

SHUAA Capital PSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010

BOARD OF DIRECTORS' REPORT

During 2010, SHUAA Capital took significant steps to implement its turnaround program. As a result, we closed the year with a very strong balance sheet, a refocused business model, a clear strategy, a restructured organization and an improved corporate governance framework. We believe that these actions place the company on a strong footing and enable us to navigate through protracted and widespread market disruptions.

We remain focused on investing and building our core fee generating businesses, which continue to hold market leadership positions. We have pursued a range of measures across SHUAA Capital to manage expenses. Our cost structure has been adapted to the new business environment although we continue to focus on cost control.

We also continue to apply our approach towards risk mitigation within the legacy portfolio. In the fourth quarter, we took some conservative valuation decisions that inevitably left a mark on SHUAA's income statement. However, we believe that these adjustments allow us to put these legacy investment issues behind us and place us in a better position going forward.

SHUAA Capital reported revenues of AED 188.4 million (2009: AED 267.9 million) and an overall loss for the year of AED 223.6 million (2009: loss AED 529.8 million).

Valuation adjustments and provisions totaling AED 157.9 million in respect of legacy investments have been recognised in 2010. This predominantly reflects a prudent approach to the valuation of the non-core legacy portfolio.

SHUAA's solid balance sheet has been of critical importance in the face of ongoing adverse market conditions and a changing competitive landscape. The Company remains determined to maintain its capital strength and low gearing ratio of 16.1% (2009: 28.2%). Moody's Investor Service recently reassigned a Ba2 rating with a stable outlook. This rating is on par with some of the best securities firms worldwide and continues to support SHUAA's access to liquidity at relatively favorable conditions.

SHUAA's total assets as of 31 December 2010 were AED 1.92 billion, a decrease of AED 927 million or 32.5%, compared to 31 December 2009 (AED 2.85 billion). This includes a healthy cash position of AED 397 million. Total liabilities were AED 447.6 million at year end 2010, a decrease of AED 704 million or 61% versus total liabilities of AED 1.15 billion at year end 2009.

The primary drivers for the decrease of both assets and liabilities were liquidation of legacy investments and the one-off reduction of risk exposures. During the year 2010, SHUAA Capital reduced its legacy investment portfolio by AED 457 million to AED 564 million from AED 1.02 billion, or 44.7%. Cash generated from investment exits was consistently used throughout the year to pay down debt and deleverage the balance sheet.

During the year 2010, the financial services sector continued to face extraordinary market disruptions and unprecedented challenges. Equity markets in the UAE started the year on a positive note during the first quarter, followed by a negative trend that continued during the second and third quarter and despite a small recovery remained volatile until the end of the year. These events led to a difficult trading environment, particularly in investment banking and brokerage.

The Asset Management, Private Equity and Finance division generated profits in 2010, whereas investment banking and brokerage were impacted by subdued client activity, further reduced investor appetite for UAE equities, and the absence of primary issuance in UAE equity markets in 2010.

SHUAA Asset Management's flagship Arab Gateway Fund was ranked as the top performing fund in the MENA region for 2010 in its investment category, recording a gain of 19.41% versus 11.35% for the S&P Pan Arab Composite Index. The Qatar Gate Fund (N) was the top performing fund in Qatar with a performance of 37.11% against 24.75% of its benchmark. In addition, all other funds, including the Saudi and Emirates Gateway Funds, and discretionary portfolios managed on behalf of clients, outperformed their respective benchmarks. Furthermore, SHUAA Asset Management has been awarded 'Best Institutional Asset Manager in the United Arab Emirates 2010' at EMEA Finance magazine's annual Middle East Banking Awards.

Whilst we had experienced net redemptions during most of 2010, the last quarter saw renewed investor interest and net subscriptions from regional and international clients. Based on the excellent performance and increasing client trust and confidence, the division is confident that it can increase assets under management in 2011.

Gulf Finance continued to be the main profit driver for the Company and performed well throughout the year, maintaining its BB credit rating by Capital Intelligence. It has further diversified its loan portfolio by reducing its exposure to the construction vehicle sector to 6% from over 90% in 2008, while increasing transaction flow in the Manufacturing, Oil & Gas and Healthcare sectors.

The division has been able to maintain a consistent level of nonperforming loans (NPLs) which stood at AED 6.6 million at year end. Due to the reduced size of the overall loan book from AED 432 million to AED 301 million, NPLs have remained stable during the year at 2.3%. However, the division retains a prudent approach to provisioning for NPLs. Provisions as a percentage of NPLs stood at 574% at year end. Gulf Finance continued to refocus its business towards asset-backed lending to small and medium sized enterprises. The total loan book now comprises over 95% of asset backed loans.

During 2010 SHUAA Partners continued to manage its client assets and completed a significant exit with the sale of its stake in Rotana Hotel Management Corporation. The sale generated a positive return for the fund and substantial dividends over the four year holding period.

Brokerage was affected by deteriorating market conditions in 2010. The Dubai Financial Market saw a fall in trading values of 59.8% compared to 2009 while the Abu Dhabi Securities Exchange recorded a fall of 50.7%. The brokerage division was able to secure a top 5 market position in the UAE with a 4.68% market share. SHUAA Securities ranked fourth on the Dubai Financial Market with a market share of 5.1% and executed AED 7.1 billion in transaction value. SHUAA Securities ranked sixth on the Abu Dhabi Securities Exchange with 3.83% market share and AED 2.7 billion transaction value.

During the fourth quarter of 2010, Brokerage has broadened its service portfolio from catering primarily to individual investors to capturing more institutional clients. As one of the most established brands, SHUAA is well positioned to attract institutional fund flows as international investors are expected to return to UAE markets.

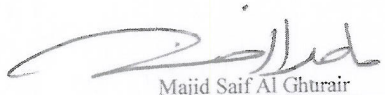
Due to the widespread uncertainty across capital markets, 2010 was particularly challenging within Investment Banking which has a healthy pipeline and deal backlog but clients remain cautious. During the year, Investment Banking diversified its issuer facing business towards more M&A advisory and private placements. At the same time, the division has been able to smooth out revenues with its investor facing capital markets and syndication business that have contributed to offsetting additional losses.

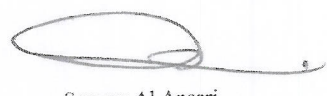
The Corporate division recorded the bulk of impairment charges and provisions. The Corporate division also recognizes costs related to sales, research, marketing, IT, operations, finance, human resources, legal and other support functions.

SHUAA Capital Saudi Arabia continues to represent a key part of the Group's growth plans for 2011. Last year, the Saudi Hospitality Fund I signed two MoUs for the development of a five-star hotel and a budget business hotel in Jeddah; and in January of this year, announced its third transaction to develop a Rotana Hotel in Dammam. The team launched three new Shariah-compliant funds and quadrupled its assets under management to SAR 100m. In Brokerage, SHUAA Capital Saudi Arabia launched a new state of the art trading platform to cater to domestic, regional and international clients, seeking enhanced access to the Saudi Stock Exchange. The Brokerage business expects to increase market share as its stronger sales presence starts gaining traction.

In 2010 SHUAA Capital increased the level of activity to re-engage with our existing shareholders and potential investors, ensuring that our Equity Story becomes more visible. We remain committed to best practice in shareholder communications.

The Board of Directors would like to thank all shareholders for their increasing confidence and trust in SHUAA Capital, and to show its appreciation to all employees for their ongoing efforts and focus on restoring SHUAA Capital's status as a national champion.


Majid Saif Al Ghurair
Chairman


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

7 February 2011

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 2010 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2010 and its consolidated financial performance and its 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.

A handwritten signature in purple ink that reads 'Ernst & Young'.A handwritten signature in purple ink that reads 'J. Murphy'.

Signed for Ernst & Young by
Joseph A. Murphy
Partner
Registration No. 492

7 February 2011

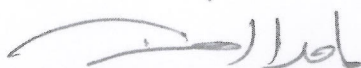
Dubai, United Arab Emirates

SHUAA Capital PSC**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 31 December 2010

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

	Notes	31 December 2010	31 December 2009 Reclassified
Assets			
Cash and deposits with banks	5	397,149	543,459
Receivables and other debit balances	6	39,279	109,186
Installment credits, loans and advances	7	605,295	810,698
Investments in SHUAA managed funds	8	170,431	175,310
Investments in third party associates	9	186,677	461,266
Other investments	10	377,824	559,951
Fixed assets	11	41,907	46,793
Goodwill	12	103,794	143,039
Total Assets		1,922,356	2,849,702
Liabilities			
Due to banks	13	133,931	423,697
Payables and other credit balances	14	169,668	668,480
Medium-term debt	15	143,958	59,566
Total Liabilities		447,557	1,151,743
Equity			
Share capital	16	1,065,000	1,065,000
Treasury shares	17	(14,458)	(14,458)
Employee stock option plan shares	18	(86,603)	(78,196)
Statutory reserve	20	728,295	1,714,140
Accumulated losses	20	(235,678)	(985,845)
Investment revaluation reserve	21	18,043	(8,982)
Translation reserve		(160)	5,851
Equity attributable to the shareholders of the parent		1,474,439	1,697,510
Minority interest	22	360	449
Total Equity		1,474,799	1,697,959
Total Liabilities and Equity		1,922,356	2,849,702



Majid Saif Al Ghurair – Chairman

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2010

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

	<i>Notes</i>	<i>1 October to 31 December 2010 (3 months) Unaudited</i>	<i>1 January to 31 December 2010 (12 months) Audited</i>	<i>1 October to 31 December 2009 (3 months) Unaudited Reclassified</i>	<i>1 January to 31 December 2009 (12 months) Audited Reclassified</i>
	33				
Interest income		19,415	86,721	25,490	126,354
Net fees and commissions	23	14,269	86,981	22,403	119,018
Trading income		540	2,538	1,823	9,802
Gains from investments in SHUAA managed funds	24	8,543	12,199	(3,046)	12,695
Total revenues		42,767	188,439	46,670	267,869
General and administrative expenses	25	(59,832)	(225,828)	(49,144)	(244,848)
Interest expense		(5,753)	(33,290)	(9,099)	(72,137)
Depreciation	11	(2,989)	(11,933)	(2,303)	(11,598)
Provisions	26	(40,252)	(42,135)	(32,160)	(53,726)
Goodwill impairment charge	12	(39,245)	(39,245)	-	-
Total expenses		(148,071)	(352,431)	(92,706)	(382,309)
Net loss before losses from other investments		(105,304)	(163,992)	(46,036)	(114,440)
Losses from other investments, including investments in third party associates	27	(81,380)	(59,694)	(108,302)	(423,344)
Loss for the period		(186,684)	(223,686)	(154,338)	(537,784)
Attributable to:					
Minority interest		(27)	(82)	(37)	(8,003)
Equity holders of the parent		(186,657)	(223,604)	(154,301)	(529,781)
Loss per share (equity holders of the parent) for the period					
Basic loss per share (in AED)	28	(0.176)	(0.211)	(0.215)	(0.777)
Diluted loss per share (in AED)	28	(0.176)	(0.211)	(0.145)	(0.499)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

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

	<i>1 October to 31 December 2010 (3 months) Unaudited</i>	<i>1 January to 31 December 2010 (12 months) Audited</i>	<i>1 October to 31 December 2009 (3 months) Unaudited</i>	<i>1 January to 31 December 2009 (12 months) Audited</i>
Loss for the period	(186,684)	(223,686)	(154,338)	(537,784)
Other comprehensive profit/(loss)				
Net revaluation reserve movement on:				
- Investments in SHUAA managed funds	(607)	10,040	(3,797)	8,488
- Other investments	(19,176)	11,429	(25,352)	(1,881)
Share of other comprehensive income of associates	3,772	5,549	1,556	13,098
Exchange differences on translation of foreign operations	(78)	(6,011)	10,253	(8,758)
Other comprehensive (loss)/profit for the period	(16,089)	21,007	(17,340)	10,947
Total comprehensive loss for the period	(202,773)	(202,679)	(171,678)	(526,837)
Attributable to:				
Minority interest	(32)	(89)	(36)	(7,959)
Equity holders of the parent	(202,741)	(202,590)	(171,642)	(518,878)

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

For the year ended 31 December 2010

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

	<i>1 January to 31 December 2010</i>	<i>1 January to 31 December 2009 Reclassified</i>
Operating activities		
Loss for the period	(223,686)	(537,784)
Adjustments:		
Depreciation	11,933	11,598
Unrealised gains on investments in SHUAA managed funds	(11,104)	(53,086)
Income from other investments	88,756	295,844
Loss on sale of subsidiary	-	4,413
Share based payments charge	270	22,164
Goodwill impairment charge	39,245	-
Provisions	35,316	210,546
Other non operating income	-	1,549
Operating loss before changes in operating assets and liabilities	(59,270)	(44,756)
Changes in operating assets and liabilities:		
Receivables and other debit balances	12,836	182,985
Installment credits, loans and advances	198,810	375,327
Payables and other credit balances	(32,352)	(241,313)
Net sale of SHUAA managed funds	27,586	195,577
Net cash from operating activities	147,610	467,820
Investing activities		
Net proceeds from other investments/associates	430,348	640,554
Dividends received	28,275	-
Payments related to investment in subsidiary	(34,907)	(51,575)
Net purchase of fixed assets	(8,640)	(10,012)
Net cash from investing activities	415,076	578,967
Financing activities		
Interest on convertible bond	(45,000)	-
Decrease in medium term debt	(48,941)	(52,745)
Decrease in amounts due to banks	(356,432)	(839,990)
Decrease in amounts due to others	(239,160)	-
Directors' remuneration	-	(138)
Purchase of treasury shares	-	(983)
Movement in employee stock option plan shares	(19,233)	(71)
Net cash used in financing activities	(708,766)	(893,927)
(Decrease) / increase in cash and cash equivalents	(146,080)	152,860
Foreign currency translation	(230)	510
Cash and cash equivalents at beginning of the period	543,459	390,089
Cash and cash equivalents at end of the period	397,149	543,459
Operational cash flows from interest and dividend		
Interest received	87,108	134,936
Interest paid	(34,645)	(122,650)
Dividend received	1,094	4,218

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

SHUAA Capital psc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

(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	Accumulated losses	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 loss 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 (note 20)	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

	Equity attributable to shareholders of the Parent										
	Share capital	Treasury shares	Employee stock option plan shares	Statutory reserve	Accumulated losses	Investment revaluation reserve	Translation reserve	Convertible bond	Total	Minority interest	Total
Balance as of 1 January 2010	1,065,000	(14,458)	(78,196)	1,714,140	(985,845)	(8,982)	5,851	-	1,697,510	449	1,697,959
Total comprehensive loss for the period	-	-	-	-	(223,604)	27,025	(6,011)	-	(202,590)	(89)	(202,679)
Directors' remuneration	-	-	-	-	138	-	-	-	138	-	138
Operational reserves	-	-	-	-	(1,656)	-	-	-	(1,656)	-	(1,656)
Accumulated losses offset (note 20)	-	-	-	(985,845)	985,845	-	-	-	-	-	-
Net movement in employee stock option plan shares	-	-	(8,407)	-	(10,826)	-	-	-	(19,233)	-	(19,233)
Share based payments charge	-	-	-	-	270	-	-	-	270	-	270
Balance as of 31 December 2010	1,065,000	(14,458)	(86,603)	728,295	(235,678)	18,043	(160)	-	1,474,439	360	1,474,799

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

(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 2010 were authorised for issuance in accordance with a resolution of the Board of Directors on 7th February 2011.

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 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.

New accounting standards and interpretations

The accounting standards adopted are consistent with those of the previous financial year, except for the following new amended IFRS effective as of 1 January 2010:

- IFRS 3 Business combinations (revised) and IAS 27 Consolidated and separate financial statements (amended) effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39.

Adoption of the above standards did not have an impact on the financial statements of the Group.

Standards issued but not yet effective

Standards issued but not yet effective up to date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

- IAS 24 Related party Disclosures (Amendment)
- IAS 32 Financial instruments: Presentation – classification of right issues
- IFRS 9 Financial instruments: Classification and measurement. IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected mid 2011. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the financial assets. The Group is currently assessing the impact of adopting IFRS 9, however, as the impact of adoption depends on the assets held by the Group at the date of adoption, it is not practical to quantify the effect.
- IFRIC 14 Prepayments of a minimum funding requirement (Amendment)
- IFRIC 19 Extinguishing financial liabilities with equity instruments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued**Improvements to IFRSs (issued in May 2010)**

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments are listed below:

- IFRS 3 business combinations
- IFRS 7 Financial instruments: disclosures
- IAS 1 Presentation of financial statements
- IAS 27 Consolidated and separate financial statements
- IFRIC 13 Customer loyalty programmes

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

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 consolidated 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 as an equity transaction.

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. 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 in 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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

Impairment of available for sale investments

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

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

Going concern

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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 trading 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 categorised 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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 initially recorded through the income statement but as an increase in the investment revaluation reserve pending realisation.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued**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

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

Impairment losses relating to goodwill cannot be reversed in future periods.

Income recognition

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued**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 derecognised 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 recognised 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 recognised on or derecognised from the statement of financial position, 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.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the company makes contributions to UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (7), 1999 for Pension and Social Security. The Company's obligations are limited to these contributions, which are expensed when due.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

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:

31 December 2010				
	Level 1	Level 2	Level 3	Total
Investments in SHUAA managed funds				
Held at fair value through profit and loss	-	88,683	-	88,683
Available for sale	-	-	16,306	16,306
Other investments				
Held at fair value through profit and loss	29,124	114,299	13,051	156,474
Available for sale	34,184	15,427	90,822	140,433
	63,308	218,409	120,179	401,896
31 December 2009				
	Level 1	Level 2	Level 3	Total
Investments in SHUAA managed funds				
Held at fair value through profit and loss	-	96,799	-	96,799
Available for sale	-	16,776	45,352	62,128
Other investments				
Held at fair value through profit and loss	56,232	66,469	196,063	318,764
Available for sale	1,464	28,147	130,368	159,979
	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.

Investments held at fair value through profit and loss

Investments held at fair value through profit and loss 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

3. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued
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 77,119. 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.

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 2010							
Balance at 1 January 2010	Gain/(loss) through P&L	Gain/(loss) through equity	Purchases	Sales /reclassifi- cation	Transfers from/(to) levels 1 &2	Balance at 31 December 2010	
Investments in SHUAA managed funds							
Available for sale	45,352	(8,273)	11,680	-	(32,453)	-	16,306
Other investments							
Held at fair value through profit and loss	196,063	(7,957)	-	-	(97,936)	(77,119)	13,051
Available for sale	130,368	(12,717)	9,457	8,407	(44,693)	-	90,822
	371,783	(28,947)	21,137	8,407	(175,082)	(77,119)	120,179

31 December 2009						
Balance at 1 January 2009	Gain/(loss) through P&L	Gain/(loss) through equity	Purchases	Sales	Transfers from/(to) levels 1 &2	Balance at 31 December 2009
Investments in SHUAA managed funds						
Available for sale	37,198	(954)	658	8,450	-	45,352
Other investments						
Held at fair value through profit and loss	275,324	(75,309)	-	10,786	-	196,063
Available for sale	179,075	(3,401)	(11,542)	6,907	(40,671)	130,368
	491,597	(79,664)	(10,884)	26,143	(40,671)	371,783

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

	31 December 2010	31 December 2009
Investments in SHUAA managed funds		
Realised losses	(8,273)	-
Unrealised losses	-	(954)
Other investments		
Realised (losses)/gains	(12,055)	4,113
Unrealised losses	(8,613)	(82,823)
	(28,941)	(79,664)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

3. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued**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 2010		31 December 2009	
	<i>Carrying amount</i>	<i>Effect of reasonably possible alternative assumptions</i>	<i>Carrying amount</i>	<i>Effect of reasonably possible alternative assumptions</i>
Investments in SHUAA managed funds				
Available for sale	16,306	3,261	45,352	12,013
Other investments				
Held at fair value through profit and loss	13,051	3,263	196,063	21,798
Available for sale	90,822	18,164	130,368	28,155
	120,179	24,688	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 adjusted 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.

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.

	31 December 2010		31 December 2009	
	<i>Carrying amount</i>	<i>Total fair value</i>	<i>Carrying amount</i>	<i>Total fair value</i>
<u>Financial assets</u>				
Cash and deposits with banks	397,149	397,149	543,459	543,459
Receivables and other debit balances	24,964	24,964	101,034	101,034
Installment credits, loans and advances	605,295	605,295	810,698	810,698
Investments in SHUAA managed funds	65,442	65,442	16,383	16,383
Investments in third party associates	186,677	186,677	461,266	461,266
Other investments held to maturity	80,917	92,499	81,208	52,891
	1,360,444	1,372,026	2,014,048	1,985,731
<u>Financial liabilities</u>				
Due to banks	133,931	133,931	423,697	423,697
Payables and other credit balances	128,920	128,920	416,211	416,211
Medium term debt	143,958	143,958	59,566	59,566
	406,809	406,809	899,474	899,474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

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 Governance Committees of the Group and to each subsidiary, however enterprise wide risk is monitored, by the group Risk Committee who 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 Governance Committees 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 Group Risk 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:

	Gross maximum exposure 31 Dec 2010	Gross maximum exposure 31 Dec 2009
Cash and deposits with banks	397,149	543,459
Receivables and other debit balances	39,279	109,186
Installment credits, loans and advances	605,295	810,698
Other investments		
Held at fair value through profit and loss	24,841	45,009
Investments held to maturity	80,917	81,208
Total	1,147,481	1,589,560
Contingent liabilities	45,094	255,872
Commitments	162,790	357,880
Total	207,884	613,752
Total credit risk exposure	1,355,365	2,203,312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

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	375,461	3,236	7,863	5,889	4,700	-	397,149
Receivables and other debit balances	30,257	2,872	5,707	-	428	15	39,279
Installment credits, loans and advances	470,391	94,488	40,416	-	-	-	605,295
Investments in SHUAA managed funds	53,090	90,077	27,264	-	-	-	170,431
Investments in third party associates	105,826	80,851	-	-	-	-	186,677
Other investments	96,152	148,313	5,105	13,565	11,659	103,030	377,824
Fixed assets	34,318	3,548	4,041	-	-	-	41,907
Goodwill	103,794	-	-	-	-	-	103,794
Total Assets - 31 December 2010	1,269,289	423,385	90,396	19,454	16,787	103,045	1,922,356
Total Assets - 31 December 2009	1,627,756	810,663	155,527	70,437	74,937	110,382	2,849,702

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 2010					
	Neither past due nor impaired			Past due or individually impaired	Grand Total
	High grade	Standard grade	Total		
Cash and deposits with banks	397,149	-	397,149	-	397,149
Receivables and other debit balances	-	39,279	39,279	-	39,279
Installment credits, loans and advances	-	611,014	611,014	83,698	694,712
Other investments	-	73,398	73,398	32,360	105,758
	397,149	723,691	1,120,840	116,058	1,236,898

31 December 2009					
	Neither past due nor impaired			Past due or individually impaired	Grand Total
	High grade	Standard grade	Total		
Cash and deposits with banks	543,459	-	543,459	-	543,459
Receivables and other debit balances	-	109,186	109,186	-	109,186
Installment credits, loans and advances	-	721,237	721,237	126,789	848,026
Other investments	-	72,025	72,025	54,192	126,217
	543,459	902,448	1,445,907	180,981	1,626,888

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

4. FINANCIAL RISK MANAGEMENT - continued

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

	31 December 2010				
	<i>Less than 31 days</i>	<i>31 to 90 days</i>	<i>91 to 180 days</i>	<i>More than 180 days</i>	<i>Total</i>
Installment credits, loans and advances	12,554	24,102	9,847	30,701	77,204

	31 December 2009				
	<i>Less than 31 days</i>	<i>31 to 90 days</i>	<i>91 to 180 days</i>	<i>More than 180 days</i>	<i>Total</i>
Installment credits, loans and advances	21,648	63,947	18,363	-	103,958

Liquidity risk

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

The Group's approach aims to always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses and without materially affecting the return on capital. The Group Assets and Liabilities Committee sets minimum liquidity ratios and cash balance requirements. The Group collates the projected cash flow and liquidity profiles of its financial assets and liabilities. It maintains a portfolio of short-term liquid assets to cover requirements, largely consisting of short-term liquid placements with financial institutions.

The three primary measures of liquidity used by the Group are, stock of liquid assets, surplus cash capital and net funding requirement. Liquid assets include cash and cash equivalents, 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 fixed assets. 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 2010, determined on the basis of the remaining contractual maturity. Where assets have no contractual maturity date (*) management have made an estimate of the maturity date based on the liquidity of the asset and their intention.

	<i>Less than 3 Months</i>	<i>3-12 Months</i>	<i>Sub total Less than a year</i>	<i>1-5 Years</i>	<i>Over 5 years</i>	<i>Grand total</i>
Cash and deposits with banks	354,052	43,097	397,149	-	-	397,149
Receivables and other debit balances	9,950	27,462	37,412	1,867	-	39,279
Installment credits, loans and advances	315,230	190,048	505,278	100,017	-	605,295
Investments in SHUAA managed funds*	-	16,306	16,306	154,125	-	170,431
Investments in third party associates*	-	156,697	156,697	29,980	-	186,677
Other investments*	107,628	96,609	204,237	173,587	-	377,824
Fixed assets*	-	-	-	41,907	-	41,907
Goodwill*	-	-	-	-	103,794	103,794
Total Assets	786,860	530,219	1,317,079	501,483	103,794	1,922,356
Due to banks	30,388	103,543	133,931	-	-	133,931
Payables and other credit balances	120,663	34,625	155,288	14,380	-	169,668
Medium-term debt	-	-	-	143,958	-	143,958
Equity	-	-	-	-	1,474,799	1,474,799
Total Liabilities and Equity	151,051	138,168	289,219	158,338	1,474,799	1,922,356
Net liquidity gap	635,809	392,051	1,027,860	343,145	(1,371,005)	-
Cumulative liquidity gap	635,809	1,027,860	1,027,860	1,371,005	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

4. FINANCIAL RISK MANAGEMENT - continued

The maturity profile of assets and liabilities as of 31 December 2009 was as follows:

	<i>Less than 3 Months</i>	<i>3-12 Months</i>	<i>Sub total Less than a year</i>	<i>1-5 Years</i>	<i>Over 5 years</i>	<i>Grand total</i>
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
Installment credits, loans and advances	338,779	384,807	723,586	87,112	-	810,698
Investments in SHUAA managed funds*	40,824	103,389	144,213	31,097	-	175,310
Investments in third party associates*	127,714	202,015	329,729	131,537	-	461,266
Other investments*	81,572	179,329	260,901	299,050	-	559,951
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	-	-

The Group's financial liabilities including interest to be paid based on contractual undiscounted repayment obligations are as follows:

	<i>31 December 2010</i>			
	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Total</i>
Due to banks	30,686	107,131	-	137,817
Trade and other credit payables	-	6,070	-	6,070
Medium term debt	-	-	157,470	157,470
Total	30,686	113,201	157,470	301,357

	<i>31 December 2009</i>			
	<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

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

	<i>31 December 2010</i>				
	<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	-	45,094	-	-	45,094
Commitments	-	33,003	129,787	-	162,790
Total	-	78,097	129,787	-	207,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

4. FINANCIAL RISK MANAGEMENT - continued

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

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

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Group faces market risk due to 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 sets performance targets and allocates risk and capital enterprise wide and approves investment rules for each business or strategy. Group Risk Management monitors independently the level of market risk on a daily basis against the investment rules at each level of the company. Any issues or excessive exposures are resolved immediately and reported to the 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 rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonable change in interest rates, with all other variables held constant, of the Group's consolidated income statement.

<i>Currency</i>	<i>Increase in basis points</i>	<i>Sensitivity of net interest income 31 December 2010</i>	<i>Sensitivity of net interest income 31 December 2009</i>
AED	25	95	462
USD	25	171	(608)

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 2010, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

4. FINANCIAL RISK MANAGEMENT - continued

The table below indicates the currencies to which the Group had significant exposure at 31 December 2010. 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 2010, 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.

Currency	% Change in Currency rate	31 December 2010		31 December 2009	
		Effect on profit	Effect on equity	Effect on profit	Effect on equity
		AED '000	AED '000	AED '000	AED '000
US Dollar	+1	(1,644)	(801)	(3,082)	(804)
Qatari Riyal	+1	(961)	(801)	(1,641)	(1,264)
Saudi Riyal	+1	(405)	(886)	(30)	(1,098)
Jordanian Dinar	+1	(61)	(219)	(56)	(520)
Kuwaiti Dinar	+1	(21)	(327)	(30)	(2,000)
Egyptian Pound	+1	(6)	(51)	(13)	(188)
Indian Rupee	+1	-	(828)	(356)	(645)
Syrian Pound	+1	-	(270)	-	(166)

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 2010		31 December 2009	
	% 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					
Kuwait Stock Exchange	-5	(1,650)	-	-	-
NASDAQ Dubai	-5	(729)	-	(1,444)	-
KSA Stock Exchange	-5	(428)	-	(928)	-
DFM	-5	(124)	(57)	(176)	(71)
Egypt Stock Exchange	-5	(98)	-	(15)	-
Doha Stock Exchange	-5	(42)	-	(119)	-
Oman Stock Exchange	-5	(29)	-	(1)	-
ADSM	-5	(17)	-	(148)	-
Beirut Stock Exchange	-5	-	-	(133)	-
Jordan Stock Exchange	-5	-	-	(35)	-
Unquoted Equities	-5	-	(11)	(1,037)	(5,743)
Funds	-5	(12,293)	(3,822)	(14,494)	(8,289)
Bonds	-5	(1,242)	-	(2,250)	-

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

4. FINANCIAL RISK MANAGEMENT - continued**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 2010	31 December 2009
Total borrowings	283,959	666,913
Total equity	1,474,799	1,697,959
Total capital	1,758,758	2,364,872
Gearing ratio	16.1%	28.2%

5. CASH AND DEPOSITS WITH BANKS

Cash and deposits with banks include a fixed deposit of 43,097 with a local bank, which is held as collateral for a Central Bank guarantee.

6. RECEIVABLES AND OTHER DEBIT BALANCES

	31 December 2010	31 December 2009
Client related receivables	12,755	9,620
Advances for staff programs	6,517	9,477
Receivable against settlement of trades	539	6,068
Amounts due from related parties	323	30,720
Advance against property under construction	-	32,997
Other receivables	19,145	20,304
	39,279	109,186

7. INSTALLMENT CREDITS, LOANS AND ADVANCES

Installment credits, loans and advances comprise the following:

	31 December 2010	31 December 2009
Installment credits	221,622	392,275
Loans and advances	148,191	112,404
Due from clients	235,482	306,019
	605,295	810,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

7. INSTALLMENT CREDITS, LOANS AND ADVANCES continued**(a) Installment credits**

	31 December 2010	31 December 2009
Total installment credits	296,135	475,596
Cumulative provision for impairment	(29,621)	(33,816)
Interest in suspense	(4,940)	(2,129)
Unearned income on installment credits	(39,952)	(47,376)
	221,622	392,275

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

	31 December 2010	31 December 2009
Balance, beginning of the year	(33,816)	(21,233)
Provision made during the year	(10,386)	(19,633)
	(44,202)	(40,866)
Less: recoveries made against the provision during the year	10,271	4,906
Less: write offs	4,310	2,144
Balance, end of the year	(29,621)	(33,816)

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

	31 December 2010	31 December 2009
Loans	163,139	117,456
Cumulative provision for impairment	(2,115)	(1,347)
Interest in suspense	(1,362)	(36)
Unearned interest	(11,471)	(3,669)
	148,191	112,404

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

	31 December 2010	31 December 2009
Balance, beginning of the year	(1,347)	(5,707)
Provision made during the year	(1,524)	(917)
	(2,871)	(6,624)
Less: recoveries made against the provision during the year	256	403
Less: write offs	500	4,874
Balance, end of the year	(2,115)	(1,347)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

7. INSTALLMENT CREDITS, LOANS AND ADVANCES continued**(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 2010, these underlying securities were valued at 1,010,920. Provisions are made for the uncovered portion of margins as required. As at the end of the year the cumulative provision was 51,379 (31 December 2009 – 41,580).

8. INVESTMENTS IN SHUAA MANAGED FUNDS

Investments in SHUAA managed funds consist of the following:

	31 December 2010	31 December 2009
Held at fair value through profit and loss	88,683	96,799
Available for sale	16,306	62,128
Associates	65,442	16,383
	170,431	175,310

Associates

The Group owns 23.7% of SHUAA Hospitality Fund I L.P., a closed ended private equity investment Fund registered as an exempted limited partnership in the Cayman Islands. The principal purpose of 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 LLC in the MENA region. As a consequence of cross investment holdings by the fund the Group indirectly owns 23.8% of SHUAA Saudi Hospitality Fund, an open ended investment Fund regulated by the Capital Markets Authority in Saudi Arabia. The principal purpose of the SHUAA Saudi Hospitality Fund is to achieve long term capital growth through investing in hospitality related real estate in the Kingdom of Saudi Arabia.

The Group owns 35.5% of Frontier Opportunities Fund I L.P., a closed ended private equity investment Fund registered as an exempted limited partnership in the Cayman Islands. The principal purpose of the Fund is to undertake direct or indirect investments in Syria, Lebanon and Jordan.

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

	31 December 2010	31 December 2009
Assets	92,385	16,398
Liabilities	(10,290)	(24)
Net assets	82,095	16,374
Revenues	12,056	315

9. INVESTMENTS IN THIRD PARTY ASSOCIATES

The Group has the following investments in third party associates:

	31 December 2010	31 December 2009
U.A.E.	105,826	131,537
Other G.C.C.	80,851	329,729
	186,677	461,266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

9. INVESTMENTS IN THIRD PARTY ASSOCIATES continued**City Engineering LLC**

The Group owns 40.0% of City Engineering LLC, a limited liability company based in Sharjah and engaged in construction contracting. The recoverable amount of this asset has been determined based on equity accounting net of impairment provision. As a result of this analysis management have recognised an impairment charge of 25,711.

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.

AlKout

AlKout Industrial Projects Company is a joint stock company listed on the Kuwait stock exchange. During the period, the Group sold its entire 48.7% stake in AlKout for 194,996 realising a loss in 2010 of 1,218.

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 planned sale of the Group's stake in Amwal did not complete as scheduled in the first quarter of 2010. The Group continues to explore all options to realise its investment in Amwal in the near future. During the period, the Group received 28,246 in dividends from this investment. The recoverable amount of this asset has been determined based on equity accounting net of impairment provision. As a result of the analysis management have recognised an impairment charge of 8,983.

	1 January 2010 to 31 December 2010 (12 months)	1 January 2009 to 31 December 2009 (12 months)
Balance, beginning of year	461,266	900,689
Additions during the year	-	9
Adjustment of acquisition price	-	(35,073)
Capital refund	-	(17,160)
Sale of associates during the year	(196,214)	(106,687)
Share of results of associates	(15,177)	(20,188)
Impairment charges recognised	(34,694)	(261,684)
Share of other comprehensive income of associates	5,549	13,099
Dividends received	(28,275)	-
Translation reserve	(5,778)	(11,739)
Balance, end of the year	186,677	461,266

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

	31 December 2010	31 December 2009
Assets	287,869	465,371
Liabilities	(128,810)	(163,414)
Net assets	159,059	301,957
Revenues	95,827	159,527

10. OTHER INVESTMENTS

Other investments comprise the following:

	31 December 2010	31 December 2009
Investment securities held at fair value through profit and loss	156,474	318,764
Investments available for sale	140,433	159,979
Investments held to maturity	80,917	81,208
	377,824	559,951

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

10. OTHER INVESTMENTS continued**a) Investment securities held at fair value through profit and loss**

Investment securities held at fair value through profit and loss comprise the following:

	31 December 2010	31 December 2009
Fund investments		
Quoted	24,576	44,442
Unquoted	77,756	148,643
Equity securities		
Quoted	29,302	59,074
Unquoted	-	21,596
Fixed income securities	24,840	45,009
	156,474	318,764

b) Investments available for sale

Investments available for sale comprise the following:

	31 December 2010	31 December 2009
Quoted direct equity investments	34,183	1,463
Unquoted direct equity investments	-	57,283
Unquoted fund investments	106,250	101,233
	140,433	159,979

c) Investments held to maturity

Investments held to maturity comprise the following:

	31 December 2010	31 December 2009
Fixed income securities	80,917	81,208
	80,917	81,208

The quoted market value of fixed income securities held to maturity as of 31 December 2010 is 92,499 (31 December 2009 52,891).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

11. FIXED ASSETS

	<i>31 December 2010</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	35,243	25,631	2,380	18,583	81,837
Additions	3,514	4,970	340	-	8,824
Disposals	(2,535)	(1,309)	(446)	-	(4,290)
Balance at end of the year	36,222	29,292	2,274	18,583	86,371
<u>Accumulated depreciation</u>					
Balance at beginning of the year	15,559	17,897	1,511	77	35,044
Charge for the year	4,913	6,223	332	465	11,933
Reversal of depreciation on disposal	(944)	(1,139)	(430)	-	(2,513)
Balance at end of the year	19,528	22,981	1,413	542	44,464
<u>Net book value</u>					
Balance at end of the year	16,694	6,311	861	18,041	41,907

	<i>31 December 2009</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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

12. GOODWILL

Goodwill acquired through business combinations has been allocated to cash generating units as follows:

	31 December 2010	31 December 2009
SHUAA Securities LLC	69,683	69,683
Gulf Finance Corporation PJSC	34,111	34,111
SHUAA Capital Saudi Arabia PJSC	-	39,245
	103,794	143,039

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 year period. The calculation of value in use is most sensitive to UAE and GCC gross domestic product, discount rates, market share and projected growth rates used to extrapolate cash flows beyond the budget period.

The movement in goodwill during the year is as follows:

	1 January 2010 to 31 December 2010	1 January 2009 to 31 December 2009
Balance, beginning of year	143,039	95,200
5% stake in SHUAA Securities LLC	-	8,594
39.6% stake in SHUAA Capital Saudi Arabia CJSC	-	39,245
Impairment of SHUAA Capital Saudi Arabia CJSC goodwill	(39,245)	-
Balance, end of year	103,794	143,039

On 1 September 2009, 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 amounted to 69,814. The book value of the net assets of SHUAA Capital Saudi Arabia cjsc at this date were 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, was recognised as goodwill.

The Group performed its annual impairment tests as at 31 December 2010. The recoverable amount of SHUAA Capital Saudi Arabia has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The projected cash flows have been updated to reflect the anticipated demand for services. The discount rate applied to cash flow projections is 15% (2009: 15%) and cash flows beyond the five year period are extrapolated using 2% growth rate (2009: 2%). As a result of this analysis, management has recognised a full impairment charge of 39,245 against goodwill previously carried.

Depressed levels of activity within regional financial markets have been the dominant feature of 2010, where liquidity remained tight and capital markets activity constrained. Ongoing economic uncertainty has been incorporated within projected cash flows of cash generating units by management, who have based projections on historical precedents.

Management believes that no reasonably foreseeable changes in any of the key assumptions would cause the carrying value of the remaining 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.

	31 December 2010	31 December 2009
Bank overdrafts	4,436	153,176
Term loans repayable within twelve months	129,495	270,521
	133,931	423,697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

13. DUE TO BANKS continued

The Group's banking facilities carry EBOR based floating interest rates plus a spread ranging between 3% and 5%.

At 31 December 2010, letters of guarantee on behalf of the Group amounting to 155,723 (31 December 2009 – 232,881) 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.

14. PAYABLES AND OTHER CREDIT BALANCES

Payable and other credit balances comprise the following:

	31 December 2010	31 December 2009
Payable to clients	80,574	129,914
Dividends payable	36,176	39,541
Accruals	25,426	70,869
End of service benefits	14,722	14,275
Structured notes	6,070	190,951
Payable against settlement of trades	3,199	2,604
Provisions	600	156,643
Other payables	2,901	20,932
Payable against investments	-	42,751
	169,668	668,480

15. MEDIUM TERM DEBT

Medium term debt comprises the following:

	31 December 2010	31 December 2009
Term loans	143,958	59,566
	143,958	59,566

Included within medium term debt is 133,333, being the medium term component of a term loan from Abu Dhabi Commercial Bank P.J.S.C secured by a charge over certain of the Group's assets with a combined net asset value of at least 300,000. The total outstanding amount is 226,666 with 93,333 due in 2011 included in due to banks (note 13).

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 2009 – 1,065,000,000 shares).

17. TREASURY SHARES

The Group held the following treasury shares at 31 December 2010:

	31 December 2010	31 December 2009
Number of treasury shares	3,500,000	3,500,000
Treasury share as percentage of total shares in issue	0.3%	0.3%
Cost of treasury shares	14,458	14,458
Market value of treasury shares	4,305	5,215

During the year, no treasury shares were bought or sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

18. EMPLOYEE STOCK OPTION PLAN SHARES

The following employee stock option plan shares were held in trust at 31 December 2010:

	31 December 2010	31 December 2009
Number of shares	31,598,004	19,561,391
Shares as percentage of total shares in issue	3.0%	1.8%
Cost of shares	86,603	78,196
Market value of shares	38,866	29,146

Movement in employee stock option plan shares was as follows:

	<i>Number of shares</i>	
	1 January 2010 to 31 December 2010	1 January 2009 to 31 December 2009
Balance at the beginning of the year	19,561,391	32,262,570
Executed options	(3,963,387)	(12,745,367)
Acquired shares	16,000,000	44,188
Balance at the end of the year	31,598,004	19,561,391

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, 25,425,000 options were issued to new and existing employees at a weighted average exercise price of AED 1.39, vesting between one and three years after issue. The fair value of these options granted during the year was 8,041 (31 December 2009 - 3,022).

During the year the terms of 12,625,000 previously granted options were modified. The fair value of the modification made was 3,859, which represents the difference between the fair value of the options before and after modification. The exercise price of these options was modified from a weighted average exercise price of AED 1.68 to AED 1.00 and the vesting dates of these options were extended by between forty and fifty-nine 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 2010	31 December 2009
Dividend yield	3.9%	14.4%
Expected volatility	58.1%	81.5%
Risk free interest rate	2.2%	6.0%
Expected average life of option (years)	3.21	1.46
Weighted average strike price (AED)	1.23	1.06

The expense recognised for employee services received during the year was 269 (31 December 2009 – 22,164).

Outstanding options granted to employees as of 31 December 2010 comprised 33,725,000 shares (31 December 2009 – 16,938,391) at an average exercise price of AED 1.26 per share (31 December 2009 – AED 1.46). The range of exercise prices for options outstanding at the end of the year was AED 1.00 to AED 4.00 (31 December 2009 – AED 0.00 to AED 4.00). During the year 5,138,391 (31 December 2009 – 16,832,145) options vested.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

20. STATUTORY RESERVE

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

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.

The Company obtained the approval of the Securities and Commodities Authority to set off its excess statutory reserves against accumulated losses as of 31 December 2009. The excess of statutory reserve, which has been used to set off accumulated losses, being 985,845.

This transaction was ratified by the shareholders at the Group's Annual General Meeting held on 18 April 2010.

	<i>1 January 2010 to 31 December 2010</i>	<i>1 January 2009 to 31 December 2009</i>
Balance, beginning of the year	1,714,140	553,140
Movement during the year to set off accumulated losses	(985,845)	-
Premium on issue of new shares	-	1,161,000
Balance, end of the year	728,295	1,714,140

This consolidated balance does not include statutory reserves held by subsidiaries which have an aggregate carrying value of 40,250 (31 December 2009 – 40,050) and are eliminated on consolidation. Accordingly, net assets of the consolidated subsidiaries are subject to such reserve requirement.

21. INVESTMENT REVALUATION RESERVE

	<i>1 January 2010 to 31 December 2010</i>	<i>1 January 2009 to 31 December 2009</i>
Available for sale investments		
Balance, beginning of the year	(7,586)	(14,194)
Realised during the year	6,932	1,778
Net movement in fair values during the year	14,544	4,830
Balance, end of the year	13,890	(7,586)
Group's share of investment revaluation reserves in associates		
Balance, beginning of the year	(1,396)	(14,494)
Net movement in fair values during the year	5,549	13,098
Balance, end of the year	4,153	(1,396)
Total investment revaluation reserve	18,043	(8,982)

22. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

23. NET FEE AND COMMISSION INCOME

Fee and commission income and expense comprises the following:

	31 December 2010	31 December 2009
Fee and commission income	88,717	125,181
Fee and commission expense	(1,736)	(6,163)
	86,981	119,018

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

Gains and losses from SHUAA managed funds comprise the following:

	31 December 2010	31 December 2009
Funds		
Held at fair value through profit and loss	12,510	23,687
Available for sale		
Gains and losses	3,777	4,034
Impairment	(10,955)	(9,371)
Associates	6,867	(5,655)
	12,199	12,695

25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise the following:

	31 December 2010	31 December 2009
Employee salaries and fringe benefits	(149,500)	(163,570)
Office rent and related expenses	(17,902)	(21,085)
Professional fees	(24,646)	(15,765)
Corporate marketing and branding costs	(7,738)	(10,244)
Other	(26,042)	(34,184)
	(225,828)	(244,848)

Included in "employee salaries and fringe benefits" is 270 (31 December 2009 – 22,164) relating to the expense arising from transactions accounted for as equity settled share based payment transactions.

As of 31 December 2010, the Group had a total of 383 employees (31 December 2009 – 372 employees) represented by 160 employees in the parent company (31 December 2009 – 156 employees) and 223 in subsidiaries (31 December 2009 – 216 employees).

26. PROVISIONS

The Group recognised provision charges in respect of the following:

	31 December 2010	31 December 2009
Installment credits, loans and advances	(6,594)	(32,851)
Doubtful receivables	(32,997)	(2,162)
Others	(2,544)	(18,713)
	(42,135)	(53,726)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

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

Gains and losses from other investments are detailed as follows:

	31 December 2010	31 December 2009
Third party associates	(51,090)	(281,865)
Other investments		
Held at fair value through profit and loss	21,878	17,738
Available for sale		
Gains and losses	(319)	31,246
Impairment	(31,405)	(176,771)
Held to maturity		
Gains and losses	3,122	1,857
Impairment	(1,880)	(15,549)
	(59,694)	(423,344)

28. EARNINGS PER SHARE

Basic earnings per share have been computed using the net loss attributable to the ordinary equity holders of the parent (223,604) adjusted by Directors' remuneration 138 (31 December 2009 – (529,781) adjusted by interest due on convertible bonds (28,240) and Directors' remuneration (138)). The adjusted earnings figure is divided by the weighted average number of ordinary shares outstanding 1,061,500,000 (31 December 2009 – 718,611,872).

Diluted earnings per share as of 31 December 2010 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

Diluted earnings per share as of 31 December 2009 was computed using the net loss attributable to the ordinary equity holders of the parent (529,781) adjusted by Directors' remuneration (138) and 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.

29. 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 2010	31 December 2009
Cash and deposits with banks		
Other related parties	43,097	50,000
Receivables and other debit balances		
Associates	45	93
Other related parties	278	28,226
Loans and advances		
Associates	23,172	-
Other related parties	12,913	86,354
Key management personnel	1,347	-
	80,852	164,673

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

29. RELATED PARTY TRANSACTIONS continued

	31 December 2010	31 December 2009
Payables and other credit balances		
Other related parties	<u>1</u>	<u>80,520</u>
	1	80,520

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

	1 January 2010 to 31 December 2010	1 January 2009 to 31 December 2009
Interest income		
Associates	2,080	-
Other related parties	2,606	6,715
Income from investments in SHUAA managed funds		
Other related parties	4,241	27,692
Income from other investments		
Other related parties	(1,218)	(18,630)
Fees and commission income		
Associates	-	50
Other related parties	9,830	7,951
General & administrative expenses		
Other related parties	<u>(186)</u>	<u>(603)</u>
	17,353	23,175

Income from other investments represents a loss on the sale of Al Kout to a consortium of investors which includes a parent of a board member of SHUAA Capital psc.

Compensation of the key management personnel is as follows:

	1 January 2010 to 31 December 2010	1 January 2009 to 31 December 2009
Short term employee benefits	18,250	16,045
Termination benefits	882	24,775
Share based payments	<u>9,084</u>	<u>4,161</u>
Total compensation paid to key management personnel	28,216	44,981

30. SUBSIDIARIES

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

Name	Country of incorporation	Holding 31 December 2010	Holding 31 December 2009
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	United Arab Emirates	100.0%	100.0%
SHUAA Capital Saudi Arabia CJSC	Saudi Arabia	99.6%	99.6%
Nile One Ltd.	Egypt	100.0%	100.0%
Asia Brokers Ltd.	Jordan	99.3%	99.3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

30. SUBSIDIARIES continued

The Group has exposure to taxation or Zakat on earnings on its operations in Saudi Arabia, Egypt and Jordan. A note explaining accounting losses and taxable profits has not been presented as none of the relevant entities have incurred a significant tax or Zakat charge/credit in the current or prior year.

31. 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 twenty two 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, spinoffs, 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 Small and Medium Enterprises finance.

Corporate manages future corporate development and controls all cash and shared service expenses related to the Group. All proprietary investments are incubated within this business segment which also comprises, strategy and business development, legal and compliance, finance, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

31. SEGMENTAL INFORMATION continued

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

	31 December 2010						
	Private Equity	Asset Management	Investment Banking	Brokerage	Finance	Corporate	Total
Interest income	-	-	-	783	53,267	32,671	86,721
Net fees and commissions	22,923	8,766	14,828	29,091	7,928	3,445	86,981
Trading income	-	-	729	1,809	-	-	2,538
Gains/(losses) from investments in SHUAA managed funds	1,247	10,952	-	-	-	-	12,199
Total revenues	24,170	19,718	15,557	31,683	61,195	36,116	188,439
General & administrative expenses	(15,673)	(14,647)	(18,722)	(38,260)	(26,856)	(111,670)	(225,828)
Interest expenses	(8)	-	-	(1,485)	(7,796)	(24,002)	(33,291)
Depreciation & amortisation	(160)	-	-	(2,378)	(1,920)	(7,475)	(11,933)
Provisions	-	-	-	-	(1,381)	(40,754)	(42,135)
Goodwill impairment charge	-	-	-	-	-	(39,244)	(39,244)
Total expenses	(15,841)	(14,647)	(18,722)	(42,123)	(37,953)	(223,145)	(352,431)
Net gain/(loss) before gains/(losses) from other investments	8,329	5,071	(3,165)	(10,440)	23,242	(187,029)	(163,992)
Gains/(losses) from other investments	-	-	-	127	619	(60,440)	(59,694)
Profit/(loss) for the period	8,329	5,071	(3,165)	(10,313)	23,861	(247,469)	(223,686)
Attributable to:							
Minority interests	-	(3)	(2)	(3)	-	(74)	(82)
Equity holders of the parent	8,329	5,074	(3,163)	(10,310)	23,861	(247,395)	(223,604)

	31 December 2010						
	Private Equity	Asset Management	Investment Banking	Brokerage	Finance	Corporate	Total
Assets	121,479	89,124	7,686	243,922	418,340	1,041,805	1,922,356
Liabilities	1,211	-	-	44,017	89,671	312,658	447,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

31. SEGMENTAL INFORMATION continued

31 December 2009							
	Private Equity	Asset Management	Investment Banking	Brokerage	Finance	Corporate	Total
Interest income	188	-	-	506	81,654	44,006	126,354
Net fees and commissions	31,891	18,225	2,240	58,298	7,444	920	119,018
Trading income	-	-	3,498	6,304	-	-	9,802
Gains/(losses) from investments in SHUAA managed funds	(10,992)	23,687	-	-	-	-	12,695
Total revenues	21,087	41,912	5,738	65,108	89,098	44,926	267,869
General & administrative expenses	(15,475)	(11,518)	(14,340)	(44,606)	(24,561)	(134,348)	(244,848)
Interest expenses	(9)	-	-	(1,674)	(25,260)	(45,194)	(72,137)
Depreciation & amortisation	(1,091)	-	-	(2,432)	(948)	(7,127)	(11,598)
Provisions	-	-	-	(3,951)	(13,709)	(36,066)	(53,726)
Total expenses	(16,575)	(11,518)	(14,340)	(52,663)	(64,478)	(222,735)	(382,309)
Net gain/(loss) before gains/(losses) from other investments	4,512	30,394	(8,602)	12,445	24,620	(177,809)	(114,440)
Gains/(losses) from other investments	-	-	-	3,134	-	(426,478)	(423,344)
Profit/(loss) for the period	4,512	30,394	(8,602)	15,579	24,620	(604,287)	(537,784)
Attributable to:							
Minority interests	801	-	(416)	(986)	-	(7,402)	(8,003)
Equity holders of the parent	3,711	30,394	(8,186)	16,565	24,620	(596,885)	(529,781)

31 December 2009							
	Private Equity	Asset Management	Investment Banking	Brokerage	Finance	Corporate	Total
Assets	155,130	97,431	2,896	266,905	551,094	1,776,246	2,849,702
Liabilities	9,411	-	-	82,086	245,943	814,303	1,151,743

32. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

	31 December 2010	31 December 2009
Contingent liabilities	45,094	255,872
Commitments		
SHUAA managed funds	100,638	251,057
Other investments	62,152	106,823

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

33. RECLASSIFICATION OF COMPARATIVE INFORMATION

Following approval by the Board, the presentation of the Group's financial information has been revised to better reflect the Group's activities. A consequence of this change is that certain prior year amounts have been reclassified in order to conform to the new presentation, as adopted.

The specific line items to which the reclassification adjustments have been made are as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>As of 31 December 2009</i>		
	<i>Reclassified</i>	<i>Original</i>	<i>Variance</i>
Assets			
Investments in SHUAA managed funds	175,310	-	175,310
Investments in third party associates	461,266	-	461,266
Other investments	559,951	-	559,951
Investment securities	-	415,563	(415,563)
Investments available for sale	-	222,107	(222,107)
Investments held to maturity	-	81,208	(81,208)
Investments in associates	-	477,649	(477,649)
	1,196,527	1,196,527	-

CONSOLIDATED STATEMENT OF INCOME

	<i>31 December 2009</i>		
	<i>Reclassified</i>	<i>Original</i>	<i>Variance</i>
Interest income	126,354	140,279	(13,925)
Trading income	9,802	-	9,802
Gains/(losses) from investments in SHUAA managed funds	12,695	-	12,695
Provisions	(53,726)	(210,546)	156,820
Gains/(losses) from other investments, including investments in third party associates	(423,344)	-	(423,344)
Net income from investment securities	-	38,248	(38,248)
Income from investments	-	35,237	(35,237)
Share of (loss)/profit of associates	-	(19,259)	19,259
Impairment charges	-	(312,178)	312,178
	(328,219)	(328,219)	-

If the Consolidated Statement of Income for the year ending 31 December 2010 had been presented using the same presentation format as used in the annual financial statements of 31 December 2009, the sub totals on the face of the consolidated statement of income would have been:

	<i>31 December 2010</i>
Net interest income	60,188
Investment banking income	116,910
Operating income	49,392
Operating expense	(273,078)