

SHUAA Capital PSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

BOARD OF DIRECTORS' REPORT

2009 was a year of unprecedented and profound change. Like everyone else in the global financial services industry, SHUAA Capital has been stress-tested against a backdrop of continued market turmoil and uncertainty.

First and foremost, we are pleased to report that we have left behind the 'distress' scenario that weighed heavily on our ability to do business during the year. The commercial and reputational uncertainties, stemming from the protracted dispute of the AED 1.5 billion convertible bonds issued to Dubai Banking Group, have been fully resolved. Both parties agreed to convert the notes into equity at a lower conversion price thus giving Dubai Banking Group a shareholding of 48.4 per cent in SHUAA.

As a result, Moody's Investors Service uplifted SHUAA's standalone issuer rating by two notches to Ba2 with a stable outlook. The rating agency also cited signs of gradual improvement in the investment environment in the countries in which SHUAA operates, its belief that SHUAA is entering a new era with a new shareholding structure and a newly appointed chief executive officer as the reasons for the rating upgrade, and expects the renewed association with Dubai Holding to benefit the company in terms of new business prospects.

We see this positive development as an endorsement of the actions taken to recalibrate our business during the year. We have continued to strengthen our capital position and we have embarked on a clear strategy. In order to enhance the firm's ability to generate sustainable income streams, we have taken decisive steps to refocus SHUAA's efforts on its profitable fee generating businesses. Clear proof of this decision is the prudent approach that we adopted during the year to recognize impairment charges on associates, available for sale investments and investments held to maturity, which was the main reason for our negative earnings in the past.

The firm recorded a loss for the year of AED 529.8 million including investment impairment charges of AED 312.2 million and provisions of AED 210.5 million. As of 31 December, operating income was negative AED 70.8 million, compared to negative operating income of AED 522.7 million and negative net income of AED 889.6 million in the equivalent 12 month period ending 31 December 2008.

During the year, we launched a multitude of stabilization programs which have helped to significantly improve our balance sheet. We have reduced our short and medium term liabilities by AED 896.4 million during 2009, and we have further reduced our leverage ratio to 0.69.

As of 31 December 2009, total assets were AED 2.85 billion compared to AED 4.4 billion at the end of 2008. Total liabilities were reduced to AED 1.15 billion compared to AED 2.1 billion as of December 2009. Cash on hand now stands at AED 543.5 million as of 31 December 2009 and provides a robust platform from which SHUAA can maintain its ongoing activities.

During 2009, cash flow from operating activities totalled AED 914 million. Cash generated from operations has been used largely to repay AED 892.7 million of bank borrowings, further deleveraging the Group's balance sheet, and adding to cash on hand of AED 153 million.

We have also decisively adjusted the firm's cost base. On an annualized basis, we have trimmed general and administrative expenses by AED 149.6 million compared to the same period last year.

To this background, we are particularly pleased to report that all our fee generating businesses recorded positive operating income and that our brokerage, asset management, finance and private equity businesses operated profitably throughout this period. We have made significant progress across all our business lines during the year 2009:

Our brokerage business continued to demonstrate its market leadership and gained market share. We now command a healthy position as the second largest brokerage firm in the UAE with a market share of 5.27 per cent as compared to 4.41 per cent in 2008. For our brokerage business, markets in the UAE were particularly challenging in 2009, especially towards the end of the year. For instance, during the year, the overall traded value in the UAE contracted by 55 per cent to AED 243 billion from AED 537 billion in the same period in 2008.

The private equity division recorded a profit during the period based on its ability to generate management fees from its private equity funds. While 2009 may have been slower than past years as measured by deal activity levels, it was an active year for SHUAA Capital's private equity business. In particular, one exit was achieved from the SHUAA Heritage Investments portfolio. Additionally, the teams managing SHUAA Hospitality Fund I and SHUAA Saudi Hospitality Fund I have been actively pursuing investment opportunities in their respective regions with the SHUAA Saudi Hospitality Fund I having committed to its inaugural investment in KSA. Finally, the various funds' portfolio companies continue to perform strongly while continuing to distribute healthy dividends.

The finance business, operated under the Gulf Finance brand, saw another year of healthy returns. We are particularly pleased with the division's performance, given the challenging economic backdrop and that the division continues to be able to lend to small and medium sized businesses. Against a general trend of rating downgrades, the finance division was able to maintain its "BB" credit rating with a stable outlook, reflecting the strength of the balance sheet, quality of management and the asset backed nature of the portfolio. Furthermore, through actively prudent funding and liquidity management, the business was able to significantly de-leverage its balance sheet. Strong progress has also been made in new business segments, generating new clients across a variety of industries including healthcare, manufacturing and logistics. The non performing loan rate is being tightly managed at 2.5 per cent in 2009 as compared to 2.2 per cent in 2008.

2009 was a profitable year for the Asset Management division, despite significant net outflows of assets under management. The fall in the division's revenue came amid a difficult economic climate, causing investors to re-examine their strategies and pull out of regional markets. However, SHUAA Asset Management came out ahead compared to its competitors. Notably, the client type and domicile of clients changed in comparison to the year 2008. The business recorded an increase in its share of private investors with a higher proportion coming from local and regional markets.

This year was a quiet period for primary issuance across regional equity markets, the Investment Banking division's principal business line. As with any business focused on equity markets, SHUAA's investment banking division was impacted by market conditions throughout the year. This was also reflected in the division's loss during 2009. Against an ongoing, challenging economic backdrop, SHUAA's Investment Banking clients continued to delay their IPO plans. The team has been working hard to prepare the pipeline for execution given the encouraging signs of renewed investor interest in the region. This increase in confidence should facilitate an opening up of the equity markets going forward. The bond markets have been active over the period as orders for government and corporate credit for third party issuances came through. We have seen a high level of activity on our syndicate desk which has helped mitigate the low levels of primary issuance and was a steady source of income during the year.

The Corporate division, which recognized the bulk of impairment charges and provisions, saw a less significant loss in 2009 as compared to 2008. The corporate division has been focused on reducing the size of the firm's illiquid asset portfolio with the aim to minimize further downside risks emanating from non-fee generating businesses.

While even leading and recognized players like SHUAA have had a tough run, the prolonged industry volatility has put significant and often unsustainable pressure on sub-scale players in the regional financial services sector. To this backdrop, we have observed signs of a flight to quality and a move of clients, capital and talent to the more established players in the market, both in fee and investment businesses. Research conducted in the latter part of the year has confirmed that SHUAA continues to be the leading brand across its fee generating businesses in the UAE, which positions the firm well for the future.

We continue to actively engage with our shareholders to ensure they actively support our ambitions and see SHUAA as an integral part of the financial services sector in the GCC. We remain committed to the highest standards of corporate governance including full and fair disclosure of information. Our aim is to ensure all our existing and potential shareholders are fully updated on Company developments and understand our growth strategy.

We are confident that our strategy will build on the strengths of our core business units and increase long term sustainable value. At the same time we continue to develop the quality of our management team and are confident that we can offer our clients a world class team. Our brand awareness remains high and top of mind and it is pleasing to see an increase in activity from our loyal client base.

The Board of Directors would like to thank all shareholders for their engagement and support, and show appreciation to all SHUAA employees for their loyalty, dedication and contribution to the turnaround story of SHUAA.



Majid Saif Al Ghurair
Chairman



Sameer Al Ansari
Chief Executive Officer
and Member of the Board of Directors

15 February 2010

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 statement of financial position as at 31 December 2009 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors of the Company are 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 Group as of 31 December 2009 and their consolidated financial performance and consolidated cash flows for the year 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 year which would have had a material effect on the business of the Group or on its financial position.

Ernst & Young

A handwritten signature in blue ink, appearing to read 'Ali H Issa'.

Signed by
Ali H Issa
Partner
Registration No. 488

15 February 2010

Dubai

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

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

		31 December 2009	31 December 2008
	<i>Notes</i>		
<u>Assets</u>			
Cash and deposits with banks		543,459	390,089
Receivables and other debit balances	5	109,186	272,030
Investment securities	6	415,563	988,600
Installment credits, loans and advances	7	810,698	1,218,876
Investments available for sale	8	222,107	325,598
Investments held to maturity	9	81,208	151,278
Investments in associates	10	477,649	900,689
Fixed assets	11	46,793	34,243
Goodwill	12	143,039	95,200
Total Assets		<u>2,849,702</u>	<u>4,376,603</u>
<u>Liabilities</u>			
Due to banks	13	423,697	1,190,254
Payables and other credit balances	14	668,480	728,952
Medium-term debt	15	59,566	189,440
Total Liabilities		<u>1,151,743</u>	<u>2,108,646</u>
Equity Attributable to Equity Holders of the Parent			
Share capital	16	1,065,000	550,000
Treasury shares	17	(14,458)	(13,475)
Employee stock option plan shares	18	(78,196)	(129,424)
Statutory reserve	20	1,714,140	553,140
Accumulated losses		(985,845)	(398,551)
Investment revaluation reserve	21	(8,982)	(28,688)
Translation reserve		5,851	14,654
Convertible bond	22	-	1,676,000
		<u>1,697,510</u>	<u>2,223,656</u>
Minority interest	23	449	44,301
Total Equity		<u>1,697,959</u>	<u>2,267,957</u>
Total Liabilities and Equity		<u>2,849,702</u>	<u>4,376,603</u>
<u>Contra accounts</u>			
Client's funds under management	34	<u>3,663,286</u>	<u>4,707,704</u>



Majid Saif Al Ghurair – Chairman

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2009

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

		<i>1 January 2009 to 31 December 2009 (12 months)</i>	<i>1 April 2008 to 31 December 2008 (9 months)</i>
	<i>Notes</i>		
Interest income		140,279	139,417
Interest expense		(72,137)	(71,830)
Net interest income		68,142	67,587
Net income from investment securities	24	38,248	(724,629)
Income from investments	25	35,237	19,967
Net fees and commissions	26	119,018	212,050
Investment banking income		192,503	(492,612)
Loss from associates		(19,259)	(18,643)
Impairment charges	27	(312,178)	(186,694)
Operating income		(70,792)	(630,362)
General and administrative expenses	28	(244,848)	(303,360)
Depreciation and amortisation	11	(11,598)	(7,257)
Provisions	29	(210,546)	(24,174)
Operating expenses		(466,992)	(334,791)
Loss for the year / period		(537,784)	(965,153)
Attributable to:			
Minority interest		(8,003)	(16,657)
Equity holders of the parent		(529,781)	(948,496)
Loss per share (equity holders of the parent) for the year / period			
Basic loss per share (in AED)	30	(0.777)	(1.874)
Diluted loss per share (in AED)	30	(0.499)	(0.900)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

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

	<i>1 January 2009 to 31 December 2009 (12 months)</i>	<i>1 April 2008 to 31 December 2008 (9 months)</i>
Loss for the year / period	(537,784)	(965,153)
Other comprehensive profit/(loss)		
Net gains/(losses) on available for sale investments	6,607	(122,113)
Share of other comprehensive income of associates	13,098	(20,520)
Exchange differences on translation of foreign operations	(8,758)	(23,375)
Other comprehensive profit/(loss) for the year / period	10,947	(166,008)
Total comprehensive loss for the year / period	(526,837)	(1,131,161)
Attributable to:		
Minority interest	(7,959)	(17,027)
Equity holders of the parent	(518,878)	(1,114,134)

SHUAA Capital psc**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2009

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

	<i>1 January 2009 to 31 December 2009 (12 months)</i>	<i>1 April 2008 to 31 December 2008 (9 months)</i>
Operating activities		
Loss for the year	(537,784)	(965,153)
Adjustments:		
Depreciation	11,598	7,256
Unrealised (gains)/losses on investment securities	(190,813)	511,935
Unrealised losses from investments in associates	293,060	124,274
Income from investments available for sale	5,071	54,910
Income from investments held to maturity	13,691	9,253
Losses on sale of subsidiary	4,413	-
Share based payments charge	22,164	38,256
Provisions	210,546	24,174
Other non operating income	1,549	-
Operating loss before changes in operating assets and liabilities	(166,505)	(195,095)
Changes in operating assets and liabilities:		
Receivables and other debit balances	182,985	254,409
Installment credits, loans and advances	375,327	(237,362)
Payables and other credit balances	(241,313)	(127,246)
Net sale of investment securities	763,791	420,360
Net cash from operating activities	914,285	115,066
Investing activities		
Purchase of investments available for sale	(24,988)	(139,149)
Sale of investments available for sale	79,225	55,203
Purchase of investments held to maturity	-	(160,530)
Sale of investments held to maturity	56,379	-
Additions to investments in associates	-	(52,556)
Sale of investments in associates	83,473	40,646
Dividends received from associates	-	32,082
Addition to investment in subsidiaries/minority interest	(48,589)	22,239
Sale of subsidiaries	(2,986)	-
Purchase of fixed assets	(10,702)	(12,898)
Sale of fixed assets	690	-
Net cash from (used in) investing activities	132,502	(214,963)
Financing activities		
Interest on convertible bond	-	(67,500)
(Decrease) in medium term debt	(52,745)	(228,664)
(Decrease)/increase in amounts due to banks	(839,990)	447,906
Director's remunerations	(138)	(7,459)
Purchase of treasury shares	(983)	-
Dividends paid	-	(245,215)
Movement in employee stock option plan shares	(71)	(17,350)
Net cash used in financing activities	(893,927)	(118,282)
Increase/(Decrease) in cash and cash equivalents	152,860	(218,179)
Foreign currency translation	510	(3,079)
Cash and cash equivalents at beginning of the year	390,089	611,347
Cash and cash equivalents at end of the year	543,459	390,089
Operational cash flows from interest and dividend		
Interest received	141,928	134,936
Interest paid	(73,194)	(122,650)
Dividend received	4,406	4,218

The attached notes 1 to 36 form part of these consolidated financial statements.

SHUAA Capital psc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

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

	Equity attributable to shareholders of the Parent										
	Share capital	Treasury shares	Employee stock option plan shares	Statutory reserve	Retained earnings	Investment revaluation reserve	Translation reserve	Convertible bond	Total	Minority interest	Total
Balance as of 1 April 2008	550,000	(13,475)	(164,601)	553,140	881,929	113,810	37,794	1,676,000	3,634,597	59,954	3,694,551
Total comprehensive income for the period	-	-	-	-	(948,496)	(142,498)	(23,140)	-	(1,114,134)	(17,027)	(1,131,161)
Directors' remuneration	-	-	-	-	(7,459)	-	-	-	(7,459)	-	(7,459)
Dividend paid	-	-	-	-	(246,150)	-	-	-	(246,150)	(3,000)	(249,150)
Interest on convertible bond	-	-	-	-	(69,260)	-	-	-	(69,260)	-	(69,260)
Minority interest arising from acquisition of subsidiary	-	-	-	-	-	-	-	-	-	4,374	4,374
Net movement in employee stock option plan shares	-	-	35,177	-	(47,370)	-	-	-	(12,193)	-	(12,193)
Share based payments charge	-	-	-	-	38,255	-	-	-	38,255	-	38,255
Balance as of 31 December 2008	550,000	(13,475)	(129,424)	553,140	(398,551)	(28,688)	14,654	1,676,000	2,223,656	44,301	2,267,957

	Equity attributable to shareholders of the Parent										
	Share capital	Treasury shares	Employee stock option plan shares	Statutory reserve	Retained earnings	Investment revaluation reserve	Translation reserve	Convertible bond	Total	Minority interest	Total
Balance as of 1 January 2009	550,000	(13,475)	(129,424)	553,140	(398,551)	(28,688)	14,654	1,676,000	2,223,656	44,301	2,267,957
Total comprehensive income for the period	-	-	-	-	(529,781)	19,706	(8,803)	-	(518,878)	(7,959)	(526,837)
Directors' remuneration	-	-	-	-	(138)	-	-	-	(138)	-	(138)
Purchase of treasury shares	-	(983)	-	-	-	-	-	-	(983)	-	(983)
Convertible bond conversion	515,000	-	-	1,161,000	-	-	-	(1,676,000)	-	-	-
Interest on convertible bond	-	-	-	-	(28,240)	-	-	-	(28,240)	-	(28,240)
Acquisition of minority interest	-	-	-	-	-	-	-	-	-	(35,893)	(35,893)
Net movement in employee stock option plan shares	-	-	51,228	-	(51,299)	-	-	-	(71)	-	(71)
Share based payments charge	-	-	-	-	22,164	-	-	-	22,164	-	22,164
Balance as of 31 December 2009	1,065,000	(14,458)	(78,196)	1,714,140	(985,845)	(8,982)	5,851	-	1,697,510	449	1,697,959

The attached notes 1 to 36 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

1. LEGAL STATUS AND ACTIVITIES

The consolidated financial statements of SHUAA Capital psc and its subsidiaries ("the Group") for the year ended 31 December 2009 were authorised for issuance in accordance with a resolution of the Board of Directors on 15th February 2010.

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

The Company is licensed by the Central Bank of the United Arab Emirates to conduct services as a financial investment company and a banking, finance and investment advisor pursuant to Central Bank Board of Directors Resolution 164/8/94 and as a financial and monetary intermediary pursuant to Central Bank Board of Directors Resolution 126/5/95.

The Company conducts a diversified range of investment and financial service activities strategy with special emphasis on the Arab region in general, the U.A.E. and G.C.C. markets in particular and is actively involved in public and private capital markets in the region.

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.

During the year, the Group has adopted the following standards effective for the annual periods beginning on or after 1 January 2009.

IAS 1 'Presentation of Financial Statements' (Revised):

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income; it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

Amendments to IFRS 7 Financial instruments: Disclosures - Improving Disclosures about Financial Instruments.

The amendments to IFRS 7 were issued in March 2009 to enhance fair value and liquidity disclosures. With respect to fair value, the amendments require disclosures of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value and specific disclosures related to transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management. Comparative information is not required by the transition provision of the amendment.

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 standards, which are not yet effective, are expected to have a significant impact on the financial statements when adopted.

- IAS 27 Consolidated and separate financial statements
- IFRS 3 Business combination
- IFRS 9 Financial instruments: On 12 November 2009, the IASB published the first phase of IFRS 9 Financial Instruments, the accounting standard that will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. This standard becomes effective from 1st January 2013 and is applicable to all financial assets within the scope of IAS 39.

2. SIGNIFICANT ACCOUNTING POLICIES - continued**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 statement of income 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 statement of income and within equity in the consolidated statement of financial position, 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.

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

Impairment losses on loans 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued***Impairment of available for sale investments***

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

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

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 statement of income 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 statement of income 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 statement of income.

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 reporting 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.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued***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 reporting date, adjusted for illiquidity constraints and other costs necessary to realise the asset's value.

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

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 statement of income for the year.

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 borrowings 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 statement of financial position 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
Land & buildings	40 years

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2. SIGNIFICANT ACCOUNTING POLICIES - continued**Income recognition**

Interest income, as well as fees which are considered an integral part of the effective yield of a financial asset, are recognised using the effective 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.

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 statement of income.

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 statement of financial position 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 statement of financial position 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 statement of financial position statement, 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 statement of income charge or credit for a period is recorded in "employee salaries and fringe benefits" and represents the movement in the cumulative expense recognised at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest.

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 reporting date and denominated in foreign currencies are translated into the functional currency at exchange rates prevailing as at the reporting date. The resulting exchange differences are taken to the consolidated income statement.

On consolidation, assets and liabilities of subsidiaries are translated at rates of exchange prevailing as at the reporting date and the results of their operations are translated at the average rates of exchange for the year. The exchange differences arising on consolidation and equity accounting are taken to other comprehensive income.

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2. SIGNIFICANT ACCOUNTING POLICIES - continued**Foreign currency translation – continued**

On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income and accumulated in the separate component of equity relating to that particular foreign operation is recognised in the 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 reporting 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. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial assets recorded at fair value by level of the fair value hierarchy:

	<i>31 December 2009</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Investment securities	56,232	163,268	196,063	415,563
Investments available for sale	1,464	44,923	175,720	222,107
	57,696	208,191	371,783	637,670

Financial assets recorded at fair value:

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Investment securities

Investment securities are valued using market prices in active markets or valuation techniques which incorporate data which is both observable and non-observable. This category includes quoted funds and unquoted private equity funds which invest in underlying assets which are in turn valued based on both observable and non-observable data. Observable inputs include market prices (from active markets), foreign exchange rates and movements in stock market indices; unobservable inputs include assumptions regarding expected future financial performance, discount rates and market liquidity discounts.

Investments available for sale

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

Transfers between level 1 and level 2

During the year there were no transfers between level 1 and level 2 of the fair value hierarchy for financial assets which are recorded at fair value.

Movements in level 3 financial assets measured at fair value

During the year, the Group transferred a financial instrument from level 3 to level 2 of the fair value hierarchy. The carrying amount of the asset transferred was 14,738. The reason for the transfer from level 3 to level 2 was that observable market data, used for the valuation of the asset, became available.

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3. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

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

	31 December 2009					
	<i>Balance at 1 January 2009</i>	<i>Gain/(loss) through P&L</i>	<i>Gain/(loss) through equity</i>	<i>Purchases</i>	<i>Sales</i>	<i>Transfers from/(to) levels 1 & 2</i>
Investment securities	275,324	(75,309)	-	10,786	-	(14,738)
Investments available for sale	216,273	(4,355)	(10,884)	15,357	(40,671)	-
	491,597	(79,664)	(10,884)	26,143	(40,671)	(14,738)
						371,783

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

	31 December 2009
Realised gains	4,113
Unrealised losses	(83,777)
	(79,664)

Impact on fair value of level 3 financial assets measured at fair value of changes to key assumptions

The following table shows the impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions by class of instrument:

	31 December 2009	
	<i>Carrying amount</i>	<i>Effect of reasonably possible alternative assumptions</i>
Investment securities	196,063	21,798
Investments available for sale	175,720	40,168
	371,783	61,966

In order to determine reasonably possible alternative assumptions the Group adjusted key unobservable models inputs as follows:

- For debt securities, the Group adopted the probability of default and loss given default assumptions by increasing and decreasing the fair value of the instrument by 25%.
- For fund investments, the Group adjusted the liquidity discount rate assumptions used in the valuation model within a range of reasonably possible alternatives. The extent of the adjustment varied according to the characteristics of each investment.
- For equities, the group adjusted the cash flow assumptions used in the valuation model by increasing and decreasing cash flow projections by 20%, which is considered by the Group to be within the range of reasonably possible alternatives based on companies with similar industry and risk profiles.

The following is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	<i>Carrying amount</i>	<i>Total fair value</i>
Financial assets		
Cash and deposits with banks	543,459	543,459
Installment credits, loans and advances	810,698	810,698
Investments held to maturity	81,208	52,891
Investments in associates	477,649	477,649
	1,913,014	1,884,697
Financial liabilities		
Due to banks	423,697	423,697
Payables and other credit balances	-	-
Medium term debt	59,566	59,566
	483,263	483,263

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4. 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 recognises the importance of managing risk in line with shareholder risk appetite.

Authority to set Group-wide rules to manage credit, liquidity and market risk are delegated to the 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 statement of financial position, before considering collateral or other credit enhancement, is shown below:

	<i>Gross maximum exposure 31 Dec 2009</i>	<i>Gross maximum exposure 31 Dec 2008</i>
Cash and deposits with banks	543,459	390,089
Receivables and other debit balances	109,186	272,030
Investment securities	415,563	988,600
Installment credits, loans and advances	810,698	1,218,876
Investments available for sale	222,107	325,598
Investments held to maturity	81,208	151,278
Total	2,182,221	3,346,471
Contingent liabilities	255,872	211,400
Commitments	357,880	383,054
Total	613,752	594,454
Total credit risk exposure	2,795,973	3,940,925

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4. 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	427,510	45,114	12,995	56,848	291	701	543,459
Receivables and other debit balances	88,505	9,927	9,590	-	1,164	-	109,186
Investment securities	67,060	234,493	6,209	13,589	73,463	20,749	415,563
Installment credits, loans and advances	664,717	100,222	45,759	-	-	-	810,698
Investments available for sale	37,204	22,409	73,562	-	-	88,932	222,107
Investments held to maturity	72,025	9,183	-	-	-	-	81,208
Investments in associates	131,537	346,112	-	-	-	-	477,649
Fixed assets	35,404	3,958	7,412	-	19	-	46,793
Goodwill	103,794	39,245	-	-	-	-	143,039
Total Assets - 31 December 2009	1,627,756	810,663	155,527	70,437	74,937	110,382	2,849,702
Total Assets - 31 December 2008	2,097,934	1,444,579	374,310	65,107	118,854	275,819	4,376,603

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 include cash, liquid securities, mortgages on vehicles and private equity holdings.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. The 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 2009				
	<i>Neither past due nor impaired</i>			Past due or individually impaired
	High grade	Standard grade	Total	Grand Total
Cash and deposits with banks	543,459	-	543,459	-
Receivables and other debit balances	-	109,186	109,186	-
Installment credits, loans and advances	-	721,237	721,237	126,789
	543,459	830,423	1,373,882	126,789
				1,500,671

31 December 2008				
	<i>Neither past due nor impaired</i>			Past due or individually impaired
	High grade	Standard grade	Total	Grand Total
Cash and deposits with banks	390,089	-	390,089	-
Receivables and other debit balances	-	272,030	272,030	-
Installment credits, loans and advances	-	1,277,161	1,277,161	93,651
	390,089	1,549,191	1,939,280	93,651
				2,032,931

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4. 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 2009				Total
	Less than 31 days	31 to 90 days	91 to 180 days	More than 180 days	
Installment credits, loans and advances	21,648	63,947	18,363	-	103,958

	31 December 2008				Total
	Less than 31 days	31 to 90 days	91 to 180 days	More than 180 days	
Installment credits, loans and advances	19,728	48,001	3,509	-	71,238

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 2009, determined on the basis of the remaining contractual maturity, where applicable, was as follows:

	Less than 3 Months	3-12 Months	Sub total Less than a year	1-5 Years	Over 5 years	Grand total
Cash and deposits with banks	543,459	-	543,459	-	-	543,459
Receivables and other debit balances	24,402	49,708	74,110	35,076	-	109,186
Investment securities	110,432	185,946	296,378	119,185	-	415,563
Installment credits, loans and advances	338,779	384,807	723,586	87,112	-	810,698
Investments available for sale	11,964	92,181	104,145	117,962	-	222,107
Investments held to maturity	-	4,591	4,591	76,617	-	81,208
Investments in associates	127,714	202,015	329,729	147,920	-	477,649
Fixed assets	-	-	-	46,793	-	46,793
Goodwill	-	-	-	-	143,039	143,039
Total Assets	1,156,750	919,248	2,075,998	630,665	143,039	2,849,702
Due to banks	140,419	283,278	423,697	-	-	423,697
Payables and other credit balances	227,573	432,578	660,151	8,329	-	668,480
Medium-term debt	-	-	-	59,566	-	59,566
Equity	-	-	-	-	1,697,959	1,697,959
Total Liabilities and Equity	367,992	715,856	1,083,848	67,895	1,697,959	2,849,702
Net liquidity gap	788,758	203,392	992,150	562,770	(1, 554,920)	-
Cumulative liquidity gap	788,758	992,150	992,150	1,554,920	-	-

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4. FINANCIAL RISK MANAGEMENT - continued

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

	<i>Less than 3 Months</i>	<i>3-12 Months</i>	<i>Sub total Less than a year</i>	<i>1-5Years</i>	<i>Over 5 years</i>	<i>Grand total</i>
Cash and deposits with banks	390,089	-	390,089	-	-	390,089
Receivables and other debit balances	239,033	-	239,033	32,997	-	272,030
Investment securities	958,943	15,958	974,901	13,699	-	988,600
Installment credits, loans and advances	585,418	349,707	935,125	283,751	-	1,218,876
Investments available for sale	-	-	-	325,598	-	325,598
Investments held to maturity	-	56,689	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	2,595,837	1,685,566	95,200	4,376,603
Due to banks	824,536	365,718	1,190,254	-	-	1,190,254
Payables and other credit balances	283,292	404,967	688,259	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	1,878,513	230,133	2,267,957	4,376,603
Net liquidity gap	1,065,655	(348,331)	717,324	1,455,433	(2,172,757)	-
Cumulative liquidity gap	1,065,655	717,324	717,324	2,172,757	-	-

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

	31 December 2009			
	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Total</i>
Due to banks	142,651	292,173	-	434,824
Trade and other credit payables	50,822	189,242	5,919	245,983
Medium term debt	-	-	70,059	70,059
Total	193,473	481,415	75,978	750,866
	31 December 2008			
	<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

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

	31 December 2009				
	<i>Less than 3 months</i>	<i>3-12 Months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Contingent liabilities	211,557	44,315	-	-	255,872
Commitments	-	33,003	324,877	-	357,880
Total	211,557	77,318	324,877	-	613,752
	31 December 2008				
	<i>Less than 3 months</i>	<i>3-12 Months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
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

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

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4. 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 2009</i>	<i>Sensitivity of net interest income 31 December 2008</i>
AED	25	462	126
USD	25	(608)	(1,304)

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 2009, 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 2009. 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 2009, 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>Currency</i>	<i>% Change in Currency rate</i>	<i>31 December 2009</i>		<i>31 December 2008</i>	
		<i>Effect on profit</i>	<i>Effect on equity</i>	<i>Effect on profit</i>	<i>Effect on equity</i>
		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
US Dollar	+1	(3,082)	(804)	(2,755)	-
Qatari Riyal	+1	(1,641)	(1,264)	(2,182)	(1,995)
Kuwaiti Dinar	+1	(30)	(2,000)	-	(3,275)
Saudi Riyal	+1	(30)	(1,098)	(94)	(1,406)
Indian Rupee	+1	(356)	(645)	(693)	(847)
Jordanian Dinar	+1	(56)	(520)	72	(897)
Egyptian Pound	+1	(13)	(188)	35	(252)
Syrian Pound	+1	-	(166)	-	(181)

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4. FINANCIAL RISK MANAGEMENT - continued
Equity price risk

Equity price risk is the risk that the fair values of securities decrease as the result of changes in market values. The effect of equity price risk on the Group with all other variables held constant, is as follows:

		31 December 2009		31 December 2008	
	% Change in equity price	Effect on profit AED '000	Effect on Equity AED '000	Effect on profit AED '000	Effect on Equity AED '000
Quoted Equities					
NASDAQ Dubai	-5	(1,444)	-	(4,243)	-
KSA Stock Exchange	-5	(928)	-	(979)	-
DFM	-5	(176)	(71)	(107)	(194)
ADSM	-5	(148)	-	(370)	-
Beirut Stock Exchange	-5	(133)	-	-	-
Doha Stock Exchange	-5	(119)	-	(61)	-
Oman Stock Exchange	-5	(1)	-	(458)	-
Egypt Stock Exchange	-5	(15)	-	(6)	-
Jordan Stock Exchange	-5	(35)	-	(159)	-
Turkey Stock Exchange	-5	-	-	(116)	-
UK Stock Exchange	-5	-	-	(20)	-
Unquoted Equities	-5	(1,037)	(2,743)	(2,045)	(5,211)
Funds	-5	(14,494)	(8,289)	(37,327)	(5,585)
Bonds	-5	(2,250)	-	(8,828)	-

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:

	31 December 2009	31 December 2008
Total borrowings	666,913	1,379,694
Total equity	1,697,959	2,267,957
Total capital	2,364,872	3,647,651
Gearing ratio	28.2%	37.8%

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5. RECEIVABLES AND OTHER DEBIT BALANCES

	<i>31 December 2009</i>	<i>31 December 2008</i>
Receivable against settlement of trades	6,068	8,401
Advance against investment	36,897	32,997
Advances for staff programs	9,477	15,845
Amounts due from related parties	30,720	32,886
Receivable from brokers and dealers	-	111,147
Other receivables	26,024	70,754
	109,186	272,030

6. INVESTMENT SECURITIES

Investment securities comprise financial assets held at fair value through profit and loss:

	<i>31 December 2009</i>	<i>31 December 2008</i>
Fund investments		
Quoted	127,279	294,443
Unquoted	162,605	340,352
Equity securities		
Quoted	59,074	137,862
Unquoted	21,596	38,829
Fixed income securities	45,009	177,114
	415,563	988,600

All investment securities are held for trading.

7. INSTALLMENT CREDITS, LOANS AND ADVANCES

Installment credits, loans and advances comprise the following:

	<i>31 December 2009</i>	<i>31 December 2008</i>
Installment credits	392,275	748,910
Loans and advances	112,404	95,223
Due from clients	306,019	374,743
	810,698	1,218,876

(a) Installment credits

	<i>31 December 2009</i>	<i>31 December 2008</i>
Total installment credits	475,596	887,460
Cumulative provision for impairment	(33,816)	(21,233)
Interest in suspense	(2,129)	(926)
Unearned income on installment credits	(47,376)	(116,391)
	392,275	748,910

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7. INSTALLMENT CREDITS, LOANS AND ADVANCES - continued

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

	<i>31 December 2009</i>	<i>31 December 2008</i>
Balance, beginning of the year	(21,233)	(17,377)
Provision made during the year	(19,633)	(10,854)
	(40,866)	(28,231)
Less: recoveries made against the provision during the year	4,906	2,430
Less: write offs	2,144	4,568
Balance, end of the year	(33,816)	(21,233)

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

(b) Loans and advances

	<i>31 December 2009</i>	<i>31 December 2008</i>
Loans	117,456	108,608
Cumulative provision for impairment	(1,347)	(5,707)
Interest in suspense	(36)	(3,736)
Unearned interest	(3,669)	(3,942)
	112,404	95,223

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

	<i>31 December 2009</i>	<i>31 December 2008</i>
Balance, beginning of the year	(5,707)	(5,132)
Provision made during the year	(917)	(778)
	(6,624)	(5,910)
Less: recoveries made against the provision during the year	403	203
Less: write offs	4,874	-
Balance, end of the year	(1,347)	(5,707)

The cumulative provision for impairment represents management's best estimate of potential losses in the loans and advances as at the reporting 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 2009, these underlying securities were valued at 611,634 (31 December 2008 – 1,109,869). Provisions are made for the uncovered portion of margins as required. As at the end of the year a provision of 41,580 (31 December 2008 – 20,668) had been recorded.

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8. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale comprise the following:

	<i>31 December 2009</i>	<i>31 December 2008</i>
Quoted direct equity investments	1,463	46,330
Unquoted direct equity investments	57,283	96,317
Unquoted fund investments	163,361	182,951
	222,107	325,598

9. INVESTMENTS HELD TO MATURITY

Investments held to maturity comprise the following:

	<i>31 December 2009</i>	<i>31 December 2008</i>
Fixed income securities	81,208	151,278
	81,208	151,278

The quoted market value of fixed income securities held to maturity as of 31 December 2009 is 52,891 (31 December 2008 95,245). During the year 55,511 of securities were sold.

10. INVESTMENTS IN ASSOCIATES

The Group has the following investments in associates:

	<i>31 December 2009</i>	<i>31 December 2008</i>
U.A.E.	147,920	368,472
Other G.C.C.	329,729	532,217
	477,649	900,689

Amwal

The Group owns 46.7% of Amwal, a Qatari closed shareholding company licensed by the Central Bank of Qatar to conduct investment banking and asset management activities in Qatar. The Group has agreed to sell its stake in Amwal, a transaction which is scheduled to be completed in the first quarter of 2010.

Al-Kout

Al-Kout Industrial Projects Company is a joint stock company listed on the Kuwait stock exchange. The Group owns 48.7% of Al-Kout, which is engaged in the production of chemicals used in the water and oil industries. The Group determined the recoverable amount of the Al Kout investment based on ongoing negotiations to sell this investment.

Taghleef

The Group sold during the year its shareholding of 23.4% in Taghleef Industries LLC, a Dubai limited liability company engaged in the manufacture of plastic based flexible packaging for 106,503 realising a loss of 35,079 during the year.

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10. INVESTMENTS IN ASSOCIATES - continued**Orion Holdings Overseas**

Orion Holdings Overseas was ordered to be wound up by the DIFC court on 14 January 2010 who appointed Sajjad Haider and Associates as liquidator. The Group owns 20% of this company. In these circumstances the Group has written off this investment realising a loss of 69,233 during the year. The Group has legal cases ongoing in connection with the Orion Holdings Overseas acquisition. It is management's view that the likelihood of the Group incurring a material liability as a consequence of these legal cases is remote.

City Engineering LLC

The Group owns 40.0% of City Engineering LLC, a limited liability company based in Sharjah and engaged in construction contracting.

Septeck Holding Limited

Septeck Holding Limited is a limited liability company, incorporated in Cayman Islands and based in Sharjah, engaged in wastewater, water, marina and related infrastructure products and services. The Group owns 49.0% of Septeck Holding Limited.

SHUAA Hospitality Fund

The Group owns 23.7% of SHUAA Hospitality Fund, a closed ended private equity investment Fund registered as an exempted limited partnership in the Cayman Islands. The principal purpose of the Fund is to undertake direct or indirect investments in hospitality development projects and existing hospitality properties to be managed by Rotana Hotel Management Corporation in the MENA region.

All investments in associates are held for sale and their movement during the year was as follows:

	<i>1 January 2009 to 31 December 2009 (12 months)</i>	<i>1 April 2008 to 31 December 2008 (9 months)</i>
Balance, beginning of year	900,689	1,132,755
Additions during the year	9	118,774
Investments reclassified from available for sale	15,454	-
Adjustment of acquisition price	(35,073)	(137,738)
Capital (refund)/increase	(17,160)	25,740
Sale of associates during the year	(106,687)	(41,688)
Share of results of associates	(19,259)	(18,643)
Impairment charges recognised	(261,684)	(105,631)
Share of movement in fair values of associates	13,099	(20,518)
Dividends received	-	(32,082)
Translation reserve	(11,739)	(20,280)
Balance, end of the year	477,649	900,689

The Group is in ongoing negotiations to sell its shareholdings in three associates. Consequently the Group has determined that the value in use in these circumstances is not significantly different from the value based on the indicative bids which have been received. This has resulted in the recognition of impairment charges of 195,991 in the year.

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

	<i>31 December 2009</i>	<i>31 December 2008</i>
Assets	465,371	1,156,577
Liabilities	(163,414)	(701,467)
Net assets	301,956	455,110
Revenues	101,252	399,458

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11. FIXED ASSETS

	<i>31 December 2009 (12 months)</i>				
	<i>Furniture & leasehold improvements</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>Land & buildings</i>	<i>Total</i>
<u>Gross value</u>					
Balance at beginning of the year	35,695	22,383	2,301	-	60,379
Additions	6,727	1,852	161	18,583	27,323
Disposals	(4,259)	(1,404)	(202)	-	(5,865)
Reclassifications	(2,920)	2,800	120	-	-
Balance at end of the year	35,243	25,631	2,380	18,583	81,837
<u>Accumulated depreciation</u>					
Balance at beginning of the year	12,050	12,876	1,210	-	26,136
Charge for the year	6,124	4,957	440	77	11,598
Reversal of depreciation on disposal	(1,616)	(816)	(258)	-	(2,690)
Reclassifications	(999)	880	119	-	-
Balance at end of the year	15,559	17,897	1,511	77	35,044
<u>Net book value</u>					
Balance at end of the year	19,684	7,734	869	18,506	46,793

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

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12. GOODWILL

The movement in goodwill is presented below:

	<i>1 January 2009 to 31 December 2009</i>	<i>1 April 2008 to 31 December 2008</i>
Balance, beginning of year	95,200	95,200
5% stake in SHUAA Securities LLC	8,594	-
39.6% stake in SHUAA Capital Saudi Arabia CJSC	39,245	-
7.9% stake in Menkul Ltd	-	1,794
Impairment charges	-	(1,794)
Balance, end of year	143,039	95,200

On 1 January 2009, the Group acquired an additional 5% of the voting shares of SHUAA Securities LLC, taking its effective ownership to 100%. Cash consideration of 13,682 was paid. The book value of the net assets of SHUAA Securities LLC at this date was 101,766 and the book value of the additional interest acquired was 5,088. The difference of 8,594, between the consideration and the book value of the interest acquired, has been recognised as goodwill.

On 1 September, the Group acquired an additional 39.6% of the voting shares of SHUAA Capital Saudi Arabia cjsc, taking its effective ownership to 99.6%. The transaction value amounts to 69,814. The book value of the net assets of SHUAA Capital Saudi Arabia cjsc at this date was 77,194 and the book value of the additional interest acquired was 30,569. The difference of 39,245, between the transaction price and the book value of the interest acquired, has been recognised as goodwill.

Goodwill acquired through business combinations has been allocated to three individual cash-generating units:

	<i>31 December 2009</i>	<i>31 December 2008</i>
SHUAA Securities LLC	69,683	61,089
SHUAA Capital Saudi Arabia PJSC	39,245	-
Gulf Finance Corporation PJSC	34,111	34,111
	143,039	95,200

The recoverable amount of these units has been determined based on value in use calculations, using cash flow projections based on financial budgets approved by senior management covering a five years period. The calculation of value in use is most sensitive to UAE and GCC gross domestic product, discount rates, market share and projected growth rates used to extrapolate cash flows beyond the budget period.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the units to exceed their recoverable amount.

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 those banks. Amounts due to banks are repayable within twelve months.

	<i>31 December 2009</i>	<i>31 December 2008</i>
Bank overdrafts	153,176	487,204
Term loans repayable within twelve months	270,521	703,050
	423,697	1,190,254

The Group's banking facilities are renewable every twelve months and carry EBOR based floating interest rates plus a spread ranging between 2.5% and 5%.

At 31 December 2009, letters of guarantee on behalf of the Group amounting to 232,881 (31 December 2008 – 415,140) had been provided by the Group's bankers. These guarantees are a standard mechanism used within the region's banking structures and financial exchanges to facilitate activities. It is anticipated that no material liabilities will arise from these guarantees.

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14. PAYABLES AND OTHER CREDIT BALANCES

Payable and other credit balances comprise the following:

	<i>31 December 2009</i>	<i>31 December 2008</i>
Structured notes	190,951	386,092
Payable against investments	42,751	73,045
Accruals	85,145	86,911
Payable to clients	129,914	26,064
Dividends payable	39,541	49,640
Loans repurchased	-	10,587
Payable against settlement of trades	2,604	2,268
Provision against contingent liabilities (See note 35)	156,643	-
Other payables	20,931	94,345
	668,480	728,952

15. MEDIUM-TERM DEBT

Medium-term debt comprises the following:

	<i>31 December 2009</i>	<i>31 December 2008</i>
Term loans	59,566	189,440
	59,566	189,440

16. SHARE CAPITAL

Authorised, issued and fully paid share capital comprises 1,065,000,000 shares of UAE Dirham 1.00 per share (31 December 2008 – 550,000,000 shares). (See note 22)

At 31 December 2009, 19,561,391 shares (31 December 2008 – 32,262,570 shares) are held by a Trustee on behalf of the option holders of the Employee Stock Option Plan.

17. TREASURY SHARES

The Group held the following treasury shares at 31 December 2009:

	<i>31 December 2009</i>	<i>31 December 2008</i>
Number of treasury shares	3,500,000	3,000,000
Treasury share as percentage of total shares in issue	0.3%	0.5%
Cost of treasury shares	14,458	13,475
Market value of treasury shares	5,215	3,000

During the year, additional 500,000 shares were bought at a rate of AED 1.96.

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18. EMPLOYEE STOCK OPTION PLAN SHARES

The following employee stock option plan shares were held in trust at 31 December 2009:

	31 December 2009	31 December 2008
Number of shares	19,561,391	32,262,570
Shares as percentage of total shares in issue	1.8%	5.9%
Cost of shares	78,196	129,424
Market value of shares	29,146	32,263

Movement in employee stock option plan shares was as follows:

	<i>Number of shares</i>	
	<i>1 January 2009 to 31 December 2009 (12 months)</i>	<i>1 April 2008 to 31 December 2008 (9 months)</i>
Balance at the beginning of the year	32,262,570	40,265,411
Executed options	(12,701,179)	(8,002,841)
Balance at the end of the year	19,561,391	32,262,570

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 Company.

During the year, 8,350,000 options were issued to new and existing employees at a weighted average exercise price of AED 2.00, vesting between one and three years after issue. The fair value of these options granted during the year was 3,022 (31 December 2008 - 2,992).

Additionally 8,549,339 options were issued during the year under the terms of agreed severance packages. These options were issued at an exercise price of AED nil, the fair value of these options was 12,772. All of these options vested during the year and were issued in exchange for the forfeiture of 13,420,762 pre-existing options. The fair value of the options forfeited was 42,466.

During the year the terms of 6,343,584 previously granted options were modified. The vesting of 2,590,834 options were brought forward by an average of twelve months. These options would otherwise have, under the pre-existing terms, vested between eight and twenty months later. The fair value of the modification made was 1,413, which represents the difference between the fair value of the options before and after modification. The exercise price of 3,752,750 options were modified from a weighted average exercise price of AED 4.77 to AED 2.00. The fair value of this modification was 888 and the vesting dates of these options were extended by between twelve and thirty-six months.

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.

The following table lists the assumptions used in the equity settled options model.

	31 December 2009	31 December 2008
Dividend yield	14.4%	9.8%
Expected volatility	81.5%	43.0%
Risk free interest rate	6.0%	4.7%
Expected average life of option (years)	1.46	3.00
Weighted average strike price (AED)	1.06	5.74

The expense recognised for employee services received during the year was 22,164 (31 December 2008 – 38,255).

Outstanding options granted to employees as of 31 December 2009 comprised 16,938,391 shares (31 December 2008 – 34,251,004) at an average exercise price of AED 1.46 per share (31 December 2008 – AED 1.51). The range of exercise prices for options outstanding at the end of the year was AED 0.00 to AED 2.00 (31 December 2008 – AED 0.00 to AED 6.00). During the year 16,832,145 (31 December 2008 – 9,140,619) options vested.

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20. STATUTORY RESERVE

	<i>1 January 2009 to 31 December 2009 (12 months)</i>	<i>1 April 2008 to 31 December 2008 (9 months)</i>
Balance, beginning of the year	553,140	553,140
Premium on issue of new shares (See note 22)	<u>1,161,000</u>	<u>-</u>
Balance, end of the year	<u>1,714,140</u>	<u>553,140</u>

As required by the UAE Company Law and the Company's articles of association, 10 % of the profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. Such transfers have been discontinued as the reserve has exceeded 50% of the paid up share capital.

This reserve is not available for distribution except as stipulated by the law.

21. INVESTMENT REVALUATION RESERVE

	<i>1 January 2009 to 31 December 2009 (12 months)</i>	<i>1 April 2008 to 31 December 2008 (9 months)</i>
Available for sale investments		
Balance, beginning of the year	(14,194)	107,784
Realised during the year	1,778	(9,073)
Net movement in fair values during the year	<u>4,830</u>	<u>(112,905)</u>
Balance, end of the year	(7,586)	(14,194)
Group's share of investment revaluation reserves in associates		
Balance, beginning of the year	(14,494)	6,026
Net movement in fair values during the year	<u>13,098</u>	<u>(20,520)</u>
Balance, end of the year	(1,396)	(14,494)
Total investment revaluation reserve	<u>(8,982)</u>	<u>(28,688)</u>

22. CONVERTIBLE BOND

On 2 September 2009, 515,000,000 shares were issued to Dubai Banking Group pjsc based on agreed revised terms and in consideration for the extinguishment of the issued bond. These shares were issued at a conversion price of AED 2.91 per share. Share capital increased by 515,000 and the premium which arose on issue of 1,161,000 was added to the statutory reserve.

23. 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.

24. NET INCOME FROM INVESTMENT SECURITIES

Income from investment securities comprises the following:

	<i>31 December 2009 (12 months)</i>	<i>31 December 2008 (9 months)</i>
Quoted fund investments	47,488	(255,783)
Equity securities	5,214	(273,735)
Fixed income securities	(11,280)	(157,926)
Foreign exchange and others	<u>(3,174)</u>	<u>(37,185)</u>
	<u>38,248</u>	<u>(724,629)</u>

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25. INCOME FROM INVESTMENTS

Income from investments comprises the following:

	<i>31 December 2009 (12 months)</i>	<i>31 December 2008 (9 months)</i>
Net gain on sale of investments available for sale	30,831	15,749
Dividends	4,406	4,218
	35,237	19,967

26. FEE AND COMMISSION INCOME

Fee and commission income and expense comprises the following:

	<i>31 December 2009 (12 months)</i>	<i>31 December 2008 (9 months)</i>
Fee and commission income	125,181	221,255
Fee and commission expense	(6,163)	(9,205)
	119,018	212,050

27. IMPAIRMENT CHARGES ON INVESTMENTS

Impairment charges on investments comprise the following:

	<i>31 December 2009 (12 months)</i>	<i>31 December 2008 (9 months)</i>
Impairment on available for sale investments	(34,945)	(67,733)
Impairment on investments in associates	(261,684)	(105,631)
Impairment of investments held to maturity	(15,549)	(11,536)
Impairment of goodwill	-	(1,794)
	(312,178)	(186,694)

28. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise the following:

	<i>31 December 2009 (12 months)</i>	<i>31 December 2008 (9 months)</i>
Employee salaries and fringe benefits	(163,570)	(208,693)
Office rent and related expenses	(21,085)	(12,954)
Professional fees	(15,765)	(23,302)
Corporate marketing and branding costs	(10,244)	(18,291)
Other	(34,184)	(40,120)
	(244,848)	(303,360)

Included in "employee salaries and fringe benefits" is 22,164 (31 December 2008 – 38,255) relating to the expense arising from transactions accounted for as equity settled share based payment transactions.

As of 31 December 2009, the Group had a total of 372 employees (31 December 2008 – 492 employees) represented by 156 employees in the parent company (31 December 2008 – 222 employees) and 216 in subsidiaries (31 December 2008 – 270 employees).

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29. PROVISIONS

The Group recognised provision charges in respect of the following:

	31 December 2009 (12 months)	31 December 2008 (9 months)
Contingent liabilities (note 35)	(156,643)	-
Installment credits, loans and advances	(32,851)	(9,616)
Doubtful receivables	(2,162)	(14,558)
Others	(18,890)	-
	<u>(210,546)</u>	<u>(24,174)</u>

30. EARNINGS PER SHARE

Basic earnings per share have been computed using the net income attributable to the ordinary equity holders of the parent (529,781) (31 December 2008 – (948,496)) adjusted by interest due on convertible bonds 28,240 (31 December 2008 – 69,260) and Directors' remuneration 138 (31 December 2008 – 7,459). The adjusted earnings figure is divided by the weighted average number of ordinary shares outstanding 718,611,872 (31 December 2008 – 547,000,000).

Diluted earnings per share have been computed using the net income attributable to the ordinary equity holders of the parent (529,781) (31 December 2008 – (948,496)) adjusted by Directors' remuneration 138 (31 December 2008 – 7,459). The adjusted earnings figure is divided by the sum of the weighted average number of ordinary shares outstanding and the number of ordinary shares issued on conversion of the convertible bond 1,061,945,205 (31 December 2008 – 1,062,000,000).

31. RELATED PARTY TRANSACTIONS

A number of transactions are entered into with related parties in the normal course of business. Related parties include significant shareholders, associated companies, investment funds managed by the Group, directors and key management personnel of the Group. Pricing policies and the terms of these transactions are approved by Group management and/or the Board of Directors.

Assets and liabilities with related parties are as follows:

	31 December 2009	31 December 2008
Cash and deposits with banks		
Other related parties	50,000	-
Receivables and other debit balances		
Associates	93	1,300
Other related parties	28,226	31,586
Loans and advances		
Other related parties	86,354	74,347
Key management personnel	-	1,668
	<u>164,673</u>	<u>108,901</u>

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

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31. RELATED PARTY TRANSACTIONS - continued

	<i>31 December 2009</i>	<i>31 December 2008</i>
Payables and other credit balances		
Associates	-	22,956
Other related parties	<u>35,520</u>	<u>34,300</u>
	<u>35,520</u>	<u>57,256</u>

On 1 January 2009, the Group acquired an additional 5% of the voting shares of SHUAA Securities LLC (note 12). These shares were held previously by a related party. The acquisition price was calculated pursuant a formula agreed in April 2007, as part of the transaction whereby the Group acquired a 95% interest in SHUAA Securities LLC.

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

	<i>1 January 2009 to 31 December 2009 (12 months)</i>	<i>1 April 2008 to 31 December 2008 (9 months)</i>
Interest income		
Associates	-	(69)
Other related parties	422	390
Income from investments		
Other related parties	4,005	590
Fees and commission income		
Other related parties	16,958	75,555
Loss on sale of associate		
Other related parties	(18,630)	-
General & administrative expenses		
Other related parties	<u>(603)</u>	<u>-</u>
	<u>2,152</u>	<u>76,466</u>

Compensation of the key management personnel is as follows:

	<i>1 January 2009 to 31 December 2009 (12 months)</i>	<i>1 April 2008 to 31 December 2008 (9 months)</i>
Short term employee benefits	16,045	12,116
Termination benefits	24,775	-
Share based payments	<u>4,161</u>	<u>22,897</u>
Total compensation paid to key management personnel	<u>44,981</u>	<u>35,013</u>

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32. SUBSIDIARIES

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

Name	Country of incorporation	Holding 31 December 2009	Holding 31 December 2008
SHUAA Capital (Assets) Inc.	British Virgin Islands	100.0%	100.0%
SHUAA Capital Inc.	British Virgin Islands	100.0%	100.0%
Gulf Finance Corporation PJSC	United Arab Emirates	100.0%	100.0%
SHUAA Capital International Ltd.	United Arab Emirates	100.0%	100.0%
SHUAA Partners Ltd.	United Arab Emirates	100.0%	100.0%
SHUAA Securities LLC (formerly Emirates Securities LLC)	United Arab Emirates	100.0%	95.0%
SHUAA Capital Saudi Arabia CJSC	Saudi Arabia	99.6%	60.0%
Menkul Ltd	Turkey	-	92.9%
Nile One Ltd	Egypt	100.0%	100.0%
Asia Brokers Ltd	Jordan	99.3%	80.0%

During the year, the Group sold its entire stake in Menkul Ltd for 1,113 realising a loss of (1,968).

33. SEGMENTAL INFORMATION

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

Private Equity currently manages four private equity funds as well as the Group's heritage investments. SHUAA Partners Ltd, is the Group's private equity brand and is a DIFC category three 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 20 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.

Investment Banking provides corporate finance advisory, private placements, public offerings of equity and debt securities, trade sales, mergers, acquisitions, divestitures, spin-offs, syndications and structured products.

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.

Finance activities are conducted by Gulf Finance, which is primarily engaged in asset backed lending with a primary focus on construction equipment finance.

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

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

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33. SEGMENTAL INFORMATION - continued

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

1 January 2009 to 31 December 2009 (12 months)							
	Private Equity	Asset Management	Investment Banking	Brokerage	Finance	Corporate	Total
Interest income	188	-	-	458	81,587	58,046	140,279
Interest expense	(9)	-	-	(1,674)	(25,193)	(45,261)	(72,137)
	179	-	-	(1,216)	56,394	12,785	68,142
Income from investment securities	-	-	-	-	-	38,248	38,248
Income from investments	-	-	-	-	-	35,237	35,237
Net fees and commissions	31,891	18,225	2,240	51,756	7,444	7,462	119,018
	31,891	18,225	2,240	51,756	7,444	80,947	192,503
Income from associates	-	-	-	-	-	(19,259)	(19,259)
Impairment charges	-	-	-	-	-	(312,178)	(312,178)
Operating income	32,070	18,225	2,240	50,540	63,838	(237,705)	(70,792)
General & administrative expenses	(15,475)	(11,518)	(14,340)	(31,921)	(24,561)	(147,033)	(244,848)
Depreciation & amortisation	(1,091)	-	-	(1,780)	(948)	(7,779)	(11,598)
Provisions	-	-	-	(3,753)	(13,709)	(193,084)	(210,546)
Operating expenses	(16,566)	(11,518)	(14,340)	(37,454)	(39,218)	(347,896)	(466,992)
Profit/(loss) for the period	15,504	6,707	(12,100)	13,086	24,620	(585,601)	(537,784)
Attributable to:							
Minority interests	585	-	(304)	(208)	-	(8,076)	(8,003)
Equity holders of the parent	14,919	6,707	(11,796)	13,294	24,620	(577,525)	(529,781)
31 December 2009							
	Private Equity	Asset Management	Investment Banking	Brokerage	Finance	Corporate	Total
Assets	93,001	632	2,896	266,905	551,094	1,935,174	2,849,702
Liabilities	9,411	-	-	82,086	245,943	814,303	1,151,743

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33. SEGMENTAL INFORMATION - continued

1 April 2008 to 31 December 2008

(9 months)

	Private Equity	Asset Management	Investment Banking	Brokerage	Finance	Corporate	Total
Interest income	-	-	23,613	-	77,105	38,699	139,417
Interest expense	(4)	-	(10,572)	(2,244)	(21,364)	(37,646)	(71,830)
	(4)	-	13,041	(2,244)	55,741	1,053	67,587
Income from investment securities	-	-	-	-	-	(724,629)	(724,629)
Income from investments	-	-	-	-	-	19,967	19,967
Net fees and commissions	52,703	74,304	7,987	65,937	4,138	6,981	212,050
	52,703	74,304	7,987	65,937	4,138	(697,681)	(492,612)
Income from associates	-	-	-	-	-	(18,643)	(18,643)
Impairment charges	-	-	-	-	-	(186,694)	(186,694)
Operating income	52,699	74,304	21,028	63,693	59,879	(901,965)	(630,362)
General & administrative expenses	(15,431)	(20,705)	(14,765)	(29,148)	(18,919)	(204,392)	(303,360)
Depreciation & amortisation	(546)	-	(83)	(827)	(394)	(5,407)	(7,257)
Provisions	-	-	-	(3,431)	(8,996)	(11,747)	(24,174)
Operating expenses	(15,977)	(20,705)	(14,848)	(33,406)	(28,309)	(221,546)	(334,791)
(Loss)/profit for the period	36,722	53,599	6,180	30,287	31,570	(1,123,511)	(965,153)
Attributable to:							
Minority interests	5,314	-	(723)	128	-	(21,376)	(16,657)
Equity holders of the parent	31,408	53,599	6,903	30,159	31,570	(1,102,135)	(948,496)

31 December 2008

	Private Equity	Asset Management	Investment Banking	Brokerage	Finance	Corporate	Total
Assets	123,243	2,046	3,832	258,001	839,412	3,150,069	4,376,603
Liabilities	10,924	-	-	88,779	558,881	1,450,062	2,108,646

34. CLIENTS' FUNDS UNDER MANAGEMENT

The Company is licensed as a financial investment company regulated by the U.A.E. Central Bank (Note 1).

Client's funds are managed in a fiduciary capacity, without risk or recourse to the Company. These assets are considered as off-balance sheet items and do not constitute part of the Group's assets.

35. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

	31 December 2009	31 December 2008
Contingent liabilities	255,872	211,400
Commitments	357,880	383,054

Contingent liabilities include 200,000 payable to a regional bank in the event of default by a third party. The default event occurred in January 2010 and on this basis the Group has recognised a provision of 156,643 based on the Group's estimate of its net exposure.

36. COMPARATIVE INFORMATION

The amounts disclosed on the statement of financial position as client's funds under management for 31 December 2008 have been restated in order to provide a consistent and fair comparative with the 31 December 2009 figure.