

SHUAA Capital PSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION AND REVIEW REPORT
FOR THE SIX MONTH PERIOD ENDED
30 JUNE 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 30 June 2017 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.)



Musa Ramahi
Registration No. 872
10 August 2017
Dubai
United Arab Emirates


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

As at 30 June 2017

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

		<i>30 June</i>	<i>31 December</i>
		<i>2017</i>	<i>2016</i>
	<i>Notes</i>	<i>Unaudited</i>	<i>Audited</i>
<u>Assets</u>			
Cash and deposits with banks	4	170,962	346,610
Receivables and other debit balances	5	150,997	31,974
Loans, advances and finance leases	6	542,772	609,026
Investments in SHUAA managed funds	7	102,795	102,584
Investments in third party associates	8	57,592	44,766
Other investments	9	151,330	131,962
Property and equipment		29,877	33,574
Total Assets		<u>1,206,325</u>	<u>1,300,496</u>
<u>Liabilities</u>			
Due to banks	10	196,604	296,944
Payables and other credit balances		147,934	177,763
Total Liabilities		<u>344,538</u>	<u>474,707</u>
<u>Equity</u>			
Share capital		1,065,000	1,065,000
Employee long term incentive plan shares	11	(5,341)	(5,341)
Accumulated losses		(196,416)	(233,256)
Investment revaluation reserve	12	(1,286)	(468)
Translation reserve		(204)	(180)
Equity attributable to the shareholders of the Parent		861,753	825,755
Non controlling interests		34	34
Total Equity		<u>861,787</u>	<u>825,789</u>
Total Liabilities and Equity		<u>1,206,325</u>	<u>1,300,496</u>

The interim condensed consolidated financial information was approved by the Board of Directors on 10 August 2017.



Jassim Alseddiqui
Chairman



Fawad Tariq Khan
General Manager & Board Director

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 2017

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

		<i>1 April to 30 June 2017 (3 months) Unaudited</i>	<i>1 January to 30 June 2017 (6 months) Unaudited</i>	<i>1 April to 30 June 2016 (3 months) Unaudited</i>	<i>1 January to 30 June 2016 (6 months) Unaudited</i>
	<i>Notes</i>				
Interest income		19,398	39,723	33,922	72,737
Net fees and commissions		9,350	18,966	9,566	23,941
Trading income		2,169	3,730	292	416
(Losses)/gains from investments in SHUAA managed funds	13	(475)	(190)	806	(7,040)
Total revenues		30,442	62,229	44,586	90,054
General and administrative expenses		(17,767)	(40,552)	(30,516)	(63,520)
Interest expense		(5,112)	(11,077)	(7,509)	(14,946)
Depreciation		(1,906)	(3,908)	(2,362)	(4,794)
Provisions - net		(13,558)	(10,079)	(54,515)	(88,585)
Total expenses		(38,343)	(65,616)	(94,902)	(171,845)
Net loss before gains/(losses) from other investments		(7,901)	(3,387)	(50,316)	(81,791)
Gains/(losses) from other investments, including investments in third party associates	14	19,966	40,227	(510)	3,459
Profit/(loss) for the period		12,065	36,840	(50,826)	(78,332)
Attributable to:					
Equity holders of the Parent		12,065	36,840	(50,826)	(78,332)
Non controlling interests		-	-	-	-
		12,065	36,840	(50,826)	(78,332)
Earnings/(loss) per share (in AED)	15	0.011	0.035	(0.048)	(0.074)

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 2017

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

	<i>1 April to 30 June 2017 (3 months) Unaudited</i>	<i>1 January to 30 June 2017 (6 months) Unaudited</i>	<i>1 April to 30 June 2016 (3 months) Unaudited</i>	<i>1 January to 30 June 2016 (6 months) Unaudited</i>
Profit/(loss) for the period	12,065	36,840	(50,826)	(78,332)
Other comprehensive income/(loss)				
<i>Items that will be reclassified subsequently to profit or loss:</i>				
Net revaluation reserve movement on:				
- investments in SHUAA managed funds	(91)	(818)	(77)	(299)
- other investments	-	-	-	(2,781)
Exchange differences on translation of foreign operations	(23)	(24)	(9)	3
Other comprehensive loss for the period	(114)	(842)	(86)	(3,077)
Total comprehensive income/(loss) for the period	11,951	35,998	(50,912)	(81,409)
Attributable to:				
Equity holders of the Parent	11,951	35,998	(50,912)	(81,409)
Non controlling interests	-	-	-	-
	11,951	35,998	(50,912)	(81,409)

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 2017

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

	<i>Notes</i>	<i>1 January to 30 June 2017 (6 months) Unaudited</i>	<i>1 January to 30 June 2016 (6 months) Unaudited</i>
Cash flows from operating activities			
Profit/(loss) for the period		36,840	(78,332)
Adjustments for:			
Depreciation		3,908	4,794
Losses on investments in SHUAA managed funds		190	7,040
Gains from other investments, including third party associates		(40,227)	(3,459)
Provisions - net		10,079	88,585
Operating cash flows before changes in operating assets and liabilities		10,790	18,628
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables and other debit balances		(21,711)	696
Decrease in loans, advances and finance leases		54,853	81,806
Decrease in payables and other credit balances		(28,594)	(30,218)
Net (acquisition of)/redemption from SHUAA managed funds		(1,219)	28,060
Net cash generated from operating activities		14,119	98,972
Cash flows from investing activities			
Net (purchase of)/proceeds from sale of other investments		(95,168)	12,123
Dividend distribution from associates		800	1,960
Net purchase of property and equipment		(211)	(3,789)
Net cash (used in)/generated from investing activities		(94,579)	10,294
Cash flows from financing activities			
Decrease in due to banks		(100,340)	(38,270)
Net cash used in financing activities		(100,340)	(38,270)
Net (decrease)/increase in cash and cash equivalents		(180,800)	70,996
Foreign currency translation		(24)	9
Cash and cash equivalents at beginning of the period		316,324	238,195
Cash and cash equivalents at end of the period	4	135,500	309,200

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 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
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	-	-	(200,861)	200,861	-	-	-	-	-
Net movement in employee long term incentive plan shares (note 11)	-	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
	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
Balance as of 1 January 2017 (Audited)	1,065,000	(5,341)	-	(233,256)	(468)	(180)	825,755	34	825,789
Total comprehensive income/(loss) for the period	-	-	-	36,840	(818)	(24)	35,998	-	35,998
Balance as of 30 June 2017 (Unaudited)	1,065,000	(5,341)	-	(196,416)	(1,286)	(204)	861,753	34	861,787

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 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 30 June 2017 are as follows:

Name	Country of incorporation	Principal activities	Holding 30 June 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%

* During the period, as part of the plan to address future performance the Group management decided to initiate closure of this subsidiary i.e. SHUAA Asset Management Ltd. As a result all assets and liabilities will be transferred to the Parent Company and the business of the subsidiary will be managed by the Parent Company in the future.

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

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Notes to the Interim Condensed Consolidated Financial Information

For the period ended 30 June 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 six month period ended 30 June 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 six month periods ended 30 June 2017 and 30 June 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>30 June 2017</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	-	20,000	-	20,000
Available for sale	-	14,874	-	14,874
Other investments				
Held at fair value through profit or loss	141,668	246	378	142,292
Available for sale	-	16	9,022	9,038
	141,668	35,136	9,400	186,204
<i>Financial liabilities</i>				
Held at fair value through profit or loss	(2,049)	-	-	(2,049)

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Notes to the Interim Condensed Consolidated Financial Information

For the period ended 30 June 2017

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

3. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

	<i>31 December 2016</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	-	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
	<u>121,850</u>	<u>34,883</u>	<u>9,422</u>	<u>166,155</u>

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 2017</i>						
	<i>(6 months) Unaudited</i>						
	<i>Balance at 1 January 2017</i>	<i>Gain/(loss) through P&L</i>	<i>Gain/(loss) through OCI</i>	<i>Purchases</i>	<i>Sales</i>	<i>Transfers from/(to) levels 1 & 2</i>	<i>Balance at 30 June 2017</i>
Other investments							
Held at FVTPL	379	(1)	-	-	-	-	378
Available for sale	9,043	(21)	-	-	-	-	9,022
	<u>9,422</u>	<u>(22)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,400</u>
	<i>1 January to 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>	<i>Transfers from/(to) levels 1 & 2</i>	<i>Balance at 30 June 2016</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>

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Notes to the Interim Condensed Consolidated Financial Information

For the period ended 30 June 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 30 June 2017 (6 months) Unaudited</i>	<i>1 January to 30 June 2016 (6 months) Unaudited</i>
Other investments		
Unrealised losses	<u>(22)</u>	<u>(94)</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 2017 Unaudited</i>		<i>30 June 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	378	94	945	236
Available for sale	<u>9,022</u>	<u>1,804</u>	<u>9,361</u>	<u>1,872</u>
	<u>9,400</u>	<u>1,898</u>	<u>10,306</u>	<u>2,108</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 35,462 (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 includes AED 97,225 (31 December 2016 – nil) as receivable from the sale of an investment stake {refer note 9 (a)}.

6. LOANS, ADVANCES AND FINANCE LEASES

Loans, advances and finance leases comprise the following:

	<i>30 June 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Loans and advances	337,123	379,294
Finance leases	160,291	192,667
Margin lending	45,358	37,065
	<u>542,772</u>	<u>609,026</u>

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Notes to the Interim Condensed Consolidated Financial Information

For the period ended 30 June 2017

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

6. LOANS, ADVANCES AND FINANCE LEASES - continued

(a) Loans and advances

	<i>30 June 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Total loans and advances	483,151	498,308
Less: Cumulative allowance for impairment	(120,612)	(106,175)
Less: Interest in suspense	(25,416)	(12,839)
	<u>337,123</u>	<u>379,294</u>

(b) Finance Leases

	<i>30 June 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Current finance lease receivables	120,458	123,731
Non-current finance lease receivables	54,660	82,740
Less: Allowances for uncollectible lease payments	(14,827)	(13,804)
	<u>160,291</u>	<u>192,667</u>

(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 2017, these underlying securities were valued at 174,033 (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 47,796 (31 December 2016 – 46,739).

7. INVESTMENTS IN SHUAA MANAGED FUNDS

Investments in SHUAA managed funds consist of the following:

	<i>30 June 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Held at fair value through profit or loss	20,000	18,501
Associates	67,921	68,391
Available for sale	14,874	15,692
	<u>102,795</u>	<u>102,584</u>

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.

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

8. INVESTMENTS IN THIRD PARTY ASSOCIATES

The Group has the following investments in third party associates:

	<i>30 June 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
U.A.E.	<u>57,592</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>30 June 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Investments held at fair value through profit or loss	142,292	122,903
Investments available for sale	9,038	9,059
	<u>151,330</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>30 June 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Equity securities	91,118	110,209
Fixed income securities	51,022	12,113
Fund investments	152	581
	<u>142,292</u>	<u>122,903</u>

Equity securities

During the period, the Group entered into an agreement to sell part of its stake in a regional bank listed on Bahrain Bourse for AED 97,225. As at period end, having considered the terms of the agreement and other available information it was concluded that de-recognition criteria has been met. Accordingly, the Group derecognised this asset and recorded the consideration under 'receivables and other debit balances'.

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Notes to the Interim Condensed Consolidated Financial Information

For the period ended 30 June 2017

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

9. OTHER INVESTMENTS - continued

b) Investments available for sale

Investments available for sale comprise of the following:

	<i>30 June 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Unquoted fund investments	9,022	9,043
Equity investments	16	16
	<u>9,038</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>30 June 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Repayable within twelve months	187,371	196,241
Repayable after twelve months	9,233	100,703
	<u>196,604</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 150,000 representing remaining balance of a 500,000 syndicated loan facility which is repayable over the next 12 months and is secured by a charge over certain of the Group's assets.

At 30 June 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 30 June 2017:

	<i>30 June 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	2,536	3,475

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

During the six months period ended 30 June 2016, 2,395,000 shares were vested. Consequently, the weighted average cost of those shares amounting to 5,449 was transferred to accumulated losses.

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

12. INVESTMENT REVALUATION RESERVE

	<i>1 January to 30 June 2017 (6 months) Unaudited</i>	<i>1 January to 30 June 2016 (6 months) Unaudited</i>
Available for sale investments		
Balance at beginning of the period	(468)	2,781
Net movement in fair values during the period	(818)	(299)
Reserve recycled to income statement on disposal	-	(2,781)
	<hr/>	<hr/>
Balance at end of the period	(1,286)	(299)
	<hr/> <hr/>	<hr/> <hr/>

13. (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 2017 (6 months) Unaudited</i>	<i>1 January to 30 June 2016 (6 months) Unaudited</i>
Funds held at fair value through profit or loss	280	(6,198)
Associates	(470)	(842)
	<hr/>	<hr/>
	(190)	(7,040)
	<hr/> <hr/>	<hr/> <hr/>

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 30 June 2017 (6 months) Unaudited</i>	<i>1 January to 30 June 2016 (6 months) Unaudited</i>
Third party associates	13,626	-
Other investments		
Held at fair value through profit or loss	26,622	789
Available for sale	(21)	2,670
	<hr/>	<hr/>
	40,227	3,459
	<hr/> <hr/>	<hr/> <hr/>

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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 36,840 (30 June 2016: (78,332)) divided by the weighted average number of ordinary shares outstanding 1,065,000,000 (30 June 2016: 1,065,000,000).

Diluted earnings per share as of 30 June 2017 and 30 June 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>30 June 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Receivables and other debit balances		
Associates	15	-
Key management personnel	83	277
Other related parties (note 5)	97,295	27
Loans and advances – other related parties	26,613	-
Investments in SHUAA managed funds	102,795	102,584
	<u>226,801</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>30 June 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Payables and other credit balances		
Other related parties	28,595	28,000

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

	<i>1 January to 30 June 2017 (6 months) Unaudited</i>	<i>1 January to 30 June 2016 (6 months) Unaudited</i>
(Losses)/gains from investments in SHUAA managed funds		
Associates	(470)	(842)
Other related parties	280	(6,198)
Fees, commission and other income		
Other related parties	441	919
	<u>251</u>	<u>(6,121)</u>
Interest expense		
Other related parties	(1,111)	-

(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 30 June 2017 (6 months) Unaudited</i>	<i>1 January to 30 June 2016 (6 months) Unaudited</i>
Short term employee benefits	<u>(8,045)</u>	<u>(6,424)</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.

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

17. SEGMENTAL INFORMATION - continued

	1 January 2016 to 30 June 2016 (6 months) Unaudited					Total
	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	(8,954)	(3,076)	(8,153)	(27,317)	(16,020)	(63,520)
Interest expenses	-	-	-	(14,946)	-	(14,946)
Depreciation	(60)	-	(1,017)	(2,889)	(828)	(4,794)
Provisions - net	-	-	191	(90,904)	2,128	(88,585)
Total expenses	(9,014)	(3,076)	(8,979)	(136,056)	(14,720)	(171,845)
Net profit/(loss) before gains from other investments	6,868	(1,703)	(5,603)	(60,769)	(20,584)	(81,791)
Gains from other investments	-	-	-	-	3,459	3,459
Profit/(loss) for the period	6,868	(1,703)	(5,603)	(60,769)	(17,125)	(78,332)
Attributable to:						
Equity holders of the Parent	6,868	(1,703)	(5,603)	(60,769)	(17,125)	(78,332)
Non controlling interests	-	-	-	-	-	-
	6,868	(1,703)	(5,603)	(60,769)	(17,125)	(78,332)
	31 December 2016 Audited					
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	Total
Assets	103,427	-	114,984	701,509	380,576	1,300,496
Liabilities	7,649	-	8,263	368,189	90,606	474,707

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 2016 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

For the period ended 30 June 2017

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

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	131,071	25,992	2,704	551	10,644	-	170,962
Receivables and other debit balances	126,618	23,870	501	-	-	8	150,997
Loans, advances and finance leases	356,115	186,604	-	-	-	53	542,772
Investments in SHUAA managed funds	20,000	82,795	-	-	-	-	102,795
Investments in third party associates	57,592	-	-	-	-	-	57,592
Other investments	47,425	102,428	394	152	-	931	151,330
Property and equipment	25,890	3,971	16	-	-	-	29,877
Total Assets – 30 June 2017 (Unaudited)	764,711	425,660	3,615	703	10,644	992	1,206,325
Total Assets – 31 December 2016 (Audited)	772,651	515,724	3,620	1,132	7,330	39	1,300,496
Total Assets – 30 June 2016 (Unaudited)	954,619	477,654	2,795	633	13,321	26	1,449,048

19. MATURITY PROFILE

The maturity profile of assets and liabilities as of 30 June 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	137,149	1,824	138,973	31,989	-	170,962
Receivables and other debit balances	132,494	14,021	146,515	4,482	-	150,997
Loans, advances and finance leases	136,663	194,975	331,638	211,134	-	542,772
Investments in SHUAA managed funds*	-	22,640	22,640	80,155	-	102,795
Investments in third party associates*	-	-	-	57,592	-	57,592
Other investments*	86,002	53,448	139,450	11,880	-	151,330
Property and equipment*	-	-	-	29,877	-	29,877
Total Assets	492,308	286,908	779,216	427,109	-	1,206,325
Due to banks	48,326	139,045	187,371	9,233	-	196,604
Payables and other credit balances	98,146	42,821	140,967	6,967	-	147,934
Equity	-	-	-	-	861,787	861,787
Total Liabilities and Equity	146,472	181,866	328,338	16,200	861,787	1,206,325
Net liquidity gap	345,836	105,042	450,878	410,909	(861,787)	-
Cumulative liquidity gap – 30 June 2017 (Unaudited)	345,836	450,878	450,878	861,787	-	-
Cumulative liquidity gap – 31 December 2016 (Audited)	370,961	424,975	424,975	825,789	-	-
Cumulative liquidity gap – 30 June 2016 (Unaudited)	126,845	368,109	368,109	880,079	-	-

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Notes to the Interim Condensed Consolidated Financial Information

For the period ended 30 June 2017

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

20. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

	<i>30 June 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Contingent liabilities	<u>1,871</u>	<u>1,899</u>

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

	<i>30 June 2017 Unaudited</i>	<i>31 December 2016 Audited</i>
Commitments		
SHUAA managed funds	<u>77,199</u>	<u>67,199</u>

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 30 June 2017, clients' assets amounting to 3.3 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.