



SHUAA CAPITAL^{PSC}



Annual Report *2000*

Directory

SHUAA CAPITAL P.S.C.

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Management



Chief Executive Officer
Iyad Duwaji

Executive Managing Director
Ziad Makkawi

Capital Markets
Salam Saadeh / Mohieddine Kronfol
Arab Debt & Structured Products

Asset Management
Haissam Arabi
Arab Equities

Portfolio & Investment Management Services
Hisham Ayass
International Equities

Research
Walid Hayeck
Arab Markets

Private Equity
Mohamed El Bakary
Managing Director

Legal Affairs
Gary R. Feulner
General Counsel

Finance & Administration
Kerim Mitri
Chief Financial Officer

Information Technology
Samer Hamwi
Chief Technology Officer

Operations
Alain Antoniades
Head of Operations

List of Board Members

Mr. Majid Saif Al Ghurair*

Chairman

Mr. Abdul Rahman Saleh Al Saleh

Director

Mr. Diraar Yusuf Alghanim

Director

Mr. Hamdi Abdul Majeed

Director

Mr. Hamad Abdul Aziz Al Sagar*

Director

Mr. Fahad Yacoub Al Jouaan

Director

Mr. Mohammed Ibrahim Al Shibani

Director

Mr. Mohammed Obaid Al Jaber

Director

Mr. Salem Abdullah Salem Al Hosani*

Director

Mr. Iyad Duwaji*

Chief Executive Officer

(*) Member of the
Executive Committee



Majid Saif Al Ghurair
Chairman

Chairman's Message

In pushing forward with our vision, we have been able to secure some of the finest Arab talent to occupy strategic roles within our business.

The year 2000 will be remembered as a significant milestone in the company's history, providing the platform for our future as we move to occupy our position as the region's leading Arab Investment and Financial Services organization.

Throughout the year we focused on diversifying our offering by maximizing our core competencies; recruiting and developing premium human resource and investing in operational infrastructure in accordance with the vision set out by our Board in 1996.

These major initiatives and investments have provided us with a strong platform for growth. However, the cost of building of this platform was extensive and this, coupled with poor capital market performance in almost all of the Arab countries where we are invested, reflected negatively on the financial results this year with an overall loss for the year of AED17.5 million. This equates to a 4.7% drop in our shareholders equity.

However, it is important to highlight that the company achieved revenues of AED13.3 million on its investment portfolios equal to a return of 3.2% of average assets in light of difficult markets in 2000. Such performance must be viewed positively when compared to regional indexes that saw an average decline of 14.5% for the same period, or when compared to the Morgan Stanley Emerging Markets Index that declined by 30% and the Morgan Stanley World Index that also declined by 15.06%.

While disappointing, I do believe that this performance should be viewed as an anomaly in what has been a steep growth pattern during the past five years.

In accordance with our commitment to the capital market of the United Arab Emirates, we were among the first companies to seek listing on the newly established Dubai Financial Market (DFM). Our 180 million Class A restricted shares available for UAE nationals only are currently traded on the DFM, in addition to our existing listing of our 120 million Class B shares on the Kuwait Stock Exchange.

It has been heartening to witness some significant achievements towards the building of our future in the past year. Notably, we achieved the approval of the Central Bank of the U.A.E to offer a broad range of financial services and products in the diversification of our traditional merchant banking business. Such services include:

- Underwriting of securities & other corporate finance activities
- Investment advisory services
- Asset and portfolio management
- Brokerage in local & international securities

The brokerage requirements of our business was created by acquisition of the UAE's premier brokerage house, Emirates Commercial Centre, where a ready-made client base coupled with quality operations and people made this an instant, attractive choice for trading.

We made significant inroads into our newly created asset management business taking AED73 million under management from a zero base and against a highly competitive backdrop. We have ambitious plans for this sector in which we have invested in both people and technology to fully realize its potential.

In pushing forward with our vision, we have been able to secure some of the finest Arab talent to occupy strategic roles within our business. These individuals bring expertise in the areas of asset management, fixed income securities, structured products, international markets and operations.

Major investments in technology led to the creation of our dynamic and interactive web site, which offers up-to date information on the region's capital markets. An extensive, proprietary database correspondingly captured publicly listed companies in 12 markets supplying both qualitative and quantitative data - as well as pricing - since the beginning of the year. We have also developed value-added indices for the region, which we are confident will become a benchmark in local and regional markets in years to come.

We provided a prestigious business environment for our customers, shareholders and employees befitting the region's premier investment house with a relocation to Dubai's premier business address at the Emirates Towers.

This investment, coupled with the acquisition of human capital caused a corresponding increase in our operating expenditure, which is reflected in our bottom line.

In summary; we believe that our commitment to building a robust and sustainable platform for growth will reap rewards and that we face a bright and exciting future. In realizing this vision, we have taken the decision to assume a new identity to reflect our position as the leading UAE Investment and Financial Services player. Our new identity is branded SHUAA CAPITAL and is the merger of two cultures, while more accurately reflecting the nature and strength of our future in financial services.

Despite the company's overall performance in 2000, the combination of our excellent quality portfolio combined with the value that has been created but not yet materialized at the company's level, led the Board of Directors to approve the distribution of dividends from retained earnings totalling AED15 million equal to 5% of the paid up capital.

Finally, on behalf of my colleagues the members of the board, I would like to take this opportunity to extend my thanks to the shareholders of the company, the concerned authorities in the United Arab Emirates and to the Government of Dubai in particular for their continued support and to the management and employees of our company for their efforts which contributed in no small part to the achievements of our goals.

Majid Saif Al Ghurair
Chairman





SHUAACAPITAL^{PSC}

Regional Review

● Lebanon
Beirut

● Egypt
Cairo

● Jordan
Amman

Kuwait ●
Kuwait City

Bahrain ●
Manama

Qatar ●
Doha

Dubai ●

Abu Dhabi ●

Saudi Arabia ●
Riyadh

UAE

Muscat ●

Oman



Iyad Duwaji
Chief Executive Officer

Financial Review

The year 2000 was a strategic year in terms of making the investment required to diversify and enhance our operation while at the same time weathering the sustained depression of the majority of the Arab capital markets where we are invested.

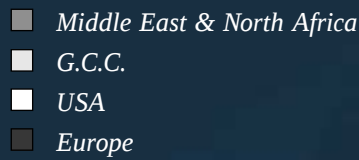
While maintaining the strength of our traditional core competencies: private equity investment and capital markets; we made major inroads into diversifying our structure to embrace corporate finance and asset management capability; supported by superior brokerage through the acquisition of a 50% stake in the UAE's leading brokerage firm Emirates Commercial Center.

As we go forward, we will concentrate on building on ECC's leading market position and strong management team by giving it support in the areas of research on local companies and technology.

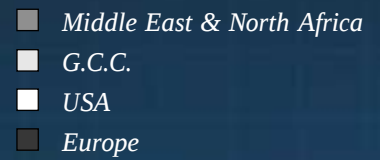
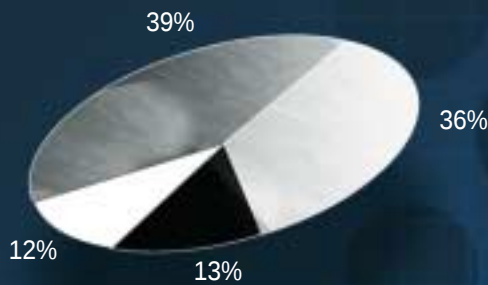
Our financial services offering, approved by the UAE Central Bank, now includes the underwriting of securities, securities brokerage and intermediation, corporate finance advisory services, brokerage in local and international securities and asset and portfolio management. A strong start in the financial services arena gave us AED73 million under management in our first year.

Despite this, the company's profitability in 2000 was eroded by several key factors, which we have taken positive steps to minimize, correct or eliminate.

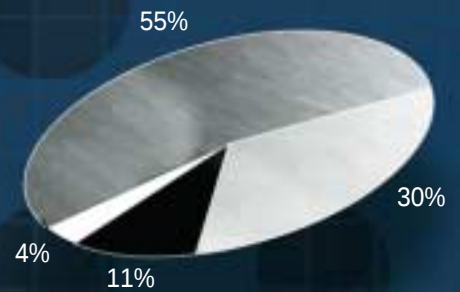
Asset Distribution



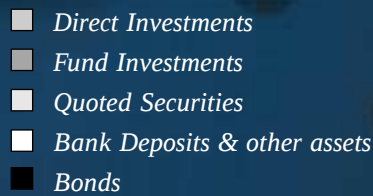
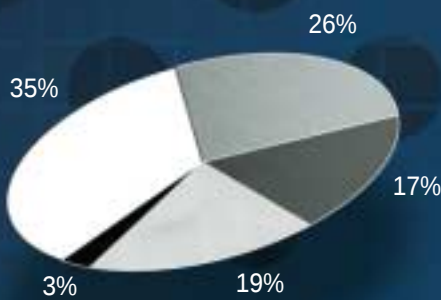
Distribution of Assets 1999



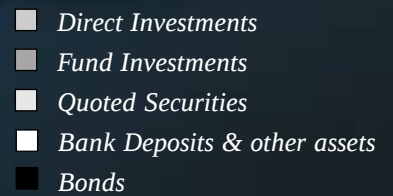
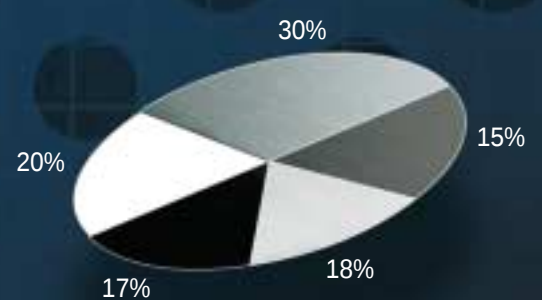
Distribution of Assets 2000



Distribution of Assets 1999 (by class)



Distribution of Assets 2000 (by class)





Capital Markets

Our reliance on the performance of equity markets in the region negatively affected our performance where the continued stagnation of these markets, now in their second year, depressed prices in 11 of the 12 markets where we are invested.

	SHUAA Index Local Currency	SHUAA Index US\$	Local Index
Bahrain	-18.23%	-18.25%	-18.30%
Kuwait	10.92%	10.34%	-7.70%
Oman	-18.69%	-18.71%	-19.61%
Qatar	-4.45%	-4.44%	-8.15%
Saudi	15.40%	15.37%	10.28%
U.A.E.	-20.58%	-20.58%	-17.70%
Jordan	-21.46%	-21.69%	-20.50%
Lebanon	-19.25%	-19.25%	-17.87%
Palestine	-13.25%	-13.50%	12.31%
Egypt	-36.34%	-43.35%	-37.65%
Morocco	-15.35%	-19.33%	-15.27%
Tunisia	20.62%	11.11%	20.97%
AGICO MENA		-14.56%	n/a
MSCI World Index		-15.06%	n/a
MSCI Emerging Markets		-30%	n/a

Asset Distribution

By their very nature, direct investments are long-term in nature with capital gains being realized only upon sale. This makes our business transaction-dependent despite being well diversified in our portfolio to some of the most promising sectors, in addition to being diversified geographically and by levels of maturity. It has been heartening to see this strategy take effect with this portfolio producing most of our net return - investment in Orascom Telecom and the newly established holding company for our three investments in the packaging sector EPHCO performing strongly.

The disappointing performance of the Euro during the year played a contributory part to our overall underperformance. Consensus and market conditions at the time of the sale of our European assets in 1999 indicated that we should maintain our Euro position. Having kept a position at 1.03 we witnessed a low of 0.83 before consolidating our loss at 0.93. This meant that we closed the year with an AED12 million loss on this position, however this is recognized as a 'one-off', non-recurring item. As we enter 2001, we still have significant currency exposure in Egypt with no possibility of hedging under deteriorating circumstances.



Building a Platform for Growth

- Debt and Equity Units have a regional focus and are complete and operational.
- The fixed income desk was active in foreign and local currency-denominated issues encompassing sovereign, corporate and restructured loans.
- We co-managed with Credit Suisse First Boston and Capital Union a 3 year Euro CD USD for Bank of Beirut. The issue size was US\$50 million.
- We established trading lines with over 20 foreign counterparts active in regional fixed income securities.
- We created a stripped Jordan Brady Note targeted at Jordanian banks.
- Our research ability was enhanced by the construction of a proprietary database of publicly listed companies in 12 Arab markets.
- Proprietary value-added indexes for regional markets were developed.
- A Portfolio and Investment Management Services unit was created to handle high net worth individual business.
- A Dynamic and interactive web site was created which offers real-time information.



The Challenges Ahead

We are in an exceptional position to go forward but recognize that there are many challenges which lie ahead of us.

Notably, the building of an investment bank, distribution and client base is a time consuming process which in turn will take time to produce a return on investment.

Corporate finance in the UAE and Gulf markets is still in its infancy but we are investing in education and awareness for the overall benefit of these markets. At the same time, competition in asset management becomes increasingly fierce, but we do believe we occupy a niche in this arena and have the patience required to see this become a strong contributor to our performance.

Overall, we believe that the Arab equity markets are likely to remain weak and near record lows without catalyst. We remain committed to this activity and believe we are uniquely positioned to fill the void left by many of our competitors who are abandoning or scaling back their businesses in the region due to the depressed markets.

In summary, we are determined to be recognized as the leading investment and financial services house in the country and believe in the economies and opportunities in the UAE.

As we go forward, we are committed in the long-term to promoting and attracting investment into the UAE, the GCC and the MENA region, and to provide the experienced advice that these investors will require.

Iyad Duwaji
Chief Executive Officer



Independent Auditor's Report

To the Shareholders of:
Arabian General Investment Corporation

We have audited the accompanying consolidated balance sheet of ARABIAN GENERAL INVESTMENT CORPORATION (a public shareholding company registered in Dubai - United Arab Emirates) and its SUBSIDIARIES as of December 31, 2000 and the related consolidated statements of profit and loss, change in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Auditing Standards. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ARABIAN GENERAL INVESTMENT CORPORATION and its SUBSIDIARIES as of December 31, 2000 and the results of their operations and their cash flows for the year then ended in conformity with Statements of International Accounting Standards issued by the International Accounting Standards Committee.

Also in our opinion, proper books of account have been kept by the Company, the financial information included in the Directors' report is in agreement with the accounting records of the Company, and according to the information available to us, there were no contraventions of the UAE Federal Commercial Companies Law or the Company's Articles of Association which might have materially affected the financial position of the Company or the results of its operations.

By: John C. Simpkins (Registration No. 261)
For: Arthur Andersen & Co.
Dubai, United Arab Emirates
March 15, 2001



Consolidated Balance Sheet

As at December 31, 2000

(In Thousands)

	Notes	2000 (AED)	1999 (AED)	2000 (US\$)	1999 (US\$)
Assets					
Cash and deposits with banks	3	16,975	137,115	4,621	37,330
Other deposits	4	43,000	-	11,707	-
Accounts receivable and other debit balances		20,129	22,891	5,480	6,232
Trading investments	5	131,548	86,419	35,815	23,528
Fund investments	6	75,079	77,452	20,441	21,087
Direct equity investments	7	117,485	131,595	31,986	35,828
Fixed assets	8	3,252	1,487	885	405
Other assets	9	-	1,302	-	354
Total Assets		407,468	458,261	110,935	124,764
Liabilities					
Due to banks	10	25,160	14,692	6,850	4,000
Accounts payable and accrued expenses		15,314	9,503	4,169	2,587
Medium-term facility	11	-	27,547	-	7,500
Provision for end-of-service benefits	12	1,376	930	375	253
Total Liabilities		41,850	52,672	11,394	14,340
Shareholders' equity					
Paid-up share capital	13	300,000	300,000	81,677	81,677
Statutory reserve	14	48,456	48,456	13,192	13,192
Retained earnings		2,162	34,633	589	9,429
Proposed dividend	15	15,000	22,500	4,084	6,126
Total Shareholders' Equity		365,618	405,589	99,542	110,424
Total Liabilities and Shareholders' Equity		407,468	458,261	110,935	124,764
Contra accounts					
Assets held on behalf of clients	22	73,544	-	20,023	-

The accompanying notes form an integral part of these consolidated financial statements.



Consolidated Statement of Profit and Loss

For the year ended December 31, 2000

(In Thousands)

	Notes	2000 (AED)	1999 (AED)	2000 (US\$)	1999 (US\$)
Income					
Interest income		4,394	4,321	1,196	1,176
Dividends and other investment income		4,078	4,863	1,110	1,324
Income from trading investments		442	10,268	120	2,795
Income from direct equity investments	20	4,853	41,353	1,321	11,259
Foreign currency exchange loss	21	(11,688)	(1,958)	(3,182)	(533)
Total income		2,079	58,847	565	16,021
Expenses					
Administrative and general expenses	25	12,950	10,677	3,526	2,907
Interest and financing charges		2,165	2,542	589	692
Provision on direct equity investments		3,566	3,668	971	999
Depreciation		869	566	236	154
Total expenses		19,550	17,453	5,322	4,752
Net (loss) income for the year		(17,471)	41,394	(4,757)	11,270
(Loss) earnings per share	16	(0.06)	0.15	(0.02)	0.04

The accompanying notes form an integral part of these consolidated financial statements.



Consolidated Statement of changes in Shareholders' Equity

For the Year ended December 31, 2000

(Currency - Thousands of UAE Dirhams)

	Paid-Up Share Capital	Statutory Reserve	Retained Earnings	Proposed Dividend	Total
Balance at January 1, 1999	207,944	44,317	20,616	-	272,877
Net income for the year	-	-	41,394	-	41,394
Appropriation to statutory reserve (note 14)	-	4,139	(4,139)	-	-
Director's remuneration	-	-	(738)	-	(738)
Proposed dividend (note 15)	-	-	(22,500)	22,500	-
Issuance of 92,055,871 common shares (note 13)	92,056	-	-	-	92,056
Balance at December 31, 1999	300,000	48,456	34,633	22,500	405,589
Net Loss for the year 2000	-	-	(17,471)	-	(17,471)
Paid dividend	-	-	-	(22,500)	(22,500)
Proposed dividend (note 15)	-	-	(15,000)	15,000	-
Balance at December 31, 2000	300,000	48,456	2,162	15,000	365,618

The accompanying notes form an integral part of these consolidated financial statements.



Consolidated Statements of Cash Flows

For the year ended December 31, 2000

(Currency - Thousands of UAE Dirhams)

	2000	1999
Cash flow from operating activities:		
Net (loss) income for the year	(17,471)	41,394
Adjustments to reconcile net (loss) income for the year to net cash (used in) provided by operating activities:		
Depreciation	869	566
Gain on sale of direct equity investments	(7,341)	(40,732)
Loss on sale of fixed assets	376	-
Provisions for end-of-service benefits	446	296
Provision for direct equity investments	3,566	3,668
Operating profit before changes in operating assets and liabilities	(19,555)	5,192
Changes in operating assets and liabilities		
Increase in other deposits	(43,000)	-
Decrease (increase) in accounts receivable and other debit balances	2,762	(15,027)
(Increase) decrease in trading investments	(45,129)	36,878
Decrease in other assets	1,302	2,014
Increase (decrease) in accounts payable and accrued expenses	5,811	(633)
Net Cash (used in) provided by operating activities	(97,809)	28,424
Cash flow from investing activities:		
Decrease (increase) in fund investments	2,373	(59,136)
Additions to direct equity investments	(33,054)	(47,030)
Purchase of fixed assets	(3,060)	(964)
Proceeds from sale of direct equity investments	50,939	129,346
Proceeds from sale of fixed assets	50	89
Net cash provided by investing activities	17,248	22,305
Cash flow from financing activities:		
Increase (decrease) in due to banks	10,468	(7,279)
Repayment of medium-term facility	(27,547)	-
Increase in share capital	-	92,056
Dividend paid	(22,500)	-
Net cash (used in) provided by financing activities	(39,579)	84,777
Net (decrease) increase in cash and cash equivalents	(120,140)	135,506
Cash and cash equivalents at beginning of year	137,115	1,609
Cash and cash equivalents at end of year (Note 2.k)	16,975	137,115

The accompanying notes form an integral part of these consolidated financial statements.



Notes to Consolidated Financial Statements

For the year ended December 31, 2000

1. Legal status and activities:

Arabian General Investment Corporation (AGICO) (the "Company") is a public shareholding company established in Dubai, United Arab Emirates, by Emiree Decree No. 6 of April 25, 1979 and in accordance with the Federal Law No (8) of 1984.

The Company pursues a broad investment strategy with special emphasis on the Arab region in general, the UAE and GCC markets in particular and is actively involved in public and private capital markets in the region. The Company's shares are traded on the Kuwait Stock Exchange and Dubai Financial Market in the United Arab Emirates.

The Company was granted on April 16, 2000 a license by the Central Bank of United Arab Emirates to conduct financial investment business services including underwriting of securities and other corporate finance activities, investment advisory services, asset and portfolio management and brokerage in local and international securities.

2. Summary of significant accounting policies:

The financial statements have been prepared in accordance with International Accounting Standards issued by the International Accounting Standards Committee. The significant accounting policies are as follows –

a. Basis of consolidation -

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (the "Group"). The results of these subsidiaries are included in the consolidated statement of profit and loss from the effective date of formation or acquisition. All significant inter-company balances, transactions and profits have been eliminated on consolidation.

Subsidiary companies formed or acquired with the intention of resale in the near to medium-term are not consolidated and are accounted for as equity investments.

b. Trading investments -

These investments comprise of publicly quoted regional and international equity and security portfolios, which are not intended to be held for more than one year. They are stated at market value at the balance sheet date. Gains and losses on sales and market value adjustments on an aggregate basis are taken to the statement of profit and loss.

c. Fund investments -

These investments comprise of unquoted regional and international funds, which are intended to be held for more than one year. They are stated at cost with reduction for any decline other than temporary in their values. Fees and other revenues are taken to the statement of profit and loss when declared. Dividends are accounted for when received.



Notes to Consolidated Financial Statements

For the year ended December 31, 2000

2. Summary of significant accounting policies: (continued)

d. Direct equity investments -

Investments in associated companies comprising 20% to 50% of the voting capital and over which the Company exerts significant influence are stated using the equity method of accounting.

Investments in associated companies formed or acquired with the intention of resale in the near to medium-term are accounted for as direct equity investments.

Direct equity investments held for the long-term are carried at cost with reduction for any declines, other than temporary, in their values. Such reduction is determined for each investment individually. In addition, general provisions may be taken on the basis of economic, industry, financial and operating performance and other relevant factors to provide for potential losses which cannot be specifically identified. Fees and other revenues are taken to the consolidated statement of profit and loss when declared. Dividends are accounted for when received.

e. Translation of foreign currencies -

Transactions denominated in foreign currencies are translated into the reporting currency at exchange rates prevailing on the transaction dates. Monetary assets and liabilities held at balance sheet date and denominated in foreign currencies are translated into the reporting currency at exchange rates prevailing at the balance sheet date. The resulting exchange differences are taken to the consolidated statement of profit and loss. Long-term investments denominated in foreign currencies are carried at cost and translated into the reporting currency at exchange rates prevailing on the transaction dates.

On consolidation, assets and liabilities of the subsidiaries are translated at rates of exchange prevailing at the balance sheet date and the results of their operations are translated at the average rates of exchange for the year.

f. Fixed assets and depreciation -

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the assets' estimated useful lives at the following annual rates:

Motor vehicles	25%
Furniture and leasehold improvements	20 to 25%
Office equipment and computers	33%

g. Provision for end-of-service benefits -

Provision is made for end-of-service benefits payable to employees in accordance with the Company's policies and in compliance with UAE labor laws.

h. Income recognition -

All significant items of profit and loss are accounted for on the accrual basis.



Notes to Consolidated Financial Statements

For the year ended December 31, 2000

2. Summary of significant accounting policies: (continued)

i. Options and forward rate agreements -

Interest rate futures, options and forward rate agreements are undertaken to establish trading positions or to hedge certain assets and liabilities. Trading positions are re-valued to prevailing market rates at the balance sheet date. Realized gains and losses and unrealized losses are recognized in the consolidated statement of profit and loss for the year. Gains or losses on contracts entered into for hedging purposes are deferred and amortized over the period of interest rate risk exposure as an adjustment to interest income or expenses of the hedged asset or liability as appropriate.

j. Interest rate currency swap agreements -

Interest rate and currency swap agreements entered into for trading purposes are valued at their net present value.

k. Cash and cash equivalents -

Cash and cash equivalents consist of cash on hand and balances with banks, and short-term investments in money market instruments maturing within three months of the balance sheet date.

3. Cash and deposits with banks:

Cash and deposits with banks comprise principally of short-term deposits, call accounts and current accounts. The balance includes an amount of 10,000 placed as margin against a letter of guarantee issued by a local bank. The interest earned on these deposits ranges between 0.25% and 0.75% above LIBOR.

4. Other deposits:

Other deposits include an amount of 43,000 deposited with a local bank to comply with a central bank requirement regarding the license to conduct financial investment business services (note 1).

5. Trading investments:

Trading investments comprise of financial investments intended to be held for less than one year.

	2000		1999	
	Cost	Market	Cost	Market
Fixed income securities	69,987	69,543	12,328	12,249
Capital guaranteed notes	-	-	36,730	40,316
Equity securities	56,864	62,005	35,193	33,854
	126,851	131,548	84,251	86,419



Notes to Consolidated Financial Statements

For the year ended December 31, 2000

Segmented information by geographical region –

Regional securities

	2000		1999	
	Cost	Market	Cost	Market
Egypt	38,023	43,084	18,613	18,175
Kuwait	9,913	10,388	8,324	7,969
Lebanon	12,472	12,427	5,738	5,022
UAE	1,688	1,584	3,498	3,120
Oman	7,354	7,354	57	57
Bahrain	1,178	1,121	268	268
Saudi Arabia	7	7	53	53
Jordan	10,230	9,731	6,323	6,462
Palestine	3,831	3,966	3,291	3,161
Morocco	11,971	11,272	24	24
Qatar	19,883	20,250	-	-
Tunisia	6,628	6,419	1,332	1,792
	123,178	127,603	47,521	46,103
Global securities	3,673	3,945	36,730	40,316
Total	126,851	131,548	84,251	86,419

6. Fund investments:

a. Fund investments comprise the following -

	2000	1999
Coast Mezzanine Investments Ltd - British Virgin Islands	8,517	8,517
First Venture Investment Corporation, Cayman Islands	187	187
Middle East & North Africa Direct Investment Fund LP, British Virgin Islands	16,757	13,653
Arab Gateway Fund Ltd, British Virgin Islands	47,308	55,095
Mount European Private Equity LP, British Virgin Islands	700	-
The Rasmala Fund LP, Cayman Islands	1,610	-
	75,079	77,452

b. During 1999 the Company entered into an agreement with Prime Corp Investment Management Limited, a London-based asset management company, to open the Arab Gateway Fund, the Company's previously proprietary fund, to other investors and to manage it jointly. The fund's first closing was on December 16, 1999 with 73,460 (US\$20 million) in cash and securities of which the Company's share was 55,095. A provision of 7,879 (1999 - nil) has been taken for the decline in value of the fund.



Notes to Consolidated Financial Statements

For the year ended December 31, 2000

7. Direct equity investments:

a. The details of direct equity investments are as follows –

	Percentage Holding	2000	1999
Agico Hotels NV, Netherlands Antilles (7.b)	78.34%	1,302	31,969
Agico Holdings NV, Netherlands Antilles (7.c)	71.50%	9,845	11,306
Agico Hotels Europe NV, Netherlands, Antilles (7.d)	86.00%	41,632	17,945
Egyptian Packaging Holding Company, Egypt (7.e)	46.49%	52,137	-
Modern Packaging Products Co (Technopack), Egypt (1999 – 32.14%) (7.e)	-	-	29,024
Porta Egypt for Packaging Material Company, Egypt (1999 – 100%) (7.e)	-	-	9,620
Rotopack for Printing Packaging Material, Egypt (1999 – 34.88%) (7.e)	-	-	19,248
Egyptinvest One Ltd, Egypt	7.6%	2,266	-
Jordan Investment Trust Co, Jordan	6.51%	5,180	5,180
Orascom Technologies, Egypt	-	-	10,971
Arab Music Limited, British Virgin Islands	6.98%	5,144	-
Egyptian Financial & Industrial Company, Egypt	2.61%	7,213	-
Total investments		124,719	135,263
Less: Provision for decline in value		(7,234)	(3,668)
		117,485	131,595

Direct equity investments comprise the Group's share in the above companies and are held with the intention of resale in the near to medium-term depending on prevailing market conditions.



Notes to Consolidated Financial Statements

For the year ended December 31, 2000

b. On May 27, 1999, the Group completed the sale of a major asset held by Agico Hotels NV, in Barcelona, Spain, comprising the Hotel Princesa Sofia SL. The balance at year-end represents the remaining cash proceeds to be distributed to the shareholders.

c. Agico Holdings NV is an investment holding company founded in 1998 and currently holds an investment of 20% in Inmobiliara Sarasate, SA in Spain, the owner of the Hotel Ritz de Barcelona in Spain. A provision of 3,566 (1999 – 3,668) is recognized against this investment in view of an agreement granted to a third party to acquire Inmobiliara Sarasate, SA shares at a significant discount to their market value.

d. Agico Hotels Europe NV is an investment holding company founded in 1999 to invest in Hospitality Europe BV, a company with holdings in several European hotels.

e. An agreement was signed between the company, Commercial International Investment Company (CIIC) and Menavest Company, to pool their holdings in three Egyptian companies, Modern Packaging Products Company, Rotopack for Printing Packaging Material and Porta Egypt for Packaging Material Company under one holding company, Egyptian Packaging Holding Company. The latter will hold their combined investments in the aforementioned companies. This will allow the major partners to have a majority interest in the three companies and hence, control their operations.

8. Fixed assets:

The movement on fixed assets during the year is as follows –

	Motor Vehicles	Furniture & Leasehold Improvements	Office Equipment & Computers	Total
Cost -				
At January 1, 2000	134	1,266	1,634	3,034
Additions	-	2,391	669	3,060
Disposal	-	(1,095)	(151)	(1,246)
At December 31, 2000	134	2,562	2,152	4,848
Accumulated depreciation -				
At January 1, 2000	60	532	955	1,547
Charge for the year	33	418	418	869
Disposal	-	(687)	(133)	(820)
At December 31, 2000	93	263	1,240	1,596
Net book value				
At December 31, 2000	41	2,299	912	3,252
At December 31, 1999	74	734	679	1,487



Notes to Consolidated Financial Statements

For the year ended December 31, 2000

9. Other assets:

These mainly comprise of advances to finance import and export activities against letters of credit from various banks. These agreements reached maturity in 2000.

10. Due to banks:

Due to banks comprise of short-term borrowing obtained from commercial banks in the ordinary course of business against the Company's established credit lines with these banks. These banking facilities have a cost of financing ranging between 0.25% and 1.75% above LIBOR.

11. Medium-term facility:

In the prior year this balance represented a borrowing of 27,547 secured by a capital guaranteed note of 36,730 undertaken by an international bank (note 5). The interest rate was three-month LIBOR plus 0.75%. This instrument was sold during the second quarter of 2000 and the borrowing was repaid from the proceeds.

12. Provision for end-of-service benefits:

The Group has established an end-of-service indemnity plan with an independent pension fund that covers all its employees. Contributions to the plan are based on a percentage of pensionable salary and the number of years of service by the employees. As at December 31, 2000, the employees' end-of-service indemnity plan was fully funded by the Group.

13. Paid-up share capital:

	2000	1999
Authorized-		
300,000,000 shares of UAE Dirham 1.00 each	300,000	300,000
Issued and fully paid-		
300,000,000 shares of UAE Dirham 1.00 each	300,000	300,000

The Company's Extraordinary General Meeting on April 20, 1999 approved a rights share issue increasing the share capital from 207,944,129 to 300,000,000 shares of Dirham 1/- each. The increase in shares by 92,055,871 represents a rights offering of 44.27% of existing shares for shareholders on record, on April 20, 1999.

The Company implemented an executive stock option plan administered by a trustee. Under the plan, the Company granted options to executive employees to purchase common shares of the Company that may be exercised after three years of continuous employment with the Company.

As of December 31, 2000, the Company had outstanding options to purchase 6,183,443 of common shares granted to employees under the stock option plan. During the year, the Company has granted options to purchase 2,425,000 shares. In 2000, a total of 858,010 options were exercised under the option plan (1999 – 536,790).



Notes to Consolidated Financial Statements

For the year ended December 31, 2000

14. Statutory reserve:

In accordance with the Law of Commercial Companies of United Arab Emirates and the Company's articles of association, the Company allocates 10% of the annual net profit to the statutory reserve. The Company may resolve to discontinue such annual transfers when the statutory reserve amounts to 50% of the paid-up share capital.

15. Proposed dividend:

The Board of Directors is proposing a dividend payout of 15,000 (1999 – 22,500) equal to 5% (1999 – 7.5%) of the paid-up share capital of 300,000 to the Company's shareholders at the next Annual General Meeting to be held in April 2001. Dividend per share amounts to Dirham 0.05 (1999 – 0.075).

In accordance with International Accounting Standard number 10, proposed dividends are included as part of shareholders' equity. The comparative figures of 1999 have been adjusted to reflect this treatment.

16. (Loss) earnings per share:

The loss per share - basic for the year ended December 31, 2000 has been computed using the net loss for the year of 17,471 divided by the weighted average number of shares outstanding of 300,000,000.

The earnings per share - basic for the year ended December 31, 1999 has been computed using the net profit for the year of 41,394 divided by the weighted average number of shares outstanding of 278,153,991.

There were no diluting elements resulting from potential ordinary shares or other financial instruments during the year.

17. Subsidiaries:

The Group comprises of the Company and the following active subsidiary companies that hold the Group's investments. The company consolidates its results with subsidiaries that are not held for resale in the near to medium-term in accordance with its accounting policy for "Direct Equity Investments". In addition to those listed below, the Group also has inactive subsidiaries and subsidiaries that have been dormant during the year.

Name	Country of incorporation	Percentage Holding
SHUAA Misr Investment Ltd	Cayman Islands	100%
SHUAA Jordan Investments Ltd	Cayman Islands	100%
Agico LP Holdings Ltd	British Virgin Islands	100%
Arab Gateway Management Ltd	British Virgin Islands	100%
Arabian General Investment Corporation (Assets) Inc	British Virgin Islands	100%
Arabian General Investment Corporation Inc	British Virgin Islands	100%
Arab Gateway Fund Ltd	British Virgin Islands	100%
Agico Hotels Europe NV	Netherlands Antilles	86%
Agico Hotels NV	Netherlands Antilles	78.34%
Agico Holdings NV	Netherlands Antilles	71.50%
SHUAA Holdings BV	The Netherlands	71.50%



Notes to Consolidated Financial Statements

For the year ended December 31, 2000

18. Segmented information:

The Company accounts for its activities on the basis of three main business segments; financial investments, fund investments and equity investments.

Net income for the year ended December 31, 2000 as derived by the Company's business segments and presented by geographical region is as follows –

	Financial Investments	Fund Investments	Equity Investments	Others	Total
Middle East & North Africa	2,268	4,078	4,308	(1,651)	9,003
North America	(1,826)	-	545	-	(1,281)
Europe	-	-	(3,566)	(10,037)	(13,603)
Unallocated Expenses	-	-	-	(11,590)	(11,590)
Net income (loss) for the year ended December 31, 2000	442	4,078	1,287	(23,278)	(17,471)

Geographical segmentation of balance sheet assets and liabilities for the year ended December 31, 2000:

	Middle East & North Africa	North America	Europe	Total
Assets				
Cash and deposits with banks	12,571	1,366	3,038	16,975
Other deposits	43,000	-	-	43,000
Account receivables and other debit balances	17,872	-	2,257	20,129
Trading investments	131,534	-	14	131,548
Fund investments	65,862	8,517	700	75,079
Direct equity investments	71,938	-	45,547	117,485
Fixed assets	3,252	-	-	3,252
Total assets	346,029	9,883	51,556	407,468
Liabilities				
Due to banks	25,160	-	-	25,160
Accounts payable and accrued expenses	11,337	-	3,977	15,314
Provision for end-of-service benefits	1,376	-	-	1,376
Total liabilities	37,873	-	3,977	41,850



Notes to Consolidated Financial Statements

For the year ended December 31, 2000

18. Segmented information: (continued)

Net income for the year ended December 31, 1999 as derived by the Company's business segments and presented by geographical region:

	Financial Investments	Fund Investments	Equity Investments	Others	Total
Middle East & North Africa	7,311	3,290	2,017	(335)	12,283
North America	2,957	1,573	-	-	4,530
Europe	-	-	35,668	(1,622)	34,046
Unallocated Expenses	-	-	-	(9,465)	(9,465)
Net income (loss) for the year ended December 31, 1999	10,268	4,863	37,685	(11,422)	41,394

Geographical segmentation of balance sheet assets and liabilities for the year ended December 31, 1999 is as follows –:

	Middle East & North Africa	North America	Europe	Total
Assets				
Cash and deposits with banks	91,703	1,839	43,573	137,115
Account receivables and other debit balances	22,210	603	78	22,891
Trading investments	86,419	-	-	86,419
Fund investments	68,935	8,517	-	77,452
Direct equity investments	74,043	-	57,552	131,595
Other assets	554	-	748	1,302
Fixed assets	1,487	-	-	1,487
Total assets	345,351	10,959	101,951	458,261
Liabilities				
Due to banks	14,692	-	-	14,692
Accounts payable and accrued expenses	9,503	-	-	9,503
Medium-term facility	-	27,547	-	27,547
Provision for end-of-service benefits	930	-	-	930
Total liabilities	25,125	27,547	-	52,672



Notes to Consolidated Financial Statements

For the year ended December 31, 2000

19. Concentration of assets, liabilities and off-balance sheet items:

The Company had the following currency positions as at December 31, 2000 translated to UAE Dirhams.

	DHS*	KD	JD	EGP	EURO	OTHER	TOTAL
Assets							
Current & call account balances	13,857	-	-	49	3,009	60	16,975
Other deposits	43,000	-	-	-	-	-	43,000
Account receivables and other debit balances	17,293	-	38	1,137	1,661	-	20,129
Trading investments	92,342	10,388	8,401	17,572	14	2,831	131,548
Fund investments	74,379	-	-	-	700	-	75,079
Direct equity investments	3,915	-	5,179	66,760	41,631	-	117,485
Fixed assets	3,252	-	-	-	-	-	3,252
Total assets	248,038	10,388	13,618	85,518	47,015	2,891	407,468
Liabilities							
Due to banks	25,160	-	-	-	-	-	25,160
Accounts payable and accrued expenses	11,681	-	-	12	3,557	64	15,314
Provision for end-of-service benefits	1,376	-	-	-	-	-	1,376
Total liabilities	38,217	-	-	12	3,557	64	41,850
Off-balance sheet items and contingencies							
Outstanding foreign exchange forward deals	(67,454)	-	-	-	67,454	-	-
Outstanding currency options	94,763	-	-	-	(94,763)	-	-
Letter of guarantee	10,000	-	-	-	-	-	10,000
	37,309	-	-	-	(27,309)	-	10,000

* Dirhams column also includes the US Dollar denominated transactions.



Notes to Consolidated Financial Statements

For the year ended December 31, 2000

19. Concentration of assets, liabilities and off-balance sheet items:(continued)

The Company's currency positions as at December 31, 1999 translated to UAE Dirhams was as follows -

	DHS*	KD	JD	EGP	YEN	EURO	OTHER	TOTAL
Assets								
Current & call account balances	92,950	-	-	544	-	43,575	46	137,115
Account receivables and other debit balances	14,725	-	5,846	2,242	-	78	-	22,891
Trading investments	43,619	8,827	9,524	18,651	-	3,604	2,194	86,419
Fund investments	77,452	-	-	-	-	-	-	77,452
Direct equity investments	18,609	-	5,179	57,892	-	49,915	-	131,595
Fixed assets	1,487	-	-	-	-	-	-	1,487
Other assets	554	-	-	-	-	748	-	1,302
Total assets	249,396	8,827	20,549	79,329	-	97,920	2,240	458,261
Liabilities								
Due to banks	14,692	-	-	-	-	-	-	14,692
Accrued expenses and accounts payable	9,445	-	-	12	-	-	46	9,503
Medium-term facility	27,547	-	-	-	-	-	-	27,547
Provision for end-of-service benefits	930	-	-	-	-	-	-	930
Total liabilities	52,614	-	-	12	-	-	46	52,672
Off-balance sheet items and contingencies								
Outstanding foreign exchange forward deals	(48,669)	-	-	(10,880)	(8,120)	67,669	-	-
Outstanding currency options	1,837	-	-	-	(1,837)	-	-	-
	(46,832)	-	-	(10,880)	(9,957)	67,669	-	-

* Dirhams column also includes the US Dollar denominated transactions.

20. Income from direct equity investments:

Income for the year from direct equity investments includes a gain amounting to 2,037 (1999 - nil) that was realized through a transaction with a related party involving the part sale of a direct equity investment.

During 1999 the Company sold various investments, the net result of which was a gain of 41,353. The most significant of these transactions was the sale of part of its holdings in Rotopack for Printing Packaging Materials, Egypt and an interest in Hotel Princessa Sofia SL in Barcelona, Spain held by Agico Hotels NV.

21. Foreign currency exchange:

The Company has exposure in foreign currencies as a result of its geographically diversified operations (note 2.e). The Company continuously assesses the currency exposure and may undertake commitments to hedge against the fluctuations in foreign exchange rates.



Notes to Consolidated Financial Statements

For the year ended December 31, 2000

22. Contra accounts:

The Company is licensed as a financial services company regulated by the UAE Central Bank (note 1). The Company holds assets on behalf of its clients in different securities and investments. These assets do not constitute part of the Company's assets.

23. Commitments and contingent liabilities:

As at the balance sheet date, the Company had the following items outstanding -

	2000	1999
Forward foreign exchange contracts	67,454	48,669
Currency option contracts	94,763	1,837
Letters of Guarantee	10,000	-

Letters of Guarantee are secured by a fixed deposit of 10,000 (1999 – Nil).

The Company had commitments to invest 23,466 (1999 – 53,650) in investment funds. The Company also enters into other financial commitments that arise in the normal course of business.

24. Financial instruments:

Financial assets of the Company include cash and cash equivalents, accounts receivable, trading investments, fund investments and direct equity investments. Financial liabilities of the Company include monies due to banks, accounts payable and medium-term facility.

Fair value –

With the exception of direct equity investments the fair value of the Company's assets and liabilities is not materially different from the carrying values at December 31, 2000.

The fair value of direct equity investments (note 7) is higher than their recorded book value. The fair value of these investments is based on management's best estimates and external valuations.

Interest rate risk –

Short and medium-term borrowing on average are renewable over a one month to six months period at variable market interest rates. Fixed income securities accrue interest at prevailing market rates.



Notes to Consolidated Financial Statements

For the year ended December 31, 2000

24. Financial instruments: (continued)

Credit risk –

Credit risk or the risk of counterparties defaulting on payment is controlled by the application of credit approvals and monitoring procedures. In addition cash is placed with local and international banks with good credit ratings. The Company has no significant concentration of credit risk with any single counterparty or group of counterparties.

Liquidity risk –

The Company's liquidity risk is managed through cash, bank deposits and short-term financial investments, to cover current obligations.

Foreign exchange risk –

The Company has exposure in foreign currencies as a result of its geographically diversified operations. Foreign exchange risks are closely monitored by management. Forward exchange contracts are used to mitigate such exposure.

25. Administrative information:

During the year, the average number of employees was 28 (1999 – 23). Staff expenses for the year ended December 31, 2000 amounted to 8,915 (1999 – 6,561).

26. Subsequent events:

Subsequent to year-end the Company has signed an agreement to pay 6,200 to acquire 50% ownership interest in Emirates Commercial Center, a brokerage firm in the United Arab Emirates licensed to operate in the Abu Dhabi Securities Market and the Dubai Financial Market.

27. Prior year comparatives:

Certain balances from prior years have been reclassified to conform to the current year's presentation.



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