

SHUAA Capital PSC
CONSOLIDATED FINANCIAL STATEMENTS
AND AUDIT REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

BOARD OF DIRECTORS' REPORT

Financial Results Summary

GCC markets were some of the best performing globally in 2013, despite continued political instability related to neighboring countries in the wider Middle East and North Africa region. The improved market environment, particularly in the UAE, has resulted in renewed investor interest and overall increased business activity.

During 2013, the full impact of SHUAA's rightsizing program came into effect as the Group successfully completed its turnaround. Subsequently, SHUAA reported a profit in the second, third and fourth quarter 2013. All SHUAA's core fee and income generating business units were profitable which helped to achieve an annual net profit of AED2.8 m in 2013, and which is also in line with earnings guidance issued in 2012.

Revenues reached AED198 m, fuelled by improved activity from Asset Management, Investment Banking, Capital Markets and Lending as well as significant gains from investments in SHUAA's managed funds. Total expenses decreased by AED6 m to AED193 m, mainly as a result of further reductions in General and Administrative costs.

As of 31 December 2013, SHUAA's total assets stood at AED1.5 bn. Our cash position stood at AED189 m as we continued to invest our own resources into our Lending business in line with our strategy. Liabilities increased to AED376 m reflecting an increase in bank debt of AED258 m to fund Gulf Finance. Overall, net assets were up fractionally at AED1.1 bn, and SHUAA's leverage ratio increased to 0.23 times at year-end 2013.

Strategic Highlights

The turnaround program was successfully concluded in 2013. SHUAA has returned to profitability and is today a balanced business and well positioned to capitalize on the positive market environment and emerging opportunities. Going forward, SHUAA's strategy will be focused on recurring revenue generation through the introduction of new products and services as well as increased lending activity and the launch of more investment banking transactions that we expect to materialize as a result of improved market conditions.

Lending

The Lending division posted a 38% increase in annual revenues to AED104 m as SHUAA continued to invest capital into building Gulf Finance and Gulf Installments. Net profit for the year decreased to AED3.8 m due to temporary increases in General and Administrative costs and provisions.

Since the appointment of new CEO, David Hunt, the business has been reducing central costs and integrating its back office operations with SHUAA. The result of the streamlining program is expected to be visible in Q1 2014 results.

In January 2013, Gulf Installments Company started operations in Saudi Arabia to provide Sharia compliant instalment and lease financing with a focus on small and medium sized enterprises. GIC turned profitable in the fourth quarter of 2013.

Asset Management

The Asset Management division which oversees SHUAA's investment and private equity funds as well as its discretionary portfolio mandates, reported full year profits of AED14.1 m and revenues of AED21.6 m. As of 31 December 2013, the Emirates Gateway Fund and the Arab Gateway Fund, two of SHUAA's flagship funds, had returned 87.4% and 38.8%, outperforming their respective benchmarks for the second consecutive year. Client assets under management grew to AED968 m.

Investment Banking

The Investment Banking team recorded AED3.8 m in full year profits with gross revenues touching AED11.8 m. In 2013, SHUAA's Investment Banking team acted as advisor to a number of clients and has also been working on numerous capital markets mandates as a surge of interest from private companies needing financial advisory services grows.

Capital Markets

Capital Markets posted revenues of AED8.6 m and a full year profit of AED2.6 m. Trading income was up eleven-fold and fees and commissions earned were also up over the year.

Brokerage

The Brokerage division closed during the first half of 2013. However, certain General and Administrative costs and reversals in provisions made the division book full year profits of AED4.8 m.

Credit

The Credit division posted a net loss of AED7.1 m from expenses and no revenue was booked for the year. SHUAA confirms that former CIO and CEO of Credit division has left the company. The Credit Asset Management activities will be amalgamated into the Asset Management division and Credit Advisory will fall under Investment Banking.

Corporate

The Corporate division, the corporate cost center of the company, posted full year revenues of AED52 m and an overall loss of AED19.0 m. Headcount of the Group was 179 at the end of the year.

Outlook

Having successfully completed the turnaround and returned to profitability, SHUAA is on the right track and well positioned to capitalize on the positive market momentum and reassume its position as a leading financial services provider in the region.

Finally, the Board of Directors would like to thank all employees for their hard work in turning the company around, and extend its gratitude to existing and future shareholders for their continued support and confidence in SHUAA.



Maktoum H. Al Maktoum
Executive Chairman

13 February 2014

INDEPENDENT AUDITOR'S REPORT

The Shareholders
SHUAA Capital PSC
Dubai
United Arab Emirates

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **SHUAA Capital PSC** (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as of 31 December 2013, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (continued)*Opinion*

In our opinion, the consolidated financial statements presents fairly, in all material respects, the consolidated financial position of SHUAA Capital PSC and its subsidiaries (together the "Group") as of 31 December 2013 and the Group's consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Company has maintained proper books of account and the information contained in the Board of Directors' report relating to the consolidated financial statements is in agreement with the books. We obtained all the information and explanations which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984, as amended, or the Company's Articles of Association which might have a material effect on the financial position of the Company or the results of its financial performance.

13 February 2014

Deloitte & Touche (M.E.)



Anis Sadek
Partner
Registration No. 521

SHUAA Capital psc**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 31 December 2013

(Currency - Thousands of U.A.E. Dirhams)

	<i>Notes</i>	31 December 2013	31 December 2012
Assets			
Cash and deposits with banks	7	189,471	423,317
Receivables and other debit balances	8	24,064	21,569
Loans, advances and finance leases	9	856,756	562,382
Investments in SHUAA managed funds	10	211,908	164,813
Investments in third party associates	11	89,100	92,046
Other investments	12	36,472	50,867
Property and equipment	13	47,422	25,916
Goodwill	14	34,111	34,111
Total Assets		1,489,304	1,375,021
Liabilities			
Due to banks	15	258,181	136,319
Payables and other credit balances	16	117,671	133,060
Total Liabilities		375,852	269,379
Equity			
Share capital	17	1,065,000	1,065,000
Treasury shares	18	(14,458)	(14,458)
Employee long term incentive plan shares	19	(95,772)	(86,603)
Statutory reserve	21	198,277	197,994
Accumulated losses		(41,965)	(57,587)
Investments revaluation reserve	22	2,140	1,080
Translation reserve		(309)	(302)
Equity attributable to shareholders of the Parent		1,112,913	1,105,124
Non controlling interests	23	539	518
Total Equity		1,113,452	1,105,642
Total Liabilities and Equity		1,489,304	1,375,021

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 13 February 2014.



Maktoum H. Al Maktoum
Executive Chairman

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2013

(Currency - Thousands of U.A.E. Dirhams)

	<i>Notes</i>	<i>1 October to 31 December 2013 (3 months) Unaudited</i>	<i>1 January to 31 December 2013 (12 months) Audited</i>	<i>1 October to 31 December 2012 (3 months) Unaudited</i>	<i>1 January to 31 December 2012 (12 months) Audited</i>
Interest income		30,929	107,845	21,797	86,233
Net fees and commissions	24	15,634	43,928	6,660	38,254
Trading income		23	1,440	43	81
Gains/(losses) from investments in SHUAA managed funds	25	17,077	44,742	(3,341)	12,722
Total revenues		63,663	197,955	25,159	137,290
General and administrative expenses	26	(45,139)	(158,200)	(33,842)	(171,362)
Interest expense		(3,683)	(9,714)	(2,340)	(11,700)
Depreciation	13	(1,824)	(6,224)	(1,213)	(6,775)
Provisions - net	27	(11,610)	(19,334)	(1,812)	(9,445)
Total expenses		(62,256)	(193,472)	(39,207)	(199,282)
Net profit/(loss) before gains/(losses) from other investments		1,407	4,483	(14,048)	(61,992)
Gains/(losses) from other investments, including investments in third party associates	28	2,390	(1,635)	(6,625)	3,746
Profit/(loss) for the period/year		3,797	2,848	(20,673)	(58,246)
Attributable to:					
Equity holders of the Parent		3,784	2,827	(20,667)	(58,993)
Non controlling interests		13	21	(6)	747
		3,797	2,848	(20,673)	(58,246)
Earnings/(loss) per share (in AED)	29	0.004	0.003	(0.019)	(0.056)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

(Currency - Thousands of U.A.E. Dirhams)

	<i>1 October to 31 December 2013 (3 months) Unaudited</i>	<i>1 January to 31 December 2013 (12 months) Audited</i>	<i>1 October to 31 December 2012 (3 months) Unaudited</i>	<i>1 January to 31 December 2012 (12 months) Audited</i>
Profit/(loss) for the period/year	3,797	2,848	(20,673)	(58,246)
Other comprehensive income				
<i>Items that will be reclassified subsequently to profit or loss:</i>				
Net revaluation reserve movement on:				
- Other investments	(47)	1,596	(11)	(5,065)
Share of other comprehensive income of associates	-	(536)	(881)	(658)
Exchange differences on translation of foreign operations	(1)	(7)	(108)	(89)
Other comprehensive income/(loss) for the period/year	(48)	1,053	(1,000)	(5,812)
Total comprehensive income/(loss) for the period/year	3,749	3,901	(21,673)	(64,058)
Attributable to:				
Equity holders of the Parent	3,736	3,880	(21,666)	(64,801)
Non controlling interests	13	21	(7)	743
	3,749	3,901	(21,673)	(64,058)

SHUAA Capital psc**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2013

(Currency - Thousands of U.A.E. Dirhams)

	<i>1 January to 31 December 2013</i>	<i>1 January to 31 December 2012</i>
Cash flows from operating activities		
Profit/(loss) for the year	2,848	(58,246)
Adjustments for:		
Depreciation	6,224	6,775
Gains on investments in SHUAA managed funds	(44,742)	(12,722)
Losses/(gains) from other investments	1,635	(6,954)
Share based payments charge	13,078	1,406
Provisions - net	19,334	9,445
Operating cash flows before changes in operating assets and liabilities	(1,623)	(60,296)
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables and other debit balances	(2,019)	30,200
(Increase)/decrease in loans, advances and finance leases	(312,141)	6,752
Decrease in payables and other credit balances	(21,064)	(36,937)
Net (acquisition)/sale of SHUAA managed funds	(2,350)	80,628
Net cash (used in) / generated by operating activities	(339,197)	20,347
Cash flows from investing activities		
Net proceeds from other investments /associates	13,191	160,792
Dividends and capital distribution	7,190	45,069
Net purchase of property and equipment	(27,730)	(2,764)
Net cash (used in) / generated by investing activities	(7,349)	203,097
Cash flows from financing activities		
Increase/(decrease) in due to banks	121,862	(139,612)
Distribution to non controlling interests	-	(630)
Movement in employee long term incentive plan shares	(9,169)	-
Net cash generated from / (used in) financing activities	112,693	(140,242)
Net (decrease)/increase in cash and cash equivalents	(233,853)	83,202
Foreign currency translation	7	(92)
Cash and cash equivalents at beginning of the year	423,317	340,207
Cash and cash equivalents at end of the year	189,471	423,317
Operational cash flows from interest and dividend		
Interest received	108,158	90,920
Interest paid	(9,180)	(13,498)
Dividend received	3,471	6,039

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

SHUAA Capital psc
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

(Currency - Thousands of U.A.E. Dirhams)

	Equity attributable to shareholders of the Parent									
	Share capital	Treasury shares	Employee long term incentive plan shares	Statutory reserve	Accumulated losses	Investments revaluation reserve	Translation reserve	Total	Non controlling interests	Total
Balance as of 1 January 2012	1,065,000	(14,458)	(86,603)	728,295	(530,301)	6,803	(217)	1,168,519	405	1,168,924
Total comprehensive income/(loss) for the year	-	-	-	-	(58,993)	(5,723)	(85)	(64,801)	743	(64,058)
Accumulated losses offset	-	-	-	(530,301)	530,301	-	-	-	-	-
Share based payments charge (note 20)	-	-	-	-	1,406	-	-	1,406	-	1,406
Distribution to non controlling interests	-	-	-	-	-	-	-	-	(630)	(630)
Balance as of 31 December 2012	1,065,000	(14,458)	(86,603)	197,994	(57,587)	1,080	(302)	1,105,124	518	1,105,642

	Equity attributable to shareholders of the Parent									
	Share capital	Treasury shares	Employee long term incentive plan shares	Statutory reserve	Accumulated losses	Investments revaluation reserve	Translation reserve	Total	Non controlling interests	Total
Balance as of 1 January 2013	1,065,000	(14,458)	(86,603)	197,994	(57,587)	1,080	(302)	1,105,124	518	1,105,642
Total comprehensive income/(loss) for the year	-	-	-	-	2,827	1,060	(7)	3,880	21	3,901
Transferred to statutory reserve	-	-	-	283	(283)	-	-	-	-	-
Net movement in employee long term incentive plan shares	-	-	(9,169)	-	-	-	-	(9,169)	-	(9,169)
Share based payments charge (note 20)	-	-	-	-	13,078	-	-	13,078	-	13,078
Balance as of 31 December 2013	1,065,000	(14,458)	(95,772)	198,277	(41,965)	2,140	(309)	1,112,913	539	1,113,452

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Currency - Thousands of U.A.E. Dirhams)

1. LEGAL STATUS AND ACTIVITIES

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

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

The Company and its subsidiaries (the “Group”) conduct a diversified range of investment and financial service activities strategy with special emphasis on the Arab region in general, the U.A.E. and 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 December 2013 are as follows:

Name	Country of incorporation	Principal activities	Holding 31 December 2013	Holding 31 December 2012
Gulf Finance Corporation PJSC	United Arab Emirates	Financing	100.0%	100.0%
Gulf Installments Company LLC	Saudi Arabia	Financing	100.0%	100.0%
SHUAA Capital International Limited	United Arab Emirates	Brokerage	100.0%	100.0%
SHUAA Asset Management Limited	United Arab Emirates	Private Equity / Asset Management	100.0%	100.0%
SHUAA Securities LLC	United Arab Emirates	Brokerage	100.0%	100.0%
SHUAA Capital Saudi Arabia CJSC	Saudi Arabia	Financial services	99.6%	99.6%
SHUAA Securities Egypt SAE	Egypt	Brokerage	100.0%	100.0%
Asia for Economic Consultancy LLC	Jordan	Consultancy	94.3%	94.3%

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**Relevant new and revised IFRSs applied with no material effect on the consolidated financial statements**

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

<i>IAS 1</i>	<i>Presentation of financial statements: Items of Other Comprehensive Income – Amendments to IAS 1</i>
<i>IFRS 7</i>	<i>Financial Instruments: Disclosure - Offsetting Financial Assets and Financial Liabilities (Amendment)</i>
<i>IFRS 10*</i>	<i>Consolidated Financial Statements</i>
<i>IFRS 11**</i>	<i>Joint Arrangements</i>
<i>IFRS 12</i>	<i>Disclosure of Interests in Other Entities</i>
<i>IFRS 13***</i>	<i>Fair Value Measurement</i>
<i>IAS 27*</i>	<i>Separate Financial Statements</i>
<i>IAS 34</i>	<i>Interim financial reporting and segment information for total assets and liabilities (Amendment)</i>

All other new and revised IFRSs that become effective during the current financial year are irrelevant to the Group.

***IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements**

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control in such a manner that to meet the definition of control, all three criteria must be met including: (a) an investor has power over an investee; (b) the investor has exposure or rights to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor’s returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

(Currency - Thousands of U.A.E. Dirhams)

2. APPLICATION OF NEW AND REVISED IFRS - continued****IFRS 11 Joint Arrangements**

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. IFRS 11 is effective for annual periods beginning on or after 1 January 2013. The adoption of IFRS 11 did not impact the accounting treatment or disclosure of the Group's investments.

*****IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 had no impact on the fair value measurements carried out by the Group.

Relevant new and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs, amendments and interpretations that have been issued but not yet effective:

IFRS 9	<i>Financial Instrument¹</i>
IAS 32	<i>Amendments to IAS 32 Financial Instruments: Presentation²</i>
IAS 36	<i>Amendments to IAS 36 Impairment of Assets: Recoverable amount disclosures²</i>
IAS 39	<i>Amendments to IAS 39 Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting²</i>
IFRS 10, IFRS 12 & IAS 27	<i>Guidance on Investment Entities²</i>

¹ Effective for annual periods beginning on or after 1 January 2017.

² Effective for annual periods beginning on or after 1 January 2014.

The Group anticipates that these new standards will be adopted in the Group's consolidated financial statements in the year of initial application and that the application of such standards may have an impact on amounts reported in respect of the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES**Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and applicable provisions of Federal Law No 8 of 1984 (as amended) of United Arab Emirates Laws.

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention as modified for the measurement at fair value of certain financial instruments.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent company and its subsidiaries (the "Group"). The results of these subsidiaries are included in the consolidated statement of income from the effective date of formation or acquisition up to the effective date of disposal. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. All significant inter-company balances, transactions and profits have been eliminated upon consolidation.

Control is achieved where the Group has power over an investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES - continued**Basis of consolidation - continued**

Non controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from equity attributable to the shareholders of the Parent.

Trade date accounting

All “regular way” sales and purchases of financial assets are recognised on the “trade date”, the date that the Group commits to sell or purchase the asset. Regular way sales or purchases are sales or purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income or expense is recognised on an effective interest basis for debt instruments other than those financial instruments classified as held for trading.

Financial assets

The Group classifies its financial assets at initial recognition in the following categories:

- Held for trading investments
- Investment securities designated at fair value through profit or loss
- Loans and advances
- Held to maturity investments
- Available for sale investments

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Held for trading investments and investment securities designated at fair value through profit or loss

These represent investments acquired or incurred principally for the purpose of generating profit from short term fluctuations in price. The fair value of the investments under this classification can be reliably measured and gains and losses arising from changes in fair values are included in the consolidated statement of income in the period in which they arise.

These investments are initially recognised at cost, being the fair value of the consideration given, excluding all acquisition costs associated with the investment.

After initial recognition, these investments are measured at fair value. The fair value of securities traded in recognised financial markets is their quoted price. For securities where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument that is substantially the same or is based on discounted cash flow analysis, option pricing models or other reliable valuation methods.

Any gain or loss arising from a change in the fair value of these investments is recognised in the consolidated statement of income for the period in which it arises. Dividend, interest and other revenues generated from these investments are included in the consolidated statement of income.

Loans and advances

Instruments that are non derivative financial assets with fixed or determinable payments and that are not quoted in an active market are designated as loans and advances. These are measured at amortised cost using the effective interest method, less any provision for impairment. The Group has a policy of establishing specific provisions against loans and advances to customers, where management considers the recovery of the balance to be doubtful. Loans and advances are only written off after all practical means of pursuing recovery have been exhausted.

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the reporting date. These are estimated based upon historical patterns of losses in each component and reflecting the current economic climate in which the borrowers operate.

Held to maturity investments

Investments classified as held to maturity are non derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. They are carried at amortised cost using the effective interest method, less provision for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES - continued***Available for sale investments***

Available for sale financial assets are non derivatives that are either designated in this category or not classified as held for trading, loans and advances or held to maturity investments. After initial recognition, investments available for sale are measured at fair value. For investments actively traded in organised financial markets, fair value is generally determined by reference to stock exchange quoted price at the close of business on the reporting date, adjusted for illiquidity constraints and other costs necessary to realise the asset's value.

Where the investments are not traded in an active market, traded in small volumes, or where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument that is substantially the same or is based on earnings factors, projected cash flows and a valuation multiple that considers comparable indicators used in recent mergers and acquisitions, or the projected sale value of the investment if negotiations are currently in progress. Investments whose fair value cannot be reliably measured are carried at cost less any provision for impairment.

Gains or losses arising from a change in the fair value of investments available for sale are recognised in other comprehensive income under the heading of 'investment revaluation reserve'. When the investment is derecognised or determined to be impaired, the accumulated amount in the investment revaluation reserve is reclassified to the consolidated statement of income.

Reversals of previously recognised impairment losses are not initially recorded through the consolidated statement of income but as an increase in the investment revaluation reserve pending realisation.

Derivatives

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in consolidated statement of income.

Financial liabilities

The Group classifies its financial liabilities at initial recognition as other financial liabilities.

Other financial liabilities

These include medium term debt and payables and other credit balances and are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES - continued**Investment in associates**

The Group's investments in associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy discussions of the investee but is not control or joint control over those policies. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Leases

During the year, the Group introduced new leasing services acting as Lessor. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Goodwill

Business combinations are accounted for using the acquisition method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Goodwill is initially recognised at its cost, being the excess of the cost of the acquisition over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less any impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES - continued**Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised to write-off the cost or valuation of assets (other than land) less their residual values over their useful lives, using the straight line method. The estimated useful lives, residual lives and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is provided on a straight-line basis over the assets' estimated useful lives over the following periods:

Furniture and leasehold improvements	1-5 years
Office equipment and computers	3 years
Motor vehicles	4 years
Buildings	40 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the consolidated statement of income.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

Impairment losses relating to goodwill cannot be reversed in future periods.

Income recognition

Interest income, as well as fees which are considered an integral part of the effective yield of a financial asset, are recognised using the effective interest method, unless recoverability is in doubt. The recognition of interest income is suspended when financial assets become impaired.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Fee and commission income and expenses are accounted for on the date the transaction arises.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES - continued**Share-based payment transactions**

Certain employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in note 20.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of income charge or credit for a period is recorded in "employee salaries and fringe benefits" and represents the movement in the cumulative expense recognised at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company contributes to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (7), 1999 for Pension and Social Security. The Company's obligations are limited to these contributions, which are expensed when due.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the respective entities operate ("the functional currency"). The consolidated financial statements are presented in UAE Dirhams which is the Company's functional and presentational currency.

Monetary assets and liabilities held at the reporting date and denominated in foreign currencies are translated into the functional currency at exchange rates prevailing as at the reporting date. The resulting exchange differences are taken to the consolidated statement of income.

On consolidation, assets and liabilities of subsidiaries are translated at rates of exchange prevailing as at the reporting date and the results of their operations are translated at the average rates of exchange for the year. The exchange differences arising on consolidation and equity accounting are taken to other comprehensive income (attributed to non controlling interests as appropriate).

On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income and accumulated in the separate component of equity relating to that particular foreign operation is recognised in the consolidated statement of income as part of the gain or loss on sale.

Cash and cash equivalents

Cash and cash equivalents for the purposes of the consolidated statement of cash flows consist of cash and short term deposits maturing within 90 days or less.

Treasury shares

Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognised in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Classification of financial assets

The classification of financial assets, in the categories described in the significant accounting policies note, depends on the nature and purpose of the financial assets and is determined at the time of initial recognition requiring the exercise of judgment by the management.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of consolidated financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Impairment losses on loans, advances and finance leases

The Group reviews its loans, advances and finance leases at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant balances, the Group also makes a collective impairment allowance against exposures (incorporating relevant requirements of the Central Bank of the U.A.E) which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted.

Impairment of available for sale investments

The Group assesses at each reporting date whether there is objective evidence that an individual or a group of available for sale investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from equity and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Subsequent increases in their fair value after impairment are recognised in other comprehensive income under the heading of 'investments revaluation reserve'.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of interest income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group calibrates its valuation techniques periodically and tests these for validity using either prices from observable current market transactions in the same instrument or other available observable market data.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

5. 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:

31 December 2013				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Investments in SHUAA managed funds				
Held at fair value through profit or loss	-	145,807	-	145,807
Other investments				
Held at fair value through profit or loss	-	2,318	12,233	14,551
Available for sale	-	42	15,268	15,310
	-	148,167	27,501	175,668
31 December 2012				
	<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	-	93,697	-	93,697
Other investments				
Held at fair value through profit or loss	10,172	5,116	13,472	28,760
Available for sale	47	2,938	11,603	14,588
	10,219	101,751	25,075	137,045

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5. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued**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 funds and unquoted private equity 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 private equity 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.

Transfers between level 1 and level 2

During the year, there was no transfer between level 1 and level 2.

Movements in level 3 financial assets measured at fair value

During the year, the Group transferred a financial instrument from level 2 to level 3, as the observable data used for the valuation of the financial instrument became unavailable.

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

31 December 2013						
<i>Balance at 1 January 2013</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 31 December 2013</i>
Other investments						
Held at FVTPL	13,472	(1,109)	-	-	(130)	12,233
Available for sale	11,603	436	1,667	-	(1,307)	15,268
	25,075	(673)	1,667	-	(1,437)	27,501

31 December 2012						
<i>Balance at 1 January 2012</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 31 December 2012</i>
Other investments						
Held at FVTPL	14,381	(646)	-	-	(263)	13,472
Available for sale	88,954	(9,570)	(4,496)	6,611	(69,896)	11,603
	103,335	(10,216)	(4,496)	6,611	(70,159)	25,075

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5. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

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

	<i>31 December 2013</i>	<i>31 December 2012</i>
Other investments		
Realised gains/(losses)	505	(900)
Unrealised losses	(1,178)	(9,316)
	<u>(673)</u>	<u>(10,216)</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 December 2013</i>		<i>31 December 2012</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	12,233	3,058	13,472	3,368
Available for sale	15,268	3,054	11,603	2,321
	<u>27,501</u>	<u>6,112</u>	<u>25,075</u>	<u>5,689</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.

6. FINANCIAL RISK MANAGEMENT**Introduction**

The inherent risk relating to the Group's activities is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Group is exposed to credit risk, liquidity risk, market risk (comprising, interest rate risk, foreign exchange risk and equity price risk) and operational risk.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risk relating to the Group's activities and recognises the importance of managing risk in line with shareholder risk appetite.

Authority to set Group-wide rules to manage credit, liquidity and market risk are delegated to the Governance Committees of the Group and to each subsidiary. However, enterprise wide risk is monitored by the Group Management Committees which ensures that Group rules are adhered to.

Credit risk

Credit risk, or the risk of loss due to default on payment, is controlled by the application of credit approvals and monitoring procedures. Rules to limit exposure to credit risk are set by the Board of Directors and authority is delegated to the Governance Committees to set rules by business and strategy. Adherence to overall limits, authorisation, concentration and collateral requirements are independently monitored and managed by Risk Management.

Risk Management oversees the status of receivables, exposures and provisions and mitigation steps are approved for any balances considered doubtful in accordance with internal and regulatory policies and guidelines.

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6. FINANCIAL RISK MANAGEMENT - continued***Maximum exposure to credit risk***

The maximum exposure to credit risk for the components of the consolidated statement of financial position, before considering collateral or other credit enhancement, is shown below:

	<i>Gross maximum exposure 31 December 2013</i>	<i>Gross maximum exposure 31 December 2012</i>
Cash and deposits with banks	189,471	423,317
Receivables and other debit balances	24,064	21,569
Loans, advances and finance leases	856,756	562,382
Other investments		
Held at fair value through profit or loss	12,258	23,670
Investments held to maturity	6,611	7,519
	1,089,160	1,038,457
Contingent liabilities	9,920	61,395
Commitments	69,403	71,753
	79,323	133,148
Total credit risk exposure	1,168,483	1,171,605

The Group does not have significant credit risk exposure to any single counterparty or group of counterparties that have similar credit risk.

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	140,936	32,823	11,935	3,514	263	-	189,471
Receivables and other debit balances	17,521	5,245	617	2	132	547	24,064
Loans, advances and finance leases	730,352	112,713	13,683	-	-	8	856,756
Investments in SHUAA managed funds	60,793	151,115	-	-	-	-	211,908
Investments in third party associates	69,303	19,797	-	-	-	-	89,100
Other investments	1,220	31,317	1,664	2,259	12	-	36,472
Property and equipment	46,598	721	103	-	-	-	47,422
Goodwill	34,111	-	-	-	-	-	34,111
Total Assets - 31 December 2013	1,100,834	353,731	28,002	5,775	407	555	1,489,304
Total Assets - 31 December 2012	1,052,936	291,046	22,277	6,525	2,217	20	1,375,021

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6. FINANCIAL RISK MANAGEMENT - continued***Collateral and other credit enhancements***

The amount and type of collateral depends on an assessment of the credit risk of the counterparty. Collaterals mainly include cash, liquid securities, mortgages on vehicles and private equity holdings.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of financial asset, based on the Group's credit rating system.

	31 December 2013				
	<i>Neither past due nor impaired</i>			<i>Past due or individually impaired</i>	<i>Grand Total</i>
	High grade	Standard grade	Total		
Cash and deposits with banks	189,471	-	189,471	-	189,471
Receivables and other debit balances	-	24,064	24,064	-	24,064
Loans, advances and finance leases	-	804,507	804,507	174,684	979,191
Other investments	-	25	25	18,844	18,869
	189,471	828,596	1,018,067	193,528	1,211,595

	31 December 2012				
	<i>Neither past due nor impaired</i>			<i>Past due or individually impaired</i>	<i>Grand Total</i>
	High grade	Standard grade	Total		
Cash and deposits with banks	423,317	-	423,317	-	423,317
Receivables and other debit balances	-	21,569	21,569	-	21,569
Loans, advances and finance leases	-	495,967	495,967	205,082	701,049
Other investments	-	10,199	10,199	20,990	31,189
	423,317	527,735	951,052	226,072	1,177,124

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly. High grade assets represent all cash assets and standard grade are assets which have not defaulted during the term of the facility.

Ageing analysis of past due but not impaired loans per class of financial assets is shown below:

	31 December 2013				
	<i>Less than 30 days</i>	<i>30 to 60 days</i>	<i>60 to 90 days</i>	<i>More than 90 days</i>	<i>Total</i>
Loans, advances and finance leases	12,539	6,176	3,760	72,119	94,594

	31 December 2012				
	<i>Less than 30 days</i>	<i>30 to 60 days</i>	<i>60 to 90 days</i>	<i>More than 90 days</i>	<i>Total</i>
Loans, advances and finance leases	11,490	7,967	959	71,896	92,312

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6. FINANCIAL RISK MANAGEMENT - continued

Details of individually impaired exposures, net of related impairment provisions are shown below:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Gross exposure	80,090	112,770
Provision for impairment	(66,432)	(90,857)
Net exposure	13,658	21,913

Specific impairment is assessed when there is a significant deterioration in the credit quality of the exposure. The net exposure above is fully covered with the value of collaterals held by the Group.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, managed assets with liquidity in mind and monitored liquidity on a daily basis.

The Group's approach aims to always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses and without materially affecting the return on capital. The Group Assets and Liabilities Committee sets minimum liquidity ratios and cash balance requirements. The Group collates the projected cash flow and liquidity profiles of its financial assets and financial liabilities. It maintains a portfolio of short-term liquid assets to cover requirements, largely consisting of short-term liquid placements with financial institutions.

The three primary measures of liquidity used by the Group are stock of liquid assets, surplus cash capital and net funding requirement. Liquid assets include cash and cash equivalents and other short term financial assets. Cash capital is defined as the aggregate of the Group's capital base, intra-group liabilities maturing later than 12 months and any undrawn committed facilities by the Group. Cash capital is used to fund long term funding requirements including investment in associates, investment securities and property and equipment. Net funding requirement is the liquid assets necessary to fund the cash obligations and commitments.

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

The maturity profile of assets and liabilities as of 31 December 2013 is as follows:

	<i>Less than 3 Months</i>	<i>3-12 Months</i>	<i>Sub total Less than a year</i>	<i>1-5 Years</i>	<i>Over 5 years</i>	<i>Grand total</i>
Cash and deposits with banks	189,071	400	189,471	-	-	189,471
Receivables and other debit balances	14,403	6,236	20,639	3,425	-	24,064
Loans, advances and finance leases	145,272	207,251	352,523	504,233	-	856,756
Investments in SHUAA managed funds*	-	60,793	60,793	151,115	-	211,908
Investments in third party associates*	-	60,854	60,854	28,246	-	89,100
Other investments*	-	14,197	14,197	22,275	-	36,472
Property and equipment*	-	-	-	47,422	-	47,422
Goodwill*	-	-	-	-	34,111	34,111
Total Assets	348,746	349,731	698,477	756,716	34,111	1,489,304
Due to banks	78,452	98,146	176,598	81,583	-	258,181
Payables and other credit balances	88,228	24,281	112,509	5,162	-	117,671
Equity	-	-	-	-	1,113,452	1,113,452
Total Liabilities and Equity	166,680	122,427	289,107	86,745	1,113,452	1,489,304
Net liquidity gap	182,066	227,304	409,370	669,971	(1,079,341)	-
Cumulative liquidity gap	182,066	409,370	409,370	1,079,341	-	-

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6. FINANCIAL RISK MANAGEMENT - continued

The maturity profile of assets and liabilities as of 31 December 2012 was as follows:

	<i>Less than 3 Months</i>	<i>3-12 Months</i>	<i>Sub total Less than a year</i>	<i>1-5 Years</i>	<i>Over 5 years</i>	<i>Grand total</i>
Cash and deposits with banks	423,317	-	423,317	-	-	423,317
Receivables and other debit balances	9,728	9,791	19,519	2,050	-	21,569
Loans, advances and finance leases	134,775	127,973	262,748	299,634	-	562,382
Investments in SHUAA managed funds*	-	32,438	32,438	132,375	-	164,813
Investments in third party associates*	-	64,247	64,247	27,799	-	92,046
Other investments*	13,182	9,594	22,776	28,091	-	50,867
Property and equipment*	166	-	166	25,750	-	25,916
Goodwill*	-	-	-	-	34,111	34,111
Total Assets	581,168	244,043	825,211	515,699	34,111	1,375,021
Due to banks	41,840	41,146	82,986	53,333	-	136,319
Payables and other credit balances	88,429	29,026	117,455	15,605	-	133,060
Equity	-	-	-	-	1,105,642	1,105,642
Total Liabilities and Equity	130,269	70,172	200,441	68,938	1,105,642	1,375,021
Net liquidity gap	450,899	173,871	624,770	446,761	(1,071,531)	-
Cumulative liquidity gap	450,899	624,770	624,770	1,071,531	-	-

The Group's contractual undiscounted repayment obligations on interest bearing financial liabilities are as follows:

	31 December 2013			
	<i>Less than 3 months</i>	<i>3 - 12 months</i>	<i>1 - 5 years</i>	<i>Total</i>
Due to banks	79,605	102,676	91,619	273,900

	31 December 2012			
	<i>Less than 3 months</i>	<i>3 - 12 months</i>	<i>1 - 5 years</i>	<i>Total</i>
Due to banks	42,198	42,796	60,409	145,403

Contractual expiry by maturity of the Group's contingent liabilities and commitments are shown below:

	31 December 2013			
	<i>Less than 3 months</i>	<i>3 - 12 months</i>	<i>1 - 5 years</i>	<i>Total</i>
Contingent liabilities	-	9,920	-	9,920
Commitments	2,204	-	67,199	69,403
Total	2,204	9,920	67,199	79,323

	31 December 2012			
	<i>Less than 3 months</i>	<i>3 - 12 months</i>	<i>1 - 5 years</i>	<i>Total</i>
Contingent liabilities	9,746	51,649	-	61,395
Commitments	-	-	71,753	71,753
Total	9,746	51,649	71,753	133,148

The Group expects that not all of the contingent liabilities or commitments will be drawn.

6. FINANCIAL RISK MANAGEMENT - continued**Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group faces market risk due to positions that are exposed to interest rate, currency and equity price movements.

The Board of Directors approves the investment guidelines to limit the Group's exposure to market risk. Within these guidelines the Group Assets and Liabilities Committee sets performance targets and allocates risk and capital enterprise wide and approves investment rules for each business or strategy. Group Risk Management monitors independently the level of market risk on a daily basis against the investment rules at each level of the company. Any issues or excessive exposures are resolved immediately and reported to the Group Assets and Liabilities Committee to determine if further action is required. Also, the Group Assets and Liabilities Committee decides whether any enterprise wide hedging is required to mitigate any material Group wide exposures.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonable change in interest rates, with all other variables held constant, of the Group's consolidated statement of income.

<i>Currency</i>	<i>Increase in basis points</i>	<i>Sensitivity of net interest income</i> <i>31 December 2013</i>	<i>Sensitivity of net interest income</i> <i>31 December 2012</i>
AED	25	(213)	68
USD	25	-	26
SAR	25	45	174

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2013. The book value of assets and liabilities subject to floating interest rates is respectively 125,659 and 258,181 (31 December 2012 – 239,700 and 136,320).

There is no impact on the Group equity, other than the implied effect on profits.

Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group has exposure in foreign currencies as a result of its geographically diversified operations which is monitored by management in adherence with internal guidelines.

The table below indicates the currencies to which the Group had significant exposure at 31 December 2013. The analysis indicates the effect on profit and equity of an assumed 1% strengthening in the UAE Dirham value against other currencies from levels applicable at 31 December 2013, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or equity, whereas a positive amount reflects a net potential increase.

<i>Currency</i>	<i>% Change in Currency rate</i>	<i>31 December 2013</i>		<i>31 December 2012</i>	
		<i>Effect on profit</i> <i>AED '000</i>	<i>Effect on equity</i> <i>AED '000</i>	<i>Effect on profit</i> <i>AED '000</i>	<i>Effect on equity</i> <i>AED '000</i>
Kuwaiti Dinar	+1	(2)	(28)	-	(29)
Egyptian Pound	+1	(2)	(2)	(2)	(3)

The UAE Dirham, Saudi Riyal, Qatari Riyal, Omani Riyal, Bahraini Dinar and Jordanian Dinar are pegged to the US Dollar. As a result, balances in these currencies do not result in foreign currency risk for the Group.

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6. FINANCIAL RISK MANAGEMENT - continued**Equity price risk**

Equity price risk is the risk that the fair values of securities decrease as the result of changes in market values. The effect of equity price risk on the Group with all other variables held constant, is as follows:

		31 December 2013		31 December 2012	
	% Change in equity price	Effect on profit AED '000	Effect on equity AED '000	Effect on profit AED '000	Effect on equity AED '000
Equities					
Kuwait	-5	-	(143)	-	(147)
Dubai	-5	(1)	-	(1)	-
Egypt	-5	-	(2)	-	(2)
Funds	-5	(7,404)	(620)	(5,463)	(55)
Bonds	-5	(613)	-	(1,183)	-

Operational risk

Operational risk is the risk of loss resulting from systems failure, human error, fraud or external events. Authority is delegated by the Board of Directors to Group Management Committees to set the Group wide operational policies to manage the risk and control environment and meet the expectations of the Board of Directors and shareholders.

Group Risk Management use a risk and control framework to identify, measure, manage and monitor risk throughout the Group and ensure adherence to Group wide policies.

Capital risk management

The primary objective of the Group's capital management is to ensure that the Group maintains a strong capital structure, in order to support its business and to maximise shareholders' return.

The Group's policy is to maintain a strong capital base well above the minimum requirements to maintain investor, creditor and market confidence and to sustain future development of the business.

The capital structure of the Group in terms of the gearing ratio is as shown below:

	31 December 2013	31 December 2012
Total borrowings	258,181	136,319
Total equity	1,113,452	1,105,642
Total capital	1,371,633	1,241,961
Gearing ratio	18.8%	11.0%

Borrowings consist of short and medium term bank borrowings and financial liabilities to third parties.

Equity includes all capital and reserves of the Group that are managed as capital.

7. CASH AND DEPOSITS WITH BANKS

Cash and deposits with banks include a fixed deposit of 21,500 (31 December 2012 – 21,500) with a local bank, which is held as collateral for a Central Bank guarantee.

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8. RECEIVABLES AND OTHER DEBIT BALANCES

	<i>31 December 2013</i>	<i>31 December 2012</i>
Client related receivables	8,382	3,442
Prepayments	4,358	5,474
Advances to suppliers	3,810	-
Deposits	2,688	4,708
Advances for staff programs	2,028	1,418
Interest receivable	383	696
Amounts due from related parties	276	649
Receivable against settlement of trades	-	3,985
Other	2,139	1,197
	24,064	21,569

9. LOANS, ADVANCES AND FINANCE LEASES

Loans, advances and finance leases comprise the following:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Loans and advances	724,757	528,465
Finance leases	102,984	-
Margin lending	29,015	33,917
	856,756	562,382

(a) Loans and advances

	<i>31 December 2013</i>	<i>31 December 2012</i>
Total loans and advances	789,412	586,705
Cumulative provision for impairment	(51,603)	(40,040)
Interest in suspense	(13,052)	(18,200)
	724,757	528,465

The movement in cumulative provision for impairment of loans and advances during the year is as follows:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Balance at beginning of the year	(40,040)	(22,604)
Provision made during the year	(36,715)	(28,186)
	(76,755)	(50,790)
Less: recoveries made against the provision during the year	1,673	10,750
Less: write offs	23,479	-
Balance at end of the year	(51,603)	(40,040)

The cumulative provision for impairment represents management's best estimate of potential losses in the loans and advances as at the reporting date.

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9. LOANS, ADVANCES AND FINANCE LEASES - continued**(b) Finance Leases**

	<i>31 December 2013</i>	<i>31 December 2012</i>
Current finance lease receivables	43,083	-
Non-current finance lease receivables	60,106	-
Allowances for uncollectible lease payments	(205)	-
	<u>102,984</u>	<u>-</u>

Leasing arrangements – the Group as lessor

The Group entered into finance lease arrangements to lease out certain of its equipment to its customers. The average term of finance leases entered into is between 2 to 3 years.

	<i>Minimum lease payments</i>		<i>Present value of minimum lease payments</i>	
	<i>31 December 2013</i>	<i>31 December 2012</i>	<i>31 December 2013</i>	<i>31 December 2012</i>
Not later than one year	55,238	-	43,083	-
Later than one year and not later than five years	66,444	-	60,106	-
	<u>121,682</u>	<u>-</u>	<u>103,189</u>	<u>-</u>
Less: unearned finance income	(18,493)	-	-	-
	<u>103,189</u>	<u>-</u>	<u>103,189</u>	<u>-</u>
Allowances for uncollectible lease payments	(205)	-	(205)	-
	<u>102,984</u>	<u>-</u>	<u>102,984</u>	<u>-</u>

Unguaranteed residual values of assets leased under finance leases at the end of the reporting period are estimated at nil.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term.

(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 December 2013, these underlying securities were valued at 157,965 (31 December 2012 – 140,695). Provisions are made for the uncovered portion of margins. As at the end of the year the cumulative provision is 57,575 (31 December 2012 – 80,427).

10. INVESTMENTS IN SHUAA MANAGED FUNDS

Investments in SHUAA managed funds consist of the following:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Held at fair value through profit or loss	145,807	93,697
Associates	66,101	71,116
	<u>211,908</u>	<u>164,813</u>

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10. INVESTMENTS IN SHUAA MANAGED FUNDS - continued**Associates**

The Group owns 28.8% (31 December 2012 – 28.8%) of SHUAA Hospitality Fund I L.P., a closed ended private equity investment fund registered as an exempted limited partnership in the Cayman Islands. The principal purpose of this fund is to undertake direct or indirect investments in hospitality development projects and existing hospitality properties to be managed by Rotana Hotel Management Corporation LLC in the MENA region. As a consequence of cross investment holdings by this fund the Group indirectly owns 27.5% (31 December 2012 – 27.8%) of SHUAA Saudi Hospitality Fund I, a closed ended investment fund regulated by the Capital Markets Authority in Saudi Arabia. The principal purpose of the SHUAA Saudi Hospitality Fund I, is to achieve long term capital growth through investing in hospitality related real estate in the Kingdom of Saudi Arabia.

The Group owns 35.5% (31 December 2012 – 35.5%) of Frontier Opportunities Fund I L.P., a closed ended private equity investment fund registered as an exempted limited partnership in the Cayman Islands. The principal purpose of this fund is to undertake direct or indirect investments in the Levant region. The recoverable amount of this asset has been determined based on equity accounting net of an impairment provision.

The Group's share of these associates' assets, liabilities and loss for the year are as follows:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Assets	83,830	88,089
Liabilities	(7,052)	(6,923)
Net assets	76,778	81,166
Loss for the year - net	(3,611)	(4,214)

11. INVESTMENTS IN THIRD PARTY ASSOCIATES

The Group has investments in third party associates in the following locations:

	<i>31 December 2013</i>	<i>31 December 2012</i>
U.A.E.	69,303	65,321
Other G.C.C.	19,797	26,725
Net assets	89,100	92,046

City Engineering LLC

The Group owns 40.0% (31 December 2012 – 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. During the year, the Group received 2,000 (31 December 2012 – nil) as dividend distribution.

Septeck Holding Limited

Septeck 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 2012 – 49.0%) of Septeck Holding Limited. The recoverable amount of this asset has been determined based on equity accounting. During the year, the Group received 1,470 (31 December 2012 – 6,033) as dividend distribution.

Amwal

The Group owns 46.7% (31 December 2012 – 46.7%) of Amwal, a Qatari closed shareholding company that was licensed by the Central Bank of Qatar to conduct investment banking and asset management activities in Qatar. Amwal is currently under liquidation and therefore the recoverable amount of this asset has been determined based on estimated exit value. During the year, the Group received 3,720 (31 December 2012 – 39,036) as a reduction in share capital.

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11. INVESTMENTS IN THIRD PARTY ASSOCIATES - continued

	<i>31 December 2013</i>	<i>31 December 2012</i>
Balance at beginning of the year	92,046	135,526
Share of results of associates	1,162	2,240
Share of other comprehensive income of associates	(536)	(658)
Capital refund adjustment	3,632	-
Dividends and capital distribution received	(7,190)	(45,069)
Translation reserve	(14)	7
	<u>89,100</u>	<u>92,046</u>

The Group's share of these associates' assets, liabilities and revenues for the year are as follows:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Assets	206,236	202,511
Liabilities	(99,985)	(89,714)
	<u>106,251</u>	<u>112,797</u>
Revenues	<u>76,916</u>	<u>56,586</u>
(Loss)/profit for the year - net	<u>(4,025)</u>	<u>626</u>

12. OTHER INVESTMENTS

Other investments comprise the following:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Investments held at fair value through profit or loss	14,551	28,760
Investments available for sale	15,310	14,588
Investments held to maturity	6,611	7,519
	<u>36,472</u>	<u>50,867</u>

a) Investments held at fair value through profit or loss

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

	<i>31 December 2013</i>	<i>31 December 2012</i>
Fund investments	2,259	5,056
Equity securities	34	34
Fixed income securities	12,258	23,670
	<u>14,551</u>	<u>28,760</u>

Fixed income securities

During the year, the Group exited certain investments in fixed income securities for 10,112.

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12. OTHER INVESTMENTS - continued**b) Investments available for sale**

Investments available for sale comprise the following:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Equity investments	2,911	2,985
Unquoted fund investments	12,399	11,603
	<u>15,310</u>	<u>14,588</u>

c) Investments held to maturity

Investments held to maturity comprise the following:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Fixed income securities	6,611	7,519

13. PROPERTY AND EQUIPMENT

	<i>31 December 2013</i>	<i>31 December 2012</i>
Property and equipment	42,894	25,916
Capital work in progress	4,528	-
	<u>47,422</u>	<u>25,916</u>

Property and equipment

	<i>31 December 2013</i>						
	<i>Furniture & leasehold improvements</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>Land & buildings</i>	<i>Sub-Total</i>	<i>Equipment - operating lease</i>	<i>Total</i>
Cost							
Balance at beginning of the year	27,343	28,093	1,087	18,583	75,106	-	75,106
Additions	1,221	1,080	99	-	2,400	20,987	23,387
Disposals	(282)	(7,124)	(293)	-	(7,699)	-	(7,699)
Balance at end of the year	<u>28,282</u>	<u>22,049</u>	<u>893</u>	<u>18,583</u>	<u>69,807</u>	<u>20,987</u>	<u>90,794</u>
Accumulated depreciation							
Balance at beginning of the year	20,997	25,825	897	1,471	49,190	-	49,190
Charge for the year	2,836	1,625	71	465	4,997	1,227	6,224
Reversal of depreciation on disposal	(170)	(7,051)	(293)	-	(7,514)	-	(7,514)
Balance at end of the year	<u>23,663</u>	<u>20,399</u>	<u>675</u>	<u>1,936</u>	<u>46,673</u>	<u>1,227</u>	<u>47,900</u>
Net book value							
Balance at end of the year	<u>4,619</u>	<u>1,650</u>	<u>218</u>	<u>16,647</u>	<u>23,134</u>	<u>19,760</u>	<u>42,894</u>

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13. PROPERTY AND EQUIPMENT - continued**Property and equipment - continued**

	<i>31 December 2012</i>						
	<i>Furniture & leasehold improvements</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>Land & buildings</i>	<i>Sub-Total</i>	<i>Equipment - operating lease</i>	<i>Total</i>
<u>Cost</u>							
Balance at beginning of the year	36,405	30,925	1,567	18,583	87,480	-	87,480
Additions	3,264	1,126	207	-	4,597	-	4,597
Disposals	(12,326)	(3,958)	(687)	-	(16,971)	-	(16,971)
Balance at end of the year	27,343	28,093	1,087	18,583	75,106	-	75,106
<u>Accumulated depreciation</u>							
Balance at beginning of the year	28,537	26,586	1,423	1,007	57,553	-	57,553
Charge for the year	3,462	2,735	114	464	6,775	-	6,775
Reversal of depreciation on disposal	(11,002)	(3,496)	(640)	-	(15,138)	-	(15,138)
Balance at end of the year	20,997	25,825	897	1,471	49,190	-	49,190
<u>Net book value</u>							
Balance at end of the year	6,346	2,268	190	17,112	25,916	-	25,916

14. GOODWILL

	<i>31 December 2013</i>	<i>31 December 2012</i>
Gulf Finance Corporation PJSC	34,111	34,111

The recoverable amount has been determined based on value in use calculations, using cash flow projections based on financial budgets approved by senior management covering a four year period. The calculation of value in use is most sensitive to UAE and GCC gross domestic product, discount rates, market share and projected growth rates used to extrapolate cash flows beyond the budget period.

There was no movement in goodwill during the year.

15. DUE TO BANKS

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

	<i>31 December 2013</i>	<i>31 December 2012</i>
Repayable within twelve months	176,598	82,986
Repayable after twelve months	81,583	53,333
	258,181	136,319

The Group's banking facilities carry EIBOR based floating interest rates plus a spread ranging between 3.0% and 4.8%.

At 31 December 2013, letters of guarantee on behalf of the Group amounting to 63,782 (31 December 2012 – 68,205) 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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16. PAYABLES AND OTHER CREDIT BALANCES

Payable and other credit balances comprise the following:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Dividends payable	34,395	34,332
Accruals	27,144	16,905
Payable to clients	21,047	52,810
End of service benefits	12,591	12,858
Provisions	7,874	10,319
Due to a related party	3,632	-
Payable against settlement of trades	-	11
Other payables	10,988	5,825
	117,671	133,060

17. SHARE CAPITAL

Authorised, issued and fully paid share capital comprises 1,065,000,000 shares (31 December 2012 – 1,065,000,000 shares) of UAE Dirham 1.00 per share. Each share carries one vote and the right to receive dividends.

18. TREASURY SHARES

The Group held the following treasury shares:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Number of treasury shares	3,500,000	3,500,000
Treasury share as percentage of total shares in issue	0.3%	0.3%
Cost of treasury shares	14,458	14,458
Market value of treasury shares	3,605	1,922

During the year, no treasury shares were bought or sold (31 December 2012 – nil).

19. EMPLOYEE LONG TERM INCENTIVE PLAN SHARES

The following employee long term incentive plan shares were held in trust:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Number of shares	42,098,004	31,598,004
Shares as percentage of total shares in issue	4.0%	3.0%
Cost of shares	95,772	86,603
Market value of shares	43,361	17,347

During the year, the Company acquired 10,500,000 (31 December 2012 – nil) additional employee long term incentive plan shares for 9,169.

20. EMPLOYEE LONG TERM INCENTIVE PLAN

During the year, the Company cancelled its existing stock option plan and replaced it with a new long term incentive plan (LTIP). Subject to achieving a list of Key Performance Indicators, a maximum of 40.5 million shares would be granted to senior staff over a period of 4 years.

Employees are included in the long term incentive plan at the discretion of the Board within a framework approved by the shareholders of the Company.

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20. EMPLOYEE LONG TERM INCENTIVE PLAN - continued

During the year, 40.5 million (31 December 2012 - nil) share rights were issued to new and existing employees with a vesting period of 3 years after issue. The fair value of the share rights granted during the year was 23,109 (31 December 2012 - nil).

For the purpose of calculating the expense to be recognised in the consolidated statement of income the fair value of shares rights granted have been determined using market price on grant date. The services received and a liability to pay for these services is recognised over the expected vesting period.

The expenses recognised in respect of share based payments was 14,103 (31 December 2012 - nil).

21. STATUTORY RESERVE

As required by the UAE Company Law and the Company's articles of association, 10% of the profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital.

This reserve is not available for distribution except as stipulated by the UAE Company Law.

During 2012 accumulated losses amounting to 530,301 were offset against the statutory reserve.

22. INVESTMENTS REVALUATION RESERVE

	<i>31 December 2013</i>	<i>31 December 2012</i>
Available for sale investments		
Balance at beginning of the year	544	5,609
Realised during the year	-	(12,437)
Net movement in fair values during the year	1,596	7,372
	2,140	544
Group's share of investment revaluation reserves in associates		
Balance at beginning of the year	536	1,194
Net movement in fair values during the year	(536)	(658)
	-	536
Total investment revaluation reserve	2,140	1,080

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available for sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

23. NON CONTROLLING INTERESTS

Non controlling interests represents the minority shareholders proportionate share in the aggregate value of the net assets of the subsidiaries and the results of these subsidiaries' operations.

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24. NET FEE AND COMMISSION INCOME

Fee and commission income and expense comprises the following:

	31 December 2013	31 December 2012
Fee and commission income	47,798	40,844
Fee and commission expense	(3,870)	(2,590)
	43,928	38,254

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

(Losses)/Gains from SHUAA managed funds comprise the following:

	31 December 2013	31 December 2012
Funds held at fair value through profit or loss	52,110	13,968
Available for sale	-	2,505
Associates	(7,368)	(3,751)
	44,742	12,722

26. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise the following:

	31 December 2013	31 December 2012
Employee salaries and fringe benefits	(112,659)	(111,778)
Professional fees	(14,294)	(18,591)
Administration, technology and communication	(11,989)	(13,398)
Office rent and related expenses	(6,658)	(12,074)
Corporate marketing and branding costs	(5,552)	(5,037)
Other	(7,048)	(10,484)
	(158,200)	(171,362)

Included in "employee salaries and fringe benefits" is 13,762 (31 December 2012 – 1,406) relating to a net charge arising from transactions accounted for as equity settled share based payment transactions.

As of 31 December 2013, the Group had a total of 179 employees (31 December 2012 – 200 employees) represented by 77 employees in the Parent company (31 December 2012 – 78 employees) and 102 in subsidiaries (31 December 2012 – 122 employees).

27. PROVISIONS - NET

The Group recognised provisions in respect of the following:

	31 December 2013	31 December 2012
Loans and advances - net	(17,767)	(7,310)
Allowance for doubtful receivables - net	364	6,625
Other	(1,931)	(8,760)
	(19,334)	(9,445)

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

Gains and losses from other investments are detailed as follows:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Third party associates	1,162	2,240
Other investments		
Held at fair value through profit or loss	(2,325)	2,059
Available for sale:		
- Net gain and loss on disposal	436	16,520
- Impairment	-	(17,073)
Held to maturity:		
- Impairment	(908)	-
	(1,635)	3,746

29. EARNINGS PER SHARE

Basic earnings per share have been computed using the net profit attributable to the ordinary equity holders of the Parent 2,827 (31 December 2012 – (58,993)) divided by the weighted average number of ordinary shares outstanding 1,061,500,000 (31 December 2012 – 1,061,500,000).

Diluted earnings per share as of 31 December 2013 and 31 December 2012 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

30. 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. Balances between the Company and its subsidiaries which are related parties of the Company have been eliminated on consolidated and are not disclosed in this note.

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

	<i>31 December 2013</i>	<i>31 December 2012</i>
Receivables and other debit balances		
Associates	107	381
Other related parties	169	268
Key management personnel	238	204
Loans and advances - Associate	13,646	14,614
Investments in SHUAA managed funds	211,908	164,813
	226,068	180,280

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 December 2013</i>	<i>31 December 2012</i>
Payables and other credit balances		
Associates	3,632	-

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30. RELATED PARTY TRANSACTIONS - continued

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

	<i>31 December 2013</i>	<i>31 December 2012</i>
Interest income		
Associates	-	2,013
Other related parties	-	97
Income from investments in SHUAA managed funds		
Associates	(7,368)	(3,751)
Other related parties	52,110	16,473
Fees and commission income		
Other related parties	2,309	3,003
	47,051	17,835

Compensation of the key management personnel is as follows:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Short term employee benefits	19,898	15,307
Termination benefits	666	292
Share based payments charge	14,103	542
Total compensation paid to key management personnel	34,667	16,141

31. SEGMENTAL INFORMATION

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

Asset Management manages investment portfolios and funds in regional equities, fixed income and credit markets. Equities products span across fourteen regional stock exchanges. SHUAA Asset Management offers regional and foreign investors gateways for investment in the GCC and Arab stock markets. SHUAA Asset Management manages conventional equity and Shariah compliant portfolios and investment funds using both active and passive management styles. It also manages private equity funds.

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

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

Brokerage represents the SHUAA retail brokerage business which ceased operations with effect from 31 January 2013. Brokerage used to operate under the brand of SHUAA Securities and acted as principal and agent, providing custody and clearing services to clients, providing access to regional exchanges.

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

Credit is developing asset management products that provide access to attractive regional credit investment and lending opportunities for sophisticated institutional investors, private families and high net worth investors. Credit also provides debt advisory services including structuring and execution of innovative liquidity and financing solutions for regional corporate clients and family businesses.

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For the year ended 31 December 2013

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31. SEGMENTAL INFORMATION - continued

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.

31 December 2013								
	Asset Management	Investment Banking	Capital Markets	Brokerage	Lending	Credit	Corporate	Total
Interest income	220	520	1,000	-	99,905	-	6,200	107,845
Net fees and commissions	21,346	11,238	6,621	249	4,138	-	336	43,928
Trading income	-	-	938	-	-	-	502	1,440
Gains from investments in SHUAA managed funds	-	-	-	-	-	-	44,742	44,742
Total revenues	21,566	11,758	8,559	249	104,043	-	51,780	197,955
General & administrative expenses	(7,499)	(8,308)	(6,005)	(3,383)	(52,463)	(7,148)	(73,394)	(158,200)
Interest expenses	-	-	-	-	(9,596)	-	(118)	(9,714)
Depreciation	-	-	-	(43)	(4,166)	-	(2,015)	(6,224)
Provisions - net	-	352	-	7,954	(34,048)	-	6,408	(19,334)
Total expenses	(7,499)	(7,956)	(6,005)	4,528	(100,273)	(7,148)	(69,119)	(193,472)
Net profit/(loss) before losses from other investments	14,067	3,802	2,554	4,777	3,770	(7,148)	(17,339)	4,483
Losses from other investments	-	-	-	-	-	-	(1,635)	(1,635)
Profit/(loss) for the year	14,067	3,802	2,554	4,777	3,770	(7,148)	(18,974)	2,848
Attributable to:								
Equity holders of the parent	14,067	3,802	2,554	4,780	3,770	(7,148)	(18,998)	2,827
Non controlling interests	-	-	-	(3)	-	-	24	21
	14,067	3,802	2,554	4,777	3,770	(7,148)	(18,974)	2,848

31 December 2013								
	Asset Management	Investment Banking	Capital Markets	Brokerage	Lending	Credit	Corporate	Total
Assets	7,456	4,157	112	15,748	941,843	-	519,988	1,489,304
Liabilities	20	-	112	720	285,556	-	89,444	375,852

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31. SEGMENTAL INFORMATION - continued

	31 December 2012							Total
	Asset Management	Investment Banking	Capital Markets	Brokerage	Lending	Credit	Corporate	
Interest income	265	-	1,320	1	72,992	-	11,655	86,233
Net fees and commissions	17,692	4,518	5,264	7,204	2,590	-	986	38,254
Trading income	-	-	81	-	-	-	-	81
Gains from investments in SHUAA managed funds	-	-	-	-	-	-	12,722	12,722
Total revenues	17,957	4,518	6,665	7,205	75,582	-	25,363	137,290
General & administrative expenses	(16,474)	(9,012)	(3,791)	(18,185)	(40,530)	(3,467)	(79,903)	(171,362)
Interest expenses	-	-	-	-	(7,484)	-	(4,216)	(11,700)
Depreciation	-	-	-	(207)	(2,743)	-	(3,825)	(6,775)
Provisions - net	300	41	171	10,558	(14,390)	3	(6,128)	(9,445)
Total expenses	(16,174)	(8,971)	(3,620)	(7,834)	(65,147)	(3,464)	(94,072)	(199,282)
Net profit/(loss) before gains/(losses) from other investments	1,783	(4,453)	3,045	(629)	10,435	(3,464)	(68,709)	(61,992)
Gains/(losses) from other investments	5	-	-	(40)	-	-	3,781	3,746
Profit/(loss) for the year	1,788	(4,453)	3,045	(669)	10,435	(3,464)	(64,928)	(58,246)
Attributable to:								
Equity holders of the parent	1,788	(4,453)	3,045	(627)	10,435	(3,464)	(65,717)	(58,993)
Non controlling interests	-	-	-	(42)	-	-	789	747
	1,788	(4,453)	3,045	(669)	10,435	(3,464)	(64,928)	(58,246)

	31 December 2012							Total
	Asset Management	Investment Banking	Capital Markets	Brokerage	Lending	Credit	Corporate	
Assets	7,801	801	-	56,122	630,656	-	679,641	1,375,021
Liabilities	20	-	-	30,284	135,501	-	103,574	269,379

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

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

Certain comparative numbers as of 31 December 2012 have been reclassified between segments in order to correspond to the changes in the internal reporting to management.

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32. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Contingent liabilities	9,920	61,395

Included within contingent liabilities are performance guarantees issued on behalf of City Engineering, an associate. These guarantees are regarded as unlikely to crystallise as a liability.

	<i>31 December 2013</i>	<i>31 December 2012</i>
Commitments		
SHUAA managed funds	69,403	71,753

The Group reviewed the contingent liabilities and current legal cases and has sufficiently provided for any future losses that might arise.

33. OPERATING LEASE ARRANGEMENTS*Leasing arrangement – the Group as Lessor*

Operating leases mainly relates to the equipment owned by the Group with lease terms of three years. The lessees have an option to purchase the equipment at the expiry of the lease period.

Rental income earned by the Group from its equipment, depreciation charge and other operating expenses arising on equipment for the year are included in fee income, depreciation and general and administrative expenses respectively.

Operating lease receivables:

	<i>31 December 2013</i>	<i>31 December 2012</i>
Not later than 1 year	3,280	-
Later than 1 year and not longer than 5 years	5,224	-
	8,504	-

34. DERIVATIVES

	<i>31 December 2013</i>			<i>31 December 2012</i>		
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional Amount</i>	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional Amount</i>
Held at fair value through profit or loss	112	(112)	64,690	-	-	-

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

35. CLIENTS' ASSETS UNDER MANAGEMENT AND ADMINISTRATION

The Group is licensed as a financial services company regulated by the Central Bank of the United Arab Emirates. At 31 December 2013, clients' assets amounting to 3.2 billion (31 December 2012 – 4.0 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. During the year, clients' assets under management declined due to winding down of the retail brokerage activity.