SHUAA Capital PSC

CONSOLIDATED FINANCIAL STATEMENTS
AND AUDIT REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

BOARD OF DIRECTORS' REPORT

Financial Results Summary

The challenging market environment seen in Q4 of 2014 continued to set the tone for 2015. Declining oil prices, global and regional economic instability created a difficult operating environment for SHUAA's business units. Amid this market turmoil, our strategy has remained centred on our long term objective of generating recurrent revenue streams while at the same time closely monitoring events and adapting our position accordingly.

Despite volatile market conditions, revenues for the full year reached AED 178.2 million and were driven primarily by the Asset Management division and the SME Lending business, which voluntarily sought to limit further exposure to certain industry sectors. SHUAA posted an overall loss of AED 190.3 million while operating expenses remained stable at AED 164.3 million as cost control measures and reductions in general and administrative expenses continue to be a priority.

SHUAA's balance sheet structure weathered the turbulences of 2015 with total assets maintaining position at AED 1.6 billion as of 31 December 2015. The company's liquidity remained healthy, ending the year with AED 263 million in cash. Liabilities increased to AED 639 million mainly due to additional financing support for the SME lending business. Overall net assets stood at AED 961 million, and SHUAA's leverage ratio at year-end 2015 was 0.47x.

Strategic Highlights

SHUAA's strategic objectives remain centred on preserving and developing the momentum of our business divisions in order to ensure recurrent revenues. Our structure and size allows us to be flexible in adjusting to changing market conditions, and provides us with an advantage as we continue to evolve and position the firm for future growth. During the course of the year, we had also geared the Group towards enhancing its future performance, while at the same time reducing its risk profile in the face of prevailing circumstances.

In previous years, we worked on diversifying and enhancing our product offering. In 2015 we took a number of steps to continue to advance towards this objective. In the second half of the year, we expanded our client coverage and placement team with a number of strategic hires and we are currently preparing for new product launches both in the UAE and Saudi Arabia. The final quarter of 2015 saw SHUAA Capital Saudi Arabia make significant progress on two of the three hotel projects it is developing in the Kingdom on behalf of its hospitality funds, and sign a memorandum of understanding with Jumeirah Group to jointly explore and develop hospitality projects in the Kingdom. We are presently working on a number of projects in Saudi Arabia which we hope to announce in the coming quarters.

Looking ahead, we see SHUAA consolidating its position as a multiproduct financial services company driven by recurrent revenues generated from the Asset Management and Lending divisions, and complemented by additional revenue streams from fund performance, investment banking advisory transactions and capital markets activities.

Lending

Despite significant challenges in the UAE SME market, SHUAA's SME lending division consisting of Gulf Finance UAE and Gulf Finance Saudi Arabia posted a 21% increase in annual revenues to AED 159.7 million and continues to see strong demand for its financing products. The business set aside provisions of AED 154.6 million to counter for the increase in bad loans seen in the UAE in the second half of 2015. In the face of these challenges, Gulf Finance remains committed to servicing the SME sector. It continues to closely monitor market developments and adjust its growth strategy accordingly.

Gulf Finance Saudi Arabia has seen increasing demand for its financing solutions and continues to build on the success following the securing of a new operating license from the Saudi Arabian Monetary Agency in Q1 2015. The new license allowed the business to operate as a regulated finance company under the new Finance Companies Control Law. Gulf Finance Saudi Arabia has just inaugurated its new office in Jeddah, with other new office openings slated for 2016 in Riyadh and Dammam. We continue to see potential in the Saudi market, especially in light of the Government's gradual easing of rules and restrictions for small and medium business owners and entrepreneurs.

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 10.3 million and revenues of AED 15.8 million. As of 31 December 2015, the Emirates Gateway Fund and the Arab Gateway Fund, two of SHUAA's flagship funds, had returned -5.7% and -10.5% respectively, outperforming their benchmarks by 11.3% and 6.6%.

During the course of the year, client assets under management remained stable at AED 856 million. In Q2 2015, SHUAA Asset Management was named "Best Regional Asset Manager 2015" by Banker Middle East, and more recently, received an award for Best UAE Equity Fund 2015 from MENA Fund Manager for the fifth consecutive year.

SHUAA Capital Saudi Arabia (SCSA) has continued to build on its expertise in acquiring and developing prime land and real estate in areas with strong long-term growth prospects. The division saw progress made on two of its three hotel projects in the Kingdom as well as the establishing of a partnership with Jumeirah Group to jointly explore opportunities in Saudi Arabia in order to develop hospitality projects. SCSA currently has a number of projects in the pipeline which are targeted to materialize during 2016.

Investment Banking
The Investment Banking division reported full year revenues of AED 7.1 million (2014: AED 18.9 million) and a loss of AED 1.9 million (2014: profit of AED 11.8 million). While 2015 saw the successful closing of a few transactions, the division experienced some setbacks in-line with local market trends. The division is in the midst of rolling out a strategic reassessment and optimization exercise over the short term.

Among the transactions closed during 2015 was the Cayan Real Estate Development Fund I, a real estate fund established to finance the development of the Cayan Cantara project, a AED 1 billion real estate project in Al Barsha South in Dubai. At the onset of 2016, the division maintains a steady pipeline with a balance of public and private deals, having worked on a number of advisory and placement mandates, and has signed an MOU with Dubai SME to continue to provide advisory support to SMEs in Dubai.

The Division was also recently appointed by the UAE-based maritime shipping company 'Gulf Navigation' to advise on the issuance of a Mandatory Convertible Bond, and is also currently working on a few sell-side advisory transactions within the hospitality, healthcare and retail sectors.

Capital Markets
Capital Markets posted revenues of AED 6.2 million and an overall loss of AED 5.6 million. The reduction in profit was due to poor market performance and lower trading volumes in comparison to 2014.

During the year, SHUAA continued to invest in upgrading and expanding the Capital Markets division by growing the sales force and enhancing distribution capabilities. This follows the significant investment made in 2014 in upgrading the trading platform in order to provide clients with access to regional and international markets. The team is currently planning new product launches in the first half of 2016.

Corporate
The Corporate division, which is the cost centre of the company, posted full year revenues of AED 1.3 million before losses on investments in SHUAA managed funds of AED 12.0 million. Overall the division recorded a loss of AED 73.1 million. Throughout 2015, the division employed rigorous cost containment strategies that resulted in a 36% reduction in operating expenses to AED 46.8 million.

Outlook
Over the last few years, SHUAA's business model had proven its ability to adapt to difficult market conditions. Our business is closely linked to the performance of GCC markets which were very challenging in 2015, nevertheless we firmly believe that these markets hold promising growth opportunities in the medium term. As we progress through 2016, SHUAA remains committed to supporting the growth of the UAE's financial services sector and intends to continue to take the necessary gradual and prudent steps towards our strategic objectives.

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.

Abdulrahman Al Hareb
Chairman

11 February 2016

Deloitte.

Deloitte & Touche (M.E.)
Building 3, Level 6
Emaar Square
Downtown Dubai
P.O. Box 4254
Dubai
United Arab Emirates

Tel: +971 (0) 4 376 8888
Fax: +971 (0) 4 376 8899
www.deloitte.com/middleeast

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
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 at 31 December 2015, and the consolidated statements of income, other comprehensive income, changes in equity and cash flows 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 their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 judgement, 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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

iv) the financial information included in the report of the Directors is consistent with the books of account of the Group;

v) as disclosed in note 12 (a) to the consolidated financial statements the Group purchased and sold shares during the financial year ended 31 December 2015;

vi) note 29 to the consolidated financial statements discloses material related party transactions and balances and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the company and its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015; and

viii) note 25 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2015.

Deloitte & Touche (M.E.)

Anis Sadek
Partner
Registration No. 521

11 February 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

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

	Notes	***31 December 2015***	*31 December 2014*
Assets			
Cash and deposits with banks	7	**262,674**	365,443
Receivables and other debit balances	8	**35,315**	21,615
Loans, advances and finance leases	9	**959,264**	846,956
Investments in SHUAA managed funds	10	**201,845**	204,058
Investments in third party associates	11	**54,248**	68,500
Other investments	12	**46,085**	19,310
Property and equipment	13	**40,623**	46,319
Goodwill	14	**-**	34,111
Total Assets		**1,600,054**	1,606,312
Liabilities			
Due to banks	15	**453,374**	335,232
Payables and other credit balances	16	**185,192**	123,591
Total Liabilities		**638,566**	458,823
Equity			
Share capital	17	**1,065,000**	1,065,000
Employee long term incentive plan shares	18	**(10,790)**	(36,896)
Statutory reserve	20	**200,861**	200,861
Accumulated losses		**(296,211)**	(81,676)
Investments revaluation reserve	21	**2,781**	196
Translation reserve		**(228)**	(221)
Equity attributable to shareholders of the Parent		**961,413**	1,147,264
Non controlling interests	22	**75**	225
Total Equity		**961,488**	1,147,489
Total Liabilities and Equity		**1,600,054**	1,606,312

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 11 February 2016.

Abdulrahman Al Hareb
Chairman

Houssem Ben Haj Amor
General Manager & CFO

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2015

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

	Notes	***1 October to 31 December 2015 (3 months) Unaudited***	***1 January to 31 December 2015 (12 months) Audited***	*1 October to 31 December 2014 (3 months) Unaudited*	*1 January to 31 December 2014 (12 months) Audited*
Interest income		**41,297**	**154,446**	32,928	127,657
Net fee and commission income	23	**7,530**	**35,743**	11,533	65,737
Trading income		**(923)**	**(15)**	60	57
(Losses)/gains from investments in SHUAA managed funds	24	**(7,802)**	**(12,007)**	(19,168)	19,946
Total revenues		**40,102**	**178,167**	25,353	213,397
General and administrative expenses	25	**(30,829)**	**(130,643)**	(31,307)	(143,957)
Interest expense		**(6,933)**	**(24,963)**	(2,628)	(13,321)
Depreciation	13	**(2,219)**	**(8,728)**	(2,383)	(7,780)
Provisions - net	26	**(123,731)**	**(161,598)**	(8,116)	(20,296)
Goodwill impairment	14	**(34,111)**	**(34,111)**	-	-
Total expenses		**(197,823)**	**(360,043)**	(44,434)	(185,354)
Net (loss)/profit before (losses)/gains from other investments		**(157,721)**	**(181,876)**	(19,081)	28,043
(Losses)/gains from other investments, including investments in third party associates	27	**(4,078)**	**(8,383)**	4,253	(2,195)
(Loss)/profit for the period/year		**(161,799)**	**(190,259)**	(14,828)	25,848
Attributable to:					
Equity holders of the Parent		**(161,800)**	**(190,256)**	(14,829)	25,845
Non controlling interests		**1**	**(3)**	1	3
		(161,799)	**(190,259)**	(14,828)	25,848
(Loss)/earnings per share (in AED)	28	**(0.152)**	**(0.179)**	(0.014)	0.024

The attached notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

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

	1 October to 31 December 2015 (3 months) Unaudited	***1 January to 31 December 2015 (12 months) Audited***	*1 October to 31 December 2014 (3 months) Unaudited*	*1 January to 31 December 2014 (12 months) Audited*
(Loss)/profit for the period/year	**(161,799)**	**(190,259)**	(14,828)	25,848
Other comprehensive (loss)/income				
Items that will be reclassified subsequently to profit or loss:				
Net revaluation reserve movement on other investments	**2,684**	**2,585**	(115)	(1,944)
Exchange differences on translation of foreign operations	**(1)**	**(9)**	7	88
Other comprehensive income/(loss) for the period/year	**2,683**	**2,576**	(108)	(1,856)
Total comprehensive (loss)/income for the period/year	**(159,116)**	**(187,683)**	(14,936)	23,992
Attributable to:				
Equity holders of the Parent	**(159,116)**	**(187,678)**	(14,937)	23,989
Non controlling interests	**-**	**(5)**	1	3
	(159,116)	**(187,683)**	(14,936)	23,992

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

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

	1 January to 31 December 2015	*1 January to 31 December 2014*
Cash flows from operating activities		
(Loss)/profit for the year	**(190,259)**	25,848
Adjustments for:		
Depreciation	**8,728**	7,780
Losses/(gains) on investments in SHUAA managed funds	**12,007**	(19,946)
Losses from other investments including third party associates	**8,383**	2,195
Share based payments charge	**1,827**	6,772
Goodwill impairment	**34,111**	-
Provisions – net	**161,598**	20,296
Operating cash flows before changes in operating assets and liabilities	**36,395**	42,945
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables and other debit balances	**(9,702)**	8,804
Increase in loans, advances and finance leases	**(274,619)**	(18,327)
Increase in payables and other credit balances	**65,611**	12,716
Net (acquisition of)/redemption from SHUAA managed funds	**(9,794)**	27,796
Net cash (used in) / generated from operating activities	**(192,109)**	73,934
Cash flows from investing activities		
Net (purchase of)/proceeds from other investments	**(23,002)**	6,143
Dividends and capital distributions from associates	**4,800**	20,726
Net purchase of property and equipment	**(10,325)**	(8,363)
Acquisition of non controlling interests	**-**	(211)
Net cash (used in) / generated from investing activities	**(28,527)**	18,295
Cash flows from financing activities		
Increase in due to banks	**118,142**	77,051
Distribution to non controlling interests	**(145)**	-
Proceeds from sale of treasury shares	**-**	3,590
Net cash generated from financing activities	**117,997**	80,641
Net (decrease)/increase in cash and cash equivalents	**(102,639)**	172,870
Foreign currency translation	**(7)**	-
Cash and cash equivalents at beginning of the year	**340,841**	167,971
Cash and cash equivalents at end of the year (note 7)	**238,195**	340,841
Operational cash flows from interest and dividend		
Interest received	**154,126**	127,781
Interest paid	**(20,976)**	(15,057)
Dividend received	**4,800**	2,801

The attached notes 1 to 33 form an integral part of these consolidated financial statements.

SHUAA Capital PSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

(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 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 19)	-	-	-	-	6,772	-	-	6,772	-	6,772
Net movement in employee long term incentive plan shares (note 18)	-	-	58,876	-	(58,876)	-	-	-	-	-
Acquisition of non controlling interests	-	-	-	-	-	-	-	-	(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

	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 2015	**1,065,000**	**-**	**(36,896)**	**200,861**	**(81,676)**	**196**	**(221)**	**1,147,264**	**225**	**1,147,489**
Total comprehensive loss for the year	-	-	-	-	(190,256)	2,585	(7)	(187,678)	(5)	(187,683)
Share based payments charge (note 19)	-	-	-	-	1,827	-	-	1,827	-	1,827
Net movement in employee long term incentive plan shares (note 18)	-	-	26,106	-	(26,106)	-	-	-	-	-
Distribution to non controlling interests	-	-	-	-	-	-	-	-	(145)	(145)
Balance as of 31 December 2015	**1,065,000**	**-**	**(10,790)**	**200,861**	**(296,211)**	**2,781**	**(228)**	**961,413**	**75**	**961,488**

The attached notes 1 to 33 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 2015 are as follows:

Name	**Country of incorporation**	**Principal activities**	**Holding *31 December 2015***	Holding *31 December 2014*
Gulf Finance Corporation PJSC	United Arab Emirates	Financing	**100.0%**	100.0%
Gulf Finance Company CJSC	Saudi Arabia	Financing	**100.0%**	100.0%
SHUAA Capital International Limited	United Arab Emirates	Brokerage	**100.0%**	100.0%
SHUAA Asset Management Limited	United Arab Emirates	Private Equity / Asset Management	**100.0%**	100.0%
SHUAA Securities LLC	United Arab Emirates	Brokerage	**100.0%**	100.0%
SHUAA Capital Saudi Arabia CJSC	Saudi Arabia	Financial services	**100.0%**	100.0%
SHUAA Securities Egypt SAE	Egypt	Brokerage	**100.0%**	100.0%
Asia for Economic Consultancy LLC	Jordan	Consultancy	**94.3%**	94.3%

2. 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 19	*Amendments to IAS 19 Employee Benefits*

All other new and revised IFRS that become effective during the current financial year have had no material impact on the Group.

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 2018*
Annual Improvements to IFRS 2012 - 2014 Cycle	*1 January 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*
Amendments to IFRS 7 Financial Instruments	*When IFRS 9 is first applied*

2. APPLICATION OF NEW AND REVISED IFRS - continued

Relevant new and revised IFRS in issue but not yet effective - continued

**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 2 of 2015 (as amended) of United Arab Emirates Laws. The UAE Federal Law No. 2 of 2015 (“Companies Law”) has come into force on 1 July 2015. The Company is currently assessing the impact of the new law and expects to be fully compliant on or before the end of transitional period on 30 June 2016.

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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial assets - continued

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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investment in associates - continued
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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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 19.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

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.

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.

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

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 2015			
	Level 1	***Level 2***	***Level 3***	***Total***
Financial assets				
Investments in SHUAA managed funds				
Held at fair value through profit or loss	**-**	**119,694**	**-**	**119,694**
Available for sale	**-**	**9,794**	**-**	**9,794**
Other investments				
Held at fair value through profit or loss	**29,506**	**749**	**945**	**31,200**
Available for sale	**-**	**5,430**	**9,455**	**14,885**
	29,506	**135,667**	**10,400**	**175,573**
Financial liabilities				
Held at fair value through profit or loss	**(89)**	**-**	**-**	**(89)**

	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

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.

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

5. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

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

Movements in level 3 financial assets measured at fair value
During the year, the Group transferred a financial instrument from level 3 to level 2, as the observable data used for the valuation of the financial instrument became available.

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 2015						
	Balance at 1 January 2015	***Gain/(loss) through P&L***	***Gain/(loss) through OCI***	***Purchases***	***Sales***	***Transfers from/(to) levels 1 &2***	***Balance at 31 December 2015***
Other investments							
Held at FVTPL	**1,038**	**89**	**-**	**-**	**(182)**	**-**	**945**
Available for sale	**12,313**	**(51)**	**2,586**	**-**	**-**	**(5,393)**	**9,455**
	13,351	**38**	**2,586**	**-**	**(182)**	**(5,393)**	**10,400**

	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

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

	31 December 2015	*31 December 2014*
Other investments		
Realised gains/(losses)	**89**	(3,898)
Unrealised losses	**(51)**	(1,030)
	38	(4,928)

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 2015		*31 December 2014*	
	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	**945**	**236**	1,038	260
Available for sale	**9,455**	**1,891**	12,313	2,462
	10,400	**2,127**	13,351	2,722

5. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

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.

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 2015	*Gross maximum exposure 31 December 2014*
Cash and deposits with banks	**262,674**	365,443
Receivables and other debit balances	**35,315**	21,615
Loans, advances and finance leases	**959,264**	846,956
Other investments		
Held at fair value through profit or loss	**30,160**	4,790
	1,287,413	1,238,804
Contingent liabilities	**9,644**	1,909
Commitments	**67,613**	72,676
	77,257	74,585
Total credit risk exposure	**1,364,670**	1,313,389

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

6. FINANCIAL RISK MANAGEMENT - continued

Credit risk – continued
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	**191,343**	**69,778**	**1,199**	**3**	**351**	**-**	**262,674**
Receivables and other debit balances	**27,341**	**5,696**	**803**	**-**	**1,475**	**-**	**35,315**
Loans, advances and finance leases	**765,877**	**193,360**	**22**	**-**	**-**	**5**	**959,264**
Investments in SHUAA managed funds	**41,555**	**160,290**	**-**	**-**	**-**	**-**	**201,845**
Investments in third party associates	**54,248**	**-**	**-**	**-**	**-**	**-**	**54,248**
Other investments	**24,492**	**19,886**	**983**	**724**	**-**	**-**	**46,085**
Property and equipment	**35,785**	**4,786**	**52**	**-**	**-**	**-**	**40,623**
Total Assets - 31 December 2015	**1,140,641**	**453,796**	**3,059**	**727**	**1,826**	**5**	**1,600,054**
Total Assets - 31 December 2014	1,230,103	351,013	17,028	3,823	4,342	3	1,606,312

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 2015				
	Neither past due nor impaired				
	High grade	**Standard grade**	**Total**	**Past due or individually impaired**	**Grand Total**
Cash and deposits with banks	**262,674**	**-**	**262,674**	**-**	**262,674**
Receivables and other debit balances	**-**	**35,315**	**35,315**	**-**	**35,315**
Loans, advances and finance leases	**-**	**771,432**	**771,432**	**187,832**	**959,264**
Other investments	**-**	**29,215**	**29,215**	**945**	**30,160**
	262,674	**835,962**	**1,098,636**	**188,777**	**1,287,413**

	31 December 2014				
	Neither past due nor impaired				
	High grade	Standard grade	Total	Past due or individually impaired	Grand 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	-	697,793	697,793	149,163	846,956
Other investments	-	3,752	3,752	1,038	4,790
	365,443	723,160	1,088,603	150,201	1,238,804

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

6. FINANCIAL RISK MANAGEMENT - continued

Credit risk – continued
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 and details of individually impaired exposures per class of financial assets is shown below:

	31 December 2015								
	Ageing analysis of past due but not impaired					***Individually impaired***			***Past due or individually impaired***
	<30 days	***30-60 days***	***60-90 days***	***Provision***	***Carrying amount***	***Gross amount***	***Provision***	***Carrying amount***	
Loans, advances and finance leases	77,773	51,112	28,913	(2,592)	**155,206**	254,487	(221,861)	**32,626**	**187,832**
Other investments	-	-	-	-	**-**	4,480	(3,535)	**945**	**945**
	77,773	**51,112**	**28,913**	**(2,592)**	**155,206**	**258,967**	**(225,396)**	**33,571**	**188,777**

	31 December 2014								
	Ageing analysis of past due but not impaired					*Individually impaired*			*Past due or individually impaired*
	<30 days	*30-60 days*	*60-90 days*	*Provision*	*Carrying amount*	*Gross amount*	*Provision*	*Carrying amount*	
Loans, advances and finance leases	84,499	26,851	9,209	(1,144)	119,415	112,129	(82,381)	29,748	149,163
Other investments	-	-	-	-	-	4,672	(3,634)	1,038	1,038
	84,499	26,851	9,209	(1,144)	119,415	116,801	(86,015)	30,786	150,201

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.

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

6. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk – continued
The maturity profile of assets and liabilities as of 31 December 2015 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	238,195	22,871	**261,066**	**1,608**	**-**	**262,674**
Receivables and other debit balances	20,609	10,692	**31,301**	**4,014**	**-**	**35,315**
Loans, advances and finance leases	140,729	291,683	**432,412**	**526,852**	**-**	**959,264**
Investments in SHUAA managed funds*	99,694	48,238	**147,932**	**53,913**	**-**	**201,845**
Investments in third party associates*	-	5,527	**5,527**	**48,721**	**-**	**54,248**
Other investments*	34,898	9,219	**44,117**	**1,968**	**-**	**46,085**
Property and equipment*	-	-	**-**	**40,623**	**-**	**40,623**
Goodwill*	-	-	**-**	**-**	**-**	**-**
Total Assets	**534,125**	**388,230**	**922,355**	**677,699**	**-**	**1,600,054**
Due to banks	65,263	132,031	**197,294**	**256,080**	**-**	**453,374**
Payables and other credit balances	91,969	88,033	**180,002**	**5,190**	**-**	**185,192**
Equity	-	-	**-**	**-**	**961,488**	**961,488**
Total Liabilities and Equity	**157,232**	**220,064**	**377,296**	**261,270**	**961,488**	**1,600,054**
Net liquidity gap	**376,893**	**168,166**	**545,059**	**416,429**	**(961,488)**	**-**
Cumulative liquidity gap	**376,893**	**545,059**	**545,059**	**961,488**	**-**	**-**

The maturity profile of assets and liabilities as of 31 December 2014 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	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

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

	31 December 2015			
	Less than 3 months	***3 - 12 months***	***1 - 5 years***	***Total***
Due to banks	**66,720**	**138,321**	**276,262**	**481,303**
Payables and other credit balances	**-**	**51,005**	**-**	**51,005**

	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

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

	31 December 2015			
	Less than 3 months	***3 - 12 months***	***1 - 5 years***	***Total***
Contingent liabilities	**7,052**	**2,366**	**226**	**9,644**
Commitments	**300**	**114**	**67,199**	**67,613**
Total	**7,352**	**2,480**	**67,425**	**77,257**

	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

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

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 decide whether any enterprise wide hedging is required to mitigate any material Group wide exposures.

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

6. FINANCIAL RISK MANAGEMENT - continued

Market risk – continued

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 2015***	*Sensitivity of net interest income 31 December 2014*
AED	25	**(641)**	(260)
USD	25	**-**	9
SAR	25	**(92)**	8

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 variable rate non-trading financial assets and financial liabilities held at 31 December 2015. The book value of assets and liabilities subject to variable interest rates is respectively 96,491 and 455,053 (31 December 2014 – 239,150 and 335,232).

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 2015. 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 2015, 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 2015		*31 December 2014*	
	% 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	**-**	**(54)**	(4)	(28)
Egyptian Pound	+1	**(2)**	**(1)**	(2)	(2)
Euro	+1	**3**	**-**	3	-

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

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 2015		*31 December 2014*	
	% 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	**-**	**(270)**	-	(140)
Dubai	-5	**(11)**	**-**	(20)	-
Egypt	-5	**(2)**	**-**	-	(2)
Funds	-5	**(6,494)**	**(490)**	(7,135)	-
Bonds	-5	**(1,508)**	**-**	(239)	-

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 2015	*31 December 2014*
Total borrowings	**453,374**	335,232
Total equity	**961,488**	1,147,489
Total capital	**1,414,862**	1,482,721
Gearing ratio	**32.0%**	22.6%

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 deposits of 24,479 (31 December 2014 – 24,602) with banks, which are held as collateral against Group's banking facilities including the Central Bank of the U.A.E. guarantee. For the purposes of consolidated statement of cash flows, cash and cash equivalents are stated net of these deposits.

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

8. RECEIVABLES AND OTHER DEBIT BALANCES

	31 December 2015	*31 December 2014*
Client related receivables	**3,328**	3,228
Receivable against unsettled trades	**8,984**	-
Prepayments	**8,201**	5,310
Deposits	**8,932**	4,247
Advances for staff programs	**1,597**	2,002
Interest receivable	**579**	259
Amounts due from related parties	**426**	911
Advances to suppliers	**1,098**	2,040
Other	**2,170**	3,618
	35,315	21,615

9. LOANS, ADVANCES AND FINANCE LEASES

Loans, advances and finance leases comprise the following:

	31 December 2015	*31 December 2014*
Loans and advances	**743,657**	699,003
Finance leases	**207,427**	128,331
Margin lending	**8,180**	19,622
	959,264	846,956

(a) Loans and advances

	31 December 2015	*31 December 2014*
Total loans and advances	**917,839**	738,074
Cumulative provision for impairment	**(160,505)**	(33,151)
Interest in suspense	**(13,677)**	(5,920)
	743,657	699,003

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

	31 December 2015	*31 December 2014*
Balance at beginning of the year	**(33,151)**	(51,603)
Provision made during the year	**(162,614)**	(39,395)
	(195,765)	(90,998)
Less: recoveries made against the provision during the year	**5,044**	7,370
Less: write offs	**30,216**	50,477
Balance at end of the year	**(160,505)**	(33,151)

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 2015	*31 December 2014*
Current finance lease receivables	**113,671**	74,530
Non-current finance lease receivables	**101,230**	55,913
Allowances for uncollectible lease payments	**(7,474)**	(2,112)
	207,427	128,331

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 2015	*31 December 2014*	***31 December 2015***	*31 December 2014*
Not later than one year	**138,975**	87,503	**113,671**	74,530
Later than one year and not later than five years	**115,135**	62,546	**101,230**	55,913
	254,110	150,049	**214,901**	130,443
Less: unearned finance income	**(39,209)**	(19,606)	**-**	-
Present value of minimum lease payments receivable	**214,901**	130,443	**214,901**	130,443
Allowances for uncollectible lease payments	**(7,474)**	(2,112)	**(7,474)**	(2,112)
	207,427	128,331	**207,427**	128,331

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 2015, these underlying securities were valued at 46,603 (31 December 2014 – 190,164). Provisions are made for the uncovered portion of margins. As at the end of the year, the cumulative provision is 56,600 (31 December 2014 – 53,072).

10. INVESTMENTS IN SHUAA MANAGED FUNDS

Investments in SHUAA managed funds consist of the following:

	31 December 2015	*31 December 2014*
Held at fair value through profit or loss	**119,694**	131,408
Associates	**72,357**	72,650
Available for sale	**9,794**	-
	201,845	204,058

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

10. INVESTMENTS IN SHUAA MANAGED FUNDS - continued

Associates
The Group owns 27.0% (31 December 2014 – 27.0%) of SHUAA Hospitality Fund I L.P., a closed ended private equity investment fund registered as an exempted limited partnership in the Cayman Islands. The principal purpose of this fund is to undertake direct or indirect investments in hospitality development projects and existing hospitality properties to be managed by Rotana Hotel Management Corporation LLC in the MENA region. As a consequence of cross investment holdings by this fund the Group indirectly owns 26.3% (31 December 2014 – 26.3%) of SHUAA Saudi Hospitality Fund I, a closed ended investment fund regulated by the Capital Markets Authority in Saudi Arabia. The principal purpose of the SHUAA Saudi Hospitality Fund I, is to achieve long term capital growth through investing in hospitality related real estate in the Kingdom of Saudi Arabia.

The Group owns 37.3% (31 December 2014 – 37.3%) 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 2015	*31 December 2014*
Assets	**90,611**	84,481
Liabilities	**(12,720)**	(8,202)
Net assets	**77,891**	76,279
Profit for the year - net	**1,611**	1,065

11. INVESTMENTS IN THIRD PARTY ASSOCIATES

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

	31 December 2015	*31 December 2014*
U.A.E.	**54,248**	68,500

City Engineering LLC
The Group owns 40% (31 December 2014 – 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 4,800 (31 December 2014 – 2,800) 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% (31 December 2014 – 49.0%) of Septech Holding Limited. The recoverable amount of this asset has been determined based on equity accounting.

	31 December 2015	*31 December 2014*
Balance at beginning of the year	**68,500**	89,100
Share of results of associates	**(9,452)**	3,671
Dividends and capital distribution received	**(4,800)**	(24,358)
Translation reserve	**-**	87
Balance at end of the year	**54,248**	68,500

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

11. INVESTMENTS IN THIRD PARTY ASSOCIATES - continued

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

	31 December 2015	*31 December 2014*
Assets	**151,914**	163,268
Liabilities	**(78,865)**	(85,588)
Net assets	**73,049**	77,680
Revenues	**52,229**	63,570
Loss for the year - net	**(7,245)**	(6,518)

12. OTHER INVESTMENTS

Other investments comprise the following:

	31 December 2015	*31 December 2014*
Investments held at fair value through profit or loss	**31,200**	6,956
Investments available for sale	**14,885**	12,354
	46,085	19,310

a) Investments held at fair value through profit or loss

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

	31 December 2015	*31 December 2014*
Fund investments	**723**	1,771
Equity securities	**317**	395
Fixed income securities	**30,160**	4,790
	31,200	6,956

Fixed income securities
During the year, the Group acquired certain investments in fixed income securities.

Equity securities
During the year, the Group purchased and sold equity securities amounting to 65,603 and 64,416 respectively.

b) Investments available for sale

Investments available for sale comprise the following:

	31 December 2015	*31 December 2014*
Equity investments	**5,430**	2,833
Unquoted fund investments	**9,455**	9,521
	14,885	12,354

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

13. PROPERTY AND EQUIPMENT

	31 December 2015	*31 December 2014*
Property and equipment	**40,103**	40,492
Capital work in progress	**520**	5,827
	40,623	46,319

Property and equipment

	31 December 2015						
	Furniture & leasehold improvements	***Office equipment, computer & software***	***Motor vehicles***	***Land & buildings***	***Sub-Total***	***Equipment - operating lease****	***Total***
Cost							
Balance at beginning of the year	**25,651**	**31,003**	**1,092**	**18,583**	**76,329**	**16,607**	**92,936**
Additions	**1,017**	**14,964**	**-**	**-**	**15,981**	**-**	**15,981**
Disposals*	**(3,380)**	**(232)**	**-**	**-**	**(3,612)**	**(12,291)**	**(15,903)**
Balance at end of the year	**23,288**	**45,735**	**1,092**	**18,583**	**88,698**	**4,316**	**93,014**
Accumulated depreciation							
Balance at beginning of the year	**23,113**	**21,413**	**509**	**2,401**	**47,436**	**5,008**	**52,444**
Charge for the year	**1,292**	**4,264**	**193**	**465**	**6,214**	**2,514**	**8,728**
Reversal of depreciation /impairment on disposal*	**(3,146)**	**(199)**	**-**	**-**	**(3,345)**	**(4,916)**	**(8,261)**
Balance at end of the year	**21,259**	**25,478**	**702**	**2,866**	**50,305**	**2,606**	**52,911**
Net book value							
Balance at end of the year	**2,029**	**20,257**	**390**	**15,717**	**38,393**	**1,710**	**40,103**

*During the year, certain operating lease equipment having a net book value of 7,375 were transferred to receivables and other debit balances as held for sale.

	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)

14. GOODWILL

	31 December 2015	*31 December 2014*
Gulf Finance Corporation PJSC (a 'subsidiary')	-	34,111

The Group performed its annual impairment tests as at 31 December 2015. The recoverable amount of Gulf Finance Corporation PJSC (cash generating unit) has been determined based on value in use calculations, using cash flow projections based on financial budgets approved by senior management covering a three 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. The discount rate applied to cash flow projections is 12% and cash flows beyond the three year period are extrapolated using 3% growth rate. As a result of this analysis the goodwill was impaired in full.

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 2015	*31 December 2014*
Repayable within twelve months	**197,294**	104,487
Repayable after twelve months	**256,080**	230,745
	453,374	335,232

The Group's banking facilities carry EIBOR/SIBOR based floating interest rates plus a spread ranging between 2% and 4%. Included within due to banks is the balance of 375,000 from a 500,000 syndicated loan facility which is repayable over the next 3 years and is secured by a charge over certain of the Group's assets.

At 31 December 2015, letters of guarantee on behalf of the Group amounting to 63,415 (31 December 2014 – 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.

16. PAYABLES AND OTHER CREDIT BALANCES

Payable and other credit balances comprise the following:

	31 December 2015	*31 December 2014*
Dividends payable	**33,681**	34,048
Payable to clients	**35,824**	20,211
Other financial liability	**50,000**	-
Accruals	**17,243**	36,600
End of service benefits	**14,526**	14,393
Provisions	**5,078**	5,246
Supplier payables	**19,054**	8,584
Other payables	**9,786**	4,509
	185,192	123,591

Other financial liability
This represent amounts received from client under agency arrangement and invested in Sharia-compliant products on behalf of the client.

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

17. SHARE CAPITAL

Authorised, issued and fully paid share capital comprises 1,065,000,000 shares (31 December 2014 – 1,065,000,000 shares) of UAE Dirham 1.00 per share. Each share carries one vote and the right to receive dividends.

18. EMPLOYEE LONG TERM INCENTIVE PLAN SHARES

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

	31 December 2015	*31 December 2014*
Number of shares	**4,743,004**	16,218,004
Shares as percentage of total shares in issue	**0.4%**	1.5%
Cost of shares	**10,790**	36,896
Market value of shares	**1,945**	10,704

During the year, 11,475,000 shares vested. Consequently, the weighted average cost of these shares amounting to 26,106 was transferred to accumulated losses.

19. 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, 11,475,000 shares vested and were issued to eligible employees.

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 1,827 (31 December 2014 – 6,772).

20. 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.

21. INVESTMENTS REVALUATION RESERVE

	31 December 2015	*31 December 2014*
Available for sale investments		
Balance at beginning of the year	**196**	2,140
Net movement in fair values during the year	**2,585**	(1,944)
Balance at end of the year	**2,781**	196

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.

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

22. 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.

23. NET FEE AND COMMISSION INCOME

Fee and commission income and expense comprises the following:

	31 December 2015	*31 December 2014*
Fee and commission income	**44,061**	71,332
Fee and commission expense	**(8,318)**	(5,595)
	35,743	65,737

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

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

	31 December 2015	*31 December 2014*
Funds held at fair value through profit or loss	**(11,714)**	15,601
Associates	**(293)**	4,345
	(12,007)	19,946

25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise the following:

	31 December 2015	*31 December 2014*
Employee salaries and fringe benefits	**(82,684)**	(101,537)
Professional fees	**(13,316)**	(13,048)
Administration, technology and communication	**(13,787)**	(10,670)
Office rent and related expenses	**(7,592)**	(6,960)
Corporate marketing and branding costs	**(4,284)**	(2,996)
Other	**(8,980)**	(8,746)
	(130,643)	(143,957)

Included in "employee salaries and fringe benefits" is (1,827) (31 December 2014 – (6,772)) relating to a net charge arising from transactions accounted for as equity settled share based payment transactions.

No social contributions (including donations and charities) were made during the year.

As of 31 December 2015, the Group had a total of 222 employees (31 December 2014 – 206 employees) represented by 76 employees in the Parent company (31 December 2014 – 80 employees) and 146 employees in subsidiaries (31 December 2014 – 126 employees).

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

26. PROVISIONS - NET

The Group recognised provisions in respect of the following:

	31 December 2015	*31 December 2014*
Loans, advances and finance leases - net *	**(162,311)**	(28,128)
(Allowances)/reversals for doubtful receivables and other assets - net	**(3,318)**	5,012
Other	**4,031**	2,820
	(161,598)	(20,296)

*Includes provision charge of (157,338) on “loans and advances”, (5,300) on “finance leases” and reversal of 327 on “margin lending”.

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

(Losses)/gains from other investments are detailed as follows:

	31 December 2015	*31 December 2014*
Third party associates	**(9,452)**	3,671
Other investments		
Held at fair value through profit or loss	**831**	(2,864)
Available for sale	**(51)**	(576)
Held to maturity	**289**	(2,426)
	(8,383)	(2,195)

28. EARNINGS PER SHARE

Basic earnings per share have been computed using the net (loss)/profit attributable to the ordinary equity holders of the Parent (190,256) (31 December 2014 – 25,845) divided by the weighted average number of ordinary shares outstanding 1,065,000,000 (31 December 2014 – 1,065,000,000).

Diluted earnings per share as of 31 December 2015 and 31 December 2014 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

29. 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 2015	*31 December 2014*
Receivables and other debit balances		
Associates	**206**	589
Other related parties	**220**	322
Key management personnel	**140**	200
Loans and advances - Associate	**-**	10,759
Investments in SHUAA managed funds	**201,845**	204,058
	202,411	215,928

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

29. RELATED PARTY TRANSACTIONS - continued

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

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

	31 December 2015	*31 December 2014*
(Losses)/gains from investments in SHUAA managed funds		
Associates	**(293)**	4,345
Other related parties	**(11,714)**	15,601
Fees and commission income		
Other related parties	**3,249**	3,887
	(8,758)	23,833

Compensation of the key management personnel is as follows:

	31 December 2015	*31 December 2014*
Short term employee benefits	**(17,605)**	(18,818)
Share based payments charge	**(1,827)**	(6,772)
Total compensation paid to key management personnel	**(19,432)**	(25,590)

30. 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.

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

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

Lending activities are conducted by Gulf Finance Corporation PJSC and Gulf Finance 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.

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.

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

30. SEGMENTAL INFORMATION - continued

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

	31 December 2015					
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	Total
Interest income	272	-	641	152,315	1,218	154,446
Net fee and commission income	15,562	7,145	5,572	7,411	53	35,743
Trading loss	-	-	(15)	-	-	(15)
Losses from investments in SHUAA managed funds - net	-	-	-	-	(12,007)	(12,007)
Total revenues	15,834	7,145	6,198	159,726	(10,736)	178,167
General and administrative expenses	(5,553)	(8,991)	(10,042)	(60,982)	(45,075)	(130,643)
Interest expenses	-	-	-	(24,963)	-	(24,963)
Depreciation	-	-	(2,024)	(4,950)	(1,754)	(8,728)
Provisions - net	-	(85)	249	(154,643)	(7,119)	(161,598)
Goodwill impairment	-	-	-	(34,111)	-	(34,111)
Total expenses	(5,553)	(9,076)	(11,817)	(279,649)	(53,948)	(360,043)
Net profit/(loss) before losses from other investments	10,281	(1,931)	(5,619)	(119,923)	(64,684)	(181,876)
Losses from other investments including third party asscoiates - net	-	-	-	-	(8,383)	(8,383)
Profit/(loss) for the year	10,281	(1,931)	(5,619)	(119,923)	(73,067)	(190,259)
Attributable to:						
Equity holders of the Parent	10,281	(1,931)	(5,616)	(119,923)	(73,067)	(190,256)
Non controlling interests	-	-	(3)	-	-	(3)
	10,281	(1,931)	(5,619)	(119,923)	(73,067)	(190,259)

	31 December 2015					
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	Total
Assets	23,704	498	68,869	1,065,673	441,310	1,600,054
Liabilities	512	-	10,848	561,809	65,397	638,566

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

30. SEGMENTAL INFORMATION - continued

	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	-	-	(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 associates - 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

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.

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

31. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

	31 December 2015	*31 December 2014*
Contingent liabilities	**9,644**	1,909

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

	31 December 2015	*31 December 2014*
Commitments		
SHUAA managed funds	**67,199**	67,199
Others	**414**	5,477
	67,613	72,676

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

32. DERIVATIVES

	31 December 2015			*31 December 2014*		
	Positive fair value	***Negative fair value***	***Notional amount***	*Positive fair value*	*Negative fair value*	*Notional amount*
Held at fair value through profit or loss	**1,475**	**(1,475)**	**2,369**	1,453	(1,453)	18,137

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.

33. CLIENTS’ FUNDS UNDER MANAGEMENT

The Group is licensed as a financial services company regulated by the Central Bank of the United Arab Emirates. At 31 December 2015, clients’ assets amounting to 2.7 billion (31 December 2014 – 3.5 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.