

# **SHUAA Capital PSC**

INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION AND REVIEW REPORT  
FOR THE THREE MONTH PERIOD ENDED  
31 MARCH 2017

## 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 2017 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the three 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.)**



**Cynthia Corby**  
**Registration No. 995**  
**14 May 2017**

**Dubai**  
**United Arab Emirates**

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

As at 31 March 2017

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

		<b>31 March</b>	<b>31 December</b>	<b>31 March</b>
		<b>2017</b>	<b>2016</b>	<b>2016</b>
	<i>Notes</i>	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
<b><u>Assets</u></b>				
Cash and deposits with banks	4	<b>221,888</b>	346,610	305,046
Receivables and other debit balances	5	<b>78,389</b>	31,974	39,714
Loans, advances and finance leases	6	<b>595,308</b>	609,026	907,442
Investments in SHUAA managed funds	7	<b>103,361</b>	102,584	165,717
Investments in third party associates	8	<b>51,463</b>	44,766	54,248
Other investments	9	<b>208,066</b>	131,962	28,279
Property and equipment		<b>31,671</b>	33,574	41,134
<b>Total Assets</b>		<b>1,290,146</b>	<b>1,300,496</b>	<b>1,541,580</b>
<b><u>Liabilities</u></b>				
Due to banks	10	<b>245,789</b>	296,944	426,650
Payables and other credit balances		<b>194,521</b>	177,763	183,939
<b>Total Liabilities</b>		<b>440,310</b>	<b>474,707</b>	<b>610,589</b>
<b><u>Equity</u></b>				
Share capital		<b>1,065,000</b>	1,065,000	1,065,000
Employee long term incentive plan shares	11	<b>(5,341)</b>	(5,341)	(10,790)
Accumulated losses		<b>(208,481)</b>	(233,256)	(122,856)
Investment revaluation reserve	12	<b>(1,195)</b>	(468)	(222)
Translation reserve		<b>(181)</b>	(180)	(216)
Equity attributable to the shareholders of the Parent		<b>849,802</b>	825,755	930,916
Non controlling interests		<b>34</b>	34	75
<b>Total Equity</b>		<b>849,836</b>	<b>825,789</b>	<b>930,991</b>
<b>Total Liabilities and Equity</b>		<b>1,290,146</b>	<b>1,300,496</b>	<b>1,541,580</b>

The interim condensed consolidated financial information was approved by the Board of Directors on 14 May 2017.


Fawad Tariq Khan  
Board Director

Frousem 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 31 March 2017

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

	<i>Notes</i>	<i>1 January to 31 March 2017 (3 months) Unaudited</i>	<i>1 January to 31 March 2016 (3 months) Unaudited</i>
Interest income		20,325	38,815
Net fees and commissions		9,616	14,375
Trading income		1,561	124
Gains/(losses) from investments in SHUAA managed funds	13	285	(7,846)
<b>Total revenues</b>		<b>31,787</b>	<b>45,468</b>
General and administrative expenses		(22,785)	(33,004)
Interest expense		(5,965)	(7,437)
Depreciation		(2,002)	(2,432)
Provisions - net		3,479	(34,070)
<b>Total expenses</b>		<b>(27,273)</b>	<b>(76,943)</b>
<b>Net profit/(loss) before gains from other investments</b>		<b>4,514</b>	<b>(31,475)</b>
Gains from other investments, including investments in third party associates	14	20,261	3,969
<b>Profit/(loss) for the period</b>		<b>24,775</b>	<b>(27,506)</b>
<b>Attributable to:</b>			
Equity holders of the Parent		24,775	(27,506)
Non controlling interests		-	-
		<b>24,775</b>	<b>(27,506)</b>
Earnings/(loss) per share (in AED)	15	<b>0.023</b>	<b>(0.026)</b>

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 31 March 2017

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

	<i>1 January to 31 March 2017 (3 months) Unaudited</i>	<i>1 January to 31 March 2016 (3 months) Unaudited</i>
<b>Profit/(loss) for the period</b>	<b>24,775</b>	<b>(27,506)</b>
<b>Other comprehensive income/(loss)</b>		
<i>Items that will be reclassified subsequently to profit or loss:</i>		
Net revaluation reserve movement on:		
- investments in SHUAA managed funds	(727)	(222)
- other investments	-	(2,781)
Exchange differences on translation of foreign operations	(1)	12
<b>Other comprehensive loss for the period</b>	<b>(728)</b>	<b>(2,991)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>24,047</b>	<b>(30,497)</b>
<b>Attributable to:</b>		
Equity holders of the Parent	24,047	(30,497)
Non controlling interests	-	-
	<b>24,047</b>	<b>(30,497)</b>

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 31 March 2017

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

	<i>Notes</i>	<i>1 January to 31 March 2017 (3 months) Unaudited</i>	<i>1 January to 31 March 2016 (3 months) Unaudited</i>
<b>Cash flows from operating activities</b>			
Profit/(loss) for the period		<b>24,775</b>	(27,506)
Adjustments for:			
Depreciation		<b>2,002</b>	2,432
(Gains)/losses on investments in SHUAA managed funds		<b>(285)</b>	7,846
Gains from other investments, including third party associates		<b>(20,261)</b>	(3,969)
Provisions - net		<b>(3,479)</b>	34,070
<b>Operating cash flows before changes in operating assets and liabilities</b>		<b>2,752</b>	12,873
Changes in operating assets and liabilities:			
Increase in receivables and other debit balances		<b>(46,324)</b>	(6,143)
Decrease in loans, advances and finance leases		<b>11,891</b>	18,020
Increase in payables and other credit balances		<b>21,972</b>	222
Net (acquisition of)/ redemption from SHUAA managed funds		<b>(1,219)</b>	28,060
<b>Net cash (used in)/generated from operating activities</b>		<b>(10,928)</b>	53,032
<b>Cash flows from investing activities</b>			
Net (purchase of)/proceeds from sale of other investments		<b>(62,539)</b>	18,990
Net purchase of property and equipment		<b>(99)</b>	(2,943)
<b>Net cash (used in)/generated from investing activities</b>		<b>(62,638)</b>	16,047
<b>Cash flows from financing activities</b>			
Decrease in due to banks		<b>(51,155)</b>	(26,724)
<b>Net cash used in financing activities</b>		<b>(51,155)</b>	(26,724)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(124,721)</b>	42,355
Foreign currency translation		<b>(1)</b>	17
Cash and cash equivalents at beginning of the period		<b>316,324</b>	238,195
<b>Cash and cash equivalents at end of the period</b>	4	<b>191,602</b>	280,567

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 31 March 2017

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

	Equity attributable to shareholders of the Parent								
	Share capital	Employee long term incentive plan shares	Statutory reserve	Accumulated losses	Investment revaluation reserve	Translation reserve	Total	Non controlling interests	Total
<b>Balance as of 1 January 2016 (Audited)</b>	<b>1,065,000</b>	<b>(10,790)</b>	<b>200,861</b>	<b>(296,211)</b>	<b>2,781</b>	<b>(228)</b>	<b>961,413</b>	<b>75</b>	<b>961,488</b>
Total comprehensive (loss)/income for the period	-	-	-	(27,506)	(3,003)	12	(30,497)	-	(30,497)
Accumulated losses offset	-	-	(200,861)	200,861	-	-	-	-	-
<b>Balance as of 31 March 2016 (Unaudited)</b>	<b>1,065,000</b>	<b>(10,790)</b>	<b>-</b>	<b>(122,856)</b>	<b>(222)</b>	<b>(216)</b>	<b>930,916</b>	<b>75</b>	<b>930,991</b>

	Equity attributable to shareholders of the Parent								
	Share capital	Employee long term incentive plan shares	Statutory reserve	Accumulated losses	Investment revaluation reserve	Translation reserve	Total	Non controlling interests	Total
<b>Balance as of 1 January 2017 (Audited)</b>	<b>1,065,000</b>	<b>(5,341)</b>	<b>-</b>	<b>(233,256)</b>	<b>(468)</b>	<b>(180)</b>	<b>825,755</b>	<b>34</b>	<b>825,789</b>
Total comprehensive income/(loss) for the period	-	-	-	24,775	(727)	(1)	24,047	-	24,047
<b>Balance as of 31 March 2017 (Unaudited)</b>	<b>1,065,000</b>	<b>(5,341)</b>	<b>-</b>	<b>(208,481)</b>	<b>(1,195)</b>	<b>(181)</b>	<b>849,802</b>	<b>34</b>	<b>849,836</b>

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 31 March 2017

(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 UAE Federal Law No. 2 of 2015 (as amended) (“Companies Law”). 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 and is licensed by the Emirates Securities and Commodities Authority to conduct investment management, financial consultation and financial analysis activities.

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 31 March 2017 are as follows:

Name	Country of incorporation	Principal activities	Holding 31 March 2017	Holding 31 December 2016
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 2016, except for the adoption of new standards effective as of 1 January 2017, 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>
<i>Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.</i>	1 January 2017
<i>Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses.</i>	1 January 2017
<i>Annual Improvements to IFRS Standards 2014 – 2016 Cycle – Amendments to IFRS 12 Disclosure of Interests in Other Entities.</i>	1 January 2017



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

**2. SIGNIFICANT ACCOUNTING POLICIES - continued**

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 2016. In addition, results for the three month period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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 2016.

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 2017 and 31 March 2016.

**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 2017</i>			<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
<i>Unaudited</i>				
Investments in SHUAA managed funds				
Held at fair value through profit or loss	-	20,000	-	20,000
Available for sale	-	14,965	-	14,965
Other investments				
Held at fair value through profit or loss	94,869	103,771	378	199,018
Available for sale	-	16	9,032	9,048
	<b>94,869</b>	<b>138,752</b>	<b>9,410</b>	<b>243,031</b>
<i>Financial liabilities</i>				
Held at fair value through profit or loss	(147)	-	-	(147)

## SHUAA Capital psc

### Notes to the Interim Condensed Consolidated Financial Information

For the period ended 31 March 2017

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

#### 3. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

	31 December 2016			
	Audited			
	Level 1	Level 2	Level 3	Total
Investments in SHUAA managed funds				
Held at fair value through profit or loss	-	18,501	-	18,501
Available for sale	-	15,692	-	15,692
Other investments				
Held at fair value through profit or loss	121,850	674	379	122,903
Available for sale	-	16	9,043	9,059
	121,850	34,883	9,422	166,155

#### 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:

	1 January to 31 March 2017						
	(3 months) Unaudited						
	Balance at 1 January 2017	Gain/(loss) through P&L	Gain/(loss) through OCI	Purchases	Sales	Transfers from/(to) levels 1 & 2	Balance at 31 March 2017
Other investments							
Held at FVTPL	379	(1)	-	-	-	-	378
Available for sale	9,043	(11)	-	-	-	-	9,032
	9,422	(12)	-	-	-	-	9,410

  

	1 January to 31 March 2016						
	(3 months) Unaudited						
	Balance at 1 January 2016	Gain/(loss) through P&L	Gain/(loss) through OCI	Purchases	Sales	Transfers from/(to) levels 1 & 2	Balance at 31 March 2016
Other investments							
Held at FVTPL	945	-	-	-	-	-	945
Available for sale	9,455	(11)	-	-	-	-	9,444
	10,400	(11)	-	-	-	-	10,389

## SHUAA Capital psc

### Notes to the Interim Condensed Consolidated Financial Information

For the period ended 31 March 2017

(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 31 March 2017 (3 months) Unaudited</i>	<i>1 January to 31 March 2016 (3 months) Unaudited</i>
Other investments		
Unrealised losses	<u>(12)</u>	<u>(11)</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>31 March 2017 Unaudited</i>		<i>31 March 2016 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	<b>378</b>	<b>95</b>	945	236
Available for sale	<b>9,032</b>	<b>1,806</b>	9,444	1,889
	<u><b>9,410</b></u>	<u><b>1,901</b></u>	<u>10,389</u>	<u>2,125</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 30,286 (31 December 2016 – 30,286) 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. RECEIVABLES AND OTHER DEBIT BALANCES

Receivables and other debit balances include amounts receivable from local securities markets against the sale of securities on behalf of the customers amounting to 31,702 (31 December 2016 – 318).

#### 6. LOANS, ADVANCES AND FINANCE LEASES

Loans, advances and finance leases comprise the following:

	<i>31 March 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Loans and advances	<b>386,061</b>	379,294
Finance leases	<b>177,890</b>	192,667
Margin lending	<b>31,357</b>	37,065
	<u><b>595,308</b></u>	<u>609,026</u>

## SHUAA Capital psc

### Notes to the Interim Condensed Consolidated Financial Information

For the period ended 31 March 2017

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

#### 6. LOANS, ADVANCES AND FINANCE LEASES - continued

##### (a) Loans and advances

	<i>31 March 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Total loans and advances	<b>515,917</b>	498,308
Less: Cumulative allowance for impairment	<b>(111,214)</b>	(106,175)
Less: Interest in suspense	<b>(18,642)</b>	(12,839)
	<b>386,061</b>	379,294

##### (b) Finance Leases

	<i>31 March 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Current finance lease receivables	<b>120,951</b>	123,731
Non-current finance lease receivables	<b>70,800</b>	82,740
Less: Allowances for uncollectible lease payments	<b>(13,861)</b>	(13,804)
	<b>177,890</b>	192,667

##### (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 2017, these underlying securities were valued at 178,396 (31 December 2016 – 199,049). Provisions are made for the uncovered portion of margins. As at the end of the period, the cumulative provision is 46,953 (31 December 2016 – 46,739).

#### 7. INVESTMENTS IN SHUAA MANAGED FUNDS

Investments in SHUAA managed funds consist of the following:

	<i>31 March 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Held at fair value through profit or loss	<b>20,000</b>	18,501
Associates	<b>68,396</b>	68,391
Available for sale	<b>14,965</b>	15,692
	<b>103,361</b>	102,584

##### Held at fair value through profit or loss

During the period, the Group invested 20,000 in a new real estate fund and received final redemption of 18,781 from its regional equity funds.

##### Associates

The Group owns 27.0% (31 December 2016: 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 2016: 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.

## SHUAA Capital psc

### Notes to the Interim Condensed Consolidated Financial Information

For the period ended 31 March 2017

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

#### 8. INVESTMENTS IN THIRD PARTY ASSOCIATES

The Group has the following investments in third party associates:

	<i>31 March 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
U.A.E.	<u>51,463</u>	<u>44,766</u>

##### **City Engineering LLC**

The Group owns 40.0% (31 December 2016: 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 2016: 49.0%) of Septech Holding Limited. The recoverable amount of this asset has been determined based on equity accounting.

#### 9. OTHER INVESTMENTS

Other investments comprise of the following:

	<i>31 March 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Investments held at fair value through profit or loss	<b>199,018</b>	122,903
Investments available for sale	<b>9,048</b>	9,059
	<u><b>208,066</b></u>	<u>131,962</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>31 March 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Equity securities	<b>175,040</b>	110,209
Fixed income securities	<b>23,493</b>	12,113
Fund investments	<b>485</b>	581
	<u><b>199,018</b></u>	<u>122,903</u>

##### **Equity securities**

During the period, the Group invested in certain regional listed equity securities.

## SHUAA Capital psc

### Notes to the Interim Condensed Consolidated Financial Information

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#### 9. OTHER INVESTMENTS - continued

##### b) Investments available for sale

Investments available for sale comprise of the following:

	<i>31 March 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Unquoted fund investments	9,032	9,043
Equity investments	16	16
	<u>9,048</u>	<u>9,059</u>

#### 10. 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>31 March 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Repayable within twelve months	191,519	196,241
Repayable after twelve months	54,270	100,703
	<u>245,789</u>	<u>296,944</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 187,500 from a 500,000 syndicated loan facility which is repayable over the next 15 months and is secured by a charge over certain of the Group's assets.

At 31 March 2017, letters of guarantee on behalf of the Group amounting to 63,415 (31 December 2016: 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.

#### 11. EMPLOYEE LONG TERM INCENTIVE PLAN SHARES

The following employee long term incentive plan shares were held in trust at 31 March 2017:

	<i>31 March 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Number of shares	2,348,004	2,348,004
Shares as percentage of total shares in issue	0.2%	0.2%
Cost of shares	5,341	5,341
Market value of shares	4,179	3,475

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

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#### 12. INVESTMENT REVALUATION RESERVE

	<i>1 January to 31 March 2017 (3 months) Unaudited</i>	<i>1 January to 31 March 2016 (3 months) Unaudited</i>
<b>Available for sale investments</b>		
Balance at beginning of the period	(468)	2,781
Reserve recycled to income statement on disposal	-	(2,781)
Net movement in fair values during the period	(727)	(222)
	<u>(1,195)</u>	<u>(222)</u>

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

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

	<i>1 January to 31 March 2017 (3 months) Unaudited</i>	<i>1 January to 31 March 2016 (3 months) Unaudited</i>
Funds held at fair value through profit or loss	280	(7,479)
Associates	5	(367)
	<u>285</u>	<u>(7,846)</u>

#### 14. GAINS 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 31 March 2017 (3 months) Unaudited</i>	<i>1 January to 31 March 2016 (3 months) Unaudited</i>
Third party associates	6,697	-
Other investments		
Held at fair value through profit or loss	13,575	1,216
Available for sale	(11)	2,753
	<u>20,261</u>	<u>3,969</u>

## SHUAA Capital psc

### Notes to the Interim Condensed Consolidated Financial Information

For the period ended 31 March 2017

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#### 15. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share have been computed using the net profit/(loss) attributable to the equity holders of the Parent 24,775 (31 March 2016: (27,506)) divided by the weighted average number of ordinary shares outstanding 1,065,000,000 (31 March 2016: 1,065,000,000).

Diluted earnings per share as of 31 March 2017 and 31 March 2016 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 due to/from were as follows:

	<i>31 March 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Receivables and other debit balances		
Other related parties	27	27
Key management personnel	146	277
Investments in SHUAA managed funds	103,361	102,584
	<u>103,534</u>	<u>102,888</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 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Payables and other credit balances		
Other related parties	28,037	28,000

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

	<i>1 January to 31 March 2017 (3 months) Unaudited</i>	<i>1 January to 31 March 2016 (3 months) Unaudited</i>
Gains/(losses) from investments in SHUAA managed funds		
Associates	5	(367)
Other related parties	280	(7,479)
Fees and commission income		
Other related parties	118	502
	<u>403</u>	<u>(7,344)</u>
Interest expense		
Other related parties	(552)	-



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

**16. RELATED PARTY TRANSACTIONS - continued**

Compensation of the key management personnel is as follows:

	<i>1 January to 31 March 2017 (3 months) Unaudited</i>	<i>1 January to 31 March 2016 (3 months) Unaudited</i>
Short term employee benefits	<u>(3,686)</u>	<u>(3,842)</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 real estate hospitality funds and projects in KSA and UAE. It also 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.

## SHUAA Capital psc

### Notes to the Interim Condensed Consolidated Financial Information

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

#### 17. SEGMENTAL INFORMATION - continued

	1 January 2017 to 31 March 2017 (3 months) Unaudited					
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	Total
Interest income	289	-	581	18,775	680	20,325
Net fees and commissions	5,407	747	2,076	1,296	90	9,616
Trading income	-	-	1,561	-	-	1,561
Gains from investments in SHUAA managed funds	-	-	-	-	285	285
<b>Total revenues</b>	<b>5,696</b>	<b>747</b>	<b>4,218</b>	<b>20,071</b>	<b>1,055</b>	<b>31,787</b>
General & administrative expenses	(4,312)	(1,602)	(4,669)	(6,656)	(5,546)	(22,785)
Interest expenses	-	-	-	(5,413)	(552)	(5,965)
Depreciation	(25)	-	(589)	(1,020)	(368)	(2,002)
Provisions - net	-	40	20	(1,874)	5,293	3,479
<b>Total expenses</b>	<b>(4,337)</b>	<b>(1,562)</b>	<b>(5,238)</b>	<b>(14,963)</b>	<b>(1,173)</b>	<b>(27,273)</b>
<b>Net profit/(loss) before gains from other investments</b>	<b>1,359</b>	<b>(815)</b>	<b>(1,020)</b>	<b>5,108</b>	<b>(118)</b>	<b>4,514</b>
Gains from other investments	-	-	-	3,632	16,629	20,261
<b>Profit/(loss) for the period</b>	<b>1,359</b>	<b>(815)</b>	<b>(1,020)</b>	<b>8,740</b>	<b>16,511</b>	<b>24,775</b>
<b>Attributable to:</b>						
Equity holders of the Parent	1,359	(815)	(1,020)	8,740	16,511	24,775
Non controlling interests	-	-	-	-	-	-
	<b>1,359</b>	<b>(815)</b>	<b>(1,020)</b>	<b>8,740</b>	<b>16,511</b>	<b>24,775</b>

  

	31 March 2017 Unaudited					
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	Total
<b>Assets</b>	103,237	776	149,863	656,019	380,251	1,290,146
<b>Liabilities</b>	6,275	-	38,114	314,048	81,873	440,310



## SHUAA Capital psc

### Notes to the Interim Condensed Consolidated Financial Information

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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	147,749	63,341	2,713	551	7,534	-	221,888
Receivables and other debit balances	61,413	16,475	501	-	-	-	78,389
Loans, advances and finance leases	379,891	215,370	1	-	-	46	595,308
Investments in SHUAA managed funds	20,000	83,361	-	-	-	-	103,361
Investments in third party associates	51,463	-	-	-	-	-	51,463
Other investments	38,661	163,923	394	485	4,603	-	208,066
Property and equipment	27,314	4,341	16	-	-	-	31,671
<b>Total Assets – 31 March 2017 (Unaudited)</b>	<b>726,491</b>	<b>546,811</b>	<b>3,625</b>	<b>1,036</b>	<b>12,137</b>	<b>46</b>	<b>1,290,146</b>
Total Assets – 31 December 2016 (Audited)	772,651	515,724	3,620	1,132	7,330	39	1,300,496
Total Assets – 31 March 2016 (Unaudited)	1,052,755	468,316	2,933	658	16,899	19	1,541,580

#### 19. MATURITY PROFILE

The maturity profile of assets and liabilities as of 31 March 2017, 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	191,602	23,699	215,301	6,587	-	221,888
Receivables and other debit balances	60,758	13,927	74,685	3,704	-	78,389
Loans, advances and finance leases	124,186	211,683	335,869	259,439	-	595,308
Investments in SHUAA managed funds*	-	22,799	22,799	80,562	-	103,361
Investments in third party associates*	-	-	-	51,463	-	51,463
Other investments*	74,956	9,141	84,097	123,969	-	208,066
Property and equipment*	-	-	-	31,671	-	31,671
<b>Total Assets</b>	<b>451,502</b>	<b>281,249</b>	<b>732,751</b>	<b>557,395</b>	<b>-</b>	<b>1,290,146</b>
Due to banks	49,183	142,336	191,519	54,270	-	245,789
Payables and other credit balances	144,543	42,862	187,405	7,116	-	194,521
Equity	-	-	-	-	849,836	849,836
<b>Total Liabilities and Equity</b>	<b>193,726</b>	<b>185,198</b>	<b>378,924</b>	<b>61,386</b>	<b>849,836</b>	<b>1,290,146</b>
<b>Net liquidity gap</b>	<b>257,776</b>	<b>96,051</b>	<b>353,827</b>	<b>496,009</b>	<b>(849,836)</b>	<b>-</b>
<b>Cumulative liquidity gap – 31 March 2017 (Unaudited)</b>	<b>257,776</b>	<b>353,827</b>	<b>353,827</b>	<b>849,836</b>	<b>-</b>	<b>-</b>
Cumulative liquidity gap – 31 December 2016 (Audited)	370,961	424,975	424,975	825,789	-	-
Cumulative liquidity gap – 31 March 2016 (Unaudited)	288,208	475,990	475,990	930,991	-	-

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### Notes to the Interim Condensed Consolidated Financial Information

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#### 20. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

	<i>31 March 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Contingent liabilities	<b>1,871</b>	1,899

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

	<i>31 March 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Commitments		
SHUAA managed funds	<b>77,199</b>	67,199

#### 21. 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 31 March 2017, clients' assets amounting to 3.2 billion (31 December 2016: 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.