**SHUAA Capital** PSC

# CONSOLIDATED BALANCE SHEET

At 31 March 2008

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

| | Notes | *31 March 2008* | *31 March 2007* |
|---|---|---|---|
| **Assets** | | | |
| Cash and deposits with banks | | 611,347 | 135,983 |
| Receivables and other debit balances | 4 | 607,705 | 789,853 |
| Investment securities | 5 | 1,909,091 | 849,626 |
| Installment credits, loans and advances | 6 | 990,511 | 650,156 |
| Investments available for sale | 7 | 416,312 | 176,494 |
| Investments in associates | 8 | 1,132,755 | 774,008 |
| Fixed assets | 9 | 23,649 | 11,457 |
| Goodwill | 10 | 95,200 | 95,200 |
| **Total Assets** | | 5,786,570 | 3,482,777 |
| **Liabilities** | | | |
| Due to banks | 11 | 729,239 | 690,254 |
| Payables and other credit balances | 12 | 944,677 | 740,148 |
| Medium-term debt | 13 | 418,103 | 505,134 |
| **Total Liabilities** | | 2,092,019 | 1,935,536 |
| **Equity Attributable to Equity Holders of the Parent** | | | |
| Paid-up share capital | 14 | 550,000 | 550,000 |
| Treasury shares | 15 | (13,475) | (13,475) |
| Employee stock option plan shares | 18 | (164,601) | (174,659) |
| Statutory reserve | 19 | 553,140 | 553,140 |
| Retained earnings | | 634,429 | 513,123 |
| Proposed dividend | 16 | 247,500 | 110,000 |
| Investment revaluation reserve | 20 | 113,810 | 2,189 |
| Translation reserve | | 37,794 | 2,330 |
| Convertible bond | 21 | 1,676,000 | - |
| | | 3,634,597 | 1,542,648 |
| **Minority interest** | 22 | 59,954 | 4,593 |
| **Total Equity** | | 3,694,551 | 1,547,241 |
| **Total Liabilities and Equity** | | 5,786,570 | 3,482,777 |
| **Contra accounts** | | | |
| **Clients' funds under management** | 31 | 14,226,853 | 6,546,112 |

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

**SHUAA Capital** PSC

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

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

| | Notes | *31 March 2008* | *31 March 2007* |
|---|---|---|---|
| Net income from investment securities | | **170,877** | (13,467) |
| Income from investments | 23 | **27,784** | 137,571 |
| Fee and commission income | 24 | **429,655** | 139,755 |
| Investment banking income | | **628,316** | 263,859 |
| Interest income | | **130,386** | 86,790 |
| Interest expense | | **(89,970)** | (71,015) |
| Net Interest Income | | **40,416** | 15,775 |
| Income from associates | 8 | **42,040** | 108,090 |
| Operating income | | **710,772** | 387,724 |
| General and administrative expenses | 26 | **(207,462)** | (80,887) |
| Depreciation and amortisation | 9 | **(6,127)** | (4,014) |
| Provisions | 25 | **(100,243)** | (40,391) |
| Operating expenses | | **(313,832)** | (125,292) |
| **Profit for the year** | | **396,940** | 262,432 |
| **Attributable to:** | | | |
| Equity holders of the parent | | **400,465** | 261,787 |
| Minority Interests | | **(3,525)** | 645 |
| | | **396,940** | 262,432 |
| **Earnings per share equity holders of the parent for the year:** | | | |
| Basic earnings per share | 27 | **AED 0.723** | AED 0.464 |
| Diluted earnings per share | 27 | **AED 0.607** | AED 0.464 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 March 2008

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

| | Attributable to equity holders of the Parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Paid-up share capital* (Note 14) | *Treasury shares* (Note 15) | *Employee stock option plan shares* (Note 18) | *Statutory reserve* (Note 19) | *Retained earnings* | *Proposed dividend* | *Investment revaluation reserve* (Note 20) | *Translation reserve* | *Total* | *Minority interest* | *Total equity* |
| **Balance as of 1 April 2006** | 550,000 | - | (89,924) | 553,140 | 368,026 | 165,000 | 11,473 | 2,034 | 1,559,749 | - | 1,559,749 |
| Net movement in cumulative changes in fair value | - | - | - | - | - | - | (9,284) | - | (9,284) | 69 | (9,215) |
| Currency translation differences | - | - | - | - | - | - | - | 296 | 296 | - | 296 |
| Total income and expense recognised directly in equity | - | - | - | - | - | - | (9,284) | 296 | (8,988) | 69 | (8,919) |
| Net profit for the year | - | - | - | - | 261,787 | - | - | - | 261,787 | 645 | 262,432 |
| Total income and expense for the year | - | - | - | - | 261,787 | - | (9,284) | 296 | 252,799 | 714 | 253,513 |
| Dividend paid | - | - | - | - | - | (165,000) | - | - | (165,000) | (2,000) | (167,000) |
| Proposed dividend | - | - | - | - | (110,000) | 110,000 | - | - | - | - | - |
| Directors' remuneration | - | - | - | - | (6,690) | - | - | - | (6,690) | - | (6,690) |
| Purchase of treasury shares | - | (13,475) | - | - | - | - | - | - | (13,475) | - | (13,475) |
| Minority interest arising from acquisition of subsidiary | - | - | - | - | - | - | - | - | - | 5,879 | 5,879 |
| Net movement in employee stock option plan shares | - | - | (84,735) | - | - | - | - | - | (84,735) | - | (84,735) |
| **Balance as of 31 March 2007** | 550,000 | (13,475) | (174,659) | 553,140 | 513,123 | 110,000 | 2,189 | 2,330 | 1,542,648 | 4,593 | 1,547,241 |

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

## SHUAA Capital PSC

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 March 2008

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

| | Attributable to equity holders of the Parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Paid-up share capital* (Note 14) | *Treasury shares* (Note 15) | *Employee stock option plan shares* (Note 18) | *Statutory reserve* (Note 19) | *Retained earnings* | *Proposed dividend* | *Investment revaluation reserve* | *Translation reserve* (Note 20) | *Convertible bond* | *Total* | *Minority interest* | *Total equity* |
| **Balance as of 1 April 2007** | **550,000** | **(13,475)** | **(174,659)** | **553,140** | **513,123** | **110,000** | **2,189** | **2,330** | **-** | **1,542,648** | **4,593** | **1,547,241** |
| Net movement in cumulative changes in fair value | - | - | - | - | - | - | 111,621 | - | - | 111,621 | 141 | 111,762 |
| Currency translation differences | - | - | - | - | - | - | - | 35,464 | - | 35,464 | - | 35,464 |
| Interest on convertible bond | - | - | - | - | (38,250) | - | - | - | - | (38,250) | - | (38,250) |
| Total income and expense recognised directly in equity | - | - | - | | (38,250) | - | 111,621 | 35,464 | - | 108,835 | 141 | 108,976 |
| Net profit for the year | - | - | - | - | 400,465 | - | - | - | - | 400,465 | (3,525) | 396,940 |
| Total income and expense for the year | - | - | - | - | 362,215 | - | 111,621 | 35,464 | - | 509,300 | (3,384) | 505,916 |
| Dividend paid | - | - | - | - | - | (110,000) | - | - | - | (110,000) | | (110,000) |
| Proposed dividend | - | - | - | - | (247,500) | 247,500 | - | - | - | - | - | - |
| Directors' remuneration | - | - | - | - | (4,987) | - | - | - | - | (4,987) | - | (4,987) |
| Dividend entitlement on treasury shares held | - | - | - | - | 600 | - | - | - | - | 600 | - | 600 |
| Issue of convertible bond | - | - | - | - | - | - | - | - | 1,676,000 | 1,676,000 | - | 1,676,000 |
| Minority interest arising from acquisition of subsidiary | - | - | - | - | - | - | - | - | - | - | 58,745 | 58,745 |
| Net movement in employee stock option plan shares | - | - | 10,058 | - | (17,000) | - | - | - | - | (6,942) | - | (6,942) |
| Share based payments charge (Note 17) | - | - | - | - | 27,978 | - | - | - | - | 27,978 | - | 27,978 |
| **Balance as of 31 March 2008** | **550,000** | **(13,475)** | **(164,601)** | **553,140** | **634,429** | **247,500** | **113,810** | **37,794** | **1,676,000** | **3,634,597** | **59,954** | **3,694,551** |

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

**SHUAA Capital** PSC

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2008

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

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Profit for the year | 396,940 | 262,432 |
| Adjustments for: | | |
| Depreciation and amortisation | 6,127 | 4,014 |
| Income from investments in associates | (42,040) | (108,090) |
| Income from investments available for sale | (18,066) | (17,753) |
| Gain on sale of associates | - | (119,818) |
| Provisions | 100,243 | 40,391 |
| Other non-operating income | 1,396 | - |
| Operating profit before changes in operating assets and liabilities and other adjustments | 444,600 | 61,176 |
| Other deposits | - | 17,200 |
| Receivables and other debit balances | 210,235 | (529,626) |
| Investment securities | (1,059,465) | (274,649) |
| Installment credits, loans and advances | (348,523) | (101,272) |
| Payables and other credit balances | (86,965) | 406,993 |
| Net cash flows used in operating activities | (840,118) | (420,178) |
| **Cash flows from investing activities:** | | |
| Additions to investments available for sale | (169,847) | (81,020) |
| Proceeds from sale of investments available for sale | 50,525 | 73,344 |
| Additions to associates | (110,647) | (872,743) |
| Proceeds from sale of associates | - | 971,082 |
| Dividend received from associates | 21,651 | 51,399 |
| Acquisition of subsidiaries | - | 12,003 |
| Minority interest | 58,745 | - |
| Purchase of fixed assets | (18,320) | (4,825) |
| Net cash flows used in (from) investing activities | (167,893) | 149,240 |
| **Cash flows from financing activities:** | | |
| Issue of convertible bond | 1,676,000 | - |
| Interest on convertible bond | (23,250) | - |
| Settlement of corporate bond | (88,152) | - |
| Increase in medium term debt | 1,121 | 368,519 |
| Increase in amounts due to banks | 38,985 | 240,453 |
| Purchase of treasury shares | - | (13,475) |
| Dividend paid | (109,400) | (167,000) |
| Director's remunerations paid | (4,987) | (6,690) |
| Movement in employee stock option plan shares | (6,942) | (84,735) |
| Net cash from financing activities | 1,483,375 | 337,072 |
| Net increase in cash and cash equivalents | 475,364 | 66,134 |
| Cash and cash equivalents at beginning of the year | 135,983 | 69,849 |
| **Cash and cash equivalents at end of the year** | 611,347 | 135,983 |
| **Operational cash flows from interest and dividend** | | |
| Interest received | 125,895 | 86,790 |
| Interest paid | 81,776 | 57,955 |
| Dividend received | 6,407 | 128 |

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

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

## 1. LEGAL STATUS AND ACTIVITIES

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

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

The Company is licensed by the Central Bank of the United Arab Emirates to conduct financial investment business services including: underwriting of securities and other corporate finance activities, investment advisory services, asset and portfolio management and brokerage in local and international securities. The Company is required to comply with the relevant UAE laws and the regulations promulgated by the Central Bank of United Arab Emirates.

The consolidated financial statements of the Company and its subsidiaries ("the Group") were authorised for issue by the Board of Directors on 15 May 2008.

## 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 years presented, unless otherwise stated.

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

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

**IASB Standards and amendments adopted by the Group**
The Group has adopted the following new and amended IFRS during the year.

- IFRS 7 Financial instruments : Disclosures
- IAS 1 Amendment – Presentation of Financial Statements
- IFRIC 8 Scope of IFRS 2

Adoption of these standards did not have any effect on the financial performance or position of the Group. However, they did give rise to additional disclosures. The principal effects of these changes are as follows:

***IFRS 7 Financial instruments: Disclosures***
IFRS 7 requires disclosures that enable users to evaluate the significance of the financial instruments, and the nature and extent of risks arising from those financial instruments, for the Group's financial position and performance. These new disclosures are shown in note 3 to the financial statements.

***IAS 1 Amendment – Presentation of Financial Statements***
This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing the capital. These new disclosures are shown in Note 3 to the financial statements.

***IFRIC 8 Scope of IFRS 2***
IFRIC 8 requires IFRS 2 to be applied to any arrangements where equity instruments are issued for consideration and which appear to be at less than fair value. Equity instruments are issued to employees in accordance with the stock option plan. This interpretation had no impact on the financial position of the Group.

**IASB Standards early adopted by the Group**
The Group has early adopted the following IFRS during the year.

- IFRS 8 Operating segments

Early adoption of this IFRS did not have any effect on the financial performance or position of the Group. However, it did give rise to additional disclosures. The principal effects of this change are as follows:

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

## 2. SIGNIFICANT ACCOUNTING POLICIES – continued

***IFRS 8 Operating segments***
IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, ' Disclosures about segments of an enterprise and related information'. As required by this new standard, segment information has been presented on the same basis as that used for internal reporting purposes. Goodwill is allocated to cash generating units on a segment level. These new disclosures are shown in Note 30 to the financial statements. Comparatives for the financial year ending 31 March 2007 have been restated.

**IASB Standards and amendments that are not yet effective and have not been early adopted by the Group**
The Group has not adopted the amendments to the following standards that are not yet effective.

- IAS 23 (Revised ) Borrowing costs
- IAS 1 (Amendments ) Presentation of Financial Statements

The principal effects of these standards are as follows:

***IAS 23 (Revised ) Borrowing costs***
The standard has been revised, effective from 1 January 2009, to require capitalisation of borrowing costs that are directly attributable to a qualifying asset as part of the cost of that asset. A qualifying asset is one that takes a substantial period of time to get ready for its intended use or sale. The Directors do not anticipate that the adoption of this standard will materially impact the Group's financial performance or position, in the period of initial application. The Group plans to apply this standard in the reporting period when it becomes effective.

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

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

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

**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 judgements and estimates**

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

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

***Valuation of unquoted equity investments***
Valuation of unquoted equity investments is normally based on one of the following:
- Recent arm's length market transactions
- Current fair value of another instrument that is substantially the same
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics
- Other valuation models

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

## 2. SIGNIFICANT ACCOUNTING POLICIES – continued

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

*Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements 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, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

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

*Impairment of equity investments*
The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgement. The Group treats significant generally as 20% or more and prolonged as greater than 6 months. In addition, the Group evaluates other factors, such as the share price volatility.

**Financial assets**

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

- Investment securities
- Installment credits, loans and advances
- Held to maturity investments
- Available for sale investments

*Investment securities*
Investments carried at fair value through profit or loss are designated as investment securities. The fair value of the investments under this classification can be reliably measured and the classification as fair value through profit or loss account is as per the documented strategy of the Group.

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

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

After initial recognition securities held for investment are measured at fair value. The fair value of securities traded in recognised financial markets is their quoted price. For securities where there is no quoted market price, a reasonable estimate of fair value is determined by reference to; the current market value of another instrument that is substantially the same or is based on discounted cash flow analysis, option pricing models or other reliable valuation methods. Securities whose fair value cannot be reliably measured are carried at cost less any impairment losses.

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES – continued

*Installment credits, loans and advances*
Loans and receivables that are non derivative financial assets with a fixed or determinable payments and that are not quoted in an active market, are designated as installment credits, loans and advances. Installment credits, loans and advances are carried at the gross amount due from customers less any provision required for impairment based on a review of all outstanding amounts at year end, including unearned income. The Group has a policy of establishing specific provisions against installment credits and loans and advances to customers, where management considers the recovery of the balance to be doubtful. Installment credits, loans and advances are only written off after all practical means of pursuing recovery have been exhausted.

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component and reflecting the current economic climate in which the borrowers operate.

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

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

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

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

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

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

**Financial liabilities**
Financial liabilities held for trading, other than derivatives, are recorded in the balance sheet at fair value. Changes in fair value are recognised in the income statement.

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

**Goodwill**
Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Goodwill is initially recognised at its cost, being the excess of the cost of the acquisition over the acquirers 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.

(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 |

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

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

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

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

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

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

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

**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 17.

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES – continued

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

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

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

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

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

## 3. FINANCIAL RISK MANAGEMENT

**Introduction**
The inherent risk relating to the Group activities is managed through a process of ongoing identification, measurement and monitoring, subject to risk limit and other controls. The group is exposed to credit risk, liquidity risk and market risk (comprising, interest rate risk, foreign exchange risk, and equity price risk) . It is also 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 .The Board of Directors recognise the importance of managing the risk adjusted return on capital and ensuring that risk is not excessive relative to the company and shareholder risk appetite.

Each subsidiary is responsible for managing its own risks and has its own risk and credit committees.

Establishing and overseeing the risk management framework is done by two committees, consisting of the Heads of the main businesses and support groups.

- Investment Committee
- Risk Committee

***Investment Committee***
This committee oversees and manages exposure of market risk, credit risk and liquidity risk, generated by external investment of capital.

***Risk Committee***
This committee oversees and manages exposure to non investment risk, principally operational and reputational risk. This is achieved by ensuring there is an effective risk management framework and robust control environment throughout the company.

Both committees are responsible for approving the respective policies to control and monitor the level of risk and to manage the risk adjusted performance, to optimize returns while managing risk within the boundaries set.

**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 responsibility is delegated to the Investment Committee to set rules by business and strategy. On a daily basis, the level of risk relative to these rules is independently monitored and managed by Group Risk Management and the status is reported to the Investment Committee to make appropriate decisions to mitigate any excessive exposure.

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

## 3. FINANCIAL RISK MANAGEMENT - continued

The principal credit risk rules cover, overall limits, authorization, concentration and collateral requirements. The Group holds collateral to cover all major exposures and cash is placed with local and international banks with good credit ratings.

Management regularly reviews the status of receivables and provisions are made for any specific balances considered doubtful.

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

| | *Gross maximum exposure 2008* | *Gross maximum exposure 2007* |
|---|---|---|
| Cash and deposits with banks | **611,347** | 135,983 |
| Receivables and other debit balances | **607,705** | 789,853 |
| Investment securities | **1,909,091** | 849,626 |
| Installment credits, loans and advances | **990,511** | 650,156 |
| Investments available for sale | **416,312** | 176,494 |
| Total | **4,534,966** | 2,602,112 |
| Contingent liabilities | **448,115** | 353,000 |
| Commitments | **261,623** | 119,148 |
| Total | 709,738 | 472,148 |
| **Total credit risk exposure** | 5,244,704 | 3,074,260 |

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

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| UAE | **2,647,382** | 1,497,096 |
| GCC except UAE | **987,310** | 873,272 |
| Middle East and North Africa except GCC | **980,856** | 798,319 |
| Asia | **686,152** | 94,147 |
| Europe | **330,926** | 169,088 |
| North America | **153,944** | 50,855 |
| **Total Assets** | 5,786,570 | 3,482,777 |

***Collateral and other credit enhancements***
The amount and type of collateral depends on an assessment of the credit risk of the counterparty. The types of collateral mainly includes cash, securities, charges over real estate properties, inventory and trade receivables.

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.

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

**3. FINANCIAL RISK MANAGEMENT - continued**

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 March 2008*

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

*31 March 2007*

| | *Neither past due nor impaired* | | | | |
|---|---|---|---|---|---|
| | *High grade* | *Standard grade* | *Total* | *Past due or individually impaired* | *Grand Total* |
| Cash and deposits with banks | 135,983 | - | 135,983 | - | 135,983 |
| Receivables and other debit balances | - | 789,853 | 789,853 | - | 789,853 |
| Installment credits, loans and advances | - | 651,300 | 651,300 | 74,448 | 725,748 |
| | 135,983 | 1,441,153 | 1,577,136 | 74,448 | 1,651,584 |

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

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

*31 March 2008*

| | *Less than 31 days* | *31 to 90 days* | *91 to 180 days* | *More than 180 days* | *Total* |
|---|---|---|---|---|---|
| Installment credits, loans and advances | 40,664 | 12,057 | 2,513 | 7,242 | 62,476 |

*31 March 2007*

| | *Less than 31 days* | *31 to 90 days* | *91 to 180 days* | *More than 180 days* | *Total* |
|---|---|---|---|---|---|
| Installment credits, loans and advances | 40,077 | 12,513 | 3,957 | 3,560 | 60,107 |

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

### 3. FINANCIAL RISK MANAGEMENT - continued

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

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

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

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

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

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

The maturity profile of assets and liabilities as of 31 March 2007 was as follows:

| | *Less than 3 Months* | *3-12 Months* | *1-5 Years* | *Over 5 years* | *Total* |
|---|---|---|---|---|---|
| Cash and deposits with banks | 135,983 | - | - | - | 135,983 |
| Receivables and other debit balances | 778,426 | 6,768 | 2,400 | 2,259 | 789,853 |
| Investment securities | 849,626 | - | - | - | 849,626 |
| Installment credits, loans and advances | 269,172 | 218,102 | 162,882 | - | 650,156 |
| Investments available-for-sale | - | - | 176,494 | - | 176,494 |
| Investments in associates | - | - | - | 774,008 | 774,008 |
| Fixed assets | - | - | 11,457 | - | 11,457 |
| Goodwill | - | - | - | 95,200 | 95,200 |
| **Total Assets** | 2,033,207 | 224,870 | 353,233 | 871,467 | 3,482,777 |
| Due to banks | 591,744 | 98,510 | - | - | 690,254 |
| Payables and other credit balances | 583,546 | 137,691 | 6,013 | 12,898 | 740,148 |
| Medium-term debt | 88,115 | - | 417,019 | - | 505,134 |
| Equity | - | - | - | 1,547,241 | 1,547,241 |
| **Total Liabilities and Equity** | 1,263,405 | 236,201 | 423,032 | 1,560,139 | 3,482,777 |
| **Net liquidity gap** | 769,802 | (11,331) | (69,799) | (688,672) | - |
| **Cumulative liquidity gap** | 769,802 | 758,471 | 688,672 | - | |

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

### 3. FINANCIAL RISK MANAGEMENT - continued

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

*31 March 2008*

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

*31 March 2007*

| | *Less than 3 months* | *3-12 Months* | *1 to 5 years* | *Total* |
|---|---|---|---|---|
| Due to banks | 363,057 | 60,187 | 392,101 | 815,345 |
| Trade and other credit payables | 666,204 | 13,317 | - | 679,521 |
| Medium term debt | 88,115 | - | 446,830 | 534,945 |
| Total | 1,117,376 | 73,504 | 838,931 | 2,029,811 |

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

*31 March 2008*

| | *Less than 3 months* | *3-12 Months* | *1 to 5 years* | *Over 5 years* | *Total* |
|---|---|---|---|---|---|
| Contingent liabilities | - | 63,615 | 384,500 | - | 448,115 |
| Commitments | - | 218,721 | 42,902 | - | 261,623 |
| Total | - | 282,336 | 427,402 | - | 709,738 |

*31 March 2007*

| | *Less than 3 months* | *3-12 Months* | *1 to 5 years* | *Over 5 years* | *Total* |
|---|---|---|---|---|---|
| Contingent liabilities | - | 210,000 | 143,000 | - | 353,000 |
| Commitments | - | 78,143 | 41,005 | - | 119,148 |
| Total | - | 288,143 | 184,005 | - | 472,148 |

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

**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 and volatility movements. These positions split into trading and non-trading investments. Trading investments are relating to proprietary trading and investment in securities. Non - trading investments are relating to general business exposures such as expected cash flows.

The Board of Directors approves the investment guidelines to limit the Group's exposure to market risk for trading and non-trading investment. Within these guidelines the Investment Committee set performance targets and allocate risk and capital enterprise wide and approve investment rules for each business or strategy. Group Risk Management monitors independently the level of market risk and return 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 exposures.

Due to the diversified nature of the Group's income streams, various techniques are outlined in the investment guidelines and rules to measure and control market risk. The most commonly used measure is the Value at Risk (VaR) model based upon a 1 day holding period with a 99 percent confidence level using historic data.

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

3. **FINANCIAL RISK MANAGEMENT - continued**

VaR is monitored by Group Risk Management enterprise wide, by business and by trading or investment strategy on a daily basis, and in some cases intra-day. The methodologies have been back tested and proved to be valid even in the recent more volatile markets. Other techniques to monitor, control and manage market risk are used on a daily basis and where appropriate hedging strategies may be used to mitigate exposures.

The Group's exposure to investments in private equity are managed by the general risk and control framework, although when required independent valuations are obtained.

***Interest rate risk***
Interest rate risk arises from the possibility that changes in interest rate will affect future cash flows or the fair values of financial instruments. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on daily basis.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated income statement.

| *Currency* | *Increase in basis points* | *Sensitivity of net interest income 31 March 2008* | *Sensitivity of net interest income 31 March 2007* |
|---|---|---|---|
| AED | 25 | 1,600 | 314 |
| USD | 25 | (1,173) | (969) |

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 March 2008, including the effect of hedging instruments.

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

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

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

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

| | | *31 March 2008* | | *31 March 2007* | |
|---|---|---|---|---|---|
| *Currency* | *% Change in Currency rate* | *Effect on profit AED '000* | *Effect on equity AED'000* | *Effect on profit AED '000* | *Effect on equity AED '000* |
| US Dollar | +1 | 4,767 | - | 1,311 | - |
| Saudi Riyal | +1 | (3,455) | - | (1,655) | - |
| Indian Rupee | +1 | (3,767) | (1,486) | - | (432) |
| Kuwaiti Dinar | +1 | (555) | (4,148) | (716) | (3,673) |
| Jordanian Dinar | +1 | (444) | (157) | (28) | (157) |
| Egyptian Pound | +1 | (423) | (488) | (495) | (445) |
| Qatari Riyal | +1 | (397) | (2,383) | (71) | (2,392) |
| Japanese Yen | +1 | (336) | - | - | - |

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

### 3. FINANCIAL RISK MANAGEMENT - continued

*Equity price risk*
Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non trading equity price risk exposure arises from the Group's investment portfolio.

The effect of equity price risk on the equity of the Group (as a result of a change in the fair value of equity securities classified as available for sale) due to a reasonably possible change in equity indices, with all other variables held constant, is listed below. The effect on profit (as a result of a change in the fair value of equity instruments held as investment securities) at the year end due to a reasonable possible change in market indices with all other variables held constant, is as follows.

| | | *31 March 2008* | | *31 March 2007* | |
|---|---|---|---|---|---|
| | *% 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** | | | | | |
| DIFX | +5 | **11,318** | **832** | - | - |
| Indian Stock Exchanges | +5 | **5,489** | - | - | - |
| DFM | +5 | **3,215** | **1,410** | 1,381 | 1,521 |
| KSA Stock Exchange | +5 | **2,254** | - | 1,258 | - |
| Kuwait Stock Exchange | +5 | **2,097** | - | 129 | - |
| Oman Stock Exchange | +5 | **1,788** | - | 288 | - |
| Egypt Stock Exchange | +5 | **1,680** | - | 640 | - |
| ADSM | +5 | **687** | - | 2,575 | - |
| Beirut Stock Exchange | +5 | **299** | - | 2,286 | - |
| Doha Stock Exchange | +5 | **125** | - | 77 | - |
| **Unquoted Equities** | +5 | **1,921** | **7,649** | 2,807 | 2,380 |
| **Funds** | +5 | **49,627** | **11,020** | 19,163 | 5,165 |
| **Bonds** | +5 | **10,379** | - | 5,135 | - |

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

Group Risk Management uses the framework to identify, measure, manage and monitor risk and acts as an independent intermediary between departments to determine the optimal resolution for the Group. The current status of the risk and control environment is reported to the Risk Committee on a monthly basis to determine the appropriate action

**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.

Capital is allocated to specific businesses and activities principally driven by the requirement to optimise the return on capital. This process is undertaken by the Investment Committee with independent oversight and control by Group Risk Management and the Board of Directors. Performance is assessed based upon the level of capital utilised which is adjusted based upon the risk taken to determine the risk adjusted return on capital. Group Risk Management are responsible for monitoring this risk and using the same information to ensure that at all times the level of capital reserves are above the minimum capital adequacy requirements.

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

## 3. FINANCIAL RISK MANAGEMENT - continued

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

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Total borrowings | **1,147,342** | 1,195,388 |
| Less: cash and cash equivalents | **(611,347)** | (135,983) |
| Net Debt | **535,995** | 1,059,405 |
| Total equity | **3,694,551** | 1,547,241 |
| Total capital | **4,230,546** | 2,606,646 |
| **Gearing ratio** | **12.7%** | 40.6% |

## 4. RECEIVABLES AND OTHER DEBIT BALANCES

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Receivable from brokers and dealers | **285,426** | 231,110 |
| Receivable against settlement of trades | **101,749** | 84,742 |
| Advance against investment | **154,759** | - |
| Advances for staff programs | **14,198** | 8,165 |
| Amounts due from related parties | **11,965** | 8,357 |
| Other receivables | **39,608** | 39,352 |
| Receivable against sale of investments | **-** | 314,338 |
| Back to back loan | **-** | 103,789 |
| | **607,705** | 789,853 |

## 5. INVESTMENT SECURITIES

Investment securities comprise the following:

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Quoted fund investments | **992,540** | 383,271 |
| Equity securities | | |
| Quoted | **671,590** | 320,838 |
| Unquoted | **37,382** | 42,818 |
| Fixed income securities | **207,579** | 102,699 |
| | **1,909,091** | 849,626 |

## 6. INSTALLMENT CREDITS, LOANS AND ADVANCES

Installment credits, loans and advances comprise the following:

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Installment credits | **628,840** | 429,526 |
| Loans and advances | **97,828** | 72,518 |
| Due from clients | **263,843** | 148,112 |
| | **990,511** | 650,156 |

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

## 6. INSTALLMENT CREDITS, LOANS AND ADVANCES - continued

### a Installment credits

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Total installment credits | **748,619** | 507,793 |
| Interest in suspense | **(754)** | (417) |
| Cumulative provision for impairment | **(17,377)** | (10,442) |
| Unearned income on installment credits | **(101,648)** | (67,408) |
| | **628,840** | 429,526 |

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

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Balance, beginning of the year | **(10,442)** | (7,322) |
| Provision made during the year | **(8,122)** | (4,224) |
| | **(18,564)** | (11,546) |
| Less: recoveries made against the provision during the year | **1,187** | 1,104 |
| Balance, end of the year | **(17,377)** | (10,442) |

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

### b Loans and advances

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Loans | **105,655** | 69,843 |
| Bills discounted | - | 5,743 |
| Others | - | 2,281 |
| | **105,655** | 77,867 |
| Cumulative provision for impairment | **(5,132)** | (3,898) |
| Interest in suspense | **(2,613)** | (1,348) |
| Unearned interest | **(82)** | (103) |
| | **97,828** | 72,518 |

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

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Balance, beginning of the year | **(3,898)** | (1,628) |
| Provision made during the year | **(1,351)** | (2,325) |
| | **(5,249)** | (3,953) |
| Less: recoveries made against the provision during the year | **117** | 55 |
| Balance, end of the year | **(5,132)** | (3,898) |

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

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

**6. 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 March 2008, these underlying securities were valued at 2,410,342 (31 March 2007 – 1,261,134).

**7. INVESTMENTS AVAILABLE FOR SALE**

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Investments available for sale are stated at their fair value and comprise the following: | | |
| Quoted direct equity investments | **158,936** | 37,016 |
| Unquoted direct equity investments | **29,267** | 73,032 |
| Unquoted fund investments | **228,109** | 66,446 |
| | **416,312** | 176,494 |

**8. INVESTMENTS IN ASSOCIATES**

The Group has the following investments in associates:

| | *Country of incorporation* | *Book value / Ownership %* *31 March 2008* | | *31 March 2007* | |
|---|---|---|---|---|---|
| Porta Egypt for Packaging Materials | Egypt | **49,262** | **49.1%** | 44,920 | 49.1% |
| Amwal | Qatar | **246,659** | **46.7%** | 239,056 | 46.7% |
| Al-Kout Industrial Projects Company | Kuwait | **418,985** | **48.7%** | 370,960 | 48.7% |
| Taghleef Industries L.L.C. | U.A.E. | **139,176** | **23.4%** | 119,072 | 23.4% |
| Orion Holdings Overseas | U.A.E. | **278,673** | **20.0%** | - | - |
| | | **1,132,755** | | 774,008 | |

**Porta Egypt**
Porta Egypt for Packaging Materials is an Egyptian Joint Stock Company, engaged in the production of printed and laminated packing and packaging materials for food products.

**Amwal**
Amwal is a Qatari shareholding closed company, licensed by the Central Bank of Qatar to conduct investment business.

**Al-Kout**
Al-Kout Industrial Projects Company is a joint stock company listed on the Kuwait stock exchange engaged in the production and transportation of chlorine, salt and other chemicals.

**Taghleef**
Taghleef Industries LLC is a Dubai limited liability company engaged in the manufacture and marketing of plastic based flexible packaging. During the year, Taghleef increased its issued share capital, issuing an additional 73,435 shares. The Group subscribed for its pro-rata share of the additional capital issued, contributing 17,154 for 17,154 shares.

**Orion Holdings Overseas**
Orion Holdings Overseas is a company registered in Dubai International Financial Center, engaged in prime brokerage, clearing and financial IT solutions. During the year, the Group acquired a 20% stake in Orion Holdings Overseas for 277,143 of total purchase consideration, which includes 183,650 payable within twelve months which is contingent upon contractual terms being met.

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

## 8. INVESTMENTS IN ASSOCIATES - continued

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

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Balance, beginning of year | 774,008 | 648,303 |
| Additions during the year | 294,297 | 994,137 |
| Proceeds from sale of associates during the year | - | (971,082) |
| Gain on sale of associates during the year | - | 119,818 |
| Transferred to investment in subsidiary during the year | - | (58,792) |
| Share of results of associates | 42,040 | 108,090 |
| Share of movement in fair values of associates | 9,078 | (9,262) |
| Dividends received | (21,651) | (51,399) |
| Translation reserve | 34,983 | 296 |
| Transferred to available for sale during the year | - | (6,101) |
| Balance, end of the year | 1,132,755 | 774,008 |

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

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Assets | 714,764 | 539,259 |
| Liabilities | (235,342) | (197,623) |
| Net assets | 479,422 | 341,636 |
| Revenues | 351,114 | 373,293 |

## 9. FIXED ASSETS

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

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

**9. FIXED ASSETS - continued**

| | *Furniture & leasehold improvements* | *Office equipment & computers* | *Motor vehicles* | *Total* |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2006 | 8,145 | 7,705 | 1,322 | 17,172 |
| Acquisition of subsidiary | 1,917 | 548 | 139 | 2,604 |
| Additions | 983 | 3,644 | 198 | 4,825 |
| Disposals | - | - | - | - |
| At 31 March 2007 | 11,045 | 11,897 | 1,659 | 24,601 |
| **Accumulated depreciation** | | | | |
| At 1 April 2006 | 3,353 | 4,552 | 376 | 8,281 |
| Acquisition of subsidiary | 775 | - | 74 | 849 |
| Charge for the year | 1,498 | 2,185 | 331 | 4,014 |
| On disposal | - | - | - | - |
| At 31 March 2007 | 5,626 | 6,737 | 781 | 13,144 |
| **Net book value** | | | | |
| At 31 March 2007 | 5,419 | 5,160 | 878 | 11,457 |

**10. GOODWILL**

The movement in goodwill is presented below:

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Balance, beginning of year | **95,200** | 34,111 |
| Acquisitions during the year | - | 61,089 |
| Balance, end of year | **95,200** | 95,200 |

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

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

For the year ended 31 March 2008 the goodwill impairment review did not reveal any event or change in circumstances to indicate carrying values may be impaired.

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

### 11. DUE TO BANKS

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

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Bank overdrafts | **32,708** | 129,163 |
| Other bank borrowings | **696,531** | 561,091 |
| | **729,239** | 690,254 |

The Group's banking facilities of 1,277,247 are renewable every six months and carry US Dollar LIBOR based floating interest rates plus a spread ranging from 1% to 3%. During the year ended 31 March 2008, the Group secured new credit facilities of 760,247 (31 March 2007 – 734,030).

### 12. PAYABLES AND OTHER CREDIT BALANCES

Payable and other credit balances comprise the following:

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Payable against settlement of trades | **442,035** | 557,839 |
| Payable against investments | **183,650** | - |
| Accruals | **116,733** | 60,627 |
| Loans repurchased | **57,504** | 52,504 |
| Dividend payable | **41,329** | 17,517 |
| Other payables | **103,426** | 51,661 |
| | **944,677** | 740,148 |

### 13. MEDIUM-TERM DEBT

Medium-term debt comprises the following:

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Term loans | **418,103** | 417,019 |
| Corporate bonds | - | 88,115 |
| | **418,103** | 505,134 |

Repayment on the loan of USD 100 million from Abu Dhabi Commercial Bank will commence from May 2008 when the first of five equal installments of USD 20 million will be due, further installments of USD 20 million are payable every six months thereafter.

Repayment of the facilities provided by Invest Bank, Sharjah Islamic Bank and Commercial Bank of Dubai are payable by monthly installments, all other facilities are repayable quarterly.

All of the facilities are unsecured.

### 14. PAID-UP SHARE CAPITAL

Authorised, issued and fully paid share capital comprises 550,000,000 shares of UAE Dirham 1.00 per share.

At 31 March 2008, 40,265,411 shares (31 March 2007 – 44,370,472 shares) are held by a Trustee on behalf of the option holders of the Employee Stock Option Plan.

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

## 15. TREASURY SHARES

The Group holds 3,000,000 of its treasury shares, equivalent to 0.55% of the share capital (31 March 2007 – 3,000,000). The market value of these treasury shares as at 31 March 2008 is 21,510 (31 March 2007 – 12,750).

## 16. PROPOSED DIVIDEND

For the year ended 31 March 2008, the Board of Directors proposes a cash dividend of 45% of the paid-up share capital of 550,000,000 shares.

For the year ended 31 March 2007, the Group's Annual General Meeting, held on 24 June 2007, approved a cash dividend of 20% of the paid-up share capital of 550,000,000 shares. This dividend was paid on 22 July 2007.

## 17. STOCK OPTION PLAN

Share options are granted to employees at the discretion of the Board.

On 13 August 2007 the terms of 43,572,015 previously granted options were modified, as part of the terms related to the issue of the convertible bond to Dubai Banking Group. The convertible bond subscription agreement included an additional amount, paid by the subscriber, to be applied by the Group to restructure the plan. The modification extended the vesting period of these options, some of which would have under the pre-existing terms been vested, to between three months and four years and reduced the exercise price to AED nil. The fair value of the modification made was 81,848, which represents, the difference between the fair value of the options before and after modification.

Of those options granted to employees in earlier years, in total 1,216,667 of options granted were not modified. These options were issued at prevailing market prices with a vesting period of between three and five years from date of grant.

During the year 9,050,000 options were issued at a weighted average exercise price of AED 4.91, vesting between one and three years after issue. The fair value of options granted during the year was 12,568 (31 March 2007 – nil).

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 for the year ended 31 March 2008.

| | *31 March 2008* |
|---|---|
| Dividend yield | **4.0%** |
| Expected volatility | **36.0%** |
| Risk free interest rate | **4.5%** |
| Expected average life of option (years) | **1.91** |
| Weighted average share price (AED) | **0.84** |

The expense recognised for employee services received during the year was 27,978 (31 March 2007 – nil).

Outstanding options granted to employees as of 31 March 2008 comprised 47,017,788 shares (31 March 2007 – 44,741,684) at an average exercise price of AED 1.01 per share (31 March 2007 - AED 3.53). The range of exercise prices for options outstanding at the end of the year was AED 0.00 to AED 6.00 (31 March 2007 – AED 1.00 to AED 5.00). During the year options in respect of 7,418,728 (31 March 2007 – 2,044,651) were exercised.

## 18. EMPLOYEE STOCK OPTION PLAN SHARES

The stock option plan is administered by a trustee who holds in trust shares in SHUAA Capital psc on behalf of the plan. These shares are recorded in the balance sheet as employee stock option plan shares within equity. The trust holds 40,265,411 shares, equivalent to 7.3% of the share capital (31 March 2007 44,410,472, 8.1 %). The market value of these shares as at 31 March 2008 is 288,703 (31 March 2007 – 188,745).

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

## 19. STATUTORY RESERVE

In accordance with the Law of Commercial Companies of United Arab Emirates and the Company's articles of association, the Company allocates 10% of the annual net income to the statutory reserve. The Company has resolved to discontinue these annual transfers as the statutory reserve amounts to more than 50% of the paid-up share capital.

## 20. INVESTMENT REVALUATION RESERVE

The investment revaluation reserve comprises following:

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| **Available for sale investments** | | |
| Balance, beginning of the year | 5,241 | 5,263 |
| Realised in the year | 1,063 | (2,365) |
| Net movement in fair values during the year | 101,480 | 2,343 |
| Balance, end of the year | 107,784 | 5,241 |
| **Group's share of investment revaluation reserves in associates** | | |
| Balance, beginning of the year | (3,052) | 6,210 |
| Net movement in fair values during the year | 9,078 | (9,262) |
| Balance, end of the year | 6,026 | (3,052) |
| **Total investment revaluation reserve** | 113,810 | 2,189 |

## 21. CONVERTIBLE BOND

On 31 October 2007 the Group issued a convertible bond with a nominal value of 1,500,000, for 1,676,000, to Dubai Banking Group PJSC. This convertible bond carries an interest rate of 6% on the nominal bond holding, representing an effective interest rate of 5.4% on the subscription amount. Interest is payable quarterly and the bond matures on 31 October 2008. On maturity, both the holder and the issuer have the option to convert the bond to 250 million shares at a conversion rate of AED 6.00 per share.

## 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 (Note 29).

## 23. INCOME FROM INVESTMENTS

Income from investments comprises the following:

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Net gain on sale of investments available for sale | 21,377 | 17,625 |
| Dividends | 6,407 | 128 |
| Net gain on sale of associates | - | 119,818 |
| | 27,784 | 137,571 |

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

## 24. FEE AND COMMISSION INCOME

Fee and commission income and expense comprises the following:

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Fee and commission income | **433,580** | 141,486 |
| Fee and commission expense | **(3,925)** | (1,731) |
| | **429,655** | 139,755 |

## 25. PROVISIONS

The Group recognised provision charges in respect of the following:

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Employee benefits | **88,362** | 35,000 |
| Installment credits, loans and advances | **8,169** | 5,391 |
| Others | **3,712** | - |
| | **100,243** | 40,391 |

## 26. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise the following:

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Employee salaries and fringe benefits | **137,121** | 45,770 |
| Office rent and related expenses | **13,138** | 7,224 |
| Corporate marketing and branding costs | **22,269** | 11,328 |
| Other | **34,934** | 16,565 |
| | **207,462** | 80,887 |

Included in "employee salaries and fringe benefits" is 27,978 relating to the expense arising from transactions accounted for as equity settled share based payment transactions (Note 17).

As of 31 March 2008, the Group had a total of 339 employees (31 March 2007 – 233 employees) represented by 210 employees in the parent company and 129 in subsidiaries.

## 27. EARNINGS PER SHARE

Basic earnings per share have been computed using the net income attributable to the ordinary equity holders of the parent 400,465 (31 March 2007 – 261,787) reduced by the Director's fees 4,987 (31 March 2007 – 6,690) and divided by the weighted average number of ordinary shares outstanding of 547,000,000 (31 March 2007 – 549,859,957).

Diluted earnings per share have been computed using the net income attributable to the ordinary equity holders of the parent 400,465 reduced by the Director's fees 4,987 and divided by 651,166,667 corresponding to the sum of the weighted average number of ordinary shares outstanding and the weighted average number of ordinary shares that would be issued on conversion of the convertible bond. In the prior year no instruments existed which would have diluted basic earnings per share.

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

## 28. RELATED PARTY TRANSACTIONS

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

Assets and liabilities with related parties are as follows:

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Receivables and other debit balances | | |
| Associates | 5,513 | 5,046 |
| Other related parties | 6,453 | 107,095 |
| Loans and advances | | |
| Associates | 9,836 | 10,837 |
| Other related parties | 74,347 | 32,606 |
| Key management personnel | 9,134 | 8,658 |
| | 105,283 | 164,242 |

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

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Payables and other credit balances | | |
| Associates | 183,650 | - |
| Other related parties | - | 628 |
| | 183,650 | 628 |

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

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Interest income | | |
| Associates | 636 | 773 |
| Other related parties | 1,717 | 4,194 |
| Fees and commission income | | |
| Other related parties | 90,213 | 1,545 |
| Income from investments | | |
| Other related parties | 13,477 | 247 |
| | 106,043 | 6,759 |

Compensation of the key management personnel is as follows:

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Short term employee benefits | 28,005 | 27,179 |
| Termination benefits | 4,034 | 3,545 |
| Share based payments | 19,238 | - |
| Total compensation paid to key management personnel | 51,277 | 30,724 |

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

**29. SUBSIDIARIES**

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

| **Name** | **Country of incorporation** | **Holding** *31 March 2008* | Holding *31 March 2007* |
|---|---|---|---|
| SHUAA Capital (Assets) Inc. | British Virgin Islands | 100% | 100% |
| SHUAA Capital Inc. | British Virgin Islands | 100% | 100% |
| Gulf Finance Corporation PJSC | United Arab Emirates | 100% | 100% |
| SHUAA Capital International Ltd. | United Arab Emirates | 100% | 100% |
| SHUAA Partners Ltd. | United Arab Emirates | 100% | 100% |
| Emirates Securities LLC | United Arab Emirates | 95% | 95% |
| Arab Gateway Management Ltd. | British Virgin Islands | 100% | 100% |
| SHUAA Capital Saudi Arabia | Saudi Arabia | 60% | - |

**30. SEGMENTAL INFORMATION**

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

**Principal Investments** is the proprietary, multi-strategy, investment arm of SHUAA. The objective of this business is to enhance SHUAA's shareholder value by actively investing in a diversified portfolio across global markets and across asset classes, with a directional bias towards MENA and Asia.

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

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

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

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

**Finance** operates under the brand of Gulf Finance Corporation, and is primarily engaged in asset backed lending with a primary focus on construction equipment finance.

**Corporate** manages future corporate development and controls all cash and shared service expenses related to the entire Group. All investments in associates 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.

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

## 30. SEGMENTAL INFORMATION - continued

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

**31 March 2008**

| | Principal Investments | Private Equity | Asset Management | Investment Banking | Brokerage | Finance | Corporate | Total |
|---|---|---|---|---|---|---|---|---|
| Operating Income | 157,642 | 47,502 | 167,239 | 98,733 | 130,581 | 53,931 | 55,144 | 710,772 |
| Profit | 146,218 | 36,315 | 130,575 | 72,051 | 86,246 | 33,903 | (104,843) | 400,465 |
| Assets | 1,923,625 | 50,507 | 198,116 | 184,485 | 495,970 | 687,667 | 2,246,200 | 5,786,570 |
| Liabilities | 19,556 | 402 | - | 57,505 | 272,621 | 438,628 | 1,303,307 | 2,092,019 |

**31 March 2007**

| | Principal Investments | Private Equity | Asset Management | Investment Banking | Brokerage | Finance | Corporate | Total |
|---|---|---|---|---|---|---|---|---|
| Operating Income | 14,295 | 16,740 | 22,722 | 33,316 | 67,032 | 33,130 | 200,489 | 387,724 |
| Profit | 4,315 | 6,012 | 9,343 | 14,547 | 38,243 | 18,540 | 170,787 | 261,787 |
| Assets | 995,978 | 115,958 | 160,976 | 68,261 | 396,955 | 502,552 | 1,242,097 | 3,482,777 |
| Liabilities | 225 | 281 | - | 52,504 | 256,590 | 289,481 | 1,336,455 | 1,935,536 |

## 31. CLIENTS' FUNDS UNDER MANAGEMENT

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

## 32. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of Group financial assets and liabilities are not materially different from the carrying values as at 31 March 2008.

## 33. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

| | *31 March 2008* | *31 March 2007* |
|---|---|---|
| Letters of guarantee | **245,865** | 146,000 |
| Commitments to acquire financial assets | **261,623** | 119,148 |
| Corporate guarantee | **202,250** | 207,000 |

The Group has entered into a commitment to purchase five regional brokerage businesses from Orion Holdings Overseas, in consideration for the issue of 9% of the share capital of SHUAA Securities Ltd, a new subsidiary which will be created to act as holding company for these new regional brokerage businesses plus our established UAE brokerage business Emirates Securities LLC. The Group has granted to Orion Holdings Overseas the option to purchase a further 10% of SHUAA Securities Ltd at an agreed price multiple based on the 2008 profit of this new entity. This option expires if not exercised by June 2009.

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