# SHUAA Capital PSC

CONSOLIDATED FINANCIAL STATEMENTS
AND AUDIT REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

## BOARD OF DIRECTORS' REPORT

### Financial Results Summary

SHUAA's strategic objective at the beginning of the year was to generate recurring quarterly revenue from all our business units. During the first three quarters, this target was successfully reached with expansion of our Capital Markets division, continued demand for our SME lending products and significant increase in fees generated by the Investment Banking and Asset Management divisions, as well as strong gains posted in SHUAA managed funds. Poor market conditions and high levels of volatility in the fourth quarter resulted in the final three months of the year being loss-making on market valuations.

Despite the volatile market environment, revenues for the full year reached AED 213 million, driven by gains from improved activity in the Asset Management, Investment Banking and SME Lending divisions. Profits reached AED 25.8 million while operating expenses decreased further to AED 165 million as continuous cost control measures and reductions in general and administrative costs remained a strategic priority.

SHUAA's balance sheet structure continued to improve as total assets grew to AED 1.6 billion as of 31 December 2014. The company maintained a strong liquidity position, ending the year with a AED 365 million cash position. Due to a new syndicated loan facility which was signed in December 2014 and will be used to further grow the SME Lending business, liabilities increased to AED 459 million. Overall net assets were up fractionally at AED 1.1 billion, while SHUAA's leverage ratio at year-end 2014 increased to 0.29x.

### Strategic Highlights

Having made a return to profitability after a period of recovery, SHUAA has in 2014 emerged as a well-balanced business with a set of profitable segmental divisions. We have worked hard to diversify and enhance our services and products, increasing investment in the lending business and reducing our risk profile which allowed us to have a more profitable revenue stream.

During the year we have continued to invest in the upgrade and expansion of our Capital Markets division with the implementation of SunGard's Front Arena, an integrated trading platform providing access to regional and international markets and the expansion of our product offering to include market making, direct market access and securities lending. We have strengthened the Sales and Trading, Investment Banking and Asset Management teams and expanded the work force at our Lending subsidiary. Going forward, SHUAA's strategy will continue to focus on recurring revenue generation through the introduction of new products and services as well as increased investment into the lending business.

### Lending

SHUAA's SME lending division, consisting of Gulf Finance and Gulf Finance Saudi Arabia, posted a 26% increase in annual revenues to AED 131 million and an eight-fold increase in net profit at AED 33.4 million for the full year of 2014. Growth was driven by continued strong demand for the division's SME lending products.

Following a business transformation program introduced in Q3 2013 aimed at reducing costs, Gulf Finance also proceeded to deliberately reduce the size of the loan portfolio as part of a successful strategy to settle large ticket loans early in order to reduce concentration risk, improve diversification and generate higher interest rate income.

In Q4 2014, a AED 500 million syndicated loan facility was successfully secured with ADCB as lead arranger. The funds will be used to continue to provide growth financing to SMEs in the UAE as well as in Saudi Arabia via Gulf Finance Saudi Arabia.

Gulf Finance Saudi Arabia, headquartered in Jeddah, continued to expand operations in Saudi Arabia during 2014. In Q4, the Company also managed to secure a new operating license from the Saudi Arabian Monetary Agency (SAMA) converting it from an instalment company to a regulated finance company under the new Finance Company Law.

### 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 AED 20.7 million and revenues of AED 26.4 million. As of 31 December 2014, the Emirates Gateway Fund and the Arab Gateway Fund, two of SHUAA's flagship funds, had returned 16.4% and 2.7%. During the course of the year, client assets under management grew to AED 853 million. In Q4 2014, SHUAA Asset Management was named Best Asset Manager in the UAE by EMEA Finance for the fifth consecutive year.

**Investment Banking**

The Investment Banking team recorded AED 11.8 million in full year profits while gross revenues reached AED 18.9 million. Throughout 2014, the team worked on a number of public and private transactions including the $200 million Emirates REIT NASDAQ Dubai IPO in Q2 2014 and the Amanat DFM IPO which closed in Q4 2014. The current pipeline remains strong with a balance of public and private deals which ensure that the team remains well positioned regardless of whether the market remains conducive towards issuers or not.

**Capital Markets**

Capital Markets posted revenues of AED 12.3 million and a full year profit of AED 5.7 million. The reduction in profit was due to lower provision reversals compared to 2013.

**Corporate**

The Corporate division, the corporate cost center of the company, posted full year revenues of AED 24 million and an overall loss of AED 45.7 million. The operating expenses of the corporate division were reduced by AED 9.9 million however higher losses were incurred due to a lower return on investments compared to 2013. At year-end headcount of the Group was 206.

**Outlook**

Despite the market volatility seen in the final quarter of 2014 we are encouraged by the strong results recorded in the first three quarters of the year. We are confident that SHUAA is well positioned to build on the earnings momentum gained in recent quarters.

Finally, the Board of Directors would like to thank all employees for their hard work and contributions to SHUAA over the past year and extend its gratitude to existing and future shareholders for their continued support and confidence in the Company.

Maktoum H. Al Maktoum
Executive Chairman

12 February 2015

Deloitte.

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# 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 2014, and the consolidated statements 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Anis Sadek (521), Georges Najem (809), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem Dajani (726), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

Deloitte.

## 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 as of 31 December 2014 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.

**Deloitte & Touche (M.E.)**

**Anis Sadek**
**Partner**
**Registration No. 521**

**12 February 2015**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

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

| | *Notes* | ***31 December 2014*** | *31 December 2013* |
|---|---|---|---|
| **Assets** | | | |
| Cash and deposits with banks | 7 | **365,443** | 189,471 |
| Receivables and other debit balances | 8 | **21,615** | 24,064 |
| Loans, advances and finance leases | 9 | **846,956** | 856,756 |
| Investments in SHUAA managed funds | 10 | **204,058** | 211,908 |
| Investments in third party associates | 11 | **68,500** | 89,100 |
| Other investments | 12 | **19,310** | 36,472 |
| Property and equipment | 13 | **46,319** | 47,422 |
| Goodwill | 14 | **34,111** | 34,111 |
| **Total Assets** | | **1,606,312** | 1,489,304 |
| **Liabilities** | | | |
| Due to banks | 15 | **335,232** | 258,181 |
| Payables and other credit balances | 16 | **123,591** | 117,671 |
| **Total Liabilities** | | **458,823** | 375,852 |
| **Equity** | | | |
| Share capital | 17 | **1,065,000** | 1,065,000 |
| Treasury shares | 18 | **-** | (14,458) |
| Employee long term incentive plan shares | 19 | **(36,896)** | (95,772) |
| Statutory reserve | 21 | **200,861** | 198,277 |
| Accumulated losses | | **(81,676)** | (41,965) |
| Investments revaluation reserve | 22 | **196** | 2,140 |
| Translation reserve | | **(221)** | (309) |
| Equity attributable to shareholders of the Parent | | **1,147,264** | 1,112,913 |
| Non controlling interests | 23 | **225** | 539 |
| **Total Equity** | | **1,147,489** | 1,113,452 |
| **Total Liabilities and Equity** | | **1,606,312** | 1,489,304 |

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 12 February 2015.

Maktoum H. Al Maktoum
Executive Chairman

Houssem Ben Haj Amor
General Manager & CFO

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 2014

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

| | Notes | ***1 October to 31 December 2014 (3 months) Unaudited*** | ***1 January to 31 December 2014 (12 months) Audited*** | *1 October to 31 December 2013 (3 months) Unaudited* | *1 January to 31 December 2013 (12 months) Audited* |
|---|---|---|---|---|---|
| Interest income | | **32,928** | **127,657** | 30,929 | 107,845 |
| Net fee and commission income | 24 | **11,533** | **65,737** | 15,634 | 43,928 |
| Trading income | | **60** | **57** | 23 | 1,440 |
| Gains/(losses) from investments in SHUAA managed funds | 25 | **(19,168)** | **19,946** | 17,077 | 44,742 |
| **Total revenues** | | **25,353** | **213,397** | 63,663 | 197,955 |
| General and administrative expenses | 26 | **(31,307)** | **(143,957)** | (45,139) | (158,200) |
| Interest expense | | **(2,628)** | **(13,321)** | (3,683) | (9,714) |
| Depreciation | 13 | **(2,383)** | **(7,780)** | (1,824) | (6,224) |
| Provisions - net | 27 | **(8,116)** | **(20,296)** | (11,610) | (19,334) |
| **Total expenses** | | **(44,434)** | **(185,354)** | (62,256) | (193,472) |
| **Net profit/(loss) before gains/(losses) from other investments** | | **(19,081)** | **28,043** | 1,407 | 4,483 |
| Gains/(losses) from other investments, including investments in third party associates | 28 | **4,253** | **(2,195)** | 2,390 | (1,635) |
| **Profit/(loss) for the period/year** | | **(14,828)** | **25,848** | 3,797 | 2,848 |
| **Attributable to:** | | | | | |
| Equity holders of the Parent | | **(14,829)** | **25,845** | 3,784 | 2,827 |
| Non controlling interests | | **1** | **3** | 13 | 21 |
| | | **(14,828)** | **25,848** | 3,797 | 2,848 |
| **Earnings/(loss) per share (in AED)** | 29 | **(0.014)** | **0.024** | 0.004 | 0.003 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

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

| | ***1 October to 31 December 2014 (3 months) Unaudited*** | ***1 January to 31 December 2014 (12 months) Audited*** | *1 October to 31 December 2013 (3 months) Unaudited* | *1 January to 31 December 2013 (12 months) Audited* |
|---|---|---|---|---|
| **Profit/(loss) for the period/year** | **(14,828)** | **25,848** | 3,797 | 2,848 |
| **Other comprehensive income** | | | | |
| *Items that will be reclassified subsequently to profit or loss:* | | | | |
| Net revaluation reserve movement on: | | | | |
| - Other investments | **(115)** | **(1,944)** | (47) | 1,596 |
| Share of other comprehensive loss of associates | **-** | **-** | - | (536) |
| Exchange differences on translation of foreign operations | **7** | **88** | (1) | (7) |
| **Other comprehensive (loss)/income for the period/year** | **(108)** | **(1,856)** | (48) | 1,053 |
| **Total comprehensive income/(loss) for the period/year** | **(14,936)** | **23,992** | 3,749 | 3,901 |
| **Attributable to:** | | | | |
| Equity holders of the Parent | **(14,937)** | **23,989** | 3,736 | 3,880 |
| Non controlling interests | **1** | **3** | 13 | 21 |
| | **(14,936)** | **23,992** | 3,749 | 3,901 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

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

| | ***1 January to 31 December 2014*** | *1 January to 31 December 2013* |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the year | **25,848** | 2,848 |
| Adjustments for: | | |
| Depreciation | **7,780** | 6,224 |
| Gains on investments in SHUAA managed funds | **(19,946)** | (44,742) |
| Losses from other investments including third party associates | **2,195** | 1,635 |
| Share based payments charge | **6,772** | 13,078 |
| Provisions - net | **20,296** | 19,334 |
| **Operating cash flows before changes in operating assets and liabilities** | **42,945** | (1,623) |
| Changes in operating assets and liabilities: | | |
| Decrease/(increase) in receivables and other debit balances | **8,804** | (2,019) |
| Increase in loans, advances and finance leases | **(18,327)** | (312,141) |
| Increase/(decrease) in payables and other credit balances | **12,716** | (21,064) |
| Net redemption/(acquisition) of SHUAA managed funds | **27,796** | (2,350) |
| **Net cash generated from / (used in) operating activities** | **73,934** | (339,197) |
| **Cash flows from investing activities** | | |
| Net proceeds from other investments | **9,245** | 13,191 |
| Dividends and capital distributions from associates | **20,726** | 7,190 |
| Acquisition of non controlling interests | **(211)** | - |
| Net purchase of property and equipment | **(8,363)** | (27,730) |
| **Net cash generated from / (used in) investing activities** | **21,397** | (7,349) |
| **Cash flows from financing activities** | | |
| Increase in due to banks | **77,051** | 121,862 |
| Proceeds from sale of treasury shares | **3,590** | - |
| Movement in employee long term incentive plan shares | **-** | (9,169) |
| **Net cash generated from financing activities** | **80,641** | 112,693 |
| **Net increase/(decrease) in cash and cash equivalents** | **175,972** | (233,853) |
| Foreign currency translation | **-** | 7 |
| Cash and cash equivalents at beginning of the year | **189,471** | 423,317 |
| **Cash and cash equivalents at end of the year** | **365,443** | 189,471 |
| **Operational cash flows from interest and dividend** | | |
| Interest received | **127,781** | 108,158 |
| Interest paid | **(15,057)** | (9,180) |
| Dividend received | **2,801** | 3,471 |

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 2014

(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 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 |
| Share based payments charge (note 20) | - | - | - | - | 13,078 | - | - | 13,078 | - | 13,078 |
| Net movement in employee long term incentive plan shares (note 19) | - | - | (9,169) | - | - | - | - | (9,169) | - | (9,169) |
| Transferred to statutory reserve | - | - | - | 283 | (283) | - | - | - | - | - |
| 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 |

| | **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 2014** | **1,065,000** | **(14,458)** | **(95,772)** | **198,277** | **(41,965)** | **2,140** | **(309)** | **1,112,913** | **539** | **1,113,452** |
| Total comprehensive income/(loss) for the year | - | - | - | - | 25,845 | (1,944) | 88 | 23,989 | 3 | 23,992 |
| Share based payments charge (note 20) | - | - | - | - | 6,772 | - | - | 6,772 | - | 6,772 |
| Net movement in employee long term incentive plan shares (note 19) | - | - | 58,876 | - | (58,876) | - | - | - | - | - |
| Acquisition of non controlling interest | - | - | - | - | - | - | - | - | (317) | (317) |
| Sale of treasury shares | - | 14,458 | - | - | (10,868) | - | - | 3,590 | - | 3,590 |
| Transferred to statutory reserve | - | - | - | 2,584 | (2,584) | - | - | - | - | - |
| **Balance as of 31 December 2014** | **1,065,000** | **-** | **(36,896)** | **200,861** | **(81,676)** | **196** | **(221)** | **1,147,264** | **225** | **1,147,489** |

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

(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 (together the "Group") conduct a diversified range of investment and financial service activities strategy with special emphasis on the Arab region in general, the U.A.E. and 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 2014 are as follows:

| **Name** | **Country of incorporation** | **Principal activities** | **Holding** ***31 December 2014*** | Holding *31 December 2013* |
|---|---|---|---|---|
| Gulf Finance Corporation PJSC | United Arab Emirates | Financing | **100.0%** | 100.0% |
| Gulf Finance Company CJSC (formerly '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 | **100.0%** | 99.6% |
| SHUAA Securities Egypt SAE | Egypt | Brokerage | **100.0%** | 100.0% |
| Asia for Economic Consultancy LLC | Jordan | Consultancy | **94.3%** | 94.3% |

*During the year, the Company acquired additional 0.4% stake in SHUAA Capital Saudi Arabia for 211. With this acquisition, the Group now owns 100% stake in this subsidiary.

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

**Relevant new and revised IFRS applied with no material effect on the consolidated financial statements**
The following new and revised IFRS have been adopted in these consolidated financial statements. The application of these new and revised IFRS 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.

| | |
|---|---|
| IAS 32 | *Amendments to IAS 32 Financial Instruments: Presentation* |
| IAS 36 | *Amendments to IAS 36 Impairment of Assets: Recoverable amount disclosures* |
| IAS 39 | *Amendments to IAS 39 Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting* |
| IFRS 10, IFRS 12 & IAS 27 | *Guidance on Investment Entities* |

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

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

## 2. APPLICATION OF NEW AND REVISED IFRS - continued

**Relevant new and revised IFRS in issue but not yet effective**
The Group has not applied the following new and revised IFRS, amendments and interpretations that have been issued but not yet effective:

| | *Effective for annual periods beginning on or after* |
|---|---|
| IFRS 9 Financial Instruments * | *1 January 2018* |
| IFRS 15 Revenue from Contracts with Customers | *1 January 2017* |
| Annual Improvements to IFRS 2012 - 2014 Cycle | *1 July 2016* |
| Amendments to IAS 16 and IAS 38 | *1 January 2016* |
| Amendments to IFRS 11 | *1 January 2016* |
| Amendments to IAS 16 and IAS 41 | *1 January 2016* |
| Amendments to IFRS 10 and IAS 28 | *1 January 2016* |
| Amendments to IAS 27 | *1 January 2016* |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | *1 January 2016* |
| Amendments to IAS 1 | *1 January 2016* |
| Annual Improvements to IFRS 2010 - 2012 Cycle | *1 July 2014* |
| Annual Improvements to IFRS 2011 - 2013 Cycle | *1 July 2014* |
| Amendments to IAS 19 Employee Benefits | *1 July 2014* |
| Amendments to IFRS 7 Financial Instruments | *When IFRS 9 is first applied* |

**Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating new requirements for classification, measurement, impairment, general hedge accounting and de-recognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model.*

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 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 (together 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.

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.

**3. SIGNIFICANT ACCOUNTING POLICIES - continued**

**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.

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

**3. SIGNIFICANT ACCOUNTING POLICIES - continued**

**Financial assets - 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.

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

**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**
The Group provides 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, computers and software | 3-5 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.

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

**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 receives equity instruments ("equity-settled transactions") as consideration for services rendered.

***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 in accordance with applicable legislations. 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.

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

## 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.

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

## 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 2014*** | | | |
|---|---|---|---|---|
| | ***Level 1*** | ***Level 2*** | ***Level 3*** | ***Total*** |
| Investments in SHUAA managed funds | | | | |
| Held at fair value through profit or loss | **-** | **131,408** | **-** | **131,408** |
| Other investments | | | | |
| Held at fair value through profit or loss | **4,122** | **1,796** | **1,038** | **6,956** |
| Available for sale | **-** | **41** | **12,313** | **12,354** |
| | **4,122** | **133,245** | **13,351** | **150,718** |

| | *31 December 2013* | | | |
|---|---|---|---|---|
| | *Level 1* | *Level 2* | *Level 3* | *Total* |
| 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 |

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

## 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 and unquoted securities and funds which invest in underlying assets which are in turn valued based on both observable and non-observable data. Observable inputs include market prices (from active markets), foreign exchange rates and movements in stock market indices. Unobservable inputs include assumptions regarding expected future financial performance, discount rates and market liquidity discounts.

Available for sale
Available for sale financial assets are valued using quoted prices in active markets, valuation techniques or pricing models and consist of quoted equities, unquoted equities and unquoted funds. These assets are valued using quoted prices or models which incorporate data which is both observable and non-observable. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

**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, there were no transfers between levels 1 through level 3.

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

| | ***31 December 2014*** | | | | | | |
|---|---|---|---|---|---|---|---|
| | ***Balance at 1 January 2014*** | ***Gain/(loss) through P&L*** | ***Gain/(loss) through OCI*** | ***Purchases*** | ***Sales*** | ***Transfers from/(to) levels 1 &2*** | ***Balance at 31 December 2014*** |
| Other investments | | | | | | | |
| Held at FVTPL | **12,233** | **(4,352)** | **-** | **-** | **(6,843)** | **-** | **1,038** |
| Available for sale | **15,268** | **(576)** | **(1,983)** | **-** | **(396)** | **-** | **12,313** |
| | **27,501** | **(4,928)** | **(1,983)** | **-** | **(7,239)** | **-** | **13,351** |

| | *31 December 2013* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Balance at 1 January 2013* | *Gain/(loss) through P&L* | *Gain/(loss) through OCI* | *Purchases* | *Sales* | *Transfers from/(to) levels 1 &2* | *Balance at 31 December 2013* |
| Other investments | | | | | | | |
| Held at FVTPL | 13,472 | (1,109) | - | - | (130) | - | 12,233 |
| Available for sale | 11,603 | 436 | 1,667 | - | (1,307) | 2,869 | 15,268 |
| | 25,075 | (673) | 1,667 | - | (1,437) | 2,869 | 27,501 |

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

**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:

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Other investments | | |
| Realised (losses)/gains | **(3,898)** | 505 |
| Unrealised losses | **(1,030)** | (1,178) |
| | **(4,928)** | (673) |

**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:

| | ***31 December 2014*** | | *31 December 2013* | |
|---|---|---|---|---|
| | ***Carrying amount*** | ***Effect of reasonably possible alternative assumptions*** | *Carrying amount* | *Effect of reasonably possible alternative assumptions* |
| Other investments | | | | |
| Held at fair value through profit or loss | **1,038** | **260** | 12,233 | 3,058 |
| Available for sale | **12,313** | **2,462** | 15,268 | 3,054 |
| | **13,351** | **2,722** | 27,501 | 6,112 |

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.

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

**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:

| | ***Gross maximum exposure 31 December 2014*** | *Gross maximum exposure 31 December 2013* |
|---|---|---|
| Cash and deposits with banks | **365,443** | 189,471 |
| Receivables and other debit balances | **21,615** | 24,064 |
| Loans, advances and finance leases | **846,956** | 856,756 |
| Other investments | | |
| Held at fair value through profit or loss | **4,790** | 12,258 |
| Investments held to maturity | **-** | 6,611 |
| | **1,238,804** | 1,089,160 |
| Contingent liabilities | **1,909** | 9,920 |
| Commitments | **72,676** | 69,403 |
| | **74,585** | 79,323 |
| **Total credit risk exposure** | **1,313,389** | 1,168,483 |

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 | **306,599** | **49,934** | **3,985** | **2,036** | **2,889** | **-** | **365,443** |
| Receivables and other debit balances | **13,781** | **5,278** | **1,103** | **-** | **1,453** | **-** | **21,615** |
| Loans, advances and finance leases | **712,795** | **123,362** | **10,780** | **16** | **-** | **3** | **846,956** |
| Investments in SHUAA managed funds | **44,058** | **160,000** | **-** | **-** | **-** | **-** | **204,058** |
| Investments in third party associates | **68,500** | **-** | **-** | **-** | **-** | **-** | **68,500** |
| Other investments | **4,489** | **11,971** | **1,079** | **1,771** | **-** | **-** | **19,310** |
| Property and equipment | **45,770** | **468** | **81** | **-** | **-** | **-** | **46,319** |
| Goodwill | **34,111** | **-** | **-** | **-** | **-** | **-** | **34,111** |
| **Total Assets - 31 December 2014** | **1,230,103** | **351,013** | **17,028** | **3,823** | **4,342** | **3** | **1,606,312** |
| Total Assets - 31 December 2013 | 1,100,834 | 353,731 | 28,002 | 5,775 | 407 | 555 | 1,489,304 |

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

**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 2014*** | | | | |
|---|---|---|---|---|---|
| | ***Neither past due nor impaired*** | | | **Past due or individually impaired** | **Grand Total** |
| | **High grade** | **Standard grade** | **Total** | | |
| Cash and deposits with banks | **365,443** | **-** | **365,443** | **-** | **365,443** |
| Receivables and other debit balances | **-** | **21,615** | **21,615** | **-** | **21,615** |
| Loans, advances and finance leases | **-** | **708,523** | **708,523** | **232,688** | **941,211** |
| Other investments | **-** | **3,752** | **3,752** | **1,038** | **4,790** |
| | **365,443** | **733,890** | **1,099,333** | **233,726** | **1,333,059** |

| | *31 December 2013* | | | | |
|---|---|---|---|---|---|
| | *Neither past due nor impaired* | | | Past due or individually impaired | Grand Total |
| | 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 |

It is the Group's policy to maintain accurate and up to date 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 2014*** | | | | |
|---|---|---|---|---|---|
| | ***Less than 30 days*** | ***30 to 60 days*** | ***60 to 90 days*** | ***More than 90 days*** | ***Total*** |
| Loans, advances and finance leases | **84,499** | **26,851** | **9,209** | **-** | **120,559** |

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

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

**6. FINANCIAL RISK MANAGEMENT - continued**

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

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Gross exposure | **112,129** | 80,090 |
| Provision for impairment | **(82,381)** | (66,432) |
| Net exposure | **29,748** | 13,658 |

Specific impairment is assessed when there is a significant deterioration in the credit quality of the exposure.

**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 2014 is as follows:

| | ***Less than 3 Months*** | ***3-12 Months*** | ***Sub total Less than a year*** | ***1-5 Years*** | ***Over 5 years*** | ***Grand total*** |
|---|---|---|---|---|---|---|
| Cash and deposits with banks | 361,941 | 400 | **362,341** | **3,102** | **-** | **365,443** |
| Receivables and other debit balances | 11,859 | 6,443 | **18,302** | **3,313** | **-** | **21,615** |
| Loans, advances and finance leases | 117,902 | 237,268 | **355,170** | **491,786** | **-** | **846,956** |
| Investments in SHUAA managed funds* | - | 44,058 | **44,058** | **160,000** | **-** | **204,058** |
| Investments in third party associates* | - | 13,195 | **13,195** | **55,305** | **-** | **68,500** |
| Other investments* | 4,122 | 12,037 | **16,159** | **3,151** | **-** | **19,310** |
| Property and equipment* | - | - | **-** | **46,319** | **-** | **46,319** |
| Goodwill* | - | - | **-** | **-** | **34,111** | **34,111** |
| **Total Assets** | **495,824** | **313,401** | **809,225** | **762,976** | **34,111** | **1,606,312** |
| | | | | | | |
| Due to banks | 22,356 | 82,131 | **104,487** | **230,745** | **-** | **335,232** |
| Payables and other credit balances | 106,431 | 11,792 | **118,223** | **5,368** | **-** | **123,591** |
| Equity | **-** | **-** | **-** | **-** | **1,147,489** | **1,147,489** |
| **Total Liabilities and Equity** | **128,787** | **93,923** | **222,710** | **236,113** | **1,147,489** | **1,606,312** |
| **Net liquidity gap** | **367,037** | **219,478** | **586,515** | **526,863** | **(1,113,378)** | **-** |
| **Cumulative liquidity gap** | **367,037** | **586,515** | **586,515** | **1,113,378** | **-** | |

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

**6. FINANCIAL RISK MANAGEMENT - continued**

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

| | *Less than 3 Months* | *3-12 Months* | *Sub total Less than a year* | *1-5 Years* | *Over 5 years* | *Grand total* |
|---|---|---|---|---|---|---|
| Cash and deposits with banks | 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 | - | |

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

| | ***31 December 2014*** | | | |
|---|---|---|---|---|
| | ***Less than 3 months*** | ***3 - 12 months*** | ***1 - 5 years*** | ***Total*** |
| Due to banks | **23,609** | **87,806** | **254,198** | **365,613** |

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

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

| | ***31 December 2014*** | | | |
|---|---|---|---|---|
| | ***Less than 3 months*** | ***3 - 12 months*** | ***1 - 5 years*** | ***Total*** |
| Contingent liabilities | **1,115** | **794** | **-** | **1,909** |
| Commitments | **2,856** | **2,621** | **67,199** | **72,676** |
| Total | **3,971** | **3,415** | **67,199** | **74,585** |

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

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

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

**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.

| ***Currency*** | ***Increase in basis points*** | ***Sensitivity of net interest income 31 December 2014*** | *Sensitivity of net interest income 31 December 2013* |
|---|---|---|---|
| AED | 25 | **(260)** | (213) |
| USD | 25 | **9** | - |
| SAR | 25 | **8** | 45 |

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 2014. The book value of assets and liabilities subject to floating interest rates is respectively 239,150 and 335,232 (31 December 2013 – 125,659 and 258,181).

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 2014. 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 2014, 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.

| | | ***31 December 2014*** | | *31 December 2013* | |
|---|---|---|---|---|---|
| | ***% Change in Currency rate*** | ***Effect on profit*** | ***Effect on equity*** | *Effect on profit* | *Effect on equity* |
| ***Currency*** | | ***AED ‘000*** | ***AED ‘000*** | *AED ‘000* | *AED ‘000* |
| Kuwaiti Dinar | +1 | **(4)** | **(28)** | (2) | (28) |
| Egyptian Pound | +1 | **(2)** | **(2)** | (2) | (2) |
| Euro | +1 | **3** | **-** | 2 | - |

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.

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

**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 2014*** | | *31 December 2013* | |
|---|---|---|---|---|---|
| | ***% 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 | - | **(140)** | - | (143) |
| Dubai | -5 | **(20)** | **-** | (1) | - |
| Egypt | -5 | **-** | **(2)** | - | (2) |
| **Funds** | -5 | **(7,135)** | **-** | (7,404) | (620) |
| **Bonds** | -5 | **(239)** | **-** | (613) | - |

**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 2014*** | *31 December 2013* |
|---|---|---|
| Total borrowings | **335,232** | 258,181 |
| Total equity | **1,147,489** | 1,113,452 |
| Total capital | **1,482,721** | 1,371,633 |
| **Gearing ratio** | **22.6%** | 18.8% |

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 2013 – 21,500) with a local bank, which is held as collateral for a Central Bank guarantee.

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

## 8. RECEIVABLES AND OTHER DEBIT BALANCES

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Client related receivables | **3,228** | 8,382 |
| Prepayments | **5,310** | 4,358 |
| Advances to suppliers | **2,040** | 3,810 |
| Deposits | **4,247** | 2,688 |
| Advances for staff programs | **2,002** | 2,028 |
| Interest receivable | **259** | 383 |
| Amounts due from related parties | **911** | 276 |
| Other | **3,618** | 2,139 |
| | **21,615** | 24,064 |

## 9. LOANS, ADVANCES AND FINANCE LEASES

Loans, advances and finance leases comprise the following:

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Loans and advances | **699,003** | 724,757 |
| Finance leases | **128,331** | 102,984 |
| Margin lending | **19,622** | 29,015 |
| | **846,956** | 856,756 |

### (a) Loans and advances

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Total loans and advances | **738,074** | 789,412 |
| Cumulative provision for impairment | **(33,151)** | (51,603) |
| Interest in suspense | **(5,920)** | (13,052) |
| | **699,003** | 724,757 |

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

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Balance at beginning of the year | **(51,603)** | (40,040) |
| Provision made during the year | **(39,395)** | (36,715) |
| | **(90,998)** | (76,755) |
| Less: recoveries made against the provision during the year | **7,370** | 1,673 |
| Less: write offs | **50,477** | 23,479 |
| Balance at end of the year | **(33,151)** | (51,603) |

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

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

**9. LOANS, ADVANCES AND FINANCE LEASES - continued**

**(b) Finance Leases**

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Current finance lease receivables | **74,530** | 43,083 |
| Non-current finance lease receivables | **55,913** | 60,106 |
| Allowances for uncollectible lease payments | **(2,112)** | (205) |
| | **128,331** | 102,984 |

*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 and 4 years.

| | ***Minimum lease payments*** | | ***Present value of minimum lease payments*** | |
|---|---|---|---|---|
| | ***31 December 2014*** | *31 December 2013* | ***31 December 2014*** | *31 December 2013* |
| Not later than one year | **87,503** | 55,238 | **74,530** | 43,083 |
| Later than one year and not later than five years | **62,546** | 66,444 | **55,913** | 60,106 |
| | **150,049** | 121,682 | **130,443** | 103,189 |
| Less: unearned finance income | **(19,606)** | (18,493) | **-** | - |
| Present value of minimum lease payments receivable | **130,443** | 103,189 | **130,443** | 103,189 |
| Allowances for uncollectible lease payments | **(2,112)** | (205) | **(2,112)** | (205) |
| | **128,331** | 102,984 | **128,331** | 102,984 |

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 2014, these underlying securities were valued at 190,164 (31 December 2013 – 157,965). Provisions are made for the uncovered portion of margins. As at the end of the year, the cumulative provision is 53,072 (31 December 2013 – 57,575).

**10. INVESTMENTS IN SHUAA MANAGED FUNDS**

Investments in SHUAA managed funds consist of the following:

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Held at fair value through profit or loss | **131,408** | 145,807 |
| Associates | **72,650** | 66,101 |
| | **204,058** | 211,908 |

**Held at fair value through profit or loss**
During the year, the Group redeemed 30,000 from one of its investments in the SHUAA managed funds.

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

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

**Associates**
The Group owns 27.0% (31 December 2013 – 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 26.3% (31 December 2013 – 27.5%) 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 37.3% (31 December 2013 – 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:

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Assets | **84,481** | 83,830 |
| Liabilities | **(8,202)** | (7,052) |
| Net assets | **76,279** | 76,778 |
| Profit/(loss) for the year - net | **1,065** | (3,611) |

**11. INVESTMENTS IN THIRD PARTY ASSOCIATES**

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

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| U.A.E. | **68,500** | 69,303 |
| Other G.C.C. | **-** | 19,797 |
| Net assets | **68,500** | 89,100 |

**City Engineering LLC**
The Group owns 40.0% (31 December 2013 – 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 2,800 (31 December 2013 – 2,000) as dividend distribution.

**Septech Holding Limited**
Septech Holding Limited is a limited liability company, incorporated in Cayman Islands and based in Sharjah U.A.E., engaged in wastewater, water, marina and related infrastructure products and services. The Group owns 49.0% (31 December 2013 – 49.0%) of Septech Holding Limited. The recoverable amount of this asset has been determined based on equity accounting.

**Amwal**
During the year, the Group received 21,558 as final distribution from the liquidation of this entity.

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

**11. INVESTMENTS IN THIRD PARTY ASSOCIATES - continued**

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Balance at beginning of the year | **89,100** | 92,046 |
| Share of results of associates | **3,671** | 1,162 |
| Dividends and capital distribution received | **(24,358)** | (7,190) |
| Translation reserve | **87** | (14) |
| Share of other comprehensive income of associates | **-** | (536) |
| Capital refund adjustment | **-** | 3,632 |
| Balance at end of the year | **68,500** | 89,100 |

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

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Assets | **163,268** | 206,236 |
| Liabilities | **(85,588)** | (99,985) |
| Net assets | **77,680** | 106,251 |
| Revenues | **63,570** | 76,916 |
| Loss for the year - net | **(6,518)** | (4,025) |

**12. OTHER INVESTMENTS**

Other investments comprise the following:

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Investments held at fair value through profit or loss | **6,956** | 14,551 |
| Investments available for sale | **12,354** | 15,310 |
| Investments held to maturity | **-** | 6,611 |
| | **19,310** | 36,472 |

**a) Investments held at fair value through profit or loss**

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

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Fund investments | **1,771** | 2,259 |
| Equity securities | **395** | 34 |
| Fixed income securities | **4,790** | 12,258 |
| | **6,956** | 14,551 |

**Fixed income securities**
During the year, the Group exited certain investments in fixed income securities for 6,846 (31 December 2013 – 10,112) realising a loss of (3,833) (31 December 2013 – (61)).

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

### 12. OTHER INVESTMENTS - continued

#### b) Investments available for sale

Investments available for sale comprise the following:

| | *31 December 2014* | *31 December 2013* |
|---|---|---|
| Equity investments | **2,833** | 2,911 |
| Unquoted fund investments | **9,521** | 12,399 |
| | **12,354** | 15,310 |

#### c) Investments held to maturity

Investments held to maturity comprise the following:

| | *31 December 2014* | *31 December 2013* |
|---|---|---|
| Fixed income securities | **-** | 6,611 |

During the year, the Group exited from this investment for 4,185 realising a loss of (2,426).

### 13. PROPERTY AND EQUIPMENT

| | *31 December 2014* | *31 December 2013* |
|---|---|---|
| Property and equipment | **40,492** | 42,894 |
| Capital work in progress | **5,827** | 4,528 |
| | **46,319** | 47,422 |

**Property and equipment**

| | *31 December 2014* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Furniture & leasehold improvements* | *Office equipment, computer & software* | *Motor vehicles* | *Land & buildings* | *Sub-Total* | *Equipment - operating lease* | *Total* |
| **Cost** | | | | | | | |
| Balance at beginning of the year | **28,282** | **22,049** | **893** | **18,583** | **69,807** | **20,987** | **90,794** |
| Additions | **207** | **9,797** | **465** | **-** | **10,469** | **-** | **10,469** |
| Disposals | **(2,838)** | **(843)** | **(266)** | **-** | **(3,947)** | **(4,380)** | **(8,327)** |
| Balance at end of the year | **25,651** | **31,003** | **1,092** | **18,583** | **76,329** | **16,607** | **92,936** |
| **Accumulated depreciation** | | | | | | | |
| Balance at beginning of the year | **23,663** | **20,399** | **675** | **1,936** | **46,673** | **1,227** | **47,900** |
| Charge for the year | **2,285** | **1,829** | **100** | **465** | **4,679** | **3,101** | **7,780** |
| Reversal of depreciation on disposal | **(2,835)** | **(815)** | **(266)** | **-** | **(3,916)** | **(1,006)** | **(4,922)** |
| Provision for impairment | **-** | **-** | **-** | **-** | **-** | **1,686** | **1,686** |
| Balance at end of the year | **23,113** | **21,413** | **509** | **2,401** | **47,436** | **5,008** | **52,444** |
| **Net book value** | | | | | | | |
| Balance at end of the year | **2,538** | **9,590** | **583** | **16,182** | **28,893** | **11,599** | **40,492** |

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

### 13. PROPERTY AND EQUIPMENT - continued

**Property and equipment - continued**

| | *31 December 2013* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Furniture & leasehold improvements* | *Office equipment, computer & software* | *Motor vehicles* | *Land & buildings* | *Sub-Total* | *Equipment - operating lease* | ***Total*** |
| 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 | 28,282 | 22,049 | 893 | 18,583 | 69,807 | 20,987 | 90,794 |
| 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 | 23,663 | 20,399 | 675 | 1,936 | 46,673 | 1,227 | 47,900 |
| Net book value | | | | | | | |
| Balance at end of the year | 4,619 | 1,650 | 218 | 16,647 | 23,134 | 19,760 | 42,894 |

### 14. GOODWILL

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Gulf Finance Corporation PJSC | **34,111** | 34,111 |

For the purpose of impairment testing, 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 five 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.

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Repayable within twelve months | **104,487** | 176,598 |
| Repayable after twelve months | **230,745** | 81,583 |
| | **335,232** | 258,181 |

The Group's banking facilities carry EIBOR/SIBOR based floating interest rates plus a spread ranging between 3.0% and 4.5%.

Included within due to banks is 300,000 drawdown from a new 500,000 syndicated loan facility secured by the Group during the year. The facility is repayable over the next 4 years and is secured by a charge over certain of the Group's assets.

At 31 December 2014, letters of guarantee on behalf of the Group amounting to 63,782 (31 December 2013 – 63,782) 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.

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

## 16. PAYABLES AND OTHER CREDIT BALANCES

Payable and other credit balances comprise the following:

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Dividends payable | **34,048** | 34,395 |
| Accruals | **36,600** | 27,144 |
| Payable to clients | **20,211** | 21,047 |
| End of service benefits | **14,393** | 12,591 |
| Provisions | **5,246** | 7,874 |
| Due to a related party | **-** | 3,632 |
| Other payables | **13,093** | 10,988 |
| | **123,591** | 117,671 |

## 17. SHARE CAPITAL

Authorised, issued and fully paid share capital comprises 1,065,000,000 shares (31 December 2013 – 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 nil treasury shares as at 31 December 2014:

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Number of treasury shares | **-** | 3,500,000 |
| Treasury share as percentage of total shares in issue | **-** | 0.3% |
| Cost of treasury shares | **-** | 14,458 |
| Market value of treasury shares | **-** | 3,605 |

During the year, all treasury shares were sold for 3,590. The difference between the cost and sale proceeds was adjusted against the accumulated losses.

## 19. EMPLOYEE LONG TERM INCENTIVE PLAN SHARES

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

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Number of shares | **16,218,004** | 42,098,004 |
| Shares as percentage of total shares in issue | **1.5%** | 4.0% |
| Cost of shares | **36,896** | 95,772 |
| Market value of shares | **10,704** | 43,361 |

During the year 25,880,000 shares vested. Consequently, the weighted average cost of these shares amounting to 58,876 was transferred to accumulated losses. The Company did not acquire any new employee long term incentive plan shares during the year (31 December 2013 – acquired 10,500,000 shares for 9,169).

## 20. EMPLOYEE LONG TERM INCENTIVE PLAN

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

The current plan was introduced in 2013, as per the plan senior staff would be granted maximum of 40,500,000 shares over a period of 4 years subject to achieving a list of Key Performance Indicators. During the year, 25,880,000 shares vested and were issued to eligible employees.

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

### 20. EMPLOYEE LONG TERM INCENTIVE PLAN - continued

During the year, no share rights were issued to new and existing employees. In 2013 40,500,000 share rights were issued with a vesting period of 3 years and having a fair value of 23,109.

For the purpose of calculating the expense to be recognised in the consolidated statement of income the fair value of shares rights granted was 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 6,772 (31 December 2013 - 14,103).

### 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.

### 22. INVESTMENTS REVALUATION RESERVE

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| **Available for sale investments** | | |
| Balance at beginning of the year | **2,140** | 544 |
| Net movement in fair values during the year | **(1,944)** | 1,596 |
| Balance at end of the year | **196** | 2,140 |
| **Group's share of investment revaluation reserves in associates** | | |
| Balance at beginning of the year | **-** | 536 |
| Net movement in fair values during the year | **-** | (536) |
| Balance at end of the year | **-** | - |
| **Total investment revaluation reserve** | **196** | 2,140 |

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.

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

### 24. NET FEE AND COMMISSION INCOME

Fee and commission income and expense comprises the following:

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Fee and commission income | **71,332** | 47,798 |
| Fee and commission expense | **(5,595)** | (3,870) |
| | **65,737** | 43,928 |

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

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

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Funds held at fair value through profit or loss | **15,601** | 52,110 |
| Associates | **4,345** | (7,368) |
| | **19,946** | 44,742 |

### 26. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise the following:

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Employee salaries and fringe benefits | **(101,537)** | (112,659) |
| Professional fees | **(13,048)** | (14,294) |
| Administration, technology and communication | **(10,670)** | (11,989) |
| Office rent and related expenses | **(6,960)** | (6,658) |
| Corporate marketing and branding costs | **(2,996)** | (5,552) |
| Other | **(8,746)** | (7,048) |
| | **(143,957)** | (158,200) |

Included in “employee salaries and fringe benefits” is (6,772) (31 December 2013 – (13,762)) relating to a net charge arising from transactions accounted for as equity settled share based payment transactions.

As of 31 December 2014, the Group had a total of 206 employees (31 December 2013 – 179 employees) represented by 80 employees in the Parent company (31 December 2013 – 77 employees) and 126 employees in subsidiaries (31 December 2013 – 102 employees).

### 27. PROVISIONS - NET

The Group recognised provisions in respect of the following:

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Loans, advances and finance leases - net * | **(28,128)** | (17,767) |
| Allowance for doubtful receivables - net | **5,012** | 364 |
| Other | **2,820** | (1,931) |
| | **(20,296)** | (19,334) |

*Includes provision charge of (32,025) on “loans and advances”, (1,907) on “finance leases” and reversal of 5,804 on “margin lending”.

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

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

Gains/(losses) from other investments are detailed as follows:

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Third party associates | **3,671** | 1,162 |
| Other investments | | |
| Held at fair value through profit or loss | **(2,864)** | (2,325) |
| Available for sale | **(576)** | 436 |
| Held to maturity | **(2,426)** | (908) |
| | **(2,195)** | (1,635) |

## 29. EARNINGS PER SHARE

Basic earnings per share have been computed using the net profit attributable to the ordinary equity holders of the Parent 25,845 (31 December 2013 – 2,827) divided by the weighted average number of ordinary shares outstanding 1,065,000,000 (31 December 2013 – 1,061,500,000).

Diluted earnings per share as of 31 December 2014 and 31 December 2013 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:

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Receivables and other debit balances | | |
| Associates | **589** | 107 |
| Other related parties | **322** | 169 |
| Key management personnel | **200** | 238 |
| Loans and advances - Associate | **10,759** | 13,646 |
| Investments in SHUAA managed funds | **204,058** | 211,908 |
| | **215,928** | 226,068 |

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

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Payables and other credit balances | | |
| Associates | **-** | 3,632 |

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

## 30. RELATED PARTY TRANSACTIONS - continued

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

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Income from investments in SHUAA managed funds | | |
| Associates | **4,345** | (7,368) |
| Other related parties | **15,601** | 52,110 |
| Fees and commission income | | |
| Other related parties | **3,887** | 2,309 |
| | **23,833** | 47,051 |

Compensation of the key management personnel is as follows:

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Short term employee benefits | **18,818** | 19,898 |
| Termination benefits | **-** | 666 |
| Share based payments charge | **6,772** | 14,103 |
| Total compensation paid to key management personnel | **25,590** | 34,667 |

## 31. SEGMENTAL INFORMATION

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

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

**Investment Banking** provides corporate finance advisory, private placements, public offerings of equity and debt securities, mergers, acquisitions, divestitures, spinoffs, syndications and structured products. SHUAA Credit provides debt advisory services including structuring and execution of innovative liquidity and financing solutions for regional corporate clients and family businesses.

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

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

**Corporate** manages future corporate development and controls all cash and shared service expenses related to the Group. All proprietary investments are incubated within this business segment which also comprises strategy and business development, legal and compliance, finance, treasury, operations, risk management, investor relations, marketing communications and human resources.

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

### 31. SEGMENTAL INFORMATION - continued

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

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

| | 31 December 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Asset Management | Investment Banking | Capital Markets | Lending | Corporate | Total |
| **Interest income** | 318 | 10 | 1,751 | 121,389 | 4,189 | 127,657 |
| **Net fee and commission income** | 26,098 | 18,899 | 10,572 | 10,107 | 61 | 65,737 |
| **Trading income/(loss)** | - | - | (54) | - | 111 | 57 |
| **Gains from investments in SHUAA managed funds - net** | - | - | - | - | 19,946 | 19,946 |
| **Total revenues** | 26,416 | 18,909 | 12,269 | 131,496 | 24,307 | 213,397 |
| **General and administrative expenses** | (5,749) | (11,720) | (9,083) | (46,973) | (70,432) | (143,957) |
| **Interest expenses** | - | (518) | - | (12,803) | - | (13,321) |
| **Depreciation** | - | - | (9) | (5,449) | (2,322) | (7,780) |
| **Provisions - net** | - | 5,097 | 2,501 | (32,838) | 4,944 | (20,296) |
| **Total expenses** | (5,749) | (7,141) | (6,591) | (98,063) | (67,810) | (185,354) |
| **Net profit/(loss) before losses from other investments** | 20,667 | 11,768 | 5,678 | 33,433 | (43,503) | 28,043 |
| **Losses from other investments including third party asscoiates - net** | - | - | - | - | (2,195) | (2,195) |
| **Profit/(loss) for the year** | 20,667 | 11,768 | 5,678 | 33,433 | (45,698) | 25,848 |
| **Attributable to:** | | | | | | |
| **Equity holders of the Parent** | 20,667 | 11,768 | 5,687 | 33,433 | (45,710) | 25,845 |
| **Non controlling interests** | - | - | (9) | - | 12 | 3 |
| | 20,667 | 11,768 | 5,678 | 33,433 | (45,698) | 25,848 |

| | 31 December 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Asset Management | Investment Banking | Capital Markets | Lending | Corporate | Total |
| **Assets** | 14,402 | 582 | 55,228 | 1,001,460 | 534,640 | 1,606,312 |
| **Liabilities** | 563 | - | 2,255 | 364,127 | 91,878 | 458,823 |

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

**31. SEGMENTAL INFORMATION - continued**

| | 31 December 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Asset Management | Investment Banking | Capital Markets | Lending | Corporate | Total |
| Interest income | 220 | 520 | 1,000 | 99,905 | 6,200 | 107,845 |
| Net fee and commission income | 21,346 | 11,238 | 6,870 | 4,138 | 336 | 43,928 |
| Trading income | - | - | 938 | - | 502 | 1,440 |
| Gains from investments in SHUAA managed funds - net | - | - | - | - | 44,742 | 44,742 |
| Total revenues | 21,566 | 11,758 | 8,808 | 104,043 | 51,780 | 197,955 |
| General and administrative expenses | (7,499) | (8,308) | (9,388) | (52,463) | (80,542) | (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) | (1,477) | (100,273) | (76,267) | (193,472) |
| Net profit/(loss) before losses from other investments | 14,067 | 3,802 | 7,331 | 3,770 | (24,487) | 4,483 |
| Losses from other investments including third party associates - net | - | - | - | - | (1,635) | (1,635) |
| Profit/(loss) for the year | 14,067 | 3,802 | 7,331 | 3,770 | (26,122) | 2,848 |
| Attributable to: | | | | | | |
| Equity holders of the Parent | 14,067 | 3,802 | 7,334 | 3,770 | (26,146) | 2,827 |
| Non controlling interests | - | - | (3) | - | 24 | 21 |
| | 14,067 | 3,802 | 7,331 | 3,770 | (26,122) | 2,848 |

| | 31 December 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Asset Management | Investment Banking | Capital Markets | Lending | Corporate | Total |
| Assets | 7,456 | 4,157 | 15,860 | 941,843 | 519,988 | 1,489,304 |
| Liabilities | 20 | - | 832 | 285,556 | 89,444 | 375,852 |

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 2013 have been reclassified between segments in order to correspond to the changes in the internal reporting to management.

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

## 32. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Contingent liabilities | **1,909** | 9,920 |

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

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Commitments | | |
| SHUAA managed funds | **67,199** | 69,403 |
| Others | **5,477** | - |
| | **72,676** | 69,403 |

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:

| | ***31 December 2014*** | *31 December 2013* |
|---|---|---|
| Not later than 1 year | **4,498** | 3,280 |
| Later than 1 year and not longer than 5 years | **5,048** | 5,224 |
| | **9,546** | 8,504 |

## 34. DERIVATIVES

| | ***31 December 2014*** | | | *31 December 2013* | | |
|---|---|---|---|---|---|---|
| | ***Positive fair value*** | ***Negative fair value*** | ***Notional amount*** | *Positive fair value* | *Negative fair value* | *Notional amount* |
| Held at fair value through profit or loss | **1,453** | **(1,453)** | **18,137** | 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 2014, clients' assets amounting to 3.5 billion (31 December 2013 – 3.2 billion) were managed in a fiduciary capacity, without risk or recourse to the Group. These funds are off balance sheet items and do not constitute part of the Group's assets.