

SHUAA Capital PSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION AND REVIEW REPORT
FOR THE THREE MONTH PERIOD ENDED
31 MARCH 2019

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 2019 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the three months 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
15 May 2019
Dubai
United Arab Emirates

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


As at 31 March 2019

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

		<i>31 March</i> <i>2019</i> <i>Unaudited</i>	<i>31 December</i> <i>2018</i> <i>Audited</i>
	<i>Notes</i>		
Assets			
Cash and deposits with banks	5	572,717	441,422
Receivables and other debit balances	6	103,591	104,334
Loans, advances and finance leases	7	601,991	627,654
Investments in SHUAA managed funds	8	99,342	95,384
Investments in other associates	9	135,729	136,710
Other investments	10	533,231	591,661
Property and equipment		48,628	34,487
Goodwill and other intangible assets		85,076	86,173
Total Assets		2,180,305	2,117,825
Liabilities			
Due to banks	11	570,640	520,486
Other financial liabilities	12	138,467	142,635
Payables and other credit balances	13	571,479	524,948
Total Liabilities		1,280,586	1,188,069
Equity			
Share capital		1,065,000	1,065,000
Treasury Shares	14	(31,129)	(31,129)
Statutory reserve		10,120	10,120
Accumulated losses		(232,600)	(207,704)
Investment revaluation reserve	15	(20,370)	(18,663)
Translation reserve		1,650	1,126
Cash flows hedge reserve		(2,470)	-
Equity attributable to the shareholders of the Parent		790,201	818,750
Non controlling interests		109,518	111,006
Total Equity		899,719	929,756
Total Liabilities and Equity		2,180,305	2,117,825

The interim condensed consolidated financial information was approved by the Board of Directors on 15 May 2019.



Jassim Alseddiqi
Chairman

Fawad Tariq Khan
CEO & Board Director

The attached notes 1 to 25 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 2019

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

	<i>Notes</i>	<i>1 January to 31 March 2019 (3 months) Unaudited</i>	<i>1 January to 31 March 2018 (3 months) Unaudited</i>
Interest income		13,626	12,203
Net fee and commission income		33,665	12,106
Trading income		4,147	1,256
Gains from investments in SHUAA managed funds	16	3,958	7,599
Total revenues		55,396	33,164
General and administrative expenses		(50,216)	(27,665)
Interest expense		(15,435)	(3,854)
Depreciation and amortisation		(4,912)	(1,988)
Provisions and allowances for impairment - net		(8,254)	(1,787)
Total expenses		(78,817)	(35,294)
Net loss before gains from other investments		(23,421)	(2,130)
Gains from other investments, including investments in other associates	17	829	13,817
(Loss)/profit for the period		(22,592)	11,687
Attributable to:			
Equity holders of the Parent		(24,896)	11,688
Non controlling interests		2,304	(1)
		(22,592)	11,687
(Loss)/earnings per share (in AED)	18	(0.024)	0.011

The attached notes 1 to 25 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 2019

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

	<i>1 January to 31 March 2019 (3 months) Unaudited</i>	<i>1 January to 31 March 2018 (3 months) Unaudited</i>
(Loss)/profit for the period	(22,592)	11,687
Other comprehensive (loss)/income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net revaluation reserve movement on:		
- other investments	(1,627)	-
Fair value loss arising on cash flow hedge	(2,470)	-
Exchange differences on translation of foreign operations	203	123
Other comprehensive loss for the period	(3,894)	123
Total comprehensive (loss)/income for the period	(26,486)	11,810
Attributable to:		
Equity holders of the Parent	(28,549)	11,811
Non controlling interests	2,063	(1)
	(26,486)	11,810

The attached notes 1 to 25 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 2019

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

	<i>Notes</i>	<i>1 January to 31 March 2019 (3 months) Unaudited</i>	<i>1 January to 31 March 2018 (3 months) Unaudited</i>
Cash flows from operating activities			
(Loss)/profit for the period		(22,592)	11,687
Adjustments for:			
Depreciation and amortisation		4,912	1,988
Gains on investments in SHUAA managed funds		(3,958)	(7,599)
Gains from other investments, including other associates		(829)	(13,817)
Provisions and allowances for impairment - net		8,254	1,787
Operating cash flows before changes in operating assets and liabilities		(14,213)	(5,954)
Changes in operating assets and liabilities:			
Increase in receivables and other debit balances		(3,656)	(43,467)
Decrease/(increase) in loans, advances and finance leases		24,257	(87,510)
Increase in payables and other credit balances		26,377	123,505
Net cash generated from/(used in) operating activities		32,765	(13,426)
Cash flows from investing activities			
Net proceeds from sale of other investments		43,793	29,090
Dividends and other distributions from associates		-	4,900
Net purchase of intangibles, property and equipment		(2,720)	(487)
Net cash generated from investing activities		41,073	33,503
Cash flows from financing activities			
Increase/(decrease) in due to banks		50,154	(38,317)
Decrease in other financial liabilities		(4,168)	-
Dividend distribution to non controlling interests		(3,551)	-
Net cash generated from/(used in) financing activities		42,435	(38,317)
Net increase/(decrease) in cash and cash equivalents		116,273	(18,240)
Foreign currency translation		413	123
Cash and cash equivalents at beginning of the period		351,908	112,188
Cash and cash equivalents at end of the period	5	468,594	94,071

The attached notes 1 to 25 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 2019

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

	Equity attributable to shareholders of the Parent							Non controlling interests	Total	
	Share capital	Other Reserves	Treasury shares	Statutory reserve	Accumulated losses	Investment revaluation reserve	Translation reserve			Total
Balance as of 1 January 2018 <i>(Audited)</i>	1,065,000	-	(5,341)	7,402	(166,642)	(1,000)	(279)	899,140	34	899,174
Impact of adopting IFRS 9 as of 1 January 2018	-	-	-	-	(44,272)	1,000	-	(43,272)	-	(43,272)
Restated balance as of 1 January 2018	1,065,000	-	(5,341)	7,402	(210,914)	-	(279)	855,868	34	855,902
Total comprehensive income/(loss) for the period	-	-	-	-	11,688	-	123	11,811	(1)	11,810
Balance as of 31 March 2018 <i>(Unaudited)</i>	1,065,000	-	(5,341)	7,402	(199,226)	-	(156)	867,679	33	867,712

	Equity attributable to shareholders of the Parent							Non controlling interests	Total	
	Share capital	Cash flow hedge reserve	Treasury shares	Statutory reserve	Accumulated losses	Investment revaluation reserve	Translation reserve			Total
Balance as of 1 January 2019 <i>(Audited)</i>	1,065,000	-	(31,129)	10,120	(207,704)	(18,663)	1,126	818,750	111,006	929,756
Total comprehensive (loss)/income for the period	-	(2,470)	-	-	(24,896)	(1,707)	524	(28,549)	2,063	(26,486)
Dividend distribution to non controlling interests	-	-	-	-	-	-	-	-	(3,551)	(3,551)
Balance as of 31 March 2019 <i>(Unaudited)</i>	1,065,000	(2,470)	(31,129)	10,120	(232,600)	(20,370)	1,650	790,201	109,518	899,719

The attached notes 1 to 25 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 2019

(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 Securities and Commodities Authority to conduct Investment Management, Financial Consulting and Financial Analysis, Promotion and Managing Initial Public Offering 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 2019 are as follows:

Name	Country of incorporation	Principal activities	Holding 31 March 2019	Holding 31 December 2018
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	Market Making / Liquidity Provider	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%
SHUAA Securities LLC *	United Arab Emirates	Brokerage	100.0%	100.0%
Integrated Capital PJSC *	United Arab Emirates	Financial services	96.0%	96.0%
Asia for Economic Consultancy LLC	Jordan	Consultancy	94.3%	94.3%
Amwal International Investment Company KSCP *	Kuwait	Financial services	87.2%	87.2%

* These subsidiaries were acquired by the Group in Q2/Q4 2018 and hence the results for the prior period are not entirely comparable.

2. BASIS OF PREPARATION

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 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 2018. In addition, results for the three months period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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 2018.

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 2019 and 31 March 2018.

Notes to the Interim Condensed Consolidated Financial Information
 For the period ended 31 March 2019

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

3. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The Group has consistently applied the accounting policies as applied by the Group in the annual consolidated financial statements for the year ended 31 December 2018, except the following accounting policies which are applicable from 1 January 2019:

Relevant new and revised IFRS applied with no material effect on the interim condensed consolidated financial information

The following new and revised IFRS have been adopted in this condensed consolidated interim financial information. The application of the new and revised standards did not have any material impact on the amounts reported for the current and prior periods.

	<i>Effective for annual periods beginning on or after</i>
<i>Annual Improvements to IFRS Standards 2015 – 2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23</i>	<i>1 January 2019</i>
<i>Amendments to IFRS 9 Financial Instruments</i>	<i>1 January 2019</i>
<i>Amendments to IAS 28 Investment in Associates and Joint Ventures</i>	<i>1 January 2019</i>
<i>Amendments to IAS 19 Employee Benefits</i>	<i>1 January 2019</i>

Relevant new and revised IFRS applied with material effect on the interim condensed consolidated financial informationIFRS 16 Leases

The Group has adopted IFRS 16 ‘Leases’, issued in January 2016, with the date of initial application of 1 January 2019. IFRS 16 introduces significant changes to lessee accounting. It removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.

The Group initially measures the right-of-use asset at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The Group initially measures the lease liability at the present value of the future lease payments discounted using the lessee’s incremental borrowing rate as of 1 January 2019. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. The Group has assessed that the impact of IFRS 16 is not material on retained earnings as at the reporting date and has presented right of use assets within ‘Property and equipment’ and lease liabilities within ‘Payable and other credit balances’ in the consolidated statement of financial position.

On adoption of IFRS 16 Leases, the Group has recognised the following right of use assets and lease liabilities under the respective interim condensed consolidated financial information line items:

	<i>31 December 2018 (Audited)</i>	<i>Increase</i>	<i>1 January 2019</i>
Property and equipment	<u>34,487</u>	<u>17,531</u>	<u>52,018</u>
Payables and other credit balances	<u>524,948</u>	<u>16,538</u>	<u>541,486</u>

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Notes to the Interim Condensed Consolidated Financial Information For the period ended 31 March 2019

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

4. 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 2019</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	-	16,646	-	16,646
Other investments				
Held at fair value through profit or loss	213,268	78,698	51,058	343,024
Held at fair value through OCI	88,211	-	101,996	190,207
Receivables and other debit balances				
Derivative instrument	-	9,952	-	9,952
	301,479	105,296	153,054	559,829
<i>Financial liabilities</i>				
Held at fair value through profit or loss	(22,358)	(2,470)	-	(24,828)
	<i>31 December 2018</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	-	16,646	-	16,646
Other investments				
Held at fair value through profit or loss	268,010	76,417	55,189	399,616
Held at fair value through OCI	90,424	-	101,621	192,045
Receivable and other debit balances				
Derivative instrument	-	10,145	-	10,145
	358,434	103,208	156,810	618,452
<i>Financial liabilities</i>				
Held at fair value through profit or loss	(8,559)	-	-	(8,559)

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.

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Notes to the Interim Condensed Consolidated Financial Information For the period ended 31 March 2019

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

4. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

Held at fair value through other comprehensive income

Held at fair value through other comprehensive income / 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.

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.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/03/19	31/12/18				
<u>Fair value through P&L</u>						
Equity investments	30,185	30,316	3	Discounted cash flow	Discount rate and growth rate	The higher the discount rate, the lower the fair value
Fixed Income	2,265	2,263	3	Adjusted NAV	Adjusted NAV	The higher the NAV, the higher the fair value
Fund investments	18,608	22,610	3	Adjusted book value	Book value adjusted with market risk	The higher the market risk, the lower the fair value
<u>Fair value through FVOCI</u>						
Fund investments	99,034	98,599	3	Adjusted book value	Book value adjusted with market risk	The higher the market risk, the lower the fair value
Equity investments	2,962	3,022	3	NAV	NAV	The higher the NAV, the higher the fair value

Movements in level 3 financial assets measured at fair value

During the period, there were no transfers between levels 1 and 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 2019 (3 months) Unaudited						Balance at 31 March 2019
	Balance at 1 January 2019	Gain/(loss) through P&L	Gain/(loss) through OCI	Purchases	Sales	Transfers from/(to) levels 1 & 2	
Other investments							
Held at FVTPL	55,189	(4,131)	-	-	-	-	51,058
Held at FVOCI	101,621	-	375	-	-	-	101,996
	156,810	(4,131)	375				153,054
	1 January to 31 March 2018 (3 months) Unaudited						
	Balance at 31 December 2017	Impact of IFRS 9 at 1 January 2018	Balance at 1 January 2018	Gain/(loss) through P&L	Gain/(loss) through OCI	Transfers from/(to) levels 1 & 2	Balance at 31 March 2018
Other investments							
Held at FVTPL	379	9,012	9,391	9,008	-	-	18,399
Available for sale	9,012	(9,012)	-	-	-	-	-
	9,391	-	9,391	9,008	-	-	18,399

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Notes to the Interim Condensed Consolidated Financial Information For the period ended 31 March 2019

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

4. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

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

	<i>1 January to 31 March 2019 (3 months) Unaudited</i>	<i>1 January to 31 March 2018 (3 months) Unaudited</i>
Other investments		
Unrealised (losses)/gains	(4,131)	9,008

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 2019 Unaudited</i>		<i>31 March 2018 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	51,058	10,325	18,399	3,698
Held at fair value through OCI	101,996	20,399	-	-
	153,054	30,724	18,399	3,698

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.

5. CASH AND DEPOSITS WITH BANKS

Cash and deposits with banks include deposits of 104,123 (31 December 2018: 89,514) 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.

6. RECEIVABLES AND OTHER DEBIT BALANCES

Receivable and other debit balances comprise the following:

	<i>31 March 2019 Unaudited</i>	<i>31 December 2018 Audited</i>
Amounts due from managed funds	17,181	30,188
Advances and deposits	11,932	11,590
Client related receivables	4,985	4,386
Asset held for sale (a)	7,751	7,751
Receivable against unsettled trades	13,312	9,450
Derivative financial asset	9,952	10,145
Prepayments	10,619	10,925
Reverse repurchase agreements (b)	8,809	5,338
Interest receivable	3,208	2,546
Other	15,842	12,015
	103,591	104,334

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Notes to the Interim Condensed Consolidated Financial Information For the period ended 31 March 2019

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

6. RECEIVABLES AND OTHER DEBIT BALANCES - continued

a) Asset held for sale

Includes value of a plot of land received as distribution in kind from an associate. The Group intends to sell the assets in the near term.

b) Reverse repurchase agreements

Represents assets arising out of repurchase agreements entered with financial institutions. Securities bought subject to these arrangements remains off-balance sheet and the deposit paid to the counterparty is included as asset.

7. LOANS, ADVANCES AND FINANCE LEASES

Loans, advances and finance leases comprise the following:

	<i>31 March 2019 Unaudited</i>	<i>31 December 2018 Audited</i>
Loans and advances	265,128	256,210
Finance leases	160,717	162,244
Margin lending	176,146	209,200
	<u>601,991</u>	<u>627,654</u>

(a) Loans and advances

	<i>31 March 2019 Unaudited</i>	<i>31 December 2018 Audited</i>
Total loans and advances	516,025	487,298
Cumulative provision for impairment	(131,417)	(131,066)
Interest in suspense	(119,480)	(100,022)
	<u>265,128</u>	<u>256,210</u>

(b) Finance Leases

	<i>31 March 2019 Unaudited</i>	<i>31 December 2018 Audited</i>
Current finance lease receivables	97,473	104,257
Non-current finance lease receivables	86,682	82,877
Allowances for uncollectible lease payments	(23,438)	(24,890)
	<u>160,717</u>	<u>162,244</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 31 March 2019, these underlying securities were valued at 486,421 (31 December 2018: 471,549). Provisions are made for the uncovered portion of margins. As at the end of the period, the cumulative provision is 52,320 (31 December 2018: 51,387).

Some of the underlying securities in an amount of 50,408 (31 December 2018: 55,070) are pledged under repurchase agreements with financial institutions.

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Notes to the Interim Condensed Consolidated Financial Information For the period ended 31 March 2019

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

8. INVESTMENTS IN SHUAA MANAGED FUNDS

Investments in SHUAA managed funds consist of the following:

	<i>31 March 2019 Unaudited</i>	<i>31 December 2018 Audited</i>
Associates	82,696	78,738
FVTPL	16,646	16,646
	99,342	95,384

Associates

The Group owns 27.0% (31 December 2017 – 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 owns 26.3% (31 December 2017 – 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 Kingdom of Saudi Arabia.

9. INVESTMENTS IN OTHER ASSOCIATES

The Group has the following investments in other associates:

	<i>31 March 2019 Unaudited</i>	<i>31 December 2018 Audited</i>
U.A.E.	97,447	97,643
G.C.C	38,282	39,067
	135,729	136,710

City Engineering LLC

City Engineering LLC is a limited liability company based in Sharjah U.A.E. and engaged in contracting activities.

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.

ADCORP Limited

ADCORP Limited is a private company limited by shares incorporated in Abu Dhabi Global Market (ADGM) and authorized as an Islamic Financial Institution by Financial Services Regulatory Authority of ADGM.

Khaleeji Commercial Bank B.S.C

Khaleeji Commercial Bank B.S.C (“KHCB”) is a public shareholding company incorporated in Kingdom of Bahrain and is licensed by Central Bank of Bahrain to operate as Islamic retail bank.

10. OTHER INVESTMENTS

Other investments comprise of the following:

	<i>31 March 2019 Unaudited</i>	<i>31 December 2018 Audited</i>
Investments held at fair value through profit or loss	343,024	399,616
Investments held at fair value through other comprehensive income	190,207	192,045
	533,231	591,661

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Notes to the Interim Condensed Consolidated Financial Information For the period ended 31 March 2019

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

10. OTHER INVESTMENTS - continued

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 2019 Unaudited</i>	<i>31 December 2018 Audited</i>
Fixed income securities	129,004	179,890
Fund investments	124,368	128,497
Equity securities	89,652	91,229
	<u>343,024</u>	<u>399,616</u>

Included in fixed income securities is an amount of Nil (31 December 2018: 3,031) pledged under repurchase agreements with financial institutions.

Included in fund investments is Group's direct investment in a fund managed by Abraaj which is fully provided as of the period end. In addition, the Group's off balance sheet exposure to this fund held on behalf of its clients is 14,418.

b) Investments held at fair value through other comprehensive income

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

	<i>31 March 2019 Unaudited</i>	<i>31 December 2018 Audited</i>
Equity securities	187,245	189,023
Fund investments	2,962	3,022
	<u>190,207</u>	<u>192,045</u>

11. 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 2019 Unaudited</i>	<i>31 December 2018 Audited</i>
Repayable within twelve months	236,106	222,406
Repayable after twelve months	334,534	298,080
	<u>570,640</u>	<u>520,486</u>

The Group's banking facilities carry EIBOR/SIBOR based interest/profit rates plus a spread ranging between 2% and 5%. The Group's banking facilities are secured by a charge over certain of the Group's assets.

At 31 March 2019, letters of guarantee on behalf of the Group amounting to 279,694 (31 December 2018: 281,515) 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.

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Notes to the Interim Condensed Consolidated Financial Information For the period ended 31 March 2019

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12. OTHER FINANCIAL LIABILITIES

Other financial liabilities mainly consist of unsecured investment notes payable carrying interest rate ranging between 5% to 9% and having maturity as follows:

	<i>31 March 2019 Unaudited</i>	<i>31 December 2018 Audited</i>
Repayable within twelve months	101,737	105,905
Repayable after twelve months	36,730	36,730
	<u>138,467</u>	<u>142,635</u>

13. PAYABLES AND OTHER CREDIT BALANCES

Payable and other credit balances comprise the following:

	<i>31 March 2019 Unaudited</i>	<i>31 December 2018 Audited</i>
Payable to clients	308,109	257,026
Payable against unsettled trades	7,626	-
Dividends payable	33,488	33,488
Repurchase agreements (a)	39,821	49,188
FVTPL liabilities	24,828	8,559
Supplier payables	4,517	10,852
Acquisition of subsidiaries	83,744	90,458
End of service benefits	14,932	14,525
Accruals	11,159	14,670
Provisions	5,902	3,682
Interest/profit payable	12,235	9,552
Lease liabilities	16,258	-
Other payables	8,860	32,948
	<u>571,479</u>	<u>524,948</u>

a) Repurchase agreements

Represents liabilities arising out of repurchase agreements entered with financial institutions. Securities sold subject to repurchase agreements are disclosed as pledged assets (refer Note 10 and Note 7c) when the transferee has the right by contract or custom to sell or re-pledge the collateral; the deposits received from the counterparty is included as liability.

14. TREASURY SHARES

	<i>31 March 2019 Unaudited</i>	<i>31 December 2018 Audited</i>
Number of shares	28,107,748	28,107,748
Shares as percentage of total shares in issue	2.6%	2.6%
Cost of shares	31,129	31,129
Market value of shares	22,402	23,014

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

15. INVESTMENT REVALUATION RESERVE

	<i>1 January to 31 March 2019 (3 months) Unaudited</i>	<i>1 January to 31 March 2018 (3 months) Unaudited</i>
Balance at beginning of the period	(18,663)	(1,000)
Impact of adopting IFRS 9 as of 1 January 2018	-	1,000
Balance at 1 January (Adjusted opening as per IFRS 9)	(18,663)	-
Net movement in fair values during the period	(1,707)	-
Balance at end of the period	<u>(20,370)</u>	<u>-</u>

16. GAINS 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 2019 (3 months) Unaudited</i>	<i>1 January to 31 March 2018 (3 months) Unaudited</i>
Investments held at FVTPL	-	1,277
Associates	3,958	6,322
	<u>3,958</u>	<u>7,599</u>

17. GAINS/(LOSSES) FROM OTHER INVESTMENTS, INCLUDING OTHER ASSOCIATES

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

	<i>1 January to 31 March 2019 (3 months) Unaudited</i>	<i>1 January to 31 March 2018 (3 months) Unaudited</i>
Other associates	(981)	15,137
Other investments Held at FVTPL	1,810	(1,320)
	<u>829</u>	<u>13,817</u>

18. (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 (24,896) (31 March 2018: 11,688) divided by the weighted average number of ordinary shares outstanding 1,036,892,252 (31 March 2018: 1,065,000,000).

Diluted earnings per share as of 31 March 2019 and 31 March 2018 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

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

19. 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:

	31 March 2019 Unaudited	31 December 2018 Audited
Receivables and other debit balances		
Associates	1,656	3,584
Key management personnel	286	315
Other related parties	11,277	10,715
Loans and advances		
Associates	11,429	11,429
Other related parties	115,037	113,547
Investments in SHUAA managed funds - Associates	82,696	78,738
Other investments including associates	267,125	268,073

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

	31 March 2019 Unaudited	31 December 2018 Audited
Payables and other financial liabilities		
Other related parties	134,471	163,670

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

	1 January to 31 March 2019 (3 months) Unaudited	1 January to 31 March 2018 (3 months) Unaudited
Gains/(losses) from investments in SHUAA managed funds		
Associates and other related parties	3,958	6,322
Gains from other investments		
Associates and other related parties	352	12,148
Fees, commission and other income		
Associates and other related parties	235	1,349
Interest income		
Other related parties	1,850	1,891
Interest expense		
Other related parties	(2,480)	(1,620)
General and administrative expenses		
Other related parties	(4,875)	-

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

19. RELATED PARTY TRANSACTIONS – continued

Compensation of the key management personnel is as follows:

	<i>1 January to 31 March 2019 (3 months) Unaudited</i>	<i>1 January to 31 March 2018 (3 months) Unaudited</i>
Short term employee benefits	<u>(5,246)</u>	<u>(3,932)</u>

20. 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 Group'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 Company 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.

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Notes to the Interim Condensed Consolidated Financial Information For the period ended 31 March 2019

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20. SEGMENTAL INFORMATION - continued

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

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

	1 January 2019 to 31 March 2019 (3 months) Unaudited					
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	Total
Interest income	333	-	2,921	7,833	2,539	13,626
Net fees and commissions	5,375	3,489	20,287	1,468	3,046	33,665
Trading income	-	-	4,147	-	-	4,147
Gains from investments in SHUAA managed funds	-	-	-	-	3,958	3,958
Total revenues	5,708	3,489	27,355	9,301	9,543	55,396
General & administrative expenses	(4,494)	(2,391)	(20,513)	(9,298)	(13,520)	(50,216)
Interest expenses	-	-	(737)	(1,725)	(12,973)	(15,435)
Depreciation and amortisation	(100)	-	(2,888)	(995)	(929)	(4,912)
Provisions and allowances for impairment - net	(4,232)	-	(170)	(1,300)	(2,552)	(8,254)
Total expenses	(8,826)	(2,391)	(24,308)	(13,318)	(29,974)	(78,817)
Net profit/(loss) before (losses)/gains from other investments	(3,118)	1,098	3,047	(4,017)	(20,431)	(23,421)
Gains/(losses) from other investments	-	-	2,016	(380)	(807)	829
Profit/(loss) for the period	(3,118)	1,098	5,063	(4,397)	(21,238)	(22,592)
Attributable to:						
Equity holders of the Parent	(3,118)	1,098	2,736	(4,397)	(21,215)	(24,896)
Non controlling interests	-	-	2,327	-	(23)	2,304
	(3,118)	1,098	5,063	(4,397)	(21,238)	(22,592)

	31 March 2019 Unaudited					
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	Total
Assets	70,541	1,077	748,361	538,920	821,406	2,180,305
Liabilities	5,786	-	306,733	227,262	740,805	1,280,586

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20. SEGMENTAL INFORMATION - continued

	1 March 2018 to 31 March 2018 (3 months) Unaudited					
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	Total
Interest income	216	-	824	10,068	1,095	12,203
Net fees and commissions	7,371	735	2,989	328	683	12,106
Trading income	-	-	1,256	-	-	1,256
Losses from investments in SHUAA managed funds	1,276	-	-	-	6,323	7,599
Total revenues	8,863	735	5,069	10,396	8,101	33,164
General & administrative expenses	(4,714)	(1,340)	(6,081)	(8,234)	(7,296)	(27,665)
Interest expenses	-	-	(78)	(2,211)	(1,565)	(3,854)
Depreciation and amortisation	(16)	-	(603)	(955)	(414)	(1,988)
Provisions and allowances for impairment - net	-	-	-	(1,699)	(88)	(1,787)
Total expenses	(4,730)	(1,340)	(6,762)	(13,099)	(9,363)	(35,294)
Net profit/(loss) before gains/(losses) from other investments	4,133	(605)	(1,693)	(2,703)	(1,262)	(2,130)
(Losses)/gains from other investments	-	-	(30)	4,888	8,959	13,817
Profit/(loss) for the period	4,133	(605)	(1,723)	2,185	7,697	11,687
Attributable to:						
Equity holders of the Parent	4,133	(605)	(1,722)	2,185	7,697	11,688
Non controlling interests	-	-	(1)	-	-	(1)
	4,133	(605)	(1,723)	2,185	7,697	11,687

	31 December 2018 Audited					
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	Total
Assets	86,951	885	695,918	508,026	826,045	2,117,825
Liabilities	8,846	-	242,630	174,335	762,258	1,188,069

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.

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Notes to the Interim Condensed Consolidated Financial Information For the period ended 31 March 2019

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21. 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	398,044	129,949	13,840	3,903	23,560	3,421	572,717
Receivables and other debit balances	73,316	18,641	9,427	-	109	2,098	103,591
Loans, advances and finance leases	365,413	175,600	42,166	-	-	18,812	601,991
Investments in SHUAA managed funds	-	99,342	-	-	-	-	99,342
Investments in third party associates	97,447	38,282	-	-	-	-	135,729
Other investments	416,343	54,297	7,777	30,186	23,382	1,246	533,231
Property and equipment	33,894	11,423	2,060	-	1,251	-	48,628
Goodwill and other intangibles	49,253	28,009	1,155	-	6,659	-	85,076
Total Assets – 31 March 2019 (Unaudited)	1,433,710	555,543	76,425	34,089	54,961	25,577	2,180,305
Total Assets – 31 December 2018 (Audited)	1,325,203	637,836	70,219	30,963	29,297	24,307	2,117,825

22. MATURITY PROFILE

The maturity profile of assets and liabilities as of 31 March 2019, 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	468,594	32,512	501,106	71,611	-	572,717
Receivables and other debit balances	58,622	38,050	96,672	6,919	-	103,591
Loans, advances and finance leases	244,975	139,887	384,862	217,129	-	601,991
Investments in SHUAA managed funds*	-	-	-	99,342	-	99,342
Investments in third party associates*	-	-	-	135,729	-	135,729
Other investments*	98,432	233,385	331,817	201,414	-	533,231
Property and equipment*	-	-	-	48,628	-	48,628
Goodwill and other intangible assets*	-	-	-	85,076	-	85,076
Total Assets	870,623	443,834	1,314,457	865,848	-	2,180,305
Due to banks	60,865	175,241	236,106	334,534	-	570,640
Other financial liabilities	15,832	85,905	101,737	36,730	-	138,467
Payables and other credit balances	312,824	177,240	490,064	81,415	-	571,479
Equity	-	-	-	-	899,719	899,719
Total Liabilities and Equity	389,521	438,386	827,907	452,679	899,719	2,180,305
Net liquidity gap	481,102	5,448	486,550	413,169	(899,719)	-
Cumulative liquidity gap – 31 March 2019 (Unaudited)	481,102	486,550	486,550	899,719	-	-
Cumulative liquidity gap – 31 December 2018 (Audited)	464,678	514,497	514,497	929,756	-	-

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23. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

	<i>31 March 2019 Unaudited</i>	<i>31 December 2018 Audited</i>
Contingent liabilities		
Performance guarantees	9,242	9,533
Other	16,627	16,627
	<u>25,869</u>	<u>26,160</u>

Performance guarantees issued are regarded as unlikely to crystallise as a liability.

The Group reviewed the contingent liabilities and current legal cases and has sufficiently provided for any future losses that might arise. Other contingent liability consist of zakat / tax claimed from the Group by tax authorities in the Kingdom of Saudi Arabia for the years 2008-2013. The Group has filed an appeal against this claim and Group's management and tax advisors believe that the outcome of the claim will be in favor of the Group. Accordingly, the Group's management believe that provisions recorded against any tax exposure is sufficient.

	<i>31 March 2019</i>	<i>31 December 2018</i>
Commitments		
SHUAA managed funds	-	67,199
Other	-	147,008
	<u>-</u>	<u>214,207</u>

24. 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 2019, clients' assets amounting to 4.5 billion (31 December 2018: 4.9 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.

25. OTHER INFORMATION

During the period, SHUAA Capital psc and Abu Dhabi Financial Group LLC commenced discussions for a possible combination and/or strategic investment in between the two financial institutions subject to regulatory approvals.