

SHUAA Capital PSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2008

THE BOARD OF DIRECTORS' REPORT

Although SHUAA continued to be profitable in its core fee generating businesses, its asset portfolio was also impacted by the unprecedented market conditions, in both scale and speed, of the last six months. The financial year 2008 was an exceptionally difficult year for financial institutions worldwide and for all capital markets, including the GCC. As a result of major market dislocation, we suffered significant 'mark-to-market' reductions in our asset valuations, both quoted and unquoted, in the last two quarters of the year which lead to a significant loss.

SHUAA however has opted not to make use of the amendment to IAS 39 that would have allowed a reclassification of trading assets as available for sale, and any losses from those assets reclassified to be excluded from profit and loss and recognized directly in equity.

We have further taken a conservative approach to these mark downs, so we do not expect further down side in unquoted investments and consider these losses a one-off.

Nevertheless, SHUAA remains one of the largest investment banking institutions in the region, with a strong capital base, low leverage and a significantly reduced market risk exposure. In addition, we can report a significant fall in short term payables to mitigate exposure to international financial institutions, and healthy cash levels.

SHUAA has an enviable track record of growth and profitability over the past 10 years, and a very strong franchise and position as the leading financial institution that focused on the many opportunities the GCC markets have to offer. We continue to believe the GCC markets will emerge stronger from the current crisis, and will gain more recognition as a destination of capital going forward, in addition to their prominent role as a source of capital. We believe SHUAA will continue to serve as a gateway to the GCC markets for global and regional investors, and provide its various services to its medium sized clients in UAE, Saudi Arabia and Qatar.

In the last three months of the year, we took decisive steps to mitigate the continuing downturn by reducing market exposure, rationalizing expenses, and improving liquidity. We have also started to reorganise core business lines to improve efficiency and implement further cost-cutting strategies in view of a dim outlook for 2009.

The Principal Investments division was reorganized during Q4 of 2008, and while its performance on a relative basis was good, its absolute performance was negative for the year. Accordingly, the division was re-sized, and its activities were split.

The Investment Banking division was impacted by the challenging market conditions in the second quarter as it became evident that executing its existing money raising mandates was no longer feasible against a difficult economic backdrop of falling equity markets. Accordingly, its strong pipeline of signed mandates has now been delayed until a recovery takes place. In the meantime, we are now more focused on working closely with our clients, by offering assistance on advisory, restructuring and merger or acquisition engagements.

The Asset Management division was one of the first to offer regional emerging market investment management 10 years ago and has built a franchise that attracted strong regional and international capital flows into its products. Having started 2008 with strong capital inflows, this turned into net redemptions as the impact of forced liquidations by clients gathered pace over the autumn. Nevertheless, SHUAA Asset Management remains a manager of choice benefiting from competitive performance above indices, a strong client services team and regional brand awareness. Looking ahead, SHUAA Asset Management is well placed to see the first signs of recovery and the resumption of interest in investing in the GCC economies where growth will still be found, along with few other spots in the world today.

SHUAA Securities, which offers brokerage services to clients, had a strong start in the first half of calendar 2008 but saw a sharp fall in both trading volumes and values from the end of September. This was in line with the global downturn and reflected the dramatic drop in market activity on the Dubai Financial Market and Abu Dhabi Stock Exchange. During the year, the division remained profitable, while it progressed the development of its regional platform and is now operational in Saudi Arabia, Egypt and Jordan.

2008 was an excellent year for our private equity division, SHUAA Partners, which saw the division evolve from a corporate product line into a more independent business unit. Over the course of the year the division expanded significantly, doubling in size in term of money it manages by successfully launching the SHUAA Hospitality Fund I, and its sub fund, The Sharia-compliant SHUAA Saudi Hospitality Fund, managed by SHUAA Capital (Saudi Arabia).

Finance, operating under the brand of Gulf Finance Corporation, had a record year and continues its outstanding track record with 11 years of growth. This specialist finance company targets small and medium-sized businesses ("SME") and asset backed finance and is now active in Dubai, Abu Dhabi and Sharjah.

2008 saw the successful launch of SHUAA Capital Saudi Arabia, which is licensed to conduct investment banking, asset management, advisory, capital raising, corporate finance, private equity, underwriting, custody services and brokerage. The business is off to a strong start having already won a number of mandates for future capital market transactions.

2009 is now widely accepted to be a challenging year. The short-term prospects of our various fee businesses will remain uncertain, but cash flow positive. The outlook for our asset based investments is likely to remain weak but with limited downside risk. We believe however that the credit and liquidity situation will improve but remain tense.

SHUAA is well positioned to rise to the short-term challenge and to capture long-term opportunities. The strength of our balance sheet, coupled with our diversification across multiple business lines and geography, the depth of our human capital, and our long experience over many market cycles and regional and global crises over our 30 years history, will help us navigate our way going forward, and emerge stronger and wiser.

We remain committed to promoting the GCC as a destination for investments, and we remain confident in our future and our ability to grow our franchise, service our clients' needs, and deliver long term shareholders value to our shareholders. In 2009, our focus is on maintaining a tight grip on costs, protecting our assets, and focusing on how best to maintain our fee business across the GCC.

We continue to focus on pursuing our objective of implementing the highest levels of corporate governance and transparency. We are happy to report that we are ahead of schedule in meeting the UAE Securities & Commodities Authority ("ESCA") corporate governance requirement due for full adoption and implementation by all UAE listed companies in 2010.

Last, but not least, the Board of Directors would like to take this opportunity to express our thanks and appreciation to our shareholders for their continued trust and support and to our management and staff of the Group for their commitment, hard work and dedication.


Majid Saif Al Ghurair
Chairman
Iyad Duwaji
Chief Executive Officer

15 February 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SHUAA CAPITAL PSC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Shuaa Capital PSC ("the Company") and its subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flow for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of the Company, Federal Law No. 8 of 1984 (as amended) and Federal Law No. 10 of 1980. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of 31 December 2008 and their consolidated financial performance and consolidated cash flows for the period then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of Federal Law No. 8 of 1984 (as amended), Federal Law No. 10 of 1980 and the articles of association of the Company; 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 articles of association of the Company, Federal Law No. 8 of 1984 (as amended) or Federal Law No. 10 of 1980 have occurred during the period which would have had a material effect on the business of the Group or on its financial position.

Ernst & Young

A handwritten signature in dark ink, appearing to read 'Ali H Issa', with a stylized flourish at the end.

Signed by
Ali H Issa
Partner
Registration No. 488

15 February 2009

Dubai

SHUAA Capital psc**CONSOLIDATED BALANCE SHEET**

At 31 December 2008

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

	Notes	31 December 2008	31 March 2008
<u>Assets</u>			
Cash and deposits with banks		390,089	611,347
Receivables and other debit balances	4	272,030	607,705
Investment securities	5	988,600	1,909,091
Installment credits, loans and advances	6	1,218,876	990,511
Investments available for sale	7	325,598	416,312
Investments held to maturity	8	151,278	-
Investments in associates	9	900,689	1,132,755
Fixed assets	10	34,243	23,649
Goodwill	12	95,200	95,200
Total Assets		4,376,603	5,786,570
<u>Liabilities</u>			
Due to banks	13	1,190,254	729,239
Payables and other credit balances	14	728,952	944,677
Medium-term debt	15	189,440	418,103
Total Liabilities		2,108,646	2,092,019
Equity Attributable to Equity Holders of the Parent			
Paid-up share capital	16	550,000	550,000
Treasury shares	17	(13,475)	(13,475)
Employee stock option plan shares	18	(129,424)	(164,601)
Statutory reserve	20	553,140	553,140
Retained earnings		(398,551)	634,429
Proposed dividend	21	-	247,500
Investment revaluation reserve	22	(28,688)	113,810
Translation reserve		14,654	37,794
Convertible bond	23	1,676,000	1,676,000
		2,223,656	3,634,597
Minority interest	24	44,301	59,954
Total Equity		2,267,957	3,694,551
Total Liabilities and Equity		4,376,603	5,786,570
<u>Contra accounts</u>			
Clients' funds under management	35	4,503,511	14,226,853



Majid Saif Al Ghurair – Chairman

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the period ended 31 December 2008

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

		<i>1 Oct 2008 to 31 Dec 2008 (3 Months) Unaudited Ref (i)</i>	<i>1 Apr 2008 to 31 Dec 2008 (9 Months) Audited</i>	<i>1 Oct 2007 to 31 Dec 2007 (3 Months) Unaudited Ref (i)</i>	<i>1 Apr 2007 to 31 Dec 2007 (9 Months) Unaudited Ref (i)</i>	<i>1 Apr 2007 to 31 Mar 2008 (12 Months) Audited</i>
	<i>Notes</i>					
Interest income		47,231	139,417	38,970	92,260	130,386
Interest expense		(31,827)	(71,830)	(25,512)	(68,138)	(89,970)
Net interest income		<u>15,404</u>	<u>67,587</u>	<u>13,458</u>	<u>24,122</u>	<u>40,416</u>
Net income from investment securities	25	(365,668)	(724,629)	117,798	204,327	170,877
Income from investments	26	15,038	19,967	18,149	31,971	27,784
Fees and commissions income	27	13,317	212,050	206,615	312,988	429,655
Investment banking income		<u>(337,313)</u>	<u>(492,612)</u>	<u>342,562</u>	<u>549,286</u>	<u>628,316</u>
Income from associates		(2,900)	(18,643)	12,468	29,688	42,040
Impairment charges	28	(149,964)	(186,694)	-	-	-
Operating income		<u>(474,773)</u>	<u>(630,362)</u>	<u>368,488</u>	<u>603,096</u>	<u>710,772</u>
General and administrative expenses	29	(106,016)	(303,360)	(40,061)	(116,373)	(207,462)
Depreciation and amortisation	10	(2,939)	(7,257)	(1,482)	(4,116)	(6,127)
Provisions	30	(8,986)	(24,174)	(112,621)	(138,770)	(100,243)
Operating expenses		<u>(117,941)</u>	<u>(334,791)</u>	<u>(154,164)</u>	<u>(259,259)</u>	<u>(313,832)</u>
(Loss) / Profit for the period / year		<u><u>(592,714)</u></u>	<u><u>(965,153)</u></u>	<u><u>214,324</u></u>	<u><u>343,837</u></u>	<u><u>396,940</u></u>
Attributable to:						
Minority interest		(15,357)	(16,657)	1,300	2,263	(3,525)
Equity holders of the parent		<u>(577,357)</u>	<u>(948,496)</u>	<u>213,024</u>	<u>341,574</u>	<u>400,465</u>
Earnings per share (equity holders of the parent) for the period / year						
Basic earnings per share (in AED)	31	<u>(1.099)</u>	<u>(1.874)</u>	<u>0.389</u>	<u>0.615</u>	<u>0.723</u>
Diluted earnings per share (in AED)	31	<u>(0.724)</u>	<u>(1.199)</u>	<u>0.298</u>	<u>0.559</u>	<u>0.607</u>

(i) This additional information, which has not been subject to audit, is provided for comparative purposes due to the change in accounting reference period (note 1).

The attached notes 1 to 38 form part of these consolidated financial statements.

SHUAA Capital psc

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period ended 31 December 2008

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

Attributable to equity holders of the Parent												
	Paid-up share capital	Treasury shares	Employee stock option plan shares	Statutory reserve	Retained earnings	Proposed dividend	Investment revaluation reserve	Translation reserve	Convertible bond	Total	Minority interest	Total equity
Balance as of 1 April 2007	550,000	(13,475)	(174,659)	553,140	513,123	110,000	2,189	2,330	-	1,542,648	4,593	1,547,241
Net movement in cumulative changes in fair value	-	-	-	-	-	-	111,621	-	-	111,621	141	111,762
Currency translation differences	-	-	-	-	-	-	-	35,464	-	35,464	-	35,464
Interest on convertible bond	-	-	-	-	(38,250)	-	-	-	-	(38,250)	-	(38,250)
Total income and expense recognised directly in equity	-	-	-	-	(38,250)	-	111,621	35,464	-	108,835	141	108,976
Net profit for the period	-	-	-	-	400,465	-	-	-	-	400,465	(3,525)	396,940
Total income and expense for the period	-	-	-	-	362,215	-	111,621	35,464	-	509,300	(3,384)	505,916
Dividend paid	-	-	-	-	-	(110,000)	-	-	-	(110,000)	-	(110,000)
Proposed dividend	-	-	-	-	(247,500)	247,500	-	-	-	-	-	-
Directors' remuneration	-	-	-	-	(4,987)	-	-	-	-	(4,987)	-	(4,987)
Dividend entitlement on treasury shares held	-	-	-	-	600	-	-	-	-	600	-	600
Issue of convertible bond	-	-	-	-	-	-	-	-	1,676,000	1,676,000	-	1,676,000
Minority interest arising from acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	58,745	58,745
Net movement in employee stock option plan shares	-	-	10,058	-	(17,000)	-	-	-	-	(6,942)	-	(6,942)
Share based payments charge	-	-	-	-	27,978	-	-	-	-	27,978	-	27,978
Balance as of 31 March 2008	550,000	(13,475)	(164,601)	553,140	634,429	247,500	113,810	37,794	1,676,000	3,634,597	59,954	3,694,551

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

The attached notes 1 to 38 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2008

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

	<i>1 Apr 2008 to 31 Dec 2008 (9 Months) Audited</i>	<i>1 Apr 2007 to 31 Mar 2008 (12 Months) Audited</i>
Cash flows from operating activities:		
(Loss) / Profit for the period / year	(965,153)	396,940
Adjustments for:		
Depreciation	7,257	6,127
Unrealised losses/(gains) on investments securities	550,808	(69,207)
Income from investments in associates	18,643	(42,040)
Impairment of investments in associates	105,631	-
Income from investments available for sale	(12,825)	(18,066)
Impairment of investments available for sale	67,735	-
Income from investments held to maturity	(2,283)	-
Impairment of investments held to maturity	11,535	-
Employee stock option plan shares	38,256	-
Provisions	24,174	100,243
Other non-operating income	(3,080)	1,396
Cashflow from operations before changes in operating assets and liabilities	(159,302)	375,393
Receivables and other debit balances	254,407	210,235
Investment securities	381,487	(990,258)
Installment credits, loans and advances	(237,362)	(348,523)
Payables and other credit balances	(127,244)	(86,965)
Net cash flows from /(used in) operating activities	111,986	(840,118)
Cash flows from investing activities:		
Additions to investments available for sale	(139,149)	(169,847)
Additions to investments in held to maturity	(160,530)	-
Additions to investments in subsidiaries	22,239	-
Additions to investments in associates	(52,557)	(110,647)
Proceeds from sale of investments available for sale	55,203	50,525
Proceeds from sale of associates	40,646	-
Minority Interest	-	58,745
Dividend received from associates	32,082	21,651
Purchase of fixed assets	(12,899)	(18,320)
Net cash flows used in investing activities	(214,965)	(167,893)
Cash flows from financing activities:		
Issue of convertible bond	-	1,676,000
Interest on convertible bond	(67,500)	(23,250)
Settlement of corporate bond	-	(88,152)
Movement in medium term debt	(228,663)	1,121
Increase in amounts due to banks	447,907	38,985
Dividend paid	(245,214)	(109,400)
Director's remuneration paid	(7,459)	(4,987)
Movement in employee stock option plan shares	(17,350)	(6,942)
Net cash (used in)/from financing activities	(118,279)	1,483,375
Net (decrease) / increase in cash and cash equivalents	(221,258)	475,364
Cash and cash equivalents at beginning of the period	611,347	135,983
Cash and cash equivalents at end of the period	390,089	611,347
Operational cash flows from interest and dividend		
Interest received	134,936	125,895
Interest paid	(122,650)	(81,776)
Dividend received	4,218	6,407

The attached notes 1 to 38 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2008

(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 Emiri Decree No. 6 of 25 April 1979 and in accordance with the Federal Law No. (8) of 1984 (as amended). The registered address of the Company is P.O. Box 31045, Dubai, United Arab Emirates.

At an extraordinary general meeting, held on 17 June 2008, the shareholders elected, subject to Central Bank approval, to change the annual accounting reference period from March to December. Approval was sought and subsequently received from the Central Bank for this change, consequently these financial statements cover a nine month period from 1 April 2008 to 31 December 2008.

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 Central Bank of 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. On 1st January 2009, the Company delisted from the Kuwait Stock Exchange.

The consolidated financial statements of the Company and its subsidiaries ("the Group") were authorised for issue by the Board of Directors on 12 February 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of preparation

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

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

IASB Standards and amendments that are not yet effective and have not been early adopted by the Group

The Group has not adopted any IAS / IFRS amendments which are not yet effective. The following standard, which is not yet effective, is expected to have a significant impact on the financial statements when adopted.

- IAS 1 (Amendments) Presentation of Financial Statements

The principal effect of this standard is as follows:

IAS 1 (Amendments) Presentation of Financial Statements

The standard has been amended, effective from 1 January 2009, to require all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. The components of non-owner changes in equity are to be presented in a statement of recognised income and expense and are not allowed to be presented in the statement of changes in equity. The application of this standard will result in amendments to the presentation of the financial statements.

Basis of consolidation

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

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES - continued**Trade date accounting**

All "regular way" sales and purchases of financial assets are recognised on the "trade date", the date that the 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.

Significant accounting judgments and estimates

In the process of applying the Group's accounting policies management has made the following judgments and estimates, which are significant with regard to the amounts recognised in the financial statements:

Estimation uncertainty

The key assumptions, concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of unquoted equity investments

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

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

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined and as a result these investments are carried at cost. The Group calibrates its valuation techniques periodically and tests these for validity using either prices from observable current market transactions in the same instrument or other available observable market data.

Fair value of financial instruments

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

Impairment losses on loans and advances

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

In addition to specific allowances against individually significant loans and advances, the group also makes a collective impairment allowance against exposure which, although not specifically identified as requiring a specific allowance, has a greater risk of default than when originally granted.

Impairment of available for sale investments

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued**Financial assets**

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

- Held for trading investments
- Investment securities designated at fair value through profit and loss
- Installment credits, loans and advances
- Held to maturity investments
- Available for sale investments

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

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

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

After initial recognition securities held for investment are measured at fair value. The fair value of securities traded in recognised financial markets is their quoted price. For securities where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument that is substantially the same or is based on discounted cash flow analysis, option pricing models or other reliable valuation methods. 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 investment securities is recognised in the income statement for the period in which it arises. Dividend, interest and other revenues generated from investment securities are included in "income from investment securities" in the consolidated income statement.

Installment credits, loans and advances

Loans and receivables that are non derivative financial assets with fixed or determinable payments and that are not quoted in an active market are designated as installment credits, loans and advances. Installment credits, loans and advances are carried at the gross amount due from customers less any 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 doubtful. Installment credits, 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.

Held to maturity investments

Investments classified as held to maturity have fixed or determinable payments, fixed maturity and are intended to be held to maturity. They are carried at amortised cost using the effective interest method, less provision for impairment.

Available for sale investments

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

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

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

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

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

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

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

Financial liabilities

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

- financial liabilities at fair value through profit or loss
- loans and borrowings
- derivatives designated as hedging instruments in an effective hedge

Financial liabilities are recognised initially at fair value.

The Company's financial liabilities include trade and other payables, bank overdraft, loans and borrowings, financial guarantee contracts, and derivative financial instruments. Subsequent measurement of loans and borrowing uses the effective interest rate method.

Investment in associated companies

The Group's investments in associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised.

Goodwill

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

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

Income recognition

Interest income, as well as fees which are considered an integral part of the effective yield of a financial asset, is recognised using the effective yield method, unless recoverability is in doubt. The recognition of interest income is suspended when loans become impaired, such as when they become overdue by more than 90 days.

Notional interest is recognised on impaired loans and other financial assets based on the rate used to discount future cash flows to their net present value. Other fees receivable are recognised as the services are provided. Dividend income is recognised when the right to receive payment is established.

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 recognised 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued**Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year are taken directly to the income statement.

Repurchase and resale agreements

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collateralized financing transactions. These transactions are conducted under standard agreements employed by financial market participants and are undertaken with counterparties subject to the Group's normal credit risk control processes. In reverse repurchase agreements, the cash delivered is derecognized and a corresponding receivable, including accrued interest, is recorded in the balance sheet line Receivables and other debit balances, recognizing the Group's right to receive it back. In repurchase agreements, the cash received, including accrued interest, is recognized on the balance sheet with a corresponding obligation to return it (Payables and other credit balances). Securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognized on or derecognized from the balance sheet, unless the risks and rewards of ownership are obtained or relinquished.

Share-based payment transactions

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

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in note 19.

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

Foreign currency translation

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

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

On consolidation, assets and liabilities of subsidiaries are translated at rates of exchange prevailing as at the balance sheet date and the results of their operations are translated at the average rates of exchange for the year. The exchange differences arising on consolidation and equity accounting are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement as part of the gain or loss on sale.

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.

Treasury shares

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

3. FINANCIAL RISK MANAGEMENT**Introduction**

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

Risk management structure

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

Authority to set Group-wide rules to manage credit, liquidity and market risk are delegated to the Investment Committee and to each subsidiary, however enterprise wide risk is monitored to ensure that Group wide rules are adhered to.

Credit risk

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

The Investment Committee regularly reviews the status of receivables and exposures and provisions and mitigation steps are approved for any balances considered doubtful.

Maximum exposure to credit risk

The maximum exposure to credit risk for the components of the balance sheet, before considering collateral or other credit enhancement, is shown below:

	<i>Gross maximum exposure 31 Dec 2008</i>	<i>Gross maximum exposure 31 Mar 2008</i>
Cash and deposits with banks	390,089	611,347
Receivables and other debit balances	272,030	607,705
Investment securities	988,600	1,909,091
Installment credits, loans and advances	1,218,876	990,511
Investments available for sale	325,598	416,312
Investments held to maturity	151,277	-
Total	3,346,470	4,534,966
Contingent liabilities	211,400	200,000
Commitments	383,054	261,623
Total	594,454	461,623
Total credit risk exposure	3,940,924	4,996,589

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3. FINANCIAL RISK MANAGEMENT - continued

The Group's assets, before considering collateral held or other credit enhancements can be analysed by the following geographical regions.:

	UAE	GCC Other	MENA Other	North America	Europe	Asia Other	Total
Cash and deposits with banks	332,675	3,856	29,623	19,604	4,268	63	390,089
Receivables and other debit balances	207,193	38,619	22,751	-	3,368	99	272,030
Investment securities	212,885	450,666	13,796	45,503	109,109	156,641	988,600
Installment credits, loans and advances	813,006	374,742	31,128	-	-	-	1,218,876
Investments available for sale	81,310	15,523	109,000	-	749	119,016	325,598
Investments held to maturity	127,403	23,875	-	-	-	-	151,278
Investments in associates	209,731	532,217	158,741	-	-	-	900,689
Fixed assets	18,531	5,081	9,271	-	1,360	-	34,243
Goodwill	95,200	-	-	-	-	-	95,200
Total Assets - 31 December 2008	2,097,934	1,444,579	374,310	65,107	118,854	275,819	4,376,603
 Total Assets - 31 March 2008	 2,647,382	 987,310	 980,856	 153,944	 330,926	 686,152	 5,786,570

Collateral and other credit enhancements

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

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. The Group also makes use of master netting agreements with counterparties.

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

31 December 2008

	Neither past due nor impaired			Past due or individually impaired	Grand Total
	High grade	Standard grade	Total		
Cash and deposits with banks	390,089	-	390,089	-	390,089
Receivables and other debit balances	-	272,030	272,030	-	272,030
Installment credits, loans and advances	-	1,277,161	1,277,161	93,651	1,370,812
	<u>390,089</u>	<u>1,549,191</u>	<u>1,939,280</u>	<u>93,651</u>	<u>2,032,931</u>

31 March 2008

	Neither past due nor impaired			Past due or individually impaired	Grand Total
	High grade	Standard grade	Total		
Cash and deposits with banks	611,347	-	611,347	-	611,347
Receivables and other debit balances	-	607,705	607,705	-	607,705
Installment credits, loans and advances	-	1,033,132	1,033,132	84,985	1,118,117
	<u>611,347</u>	<u>1,640,837</u>	<u>2,252,184</u>	<u>84,985</u>	<u>2,337,169</u>

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3. FINANCIAL RISK MANAGEMENT - continued

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

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

	31 December 2008				
	Less than 31 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Installment credits, loans and advances	19,728	48,001	3,509	-	71,238
	31 March 2008				
	Less than 31 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Installment credits, loans and advances	40,664	12,057	2,513	7,242	62,476

Liquidity risk

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

The Group's approach aims to always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses and without materially affecting the return on capital. The Group's Board of Directors has set minimum liquidity ratios and cash balance requirements. The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

The Group collates the projected cash flow and liquidity profiles of its financial assets and liabilities. It maintains a portfolio of short-term liquid assets to cover requirements, largely consisting of short-term liquid placements with financial institutions.

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

The maturity profile of assets and liabilities as of 31 December 2008, determined on the basis of the remaining contractual maturity, where applicable, was as follows:

	<i>Less than 3 Months</i>	<i>3-12 Months</i>	<i>1-5 Years</i>	<i>Over 5 years</i>	<i>Total</i>
Cash and deposits with banks	390,089	-	-	-	390,089
Receivables and other debit balances	239,033	-	32,997	-	272,030
Investment securities	958,943	15,958	13,699	-	988,600
Installment credits, loans and advances	585,418	349,707	283,751	-	1,218,876
Investments available for sale	-	-	325,598	-	325,598
Investments held to maturity	-	56,689	94,589	-	151,278
Investments in associates	-	-	900,689	-	900,689
Fixed assets	-	-	34,243	-	34,243
Goodwill	-	-	-	95,200	95,200
Total Assets	2,173,483	422,354	1,685,566	95,200	4,376,603
Due to banks	824,536	365,718	-	-	1,190,254
Payables and other credit balances	283,292	404,967	40,693	-	728,952
Medium-term debt	-	-	189,440	-	189,440
Equity	-	-	-	2,267,957	2,267,957
Total Liabilities and Equity	1,107,828	770,685	230,133	2,267,957	4,376,603
Net liquidity gap	1,065,655	(348,331)	1,455,433	(2,172,757)	-
Cumulative liquidity gap	1,065,655	717,324	2,172,757	-	-

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3. FINANCIAL RISK MANAGEMENT - continued

The maturity profile of assets and liabilities as of 31 March 2008 was as follows:

	<i>Less than 3 Months</i>	<i>3-12 Months</i>	<i>1-5 Years</i>	<i>Over 5 years</i>	<i>Total</i>
Cash and deposits with banks	611,347	-	-	-	611,347
Receivables and other debit balances	512,364	94,196	1,145	-	607,705
Investment securities	1,909,091	-	-	-	1,909,091
Installment credits, loans and advances	475,505	268,500	246,506	-	990,511
Investments available for sale	-	-	416,312	-	416,312
Investments in associates	-	-	1,132,755	-	1,132,755
Fixed assets	-	-	23,649	-	23,649
Goodwill	-	-	-	95,200	95,200
Total Assets	3,508,307	362,696	1,820,367	95,200	5,786,570
Due to banks	456,651	272,588	-	-	729,239
Payables and other credit balances	641,930	285,035	17,712	-	944,677
Medium-term debt	-	-	418,103	-	418,103
Equity	-	-	-	3,694,551	3,694,551
Total Liabilities and Equity	1,098,581	557,623	435,815	3,694,551	5,786,570
Net liquidity gap	2,409,726	(194,927)	1,384,552	(3,599,351)	-
Cumulative liquidity gap	2,409,726	2,214,799	3,599,351	-	-

The Group's financial liabilities based on contractual undiscounted repayment obligations are as follows.

<i>31 December 2008</i>				
	<i>Less than 3 months</i>	<i>3-12 Months</i>	<i>1 to 5 years</i>	<i>Total</i>
Due to banks	802,580	400,175	-	1,202,755
Trade and other credit payables	36,014	404,757	1,086	441,857
Medium term debt	-	-	216,825	216,825
Total	838,594	804,932	217,911	1,861,437

<i>31 March 2008</i>				
	<i>Less than 3 months</i>	<i>3-12 Months</i>	<i>1 to 5 years</i>	<i>Total</i>
Due to banks	690,357	101,533	-	791,890
Trade and other credit payables	581,938	246,006	-	827,944
Medium term debt	-	45,777	430,783	476,560
Total	1,272,295	393,316	430,783	2,096,394

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

31 December 2008					
	Less than 3 months	3-12 Months	1 to 5 years	Over 5 years	Total
Contingent liabilities	-	11,400	200,000	-	211,400
Commitments	3,300	47,370	332,384	-	383,054
Total	3,300	58,770	532,384	-	594,454

	31 March 2008				
	Less than 3 months	3-12 Months	1 to 5 years	Over 5 years	Total
Contingent liabilities	-	-	200,000	-	200,000
Commitments	-	218,721	42,902	-	261,623
Total	-	218,721	242,902	-	461,623

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

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

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

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

Interest rate risk

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

<i>Currency</i>	<i>Increase in basis points</i>	<i>Sensitivity of net interest income 31 December 2008</i>	<i>Sensitivity of net interest income 31 March 2008</i>
AED	25	126	1,600
USD	25	(1,304)	(1,173)

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2008, including the effect of hedging instruments.

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

Foreign exchange risk

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

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

The table below indicates the currencies to which the Group had significant exposure at 31 December 2008. The analysis indicates the effect on profit and equity of an assumed 1% strengthening in the UAE Dirham value against other currencies from levels applicable at 31st December 2008, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or equity, whereas a positive amount reflects a net potential increase.

		<i>31 December 2008</i>		<i>31 March 2008</i>	
<i>Currency</i>	<i>% Change in Currency rate</i>	<i>Effect on profit AED '000</i>	<i>Effect on equity AED'000</i>	<i>Effect on profit AED '000</i>	<i>Effect on equity AED '000</i>
Jordanian Dinar	+1	72	(897)	(444)	(157)
Egyptian Pound	+1	35	(252)	(423)	(488)
Kuwaiti Dinar	+1	-	(3,275)	(555)	(4,148)
Japanese Yen	+1	-	-	(336)	-
Saudi Riyal	+1	(94)	(1,406)	(3,455)	-
Indian Rupee	+1	(693)	(847)	(3,767)	(1,486)
Qatari Riyal	+1	(2,182)	(1,995)	(397)	(2,383)
US Dollar	+1	(2,755)	-	4,767	-

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3. FINANCIAL RISK MANAGEMENT - continued

Equity price risk

Equity price risk is the risk that the fair values of securities decrease as the result of changes in market values.

The effect of equity price risk on the Group with all other variables held constant, is as follows:

		<u>31 December 2008</u>		<u>31 March 2008</u>	
	<i>% Change in equity price</i>	<i>Effect on profit AED '000</i>	<i>Effect on equity AED'000</i>	<i>Effect on profit AED '000</i>	<i>Effect on Equity AED '000</i>
Quoted Equities					
NASDAQ Dubai	-5	(4,243)	-	(11,318)	(832)
KSA Stock Exchange	-5	(979)	-	(2,254)	-
Oman Stock Exchange	-5	(458)	-	(1,788)	-
ADSM	-5	(370)	-	(687)	-
Jordan Stock Exchange	-5	(159)	-	-	-
Turkey Stock Exchange	-5	(116)	-	-	-
DFM	-5	(107)	(194)	(3,215)	(1,410)
Doha Stock Exchange	-5	(61)	-	(125)	-
UK Stock Exchange	-5	(20)	-	-	-
Egypt Stock Exchange	-5	(6)	-	(1,680)	-
Indian Stock Exchanges	-5	-	-	(5,489)	-
Kuwait Stock Exchange	-5	-	-	(2,097)	-
Beirut Stock Exchange	-5	-	-	(299)	-
Unquoted Equities	-5	(2,045)	(5,211)	(1,921)	(7,649)
Funds	-5	(37,327)	(5,585)	(49,627)	(11,020)
Bonds	-5	(8,828)	-	(10,379)	-

Operational risk

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

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

Capital risk management

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

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

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

	<u>31 December 2008</u>	<u>31 March 2008</u>
Total borrowings	1,379,694	1,147,342
Less: cash and cash equivalents	(390,089)	(611,347)
Net Debt	989,605	535,995
Total equity	2,267,957	3,694,551
Total capital	3,257,562	4,230,546
Gearing ratio	30.4%	12.7%

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4. RECEIVABLES AND OTHER DEBIT BALANCES

	<i>31 December 2008</i>	<i>31 March 2008</i>
Receivable from brokers and dealers	111,147	285,426
Receivable against settlement of trades	8,401	101,749
Advance against investment	32,997	154,759
Advances for staff programs	15,845	14,198
Amounts due from related parties	32,886	11,965
Other receivables	70,754	39,608
	<u>272,030</u>	<u>607,705</u>

5. INVESTMENT SECURITIES

Investment securities comprise the following:

	<i>31 December 2008</i>	<i>31 March 2008</i>
Quoted fund investments	634,795	992,540
Equity securities		
Quoted	137,862	671,590
Unquoted *	38,829	37,382
Fixed income securities	177,114	207,579
	<u>988,600</u>	<u>1,909,091</u>

* Unquoted equities are designated as fair value investments through profit and loss. All other investment securities are held for trading.

6. INSTALLMENT CREDITS, LOANS AND ADVANCES

Installment credits, loans and advances comprise the following:

	<i>31 December 2008</i>	<i>31 March 2008</i>
Installment credits	748,910	628,840
Loans and advances	95,223	97,828
Due from clients	374,743	263,843
	<u>1,218,876</u>	<u>990,511</u>

(a) Installment credits

	<i>31 December 2008</i>	<i>31 March 2008</i>
Total installment credits	887,460	748,619
Cumulative provision for impairment	(21,233)	(17,377)
Interest in suspense	(926)	(754)
Unearned income on installment credits	(116,391)	(101,648)
	<u>748,910</u>	<u>628,840</u>

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

6. INSTALLMENT CREDITS, LOANS AND ADVANCES - continued

The movement in cumulative provision for impairment of instalment credits during the period is as follows:

	<i>31 December 2008</i>	<i>31 March 2008</i>
Balance, beginning of the period	(17,377)	(10,442)
Provision made during the period	(10,854)	(8,122)
	<u>(28,231)</u>	<u>(18,564)</u>
Less: recoveries made against the provision during the period	2,430	1,187
Less: write offs	4,568	-
	<u>(21,233)</u>	<u>(17,377)</u>

The cumulative provision for impairment represents management's best estimate of potential losses in the instalments credits as at the balance sheet date.

(b) Loans and advances

	<i>31 December 2008</i>	<i>31 March 2008</i>
Loans	108,608	105,655
Cumulative provision for impairment	(5,707)	(5,132)
Interest in suspense	(3,736)	(2,613)
Unearned interest	(3,942)	(82)
	<u>95,223</u>	<u>97,828</u>

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

	<i>31 December 2008</i>	<i>31 March 2008</i>
Balance, beginning of the period	(5,132)	(3,898)
Provision made during the period	(778)	(1,351)
	<u>(5,910)</u>	<u>(5,249)</u>
Less: recoveries made against the provision during the period	203	117
	<u>(5,707)</u>	<u>(5,132)</u>

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

(c) Due from clients

The Group extends margins to clients for the purpose of trading in quoted securities. These advances are short term in nature and are secured by the underlying securities held in custody by the Group. As at 31 December 2008, these underlying securities were valued at 1,109,869 (31 March 2008 – 2,410,342).

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7. INVESTMENTS AVAILABLE FOR SALE

	<i>31 December 2008</i>	<i>31 March 2008</i>
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Investments available for sale are stated at their fair value and comprise the following:

Quoted direct equity investments	46,330	158,936
Unquoted direct equity investments	96,317	29,267
Unquoted fund investments	182,951	228,109
	<u>325,598</u>	<u>416,312</u>

8. INVESTMENTS HELD TO MATURITY

Investments held to maturity comprise the following:

	<i>31 December 2008</i>	<i>31 March 2008</i>
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Fixed income securities	<u>151,278</u>	-
	<u>151,278</u>	-

The quoted market value of fixed income securities held to maturity as of 31 December 2008 is 95,245.

9. INVESTMENTS IN ASSOCIATES

The Group has the following investments in associates:

	<i>Country of incorporation</i>	<i>Book value / Ownership %</i>	
		<i>31 December 2008</i>	<i>31 March 2008</i>
Porta Egypt for Packaging Materials	Egypt	- 0%	49,262 49.1%
Amwal	Qatar	201,466 46.7%	246,659 46.7%
Al-Kout Industrial Projects Company	Kuwait	330,751 48.7%	418,985 48.7%
Taghleef Industries L.L.C.	U.A.E.	158,742 23.4%	139,176 23.4%
Orion Holdings Overseas	U.A.E.	92,189 20.0%	278,673 20.0%
City Engineering LLC	U.A.E.	29,600 40.0%	- -%
Septeck Holding Limited	U.A.E.	87,941 49.0%	- -%
		<u>900,689</u>	<u>1,132,755</u>

Porta Egypt

Porta Egypt for Packaging Materials is an Egyptian Joint Stock Company, engaged in the production of printed and laminated packing and packaging materials for food products. This investment was sold during this period generating a gain of 5,134.

Amwal

Amwal is a Qatari shareholding closed company, licensed by the Central Bank of Qatar to conduct investment banking and asset management activities in Qatar.

Al-Kout

Al-Kout Industrial Projects Company is a joint stock company listed on the Kuwait stock exchange. Al Kout focuses on water and infrastructure sectors and is engaged in the production of chemicals used in water and oil industries, in addition to newly added water desalination in Saudi Arabia. The Group determined the recoverable amount of the Al Kout investment based on a value in use calculation, using cash flow predictions based on financial projections approved by senior management covering a five year period. The review concluded that the investment was impaired and an impairment charge of 68,901 was recognised.

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9. INVESTMENTS IN ASSOCIATES - continued**Taghleef**

Taghleef Industries LLC ("TI") is a Dubai limited liability company and a leading manufacturer of plastic based flexible packaging. TI today is a global business with five plants across four continents, and serves its clients in 47 countries. The Group has commenced discussions with a related party, to sell its shareholding in TI based on a previously agreed cost plus formula.

Orion Holdings Overseas

Orion Holdings Overseas is a company registered in Dubai International Financial Center, engaged in prime brokerage, clearing and financial IT solutions. The Group acquired a 20% stake in Orion Holdings Overseas for an initial price of 277,143. This price included 137,738 contingent upon the achievement of profit targets for the twelve month period to December 2008. These targets were not achieved and consequently the contingent component of the agreed purchase price was not paid. During the period, Orion Holdings Overseas reported trading losses, which based on the requirement of IAS 28, investments in associates, were equity accounted for by the Group. Trading losses may be indication of impairment and as such the Group reviewed the carrying value of its investment. The recoverable amount of the Orion Holdings Overseas investment has been determined based on a value in use calculation, using cash flow predictions based on financial projections approved by senior management covering a five year period. The review concluded that the investment was impaired and an impairment charge of 36,730 was recognised.

City Engineering LLC

City Engineering LLC is a limited liability company based in Sharjah and is engaged in construction contracting. During the period the Group acquired a 40% stake in the company for 29,600.

Septeck Holding Limited

Septeck Holding Limited is a limited liability company based in Sharjah and is engaged in wastewater, water and related infrastructure product and services, and marina products and services. During the period the Group acquired a 49% stake in the company for 87,941.

The movement in investments in associates during the period was as follows:

	<i>31 December 2008</i>	<i>31 March 2008</i>
Balance, beginning of period	1,132,755	774,008
Additions during the period	118,774	294,297
Adjustment of acquisition price	(137,738)	-
Capital Increase	25,740	-
Sale of associates during the period	(41,688)	-
Share of results of associates	(18,643)	42,040
Impairment charges recognised	(105,631)	-
Share of movement in fair values of associates	(20,518)	9,078
Dividends received	(32,082)	(21,651)
Translation reserve	(20,280)	34,983
Balance, end of the period	<u>900,689</u>	<u>1,132,755</u>

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

	<i>31 December 2008</i>	<i>31 March 2008</i>
Assets	1,156,577	714,764
Liabilities	(701,467)	(235,342)
Net assets	<u>455,110</u>	<u>479,422</u>
Revenues	<u>399,458</u>	<u>351,114</u>

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

10. FIXED ASSETS

	<i>Furniture & leasehold improvements</i>	<i>Office equipment & computers</i>	<i>Motor vehicles</i>	<i>Total</i>
<u>Cost</u>				
At 1 April 2008	24,277	16,466	1,684	42,427
Acquisition of subsidiary	4,894	330	-	5,224
Additions	6,812	5,611	799	13,222
Disposals	(288)	(24)	(182)	(494)
At 31 December 2008	35,695	22,383	2,301	60,379
<u>Accumulated depreciation</u>				
At 1 April 2008	8,367	9,403	1,008	18,778
Acquisition of subsidiary	123	149	-	272
Charge for the period	3,578	3,324	355	7,257
On disposal	(18)	-	(153)	(171)
At 31 December 2008	12,050	12,876	1,210	26,136
<u>Net book value</u>				
At 31 December 2008	23,645	9,507	1,091	34,243

	<i>Furniture & leasehold improvements</i>	<i>Office equipment & computers</i>	<i>Motor vehicles</i>	<i>Total</i>
<u>Cost</u>				
At 1 April 2007	11,045	11,897	1,659	24,601
Additions	13,232	4,968	234	18,434
Disposals	-	(399)	(209)	(608)
At 31 March 2008	24,277	16,466	1,684	42,427
<u>Accumulated depreciation</u>				
At 1 April 2007	5,626	6,737	781	13,144
Charge for the year	2,741	3,020	366	6,127
On disposal	-	(354)	(139)	(493)
At 31 March 2008	8,367	9,403	1,008	18,778
<u>Net book value</u>				
At 31 March 2008	15,910	7,063	676	23,649

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11. BUSINESS COMBINATION

Effective 1st April 2008, the Group completed its acquisition of the majority of the share capital of three of the regional brokerage businesses from Orion Holdings Overseas in consideration for 7% of the share capital of SHUAA Securities Limited. The main activity of the business acquired is stock broking.

The fair value of the identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition were:

	<i>Fair value recognised on acquisition</i>	<i>Carrying value</i>
Cash and deposits with banks	23,066	23,066
Receivables and other debit balances	31,038	31,038
Investment securities	11,804	11,804
Investments available for sale	2,364	2,364
Fixed assets	4,952	4,952
Total Assets	73,224	73,224
Due to banks	13,108	13,108
Payables and other credit balances	42,240	42,240
Total Liabilities	55,348	55,348
Fair value of net assets	17,876	17,876
Goodwill arising on acquisition	-	
Minority interest	(2,167)	
Cost of acquisition	15,709	
Cash outflow on acquisition of the subsidiaries:		
Net cash acquired with the subsidiaries		23,066
Cash paid		-
Net cash inflow		23,066

From the date of acquisition, the acquired business has contributed (15,367) to the net loss of the Group.

Minority interest in Menkul Limited:

On 7 October 2008, the Group acquired an additional 7.9% of the voting shares of Menkul Limited, taking its ownership to 92.9%. Cash consideration of 2,135 was paid. The book value of the net assets of Menkul Limited at that period was 4,316 and the book value of the additional interest acquired was 341. The difference of 1,794 between consideration and book value of the interest acquired has been recognised as goodwill.

12. GOODWILL

Goodwill acquired through business combinations has been allocated to Gulf Finance Corporation, SHUAA Securities L.L.C and Menkul Limited as separate cash-generating units for the purposes of impairment testing.

The recoverable amount of the cash generating unit is determined based on a value in use calculation, using cash flow projections based on financial budgets approved by senior management. The key assumptions of the value in use calculations are those regarding industry growth rates, expected changes in revenues and direct costs during the period. Changes in revenues and direct costs are based on past practices and expectations of future changes in the market.

For the period ended 31 December 2008 the goodwill impairment review revealed changed circumstances to the carrying value of Menkul Limited and as such the value attributed to goodwill for this entity was reduced to nil, 1,794 was charged to the income statement in the period.

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12. GOODWILL - continued

The movement in goodwill is presented below:

	<i>31 December 2008</i>	<i>31 March 2008</i>
Balance, beginning of year	95,200	95,200
Acquisitions during the period	1,794	-
Impairment charge during the period	(1,794)	-
Balance, end of year	<u>95,200</u>	<u>95,200</u>

13. DUE TO BANKS

Due to banks comprise borrowings obtained from commercial banks in the ordinary course of business against the Group's established credit lines with these banks. Amounts due to banks are repayable within twelve months.

	<i>31 December 2008</i>	<i>31 March 2008</i>
Bank overdrafts	487,204	32,708
Other bank borrowings	703,050	696,531
	<u>1,190,254</u>	<u>729,239</u>

The Group's banking facilities are renewable every six months and carry US Dollar LIBOR based floating interest rates plus a spread ranging from 3% to 6%. During the period ended 31 December 2008, the Group secured new credit facilities of 237,502 (31 March 2008 – 760,247).

At 31 December 2008, letters of guarantee on behalf of the Group amounting to 415,140 (31 March 2008 227,500) had been provided by the Group's bankers. These guarantees are a standard mechanism used within the regions financial exchanges to facilitate the settlement process. It is anticipated that no material liabilities will arise from these guarantees.

14. PAYABLES AND OTHER CREDIT BALANCES

Payable and other credit balances comprise the following:

	<i>31 December 2008</i>	<i>31 March 2008</i>
Structured notes	386,092	-
Payable against investments	73,045	183,650
Accruals	86,911	116,733
Payable to clients	26,064	55,393
Dividend payable	49,640	41,329
Loans repurchased	10,587	57,504
Payable against settlement of trades	2,268	442,035
Other payables	94,345	48,033
	<u>728,952</u>	<u>944,677</u>

Structured notes includes 378,800 payable 30 November 2009. This note includes a principal of \$100m and interest is payable at a rate of 5.5% per annum due at the end of the term.

15. MEDIUM-TERM DEBT

Medium-term debt comprises the following:

	<i>31 December 2008</i>	<i>31 March 2008</i>
Term loans	189,440	418,103
	<u>189,440</u>	<u>418,103</u>

Repayment on the loan of USD 100 million from Abu Dhabi Commercial Bank commenced in May 2008 when the first of five equal installments of USD 20 million was due, a further installment of USD 20 million was paid when due in November 2008. Further equal installments are payable on May 2009, November 2009 and May 2010. This facility is unsecured.

16. PAID-UP SHARE CAPITAL

Authorised, issued and fully paid share capital comprises 550,000,000 shares of UAE Dirham 1.00 per share (31 March 2008 – 550,000,000 shares).

At 31 December 2008, 32,262,570 shares (31 March 2008 – 40,265,411 shares) are held by a Trustee on behalf of the option holders of the Employee Stock Option Plan.

17. TREASURY SHARES

The Group holds 3,000,000 of its treasury shares, equivalent to 0.55% of the share capital (31 March 2008 – 3,000,000). The market value of these treasury shares as at 31 December 2008 is 3,000 (31 March 2008 – 21,510).

18. EMPLOYEE STOCK OPTION PLAN SHARES

The stock option plan is administered by a trustee who holds in trust shares in SHUAA Capital PSC on behalf of the plan. These shares are recorded in the balance sheet as employee stock option plan shares within equity. The trust holds 32,262,570 shares, equivalent to 5.9% of the share capital (31 March 2008 40,265,411, 7.3 %). The market value of these shares as at 31 December 2008 is 32,263 (31 March 2008 – 288,703).

19. STOCK OPTION PLAN

Share options are granted to employees at the discretion of the Board within a framework approved by the shareholders of the Group.

On 31 December 2008 the terms of 3,016,666 previously granted options were modified, as part of the terms related to agreed severance packages. The modification cancelled 1,166,667 previously issued options and brought forward the vesting period of 1,849,999 options by an average sixteen months. These options would otherwise have, under the pre-existing terms, vested between eight and thirty two months later. The fair value of the modification made was 116, which represents the difference between the fair value of the options before and after modification.

During the year 3,200,000 options were issued at a weighted average exercise price of AED 5.75, vesting between one and three years after issue. The fair value of options granted during the period was 2,992 (31 March 2008 - 12,568).

For the purpose of calculating the expense to be recognised in the consolidated income statement, the fair value of options granted and the fair value of the option modification have been determined using a Black-Scholes option model. The services received and a liability to pay for these services is recognised over the expected vesting period.

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19. STOCK OPTION PLAN - continued

The following table lists the assumptions used in the equity settled options model for the period ended 31 December 2008 and the year ended 31 March 2008.

	<i>31 December 2008</i>	<i>31 March 2008</i>
Dividend yield	9.8%	4.0%
Expected volatility	43.0%	36.0%
Risk free interest rate	4.7%	4.5%
Expected average life of option (years)	3.00	1.91
Weighted average strike price (AED)	5.74	0.84

The expense recognised for employee services received during the period was 38,255 (31 March 2008 – 27,978).

Outstanding options granted to employees as of 31 December 2008 comprised 34,251,004 shares (31 March 2008 – 47,017,788) at an average exercise price of AED 1.51 per share (31 March 2008 - AED 1.01). The range of exercise prices for options outstanding at the end of the year was AED 0.00 to AED 6.00 (31 March 2008 – AED 0.00 to AED 6.00). During the year 9,140,619 (31 March 2008 – 7,418,728) options vested.

20. 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.

21. PROPOSED DIVIDEND

For the period ended 31 December 2008, the Board of Directors proposes that no cash dividend be paid. For the year ended 31 March 2008, the Group's Annual General Meeting, held on 17 June 2008, approved a cash dividend of 45% of the paid-up share capital of 550,000,000 shares. This dividend was paid on 6 July 2008.

22. INVESTMENT REVALUATION RESERVE

The investment revaluation reserve comprises following:

	<i>31 December 2008</i>	<i>31 March 2008</i>
Available for sale investments		
Balance, beginning of the period	107,784	5,241
Realised in the period	(9,073)	1,063
Net movement in fair values during the period	(112,905)	101,480
Balance, end of the period	(14,194)	107,784
Group's share of investment revaluation reserves in associates		
Balance, beginning of the period	6,026	(3,052)
Net movement in fair values during the period	(20,520)	9,078
Balance, end of the period	(14,494)	6,026
Total investment revaluation reserve	<u>(28,688)</u>	<u>113,810</u>

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23. CONVERTIBLE BOND

On 31 October 2007 the Group issued for 1,676,000 a convertible bond with a nominal value of 1,500,000, to Dubai Banking Group PJSC. This convertible bond carries an interest rate of 6% on the nominal bond holding, representing an effective interest rate of 5.4% on the subscription amount. The original bond maturity was 31 October 2008, however before conversion Dubai Banking Group PJSC served notice disputing the enforceability of the Group's option to redeem the convertible bond by issuing shares instead of cash.

On 2 November 2008 by mutual consent it was agreed to extend the bond maturity for a further year, until 31 October 2009, with the possibility at that time by mutual consent to extend the bond maturity for a further year, to 31 October 2010. This change is subject to the approval of shareholders, with the Dubai Banking Group PJSC to propose the election of three of the Board of Directors of the Group, at the next Annual General Meeting of Shareholders. Dubai Banking Group PJSC may continue to dispute the Group's option to redeem the convertible bond by issuing shares instead of cash at either of the future maturity dates, however the Group believes it has a strong defense of the enforceability of its option based on the opinions of internal and external legal counsel.

Interest is payable quarterly and on maturity both the holder and the issuer have the option to convert the bond to 250 million shares at a conversion rate of AED 6 per share.

24. MINORITY INTEREST

Minority interest represents the minority shareholders proportionate share in the aggregate value of the net assets of the subsidiaries and the results of these subsidiaries' operations.

25. NET INCOME FROM INVESTMENT SECURITIES

Income from investment securities comprises the following:

	<i>31 December 2008</i>	<i>31 March 2008</i>
Quoted fund investments	(255,783)	78,194
Equity securities	(273,735)	78,146
Fixed income securities	(157,926)	15,707
Foreign exchange and others	(37,185)	(1,170)
	<u>(724,629)</u>	<u>170,877</u>

26. INCOME FROM INVESTMENTS

Income from investments comprises the following:

	<i>31 December 2008</i>	<i>31 March 2008</i>
Dividends	4,218	6,407
Net gain on sale of investments available for sale	15,749	21,377
	<u>19,967</u>	<u>27,784</u>

27. FEE AND COMMISSION INCOME

Fee and commission income and expense comprises the following:

	<i>31 December 2008</i>	<i>31 March 2008</i>
Fee and commission income	221,255	433,580
Fee and commission expense	(9,205)	(3,925)
	<u>212,050</u>	<u>429,655</u>

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28. IMPAIRMENT CHARGES ON INVESTMENTS

Impairment charges on investments comprise the following:

	<i>31 December 2008</i>	<i>31 March 2008</i>
Impairment on available for sale investments	(67,733)	-
Impairment on investments in associates	(105,631)	-
Impairment of investments held to maturity	(11,536)	-
Impairment of goodwill	(1,794)	-
	<u>(186,694)</u>	<u>-</u>

29. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise the following:

	<i>31 December 2008</i>	<i>31 March 2008</i>
Employee salaries and fringe benefits	(208,693)	(137,121)
Office rent and related expenses	(12,954)	(13,138)
Corporate marketing and branding costs	(18,291)	(22,269)
Professional fees	(23,302)	(13,141)
Other	(40,120)	(21,793)
	<u>(303,360)</u>	<u>(207,462)</u>

Included in "employee salaries and fringe benefits" is 38,256 (31 March 2008 - 27,978) relating to the expense arising from transactions accounted for as equity settled share based payment transactions.

As of 31 December 2008, the Group had a total of 489 employees (31 March 2008 - 339 employees) represented by 219 employees in the parent company and 270 in subsidiaries.

30. PROVISIONS

The Group recognised provision charges in respect of the following:

	<i>31 December 2008</i>	<i>31 March 2008</i>
Employee benefits	-	(88,362)
Doubtful receivables	(14,558)	(3,712)
Installment credits, loans and advances	(9,616)	(8,169)
	<u>(24,174)</u>	<u>(100,243)</u>

31. EARNINGS PER SHARE

Basic earnings per share have been computed using the net income attributable to the ordinary equity holders of the parent (948,496) (31 March 2008 - 400,465) adjusted by the Director's fees 7,459 (31 March 2008 - 4,987) and interest due on convertible bonds 69,260. The adjusted earnings figure is divided by the weighted average number of ordinary shares outstanding 547,000,000 (31 March 2008 - 547,000,000).

Diluted earnings per share have been computed using the net income attributable to the ordinary equity holders of the parent (948,496) (31 March 2008 - 400,465) adjusted by the Director's fees 7,459 (31 March 2008 - 4,987) and divided by 797,000,000 (31 March 2008 - 651,166,667) corresponding to the sum of the weighted average number of ordinary shares outstanding and the number of ordinary shares to be issued on conversion of the convertible bond.

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32. RELATED PARTY TRANSACTIONS

A number of transactions are entered into with related parties in the normal course of business. Related parties represent associated companies, investment funds managed by the Group, directors and key management personnel of the Company. Pricing policies and terms of these transactions are approved by Group management.

Assets and liabilities with related parties are as follows:

	<i>31 December 2008</i>	<i>31 March 2008</i>
Receivables and other debit balances		
Associates	1,300	5,512
Other related parties	31,586	6,453
Loans and advances		
Associates	-	9,836
Other related parties	74,347	74,347
Key management personnel	1,668	9,134
	<u>108,901</u>	<u>105,282</u>

Advances to key management personnel reflects trading margin, secured against investments held and for which interest is charged at market rates, and sums advanced under the staff assistance program available to all employees, for which no interest is charged.

	<i>31 December 2008</i>	<i>31 March 2008</i>
Payables and other credit balances		
Associates	22,956	183,650
Other related parties	34,300	-
	<u>57,256</u>	<u>183,650</u>

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

	<i>31 December 2008</i>	<i>31 March 2008</i>
Interest income		
Associates	(69)	636
Other related parties	390	1,717
Fees and commission income		
Other related parties	75,555	90,213
Income from investments		
Other related parties	590	13,477
	<u>76,466</u>	<u>106,043</u>

Compensation of the key management personnel is as follows:

	<i>31 December 2008</i>	<i>31 March 2008</i>
Short term employee benefits	12,116	61,264
Termination benefits	-	4,034
Share based payments	22,897	19,238
Total compensation paid to key management personnel	<u>35,013</u>	<u>84,536</u>

33. SUBSIDIARIES

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

Name	Country of incorporation	Holding 31 December 2008	Holding 31 March 2008
SHUAA Capital (Assets) Inc.	British Virgin Islands	100%	100%
SHUAA Capital Inc.	British Virgin Islands	100%	100%
Gulf Finance Corporation PJSC	United Arab Emirates	100%	100%
SHUAA Capital International Ltd.	United Arab Emirates	100%	100%
SHUAA Partners Ltd.	United Arab Emirates	100%	100%
SHUAA Securities LLC (formerly Emirates Securities LLC)	United Arab Emirates	95%	95%
SHUAA Capital Saudi Arabia	Saudi Arabia	60%	60%
Menkul Ltd	Turkey	92.9%	-
Nile One Ltd	Egypt	100%	-
Asia Brokers Ltd	Jordan	80%	-

34. SEGMENTAL INFORMATION

The Group accounts for its activities on the basis of seven main business segments:

Principal Investments is SHUAA's proprietary, multi-strategy fund of funds. The objective of this business is to generate an annual return of 8%-12% with low volatility in a diversified portfolio across multiple asset classes with a strong bias towards India, Turkey and GCC. The fund of funds invests in a combination of SHUAA sponsored funds, third party funds in addition to incubating products. Ultimately, the goal is to open the fund directly to third parties, thereby generating future fee income.

Private Equity currently manages three private equity funds as well as the Group's heritage investments held within Corporate. SHUAA Partners Ltd, is the Group's private equity brand and is a DIFC category two licensed company staffed by a team of investment experts with a proven track record and a deep understanding of public and private investments in the GCC and wider MENA region.

Asset Management manages 18 investment portfolios and funds spanning fifteen regional stock exchanges. SHUAA Asset Management offers regional and foreign investors gateways for investment in the GCC and Arab stock markets. SHUAA Asset Management manages conventional equity and debt as well as Shariah compliant portfolios and investment funds using both active and passive management styles.

Brokerage operates under the brand of SHUAA Securities and acts as principal and agent, providing custody and clearing services to clients providing access to regional exchanges.

Investment Banking provides corporate finance advisory as well as equity and debt capital markets structured investments and other services. Other services include private placements, public offerings of equity and debt securities, trade sales, mergers, acquisitions, divestitures, spin-offs, syndications and structured products.

Finance operates under the brand of Gulf Finance Corporation and is primarily engaged in asset backed lending with a primary focus on small and medium sized enterprises.

Corporate manages future corporate development and controls all cash and shared service expenses related to the entire Group. In addition, all investments in associates are incubated within this business segment.

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34. SEGMENTAL INFORMATION - continued

The financial performance and position of these business segments are shown below:

1 April 2008 to 31 December 2008 (9 months) Audited								
	Principal Investments	Private Equity	Asset Management	Investment Banking	Brokerage	Finance	Corporate	Total
Interest income	6,883	-	-	23,613	-	77,106	31,815	139,417
Interest expense	(16,166)	(4)	-	(10,572)	(2,244)	(21,364)	(21,480)	(71,830)
	(9,283)	(4)	-	13,041	(2,244)	55,742	10,335	67,587
Income from investment securities	(440,380)	-	-	-	-	-	(284,249)	(724,629)
Income from investments	17,078	-	-	-	-	-	2,889	19,967
Fees and commissions income	280	52,703	74,304	7,987	65,937	4,138	6,701	212,050
	(423,022)	52,703	74,304	7,987	65,937	4,138	(274,659)	(492,612)
Income from associates	-	-	-	-	-	-	(18,643)	(18,643)
Impairment charges	(52,114)	-	-	-	-	-	(134,580)	(186,694)
Operating income	(484,419)	52,699	74,304	21,028	63,693	59,880	(417,547)	(630,362)
Operating expenses	(19,616)	(25,780)	(41,410)	(27,082)	(40,610)	(28,310)	(151,983)	(334,791)
(Loss)/profit for the period	(504,035)	26,919	32,894	(6,054)	23,083	31,570	(569,530)	(965,153)
Attributable to:								
Minority interests	-	5,314	-	(722)	126	-	(21,375)	(16,657)
Equity holders of the parent	(504,035)	21,605	32,894	(5,332)	22,957	31,570	(548,155)	(948,496)

31 December 2008 (Audited)								
	Principal Investments	Private Equity	Asset Management	Investment Banking	Brokerage	Finance	Corporate	Total
Assets	1,058,080	123,243	2,046	3,832	258,001	839,412	2,091,989	4,376,603
Liabilities	306,039	10,924	782	-	88,779	558,881	1,143,241	2,108,646

1 April 2007 to 31 December 2007 (9 months) Unaudited								
	Principal Investments	Private Equity	Asset Management	Investment Banking	Brokerage	Finance	Corporate	Total
Interest income	-	134	-	2,451	583	53,042	36,050	92,260
Interest expense	(159)	(22)	-	(124)	(1,384)	(16,810)	(49,639)	(68,138)
	(159)	112	-	2,327	(801)	36,232	(13,589)	24,122
Net income from investment securities	151,308	-	-	-	-	-	53,019	204,327
Income from investments	23,672	-	-	-	-	-	8,299	31,971
Fees and commissions income	39,047	17,089	81,141	81,498	86,965	1,980	5,268	312,988
	214,027	17,089	81,141	81,498	86,965	1,980	66,586	549,286
Income from associates	-	-	-	-	-	-	29,688	29,688
Impairment charges	-	-	-	-	-	-	-	-
Operating income	213,868	17,201	81,141	83,825	86,164	38,212	82,685	603,096
Operating expenses	(29,662)	(9,219)	(22,845)	(18,956)	(36,074)	(14,400)	(128,103)	(259,259)
Profit/(loss) for the period	184,206	7,982	58,296	64,869	50,090	23,812	(45,418)	343,837
Attributable to:								
Minority interests	-	-	-	-	2,263	-	-	2,263
Equity holders of the parent	184,206	7,982	58,296	64,869	47,827	23,812	(45,418)	341,574

31 December 2007 (Unaudited)								
	Principal Investments	Private Equity	Asset Management	Investment Banking	Brokerage	Finance	Corporate	Total
Assets	1,537,775	37,960	44,439	170,662	225,971	621,470	3,482,051	6,120,328
Liabilities	31,859	257,934	400.00	-	20,566	383,609	1,601,911	2,296,279

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34. SEGMENTAL INFORMATION - continued

1 April 2007 to 31 March 2008 (12 months) Audited								
	Principal Investments	Private Equity	Asset Management	Investment Banking	Brokerage	Finance	Corporate	Total
Interest income	-	327	-	-	583	73,393	56,083	130,386
Interest expense	(21,770)	(27)	-	(124)	(1,672)	(22,876)	(43,501)	(89,970)
	(21,770)	300	-	(124)	(1,089)	50,517	12,582	40,416
Net income from investment securities	143,336	-	34,669	-	-	-	(7,128)	170,877
Income from investments	28,283	-	-	-	-	-	(499)	27,784
Fees and commissions income	7,793	47,202	132,570	97,292	131,670	3,414	9,714	429,655
	179,412	47,202	167,239	97,292	131,670	3,414	2,087	628,316
Income from associates	-	-	-	-	-	-	42,040	42,040
Impairment charges	-	-	-	-	-	-	-	-
Operating income	157,642	47,502	167,239	97,168	130,581	53,931	56,709	710,772
Operating expenses	(11,424)	(11,178)	(36,664)	(26,682)	(40,972)	(20,028)	(166,884)	(313,832)
Profit/(loss) for the period	146,218	36,324	130,575	70,486	89,609	33,903	(110,175)	396,940
Attributable to:								
Minority interests	-	-	-	-	3,363	-	(6,888)	(3,525)
Equity holders of the parent	146,218	36,324	130,575	70,486	86,246	33,903	(103,287)	400,465

31 March 2008 (Audited)								
	Principal Investments	Private Equity	Asset Management	Investment Banking	Brokerage	Finance	Corporate	Total
Assets	1,923,713	50,507	17,507	184,485	464,204	687,667	2,458,487	5,786,570
Liabilities	19,556	402	-	57,505	272,621	438,628	1,303,307	2,092,019

35. CLIENTS' FUNDS UNDER MANAGEMENT

The Group is licensed as a financial services company regulated by the Central Bank of the United Arab Emirates (note 1). At 31 December 2008, client funds were managed in a fiduciary capacity, without risk or recourse to the Group. These funds are off balance sheet items and do not constitute part of the Group's assets.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of Group financial assets and liabilities are not materially different from the carrying values as at 31 December 2008, except for investments held to maturity (note 8).

37. PLEDGEABLE OFF BALANCE SHEET SECURITIES

The Group obtains securities, which are not recorded on the balance sheet, with the right to sell or repledge them.

	31 December 2008	31 March 2008
Fair value of securities received and re-pledged in connection with financing activities as collateral under reverse repurchase transactions	-	706,746

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38. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

	<i>31 December 2008</i>	<i>31 March 2008</i>
Contingent liabilities	211,400	200,000
Commitments	383,054	261,623

Contingent liabilities include corporate guarantees issued in connection with investment transactions facilitated by the Group, where the Group has custody of investment securities as collateral in the event of a default event.

Commitments include uncalled subscriptions to private equity fund investments and our commitment to acquire office space which is currently under construction.

The Group has been granted by Orion Holdings Overseas the option to purchase a further 10% of Orion Holdings Overseas at an agreed price multiple based on the 2008 profit of this entity. This option expires if not exercised by April 2009.

The Group has granted to Orion Holdings Overseas the option to purchase a further 10% of SHUAA Securities Holdings Ltd at an agreed price multiple based on the 2008 profit of this new entity. This option expires if not exercised by June 2009.