



Annual Report



SHUAACAPITAL^{PSC}

2003

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Iyad Duwaji

Chief Executive Officer

Investment Banking

Khaled Sifri

Managing Director

Makram Kubeisy

Senior Vice President - Corporate Finance

Salam Saadeh

Head of Capital Markets

Walid Shihabi

Head of Research

Asset Management Group

Haissam Arabi

Head of Asset Management

Joe Kawlabani

Equity Asset Management

Mohieddine Kronfol

Head of Debt Asset Management

Karim Eweiss

Head of Portfolio Advisory Services

Private Equity

Mohamed El Bakary

Managing Director

Wissam Kojok

Senior Vice President- Private Equity

Legal Affairs

Gary R. Feulner

Legal Counsel

Finance & Administration

Kerim Mitri

Chief Financial Officer

Information Technology

Samer Hamwi

Chief Technology Officer

Operations

Alain Antoniades

Head of Operations

BOARD MEMBERS



Mr. Majid Saif Al Ghurair*
Chairman



Mr. Hamad Abdul Aziz Al Sagar
Vice Chairman



Mr. Abdul Rahman Al-Saleh
Director



Mr. Fahad Yacoub Al Jouaan
Director



Mr. Diraar Yusuf Alghanim
Director



Mr. Hussain Jassim Al-Nowais
Director



Mr. Mohammed Ahmed Saeed Al Qassimi
Director



Mr. Salem Abdullah Salem*
Director



Mr. Mohammed Ibrahim Al Shibani
Director



Mr. Iyad Duwaji*
Chief Executive Officer

(*) Member of the Executive Committee

CHAIRMAN'S MESSAGE

On behalf of the Board of Directors, I am pleased to present to you the annual financial results of SHUAA Capital psc (the 'Company') and to brief you on the activities that the Company has undertaken during the financial year ended March 31, 2004.

Revenues increased significantly for the second consecutive year, rising by 147% to AED 141.6 million, from AED 57.4 million the previous year. This increase reflects the strong growth of the Company's underlying businesses, in particular the revenue from investments and the fees generated from corporate advisory and financial services, the latter being the new businesses that management has worked to develop over the past three years.

In addition, interest income increased due to the strong growth of our consumer finance subsidiary, Gulf Finance Corporation, as well as our associated brokerage company, Emirates Securities.

The significance of capital gains as a percentage of total revenues has decreased as a result of the Company's new sources of revenue, consistent with the goal set by management when they were initiated. With revenues increasing significantly this year and operating expenses remaining relatively stable compared to last year, the Company's net profit reached AED 72.4 million compared to AED 17 million last year.

The Company's balance sheet also improved with an increase in assets from AED 658 million to AED 800 million, equal to 22% growth, while the debt ratio remained stable at 71% of equity. Additionally, the Company increased clients' assets under management to over one billion, from AED 368 million, by introducing attractive and successful new financial products throughout the year, further positioning SHUAA Capital as a leading asset management Company within the GCC countries.

We also concluded AED 933 million in capital market transactions within the United Arab Emirates, including the well received IPO of Amlak Finance and its listing on the Dubai Financial Market, and the underwriting and placement of a significant bloc of shares of EMAAR Properties, a leading real estate development company, to a group of GCC investors.

Successful exits were achieved from several private equity transactions including Orascom Telecom, Egyptian Financial Industrial Company and Jordinvest, at IRR's between 10.1% to 32.3%, in line with our strategy to dispose of investments that do not complement the Company's core financial services activities.

In view of the strong growth in the business of the Company during 2003, and with confidence that the strategy of diversifying the sources of income has begun to yield the expected results, the Board of Directors has recommended, and the shareholders have subsequently approved, the application of the net profit for the year as follows: transfer of 10% of net profit to the statutory reserve; distribution of cash dividends of 10 fils per share, or 10% of par value; distribution of bonus shares in the amount of 5% of capital, or 1 new share for each 20 existing shares; and application of the balance of net profit to retained earnings.

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 and the concerned authorities in the United Arab Emirates for their continued support, and to the management and employees of our Company for their professionalism and dedication to its business.



Majid Saif Al Ghurair

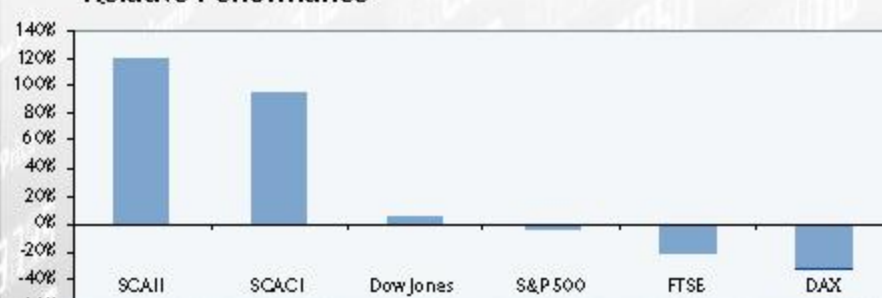
Chairman



The financial year 2003 was important for SHUAA Capital in terms of solidifying its position as a leading investment bank in the GCC region. We continued to pursue our strategy of a diversified and sustainable revenue model by building on existing business activities and by concluding new strategic acquisitions during the year. We also benefited from the improved valuations of companies and the increased appetite of regional institutional investors to exit many private equity investments that were classified as available for sale.

The performance of the Arab markets has been strong over the past two years, in spite of seemingly adverse political events. The SHUAA Capital Arab Composite Index was up 95 per cent over the past three years ended 31 March 2004 and the SHUAA Capital Arab Islamic Index was up 119 per cent over the same period. By contrast, many of the European and North American indices were flat to down over the same period of time. SHUAA Capital believes that the fundamentals of the Arab markets, and particularly the GCC markets, continue to support a positive outlook over the next foreseen future. The foregoing is based on continued strong economic growth and improved corporate earnings

Relative Performance



SCACI = SHUAA Capital Arab Islamic Index
SCACI = SHUAA Capital Arab Composite Index

SHUAA Capital expects however that the opportunities they foresee from the continued opening of the regional markets will bring more competition to the financial services industry, with some regional banks already actively targeting investment banking. At the same time, projects such as the Dubai International Financial Center and the Bahrain Financial Harbor aim to bring global investment banks to the region. We believe that the entry of global players will help build 'critical

mass' and facilitate the introduction of capital from outside into our region. The Company expects that this will promote the opportunities available in our markets and help the growth of existing regional investment banks as well such as ourselves.

Our results marked another milestone in our company's history, we surpassed a 20 percent return on equity and we recorded strong growth in assets under management to AED 1.013 billion. SHUAA reported AED 141.5 million in revenues for the year ending on 31 March 2004 compared with AED 57.4 million for the same period last year. The impressive growth in revenue was attributable to all business categories: gains from investments was up 162% to AED 22 million, interest income was up 39% to AED 25 million and fees from investment banking, asset management and brokerage was up an impressive 237% to AED 35.6 million.

As a result of the above, net income has also climbed sharply to AED 72.4 million from AED 17 million for the same period last year despite additional precautionary provisions taken against some of the investments we currently hold. These provisions, which were essentially a reclassification from the revaluation reserve to the income statement, meant that our revaluation reserve recovered from a negative AED 17 million at the end of March 2003 to a positive AED 13.6 million at the end of March 2004. As a result of the foregoing, shareholder equity increased by AED 101.5 million and our book value increased to AED 1.52 from AED 1.17 per share at the beginning of our financial year.

Meanwhile, our market capitalization climbed AED 600 million to AED 915 million from AED 315 million as our share appreciated for the period by 190% in the UAE from AED 1.05 per shares to AED 3.05 at the end of March 2004 making it one of the best performers in the GCC and MENA markets during the same period.



All four of the company's lines of business have participated in this strong performance as follows:

I. Asset Management & Portfolio Advisory Services

We have seen strong growth in this area this year, with client assets under management crossing the AED one billion mark, from AED 368 million the previous year. SHUAA Capital regards its knowledge and experience of the GCC and some Arab financial markets as one of its core competencies and investors are recognizing the value of a professional manager, investing strongly into our funds as evidenced by the growth in client assets.

Throughout the year, our fund managers have maintained exposure in GCC markets, focusing where we believed these markets offered the best potential for appreciation and return to investors. Our analysis proved correct, and the performance of the GCC and Arab markets generally has been strong over the past two years, in spite of seemingly adverse political events. Moreover, historical performance over the past decade shows a very low correlation between the GCC financial markets and those in the developed economies, making GCC investments relatively attractive to international investors as part of a diversified portfolio.

The strong performance of our funds has gradually become evident to investors and our introduction of GCC country funds has expanded our client base outside of the UAE. In the latter part of the financial year, we introduced a new portfolio advisory service catering to high net worth clients, on a non-discretionary and advisory basis, seeking to invest in regional stocks and taking advantage of opportunities in neighboring GCC markets. The new service proved successful from the outset, attracting many interested clients in a very short period of time. The service offers investors a one-stop window to trade in any of the twelve Arab markets complemented with intelligent market advice backed by a strong research department.

The Fund	Mar 2003 – Mar 2004 Performance	Since Inception Performance
AGF (created in March 2001)	51.4%	66.3%
Thiqa (created in April 2002)	43.0%	52.1%
TAIF (created in May 2002)	9.5%	23.4%
Mahfatha (created in July 2003)		49.57%

Going forward, we will continue to leverage our market knowledge and ability to identify opportunities in the GCC and Arab markets and to provide investors with sound investment advice and with a menu of financial products to match their investment appetites.





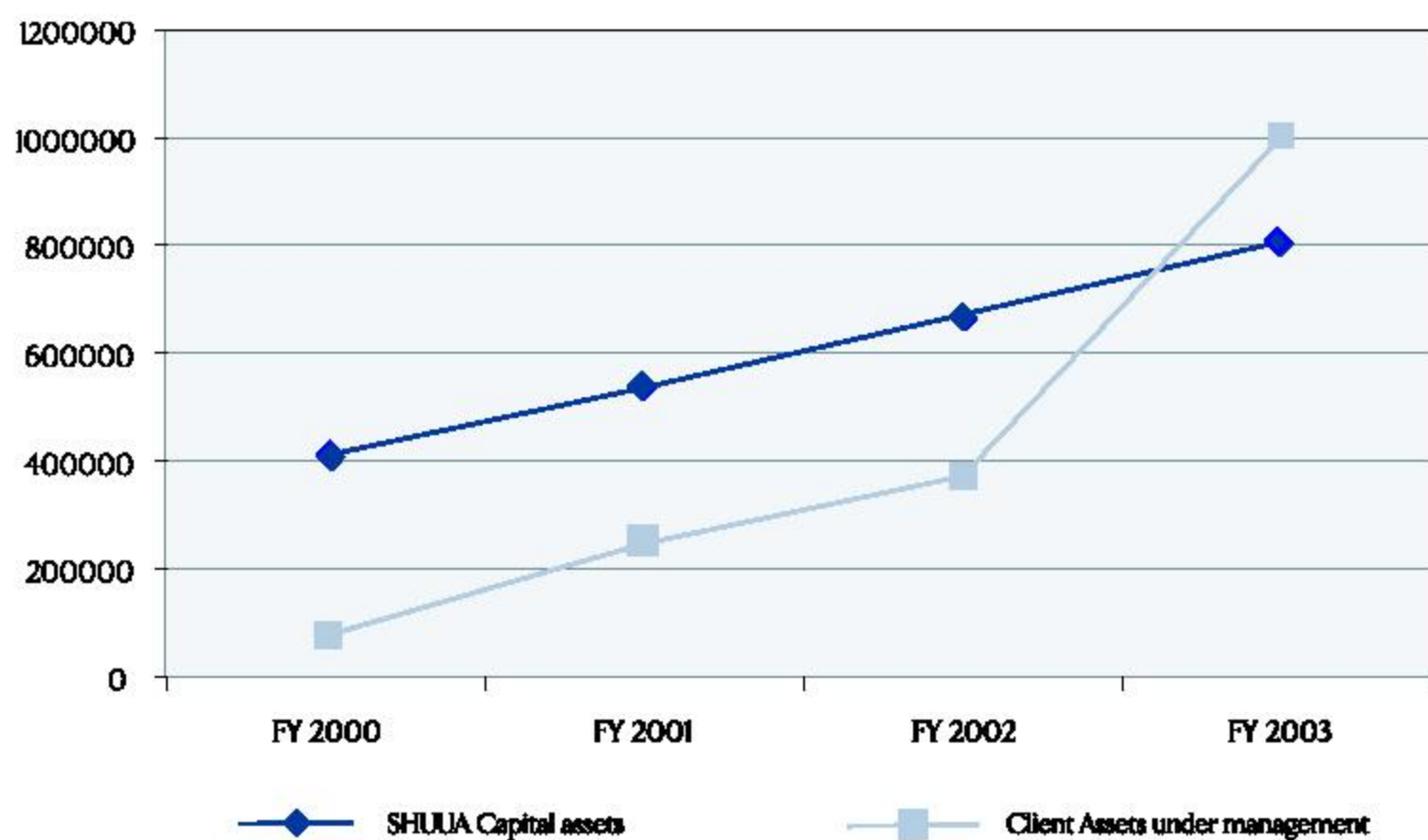
II. Investment Banking Services

Investment Banking business continues to show great promise and it has contributed strongly to our results for the financial year 2003. Demand for corporate finance advisory services is growing across the region and many institutional as well as large family businesses are resorting to professionals for advice on matters related to business restructuring, mergers and acquisitions and for debt and equity private and public placements. SHUAA Capital is well positioned in the future to capture a large share of this promising opportunity, having an experienced professional staff with a clear track record, demonstrated ability to execute on complex transactions, and increasing placement power within the region.

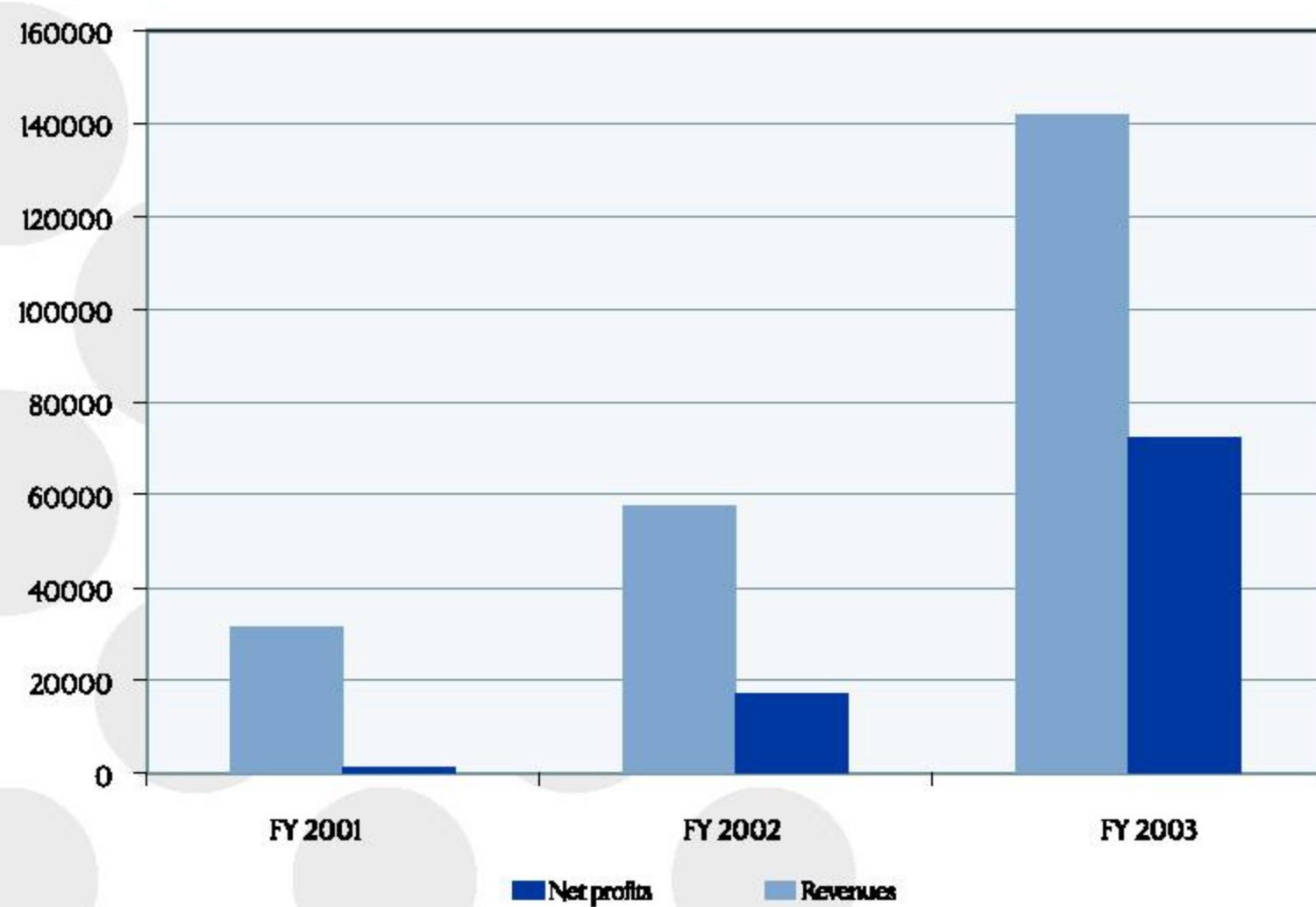
During the year, we have executed several mandates totaling AED 930 million. The most important was the underwriting mandate of AED 360 million for Emaar Properties, a real estate development company, for a bloc of shares that was successfully placed with GCC investors. Separately, we also acted as lead manager for the public offering of 412 million shares of AMLAK Finance, an Islamic mortgage finance company listed on the Dubai Financial Market.

Selected Performance Figures

Asset Growth



Net profit to total revenues



III. Private Equity

We have witnessed a renewal of interest from institutional investors this year, searching for value and growth in regional private equities. Many major industrial and service companies are keen to expand by way of acquisitions and consolidations in their respective industries, deriving value through synergies and economies of scale. The increased valuations of many listed companies over the past two years, after being stagnant for sometime, along with an improvement in investor confidence is leading to more activity on the private equity front and prompting investors to consider new acquisitions and or exits from their investments.

SHUAA Capital itself achieved successful exits in 2003 from several investments at very attractive IRR. Going forward, we will continue to participate in private equity investments through special purpose funds that will be offered to investors and managed by us.

With regard to our remaining available for sale investments, during the year we transferred our shares in Modern Packaging Products Company S.A.E. ("Technopack") to an SPV owned jointly by SHUAA Capital and Al Ghurair Private Company Limited, called EgyPack Holding, that now controls over 67% of Technopack shares. SHUAA Capital itself continues to hold an indirect interest equivalent 33.24% of Technopack.

Despite all of the difficulties in Egypt, Technopack maintained its turnover at \$16 million and reported a net profit of \$1 million up to the end of FY 2003. EBITDA stood at \$ 4.4 million, and cash flow at \$2 million. We believe that Technopack net income should rise to \$4 million over the next two years.

This is due to the recent addition of a second BOPP line which will increase Technopack annual capacity by 14,000 tons to 22,000 tons in addition to 3,500 tons of metalized films and 3,000 tons cast, and will make it the undisputed market leader in Egypt and in the African continent. The new line went into production in February and initial results are very encouraging. In another positive development we expect at least 25% of our capacity to go for exports.

SHUAA Capital also continues to own 49.7% of Porta Egypt for Packaging Materials Company ("Porta") at a cost of \$9.7 million, implying an overall value for Porta of \$195 million. Porta now controls over 45% of the printing market in Egypt, and we expect it to make over \$1.8 million in 2004. Our DCF valuation of Porta is currently \$18.8 million. The proposed merger of Porta and Rotopack Misr for Printing Packaging Material S.A.E. ("Rotopack") was completed in September after Porta launched a tender offer for all of the shares of Rotopack on 9 September 2003. As part of this merger, SHUAA Capital and co-investors purchased a further 23.1% stake.





شركة الخليج للتقويل
Gulf Finance Corporation

IV. Associated and Subsidiary Companies:

Gulf Finance Corporation

Gulf Finance Corporation (GFC) has showed solid progress in 2003, with assets increasing by 49% from AED 116 million to AED 173 million. GFC's gearing ratio meanwhile increased from 1.6 to 2.2 to finance the growth in its lending book. Interest revenue increased by 52% and net profit was up by 80% from AED 5 million to AED 9 million.

We are confident in GFC's future growth potential stemming from our plans to introduce new consumer finance products such as mortgages, insurance and small business loans. There are also plans to expand the business within the UAE and other GCC markets.

Emirates Securities LLC

Emirates Securities LLC inaugurated its new offices in Abu Dhabi in August of last year, to accommodate the growth of its business and to reflect its standing and reputation. SHUAA Capital has merged its international brokerage business into the operations of Emirates Securities, now providing clients with a one-stop window for trading in UAE securities as well as international markets.

With the help of SHUAA Capital's own research department, Emirates Securities is now providing clients with sell side research on UAE companies for the first time. During the year, Emirates Securities has produced coverage reports on National Bank of Abu Dhabi, Tabreed, Amlak Finance, Emaar Properties and others.

The increased activity in the UAE stock markets reflected positively on the results of Emirates Securities with net profit increasing 90% from last year to AED 3.8 million and the company distributed AED 2 million to shareholders.

Emirate Securities was ranked the top broker in the UAE last year, up from second position.



Looking Forward

Although we have enjoyed excellent performance this year across all business units, there remain challenges ahead in pursuing our goals and maintaining our leadership in this region. We are confident, however, that we now have clear visibility in the growth prospects of many of the underlying businesses and in the quality of our earnings going forward.

In addition to strictly quantitative parameters, compliance with regulatory and corporate guidelines is an institutional priority and serves to ensure that our business model always rests on solid ground. We will continue to invest in our people and recruit talented professionals to address the growth in our business lines. Likewise, we will maintain our investment in technology and innovation to provide us with the required tools to achieve our objectives.

In support of those objectives, management is pleased to have had the full support of the Board of Directors of the company and of its valued employees.



Iyad Duwaji
Chief Executive Officer





AUDITOR'S REPORT

To the Shareholders of: SHUAA Capital psc

We have audited the accompanying consolidated balance sheet of SHUAA Capital PSC (Public Shareholding Company) and Subsidiaries (the "Group") as of 31 March 2004, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management. 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 plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 present fairly, in all material respects, the financial position of SHUAA Capital PSC (Public Shareholding Company) and Subsidiaries as of 31 March 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

We also confirm that in our opinion proper books of account have been kept by the company and its subsidiaries, and the contents of the report of the Board of Directors relating to these consolidated financial statements are in agreement with the books of account. We have obtained all the information and explanations we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of the company or its subsidiaries have occurred during the year which would have had a material effect on the business of the company or on its financial position.



By: Edward B. QUINLAN

Partner (Registration No 93)

For: Ernst & Young

Dubai, United Arab Emirates

23 May 2004





CONSOLIDATED BALANCE SHEET

As of 31 March 2004

(In Thousands)

	Notes	31 Mar. 2004 AED	31 Mar. 2003 AED	31 Mar. 2004 US\$	31 Mar. 2003 US\$
Assets					
Cash and deposits with banks		4,449	9,082	1,211	2,472
Other deposits	3	28,375	19,771	7,725	5,383
Receivables and other debit balances		27,403	41,061	7,461	11,179
Trading securities	4	299,658	200,264	81,584	54,523
Installment credits, loans and advances, net	5	251,152	193,423	68,378	52,661
Investments available-for-sale	6	167,514	176,508	45,607	48,056
Investments in associates	7	13,733	5,917	3,739	1,611
Fixed assets	8	1,947	2,523	530	687
Goodwill	9	5,529	9,634	1,505	2,623
Total Assets		799,760	658,183	217,740	179,195
Liabilities					
Due to banks	10	180,537	179,606	49,152	48,899
Payables and other credit balances		51,361	50,776	13,983	13,824
Corporate bonds, net	11	91,482	74,904	24,907	20,393
Total Liabilities		323,380	305,286	88,042	83,116
Minority interest	12	22,835	1,175	6,217	320
Shareholders' Equity					
Paid-up share capital	13	300,000	300,000	81,677	81,677
Proposed issue of bonus shares		15,000	-	4,084	-
Statutory reserve	14	57,514	50,272	15,659	13,687
Investment revaluation reserve	6 & 7	13,694	(17,059)	3,728	(4,644)
Retained earnings		37,337	18,509	10,165	5,039
Proposed dividend	15	30,000	-	8,168	-
Total Shareholders' Equity		453,545	351,722	123,481	95,759
Total Liabilities, Minority Interest and Shareholders' Equity		799,760	658,183	217,740	179,195
Contra accounts					
Clients' funds under management	27	1,013,446	368,876	275,918	100,429

The attached notes 1 to 31 form part of these financial statements.



CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 March 2004

(In Thousands)

	Notes	31 Mar. 2004 AED	31 Mar. 2003 AED	31 Mar. 2004 US\$	31 Mar. 2003 US\$
Interest income		24,935	17,945	6,789	4,886
Investment banking income:					
Income from trading securities		55,634	19,831	15,147	5,399
Income from investments	16	22,157	8,467	6,032	2,305
Fees and commission income		35,653	10,551	9,707	2,873
Income from associates		3215	650	875	177
Total income		141,594	57,444	38,550	15,640
Interest expense		(9,733)	(8,510)	(2,650)	(2,317)
Provisions	17	(27,261)	(3,863)	(7,422)	(1,052)
Net operating income		104,600	45,071	28,478	12,271
General and administrative expenses	18	(27,661)	(24,030)	(7,531)	(6,543)
Depreciation and amortization		(2,133)	(1,917)	(581)	(522)
Operating expenses		(29,794)	(25,947)	(8,112)	(7,065)
Net profit for the year before minority interest		74,806	19,124	20,366	5,206
Minority interest		(2,386)	(2,080)	(649)	(566)
Net profit for the year		72,420	17,044	19,717	4,640
Earnings per share	19	AED 0.241	AED 0.057	USD 0.066	USD 0.016

The attached notes 1 to 31 form part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 March 2004

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

	Paid-up share capital	Proposed issue of bonus shares	Statutory reserve	Investment revaluation reserve	Retained earnings	Proposed dividend	Total
Balance as of 1 April 2002	300,000	–	48,568	(18,576)	3,169	–	333,161
Net profit for the year	–	–	–	–	17,044	–	17,044
Transfer to statutory reserve	–	–	1,704	–	(1,704)	–	–
Changes in fair value of investments available for-sale	–	–	–	1,517	–	–	1,517
Balance as of 31 March 2003	300,000	–	50,272	(17,059)	18,509	–	351,722
Net profit for the year	–	–	–	–	72,420	–	72,420
Transfer to statutory reserve	–	–	7,242	–	(7,242)	–	–
Proposed dividend	–	–	–	–	(30,000)	30,000	–
Proposed issue of bonus shares	–	15,000	–	–	(15,000)	–	–
Directors' fees	–	–	–	–	(1,350)	–	(1,350)
Net transfer from investment revaluation reserve to income statement (Notes 16 and 17)	–	–	–	6,651	–	–	6,651
Changes in fair value of investments available- for-sale	–	–	–	24,102	–	–	24,102
Balance as of 31 March 2004	300,000	15,000	57,514	13,694	37,337	30,000	453,545

The attached notes 1 to 31 form part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2004

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

	31 Mar. 2004	31 Mar. 2003
Cash flows from operating activities:		
Net profit for the year	72,420	17,044
Adjustments to reconcile net profit for the year to net cash used in operating activities:		
Depreciation and amortization	2,133	1,917
Income from investments in associates	(3,215)	(650)
Gain on sale of investments available-for-sale	(6,724)	–
Gain from part sale of a subsidiary	(5,020)	–
Minority Interest	2,386	2,080
Provisions	27,261	3,863
Net cash from operating activities before changes in assets and liabilities	89,241	24,254
Changes in assets and liabilities:		
Increase in other deposits	(8,604)	(2,571)
Decrease (increase) in receivables and other debit balances	13,186	(23,869)
Increase in trading securities	(96,536)	(31,204)
Increase in installment credits, loans and advances	(59,654)	(45,508)
(Decrease) increase in payables and other credit balances	(11,784)	27,178
Additional acquisition of shares in a subsidiary	–	(24,981)
Acquisition of an associate	(4,369)	–
Proceeds from investment in associate	1,400	500
Additions to investments available-for-sale	(19,250)	(22,952)
Proceeds from sale of investments available-for-sale	47,385	4,158
Purchase of fixed assets	(720)	(937)
Proceeds from part sale of a subsidiary	27,563	–
Net cash used in operating activities	(22,142)	(95,932)
Cash flows from financing activities:		
Increase in amounts due to banks	931	25,320
Increase in corporate bond	16,578	74,904
Net cash provided by financing activities	17,509	100,224
Net (decrease) increase in cash and cash equivalents	(4,633)	4,292
Cash and cash equivalents at beginning of year	9,082	4,790
Cash and cash equivalents at end of year	4,449	9,082

The attached notes 1 to 31 form part of these financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2004

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

1. Legal status and activities

SHUAA Capital psc (the 'Company') is a public shareholding company established in Dubai, United Arab Emirates, pursuant to the Emiree Decree No. 6 of 25 April 1979 and in accordance with the Federal Law No. (8) of 1984. The registered address of the Company is P.O. Box 31045, Dubai, United Arab Emirates.

The Company pursues a broad investment 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. The Company's shares are traded on the Dubai Financial Market in the United Arab Emirates and the Kuwait Stock Exchange.

The Company is licensed by the Central Bank of the 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. The Company is required to comply with the relevant UAE laws and the regulations promulgated by the UAE Central Bank.

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 23 May 2004.

2. Significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are set out below:

a. Basis of preparation -

The consolidated financial statements have been prepared in accordance with Standards issued, or adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee.

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of derivatives and trading and available for sale investments.

The accounting policies are consistent with those used in the previous year. The consolidated financial statements have been presented in thousands of UAE Dirhams.

b. 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 income from the effective date of formation or acquisition. All significant inter-company balances, transactions and profits have been eliminated upon consolidation.

Subsidiary companies formed or acquired with the intention of resale and where control is intended to be temporary are not consolidated and are accounted for as investments available for sale.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2004

2. Significant accounting policies – continued

c. Trade date accounting –

All “regular way” sales and purchases of financial assets are recognized on the “trade date”, i.e. the date that the entity 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.

d. Trading securities –

Trading securities represent investments acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in price.

Trading securities are initially recognized at cost, being the fair value of the consideration given, including all acquisition costs associated with the investment.

After initial recognition, securities held for trading are measured at fair value. The fair value of securities traded in recognized 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. Securities whose fair value cannot be reliably measured are carried at cost less any impairment losses.

Any gain or loss arising from a change in the fair value of securities categorized as trading securities is recognized in the statement of income for the period in which it arises. Dividend, interest and other revenues generated from trading securities are included in “income from trading securities” in the consolidated statement of income.

e. Installment credits, loans and advances and provision for impairment –

Installment credits, loans and advances are carried at anticipated gross amount due from customers less an estimate of the provision required for impairment based on a review of all outstanding amounts at year-end, including unearned income. The Group has a policy of establishing specific provisions against installment credits and loans and advances to customers, where management considers the recovery of the balance to be unlikely. Installment credits and 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 balance sheet date. These have been estimated based upon historical patterns of losses in each component and reflecting the current economic climate in which the borrowers operate.

f. Investments available-for-sale –

Investments available-for-sale are initially recognized at cost, being the fair value of the consideration given including all acquisition costs associated with the investment.

After initial recognition, investments available-for-sale are measured at fair value. For investments actively traded in organized financial markets, fair value is generally determined by reference to stock exchange quoted bid prices at the close of business on the balance sheet date, adjusted for illiquidity constraints and other costs necessary to realize the asset.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2004

2. Significant accounting policies – continued

f. Investments available-for-sale – continued

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 flow and/or 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 impairment losses.

Gains or losses arising from a change in the fair value of investments available-for-sale are recognized directly in equity, in the investment revaluation reserve. Upon disposal of an investment, the cumulative gain or loss, previously recognized in equity relating to that investment, is included in the consolidated statement of income for the period.

When a financial asset is determined to be impaired, the cumulative net gain or loss previously recognized in equity relating to that investment is included in the consolidated statement of income for the period.

g. Investment in associated companies –

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.

Investment in a associated companies formed or acquired with the intention of resale and where ownership is intended to be temporary are accounted for as available-for-sale-investments.

h. Goodwill –

Goodwill represents the excess of purchase consideration over the fair value of the net assets acquired on acquisition of a subsidiary and an associate and is amortized over a period of 10 years.

i. 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 over the following periods:

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

j. Held to Maturity investments –

Held to Maturity investments are financial assets, with fixed payments and fixed maturity, that the Group intends and has the ability to hold to maturity. Such investments are measured at amortized cost. When a held to maturity investment is deemed to be impaired, the amount of the loss is included in the consolidated income statement.

k. Income recognition –

All significant items of income and expenses are accounted for on the accrual basis. Recognition of interest income on loans and advances is suspended when the recovery of the interest or principal is in doubt.

Commissions and fees are recognized in income as they become due. Commission charges paid are expensed as incurred.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2004

2. Significant accounting policies – continued

l. Provisions -

Provision is made for amounts payable to employees in accordance with statutory and contractual obligations and other benefit plans approved by the Group. These amounts are included in payables and other credit balances.

Other provisions are recognized when the Group has a present obligation (constructive or legal) arising from a past event and the rights to settle the obligation are both probable and able to be reliably measured.

m. Derivative instruments -

Derivatives are initially measured at cost and are subsequently measured at fair value. Derivatives are carried in receivables and other debit balances where the fair value is positive and in payables and accrued expenses where the fair value is negative. Gains or losses arising from derivatives are recognized in the consolidated statement of income for the year.

n. Repurchase and resale agreements -

Assets sold with a simultaneous commitment to repurchase at a specified future date ('Repo') continue to be recognized in the balance sheet. The counterparty liability for amounts received under these agreements is included in payables and accrued liabilities. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the Repo agreement.

Assets purchased with a corresponding commitment to resell at a specified future date ('Reverse Repo') are not recognized in the balance sheet, as the Company does not obtain control over the assets. Amounts paid under these agreements are included in receivables and other debit balances. The difference between the purchase and resale price is treated as interest income and accrued over the life of the Reverse Repo agreement.

o. Translation of foreign currencies -

Transactions denominated in foreign currencies are translated into the reporting currency at exchange rates prevailing on the transaction dates. 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 income.

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.

p. Cash and cash equivalents -

Cash and cash equivalents consist of cash and short term investments in money market instruments maturing within 90 days of the balance sheet date.

3. Other deposits

Other deposits comprise the following:

- a. An amount of 17,200 that represent a margin amount that was deposited against a guarantee issued to comply with the Central Bank of the United Arab Emirates requirement regarding the license to conduct financial investment business services (Note1).
- b. An amount of 11,175 (31 March 2003 – 2,571) that represents a margin amount deposited to secure term-loans and financial guarantees.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. Trading securities

Trading securities comprise the following:

	31 Mar. 2004	31 Mar. 2003
Quoted fund investments	226,489	164,383
Equity securities	35,242	27,637
Fixed income securities	37,927	8,244
	<u>299,658</u>	<u>200,264</u>

5. Installment credits, loans and advances

Installment credits, loans and advances comprise the following:

	31 Mar. 2004	31 Mar. 2003
Installment credits	167,137	109,007
Term loan	38,904	57,850
Loans and advances	35,628	20,393
Due from clients	9,483	6,173
	<u>251,152</u>	<u>193,423</u>

a. Installment credits -

	31 Mar. 2004	31 Mar. 2003
Total installment credits	195,555	125,354
Cumulative provision for impairment	(4,915)	(3,595)
Interest in suspense	(417)	(422)
Unearned income on installment credits	(23,086)	(12,330)
	<u>167,137</u>	<u>109,007</u>

A provision for impairment of installment credits for the year ended 31 March 2004 amounting to 1,320 (31 March 2003 – 1,150) was recognized as an expense during the year. This represents management's estimate of potential losses in the lending portfolio at the balance sheet date.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2004

5. Installment credits, loans and advances – continued

b. Term loan –

The term loan represents the Company's participation in a bridge facility of 110,000 arranged by the Company to finance a management buyout of a regional company with diversified operations. The term loan carries an interest rate of 10%. During the year, the Company received two installments representing two thirds of the term loan. The final installment originally matured on 23 December 2003 but was mutually agreed to be extended to 23 September 2004. The loan is fully securitized by the underlying assets of the borrower.

c. Loans and advances –

	31 Mar. 2004	31 Mar. 2003
Loans	31,333	16,078
Bills discounted	5,987	5,073
	37,320	21,151
Cumulative provision for impairment	(995)	(390)
Unearned interest	(138)	(275)
Interest in suspense	(559)	(93)
	35,628	20,393

A provision for impairment of loans and advances for the year ended 31 March 2004 amounting to 605 (31 March 2003 – 140) was recognized as an expense during the year. This represents management's estimate of potential losses in the lending portfolio at the balance sheet date.

d. Due from clients –

The Company 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 Company. As of 31 March 2004, these underlying securities were valued at 32,089 (31 March 2003 – 17,571).

6. Investments available-for-sale

Investments available-for-sale are stated at their estimated fair value and are categorized as follows:

	31 Mar. 2004	31 Mar. 2003
Unquoted direct equity investments	85,230	85,074
Quoted direct equity investments	65,061	72,300
Unquoted fund investments	17,223	19,134
	167,514	176,508



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2004

6. Investments available-for-sale – continued

Investments available-for-sale comprise the following investments:

	31 Mar. 2004	31 Mar. 2003
Hospitality Europe B.V.	38,162	38,700
A company formed to hold a portfolio of prime hotels located in major cities across Europe		
Egypack Holdings Ltd.	37,666	37,666
A company established to hold the investment in Modern Packaging Products Co. (Technopack) S.A.E., a manufacturing company specialized in the production of flexible packaging film for the packaging of food and industrial products		
Porta Egypt for Packaging Materials S.A.E.	28,479	27,078
The largest rotogravure printing company in Egypt		
Middle East and North Africa Private Equity Fund (“MENAVEST”)	20,070	24,103
A fund focused on direct equity and debt investments in the MENA region		
RSH Limited (Formerly Royal Clicks)	8,753	7,233
A leading Pan-Asian distributor and retailer of sports and fashion products		
Emirates Opportunities 1 Ltd.	5,979	-
A company established to hold a bloc of shares of a major real estate company in the United Arab Emirates		
Amlak Finance	5,219	-
A public company specialized in Sharia compliant mortgage finance in addition to other financing activities		
ABRAAJ Special Opportunities Fund L.P.	3,673	-
A fund specialized in equity investments in mainly listed companies in the GCC countries and the Levant area		
Arab Music	2,144	5,144
A holding company of music content and three production companies		
Premia Corp	1,800	-
A financial institution that invests in the capital stock of various focused financial services companies		
Coast Mezzanine Investment Limited	1,754	5,610
A managed fund specialized in subordinated debt of U.S companies		
Jordinvest	46	5,809
An investment bank focused on the Jordanian market		
Orascom Telecom	-	16,022
A GSM network operator in the Middle East, Africa and South Asia		
Egyptian Financial & Industrial Company	-	9,174
A leading producer of phosphate fertilizer in Egypt		



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2004

6. Investments available-for-sale – continued

	31 Mar. 2004	31 Mar. 2003
Vodafone Egypt Telecommunications S.A.E. A GSM operator in Egypt	-	8,141
Other investments	1,704	8,887
Total investments before fair value adjustments	155,449	193,567
Fair value adjustments	12,065	(17,059)
Total investments	167,514	176,508

7. Investments in associates

The Company acquired a 50% ownership interest on 1 February 2001 in Emirates Commercial Center for Shares and Bonds L.L.C., a brokerage firm in the United Arab Emirates licensed to operate in the Abu Dhabi Securities Market and the Dubai Financial Market. The excess of the consideration over the fair value of the net assets at the date of purchase amounted to 977 and is included in goodwill (Note 9).

On 1 July 2003, the Company acquired a 20% ownership interest in Qatar Ladies Investment Company, a Qatari shareholding closed company, licensed by the Central Bank of Qatar to conduct investment business. The consideration paid was equal to the fair value of the net assets at the date of purchase.

These are strategic investments over which the Company exerts significant influence. Accordingly, these investments are accounted for using the equity method of accounting.

The Company's pro rata share of the changes in the fair value of the associates' available-for-sale investments amounted to of 1,629 (31 March 2003 – Nil) and is included in the investment revaluation reserve.

8. Fixed assets

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

	Furniture & leasehold improvements	Office equipment & computers	Motor vehicles	Total
Cost –				
At 1 April 2003	3,125	3,303	331	6,759
Additions	286	382	52	720
Disposals	(172)	(47)	(65)	(284)
At 31 March 2004	3,239	3,638	318	7,195
Accumulated depreciation –				
At 1 April 2003	1,524	2,537	175	4,236
Charge for the year	674	526	58	1,258
Disposals	(144)	(37)	(65)	(246)
At 31 March 2004	2,054	3,026	168	5,248
Net book value –				
At 31 March 2004	1,185	612	150	1,947
At 31 March 2003	1,601	766	156	2,523



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2004

9. Goodwill

The movement in goodwill during the year is as follows:

	31 Mar. 2004	31 Mar. 2003
Cost -		
Balance, beginning of year	10,366	4,752
Goodwill on part sale of a subsidiary	(3,230)	-
Goodwill from acquisitions	-	5,614
Balance, end of year	7,136	10,366
Accumulated amortization -		
Balance, beginning of year	732	156
Charge for the year	875	576
Balance, end of year	1,607	732
Net book value	5,529	9,634

10. Due to banks

Due to banks comprises borrowings obtained from commercial banks in the ordinary course of business against the Group's established credit lines with these banks. The Group has pledged the shares of a subsidiary against a loan of 19,040 maturing on 2 April 2005.

The Group's banking facilities are renewable every six months and carry US Dollar LIBOR based floating interest rates plus a spread ranging between 1% and 3% (31 March 2003 - 1% and 3.5%). During the year, the Group secured new credit facilities of 51,132.

11. Corporate bonds

On 10 July 2002, the Company issued 91,825 (US\$ 25 Million) three year bonds maturing on 10 July 2005. The bonds bear interest at the rate of 2% per annum above US Dollar LIBOR for six months with a coupon payable semi-annually. The bonds were issued at par by way of a public offering.

At 31 March 2003, the Company offset an amount of 16,313 representing the value of bonds held by the Company in its capacity as market maker in the secondary market. This holding was sold during the current year. The bonds are stated net of transaction costs which are amortized over the life of the bonds. The corporate bonds have an investment grade rating of "BBB".



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2004

12. Minority interest

Minority interest represents the minority shareholder's proportionate share in the aggregate value of the net assets of a Subsidiary (Note 22) and the results of the Subsidiary's operations.

13. Paid-up share capital

Authorized, issued and fully paid capital comprises of 300,000,000 shares of AED 1.00 each.

The Board of Directors has proposed a bonus issue of 15,000,000 shares of AED 1.00 each, which is subject to the approval of the shareholders at General Meeting.

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 income 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 has proposed a cash dividend amounting to AED 30 Million at AED 0.10 per share for the year ended 31 March 2004. This is subject to the approval of the shareholders at the Annual General Meeting.

16. Income from investments

This category comprised the following:

	31 Mar. 2004	31 Mar. 2003
Income from investments	9,756	5,616
Gain on part sale of a subsidiary	5,020	-
Net gain on sale of investments available-for-sale transferred from investment revaluation reserve	6,724	-
Dividends	657	2,375
Others	-	476
	<u>22,157</u>	<u>8,467</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2004

17. Provisions

The Group recognized provision charges in respect of the following:

	31 March 2004	31 March 2003
Installment credits	1,320	1,150
Loans and advances	605	140
Investments available-for-sale	13,375	2,573
Receivables and other debit balances	472	-
Employee benefits	11,019	-
Others	470	-
	<u>27,261</u>	<u>3,863</u>

18. General and administrative expenses

General and administrative expenses comprise the following:

	31 March 2004	31 March 2003
Employee costs	18,884	17,366
Office rent and related expenses	1,557	1,303
Corporate marketing and branding costs	2,180	580
Other general and administrative expenses	5,040	4,781
	<u>27,661</u>	<u>24,030</u>

As of 31 March 2004, the Group had a total of 74 employees (31 March 2003 - 70 employees) represented by 51 employees in SHUAA Capital and 23 in a subsidiary.

19. Earnings per share

The earnings per share - basic for the year has been computed using the net income for the year of 72,420 (31 March 2003 - 17,044) divided by the weighted average number of shares outstanding of 300,000,000. The earnings per share are rounded to the third decimal place.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2004

20. Related party transactions

A number of transactions are entered into with related parties in the normal course of business. Pricing policies and terms of these transactions are approved by the Group's management.

At 31 March 2004, assets and liabilities with related parties amounted to 21,690 and 112 respectively (31 March 2003 – 11,091 and 2,323 respectively). The income statement included an amount of 1,381 that was recognized from transactions with related parties.

21. Stock option plan

Following the General Assembly meeting in 1998, the Company's shareholders approved a stock option plan for senior employees to purchase up to 4% of the authorized and issued capital.

The plan is administered by a trustee and gives the Board the authority to determine which employees of the Company will be granted options. The options granted under the plan become exercisable after three years of the grant and expire ten years after the date of the grant.

Outstanding options granted to employees as of 31 March 2004 comprised of 4,410,000 shares at an average exercise price of AED 1.27 per share. During the year options in respect of 5,790,000 shares were exercised. The options plan does not have an impact on the share capital or the earnings per share.

22. Subsidiaries

The Company has the following significant subsidiaries consolidated into these financial statements:

Name	Country of incorporation	Holding
SHUAA Capital (Assets) Inc.	British Virgin Islands	100%
SHUAA Capital Inc.	British Virgin Islands	100%
Gulf Finance Corporation	United Arab Emirates	60%

On 19 February 2002 the Group acquired 55% of the share capital of Gulf Finance Corporation ("GFC"), a finance company engaged in installment financing, receivable financing and check discounting in the U.A.E. On 31 July 2002 the Group acquired an additional 2.5% of the share capital of GFC and an additional 40% was acquired on 1 February 2003. On 1 October 2003, the Group sold a 37.5% equity stake in GFC to a strategic investor specialized in financing of consumer durables.

The excess of the consideration over the Company's share in the fair value of the net assets at the date of purchase is included in goodwill (Note 9).

As of 31 March 2004, the Group's share of the net assets of GFC amounted to 34,253 (31 March 2003 – 45,807). During the year, the acquired business contributed revenues of 20,215 (31 March 2003 – 13,081) and operating profit of 7,820 (31 March 2003 – 3,875).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2004

23. Foreign exchange risk

Currency risk is the risk that the value of a financial investment 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 compliance with internal guidelines.

The currency exposure of the balance sheet assets and liabilities is as follows -

	31 March 2004		31 March 2003	
	Assets	Liabilities	Assets	Liabilities
United Arab Emirates Dirhams*	644,831	311,924	500,264	304,371
Egyptian Pounds	78,941	10,106	75,432	17
Euro	55,965	-	58,142	808
Qatari Riyals	8,523	-	1,389	2
Jordanian Dinars	149	-	12,013	-
Other currencies	11,351	-	10,943	88
	799,760	322,030	658,183	305,286

*United Arab Emirates Dirham position also includes the US dollar denominated transactions because the UAE Dirham is pegged to the US Dollar since 22 November 1980 at AED 3.673 for USD 1.00.

24. 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, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The maturity profile of assets and liabilities at the end of the year, determined on the basis of the remaining contractual maturity, where applicable, was as follows:

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets					
Cash and deposits with banks	4,449	-	-	-	4,449
Other deposits	28,375	-	-	-	28,375
Receivables and other debit balances	5,041	16,143	6,219	-	27,403
Trading securities	261,731	-	2,010	35,917	299,658
Installment credits, loans and advances	105,939	73,695	71,518	-	251,152
Investments available-for-sale	-	-	167,514	-	167,514
Investments in associates	-	-	-	13,733	13,733
Fixed assets	-	-	1,947	-	1,947
Goodwill	-	-	-	5,529	5,529
Total assets	405,535	89,838	249,208	55,179	799,760



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2004

24. Liquidity risk – continued

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities, minority interest and shareholders' equity					
Due to banks	115,458	14,419	50,660	–	180,537
Payables and other credit balances	17,630	29,329	3,503	899	51,361
Corporate bonds	–	–	91,482	–	91,482
Minority interest	–	–	–	22,835	22,835
Shareholders' equity	–	–	–	453,545	453,545
Total liabilities, minority interest and shareholders' equity	133,088	43,748	145,645	477,279	799,760
Maturity gap	272,447	46,090	103,563	(422,100)	–

The maturity profile of assets and liabilities as of 31 March 2003 is as follows:

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets					
Cash and deposits with banks	9,082	–	–	–	9,082
Other deposits	17,200	2,571	–	–	19,771
Receivables and other debit balances	17,740	10,597	12,724	–	41,061
Trading securities	192,020	8,244	–	–	200,264
Installment credits, loans and advances	42,061	108,455	42,907	–	193,423
Investments available-for-sale	–	–	176,508	–	176,508
Investments in associates	–	–	–	5,917	5,917
Fixed assets	–	–	2,523	–	2,523
Goodwill	–	–	–	9,634	9,634
Total assets	278,103	129,867	234,662	15,551	658,183
Liabilities, minority interest and shareholders' equity					
Due to banks	98,444	73,372	7,790	–	179,606
Payables and other credit balances	40,629	7,754	1,595	798	50,776
Corporate bond	–	–	74,904	–	74,904
Minority interest	–	–	–	1,175	1,175
Shareholders' equity	–	–	–	351,722	351,722
Total liabilities, minority interest and shareholders' equity	139,073	81,126	84,289	353,695	658,183
Maturity gap	139,030	48,741	150,373	(338,144)	–



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2004

25. Interest rate risk

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group seeks to limit its exposure to such movements by managing the interest rate and maturity structure of assets and liabilities.

The Group's interest rate sensitivity position as of 31 March 2004, determined by the earlier of contractual repricing or maturity dates, was as follows:

	Up to 3 months	3-12 months	1-5 years	Non interest bearing	Total	Effective interest rate
Assets						
Cash and deposits with banks	-	-	-	4,449	4,449	-
Other deposits	28,375	-	-	-	28,375	0.70%
Receivables and other debit balances	491	-	-	26,912	27,403	-
Trading securities	100,002	2,010	35,917	161,729	299,658	3.07%
Installment credits, loans and advances	105,939	73,695	71,518	-	251,152	11.44%
Investments available-for-sale	-	-	-	167,514	167,514	-
Investments in associates	-	-	-	13,733	13,733	-
Fixed assets	-	-	-	1,947	1,947	-
Goodwill	-	-	-	5,529	5,529	-
Total assets	234,807	75,705	107,435	381,813	799,760	
Liabilities, minority interest and shareholders' equity						
Due to banks	115,458	14,419	50,660	-	180,537	3.42%
Payables and other credit balances	8,500	14,944	-	27,917	51,361	3.25%
Corporate bonds	-	91,482	-	-	91,482	3.23%
Minority interest	-	-	-	22,835	22,835	-
Shareholders' equity	-	-	-	453,545	453,545	-
Total liabilities, minority interest and shareholders' equity	123,958	120,845	50,660	504,297	799,760	
Interest rate sensitivity gap	110,849	(45,140)	56,775	(122,484)	-	
Cumulative interest rate sensitivity gap	110,849	65,709	122,484	-	-	



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2004

25. Interest rate risk – continued

The Group's interest rate sensitivity position as of 31 March 2003, determined by the earlier of contractual repricing or maturity dates, was as follows:

	Up to 3 months	3-12 months	1-5 years	Non interest bearing	Total	Effective interest rate
Assets						
Cash and deposits with banks	8,862	–	–	220	9,082	0.50%
Other deposits	17,200	2,571	–	–	19,771	0.98%
Receivables and other debit balances	–	–	–	41,061	41,061	–
Trading securities	82,268	7,377	–	110,619	200,264	7.19%
Installment credits, loans and advances	42,061	108,455	42,907	–	193,423	11.56%
Investments available-for-sale	–	–	–	176,508	176,508	–
Investments in associates	–	–	–	5,917	5,917	–
Fixed assets	–	–	–	2,523	2,523	–
Goodwill	–	–	–	9,634	9,634	–
Total assets	150,391	118,403	42,907	346,482	658,183	
Liabilities, minority interest and shareholders' equity						
Due to banks	98,444	73,372	7,790	–	179,606	3.40%
Payables and other credit balances	10,000	4,554	–	36,222	50,776	3.13%
Corporate bonds	–	74,904	–	–	74,904	3.40%
Minority interest	–	–	–	1,175	1,175	–
Shareholders' equity	–	–	–	351,722	351,722	–
Total liabilities, minority interest and shareholders' equity	108,444	152,830	7,790	389,119	658,183	
Interest rate sensitivity gap	41,947	(34,427)	35,117	(42,637)	–	
Cumulative interest rate sensitivity gap	41,947	(7,520)	42,637	–	–	



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2004

26. Segmented information

Net income for the year ending 31 March 2004 contributed by the Company's business segments and presented by geographical region is as follows:

	Trading securities	Investments available-for-sale	Commissions and fee income	Financing activities	Unallocated	Total
GCC Countries	36,241	14,991	30,068	20,828	3,215	105,343
Middle East and North Africa	15,797	7,166	5,288	854	-	29,105
North America	3,168	-	297	-	-	3,465
Europe	428	-	-	-	-	428
Others	(470)	(13,375)	-	(1,925)	(50,151)	(65,921)
	55,164	8,782	35,653	19,757	(46,936)	72,420

The geographical segmentation of the balance sheet assets and liabilities is as follows:

	GCC countries	Middle East & North Africa	North America	Others Europe	Total Others	Total
Assets						
Cash and deposits with banks	2,631	1,805	7	6	-	4,449
Other deposits	28,375	-	-	-	-	28,375
Receivables and other debit balances	9,122	16,649	-	1,171	461	27,403
Trading securities	182,921	86,720	27,752	2,265	-	299,658
Installment credits, loans and advances	190,511	60,641	-	-	-	251,152
Investments available-for-sale	24,887	73,832	1,938	57,661	9,196	167,514
Investment in an associate	13,733	-	-	-	-	13,733
Fixed assets	1,947	-	-	-	-	1,947
Goodwill	5,529	-	-	-	-	5,529
Total assets	459,656	239,647	29,697	61,103	9,657	799,760
Liabilities, minority interest and shareholders' equity						
Due to banks	180,537	-	-	-	-	180,537
Payables and accrued expenses	50,681	667	-	-	13	51,361
Corporate bonds	91,482	-	-	-	-	91,482
Minority interest	22,835	-	-	-	-	22,835
Shareholders' equity	453,545	-	-	-	-	453,545
Total liabilities minority interest and shareholders' equity	799,080	667	-	-	13	799,760



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26. Segmented information – continued

Net income for the comparative period ending 31 March 2003 contributed by the Company's business segments and presented by geographical region is as follows:

	Trading securities	Investments available-for-sale	Commissions and fee income	Financing activities	Unallocated	Total
GCC Countries	11,720	452	4,526	13,470	649	30,817
Middle East and North Africa	5,230	7,766	5,780	2,631	–	21,407
North America	1,520	249	245	–	–	2,014
Europe	853	–	–	–	–	853
Others	94	–	–	(1,290)	(36,851)	(38,047)
	19,417	8,467	10,551	14,811	(36,202)	17,044

The geographical segmentation of the balance sheet assets and liabilities is as follows:

	GCC countries	Middle East & North Africa	North America	Others Europe	Total Others	Total
Assets						
Cash and deposits with banks	8,878	15	189	–	–	9,082
Other deposits	19,771	–	–	–	–	19,771
Receivables and other debit balances	25,718	10,283	1,505	3,517	38	41,061
Trading securities	85,071	69,731	31,948	13,514	–	200,264
Installment credits, loans and advances	185,873	7,550	–	–	–	193,423
Investments available-for-sale	3,202	111,075	3,344	51,154	7,733	176,508
Investments in associates	5,917	–	–	–	–	5,917
Fixed assets	2,523	–	–	–	–	2,523
Goodwill	9,634	–	–	–	–	9,634
Total assets	346,587	198,654	36,986	68,185	7,771	658,183
Liabilities, minority interest and shareholders' equity						
Due to banks	179,606	–	–	–	–	179,606
Payables and accrued expenses	49,132	828	278	504	34	50,776
Corporate bonds	74,904	–	–	–	–	74,904
Minority interest	1,175	–	–	–	–	1,175
Shareholders' equity	351,722	–	–	–	–	351,722
Total liabilities minority interest and shareholders' equity	656,539	828	278	504	34	658,183



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27. Clients' funds under management

The Company is licensed as a financial services company regulated by the U.A.E. Central Bank (Note 1). At 31 March 2004, clients' funds were managed in a fiduciary capacity, without risk or recourse to the Company. These assets are considered as off-balance sheet items and do not constitute part of the Company's assets.

28. Financial instruments

Financial assets of the Group include cash and cash equivalents, receivables, trading securities, installment credits, loans and advances, investments available-for-sale and investment in an associate. Financial liabilities of the Group include due to banks, payables and corporate bonds.

a. Fair value -

The fair values of the Group's assets and liabilities are not materially different from the carrying values as at 31 March 2004.

b. Credit risk -

Credit risk or the risk of counterparties defaulting on payment is controlled by the application of credit approvals and monitoring procedures. Management regularly reviews the status of receivables and provision is made for any specific balances considered doubtful of recovery.

In addition, cash is placed with local and international banks with good credit ratings.

Installment credits, loans and advances include a term loan amounting to 38,904 due from a single counter party (Note 5).

c. Market risk -

The Group has exposure to market risk related to its financial assets and liabilities as a result of changes in market prices of the underlying instruments. Market risks are closely monitored by management.

29. Commitments and contingent liabilities

The Group had the following outstanding commitments and contingent liabilities:

	31 March 2004	31 March 2003
Corporate guarantee	240,000	40,000
Letters of guarantee	43,000	45,571
Commitments to acquire financial assets	14,638	14,229



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30. Subsequent events

On 23 April 2004, the Company acquired 20% of the shares of Oman National Investment Corporation Holding SAOG (ONIC) in several transactions valued at AED 85 million.

ONIC is a public shareholding company registered in the Sultanate of Oman. ONIC is primarily engaged through its subsidiaries and associate companies in the business of insurance, warranty services and holding investments.

31. Prior period comparatives

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



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