

SHUAA Capital PSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION AND REVIEW REPORT
FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2016

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 30 June 2016 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the six month period then ended. The Directors of the Group are responsible for the preparation and presentation 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 prepared, in all material respects in accordance with IAS 34.

Deloitte & Touche (M.E.)



Samir Madbak
Registration No. 386
13 August 2016


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

As at 30 June 2016

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

		<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
		<i>2016</i>	<i>2015</i>	<i>2015</i>
	<i>Notes</i>	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
<u>Assets</u>				
Cash and deposits with banks	4	340,857	262,674	281,987
Receivables and other debit balances		32,131	35,315	34,697
Loans, advances and finance leases	5	790,250	959,264	1,024,683
Investments in SHUAA managed funds	6	166,446	201,845	216,440
Investments in third party associates	7	52,288	54,248	64,531
Other investments	8	27,458	46,085	57,706
Property and equipment		39,618	40,623	39,589
Goodwill		-	-	34,111
Total Assets		<u>1,449,048</u>	<u>1,600,054</u>	<u>1,753,744</u>
<u>Liabilities</u>				
Due to banks	9	415,104	453,374	482,926
Payables and other credit balances		153,865	185,192	122,367
Total Liabilities		<u>568,969</u>	<u>638,566</u>	<u>605,293</u>
<u>Equity</u>				
Share capital		1,065,000	1,065,000	1,065,000
Employee long term incentive plan shares	10	(5,341)	(10,790)	(10,790)
Statutory reserve	21	-	200,861	200,861
Accumulated losses	21	(179,131)	(296,211)	(106,745)
Investment revaluation reserve	11	(299)	2,781	132
Translation reserve		(225)	(228)	(228)
Equity attributable to the shareholders of the Parent		<u>880,004</u>	<u>961,413</u>	<u>1,148,230</u>
Non controlling interests		75	75	221
Total Equity		<u>880,079</u>	<u>961,488</u>	<u>1,148,451</u>
Total Liabilities and Equity		<u>1,449,048</u>	<u>1,600,054</u>	<u>1,753,744</u>

The interim condensed consolidated financial information was approved by the Board of Directors on 13 August 2016.



Abdulrahman Al Nareb
Chairman



Houssein Ben Haj Amor
General Manager

The attached notes 1 to 21 form an integral part of this interim condensed consolidated financial information.

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

For the period ended 30 June 2016

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

		<i>1 April to 30 June 2016 (3 months) Unaudited</i>	<i>1 January to 30 June 2016 (6 months) Unaudited</i>	<i>1 April to 30 June 2015 (3 months) Unaudited</i>	<i>1 January to 30 June 2015 (6 months) Unaudited</i>
Interest income		33,922	72,737	37,966	71,015
Net fees and commissions		9,566	23,941	9,416	19,051
Trading income		292	416	905	1,276
Gains/(losses) from investments in SHUAA managed funds	12	806	(7,040)	11,397	12,382
Total revenues		44,586	90,054	59,684	103,724
General and administrative expenses		(30,516)	(63,520)	(36,012)	(67,827)
Interest expense		(7,509)	(14,946)	(4,757)	(8,733)
Depreciation		(2,362)	(4,794)	(2,394)	(4,621)
Provisions - net		(54,515)	(88,585)	(13,300)	(19,540)
Total expenses		(94,902)	(171,845)	(56,463)	(100,721)
Net (loss)/profit before (losses)/gains from other investments		(50,316)	(81,791)	3,221	3,003
(Losses)/gains from other investments, including investments in third party associates	13	(510)	3,459	(1,530)	(2,883)
(Loss)/profit for the period		(50,826)	(78,332)	1,691	120
Attributable to:					
Equity holders of the Parent		(50,826)	(78,332)	1,691	123
Non controlling interests		-	-	-	(3)
		(50,826)	(78,332)	1,691	120
(Loss)/earnings per share (in AED)	14	(0.048)	(0.074)	0.002	0.000

The attached notes 1 to 21 form an integral part of this interim condensed consolidated financial information.

SHUAA Capital psc

Interim Consolidated Statement of Comprehensive Income

For the period ended 30 June 2016

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

	<i>1 April to 30 June 2016 (3 months) Unaudited</i>	<i>1 January to 30 June 2016 (6 months) Unaudited</i>	<i>1 April to 30 June 2015 (3 months) Unaudited</i>	<i>1 January to 30 June 2015 (6 months) Unaudited</i>
(Loss)/profit for the period	(50,826)	(78,332)	1,691	120
Other comprehensive income/(loss)				
<i>Items that will be reclassified subsequently to profit or loss:</i>				
Net revaluation reserve movement on:				
- other investments	-	(2,781)	(47)	(64)
- investments in SHUAA managed funds	(77)	(299)	-	-
Exchange differences on translation of foreign operations	(9)	3	3	(8)
Other comprehensive loss for the period	(86)	(3,077)	(44)	(72)
Total comprehensive (loss)/income for the period	(50,912)	(81,409)	1,647	48
Attributable to:				
Equity holders of the Parent	(50,912)	(81,409)	1,646	52
Non controlling interests	-	-	1	(4)
	(50,912)	(81,409)	1,647	48

The attached notes 1 to 21 form an integral part of this interim condensed consolidated financial information.

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

For the period ended 30 June 2016

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

	<i>1 January to 30 June 2016 (6 months) Unaudited</i>	<i>1 January to 30 June 2015 (6 months) Unaudited</i>
	<i>Notes</i>	
Cash flows from operating activities		
(Loss)/profit for the period	(78,332)	120
Adjustments for:		
Depreciation	4,794	4,621
Losses/(gains) on investments in SHUAA managed funds	7,040	(12,382)
(Gains)/losses from other investments, including third party associates	(3,459)	2,883
Share based payments charge	-	914
Provisions - net	88,585	19,540
Operating cash flows before changes in operating assets and liabilities	18,628	15,696
Changes in operating assets and liabilities:		
Decrease/(increase) in receivables and other debit balances	696	(8,551)
Decrease/(increase) in loans, advances and finance leases	81,806	(194,983)
Decrease in payables and other credit balances	(30,218)	(2,664)
Net redemption from SHUAA managed funds	28,060	-
Net cash generated from/(used in) operating activities	98,972	(190,502)
Cash flows from investing activities		
Net proceeds from sale/(purchase) of other investments	12,123	(37,251)
Dividend distribution from associates	1,960	-
Net purchase of property and equipment	(3,789)	(3,266)
Net cash generated from/(used in) investing activities	10,294	(40,517)
Cash flows from financing activities		
(Decrease)/increase in due to banks	(38,270)	147,694
Net cash (used) in/ generated from financing activities	(38,270)	147,694
Net increase/(decrease) in cash and cash equivalents	70,996	(83,325)
Foreign currency translation	9	(8)
Cash and cash equivalents at beginning of the period	238,195	340,841
Cash and cash equivalents at end of the period	4 309,200	257,508

The attached notes 1 to 21 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 30 June 2016

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

	Equity attributable to shareholders of the Parent								
	<i>Share capital</i>	<i>Employee long term incentive plan shares</i>	<i>Statutory reserve</i>	<i>Accumulated losses</i>	<i>Investment revaluation reserve</i>	<i>Translation reserve</i>	<i>Total</i>	<i>Non controlling interests</i>	<i>Total</i>
Balance as of 1 January 2015 (Audited)	1,065,000	(36,896)	200,861	(81,676)	196	(221)	1,147,264	225	1,147,489
Total comprehensive income/(loss) for the period	-	-	-	123	(64)	(7)	52	(4)	48
Share based payments charge	-	-	-	914	-	-	914	-	914
Net movement in employee long term incentive plan shares	-	26,106	-	(26,106)	-	-	-	-	-
Balance as of 30 June 2015 (Unaudited)	1,065,000	(10,790)	200,861	(106,745)	132	(228)	1,148,230	221	1,148,451

	Equity attributable to shareholders of the Parent								
	<i>Share capital</i>	<i>Employee long term incentive plan shares</i>	<i>Statutory reserve</i>	<i>Accumulated losses</i>	<i>Investment revaluation reserve</i>	<i>Translation reserve</i>	<i>Total</i>	<i>Non controlling interests</i>	<i>Total</i>
Balance as of 1 January 2016 (Audited)	1,065,000	(10,790)	200,861	(296,211)	2,781	(228)	961,413	75	961,488
Total comprehensive (loss)/income for the period	-	-	-	(78,332)	(3,080)	3	(81,409)	-	(81,409)
Accumulated losses offset (note 21)	-	-	(200,861)	200,861	-	-	-	-	-
Net movement in employee long term incentive plan shares (note 10)	-	5,449	-	(5,449)	-	-	-	-	-
Balance as of 30 June 2016 (Unaudited)	1,065,000	(5,341)	-	(179,131)	(299)	(225)	880,004	75	880,079

The attached notes 1 to 21 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 30 June 2016

(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. (2) of 2015 (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 (together 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 30 June 2016 are as follows:

Name	Country of incorporation	Principal activities	Holding 30 June 2016	Holding 31 December 2015
Gulf Finance Corporation PJSC	United Arab Emirates	Financing	100.0%	100.0%
Gulf Finance Corporation CJSC	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	100.0%	100.0%
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 convention as modified for the measurement at fair value of certain financial instruments.

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 2015, except for the adoption of new standards effective as of 1 January 2016, which are detailed below. The application of the new standards did not have any material impact on the amounts reported for the current and prior periods.

	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets clarify the acceptable methods of depreciation and amortisation.	1 January 2016
Amendments to IFRS 11 Joint Arrangements clarify accounting for acquisitions of Interests in Joint Operations.	1 January 2016
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	1 January 2016

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Notes to the Interim Condensed Consolidated Financial Information

For the period ended 30 June 2016

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

	<u>Effective for annual periods beginning on or after</u>
<i>Amendments to IAS 27 Separate Financial Statements allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.</i>	1 January 2016
<i>Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.</i>	1 January 2016
<i>Amendments to IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgment in presenting their financial reports.</i>	1 January 2016
<i>Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.</i>	1 January 2016

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 (i.e. IFRS 9, IFRS 15 and IFRS 16) 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.

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 2015. In addition, results for the six month period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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 2015.

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 six month periods ended 30 June 2016 and 30 June 2015.

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:

	30 June 2016			
	Unaudited			
	Level 1	Level 2	Level 3	Total
Investments in SHUAA managed funds				
Held at fair value through profit or loss	-	79,070	-	79,070
Available for sale	-	15,861	-	15,861
Other investments				
Held at fair value through profit or loss	16,460	659	945	18,064
Available for sale	-	33	9,361	9,394
	16,460	95,623	10,306	122,389
<i>Financial liabilities</i>				
Held at fair value through profit or loss	(2,739)	-	-	(2,739)

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Notes to the Interim Condensed Consolidated Financial Information

For the period ended 30 June 2016

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

3. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

	<i>31 December 2015</i>			<i>Total</i>
	<i>Audited</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Investments in SHUAA managed funds				
Held at fair value through profit or loss	-	119,694	-	119,694
Available for sale	-	9,794	-	9,794
Other investments				
Held at fair value through profit or loss	29,506	749	945	31,200
Available for sale	-	5,430	9,455	14,885
	<u>29,506</u>	<u>135,667</u>	<u>10,400</u>	<u>175,573</u>
<i>Financial liabilities</i>				
Held at fair value through profit or loss	(89)	-	-	(89)

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.

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 levels 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 30 June 2016</i>					<i>Transfers from/(to) levels 1 & 2</i>	<i>Balance at 30 June 2016</i>
	<i>(6 months) Unaudited</i>						
	<i>Balance at 1 January 2016</i>	<i>Gain/(loss) through P&L</i>	<i>Gain/(loss) through OCI</i>	<i>Purchases</i>	<i>Sales</i>		
Other investments							
Held at FVTPL	945	-	-	-	-	-	945
Available for sale	9,455	(94)	-	-	-	-	9,361
	<u>10,400</u>	<u>(94)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,306</u>
	<i>1 January to 30 June 2015</i>					<i>Transfers from/(to) levels 1 & 2</i>	<i>Balance at 30 June 2015</i>
	<i>(6 months) Unaudited</i>						
	<i>Balance at 1 January 2015</i>	<i>Gain/(loss) through P&L</i>	<i>Gain/(loss) through OCI</i>	<i>Purchases</i>	<i>Sales</i>		
Other investments							
Held at FVTPL	1,038	63	-	-	(130)	-	971
Available for sale	12,313	(43)	(64)	-	-	-	12,206
	<u>13,351</u>	<u>20</u>	<u>(64)</u>	<u>-</u>	<u>(130)</u>	<u>-</u>	<u>13,177</u>

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

3. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

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 30 June 2016 (6 months) Unaudited</i>	<i>1 January to 30 June 2015 (6 months) Unaudited</i>
Other investments		
Realised gains	-	65
Unrealised losses	<u>(94)</u>	<u>(45)</u>
	<u><u>(94)</u></u>	<u><u>20</u></u>

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:

	<i>30 June 2016 Unaudited</i>		<i>30 June 2015 Unaudited</i>	
	<i>Carrying amount</i>	<i>Effect of reasonably possible alternative assumptions</i>	<i>Carrying amount</i>	<i>Effect of reasonably possible alternative assumptions</i>
Other investments				
Held at fair value through profit or loss	945	236	971	243
Available for sale	<u>9,361</u>	<u>1,872</u>	<u>12,206</u>	<u>2,441</u>
	<u><u>10,306</u></u>	<u><u>2,108</u></u>	<u><u>13,177</u></u>	<u><u>2,684</u></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 deposits of 31,657 (31 December 2015 – 24,479) with banks, which are held as collateral against Group's banking facilities including the Central Bank of the U.A.E guarantee. For the purposes of interim consolidated statement of cash flows, cash and cash equivalents are stated net of these deposits.

5. LOANS, ADVANCES AND FINANCE LEASES

Loans, advances and finance leases comprise the following:

	<i>30 June 2016 Unaudited</i>	<i>31 December 2015 Audited</i>
Loans and advances	545,438	743,657
Finance leases	229,724	207,427
Margin lending	15,088	8,180
	<u><u>790,250</u></u>	<u><u>959,264</u></u>

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Notes to the Interim Condensed Consolidated Financial Information

For the period ended 30 June 2016

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

5. LOANS, ADVANCES AND FINANCE LEASES - continued

(a) Loans and advances

	<i>30 June 2016 Unaudited</i>	<i>31 December 2015 Audited</i>
Total loans and advances	724,776	917,839
Less: Cumulative allowance for impairment	(161,944)	(160,505)
Less: Interest in suspense	(17,394)	(13,677)
	545,438	743,657

(b) Finance Leases

	<i>30 June 2016 Unaudited</i>	<i>31 December 2015 Audited</i>
Current finance lease receivables	129,141	113,671
Non-current finance lease receivables	112,556	101,230
Less: Allowances for uncollectible lease payments	(11,973)	(7,474)
	229,724	207,427

(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 30 June 2016, these underlying securities were valued at 48,937 (31 December 2015 – 46,603). Provisions are made for the uncovered portion of margins. As at the end of the period, the cumulative provision is 56,514 (31 December 2015 – 56,600).

6. INVESTMENTS IN SHUAA MANAGED FUNDS

Investments in SHUAA managed funds consist of the following:

	<i>30 June 2016 Unaudited</i>	<i>31 December 2015 Audited</i>
Held at fair value through profit or loss	79,070	119,694
Associates	71,515	72,357
Available for sale	15,861	9,794
	166,446	201,845

Held at fair value through profit or loss

During the period, the Group redeemed 34,426 from its investments in the SHUAA managed funds.

Associates

The Group owns 27.0% (31 December 2015: 27.0%) 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 26.3% (31 December 2015: 26.3%) 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 Saudi Arabia.

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Notes to the Interim Condensed Consolidated Financial Information

For the period ended 30 June 2016

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

7. INVESTMENTS IN THIRD PARTY ASSOCIATES

The Group has the following investments in third party associates:

	<i>30 June 2016 Unaudited</i>	<i>31 December 2015 Audited</i>
U.A.E.	<u>52,288</u>	<u>54,248</u>

City Engineering LLC

The Group owns 40.0% (31 December 2015: 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 2015: 49.0%) of Septech Holding Limited. The recoverable amount of this asset has been determined based on equity accounting. During the period, the Group received 1,960 as dividend distribution.

8. OTHER INVESTMENTS

Other investments comprise of the following:

	<i>30 June 2016 Unaudited</i>	<i>31 December 2015 Audited</i>
Investments held at fair value through profit or loss	18,064	31,200
Investments available for sale	9,394	14,885
	<u>27,458</u>	<u>46,085</u>

a) Investments held at fair value through profit or loss

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

	<i>30 June 2016 Unaudited</i>	<i>31 December 2015 Audited</i>
Fund investments	633	723
Equity securities	10,668	317
Fixed income securities	6,763	30,160
	<u>18,064</u>	<u>31,200</u>

Equity securities

During the period, the Group acquired certain regional listed equity securities.

Fixed income securities

During the period, the Group exited from certain of its investments in fixed income securities.

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8. OTHER INVESTMENTS - continued

b) Investments available for sale

Investments available for sale comprise of the following:

	<i>30 June 2016 Unaudited</i>	<i>31 December 2015 Audited</i>
Equity investments	33	5,430
Unquoted fund investments	9,361	9,455
	<u>9,394</u>	<u>14,885</u>

Equity investments

During the period, the Group exited from one of its investment classified as available for sale.

9. DUE TO BANKS

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

	<i>30 June 2016 Unaudited</i>	<i>31 December 2015 Audited</i>
Repayable within twelve months	373,600	197,294
Repayable after twelve months	41,504	256,080
	<u>415,104</u>	<u>453,374</u>

The Group's banking facilities carry EIBOR/SIBOR based interest/profit rates plus a spread ranging between 2% and 4%.

Due to banks includes 300,000 being the balance of a 500,000 syndicated loan facility which is repayable over the next 2 years and is secured by a charge over certain of the Group's assets. As at 30 June 2016, the Group has classified this facility as current due to breach of covenants at the subsidiary level as of the period end. The subsidiary is in advanced discussions with the lender banks to agree on the revised covenants.

At 30 June 2016, letters of guarantee on behalf of the Group amounting to 63,414 (31 December 2015: 63,415) 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. EMPLOYEE LONG TERM INCENTIVE PLAN SHARES

The following employee long term incentive plan shares were held in trust at 30 June 2016:

	<i>30 June 2016 Unaudited</i>	<i>31 December 2015 Audited</i>
Number of shares	2,348,004	4,743,004
Shares as percentage of total shares in issue	0.2%	0.4%
Cost of shares	5,341	10,790
Market value of shares	1,519	1,945

During the period, 2,395,000 shares vested. Consequently, the weighted average cost of these shares amounting to 5,449 was transferred to accumulated losses.

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11. INVESTMENT REVALUATION RESERVE

	<i>1 January to 30 June 2016 (6 months) Unaudited</i>	<i>1 January to 30 June 2015 (6 months) Unaudited</i>
Available for sale investments		
Balance at beginning of the period	2,781	196
Reserve recycled to income statement on disposal	(2,781)	-
Net movement in fair values during the period	(299)	(64)
Balance at end of the period	<u>(299)</u>	<u>132</u>

12. (LOSSES)/GAINS FROM INVESTMENTS IN SHUAA MANAGED FUNDS

Losses and gains from investments in SHUAA managed funds comprise of the following:

	<i>1 January to 30 June 2016 (6 months) Unaudited</i>	<i>1 January to 30 June 2015 (6 months) Unaudited</i>
Funds held at fair value through profit or loss	(6,198)	13,051
Associates	(842)	(669)
	<u>(7,040)</u>	<u>12,382</u>

13. GAINS/(LOSSES) FROM OTHER INVESTMENTS, INCLUDING THIRD PARTY ASSOCIATES

Gains and losses from other investments, including third party associates are detailed as follows:

	<i>1 January to 30 June 2016 (6 months) Unaudited</i>	<i>1 January to 30 June 2015 (6 months) Unaudited</i>
Third party associates	-	(3,969)
Other investments		
Held at fair value through profit or loss	789	840
Available for sale	2,670	(43)
Held to maturity	-	289
	<u>3,459</u>	<u>(2,883)</u>

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

14. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share have been computed using the net (loss)/profit attributable to the equity holders of the Parent (78,332) (30 June 2015: 123) divided by the weighted average number of ordinary shares outstanding 1,065,000,000 (30 June 2015: 1,065,000,000).

Diluted earnings per share as of 30 June 2016 and 30 June 2015 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

15. 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 due to/from were as follows:

	<i>30 June 2016 Unaudited</i>	<i>31 December 2015 Audited</i>
Receivables and other debit balances		
Associates	-	206
Other related parties	129	220
Key management personnel	154	140
Investments in SHUAA managed funds	166,446	201,845
	<u>166,729</u>	<u>202,411</u>

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

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

	<i>1 January to 30 June 2016 (6 months) Unaudited</i>	<i>1 January to 30 June 2015 (6 months) Unaudited</i>
(Losses)/gains from investments in SHUAA managed funds		
Associates	(842)	(669)
Other related parties	(6,198)	13,051
Fees and commission income		
Other related parties	919	1,811
	<u>(6,121)</u>	<u>14,193</u>

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

15. RELATED PARTY TRANSACTIONS - continued

Compensation of the key management personnel is as follows:

	<i>1 January to 30 June 2016 (6 months) Unaudited</i>	<i>1 January to 30 June 2015 (6 months) Unaudited</i>
Short term employee benefits	(6,424)	(13,681)
Share based payments charge	-	(914)
	<hr/> (6,424) <hr/>	<hr/> (14,595) <hr/>

16. 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.

Investment Banking provides corporate finance advisory, private placements, public offerings of equity and debt securities, mergers, acquisitions, divestitures, spinoffs, syndications and structured products.

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 PJSC and Gulf Finance Corporation CJSC, 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.

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.

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For the period ended 30 June 2016

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

16. SEGMENTAL INFORMATION – continued

	1 January 2016 to 30 June 2016					Total
	(6 months) Unaudited					
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	
Interest income	443	-	205	71,084	1,005	72,737
Net fees and commissions	15,439	1,373	2,786	4,203	140	23,941
Trading income	-	-	385	-	31	416
Losses from investments in SHUAA managed funds	-	-	-	-	(7,040)	(7,040)
Total revenues	15,882	1,373	3,376	75,287	(5,864)	90,054
General & administrative expenses	(8,920)	(3,110)	(6,038)	(27,317)	(18,135)	(63,520)
Interest expense	-	-	-	(14,946)	-	(14,946)
Depreciation	(60)	-	(1,017)	(2,889)	(828)	(4,794)
Provisions - net	-	-	191	(90,904)	2,128	(88,585)
Total expenses	(8,980)	(3,110)	(6,864)	(136,056)	(16,835)	(171,845)
Net profit/(loss) before gains from other investments	6,902	(1,737)	(3,488)	(60,769)	(22,699)	(81,791)
Gains from other investments	-	-	-	-	3,459	3,459
Profit/(loss) for the period	6,902	(1,737)	(3,488)	(60,769)	(19,240)	(78,332)
Attributable to:						
Equity holders of the Parent	6,902	(1,737)	(3,488)	(60,769)	(19,240)	(78,332)
Non controlling interests	-	-	-	-	-	-
	6,902	(1,737)	(3,488)	(60,769)	(19,240)	(78,332)

	30 June 2016 Unaudited					Total
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	
Assets	99,400	1,871	82,415	878,523	386,839	1,449,048
Liabilities	5,985	-	9,594	495,251	58,139	568,969

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Notes to the Interim Condensed Consolidated Financial Information

For the period ended 30 June 2016

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16. SEGMENTAL INFORMATION - continued

	1 January 2015 to 30 June 2015 (6 months) Unaudited					
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	Total
Interest income	192	-	378	69,935	510	71,015
Net fees and commissions	9,187	3,627	3,411	2,809	17	19,051
Trading income	-	-	1,276	-	-	1,276
Gains from investments in SHUAA managed funds	-	-	-	-	12,382	12,382
Total revenues	9,379	3,627	5,065	72,744	12,909	103,724
General & administrative expenses	(7,515)	(7,105)	(5,360)	(31,972)	(15,875)	(67,827)
Interest expense	-	-	-	(8,733)	-	(8,733)
Depreciation	(56)	-	(936)	(2,936)	(693)	(4,621)
Provisions - net	-	-	249	(18,757)	(1,032)	(19,540)
Total expenses	(7,571)	(7,105)	(6,047)	(62,398)	(17,600)	(100,721)
Net profit/(loss) before losses from other investments	1,808	(3,478)	(982)	10,346	(4,691)	3,003
Losses from other investments	-	-	-	-	(2,883)	(2,883)
Profit/(loss) for the period	1,808	(3,478)	(982)	10,346	(7,574)	120
Attributable to:						
Equity holders of the Parent	1,808	(3,478)	(979)	10,346	(7,574)	123
Non controlling interests	-	-	(3)	-	-	(3)
	1,808	(3,478)	(982)	10,346	(7,574)	120

	31 December 2015 Audited					
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	Total
Assets	50,487	498	68,869	1,065,673	414,527	1,600,054
Liabilities	5,708	-	10,848	561,809	60,201	638,566

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 30 June 2015 and 31 December 2015 have been reclassified between segments in order to correspond to the changes in the internal reporting to the management.

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Notes to the Interim Condensed Consolidated Financial Information

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17. 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	232,187	96,907	1,196	-	10,567	-	340,857
Receivables and other debit balances	17,835	10,986	556	-	2,754	-	32,131
Loans, advances and finance leases	563,458	226,742	24	-	-	26	790,250
Investments in SHUAA managed funds	33,119	133,327	-	-	-	-	166,446
Investments in third party associates	52,288	-	-	-	-	-	52,288
Other investments	21,444	4,401	980	633	-	-	27,458
Property and equipment	34,288	5,291	39	-	-	-	39,618
Total Assets – 30 June 2016 (Unaudited)	954,619	477,654	2,795	633	13,321	26	1,449,048
Total Assets – 31 December 2015 (Audited)	1,140,641	453,796	3,059	727	1,826	5	1,600,054
Total Assets – 30 June 2015 (Unaudited)	1,293,467	433,367	16,026	1,469	9,398	17	1,753,744

18. MATURITY PROFILE

The maturity profile of assets and liabilities as of 30 June 2016, determined on the basis of the remaining contractual maturity is as follows. 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	309,200	22,870	332,070	8,787	-	340,857
Receivables and other debit balances	15,983	12,608	28,591	3,540	-	32,131
Loans, advances and finance leases	132,429	263,517	395,946	394,304	-	790,250
Investments in SHUAA managed funds*	79,070	23,838	102,908	63,538	-	166,446
Investments in third party associates*	-	5,527	5,527	46,761	-	52,288
Other investments*	16,459	9,120	25,579	1,879	-	27,458
Property and equipment*	-	-	-	39,618	-	39,618
Total Assets	553,141	337,480	890,621	558,427	-	1,449,048
Due to banks	333,977	39,623	373,600	41,504	-	415,104
Payables and other credit balances	92,319	56,593	148,912	4,953	-	153,865
Equity	-	-	-	-	880,079	880,079
Total Liabilities and Equity	426,296	96,216	522,512	46,457	880,079	1,449,048
Net liquidity gap	126,845	241,264	368,109	511,970	(880,079)	-
Cumulative liquidity gap – 30 June 2016 (Unaudited)	126,845	368,109	368,109	880,079	-	-
Cumulative liquidity gap – 31 December 2015 (Audited)	376,893	545,059	545,059	961,488	-	-
Cumulative liquidity gap – 30 June 2015 (Unaudited)	346,848	575,179	575,179	1,114,340	-	-

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19. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

	<i>30 June 2016 Unaudited</i>	<i>31 December 2015 Audited</i>
Contingent liabilities	3,160	9,644

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

	<i>30 June 2016 Unaudited</i>	<i>31 December 2015 Audited</i>
Commitments		
SHUAA managed funds	67,199	67,199
Others	664	414
	67,863	67,613

20. CLIENTS' FUNDS UNDER MANAGEMENT

The Group is licensed as a financial services company regulated by the Central Bank of the United Arab Emirates. As at 30 June 2016, clients' assets amounting to 3.2 billion (31 December 2015: 2.7 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.

21. ACCUMULATED LOSSES

The Annual General Meeting of the Company held on 16 March 2016 approved the offset of the accumulated losses amounting to 200,861 against the balance of statutory reserve.