	10.1 & 10.2	(17,294)	(20,557)	(46,165)	(80,841)
<b>Total operating expenses</b>		<b>(74,935)</b>	<b>(69,025)</b>	<b>(211,955)</b>	<b>(235,217)</b>
Income from assets classified as held for sale		1,576	1,600	6,619	6,064
<b>Profit for the period</b>		<b>6,151</b>	<b>6,217</b>	<b>36,736</b>	<b>37,870</b>
Attributable to:					
Equity holders of the parent		6,819	8,397	39,059	40,563
Non-controlling interests		(668)	(2,180)	(2,323)	(2,693)
		<b>6,151</b>	<b>6,217</b>	<b>36,736</b>	<b>37,870</b>
<b>Basic and diluted earnings per share attributable to ordinary shares (AED)</b>	7	<b>0.00</b>	<b>0.01</b>	<b>0.07</b>	<b>0.08</b>

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

**Condensed consolidated interim statement of comprehensive income**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
	<b>.....(unaudited).....</b>			
Profit for the period	<b>6,151</b>	6,217	<b>36,736</b>	37,870
<b>Other comprehensive (loss)/income:</b>				
<b>Items that will not be reclassified to condensed consolidated interim income statement:</b>				
Change in fair value of financial assets measured at fair value through other comprehensive income	<b>(4,587)</b>	6,378	<b>(19,432)</b>	27,807
Directors' remuneration paid	<b>-</b>	-	<b>(2,076)</b>	(5,371)
<b>Other comprehensive (loss)/income for the period</b>	<b>(4,587)</b>	6,378	<b>(21,508)</b>	22,436
<b>Total comprehensive income for the period</b>	<b>1,564</b>	12,595	<b>15,228</b>	60,306
<i>Attributable to:</i>				
Equity holders of the parent	<b>2,292</b>	14,488	<b>17,225</b>	61,306
Non-controlling interests	<b>(728)</b>	(1,893)	<b>(1,997)</b>	(1,000)
	<b>1,564</b>	12,595	<b>15,228</b>	60,306

*OR*

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

### Condensed consolidated interim statement of changes in equity (unaudited)

	Share capital AED'000	Treasury shares AED'000	Employees' share-based payment scheme AED'000	Statutory reserve AED'000	Cumulative changes in fair value AED'000	Retained earnings AED'000	Proposed directors' remuneration AED'000	Tier 1 Sukuk AED'000	Attributable to shareholders of the parent company AED'000	Non controlling interests AED'000	Total AED'000
<b>Balance at 1 January 2016</b>	310,050	(9,750)	(1,750)	138,722	(57,858)	196,234	5,371	297,850	878,869	75,316	954,185
Loss on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	44,116	(44,116)	-	-	-	(7)	(7)
Profit for the period	-	-	-	-	-	40,563	-	-	40,563	(2,693)	37,870
Other comprehensive income/(loss) for the period	-	-	-	-	26,114	-	(5,371)	-	20,743	1,693	22,436
Dividends paid	-	-	-	-	-	(30,945)	-	-	(30,945)	-	(30,945)
Purchase of treasury shares	-	(815)	-	-	-	-	-	(3,150)	(815)	-	(815)
Elimination of Tier 1 Sukuk held with subsidiaries	-	-	-	-	-	-	-	-	(3,150)	-	(3,150)
Tier 1 Sukuk coupon paid	-	-	-	-	-	(16,853)	-	-	(16,853)	-	(16,853)
<b>Balance at 30 September 2016</b>	<b>310,050</b>	<b>(10,565)</b>	<b>(1,750)</b>	<b>138,722</b>	<b>12,372</b>	<b>144,883</b>	<b>-</b>	<b>294,700</b>	<b>888,412</b>	<b>74,309</b>	<b>962,721</b>
<b>Balance at 1 January 2017</b>	310,050	(12,587)	(1,750)	142,752	17,493	133,227	2,076	288,700	879,961	73,791	953,752
Profit on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	(1,790)	1,790	-	-	-	275	275
Profit for the period	-	-	-	-	-	39,059	-	-	39,059	(2,323)	36,736
Other comprehensive (loss)/income for the period	-	-	-	-	(19,758)	-	(2,076)	-	(21,834)	326	(21,508)
Dividends paid	-	-	-	-	-	(18,170)	-	-	(18,170)	-	(18,170)
Purchase of treasury shares	-	(8,815)	-	-	-	-	-	(2,150)	(8,815)	-	(8,815)
Elimination of Tier 1 Sukuk held with subsidiaries	-	-	-	-	-	-	-	-	(2,150)	-	(2,150)
Tier 1 Sukuk coupon paid	-	-	-	-	-	(16,875)	-	-	(16,875)	-	(16,875)
<b>Balance at 30 September 2017</b>	<b>310,050</b>	<b>(21,402)</b>	<b>(1,750)</b>	<b>142,752</b>	<b>(4,055)</b>	<b>139,031</b>	<b>-</b>	<b>286,550</b>	<b>851,176</b>	<b>72,069</b>	<b>923,245</b>

The notes on pages 9 to 31 form an integral part of these condensed consolidated interim financial statements.



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

### Condensed consolidated interim statement of cash flows

		<b>Nine months ended 30 September</b>	
		2017	2016
Note		AED'000 (unaudited)	AED'000 (unaudited)
<b>Operating activities</b>			
	Profit for the period	36,736	37,870
<b>Non-cash adjustments:</b>			
	Depreciation of property, fixtures and equipment	5,315	5,500
	Amortisation of intangible asset	588	587
6	Gain on sale of investments carried at amortised cost	-	(713)
	Share of results of associate	(1,703)	549
6	Dividend income from investments	(27,275)	(17,784)
6	Loss/(gain) on disposal of investments carried at fair value through profit or loss	6,172	(3,265)
6	Unrealised loss /(gain) on investments carried at fair value through profit or loss	15,408	(5,947)
10.1	Impairment charges on loans and advances	36,732	58,524
10.1	Release of provision on loans and advances	(5,300)	-
10.2	Impairment charges on Islamic financing and investing assets	9,433	22,317
	Net movement in provision for employees' end of service benefits	1,099	125
		<u>77,205</u>	<u>97,763</u>
<b>Changes in working capital:</b>			
	Loans and advances	(194,720)	(49,170)
	Islamic financing and investing assets	(5,777)	(12,884)
	Interest receivable and other assets	(64,485)	(13,116)
	Assets held for sale	(4,829)	-
	Customers' deposits and margin accounts	(195,419)	(311,338)
	Interest payable and other liabilities	66,147	16,343
	Liabilities held for sale	2,783	-
	<b>Net cash outflow from operating activities</b>	<u>(319,095)</u>	<u>(272,402)</u>
<b>Cash flows from investing activities</b>			
	Purchase of investments carried at fair value through other comprehensive income	(69,366)	(55,334)
	Proceeds from sale of investments carried at fair value through other comprehensive income	16,817	60,905
	Purchase of investments carried at fair value through profit or loss	(180,132)	(76,838)
	Proceeds from sale investments carried at fair value through profit or loss	182,143	115,715
	Purchase of investments carried at amortised cost	(29,390)	(44,096)
	Proceeds from sale of investments carried at amortised cost	71,728	65,058
	Purchase of property, fixtures and equipment	(4,036)	(5,592)
	Dividends received	27,275	17,784
	<b>Net cash inflow from investing activities</b>	<u>15,039</u>	<u>77,602</u>

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

### Condensed consolidated interim statement of cash flows (continued)

	Note	<b>Nine months ended 30 September</b>	
		<b>2017</b>	<b>2016</b>
		<b>AED'000</b>	<b>AED'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Cash flow from financing activities</b>			
Short term borrowings		104,085	(159,822)
Medium term loan		62,500	(37,500)
Directors' remuneration paid		(2,076)	(5,371)
Dividends paid		(18,170)	(30,945)
Movement in Tier 1 Sukuk held by Subsidiaries		(2,150)	(3,150)
Tier 1 Sukuk coupon paid		(16,875)	(16,853)
Purchase of treasury shares		(8,815)	(815)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>118,499</b>	<b>(254,456)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(185,557)</b>	<b>(449,256)</b>
Cash and cash equivalents, at beginning of the period		737,608	1,206,138
<b>Cash and cash equivalents at end of the period</b>	8	<b>552,051</b>	<b>756,882</b>

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

### **Notes to condensed consolidated interim financial statements for the period ended 30 September 2017**

#### **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. (2) of 2015 (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 Sharjah and Al Ain 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.

#### **2 Basis of preparation**

##### **Statement of compliance**

The condensed consolidated interim financial statements for the nine months ended 30 September 2017 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 2016.

##### **Significant accounting policies**

The accounting policies and methods of computation applied by the Group in the condensed consolidated interim 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 2016.

This condensed consolidated interim 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 condensed interim financial information.

This condensed consolidated interim financial statements was approved on behalf of the Board of Directors on 02 November 2017.

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

### Notes to condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)

#### 2 Basis of preparation (continued)

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

##### 2.1.1 New and revised IFRSs effective for accounting periods beginning 1 January 2017 (continued)

<p><b>Amendment to IAS 16, ‘Property, plant and equipment’ and IAS 38, ‘Intangible assets’ regarding depreciation and amortisation.</b></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"><li>• 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.</li></ul>	1 January 2017
<p><b>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</b></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 2017

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

### Notes to condensed consolidated interim financial statements for the period ended 30 September 2017

#### 2 Basis of preparation (continued)

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

##### 2.1.1 New and revised IFRSs effective for accounting periods beginning 1 January 2017 (continued)

<b>Annual improvements 2014</b>	1 July 2017
<p>These annual improvements amend standards from the 2012 - 2014 reporting cycle. It includes changes to:</p> <ul style="list-style-type: none"><li>• 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.</li><li>• 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.</li><li>• 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.</li></ul>	

There is no impact of these new and revised IFRS on the interim financial statements of the Group.

There are no other IFRSs that were effective for the first time for the financial year beginning January 2017 that had a material impact on the Group's condensed consolidated interim financial statements.

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

### Notes to condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)

#### 2 Basis of preparation (continued)

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

##### 2.1.2 Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2018 and not early adopted

<p><b>IFRS 15, 'Revenue from contracts with customers'</b></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 2018
<p><b>IFRS 9, 'Financial instruments'</b></p> <p>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&amp;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.</p>	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.

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

### Notes to condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)

#### 2 Basis of preparation (continued)

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

##### 2.1.2 Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2018 and not early adopted (continued)

<b>IFRS 16, 'Leases'</b>	
<p>IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases. The accounting for lessors will not significantly change.</p> <p>Impact: The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of AED Nil, however, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.</p> <p>Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.</p>	<p>Mandatory application date/ Date of adoption by group: Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.</p>

The Group has early adopted IFRS 9 effective in 2010 with regards to the financial assets classification and measurement and is also considering 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 condensed consolidated interim 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 2017.

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 2017 that would be expected to have a material impact on the condensed consolidated interim financial statements of the Group.

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

### Notes to condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)

#### 2 Basis of preparation (continued)

##### 2.2 Basis of consolidation

The condensed consolidated interim 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 condensed consolidated interim financial information 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 September 2017	31 December 2016	
Third Vision Investment L.L.C.	U.A.E.	-	100	Management
National Project House L.L.C.	U.A.E.	-	100	Construction
Benyan Development Company 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
Islamic Finance House P.J.S.C.	U.A.E.	100	100	Islamic financing 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

##### Transactions eliminated on consolidation

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



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

### **Notes to condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)**

#### **2 Basis of preparation (continued)**

##### **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 condensed consolidated interim income statement. Unrealised 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**

The Group has elected to apply IFRS 9 Financial Instruments as issued in July 2014, because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows.

##### ***Classification***

The Group classifies its financial assets in the following measurement categories:

- i. those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- ii. those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model for which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### ***Measurement***

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement.

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

### **Notes to condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)**

#### **2 Basis of preparation (continued)**

##### **Debt instruments**

Subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- i. **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Profit income from these financial assets is included in the consolidated income statement within net interest income.
- ii. **Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit income and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.
- iii. **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss statement within other gains/(losses) in the period in which it arises. Income from these financial assets is included in the consolidated income statement within net interest income.

##### **Equity instruments**

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Realised gain and losses on disposal of equity investments classified as fair value through other comprehensive income are reclassified to retained earnings. Dividends from such investments continue to be recognised in profit or loss as when the Group's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised in net income from investment in the income statement. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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

### **Notes to condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)**

#### **2 Basis of preparation (continued)**

##### **Derecognition**

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

##### **Financial liabilities**

Financial liabilities, including due to banks, medium term loan, short term borrowings, non-convertible sukuk, customers' deposits and margin deposits and accounts are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

##### **Receivables and other assets**

Receivables and other assets that have fixed or determinable payments that are not quoted in an active market are classified as receivables. Receivables are measured at amortised cost using the effective interest method, less any impairment. Income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### **Impairment of financial assets**

The Group assesses at each reporting date whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- i. Significant financial difficulty of the issuer or obligor;
- ii. A breach of contract, such as a default or delinquency in interest or principal payments;
- iii. It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- iv. The disappearance of an active market for that financial asset because of financial difficulties; or

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

### **Notes to condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)**

#### **2 Basis of preparation (continued)**

##### **Impairment of financial assets (continued)**

- v. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
- Adverse changes in the payment status of borrowers in the portfolio; and
  - National or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between Nine months and 12 months; in exceptional cases, longer periods are warranted.

The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective profit rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If an asset has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract.

For the purposes of a collective evaluation of impairment loss, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Group's internal grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

### **Notes to condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)**

#### **2 Basis of preparation (continued)**

##### **Impairment of financial assets (continued)**

When a financial asset is uncollectible, it is written off against the related allowance for impairment. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to financial assets are classified in "allowance for impairment of financial assets" charges whilst impairment charges relating to investment securities are classified in "Net gains/(losses) from investments carried at fair value through profit and loss". If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated income statement.

##### **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.

- i. Murabaha is stated at amortised cost less any provisions for impairment and deferred income.
- ii. Ijara's cost is measured and reported in the consolidated financial statements at a value not exceeding the cash equivalent value. The Ijara and purchase & leaseback are 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.

#### **3 Key accounting estimates and judgements**

The preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may therefore differ resulting in future changes in these estimates. In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2016.

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

### Notes to condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)

#### 4 Financial risk management

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2016.

#### 5 Net interest income and income from Islamic financing and investing assets

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Due from banks	1,887	2,177	5,615	5,995
Loans and advances	52,991	64,109	153,546	177,111
Income from Islamic financing and investing assets	4,763	5,789	13,903	18,693
Others	1,348	2,591	6,362	7,390
<b>Interest income and income from Islamic financing and investing assets</b>	<b>60,989</b>	<b>74,666</b>	<b>179,426</b>	<b>209,189</b>
Customers' deposits	(13,403)	(12,953)	(40,755)	(34,905)
Profit distributable to depositors	(692)	(780)	(2,240)	(2,156)
Due to banks	(4,604)	(3,022)	(11,190)	(7,829)
<b>Interest expense and profit distributable to depositors</b>	<b>(18,699)</b>	<b>(16,755)</b>	<b>(54,185)</b>	<b>(44,890)</b>
<b>Net interest income and income from Islamic financing and investing assets</b>	<b>42,290</b>	<b>57,911</b>	<b>125,241</b>	<b>164,299</b>

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

### Notes to condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)

#### 6 Net income/(loss) from investments

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
(Loss)/gain on disposal of investments carried at fair value through profit or loss	(3,531)	2,875	(6,172)	3,265
Change in fair value of investments carried at fair value through profit or loss	5,554	(5,162)	(15,408)	5,947
Dividends from investments carried at fair value through profit or loss	269	446	11,948	8,361
Net income/(loss) from investments carried at fair value through profit or loss	2,292	(1,841)	(9,632)	17,573
Dividend income from investments carried at fair value through other comprehensive income	1,733	1,350	15,327	9,423
Gain on disposal of investment carried at amortised cost	-	-	-	713
<b>Net income/(loss) from investments</b>	<b>4,025</b>	<b>(491)</b>	<b>5,695</b>	<b>27,709</b>

#### 7 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 at 30 September 2017, 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:

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Profit for the period attributable to equity holders of the parent (AED '000)	6,819	8,397	39,059	40,563
Less: Tier 1 Sukuk coupon paid	(5,625)	(5,625)	(16,875)	(16,853)
	<b>1,194</b>	<b>2,772</b>	<b>22,184</b>	<b>23,710</b>

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

### Notes to condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)

#### 7 Basic and diluted earnings per share (continued)

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Number of ordinary shares in issue ('000)	310,050	310,050	310,050	310,050
Less: Treasury shares ('000)	(9,400)	(3,231)	(9,400)	(3,231)
Less: Employees' share-based payment scheme ('000)	(1,750)	(1,750)	(1,750)	(1,750)
	<u>298,900</u>	<u>305,069</u>	<u>298,900</u>	<u>305,069</u>
Earnings per share (AED)	<u>0.00</u>	<u>0.01</u>	<u>0.07</u>	<u>0.08</u>

#### 8 Cash balances and due from banks

	30 September 2017 AED'000	31 December 2016 AED'000
<b>Cash balances</b>		
Cash in hand	12,992	7,388
Other cash balances*	6,000	6,000
	<u>18,992</u>	<u>13,388</u>
<b>Due from banks</b>		
Current and demand accounts	140,974	151,092
Fixed placements	165,509	260,309
Wakala deposits with banks and financial institutions	-	6,000
Call accounts	246,528	359,994
	<u>553,011</u>	<u>777,395</u>
Due to banks with original maturity of more than 3 months	(13,952)	(53,175)
Other restricted cash balances*	(6,000)	(6,000)
<b>Net cash and cash equivalents</b>	<u>552,051</u>	<u>731,608</u>

\*Other cash balances include restricted cash which represents deposits with insurance authority amounting to AED 6,000 thousand (2016: 6,000 thousand).



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

### Notes to condensed consolidated interim financial statements for the period ended 30 September 2017

#### 9 Investments

	Fair value through other comprehensive income AED'000	Fair value through profit or loss AED'000	Amortised cost AED'000	Total AED'000
<b>30 September 2017</b>				
Equity instruments:				
- Quoted	643,841	181,175		825,016
- Unquoted	94,536	-		94,536
Debt instruments:				
-Unquoted investments	-	-	86,231	86,231
Unquoted investments in managed funds	7,440	-	-	7,440
	<u>745,817</u>	<u>181,175</u>	<u>86,231</u>	<u>1,013,223</u>
Inside UAE	458,055	181,175	-	639,230
Outside UAE	287,762	-	86,231	373,993
	<u>745,817</u>	<u>181,175</u>	<u>86,231</u>	<u>1,013,223</u>
<b>31 December 2016</b>				
Equity instruments:				
- Quoted	603,196	202,243	-	805,439
- Unquoted	100,151	-	-	100,151
Debt instruments:				
- Quoted	-	2,523	-	2,523
- Unquoted instruments	-	-	128,569	128,569
Unquoted investment in managed funds	9,078	-	-	9,078
	<u>712,425</u>	<u>204,766</u>	<u>128,569</u>	<u>1,045,760</u>
Inside UAE	443,926	204,766	-	648,692
Outside UAE	268,499	-	128,569	397,068
	<u>712,425</u>	<u>204,766</u>	<u>128,569</u>	<u>1,045,760</u>

The fair value of investments carried at amortised cost at 30 September 2017 is AED 86,168 thousand (31 December 2016: 128,631 thousand).

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

### Notes to condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)

#### 10 Loans and advances and Islamic financing and investing assets

##### 10.1 Loans and advances

	30 September 2017 AED'000	31 December 2016 AED'000
Commercial loans	1,948,709	1,857,890
Retail finance	470,926	415,440
	<u>2,419,635</u>	<u>2,273,330</u>
Less: Allowance for impairment		
- Specific	(162,321)	(183,734)
- Collective	(40,497)	(36,067)
Loans and advances	<u>2,216,817</u>	<u>2,053,529</u>

The movement in the allowance for impairment of loans and advances during the period/year is as follows:

	30 September 2017 AED'000	31 December 2016 AED'000
At 1 January	219,801	225,947
Charge for the period/year	36,732	95,195
Release	(5,300)	-
Amounts written off	(48,415)	(101,341)
At 30 September/31 December	<u>202,818</u>	<u>219,801</u>

##### 10.2 Islamic financing and investing assets

	30 September 2017 AED'000	31 December 2016 AED'000
Commodity Murabaha	129,730	134,762
Covered card and drawings	66,154	56,959
Purchase and lease back	5,563	8,062
Ijarah	19,845	15,458
Others	2,922	3,196
Gross Islamic financing and investing assets	<u>224,214</u>	<u>218,437</u>
Less: Allowance for impairment		
- Specific	(44,165)	(34,898)
- Collective	(3,689)	(3,523)
Islamic financing and investing assets	<u>176,360</u>	<u>180,016</u>

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

### Notes to condensed consolidated interim financial statements for the period ended 30 September 2017

#### 10 Loans and advances and Islamic financing and investing assets (continued)

##### 10.2 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 September 2017 AED'000	31 December 2016 AED'000
At 1 January	38,421	11,846
Charge for the period/year	9,433	26,575
At 30 September/31 December	<u>47,854</u>	<u>38,421</u>

#### 11 Customers' deposits and margin accounts

	30 September 2017 AED'000	31 December 2016 AED'000
<b>Customers' deposits</b>		
Call and demand deposits	178,019	225,851
Time deposits	1,645,440	1,780,864
Wakala deposits	62,797	112,913
	<u>1,886,256</u>	<u>2,119,628</u>
Margin accounts	760,307	722,354
	<u>2,646,563</u>	<u>2,841,982</u>
Analysis of customers' deposits by sector is as follows:		
Government	620,210	528,485
Corporate	2,026,353	2,313,497
	<u>2,646,563</u>	<u>2,841,982</u>

Margin accounts represent cash margins collected from corporate customers against unfunded and funded credit facilities extended to them in the normal course of business.

#### 12 Share capital

	30 September 2017	31 December 2016
<b>Authorised, issued and fully paid</b>		
310.1million shares (2016: 310.1million shares) of AED 1 each (2016: AED 1 each)	<u>310,050</u>	<u>310,050</u>

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

### Notes to condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)

#### 13 Treasury shares

Treasury shares represent the cost of 9,400 thousand shares of the Company held by the Company and a subsidiary as at 30 September 2017 (31 December 2016: 4,452 thousand shares).

#### 14 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 at 30 September 2017 were AED 1,750 thousand (31 December 2016: AED 1,750 thousand).

#### 15 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:

	<b>30 September 2017 AED'000</b>	31 December 2016 AED'000
Letters of credit	170,024	161,195
Letters of guarantee	1,478,311	1,438,541
Capital commitments	4,199	24
Irrevocable commitments to extend credit	270,627	370,121
	<u>1,923,161</u>	<u>1,969,881</u>

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

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

### Notes to condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)

#### 16 Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Group, related parties, as defined in the IAS 24, include major shareholders of the Group, directors and officers of the Group and companies of which they are principal owners and key management personnel.

The period/year end balances in respect of related parties included in the condensed consolidated interim statement of financial position are as follows:

	<b>30 September 2017 AED'000</b>	31 December 2016 AED'000
<b>Loans and advances to customers</b>		
To key management staff	<u>528</u>	811
To members of board of directors	<u>9,286</u>	8,732
To others	<u>2,422</u>	4,035
<b>Customers' deposits</b>		
From others	<u>12,615</u>	13,704

The above-mentioned outstanding balances arose from the ordinary course of business. The interest rates charged to and by related parties are at normal commercial rates. Outstanding balances at the year-end are unsecured. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 30 September 2017, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (31 December 2016: nil).

The significant transactions included in the condensed consolidated interim financial information are as follows:

	<b>Nine month period ended 30 September</b>	
	<b>2017 AED'000</b>	2016 AED'000
<b>Interest and commission income</b>		
From key management	<u>16</u>	16
From board of directors	<u>312</u>	570
<b>Interest expense</b>		
To others	<u>80</u>	72
<b>Key management remuneration</b>		
Short term benefits (salaries, benefits and bonuses)	<u>16,905</u>	17,191

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

### **Notes to condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)**

#### **17 Other operating income**

Other operating income includes recoveries from previously written off loans amounting to AED 9,500 thousand (2016: Nil).

#### **18 Seasonality of results**

No income of a seasonal nature was recorded in the condensed consolidated interim income statement for the periods ended 30 September 2017 and 2016.

#### **19 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 condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)

#### 19 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
<b>30 September 2017</b>								
Operating income	133,575	60,386	15,985	-	10,089	22,037	-	242,072
Inter-segment revenues	31,551	(31,551)	-	-	-	-	-	-
Segmental results and profit (loss) from operations	31,667	31,429	(5,122)	-	3,467	(6,045)	(18,660)	36,736
Segmental assets	2,113,875	1,555,448	237,569	-	227,561	255,355	-	4,389,808
Segmental liabilities	2,082,208	917,851	154,348	-	147,416	164,740	-	3,466,563
<b>30 September 2016 (unaudited)</b>								
Operating income	149,068	75,413	19,097	6,075	8,604	14,830	-	273,087
Inter-segment revenues	(54,634)	54,634	-	-	-	-	-	-
Segmental results and profit (loss) from operations	49,117	67,565	(15,699)	2,194	2,101	(5,974)	(61,434)	37,870
Segmental assets	2,019,850	1,811,219	269,065	6,095	175,911	221,659	-	4,503,799
Segmental liabilities	1,970,733	1,151,113	177,829	16,646	100,405	124,352	-	3,541,078
<b>31 December 2016</b>								
Segmental assets	1,873,560	1,843,128	281,369	4,368	192,680	217,238	-	4,412,343
Segmental liabilities	1,827,277	1,184,613	192,883	16,334	116,002	121,482	-	3,458,591

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

### Notes to the condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)

#### 20 Fair value measurement

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy as at 30 September 2017:

	Date of valuation	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>Assets measured at fair value</b>					
Assets classified as held for sale					
for sale	21 December 2016	-	-	130,044	130,044
Liabilities classified as held for sale					
held for sale	20 December 2016	-	-	32,880	32,880
<b>At fair value through profit or loss</b>					
Quoted equities	30 September 2017	181,175	-	-	181,175
Quoted debt instruments	30 September 2017	-	-	-	-
		<u>181,175</u>	<u>-</u>	<u>-</u>	<u>181,175</u>
<b>At fair value through other comprehensive income</b>					
Quoted equities	30 September 2017	619,126	-	24,715	643,841
Unquoted equities	30 September 2017	-	10,558	83,978	94,536
Investment in managed funds	30 September 2017	-	7,440	-	7,440
		<u>643,841</u>	<u>17,998</u>	<u>83,978</u>	<u>745,817</u>
<b>Assets for which fair value is disclosed</b>					
Investment carried at amortised cost	30 September 2017	-	80,778	-	80,778

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy as at 31 December 2016:

	Date of valuation	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>Assets measured at fair value</b>					
Assets classified as held for sale					
for sale	21 December 2016	-	-	125,215	125,215
Liabilities classified as held for sale					
held for sale	21 December 2016	-	-	29,902	29,902
<b>At fair value through profit or loss</b>					
Quoted equities	31 December 2016	202,243	-	-	202,243
Quoted debt instruments	31 December 2016	2,523	-	-	2,523
		<u>204,766</u>	<u>-</u>	<u>-</u>	<u>204,766</u>
<b>At fair value through other comprehensive income</b>					
Quoted equities	31 December 2016	603,196	-	-	603,196
Unquoted equities	31 December 2016	-	12,846	87,305	100,151
Investment in managed funds	31 December 2016	-	9,078	-	9,078
	31 December 2016	<u>603,193</u>	<u>21,924</u>	<u>87,305</u>	<u>712,422</u>
<b>Assets for which fair value is disclosed</b>					
Investment carried at amortised cost	31 December 2016	-	128,631	-	128,631



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

### Notes to the condensed consolidated interim financial statements for the period ended 30 September 2017 (continued)

#### 20 Fair value measurement (continued)

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 equities, companies 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 companies, 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.

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	Price Earning Multiple Valuation Basis	PE Multiple	9– 11	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 there were a transfers into amount to AED 24,715 thousand Level 3 fair value measurements (2016: None).

#### 21 Legal proceedings

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 condensed consolidated interim financial information if disposed unfavorably.