

SHUAA Capital PSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION AND REVIEW REPORT
FOR THE THREE MONTH PERIOD ENDED
31 MARCH 2014

Report on Review of Interim Condensed Consolidated Financial Information

The Board of Directors
SHUAA Capital PSC
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of **SHUAA Capital PSC and its Subsidiaries** (the “**Group**”) as of 31 March 2014 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the period from 1 January 2014 to 31 March 2014, and a summary of significant accounting policies and other explanatory information. The Directors of the Group are responsible for the preparation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated 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 interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not presented fairly, in all material respects in accordance with IAS 34.

8 May 2014

Deloitte & Touche (M.E.)



Anis Sadek
Partner
Registration No. 521

SHUAA Capital rsc**Interim Consolidated Statement of Financial Position**

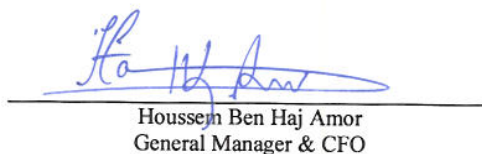
As at 31 March 2014

(In Thousands of U.A.E. Dirhams)

		31 March	31 December	31 March
		2014	2013	2013
	<i>Notes</i>	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
Assets				
Cash and deposits with banks	4	172,375	189,471	289,920
Receivables and other debit balances		20,008	24,064	17,173
Loans, advances and finance leases	5	882,700	856,756	635,156
Investments in SHUAA managed funds	6	229,673	211,908	171,852
Investments in third party associates	7	73,281	89,100	89,001
Other investments	8	27,277	36,472	41,927
Property and equipment		46,186	47,422	25,754
Goodwill		34,111	34,111	34,111
Total Assets		1,485,611	1,489,304	1,304,894
Liabilities				
Due to banks	9	245,496	258,181	79,479
Payables and other credit balances		113,086	117,671	123,153
Total Liabilities		358,582	375,852	202,632
Equity				
Share capital		1,065,000	1,065,000	1,065,000
Treasury shares	10	-	(14,458)	(14,458)
Employee long term incentive plan shares	11	(95,772)	(95,772)	(86,603)
Statutory reserve		198,277	198,277	197,994
Accumulated losses		(42,985)	(41,965)	(62,407)
Investment revaluation reserve	12	2,201	2,140	2,526
Translation reserve		(239)	(309)	(309)
Equity attributable to the shareholders of the Parent		1,126,482	1,112,913	1,101,743
Non controlling interests		547	539	519
Total Equity		1,127,029	1,113,452	1,102,262
Total Liabilities and Equity		1,485,611	1,489,304	1,304,894

The interim condensed consolidated financial information was approved by the Board of Directors on 8 May 2014.


Maktoum H. Al Maktoum
Executive Chairman


Houssein Ben Haj Amor
General Manager & CFO

The attached notes 1 to 22 form an integral part of this interim condensed consolidated financial information.

SHUAA Capital psc**Interim Consolidated Statement of Income**

For the period ended 31 March 2014

(In Thousands of U.A.E. Dirhams)

		<i>1 January to 31 March 2014 (3 months) Unaudited</i>	<i>1 January to 31 March 2013 (3 months) Unaudited</i>
	<i>Notes</i>		
Interest income		30,695	22,420
Net fees and commissions		15,763	6,710
Trading income/(loss)		(39)	-
Gains from investments in SHUAA managed funds - net	13	17,765	7,036
Total revenues		64,184	36,166
General and administrative expenses		(38,862)	(37,677)
Interest expense		(4,177)	(1,712)
Depreciation		(1,688)	(1,272)
Provisions - net		(2,991)	1,509
Total expenses		(47,718)	(39,152)
Net profit/(loss) before losses from other investments		16,466	(2,986)
Losses from other investments, including third party associates	14	(8,215)	(2,914)
Profit/(loss) for the period		8,251	(5,900)
Attributable to:			
Equity holders of the Parent		8,243	(5,902)
Non controlling interests		8	2
		8,251	(5,900)
Earnings/(loss) per share (in AED)	15	0.008	(0.006)

The attached notes 1 to 22 form an integral part of this interim condensed consolidated financial information.

SHUAA Capital psc**Interim Consolidated Statement of Comprehensive Income**

For the period ended 31 March 2014

(In Thousands of U.A.E. Dirhams)

	<i>1 January to 31 March 2014 (3 months) Unaudited</i>	<i>1 January to 31 March 2013 (3 months) Unaudited</i>
Profit/(loss) for the period	8,251	(5,900)
Other comprehensive income		
<i>Items that will be reclassified subsequently to profit or loss:</i>		
Net revaluation reserve movement on:		
- Other investments	61	1,542
Share of other comprehensive income of associates	-	(96)
Exchange differences on translation of foreign operations	70	(8)
Other comprehensive income for the period	131	1,438
Total comprehensive income/(loss) for the period	8,382	(4,462)
Attributable to:		
Equity holders of the Parent	8,374	(4,463)
Non controlling interests	8	1
	8,382	(4,462)

SHUAA Capital psc**Interim Consolidated Statement of Cash Flows**

For the period ended 31 March 2014

(In Thousands of U.A.E. Dirhams)

	<i>1 January to 31 March 2014 (3 months) Unaudited</i>	<i>1 January to 31 March 2013 (3 months) Unaudited</i>
Cash flows from operating activities		
Profit/(loss) for the period	8,251	(5,900)
Adjustments for:		
Depreciation	1,688	1,272
Gains on investments in SHUAA managed funds	(17,765)	(7,036)
Losses from other investments, including third party associates	8,215	2,914
Share based payments charge	1,605	1,082
Provisions - net	2,991	(1,509)
Operating cash flows before changes in operating assets and liabilities	4,985	(9,177)
Changes in operating assets and liabilities:		
Decrease in receivables and other debit balances	10,618	4,396
Increase in loans, advances and finance leases	(33,918)	(71,265)
Decrease in payables and other credit balances	(2,530)	(13,538)
Net cash used in operating activities	(20,845)	(89,584)
Cash flows from investing activities		
Net proceeds from other investments	1,040	10,413
Capital distribution from associate	12,256	3,720
Net purchase of property and equipment	(452)	(1,110)
Net cash generated from investing activities	12,844	13,023
Cash flows from financing activities		
Decrease in due to banks	(12,685)	(56,840)
Proceeds from sale of treasury shares	3,590	-
Net cash used in financing activities	(9,095)	(56,840)
Net decrease in cash and cash equivalents	(17,096)	(133,401)
Foreign currency translation	-	4
Cash and cash equivalents at beginning of the period	189,471	423,317
Cash and cash equivalents at end of the period	172,375	289,920

The attached notes 1 to 22 form an integral part of this interim condensed consolidated financial information.

SHUAA Capital psc

Interim Consolidated Statement of Changes In Equity

For the period ended 31 March 2014

(In Thousands of U.A.E. Dirhams)

	Equity attributable to shareholders of the Parent								Non controlling interests	Total
	Share capital	Treasury shares	Employee long term incentive plan shares	Statutory reserve	Accumulated losses	Investment revaluation reserve	Translation reserve	Total		
Balance as of 1 January 2013 (Audited)	1,065,000	(14,458)	(86,603)	197,994	(57,587)	1,080	(302)	1,105,124	518	1,105,642
Total comprehensive loss for the period	-	-	-	-	(5,902)	1,446	(7)	(4,463)	1	(4,462)
Share based payments charge	-	-	-	-	1,082	-	-	1,082	-	1,082
Balance as of 31 March 2013 (Unaudited)	1,065,000	(14,458)	(86,603)	197,994	(62,407)	2,526	(309)	1,101,743	519	1,102,262

	Equity attributable to shareholders of the Parent								Non controlling interests	Total
	Share capital	Treasury shares	Employee long term incentive plan shares	Statutory reserve	Accumulated losses	Investment revaluation reserve	Translation reserve	Total		
Balance as of 1 January 2014 (Audited)	1,065,000	(14,458)	(95,772)	198,277	(41,965)	2,140	(309)	1,112,913	539	1,113,452
Total comprehensive income for the period	-	-	-	-	8,243	61	70	8,374	8	8,382
Share based payments charge	-	-	-	-	1,605	-	-	1,605	-	1,605
Sale of treasury shares	-	14,458	-	-	(10,868)	-	-	3,590	-	3,590
Balance as of 31 March 2014 (Unaudited)	1,065,000	-	(95,772)	198,277	(42,985)	2,201	(239)	1,126,482	547	1,127,029

The attached notes 1 to 22 form an integral part of this interim condensed consolidated financial information.

SHUAA Capital psc

Notes to the Interim Condensed Consolidated Financial Information

For the period ended 31 March 2014

(In Thousands of U.A.E. Dirhams)

1. LEGAL STATUS AND ACTIVITIES

SHUAA Capital psc (the “Company” or the “Parent”) is a public shareholding company established in Dubai, United Arab Emirates, pursuant to Emiri Decree No. 6 of 25 April 1979 and in accordance with the Federal Law No. (8) of 1984 (as amended). The registered address of the Company is P.O. Box 31045, Dubai, United Arab Emirates. The Company’s shares are traded on the Dubai Financial Market in the United Arab Emirates.

The Company is licensed by the Central Bank of the United Arab Emirates to conduct services as a financial investment company and a banking, finance and investment advisor pursuant to the Central Bank Board of Directors Resolution 164/8/94 and as a financial and monetary intermediary pursuant to the Central Bank Board of Directors Resolution 126/5/95.

The Company and its subsidiaries (the “Group”) conduct a diversified range of investment and financial service activities strategy with special emphasis on the Arab region in general, the U.A.E. and the G.C.C. markets in particular and is actively involved in public and private capital markets in the region.

Details of the Company’s material subsidiaries as at 31 March 2014 are as follows:

Name	Country of incorporation	Principal activities	Holding 31 March 2014	Holding 31 December 2013
Gulf Finance Corporation PJSC	United Arab Emirates	Financing	100.0%	100.0%
Gulf Installments Company LLC	Saudi Arabia	Financing	100.0%	100.0%
SHUAA Capital International Limited	United Arab Emirates	Brokerage	100.0%	100.0%
SHUAA Asset Management Limited	United Arab Emirates	Private Equity/ Asset Management	100.0%	100.0%
SHUAA Securities LLC	United Arab Emirates	Brokerage	100.0%	100.0%
SHUAA Capital Saudi Arabia CJSC	Saudi Arabia	Financial services	99.6%	99.6%
SHUAA Securities Egypt SAE	Egypt	Brokerage	100.0%	100.0%
Asia for Economic Consultancy LLC	Jordan	Consultancy	94.3%	94.3%

2. SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group has been prepared in accordance with IAS 34, *Interim Financial Reporting*.

The interim condensed consolidated financial information is presented in thousands of United Arab Emirates Dirhams since that is the country in which the Parent is domiciled and the majority of the Group’s business is transacted.

The interim condensed consolidated financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments which are stated at their fair value.

The accounting policies adopted, methods of computation, critical accounting judgments and key sources of estimation uncertainty are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014, which are detailed below. The application of these new standards and interpretations did not have any material impact on the amounts reported for the current and prior periods.

IAS 32	<i>Amendments to IAS 32 Financial Instruments: Presentation</i>
IAS 36	<i>Amendments to IAS 36 Impairment of Assets: Recoverable amount disclosures</i>
IAS 39	<i>Amendments to IAS 39 Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRS 10, IFRS 12 & IAS 27	<i>Guidance on Investment Entities</i>

The Group has not applied any of the new and revised IFRS that have been issued but are not yet effective. The Group anticipates that these new standards will be adopted in the Group’s consolidated financial statements in the year of initial application and that the application of such standards may have significant impact on amounts reported in respect of the Group’s financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

(In Thousands of U.A.E. Dirhams)

2. SIGNIFICANT ACCOUNTING POLICIES - continued

The interim condensed consolidated financial information does not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements as at and for the year ended 31 December 2013. In addition, results for the three month period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2013.

All significant inter group company balances, income and expenses are eliminated on consolidation.

No income of a seasonal nature was recorded in the interim consolidated statement of income for the three month periods ended 31 March 2014 and 31 March 2013.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial assets recorded at fair value by level of the fair value hierarchy:

	<i>31 March 2014</i>			
	<i>Unaudited</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Investments in SHUAA managed funds				
Held at fair value through profit or loss	-	164,422	-	164,422
Other investments				
Held at fair value through profit or loss	-	2,094	6,997	9,091
Available for sale	-	42	14,471	14,513
	-	166,558	21,468	188,026
	<i>31 December 2013</i>			
	<i>Audited</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Investments in SHUAA managed funds				
Held at fair value through profit or loss	-	145,807	-	145,807
Other investments				
Held at fair value through profit or loss	-	2,318	12,233	14,551
Available for sale	-	42	15,268	15,310
	-	148,167	27,501	175,668

Financial assets recorded at fair value

The following is a description of the determination of fair value for financial instruments 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 instruments.

SHUAA Capital psc

Notes to the Interim Condensed Consolidated Financial Information

For the period ended 31 March 2014

(In Thousands of U.A.E. Dirhams)

3. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

Held at fair value through profit or loss

Held at fair value through profit or loss investments are valued using market prices in active markets or valuation techniques which incorporate data which is both observable and non-observable. This category includes quoted and unquoted securities and funds which invest in underlying assets which are in turn valued based on both observable and non-observable data. Observable inputs include market prices (from active markets), foreign exchange rates and movements in stock market indices. Unobservable inputs include assumptions regarding expected future financial performance, discount rates and market liquidity discounts.

Available for sale

Available for sale financial assets are valued using quoted prices in active markets, valuation techniques or pricing models and consist of quoted equities, unquoted equities and unquoted funds. These assets are valued using quoted prices or models which incorporate data which is both observable and non-observable. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Movements in level 3 financial assets measured at fair value

During the period, there were no transfers between level 1 through level 3.

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets which are recorded at fair value:

	<i>1 January to 31 March 2014</i>						
	<i>(3 months) Unaudited</i>						
	<i>Balance at</i>	<i>Gain/(loss)</i>	<i>Gain/(loss)</i>			<i>Transfers</i>	<i>Balance at</i>
	<i>1 January</i>	<i>through</i>	<i>through</i>	<i>Purchases</i>	<i>Sales</i>	<i>from/(to)</i>	<i>31 March</i>
	<i>2014</i>	<i>P&L</i>	<i>OCI</i>			<i>levels 1 & 2</i>	<i>2014</i>
Other investments							
Held at FVTPL	12,233	(5,236)	-	-	-	-	6,997
Available for sale	15,268	(461)	61	-	(397)	-	14,471
	27,501	(5,697)	61	-	(397)	-	21,468
	<i>1 January to 31 March 2013</i>						
	<i>(3 months) Unaudited</i>						
	<i>Balance at</i>	<i>Gain/(loss)</i>	<i>Gain/(loss)</i>			<i>Transfers</i>	<i>Balance at</i>
	<i>1 January</i>	<i>through</i>	<i>through</i>	<i>Purchases</i>	<i>Sales</i>	<i>from/(to)</i>	<i>31 March</i>
	<i>2013</i>	<i>P&L</i>	<i>OCI</i>			<i>levels 1 & 2</i>	<i>2013</i>
Other investments							
Held at FVTPL	13,472	3	-	-	-	-	13,475
Available for sale	11,603	-	1,542	-	-	-	13,145
	25,075	3	1,542	-	-	-	26,620

Gains and losses on level 3 financial assets included in the consolidated statement of income for the period are detailed as follows:

	<i>1 January to</i>	<i>1 January to</i>
	<i>31 March</i>	<i>31 March</i>
	<i>2014</i>	<i>2013</i>
	<i>(3 months)</i>	<i>(3 months)</i>
	<i>Unaudited</i>	<i>Unaudited</i>
Other investments		
Unrealised gains/(losses)	<u>(5,697)</u>	<u>3</u>

SHUAA Capital psc

Notes to the Interim Condensed Consolidated Financial Information

For the period ended 31 March 2014

(In Thousands of U.A.E. Dirhams)

3. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

Impact on fair value of level 3 financial assets measured at fair value of changes to key assumptions

The following table shows the impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions by class of instrument:

	31 March 2014		31 March 2013	
	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Other investments				
Held at fair value through profit or loss	6,997	1,749	13,475	3,369
Available for sale	14,471	2,894	13,145	2,629
	<u>21,468</u>	<u>4,643</u>	<u>26,620</u>	<u>5,998</u>

In order to determine reasonably possible alternative assumptions, the Group adjusted key unobservable models inputs as follows:

- For debt securities, the Group adjusted the probability of default and loss given default assumptions by increasing and decreasing the fair value of the instrument by 25%.
- For fund and equity investments, the Group adjusted the liquidity discount rate assumptions used in the valuation model within a range of reasonably possible alternatives. The extent of the adjustment varied according to the characteristics of each investment.

The fair values of the Group's financial instruments are not materially different from their carrying values.

4. CASH AND DEPOSITS WITH BANKS

Cash and deposits with banks include a fixed deposit of 21,500 (31 December 2013 – 21,500) with a local bank, which is held as collateral for the Central Bank of the U.A.E guarantee.

5. LOANS, ADVANCES AND FINANCE LEASES

Loans, advances and finance leases comprise the following:

	31 March 2014	31 December 2013
	Unaudited	Audited
Loans and advances	717,706	724,757
Finance leases	118,698	102,984
Margin lending	46,296	29,015
	<u>882,700</u>	<u>856,756</u>

(a) Loans and advances

	31 March 2014	31 December 2013
	Unaudited	Audited
Total loans and advances	778,787	789,412
Less: Cumulative allowance for impairment	(51,130)	(51,603)
Less: Interest in suspense	(9,951)	(13,052)
	<u>717,706</u>	<u>724,757</u>

SHUAA Capital psc

Notes to the Interim Condensed Consolidated Financial Information

For the period ended 31 March 2014

(In Thousands of U.A.E. Dirhams)

5. LOANS, ADVANCES AND FINANCE LEASES - continued

(b) Finance Leases

	31 March 2014 Unaudited	31 December 2013 Audited
Current finance lease receivables	52,316	43,083
Non-current finance lease receivables	66,895	60,106
Less: Allowances for uncollectible lease payments	(513)	(205)
	118,698	102,984

(c) Margin lending

The Group extends margins to clients for the purpose of trading in quoted securities. These advances are short term in nature and are secured by the underlying securities held in custody by the Group. As at 31 March 2014, these underlying securities were valued at 268,397 (31 December 2013 – 157,965). Provisions are made for the uncovered portion of margins. As at the end of the period, the cumulative provision is 57,572 (31 December 2013 – 57,575).

6. INVESTMENTS IN SHUAA MANAGED FUNDS

Investments in SHUAA managed funds consist of the following:

	31 March 2014 Unaudited	31 December 2013 Audited
Held at fair value through profit or loss	164,422	145,807
Associates	65,251	66,101
	229,673	211,908

Associates

The Group owns 28.8% (31 December 2013: 28.8%) of SHUAA Hospitality Fund I L.P., a closed ended private equity investment fund registered as an exempted limited partnership in the Cayman Islands. The principal purpose of this fund is to undertake direct or indirect investments in hospitality development projects and existing hospitality properties to be managed by Rotana Hotel Management Corporation LLC in the MENA region. As a consequence of cross investment holdings by this fund the Group indirectly own 27.5% (31 December 2013: 27.5%) of SHUAA Saudi Hospitality Fund I, a closed ended investment fund regulated by the Capital Markets Authority in Saudi Arabia. The principal purpose of the SHUAA Saudi Hospitality Fund I is to achieve long term capital growth through investing in hospitality related real estate in the Kingdom of Saudi Arabia.

The Group owns 35.5% (31 December 2013: 35.5%) of Frontier Opportunities Fund I L.P., a closed ended private equity investment fund registered as an exempted limited partnership in the Cayman Islands. The principal purpose of this fund is to undertake direct or indirect investments in the Levant region. The recoverable amount of this asset has been determined based on equity accounting net of an impairment provision.

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Notes to the Interim Condensed Consolidated Financial Information

For the period ended 31 March 2014

(In Thousands of U.A.E. Dirhams)

7. INVESTMENTS IN THIRD PARTY ASSOCIATES

The Group has the following investments in third party associates:

	31 March 2014 Unaudited	31 December 2013 Audited
U.A.E.	69,303	69,303
Other G.C.C.	3,978	19,797
	73,281	89,100

City Engineering LLC

The Group owns 40.0% (31 December 2013: 40.0%) of City Engineering LLC, a limited liability company based in Sharjah U.A.E. and engaged in contracting activities. The recoverable amount of this asset has been determined based on equity accounting net of an impairment provision.

Septech Holding Limited

Septech Holding Limited is a limited liability company, incorporated in Cayman Islands and based in Sharjah U.A.E., engaged in wastewater, water, marina and related infrastructure products and services. The Group owns 49.0% (31 December 2013: 49.0%) of Septech Holding Limited. The recoverable amount of this asset has been determined based on equity accounting.

Amwal

The Group owns 46.7% (31 December 2013: 46.7%) of Amwal, a Qatari closed shareholding company that was licensed by the Central Bank of Qatar to conduct investment banking and asset management activities in Qatar. Amwal is currently under liquidation and therefore the recoverable amount of this asset has been determined based on estimated exit value. During the period, the Group received 15,889 as interim distribution towards further reduction in share capital.

8. OTHER INVESTMENTS

Other investments comprise of the following:

	31 March 2014 Unaudited	31 December 2013 Audited
Investments held at fair value through profit or loss	9,091	14,551
Investments available for sale	14,513	15,310
Investments held to maturity	3,673	6,611
	27,277	36,472

a) Investments held at fair value through profit or loss

Investments held at fair value through profit or loss comprises of the following:

	31 March 2014 Unaudited	31 December 2013 Audited
Fund investments	2,035	2,259
Equity securities	34	34
Fixed income securities	7,022	12,258
	9,091	14,551

SHUAA Capital psc

Notes to the Interim Condensed Consolidated Financial Information

For the period ended 31 March 2014

(In Thousands of U.A.E. Dirhams)

8. OTHER INVESTMENTS - continued

b) Investments available for sale

Investments available for sale comprise of the following:

	<i>31 March 2014 Unaudited</i>	<i>31 December 2013 Audited</i>
Equity investments	2,911	2,911
Unquoted fund investments	11,602	12,399
	<u>14,513</u>	<u>15,310</u>

c) Investments held to maturity

Investments held to maturity comprise of the following:

	<i>31 March 2014 Unaudited</i>	<i>31 December 2013 Audited</i>
Fixed income securities	3,673	6,611

9. DUE TO BANKS

Due to banks comprise borrowings obtained from commercial banks in the ordinary course of business against the Group's established credit lines with those banks.

	<i>31 March 2014 Unaudited</i>	<i>31 December 2013 Audited</i>
Repayable within twelve months	168,564	176,598
Repayable after twelve months	76,932	81,583
	<u>245,496</u>	<u>258,181</u>

The Group's banking facilities carry EIBOR/SIBOR based floating interest/profit rates plus a spread ranging between 2.8% and 4.8%. Further, above include facilities of 107.6 million which are rolled over annually.

At 31 March 2014, letters of guarantee on behalf of the Group amounting to 63,782 (31 December 2013: 63,782) had been provided by the Group's bankers. These guarantees are a standard mechanism used within the region's banking structures and financial exchanges to facilitate activities. It is anticipated that no material liabilities will arise from these guarantees.

10. TREASURY SHARES

The Group held the following treasury shares at 31 March 2014:

	<i>31 March 2014 Unaudited</i>	<i>31 December 2013 Audited</i>
Number of treasury shares	-	3,500,000
Treasury share as percentage of total shares in issue	-	0.3%
Cost of treasury shares	-	14,458
Market value of treasury shares	-	3,605

During the period, the treasury shares were sold for AED 3,590. The difference between the cost and sale proceeds was adjusted against the accumulated losses.

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11. EMPLOYEE LONG TERM INCENTIVE PLAN SHARES

The following employee long term incentive plan shares were held in trust at 31 March 2014:

	31 March 2014 Unaudited	31 December 2013 Audited
Number of shares	42,098,004	42,098,004
Shares as percentage of total shares in issue	4.0%	4.0%
Cost of shares	95,772	95,772
Market value of shares	63,147	43,361

There was no movement in employee long term incentive plan shares during the period.

12. INVESTMENT REVALUATION RESERVE

	1 January to 31 March 2014 (3 months) Unaudited	1 January to 31 March 2013 (3 months) Unaudited
Available for sale investments		
Balance at beginning of the period	2,140	544
Net movement in fair values during the period	61	1,542
Balance at end of the period	2,201	2,086
Group's share of investment revaluation reserves in associates		
Balance at beginning of the period	-	536
Net movement in fair values during the period	-	(96)
Balance at end of the period	-	440
Total investment revaluation reserve	2,201	2,526

13. GAINS FROM INVESTMENTS IN SHUAA MANAGED FUNDS - NET

Gains and losses from SHUAA managed funds comprise of the following:

	1 January to 31 March 2014 (3 months) Unaudited	1 January to 31 March 2013 (3 months) Unaudited
Funds held at fair value through profit or loss	18,615	14,867
Associates	(850)	(7,831)
	17,765	7,036

(In Thousands of U.A.E. Dirhams)

14. LOSSES FROM OTHER INVESTMENTS, INCLUDING THIRD PARTY ASSOCIATES

Losses from other investments, including third party associates are detailed as follows:

	<i>1 January to 31 March 2014 (3 months) Unaudited</i>	<i>1 January to 31 March 2013 (3 months) Unaudited</i>
Third party associates	-	(2,848)
Other investments		
Held at fair value through profit or loss	(4,816)	(66)
Available for sale	(461)	-
Held to maturity	(2,938)	-
	<u>(8,215)</u>	<u>(2,914)</u>

15. EARNINGS PER SHARE

Basic earnings/(losses) per share have been computed using the net profit/(loss) attributable to the equity holders of the Parent 8,243 (31 March 2013: (5,902)) divided by the weighted average number of ordinary shares outstanding 1,065,000,000 (31 March 2013: 1,061,500,000).

Diluted earnings per share as of 31 March 2014 and 31 March 2013 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

16. RELATED PARTY TRANSACTIONS

The Group enters into transactions with companies and entities that fall within the definition of a related party. Related parties represent significant shareholders, directors and key management personnel of the Group, their close family members and entities controlled, jointly controlled or significantly influenced by such parties.

The nature of significant related party transactions and the amounts involved were as follows:

	<i>31 March 2014 Unaudited</i>	<i>31 December 2013 Audited</i>
Receivables and other debit balances		
Associates	157	107
Other related parties	162	169
Key management personnel	131	238
Loans and advances		
Associates	12,566	13,646
Investments in SHUAA managed funds	229,673	211,908
	<u>242,689</u>	<u>226,068</u>

Advances to key management personnel reflect sums advanced under the staff assistance program available to all employees for which no interest is charged.

	<i>31 March 2014 Unaudited</i>	<i>31 December 2013 Audited</i>
Payables and other credit balances		
Other related parties	-	3,632
	<u>-</u>	<u>3,632</u>

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16. RELATED PARTY TRANSACTIONS - continued

Transactions with related parties included in the interim consolidated statement of income are as follows:

	<i>1 January to 31 March 2014 (3 months) Unaudited</i>	<i>1 January to 31 March 2013 (3 months) Unaudited</i>
Gains/(losses) from investments in SHUAA managed funds		
Associates	(850)	(7,831)
Other related parties	18,615	14,867
Fees and commission income		
Other related parties	708	511
	<u>18,473</u>	<u>7,547</u>

Compensation of the key management personnel is as follows:

	<i>1 January to 31 March 2014 (3 months) Unaudited</i>	<i>1 January to 31 March 2013 (3 months) Unaudited</i>
Short term employee benefits	9,392	8,703
Share based payments charge	1,605	2,106
	<u>10,997</u>	<u>10,809</u>

17. SEGMENTAL INFORMATION

For management purposes, the Group is organised into five operating segments, all of which are based on business units.

Asset Management manages investment portfolios and funds in regional equities, fixed income and credit markets. Equities products span across fourteen regional stock exchanges. SHUAA Asset Management offers regional and foreign investors gateways for investment in the GCC and Arab stock markets. SHUAA Asset Management manages conventional equity and Shariah compliant portfolios and investment funds using both active and passive management styles. It also manages private equity funds. SHUAA Credit is developing asset management products that provide access to attractive regional credit investment and lending opportunities for sophisticated institutional investors, private families and high net worth investors.

Investment Banking provides corporate finance advisory, private placements, public offerings of equity and debt securities, mergers, acquisitions, divestitures, spinoffs, syndications and structured products. SHUAA Credit provides debt advisory services including structuring and execution of innovative liquidity and financing solutions for regional corporate clients and family businesses.

Capital Markets provides sales and trading access to global markets for SHUAA's institutional and high net worth client base. Through Capital Markets, clients gain access to global equities and fixed income, primary issues as well as OTC derivatives, and liquidity through an extensive network of local and international counterparties. The Capital Markets Division is complemented by Investment Research which produces sectoral research coverage on listed companies across the GCC with emphasis on the UAE and Saudi equities.

Lending activities are conducted by Gulf Finance Corporation and Gulf Installments Company, which are primarily engaged in asset-based lending with a primary focus on Small and Medium Enterprises finance.

Corporate manages future corporate development and controls all cash and shared service expenses related to the Group. All proprietary investments are incubated within this business segment which also comprises strategy and business development, legal and compliance, finance, treasury, operations, risk management, investor relations, marketing communications and human resources.

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17. SEGMENTAL INFORMATION - continued

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

The following tables present consolidated financial information regarding the Group's business segments.

	1 January 2014 to 31 March 2014					Total
	(3 months) Unaudited					
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	
Interest income	49	-	353	29,188	1,105	30,695
Net fees and commissions	4,752	6,400	3,030	1,581	-	15,763
Trading income/(loss)	-	-	(39)	-	-	(39)
Gains from investments in SHUAA managed funds - net	-	-	-	-	17,765	17,765
Total revenues	4,801	6,400	3,344	30,769	18,870	64,184
General & administrative expenses	(1,669)	(3,420)	(1,968)	(10,764)	(21,041)	(38,862)
Interest expenses	-	(518)	-	(3,659)	-	(4,177)
Depreciation	-	-	(5)	(1,212)	(471)	(1,688)
Provisions - net	-	5,560	176	(7,765)	(962)	(2,991)
Total expenses	(1,669)	1,622	(1,797)	(23,400)	(22,474)	(47,718)
Net profit/(loss) before losses from other investments	3,132	8,022	1,547	7,369	(3,604)	16,466
Losses from other investments	-	-	-	-	(8,215)	(8,215)
Profit/(loss) for the period	3,132	8,022	1,547	7,369	(11,819)	8,251
Attributable to:						
Equity holders of the Parent	3,132	8,022	1,547	7,369	(11,827)	8,243
Non controlling interests	-	-	-	-	8	8
	3,132	8,022	1,547	7,369	(11,819)	8,251

	31 March 2014 Unaudited					Total
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	
Assets	8,570	488	17,886	939,007	519,660	1,485,611
Liabilities	137	-	1,823	276,265	80,357	358,582

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17. SEGMENTAL INFORMATION - continued

	1 January 2013 to 31 March 2013 (3 months) Unaudited					Total
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	
Interest income	57	-	276	20,311	1,776	22,420
Net fees and commissions	4,090	148	1,827	590	55	6,710
Trading income	-	-	-	-	-	-
Gains from investments in SHUAA managed funds - net	-	-	-	-	7,036	7,036
Total revenues	4,147	148	2,103	20,901	8,867	36,166
General & administrative expenses	(2,245)	(1,014)	(3,182)	(11,669)	(19,567)	(37,677)
Interest expenses	-	-	-	(1,595)	(117)	(1,712)
Depreciation	-	-	(13)	(738)	(521)	(1,272)
Provisions - net	-	-	2,959	(4,315)	2,865	1,509
Total expenses	(2,245)	(1,014)	(236)	(18,317)	(17,340)	(39,152)
Net profit/(loss) before losses from other investments	1,902	(866)	1,867	2,584	(8,473)	(2,986)
Losses from other investments	-	-	-	-	(2,914)	(2,914)
Profit/(loss) for the period	1,902	(866)	1,867	2,584	(11,387)	(5,900)
Attributable to:						
Equity holders of the Parent	1,902	(866)	1,867	2,584	(11,389)	(5,902)
Non controlling interests	-	-	-	-	2	2
	1,902	(866)	1,867	2,584	(11,387)	(5,900)

	31 December 2013 Audited					Total
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	
Assets	7,456	4,157	15,860	941,843	519,988	1,489,304
Liabilities	20	-	832	285,556	89,444	375,852

The revenue reported above represents revenue generated from external customers only.

The accounting policies of each of the reportable segments are consistent with those of the Group.

Certain comparative numbers as of 31 March 2013 and 31 December 2013 have been reclassified between segments in order to correspond to the changes in the internal reporting to management.

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18. GEOGRAPHICAL SEGMENTATION

The Group's assets, before considering collateral held or other credit enhancements can be analysed by the following geographical regions:

	UAE	GCC Other	MENA Other	North America	Europe	Asia Other	Total
Cash and deposits with banks	120,985	43,113	3,935	4,208	134	-	172,375
Receivables and other debit balances	12,370	5,397	693	-	1,138	410	20,008
Loans, advances and finance leases	721,676	148,374	12,635	-	-	15	882,700
Investments in SHUAA managed funds	71,286	158,387	-	-	-	-	229,673
Investments in third party associates	69,302	3,979	-	-	-	-	73,281
Other investments	505	23,581	1,144	2,035	12	-	27,277
Property and equipment	45,493	606	87	-	-	-	46,186
Goodwill	34,111	-	-	-	-	-	34,111
Total Assets - 31 March 2014	1,075,728	383,437	18,494	6,243	1,284	425	1,485,611
Total Assets - 31 December 2013	1,100,834	353,731	28,002	5,775	407	555	1,489,304
Total Assets – 31 March 2013	977,330	299,076	21,017	5,275	2,170	26	1,304,894

19. MATURITY PROFILE

The maturity profile of assets and liabilities as of 31 March 2014, determined on the basis of the remaining contractual maturity. Where assets have no contractual maturity date (*), management have made an estimate of the maturity date based on the liquidity of the asset and their intention.

	Less than 3 Months	3-12 Months	Sub total Less than a year	1-5 Years	Over 5 years	Grand total
Cash and deposits with banks	150,875	21,500	172,375	-	-	172,375
Receivables and other debit balances	9,943	7,068	17,011	2,997	-	20,008
Loans, advances and finance leases	164,918	222,683	387,601	495,099	-	882,700
Investments in SHUAA managed funds*	-	71,286	71,286	158,387	-	229,673
Investments in third party associates*	-	45,035	45,035	28,246	-	73,281
Other investments*	-	23,683	23,683	3,594	-	27,277
Property and equipment*	-	-	-	46,186	-	46,186
Goodwill*	-	-	-	-	34,111	34,111
Total Assets	325,736	391,255	716,991	734,509	34,111	1,485,611
Due to banks	56,907	111,657	168,564	76,932	-	245,496
Payables and other credit balances	71,370	34,486	105,856	7,230	-	113,086
Equity	-	-	-	-	1,127,029	1,127,029
Total Liabilities and Equity	128,277	146,143	274,420	84,162	1,127,029	1,485,611
Net liquidity gap	197,459	245,112	442,571	650,347	(1,092,918)	-
Cumulative liquidity gap	197,459	442,571	442,571	1,092,918	-	-

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20. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

	<i>31 March 2014 Unaudited</i>	<i>31 December 2013 Audited</i>
Contingent liabilities	<u>420</u>	<u>9,920</u>

Contingent liabilities mainly comprise of guarantees issued and are regarded as unlikely to crystallise as a liability.

	<i>31 March 2014 Unaudited</i>	<i>31 December 2013 Audited</i>
Commitments		
SHUAA managed funds	<u>69,403</u>	<u>69,403</u>

21. DERIVATIVES

	<i>31 March 2014 Unaudited</i>			<i>31 December 2013 Audited</i>		
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional Amount</i>	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional Amount</i>
Held at fair value through profit or loss	<u>1,138</u>	<u>(1,138)</u>	<u>112,239</u>	<u>112</u>	<u>(112)</u>	<u>64,690</u>

Derivatives with positive fair value and negative fair value are included in 'receivables and other debit balances' and 'payables and other credit balances' respectively. These instruments are executed at the request of clients of the Group and are back to back arrangements.

22. CLIENTS' FUNDS UNDER MANAGEMENT

The Group is licensed as a financial services company regulated by the Central Bank of the United Arab Emirates. At 31 March 2014, clients' assets amounting to 3.5 billion (31 December 2013: 3.2 billion) were managed in a fiduciary capacity, without risk or recourse to the Group. These funds are off balance sheet items and do not constitute part of the Group's assets.