2014
Annual Report

SHUAA

Financial Highlights

(AED millions)

Financial Highlights	FY2014	FY2013	FY2012
Total revenues	213.4	198.0	137.3
Operating expenses	(165.1)	(174.1)	(189.8)
of which compensation & benefits	(101.5)	(112.7)	(111.8)
Provisions	(20.3)	(19.3)	(9.4)
Gain/(loss) from other investments	(2.2)	(1.6)	3.7
Net profit/(loss)	25.8	2.8	(58.2)
Total assets	1,606.3	1,489.3	1,375.0
Cash and deposits with bank	365.4	189.5	423.3
Loans and advances	847.0	856.8	562.4
of which SME Lending	816.6	814.1	513.9
of which private equity	10.8	13.7	14.6
of which margin lending	19.6	29.0	33.9
Total liabilities	458.8	375.9	269.4
Net debt	335.2	258.2	136.3
Shareholders' equity	1,147.3	1,112.9	1,105.1
Total issued shares (in millions)	1,065	1,065	1,065
Net profit /(loss) per share	AED 0.024	AED 0.003	AED (0.056)
Book value per share	AED 1.08	AED 1.04	AED 1.04

SHUAA Overview

SHUAA Capital PSC is a UAE-based publicly listed financial services institution offering a broad range of investment banking services including asset management, corporate finance advisory and capital markets services to institutions and governments. SHUAA also offers lending services to SMEs through its fully owned subsidiaries Gulf Finance Corporation in the UAE and Gulf Finance Corporation in Saudi Arabia.

Founded in 1979, SHUAA is one of the oldest financial services firms in the GCC and has played a prominent role in shaping the industry landscape in the region. Today, the Company has grown to become an essential partner to its clients, delivering value-added advice, products and services. SHUAA continues to be a leader in bringing global investment to the region and fostering the growth of intra-regional economic and business development, with an emphasis on the UAE, where it is headquartered, and Saudi Arabia.

SHUAA Business Divisions

Investment Banking provides corporate finance advisory, equity and debt capital markets, mergers and acquisitions expertise, private placements, structured investments and other services.

With respect to IPOs, SHUAA ranks first in the UAE, having placed over AED 13 billion in IPO transactions since 2004, including those of major blue-chip companies such as Emirates REIT, Amanat, Dubai Parks and Resorts, NMC Health, DP World, Aramex International, Arabtec Construction, Air Arabia, Deyaar Development, and Gulf Navigation.

Capital Markets provides sales and trading access and execution to global markets for SHUAA's Institutional and high net worth client base. Through the division, clients gain access to global equities and fixed income, primary issues as well as OTC derivatives and liquidity via an extensive network of local and international counterparties.

SHUAA's research department produces sectoral and company-specific research on listed companies across the GCC region with emphasis on coverage of UAE and Saudi Arabian equities and trading opportunities.

Asset Management manages proprietary and third party funds as well as Discretionary Portfolios for institutions and high net worth clients. Focusing on conventional and Sharia compliant equity and fixed income, the division's products span fifteen regional stock exchanges. SHUAA Asset Management's MENA-focused Arab Gateway Fund was launched in 1999 and holds the longest track record for an equity fund in the region. In Saudi Arabia, SHUAA Capital Saudi Arabia cjsc acts as a fund manager, investment manager and custodian for a number of funds, primarily focusing on the real estate and hospitality sectors.

Lending activities are conducted by Gulf Finance Corporation UAE and Gulf Finance Corporation Saudi Arabia, SHUAA's wholly owned lending subsidiaries. Gulf Finance UAE was founded in 1997 and provides funding solutions to small and medium sized enterprises (SMEs) in the UAE. The Company offers a broad range of financing products to companies primarily in the manufacturing, logistics, construction, retail and healthcare sectors.

Gulf Finance Corporation Saudi Arabia was launched in January 2013 as a Sharia compliant finance provider to SMEs in the Kingdom. The Company provides financial leverage to commercial entities operating in the manufacturing, trading, contracting, services and logistics sectors, and is headquartered in Jeddah.

Corporate manages future corporate development and controls all cash and shared service expenses related to the Group. All proprietary investments are managed within this business segment which also comprises strategy and business development, legal and compliance, finance, treasury, operations, risk management, investor relations, corporate communications, marketing, human resources and information technology.

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Chairman's Letter

Dear Shareholders,

2014 saw SHUAA post its second consecutive year of profits. The results of the operational streamlining initiatives undertaken a few years ago are visible and we are now well placed to focus our efforts on achieving the targets we have set out for 2015. These include substantially increasing our recurrent revenues, expanding our corporate investment banking mandates, growing our AUMs and continuing to grow our SME Lending business in the UAE and Saudi Arabia.

2014 was also a year of change at management and board level for SHUAA. HH Sheikh Maktoum Hasher Al Maktoum announced in the fourth quarter that he would be stepping down from the position of Executive Chairman having completed a three-year tenure with the Company. HH Sheikh Maktoum was instrumental in implementing and executing a strategy that returned SHUAA to profitability and I would like to take this opportunity to once again on behalf of the Board of Directors thank him for his hard work over the past years.

We recorded a net profit of AED 25.8 million for the full year 2014 while revenues reached AE 213 million. In 2015 we will continue to work towards achieving our key objective of further improving our revenue generating capabilities. We have already taken a number of steps in order to achieve this goal, notably securing a AED 500 million loan in the final quarter of 2014. We aim to invest these funds in the continued growth of our SME Lending business.

Diligent control of costs has remained a top strategic priority at SHUAA throughout 2014 and will continue to do so going forward. The cost/income ratio was reduced further from 88 per cent to 77 per cent and the target for 2015 is a further reduction to 70 per cent. At the same time SHUAA's assets increased by AED 117 million to AED 1.6 billion, while we also saw a further strengthening of our balance sheet ending the year with a cash position of AED 365 million compared to AED 189 million in 2013.

Looking at the individual business units in more detail, some noteworthy achievements over the past year should be highlighted.

The Investment Banking division posted a significant increase in profits which reached AED 11.8 million for the full year, with revenues of AED 18.9 million. The Investment Banking team continued to capitalise on its regional expertise, and worked on a number of private and public transactions, including the Emirates REIT IPO on NASDAQ Dubai in the second quarter and the Amanat and Dubai Parks IPOs on Dubai Financial Markets (DFM) in the fourth quarter.

The Capital Markets team continued their high levels of trading activity which resulted in full year revenues of AED 12.3 million and a profit of AED 5.7 million. Throughout the year we made some strategic hires to the Sales and Trading desk and also upgraded our trading platform to SunGard's Front Arena. The new platform provides integrated access to regional and global markets and will enable new and enhanced products and services to be offered to our clients going forward.

Our wholly-owned SME Lending subsidiaries, Gulf Finance Corporation UAE and Gulf Finance Corporation Saudi Arabia, continued to expand operations on the back of increasing demand for their broadening range of financing products. Our objective is to continue to grow the loan book above AED 1 billion at the end of this year. We are optimistic about the growth potential for both Gulf Finance UAE and Saudi Arabia, and confident that the businesses will continue to achieve their 2015 targets.

SHUAA's Asset Management team continued to perform in 2014, reporting revenues of AED 26.4 million and a net profit of AED 20.7 million for the full year. Our flagship funds, the Emirates Gateway Fund and the Arab Gateway Fund, returned 16.4 per cent and 2.7 per cent respectively. Both funds outperformed their benchmarks by 12 per cent and 4.1 per cent respectively, despite the volatility witnessed in regional stock markets, especially during the fourth quarter.

SHUAA's Board remains encouraged by the Company's progression over the past year. Looking ahead we see potential for expansion across our business units and are assertive that the Company is now in a solid position from which it can continue to grow. We would like to thank our investors and shareholders for their confidence in SHUAA, our clients for their trust and loyalty, and our management and staff for their commitment and hard work.

Yours sincerely,

Abdul Rahman Hareb Rashed Al Hareb
Chairman

Financial and Operating Review

Financial and Operating Review

2014 Achievements

Continuing to invest in the business

At the core of SHUAA's strategy to enhance the Company's income generating capabilities is the promise to continue to invest in and improve our product and service offering. SHUAA has always aimed to be at the forefront of market development and in 2014 we continued to make a number of improvements to strengthen our business divisions, significantly upgrading the sales and trading platform, hiring new talent for key positions within the Company and introducing new products supported by strong performance in our Investment Banking division and SME Lending business.

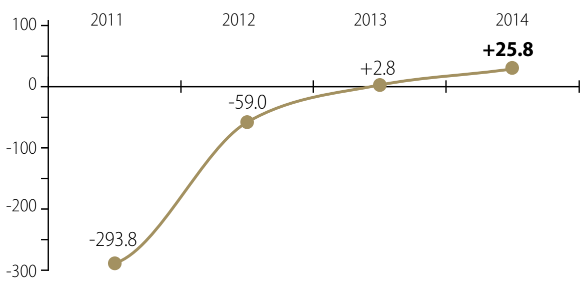
SHUAA ended 2014 with its second consecutive year of profitability. Our net profit for the full year reached AED 25.8 million, a AED 23 million increase from 2013, driven by strong gains recorded in the Asset Management, Investment Banking and SME Lending divisions.

Revenue growth

Revenues for the full year 2014 reached AED 213 million representing an increase of 7.8% from 2013. Out of total revenues generated, AED 131.5 million was attributable to Lending, AED 26.4 million to Asset Management, AED 18.9 million to Investment Banking and AED 12.3 million to Capital Markets.

Net Profit/(Loss)

In AED millions



2014 Bottom Line

- Recurring revenues from core fee and income generating business divisions helped the Company improve its net profit by AED 23.0 million compared to the AED 2.8 million recorded in 2013.
- Revenues stood at AED 213.4 million representing an increase of 7.8% (FY2013: AED 198.0 million). The result was driven by strong gains recorded in the Asset Management, Investment Banking and SME Lending divisions.

Balance Sheet

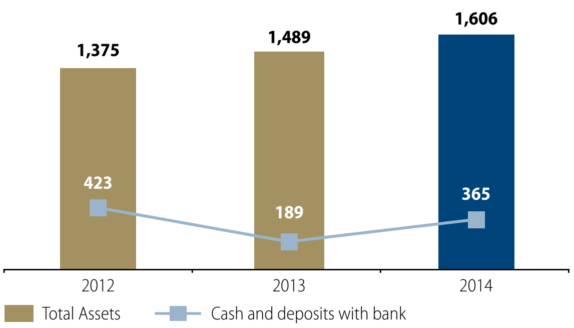
Recent years have been characterised by high levels of market volatility and uncertainty resulting in a changing competitive landscape for financial services firms operating in the region. SHUAA's balance sheet structure has remained strong throughout this period and total assets stood at AED 1.6 billion at the end of 2014, representing a AED 117 million increase from 2013.

SHUAA's cash position at year end had increased by 92.9% to AED 365 million compared to AED 189 million in 2013. This increase is attributed to the partially used syndicated loan facility of AED 500 million which was secured in Q4 2014 with ADCB as lead arranger.

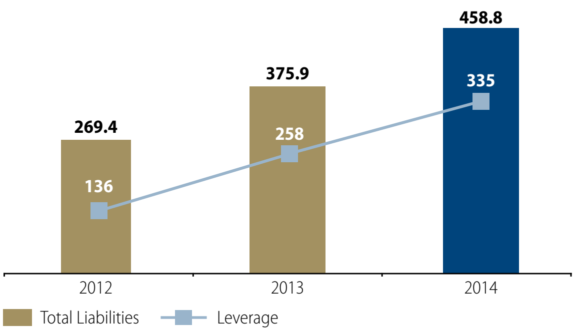
Going forward SHUAA will continue to reinvest these funds into further developing the business units. Overall, net assets were up at AED 1.1 billion while the leverage ratio at the end of 2014 stood at 0.29x compared to 0.23x at the end of 2013.

Loans, advances and finance leases decreased slightly to AED 847 million compared to AED 857 million in 2013. Out of this AED 817 million is related to SME Lending, up marginally from AED 814 million in 2013, AED 20 million is related to Margin Lending, which is down from AED 29 million in 2013, and the remaining AED 11 million is related to Private Equity fund leverage.

SHUAA Group - Total Assets incl. Cash
In AED millions



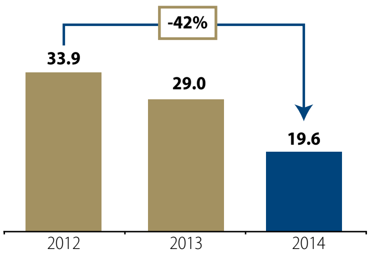
SHUAA Group - Total Liabilities incl. Leverage
In AED millions



One of our key focus areas has been the continued reduction of the portfolio risk of our non-core assets. These had been the major source of losses in the years following the financial crisis. In 2014, overall non-core assets were further reduced by 30% to AED 87.8 million from AED 125.6 million in 2013.

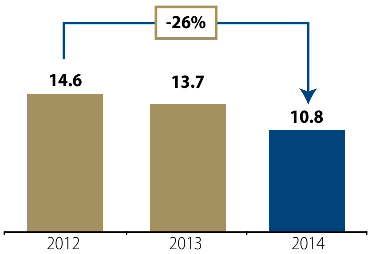
Total shareholder's equity increased by AED 34 million and stood at AED 1.1 billion at year end 2014.

Brokerage Margin Loans*
In AED millions



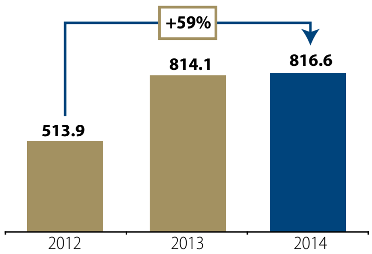
**SHUAA Capital Balance Sheet - Loans, advances and finance leases*

Private Equity Funds Leverage*
In AED millions



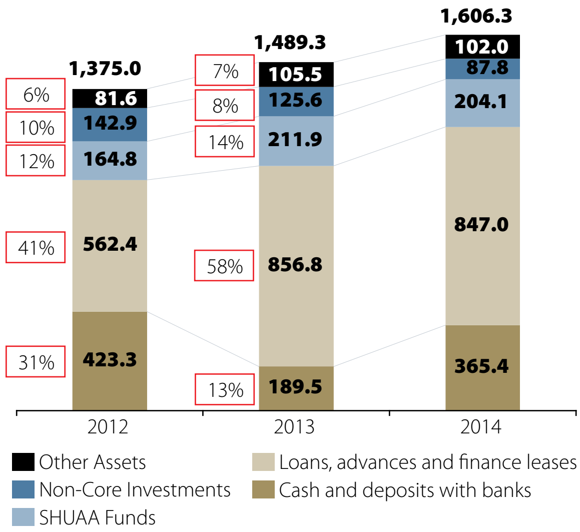
**SHUAA Capital Balance Sheet - Loans, advances and finance leases*

Lending (Gulf Finance UAE & Saudi Arabia)*
In AED millions

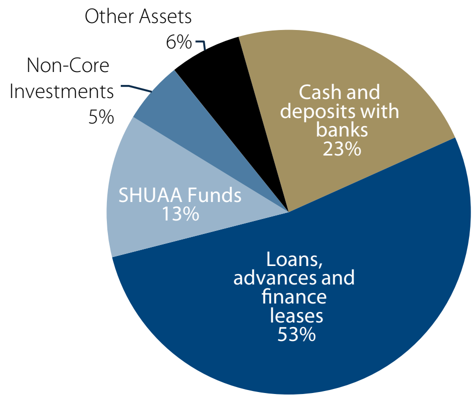


**SHUAA Capital Balance Sheet - Loans, advances and finance leases*

Total Assets –Three Year Movement
In AED million



Balance Sheet Composition
As of 31 December 2014



Segmental Performance

Revenues recorded in SHUAA's Investment Banking totaled AED 18.9 million for the full year, resulting in a profit of AED 11.8 million compared to AED 3.8 million in the previous year.

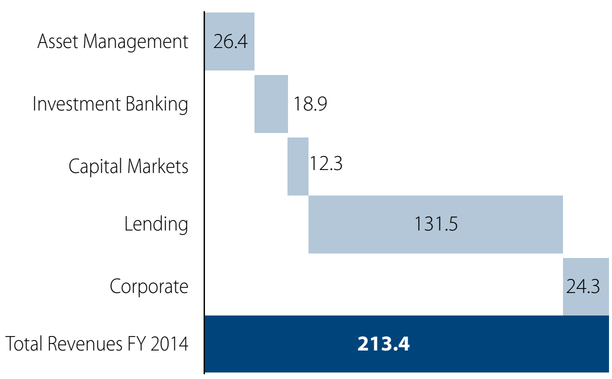
Full year revenues for the Capital Markets division increased to AED 12.3 million while a profit of AED 5.7 million was posted for the same period, compared to a profit of AED 7.3 million in 2013. This reduction was due to lower provision reversals compared to 2013.

SHUAA's SME Lending division represented by Gulf Finance Corporation recorded an increase in revenues of 26% to AED 131 million compared to AED 104 million in 2013. As a result of continued investment into the business and growing demand for SME financing products, net profit for the year increased eight-fold to reach AED 33.4 million versus AED 3.8 million in 2013.

The Asset Management business which includes Private Equity and discretionary funds, recorded revenues of AED 26.4 million and a profit of AED 20.7 million compared to AED 14.1 million in 2013.

The Corporate division posted revenues of AED 24.3 million and a full year loss of AED 45.7 million compared to a loss of AED 26.1 million in 2013. The operating expenses of the Corporate division were reduced by AED 9.9 million, however higher losses were incurred due to a lower return on investments compared to 2013.

FY 2014 –Segmental Revenue Breakdown
in AED millions



Year-on-Year Development
Key drivers

- Increase due to strong demand from investors and high performance fees
- Growth driven by recovering market conditions and improved dealflow
- Increase due to significant improvement in trading
- 26% increase due to strong demand for SME lending products
- Decline in revenue due to lower returns on investments
- 7.8% revenue growth y-o-y

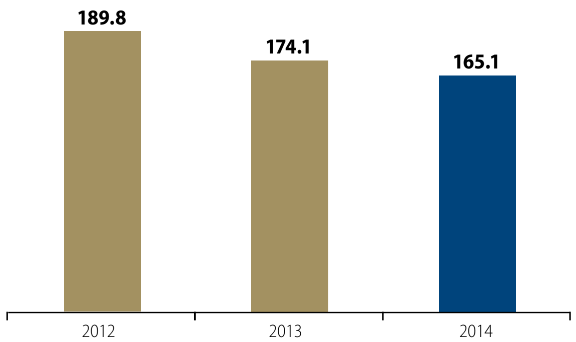
2014 Business Highlights

SHUAA made a firm return to profitability in 2014 having implemented a strategic, financial and operational roadmap, alongside continuing cost initiatives in 2012 with the aim of strengthening our capital position and reducing our cost base to deliver sustainable returns in our business units. The result, after three years, is evidenced by the growing strength of our balance sheet, our positive cash position and return to profitability.

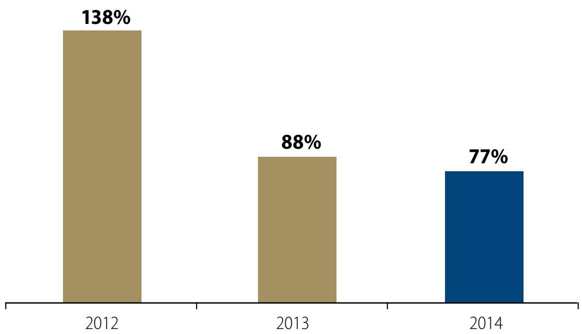
At the start of 2015, SHUAA is a sustainable and profitable business that generates value for shareholders and clients through market cycles. We continue to work towards this objective, remain focused on cost reduction and further streamlining of the business in combination with the ongoing diversification and enhancement of our products and services.

By the end of 2014, SHUAA employed a total of 206 staff with 90 positions located within SHUAA and other subsidiaries and 116 within Gulf Finance, compared to 85 within SHUAA and other subsidiaries and 94 within Gulf Finance at the end of 2013.

Group Operating Expenses
In AED millions



Cost/Income Ratio (Operating Expenses/Revenues)



Business Review

Business Review

Market Environment

2014 proved to be a challenging year characterized by strong market volatility, not just in the GCC region, but also globally. UAE markets started the year on a positive note as investment flows to the region continued to build ahead of the MSCI upgrade that took place at the end of the second quarter. Following a significant market correction and a continuing slump in oil prices in the second half of the year, stock markets and companies ended 2014 on a somewhat anticlimactic note, especially after a challenging fourth quarter that saw the gains recorded in many UAE firms during the first nine months of the year of decline substantially.

Despite market volatility and continued political instability in the wider Middle East and North Africa region, the GCC and the UAE in particular continues to gain credibility as an emerging market offering compelling investment opportunities. The UAE has proven itself as a politically secure and stable haven for investment with significant operating cash flow profitability, low effective tax rates and relatively high dividend yields compared to the US, Europe, BRIC and other emerging markets.

UAE Outlook for 2015

Although expectations that the market volatility seen in 2014 is set to continue into 2015, the outlook for GCC countries, and the UAE in particular, remains positive. Despite uncertainties related to oil price, the fundamentals of the MENA market remain intact. Core drivers such as government spending and strong demographics are still in play. The UAE government is maintaining its high-profile diversification programme away from oil, with Dubai focused on expanding its export-orientated service sector and Abu Dhabi accelerating its deployment of surplus oil receipts into energy-intensive industrial projects and physical infrastructure build-out. SHUAA remains cautiously optimistic ahead of 2015 and confident that our business model will once again prove its resilience.

SHUAA Business Divisions

Since its foundation in 1979, SHUAA has been at the forefront of the financial services industry in the MENA region. Today SHUAA has a well-balanced business model with a strong brand and reputation, both locally and internationally. We believe that our history and business track record in the region in combination with longstanding client relationships set us apart. Over the years we are proud to have witnessed and contributed to the growth of our clients' businesses. We are confident that the industry expertise inherent across our core business divisions; Investment Banking, Capital Markets, Lending and Asset Management; will enable us to continue to deliver tailored solutions to these clients.

Investment Banking

2014 was a year when the UAE Investment Banking landscape saw high levels of activity following the years since the global financial crisis which were characterized by market volatility, subdued risk appetite from both corporate and institutional investors, and relatively low levels of client activity. SHUAA's Investment Banking team has historically played an important strategic role in bringing a number of the UAE's most significant companies to market, having raised more than AED 13 billion in IPO transactions since 2004. In addition to this, SHUAA has also provided M&A and corporate advisory on transactions worth around AED 3.2 billion since 2005.

IPO advisory

SHUAA's Investment Banking division worked on a number of public and private transactions during the year, including the Emirates REIT IPO where SHUAA acted as sponsor, joint bookrunner and joint lead manager, as well as the IPOs of Dubai Parks and Resorts and Amanat where SHUAA acted as co-manager and which both closed in the fourth quarter of 2014. The current pipeline remains strong with a balance of public and private deals which ensure that the team is well positioned regardless of whether the market remains conducive towards IPO issuances or not.

Revenue growth

The division saw revenues grow to AED 18.9 million in 2014 compared to AED 11.8 million in 2013, resulting in a full year profit of AED 11.8 million compared to AED 3.8 million in the previous year. During the year, the team acted as advisor to a number of clients and worked on numerous capital markets mandates as a surge of interest from private companies needing financial advisory services grew.

Strategic Partnerships

SHUAA Capital and Dubai SME, an agency of the Department of Economic Development, extended their memorandum of understanding to collaborate on advising SMEs in the first quarter of 2014. Since August 2012 SHUAA's Investment Banking team has provided business valuations and planning consultancy seminars for high growth companies included in the Dubai SME 100 ranking. The effort is part of the Government's plan to strengthen the SME sector and SHUAA's objective of providing advisory services, arranging capital to SMEs wishing to expand.

Corporate Finance experience

SHUAA's Investment Banking division is also a provider of corporate finance advisory and capital raising services. As one of the oldest investment firms in the region, the Investment Banking team is able to leverage its regional and international expertise and build on long-term relationships, market intelligence and resources to deliver a range of services that add value to both issuers and investors. The division's track record, understanding of investor needs and broad coverage allows SHUAA Investment Banking to offer tailor-made solutions to private and public companies.

Investment Banking (AED `000)

	2014	2013
Interest income	**10**	520
Net fees and commissions	**18,899**	11,238
Total revenues	**18,909**	11,758
General & administrative expenses	**(11,720)**	(8,308)
Interest expenses	**(518)**	-
Provisions	**5,097**	352
Total expenses	**(7,141)**	(7,956)
Profit for the year	**11,768**	3,802
Attributable to:		
Non-controlling interests	-	-
Equity holders of the parent	**11,768**	3,802

Initial Public Offering

Dubai Parks and Resorts PJSC

Initial Public Offering of 2,528,731,083 shares at AED 1.00 per share on the Dubai Financial Market

AED 2,528,731,083

Co-Manager

SHUAA

December 2014

Amanat Holdings PJSC

Initial Public Offering of 1,375,000,000 shares at AED 1.00 per share on the Dubai Financial Market

AED 1,375,000,000

Offering Manager

SHUAA

November 2014

Emirates REIT (CEIC) Limited

Initial Public Offering of 147,977,941 shares at USD 1.36 per share on NASDAQ Dubai

USD 201,250,000

Sponsor & Joint Bookrunner

SHUAA

April 2014

M&A

Buy-Side Advisor to

CSEH INVESTMENT L.L.C.

(A Limited Liability Company under the laws of the United Arab Emirates)

on the minority stake acquisition in

EMIRATES HOSPITAL

Undisclosed Value

Sole Financial Advisor

SHUAA

January 2014

Sell-Side Advisor to

CSEH INVESTMENT L.L.C.

CosmeSurge & Emirates Hospital Group of Entities

on the strategic sale to

Centurion Investment

Undisclosed Value

Sole Financial Advisor

SHUAA

January 2014

Corporate Restructuring Advisor to the founders of

CosmeSurge & Emirates Hospital Group of Entities

on the reorganization of its entities and related branches under

CSEH INVESTMENT L.L.C.

COSMESURGE & EMIRATES HOSPITAL PHARMACY L.L.C.

EMIRATES PHARMACY L.L.C.

Sole Financial Advisor

SHUAA

January 2014

Business Valuation & Fairness Opinions

مؤسسة محمد بن راشد لتنمية المشاريع الصغيرة والمتوسطة
DUBAI SME
An Agency of the Department of Economic Development - Government of Dubai

DUBAI SME ONEHUNDRED

Dubai Desert Extreme LLC

(Member of the SME 100 Program)

Valuation Assessment

SHUAA

November 2014

Triple Crown Shipping & Logistics LLC

(Member of the SME 100 Program)

Valuation Assessment

SHUAA

August 2014

German Imaging Technologies Dubai LLC

(Member of the SME 100 Program)

Valuation Assessment

SHUAA

August 2014

Biolite Aesthetic Clinic LLC

(Member of the SME 100 Program)

Valuation Assessment

SHUAA

July 2014

Bin Touq Fire & Safety Company LLC

(Member of the SME 100 Program)

Valuation Assessment

SHUAA

June 2014

Coffee Planet LLC & Coffee Planet Roastery FZE

(Member of the SME 100 Program)

Valuation Assessment

SHUAA

April 2014

Tonnit Design & Advertising LLC

(Member of the SME 100 Program)

Valuation Assessment

SHUAA

January 2014

Capital Markets

SHUAA's Capital Markets division saw a continued increase in trading activity in 2014. During the year SHUAA continued to invest in the upgrade and expansion of the Sales and Trading desk with the implementation of SunGard's Front Arena, an integrated trading platform providing access to regional and international markets. In maintaining its tradition of being at the forefront of regional market development, SHUAA also continued the expansion of its product offering to include market making services. The new product range in combination with strategic recruitment to key positions within the sales teams provides SHUAA's Capital Markets division with a competitive advantage that leaves the Company well-positioned ahead of 2015.

Full year revenues for Capital Markets increased to AED 12.3 million from AED 8.8 million in 2013 while profits for the period stood at AED 5.7 million compared to AED 7.3 million in the previous year. The reduction in profit was due to lower provision reversals compared to 2013 and continued investment into developing the product offering.

Well established trading desk

The Sales and Trading desk provides institutional clients with market intelligence and liquidity on GCC and MENA securities including equities, fixed income and derivatives. The desk has an extensive network of local and international counterparties due to being one of the most established trading divisions in the region.

Equity research

SHUAA launched the first GCC equities research department in 2001. Today the team provides research on listed GCC companies and sector coverage, particularly the UAE and Saudi Arabian markets, with a key focus on under-covered names where most value can be added for clients.

During 2014, coverage encompassed 59% of total UAE market cap, including 65% coverage of the Dubai Financial Market and 55% of Abu Dhabi Securities Exchange, and 22% of total Saudi Arabia market cap.

Capital Markets (AED `000)

	2014	2013
Interest income	**1,751**	1,000
Net fees and commissions	**10,572**	6,870
Trading income/(loss)	**(54)**	938
Total revenues	**12,269**	8,808
General & administrative expenses	**(9,083)**	(9,388)
Depreciation	**(9)**	(43)
Provisions	**2,501**	7,954
Total expenses	**(6,591)**	(1,477)
Profit for the year	**5,678**	7,331
Attributable to:		
Non-controlling interests	**(9)**	(3)
Equity holders of the parent	**5,687**	7,334

Lending

SHUAA's wholly owned lending businesses, Gulf Finance Corporation UAE and Gulf Finance Corporation Saudi Arabia, recorded a 26% increase in revenues to AED 131 million compared to AED 104 million in 2013, and an eight-fold increase in net profit to AED 33.4 million versus AED 3.8 million in 2013. The strong performance was due to growing demand for SME financing products.

Gulf Finance Corporation UAE has provided funding solutions to SMEs across the Emirates since 1997. Regulated by the UAE Central Bank, the Company offers a range of funding solutions such as small business loans, vehicle and equipment finance, commercial finance including working capital and asset finance, medical finance, and marine finance.

As of 31 December 2014, the Gulf Finance UAE loan book consisted of diversified exposure to the following sectors: manufacturing, wholesale trade, transportation and warehousing, construction, retail trade and real estate sectors.

Gulf Finance UAE Loan Portfolio

(end 2014)

Manufacturing	**25.4%**
Wholesale Trade	**22.5%**
Transportation and Warehousing	**20.2%**
Construction	**8.0%**
Retail Trade	**5.0%**
Real Estate, Rental and Leasing	**4.9%**
Professional, Scientific and Technical Services	**3.1%**
Administrative and Support Services	**2.8%**
Other	**8.1%**

Gulf Finance Corporation Saudi Arabia was launched in January 2013 as a Sharia compliant finance provider to SMEs in the Kingdom. The Company provides financial leases to commercial entities operating in the manufacturing, trading, contracting, services and logistics sectors.

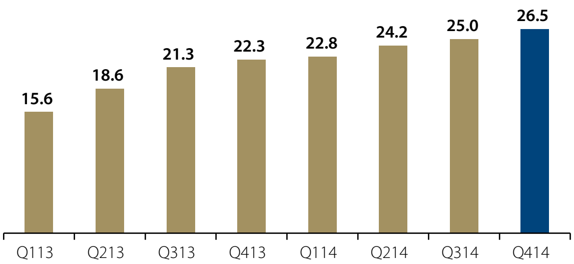
Repositioned for growth

2014 saw the implementation of a new strategy whereby Gulf Finance UAE refocused their business model to provide smaller ticket loans to SMEs, specifically targeting businesses with turnovers of between AED 10-25 million, as well as extending its services to include the micro business segment. To drive this new approach, the Company has expanded its sales team to target these companies.

By the third quarter, Gulf Finance UAE also introduced more prudent write-off procedures with regards to non-performing loan (NPL) classifications. The expected outcome of the new strategy is reduced concentration risk, improved diversification and an ability to generate higher interest rate income. The Company has experienced consistent quarterly growth in net interest income over the past two years.

Net Interest Income

(AED '000)



Gulf Finance UAE also expanded its presence in Abu Dhabi with the opening of a new office in the industrial Mussafah area in Q3 2014. The Company will continue to develop operations across the Emirates and expand its product range going forward with the introduction of trade finance facilities and a more defined relationship management model for larger customers. The Gulf Finance UAE team grew to 87 employees in 2014 from 74 employees in 2013.

AED 500 million syndicated loan

In the final quarter of 2014, a AED 500 million syndicated loan facility with Abu Dhabi Commercial Bank as lead arranger was successfully secured. The funds will be deployed as growth finance for SMEs in both the UAE and Saudi Arabia and is in line with SHUAA's strategic objective set out in the 2014 guidance to increase leverage for Gulf Finance. The facility will provide a stable long term source of funding for Gulf Finance to meet its objective of increasing its monthly loan deployment rate to SMEs, and reflects the improved financial position of the Group as a whole.

New operating license in Saudi Arabia

In Q4 2014, Gulf Finance Saudi Arabia obtained a new operating license from the Saudi Arabian Monetary Agency (SAMA) converting it from an instalment company to a regulated finance company under the new Finance Companies Control Law. The new license will allow Gulf Finance Saudi Arabia to broaden the range of financing products it currently offers to SMEs based in the Kingdom. Gulf Finance Saudi Arabia grew its team to 29 employees in 2014 from 20 employees in 2013.

Lending (AED `000)

	2014	2013
Interest income	**121,389**	99,905
Net fees and commissions	**10,107**	4,138
Total revenues	**131,496**	104,043
General & administrative expenses	**(46,973)**	(52,463)
Interest expenses	**(12,803)**	(9,596)
Depreciation	**(5,449)**	(4,166)
Provisions	**(32,838)**	(34,048)
Total expenses	**(98,063)**	(100,273)
Profit for the year	**33,433**	3,770
Attributable to:		
Non-controlling interests	-	-
Equity holders of the parent	**33,433**	3,770

Asset Management

The Asset Management division posted strong results for the full year driven by favourable market conditions and a sound investment strategy in combination with increased demand from investors and performance fees booked on client portfolios. Asset Management also oversees SHUAA's investment and private equity funds as well as Discretionary Portfolio Mandates.

Fund Performance 2014

Fund	Inception	NAV/Share	Annualized Return**	Absolute Return**	YTD% Dec 2014	Benchmark	Outperformance
Arab Gateway Fund	17-Dec-1999	USD 32.91	+11.1%	284.9%	2.7%	-1.4%	4.1%
Emirates Gateway Fund	17-Apr-2002	AED 13.869	+14.9%	454.8%	16.4%	4.4%	12.0%
MENA Conventional Equity *	19-Sep-2011	N/A	+24.6%	90.0%	11.2%	-1.4%	12.6%
MENA Shariah Equity*	19-Aug-2004	N/A	+8.4%	231.3%	9.4%	-5.6%	15.0%

** Representative Separately Managed Account Performance*
*** Since inception*

Growth in AUMs

Client AUMs were up by 7% and stood at AED 853 million at the end of the year compared to AED 796 million in 2013. At the same time client AUMs in the SHUAA Hospitality Funds stood at AED 254 million and SHUAA AUMs were AED 599 million. The business reported revenues of AED 26.4 million in 2014 versus AED 21.6 million in 2013, and a profit of AED 20.7 million compared to AED 14.1 million in 2013.

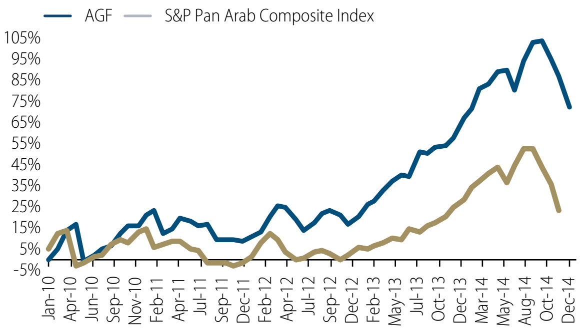
SHUAA Saudi Hospitality Fund

The Asset Management division also encompasses the SHUAA Saudi Hospitality Fund I, a Shariah-compliant closed-end real estate investment fund launched by SHUAA Capital Saudi Arabia in August 2008 in partnership with Rotana Hotel Management. The fund is offered as a private placement and regulated by the Saudi Capital Markets Authority (CMA), in accordance with the Real Estate Investment Funds Regulations. The fund is currently making progress on developing the land acquired in Jeddah, Riyadh and Dammam into hotels which on completion will be managed by Rotana.

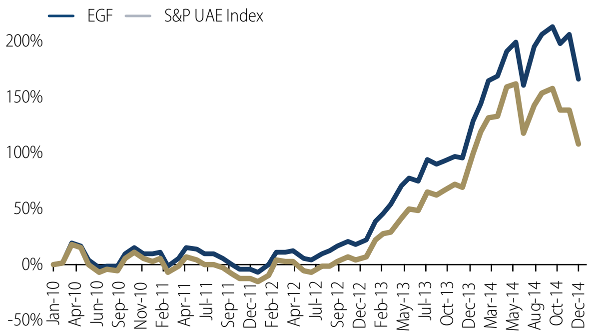
SHUAA Gateway Funds

SHUAA's flagship funds, the Emirates Gateway Fund (EGF) and the Arab Gateway Fund (AGF), held firm throughout the year despite a difficult and volatile trading environment. As of December 31 the EGF had returned 16.4% and outperformed its benchmark by 12.0%, while the AGF had returned 2.7% and outperformed its benchmark by 4.1%, as MENA markets registered declines during the same period and UAE markets closed marginally higher. Further, the divisions Discretionary Portfolio business also registered strong gains with MENA conventional strategies posting gains of up to +17.4% versus benchmark declines of -1.4% over the same period.

Arab Gateway Fund -Performance Track Record
(2010 – 2014)



Emirates Gateway Fund -Performance Track Record
(2010 – 2014)



Consistent strong performance

SHUAA Asset Management was chosen as the Best Asset Manager in the UAE by EMEA Finance for the fifth consecutive year, while the Emirates Gateway Fund was voted “Best UAE Equity Fund of the Year” by MENA Fund Manager for the fourth year in a row.

Longest fund track record in MENA

With the longest fund track record in the MENA region dating back to 1999, SHUAA is widely recognized as a pioneer and industry leader of the regional asset management sphere. The business division remains at the forefront of investment management today and offers SHUAA’s clients a range of comprehensive and tailor-made investment solutions based on the expertise of its investment professionals. Despite challenging market conditions over past years we had solid performance from our funds, demonstrating our ability to perform well during times of economic uncertainty as well as recovery, and building on our robust track record.

Investment approach

SHUAA Asset Management relies on a fundamental research approach by blending top-down identification of major macroeconomic and sector-specific trends with long-term, bottom-up selection of core value picks. Portfolio managers utilize technical analysis in timing optimal entry and exit points while favouring securities with improving fundamentals, positive sentiment, and that trade at a discount to intrinsic value.

Asset Management (AED `000)

	2014	2013
Interest income	**318**	220
Net fees and commissions	**26,098**	21,346
Total revenues	**26,416**	21,566
General & administrative expenses	**(5,749)**	(7,499)
Total expenses	**(5,749)**	(7,499)
Profit for the year	**20,667**	14,067
Attributable to:		
Non-controlling interests	-	-
Equity holders of the parent	**20,667**	14,067

Corporate

The Corporate division posted full year revenues of AED 24 million compared to AED 52 million in 2013. A full year loss of AED 45.7 million was recorded for the same period versus a loss of AED 26.1 million in the previous year.

The Corporate division is the backbone of our client facing business divisions and provides corporate services and business support in the core areas of finance and accounting, legal, compliance, risk management, operations and information technology, investor relations, corporate communications and marketing, as well as human resources. The Corporate division also manages the cash and treasury functions, ensuring liquidity reserves and funding lines are available at all times, as well as holding investments including investments in associates, as well as the seed capital in SHUAA managed funds.

Corporate (AED `000)

	2014	2013
Interest income	**4,189**	6,200
Net fees and commissions	**61**	336
Trading income	**111**	502
Gains from investments in SHUAA managed funds	**19,946**	44,742
Total revenues	**24,307**	51,780
General & administrative expenses	**(70,432)**	(80,542)
Interest expenses	**-**	(118)
Depreciation	**(2,322)**	(2,015)
Provisions	**4,944**	6,408
Total expenses	**(67,810)**	(76,267)
Net loss before losses from other investments	**(43,503)**	(24,487)
Losses from other investments	**(2,195)**	(1,635)
Loss for the year	**(45,698)**	(26,122)
Attributable to:		
Non-controlling interests	**12**	24
Equity holders of the parent	**(45,710)**	(26,146)

Leadership and Governance

Board of Directors

Abdul Rahman Hareb Rashed Al Hareb
Chairman

Mr. Abdul Rahman Hareb Rashed Al Hareb is the Chairman of SHUAA Capital. He also serves as a Non-Executive Director on the board of Emaar Properties, and as Chairman of Dubai AeroSpace Enterprise Audit Committee. He is a senior member of the Dubai Holding management team where he currently holds the position of Chief Internal Audit Officer.

Mr. Al Hareb has over eighteen years' experience in the financial services and banking sectors. Up until recently he was Chairman of the Board at Oman National Investment Corporation Holding, as well as a board member of StandardAero US. Prior to joining Dubai Holding, he held various senior positions at National Bank of Dubai and the Financial Audit Department, and has also held the position of Vice President of Internal Audit at Dubai Islamic Bank.

Mr. Al Hareb is a UAE National and holds a Bachelor degree in Business Administration and Accounting from Seattle University, United States. He is a Certified Public Accountant (CPA) and a Certified Internal Auditor (CIA).

Hamad Abdulaziz Al Sagar
Vice-Chairman

Hamad Al Sagar is the Managing Partner of A.H. Al Sagar & Bros; a family-owned business in Kuwait, with activities including trading, civil engineering, electrical & mechanical contracting.

Mr. Al Sagar serves on the Board of Directors of SHUAA Capital psc, National Bank of Kuwait S.A.K, National Bank of Ras Al Khaimah PSC and Al Kout Industrial Projects Co.

He also served one term of four years as a member of the Municipality of Kuwait, one term of four years as a member of Kuwait Planning Board and was also on the board of the Kuwait Investment Authority for four years. Mr. Al Sagar holds a BA in Economics from the University College of Dublin.

Fahd Al Jouan
Director

Fahd Al Jouan serves on the Board of various organizations including; Al Kout Industrial Projects Co. where he is Chairman, Markaz (Kuwait Financial Centre) and the Kuwait Chamber of Commerce.

In addition, he is actively involved in Al Jouan Trading and Contracting Co. which is a private investment company managed by his family and is the owner of a private company named Kuwait Projects Group, involved in private investment in local and regional markets.

Mr. Al Jouan graduated from Eastern Washington University with a Bachelor of Arts in Business Administration.

Jamal Bin Ghalaita

Director

Mr. Ghalaita, a U.A.E. national, holds a Bachelor of Science and Business Administration degree from the University of Arizona, USA. His career as a banker spans over 24 years with key roles in the corporate, retail, trade finance and human resources sectors at Emirates NBD Group. His significant achievements include the planning for the launch of Emirates Islamic Bank and the establishing of several new areas of business at Emirates NBD, including Private Banking, Asset Management and Emirates Money, in addition to overseeing the growth of the core Consumer Banking and Wealth Management business.

Mr. Ghalaita is now the Chief Executive Officer, Emirates Islamic Bank, a position he moved into in October 2011 from his previous post as Group Deputy Chief Executive Officer and General Manager, Consumer Banking and Wealth Management at Emirates NBD. He is also Chairman of Emirates Islamic Financial Brokerage LLC and Board Member of Tanfeeth LLC, SHUAA Capital PSC and Al Baraka Banking Group, Bahrain.

Martin D. Angle
Director

Mr. Angle is currently a non-executive director of Savills plc, a leading international property advisor; Severstal, one of the world's largest steel producers; Pennon Group plc; and SHUAA Capital psc. He is also the Chairman of The National Exhibition Group in the UK, and Vice Chairman of the FIA Foundation.

During his earlier career, Mr. Angle held senior positions in investment banking with S.G. Warburg & Co., Morgan Stanley where he was Head of UK M&A, and Dresdner Kleinwort where he was Head of International Corporate Finance, President of Investment Banking in the United States and a Group Director.

Subsequently he became Finance Director of TI Group plc, a FTSE-100 company with industrial operations in over 50 countries. He later moved to private equity as an Operational Managing Director of Terra Firma Capital Partners becoming Executive Deputy Chairman of Le Meridien Hotels and Executive Chairman of the Waste Recycling Group, a major UK waste management company with significant activities in renewable energy.

Mr. Angle is a graduate in physics, a Chartered Accountant, and a Member of the Chartered Securities Institute.

Arshad Ashraf
Director

Mr. Ashraf is the Chief Investment Officer of One Market Capital, an investment management company based in San Francisco, California. Previously he was a Portfolio Manager at Passport Capital, a global hedge fund with $4B in assets under management where he headed the Middle East and North Africa (MENA) investment team. Before joining Passport Capital, Mr. Ashraf held various positions in engineering services, management consulting, technology start-ups and asset management.

Mr. Ashraf is an independent, non-executive director of SHUAA Capital and also sits on the Board of Gulf Finance Corporation PJSC, a wholly-owned subsidiary of SHUAA Capital and a provider of Sharia-compliant finance to small and medium sized enterprises (SMEs) in Saudi Arabia.

He holds a B.S. in Manufacturing Engineering, a B.A. in Religion from Boston University and an M.S. in Management from Stanford University. He also serves as a Member of the Advisory Board of the College of Arts and Sciences at Boston University.

Ahmed Al Qassim
Director

Mr. Ahmed Al Qassim is the Chief Executive Officer of Dubai Group.

Prior to Dubai Group, Mr. Al Qassim was Director Investment Banking at Emirates NBD Capital, where he led both the Equity Capital Markets and Mergers and Acquisitions team. Previously he had been Head of Strategic Accounts at General Electric and Assistant Vice President of Structured Finance Originations, Mubadala-GE Capital.

Mr. Al Qassim holds an MBA from the University of Victoria, Canada.

Appointed board member in February 2014, after 2013 year end.

Mohammad Kamran Wajid
Director

Mohammad Kamran Wajid is the Chief Executive Officer of Emirates Financial Services and Emirates NBD Capital.

Mr. Kamran joined Emirates NBD in 1998 and has held senior positions during his tenure with the Group, including General Manager & Global Head of the Financial Institutions Division, and General Manager & Head of Institutional & International Banking and Debt Capital Markets.

Prior to joining Emirates NBD, Mr. Kamran worked for Mashreq and National Bank of Abu Dhabi in the corporate finance divisions. He holds a Masters in Business Administration from Aligarh University in India.

Appointed board member in February 2014, after 2013 year end.

Corporate Governance Report

SHUAA Capital believes that good corporate governance is a pillar for long term value creation and a means for shareholders to ensure that the company is being managed in a fair, responsible and transparent manner. Good governance provides a solid foundation for SHUAA Capital to achieve its vision and raise corporate performance.

Good corporate governance will encourage support for and trust in the company's activities as a financial investment company with whom clients entrust their investments and as the recipient of shareholders' capital. It will also enable the company to contribute to the successful development of the financial system of the UAE and the wider Middle East region.

The company recognizes the critical importance of good governance in promoting and strengthening the trust of its shareholders, clients, stakeholders and the public. Its Corporate Governance Framework is designed to ensure that the following standards are met:

Accountability: SHUAA Capital's executive management are set strategic targets and are accountable to the Board. In turn, the Board is accountable to the shareholders and other stakeholders;

Responsibility: The clear separation of delegation and authority;

Transparency and disclosure: Stakeholders have access to quality information to assess the company's financial performance and situation;

Fair treatment: All stakeholders are treated according to the same high standards.

Overview of the Corporate Governance Framework

The Corporate Governance Framework sets out requirements in relation to the appointment and composition of the Board and the role of the Chairman and the General Manager. It further sets out, in the Board's Terms of Reference, detailed duties of the Board as well as requirements in relation to Board meetings, voting procedures and internal control systems.

Board Meetings and Committees

The Board met 6 times during 2014 to review progress of the financial performance, as well as to review the company's strategic direction.

The following committees have been established by the Board:

Audit Committee

The principal role of the Audit Committee of the Board ("ACB") is to monitor the company's financial statements, to review and recommend changes to the company's financial and control systems, and to maintain the relationship and be the direct point of contact with the company's external auditors.

Risk & Compliance Committee

The main role of the Risk and Compliance Committee of the Board ("RCCB") is to ensure the effectiveness of the company's internal controls and risk management systems, regulatory compliance and adherence to professional rules of conduct.

Nomination Committee

The principal role of the Nomination Committee ("NOMCOM") is to determine the company's staffing needs at the executive and employee levels, the basis for selection of executives and employees, to develop and annually reviewe the human resources and training policies of the company, to oversee the procedures for nomination to the Board, and to regularly reviewe the structure, size and composition of the Board.

Remuneration Committee

The principal role of the Nomination and Remuneration Committee ("REMCOM") is to develop and review annually the ongoing suitability of the Company's policy for remuneration and benefits for the company's General Manager, Board of Directors and employees and to ensure that the remuneration and benefits awarded are reasonable and aligned with the performance of the company.

The table below lays out the Board members, committee membership, attendance record and beneficial shareholding in SHUAA during 2014 and up to the end of February 2015.

Name of Director	Position	Committee Membership	Meetings Attendance in 2014	>5 % Share Ownership	Other Directorships	Date of Appointment	Tenure
Abdul Rahman Hareb Rashed Al Hareb	Chairman	None	N/A		• TAIB Bank – Chairman • Dubai Aerospace Enterprise Audit Committee (Chairman) • Gulf Finance Corporation (Chairman) • Emaar Properties (Director) • Awqaf and Minor Affairs Foundation (Director)	12/2/2015	0 yrs
HH Sheikh Maktoum Hasher Al Maktoum	Executive Chairman	Nomination	6 out of 6		• Dubai International Holding Company	7/2/2011*	4 yrs
Hamad Al Sagar	Vice Chairman	None	5 out of 6		• National Bank of Ras Al Khaimah (Director) • National Bank of Kuwait (Director) • Al Kout Industrial Projects Co (Director)	4/9/2000	15 yrs
Fahd Al Jouan	Director	Audit; Risk & Compliance; Nomination & Remuneration	6 out of 6		• NAPESCO (National Petroleum Service Company) • Al Kout Industries (Chairman) • Kuwait Chamber of Commerce & Industry (Director) • Kuwait Financial Centre (Director) • Dorra Petroleum Services (Director) • General Authority for Industry (Vice Chairman) • Safe Water Chemical (Director)	4/9/2000	15 yrs
Passport Capital	Director	Audit; Risk & Compliance;	5 out of 6	Yes		29/3/2009	6 yrs
Martin D. Angle	Director	Audit; Remuneration	5 out of 6		• The National Exhibition Group (Chairman) • FIA Foundation (Vice- Chairman) • Savills plc (Director) • OAO Severstal (Director) • Pennon Group plc (Director)	23/8/2009	5.5 yrs
Jamal Bin Ghalaita	Director	Risk & Compliance; Nomination & Remuneration	6 out of 6		• Emirates Islamic Financial Brokerage (Chairman) • Al Baraka Banking Group (Director) • Tanfeeth LLC (Director)	7/2/2011	4 yrs
Ahmed Al Qassim	Director	None	5 out of 6		• Bank Muscat (Director) • EFG Hermes (Director) • Sun Hung Kai (Director) • Gulf Finance Corporation (Director) • Gulf Finance Company – Saudi Arabia (Director) • Septech Holding Ltd (Director)	27/1/2014	1 yrs
Mohammad Kamran Wajid	Director	None	5 out of 6			13/2/2014	1 yrs
Arshad Ashraf	Director	Audit; Risk & Compliance;	1 out of 6		• Gulf Finance Company – Saudi Arabia (Director)	13/11/2014	3 months

**Appointed Executive Chairman on 10th of April 2012, stepped down on 12th of February 2015*

Board Remuneration

In accordance with the UAE Commercial Companies Law, remuneration of the Board of Directors of the SHUAA Capital consists of a percentage proportion of the net profits not to exceed 10% of the annual net profits of the company (after deduction of the statutory and other reserves and the distribution of dividends representing 5% of net profits to shareholders). Board remuneration must be approved at the Annual General Assembly of the company. In addition, the company has adopted a policy to pay Directors a reasonable attendance allowance in respect of all Board meetings and Board committee meetings.

Board Personal Account Dealing Policy

SHUAA Capital has developed a personal account dealing policy, the terms of which are applicable to all employees, officers and Directors of the company. The policy takes into account the relevant UAE laws and regulations governing insider trading, clients' interest and other standards. The policy is enforced by the Compliance Department within the company and all relevant records are maintained for a period of ten years.

Delegation of Authority and Powers to Executive Management

While the Board approves SHUAA Capital's strategic goals, as well as oversees the management of the company, the day-to-day operation of the company is the responsibility of the senior executive management. The Board's function is to oversee senior management and to hold it accountable. It is important that the Board as a whole, and the non-executive directors in particular, do not involve themselves in day-to-day business activities. The Board has delegated certain matters to the various management committees established under the Corporate Governance Framework.

At the Board meeting held on 12 February 2015, the Board Committees and Executive Management Committees Structure were revised, with the creation of the Investment and Executive Committee and the Audit & Risk Committee.

In addition to the Board Committees and the Investment and Executive Committee, there are a number of committees that ensure oversight of daily operations and business activities and adherence to proper governance standards. The committees are the Assets & Liabilities Committee, the Audit & Compliance Committee, the Operating Committee, the Business Development Committee, and the Human Resources Committee.

SHUAA Executive Leadership

Houssem Ben Haj Amor

Chief Financial Officer & General Manager

Houssem Ben Haj Amor holds the position of Chief Financial Officer and General Manager, supervising the finance departments of SHUAA Capital and its subsidiaries. Mr. Ben Haj Amor joined SHUAA Capital in July 2007, prior to which he worked for Société Générale where he headed the accounting department of its Tunisian subsidiary and was responsible for implementing a full new banking system.

Prior to Société Générale, Mr. Ben Haj Amor worked for Moore Stephens and Arthur Andersen as Senior Manager specialized in the financial services industry. He managed audit and consultancy missions covering Europe and North Africa. Mr. Ben Haj Amor has an extensive knowledge of International Financial Reporting Standards and GCC regional regulatory requirements. He is also a Certified Public Accountant.

Omar Al Jaroudi

Chief Executive Officer, Saudi Arabia

Omar Al Jaroudi, a Saudi national, comes with over 27 years of diversified experience in the fields of commercial and investment banking. He started his career in 1984 with the Saudi French Bank initially in commercial banking and later moved to investment banking.

In 1995, he moved on to help setting up Lebanon Invest, an investment bank which was merged in the year 2000 with Banque Audi SAL after which Mr. Al Jaroudi joined SHUAA Capital in March 2007. During this period, he amassed vast and diversified experience, both in the region as well as in Europe, in the areas of investment banking, private equity, asset management, local and regional brokerage, and distribution. He also serves on the board of several companies both in the Middle East and Europe.

Mr. Al Jaroudi holds a Master's Degree in Economics from Syracuse University in New York and a Bachelor's Degree in Business Administration from the American University of Beirut.

Karim Schoeib

Chief Executive Officer Investment Banking

Karim Schoeib has held a number of positions in the Investment Banking department since joining SHUAA in June 2005, including Head of Equity Capital Markets. He has led a number of public transactions including the IPOs of Gulf Navigation, Air Arabia, Deyaar and DP World, as well as advised on a number of private placement transactions in various sectors in the UAE. Mr. Schoeib has also led a number of cross border M&A transactions between the UAE, KSA, Qatar and Kuwait.

Prior to joining SHUAA Capital Mr. Schoeib worked at EFG-Hermes, a regional investment bank, in the investment banking division based in Egypt. Mr. Schoeib was responsible for the management and execution of several high profile transactions in the building materials, banking and food sectors in Egypt and the Middle East Region. Prior to that, Mr. Schoeib worked at Flemings CIIC Investment Banking based in Egypt.

Mr. Schoeib holds a Bachelor of Science Degree in Business and Finance from Lafayette College in the US.

Amer Khan

Senior Executive Officer of SHUAA Asset Management

Amer Khan joined SHUAA in August 2008 as a senior member of the investment management team. Before SHUAA, Mr. Khan was a Senior Research Analyst at Lusight Research in Canada, covering Global Emerging Markets, as well as specializing in pre-IPO and bespoke research for portfolio managers globally. Mr. Khan holds a B.A. from the University of Western Ontario.

Oliver Lee

Head of Risk Management

Oliver Lee has been Head of Risk Management at SHUAA Capital since joining in April 2007. He previously headed Risk Management at Mitsubishi UFJ Trust International for London and Singapore where he was responsible for restructuring the team and enhancing the market, credit and operational frameworks. Prior to Mitsubishi Mr. Lee was a Vice President in Risk Management at JP Morgan Chase in London overseeing various groups across the EMEA region. With his in-depth knowledge and experience of best practices within investment banking, he has helped SHUAA Capital create a risk management framework and governance structure of international standards.

Mr. Lee holds a BSc (Hons) in Accounting & Financial Analysis from the University of Warwick.

Ghassan Hitti

General Counsel and Head of Compliance

Ghassan Hitti heads the SHUAA Capital's legal and compliance departments. Prior to joining SHUAA Capital, he worked for the United Nations Development Programme (UNDP) as a senior advisor to the Ministry of Finance of the Republic of Lebanon where he worked on sovereign debt strategy and issuance. Prior to that, he was Assistant General Counsel at the Municipal Securities Rule Making Board (MSRB) in Virginia, and a trial attorney in the Division of Enforcement of the Commodity Futures Trading Commission (CFTC) in Washington, D.C.

Mr. Hitti obtained a BS in Finance and International Business from Georgetown University in Washington, D.C. and a JD/MBA from Case Western Reserve University in Ohio. Mr. Hitti is admitted to the New York Bar.

Financial Statements

Board of Directors' Report

Financial Results Summary

SHUAA's strategic objective at the beginning of the year was to generate recurring quarterly revenue from all our business units. During the first three quarters, this target was successfully reached with expansion of our Capital Markets division, continued demand for our SME lending products and significant increase in fees generated by the Investment Banking and Asset Management divisions, as well as strong gains posted in SHUAA managed funds. Poor market conditions and high levels of volatility in the fourth quarter resulted in the final three months of the year being loss-making on market valuations.

Despite the volatile market environment, revenues for the full year reached AED 213 million, driven by gains from improved activity in the Asset Management, Investment Banking and SME Lending divisions. Profits reached AED 25.8 million while operating expenses decreased further to AED 165 million as continuous cost control measures and reductions in general and administrative costs remained a strategic priority.

SHUAA's balance sheet structure continued to improve as total assets grew to AED 1.6 billion as of 31 December 2014. The company maintained a strong liquidity position, ending the year with a AED 365 million cash position. Due to a new syndicated loan facility which was signed in December 2014 and will be used to further grow the SME Lending business, liabilities increased to AED 459 million. Overall net assets were up fractionally at AED 1.1 billion, while SHUAA's leverage ratio at year-end 2014 increased to 0.29x.

Strategic Highlights

Having made a return to profitability after a period of recovery, SHUAA has in 2014 emerged as a well-balanced business with a set of profitable segmental divisions. We have worked hard to diversify and enhance our services and products, increasing investment in the lending business and reducing our risk profile which allowed us to have a more profitable revenue stream.

During the year we have continued to invest in the upgrade and expansion of our Capital Markets division with the implementation of SunGard's Front Arena, an integrated trading platform providing access to regional and international markets and the expansion of our product offering to include market making, direct market access and securities lending. We have strengthened the Sales and Trading, Investment Banking and Asset Management teams and expanded the work force at our Lending subsidiary. Going forward, SHUAA's strategy will continue to focus on recurring revenue generation through the introduction of new products and services as well as increased investment into the lending business.

Lending

SHUAA's SME lending division, consisting of Gulf Finance and Gulf Finance Saudi Arabia, posted a 26% increase in annual revenues to AED 131 million and an eight-fold increase in net profit at AED 33.4 million for the full year of 2014. Growth was driven by continued strong demand for the division's SME lending products.

Following a business transformation program introduced in Q3 2013 aimed at reducing costs, Gulf Finance also proceeded to deliberately reduce the size of the loan portfolio as part of a successful strategy to settle large ticket loans early in order to reduce concentration risk, improve diversification and generate higher interest rate income.

In Q4 2014, a AED 500 million syndicated loan facility was successfully secured with ADCB as lead arranger. The funds will be used to continue to provide growth financing to SMEs in the UAE as well as in Saudi Arabia via Gulf Finance Saudi Arabia.

Gulf Finance Saudi Arabia, headquartered in Jeddah, continued to expand operations in Saudi Arabia during 2014. In Q4, the Company also managed to secure a new operating license from the Saudi Arabian Monetary Agency (SAMA) converting it from an instalment company to a regulated finance company under the new Finance Company Law.

Asset Management

The Asset Management division which oversees SHUAA's investment and private equity funds as well as its discretionary portfolio mandates, reported full year profits of AED 20.7 million and revenues of AED 26.4 million. As of 31 December 2014, the Emirates Gateway Fund and the Arab Gateway Fund, two of SHUAA's flagship funds, had returned 16.4% and 2.7%. During the course of the year, client assets under management grew to AED 853 million. In Q4 2014, SHUAA Asset Management was named Best Asset Manager in the UAE by EMEA Finance for the fifth consecutive year.

Investment Banking

The Investment Banking team recorded AED 11.8 million in full year profits while gross revenues reached AED 18.9 million. Throughout 2014, the team worked on a number of public and private transactions including the $200 million Emirates REIT NASDAQ Dubai IPO in Q2 2014 and the Amanat DFM IPO which closed in Q4 2014. The current pipeline remains strong with a balance of public and private deals which ensure that the team remains well positioned regardless of whether the market remains conducive towards issuers or not.

Capital Markets

Capital Markets posted revenues of AED 12.3 million and a full year profit of AED 5.7 million. The reduction in profit was due to lower provision reversals compared to 2013.

Corporate

The Corporate division, the corporate cost center of the company, posted full year revenues of AED 24 million and an overall loss of AED 45.7 million. The operating expenses of the corporate division were reduced by AED 9.9 million however higher losses were incurred due to a lower return on investments compared to 2013. At year-end headcount of the Group was 206.

Outlook

Despite the market volatility seen in the final quarter of 2014 we are encouraged by the strong results recorded in the first three quarters of the year. We are confident that SHUAA is well positioned to build on the earnings momentum gained in recent quarters.

Finally, the Board of Directors would like to thank all employees for their hard work and contributions to SHUAA over the past year and extend its gratitude to existing and future shareholders for their continued support and confidence in the Company.

Maktoum H. Al Maktoum
Executive Chairman

12 February 2015

Independent Auditor's Report

The Shareholders
SHUAA Capital PSC
Dubai
United Arab Emirates

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of SHUAA Capital PSC (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as of 31 December 2014, and the consolidated statements of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 about 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 auditor's 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 consolidated 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 presents fairly, in all material respects, the consolidated financial position of SHUAA Capital PSC and its subsidiaries as of 31 December 2014 and the Group's 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

Also, in our opinion, the Company has maintained proper books of account and the information contained in the board of directors' report relating to the consolidated financial statements is in agreement with the books. We obtained all the information and explanations which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984, as amended, or the Company's Articles of Association which might have a material effect on the financial position of the Company or the results of its financial performance.

Deloitte & Touche (M.E.)

Anis Sadek
Partner
Registration No. 521

12 February 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014
(Currency - Thousands of U.A.E. Dirhams)

	Notes	31 December 2014	31 December 2013
Assets			
Cash and deposits with banks	7	**365,443**	189,471
Receivables and other debit balances	8	**21,615**	24,064
Loans, advances and finance leases	9	**846,956**	856,756
Investments in SHUAA managed funds	10	**204,058**	211,908
Investments in third party associates	11	**68,500**	89,100
Other investments	12	**19,310**	36,472
Property and equipment	13	**46,319**	47,422
Goodwill	14	**34,111**	34,111
Total Assets		**1,606,312**	1,489,304
Liabilities			
Due to banks	15	**335,232**	258,181
Payables and other credit balances	16	**123,591**	117,671
Total Liabilities		**458,823**	375,852
Equity			
Share capital	17	**1,065,000**	1,065,000
Treasury shares	18	**-**	(14,458)
Employee long term incentive plan shares	19	**(36,896)**	(95,772)
Statutory reserve	21	**200,861**	198,277
Accumulated losses		**(81,676)**	(41,965)
Investments revaluation reserve	22	**196**	2,140
Translation reserve		**(221)**	(309)
Equity attributable to shareholders of the Parent		**1,147,264**	1,112,913
Non controlling interests	23	**225**	539
Total Equity		**1,147,489**	1,113,452
Total Liabilities and Equity		**1,606,312**	1,489,304

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 12 February 2015

Maktoum H. Al Maktoum
Executive Chairman

Houssem Ben Haj Amor
General Manager & CFO

The attached notes 1 to 35 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2014
(Currency - Thousands of U.A.E. Dirhams)

	Notes	**1 October to 31 December 2014 (3 months) Unaudited**	**1 January to 31 December 2014 (12 months) Audited**	1 October to 31 December 2013 (3 months) Unaudited	1 January to 31 December 2013 (12 months) Audited
Interest income		**32,928**	**127,657**	30,929	107,845
Net fees and commissions	24	**11,533**	**65,737**	15,634	43,928
Trading income		**60**	**57**	23	1,440
Gains/(losses) from investments in SHUAA managed funds	25	**(19,168)**	**19,946**	17,077	44,742
Total revenues		**25,353**	**213,397**	63,663	197,955
General and administrative expenses	26	**(31,307)**	**(143,957)**	(45,139)	(158,200)
Interest expense		**(2,628)**	**(13,321)**	(3,683)	(9,714)
Depreciation	13	**(2,383)**	**(7,780)**	(1,824)	(6,224)
Provisions - net	27	**(8,116)**	**(20,296)**	(11,610)	(19,334)
Total expenses		**(44,434)**	**(185,354)**	(62,256)	(193,472)
Net profit/(loss) before gains/(losses) from other investments		**(19,081)**	**28,043**	1,407	4,483
Gains/(losses) from other investments, including investments in third party associates	28	**4,253**	**(2,195)**	2,390	(1,635)
Profit/(loss) for the period/year		**(14,828)**	**25,848**	3,797	2,848
Attributable to:					
Equity holders of the Parent		**(14,829)**	**25,845**	3,784	2,827
Non controlling interests		**1**	**3**	13	21
		(14,828)	**25,848**	3,797	2,848
Earnings/(loss) per share (in AED)	29	**(0.014)**	**0.024**	0.004	0.003

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014
(Currency - Thousands of U.A.E. Dirhams)

	1 October to 31 December 2014 (3 months) Unaudited	**1 January to 31 December 2014 (12 months) Audited**	1 October to 31 December 2013 (3 months) Unaudited	1 January to 31 December 2013 (12 months) Audited
Profit/(loss) for the period/year	**(14,828)**	**25,848**	3,797	2,848
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss:				
Net revaluation reserve movement on:				
Other investments	**(115)**	**(1,944)**	(47)	1,596
Share of other comprehensive income of associates	**-**	**-**	-	(536)
Exchange differences on translation of foreign operations	**7**	**88**	(1)	(7)
Other comprehensive income/(loss) for the period/year	**(108)**	**(1,856)**	(48)	1,053
Total comprehensive income/(loss) for the period/year	**(14,936)**	**23,992**	3,749	3,901
Attributable to:				
Equity holders of the Parent	**(14,937)**	**23,989**	3,736	3,880
Non controlling interests	**1**	**3**	13	21
	(14,936)	**23,992**	3,749	3,901

The attached notes 1 to 35 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014
(Currency - Thousands of U.A.E. Dirhams)

	1 January to 31 December 2014	1 January to 31 December 2013
Cash flows from operating activities		
Profit for the year	**25,848**	2,848
Adjustments for:		
Depreciation	**7,780**	6,224
Gains on investments in SHUAA managed funds	**(19,946)**	(44,742)
Losses from other investments including third party associates	**2,195**	1,635
Share based payments charge	**6,772**	13,078
Provisions - net	**20,296**	19,334
Operating cash flows before changes in operating assets and liabilities	**42,945**	(1,623)
Changes in operating assets and liabilities:		
Decrease/(increase) in receivables and other debit balances	**8,804**	(2,019)
Increase in loans, advances and finance leases	**(18,327)**	(312,141)
Increase/(decrease) in payables and other credit balances	**12,716**	(21,064)
Net redemption/(acquisition) of SHUAA managed funds	**27,796**	(2,350)
Net cash generated from / (used in) operating activities	**73,934**	(339,197)
Cash flows from investing activities		
Net proceeds from other investments	**9,245**	13,191
Dividends and capital distributions from associates	**20,726**	7,190
Acquisition of non controlling interests	**(211)**	-
Net purchase of property and equipment	**(8,363)**	(27,730)
Net cash generated from / (used in) investing activities	**21,397**	(7,349)
Cash flows from financing activities		
Increase in due to banks	**77,051**	121,862
Proceeds from sale of treasury shares	**3,590**	-
Movement in employee long term incentive plan shares	**-**	(9,169)
Net cash generated from financing activities	**80,641**	112,693
Net Increase/(decrease) in cash and cash equivalents	**175,972**	(233,853)
Foreign currency translation	**-**	7
Cash and cash equivalents at beginning of the year	**189,471**	423,317
Cash and cash equivalents at end of the year	**365,443**	189,471
Operational cash flows from interest and dividend		
Interest received	**127,781**	108,158
Interest paid	**(15,057)**	(9,180)
Dividend received	**2,801**	3,471

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014
(Currency - Thousands of U.A.E. Dirhams)

	Equity attributable to shareholders of the Parent									
	Share capital	Treasury shares	Employee long term incentive plan shares	Statutory reserve	Accumulated losses	Investments revaluation reserve	Translation reserve	Total	Non controlling interests	Total
Balance as of 1 January 2013	1,065,000	(14,458)	(86,603)	197,994	(57,587)	1,080	(302)	1,105,124	518	1,105,642
Total comprehensive income/(loss) for the year	-	-	-	-	2,827	1,060	(7)	3,880	21	3,901
Share based payments charge (note 20)	-	-	-	-	13,078	-	-	13,078	-	13,078
Net movement in employee long term incentive plan shares (note 19)	-	-	(9,169)	-	-	-	-	(9,169)	-	(9,169)
Transferred to statutory reserve	-	-	-	283	(283)	-	-	-	-	-
Balance as of 31 December 2013	1,065,000	(14,458)	(95,772)	198,277	(41,965)	2,140	(309)	1,112,913	539	1,113,452

	Equity attributable to shareholders of the Parent									
	Share capital	**Treasury shares**	**Employee long term incentive plan shares**	**Statutory reserve**	**Accumulated losses**	**Investments revaluation reserve**	**Translation reserve**	**Total**	**Non controlling interests**	**Total**
Balance as of 1 January 2014	**1,065,000**	**(14,458)**	**(95,772)**	**198,277**	**(41,965)**	**2,140**	**(309)**	**1,112,913**	**539**	**1,113,452**
Total comprehensive income/(loss) for the year	-	-	-	-	25,845	(1,944)	88	23,989	3	23,992
Share based payments charge (note 20)	-	-	-	-	6,772	-	-	6,772	-	6,772
Net movement in employee long term incentive plan shares (note 19)	-	-	58,876	-	(58,876)	-	-	-	-	-
Acquisition of non controlling interest	-	-	-	-	-	-	-	-	(317)	(317)
Sale of treasury shares	-	14,458	-	-	(10,868)	-	-	3,590	-	3,590
Transferred to statutory reserve	-	-	-	2,584	(2,584)	-	-	-	-	-
Balance as of 31 December 2014	**1,065,000**	**-**	**(36,896)**	**200,861**	**(81,676)**	**196**	**(221)**	**1,147,264**	**225**	**1,147,489**

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

SHUAA

1. LEGAL STATUS AND ACTIVITIES

SHUAA Capital psc (the 'Company' or the 'Parent') 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 and its subsidiaries (together the "Group") conduct a diversified range of investment and financial service activities strategy with special emphasis on the Arab region in general, the U.A.E. and G.C.C. markets in particular and is actively involved in public and private capital markets in the region.

Details of the Company's material subsidiaries as at 31 December 2014 are as follows:

Name	Country of incorporation	Principal activities	Holding 31 December 2014	Holding 31 December 2013
Gulf Finance Corporation PJSC	United Arab Emirates	Financing	**100.0%**	100.0%
Gulf Finance Company CJSC (formerly 'Gulf Installments Company LLC')	Saudi Arabia	Financing	**100.0%**	100.0%
SHUAA Capital International Limited	United Arab Emirates	Brokerage	**100.0%**	100.0%
SHUAA Asset Management Limited	United Arab Emirates	Private Equity / Asset Management	**100.0%**	100.0%
SHUAA Securities LLC	United Arab Emirates	Brokerage	**100.0%**	100.0%
SHUAA Capital Saudi Arabia CJSC *	Saudi Arabia	Financial services	**100.0%**	99.6%
SHUAA Securities Egypt SAE	Egypt	Brokerage	**100.0%**	100.0%
Asia for Economic Consultancy LLC	Jordan	Consultancy	**94.3%**	94.3%

**During the year, the Company acquired additional 0.4% stake in SHUAA Capital Saudi Arabia for 211. With this acquisition, the Group now owns 100% stake in this subsidiary.*

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Relevant new and revised IFRS applied with no material effect on the consolidated financial statements

The following new and revised IFRS have been adopted in these consolidated financial statements. The application of these new and revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

IAS 32	Amendments to IAS 32 Financial Instruments: Presentation
IAS 36	Amendments to IAS 36 Impairment of Assets: Recoverable amount disclosures
IAS 39	Amendments to IAS 39 Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting
IFRS 10, IFRS 12 & IAS 27	Guidance on Investment Entities

All other new and revised IFRS that become effective during the current financial year are irrelevant to the Group.

Relevant new and revised IFRS in issue but not yet effective

The Group has not applied the following new and revised IFRS, amendments and interpretations that have been issued but not yet effective:

	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments *	*1 January 2018*
IFRS 15 Revenue from Contracts with Customers	*1 January 2017*
Annual Improvements to IFRS 2012 - 2014 Cycle	*1 July 2016*
Amendments to IAS 16 and IAS 38	*1 January 2016*
Amendments to IFRS 11	*1 January 2016*
Amendments to IAS 16 and IAS 41	*1 January 2016*
Amendments to IFRS 10 and IAS 28	*1 January 2016*
Amendments to IAS 27	*1 January 2016*
Amendments to IFRS 10, IFRS 12 and IAS 28	*1 January 2016*
Amendments to IAS 1	*1 January 2016*
Annual Improvements to IFRS 2010 - 2012 Cycle	*1 July 2014*
Annual Improvements to IFRS 2011 - 2013 Cycle	*1 July 2014*
Amendments to IAS 19 Employee Benefits	*1 July 2014*
Amendments to IFRS 7 Financial Instruments	*When IFRS 9 is first applied*

**Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating new requirements for classification, measurement, impairment, general hedge accounting and de-recognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model.*

The Group anticipates that these new standards will be adopted in the Group's consolidated financial statements in the year of initial application and that the application of such standards may have an impact on amounts reported in respect of the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention as modified for the measurement at fair value of certain financial instruments.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent company and its subsidiaries (together the "Group"). The results of these subsidiaries are included in the consolidated statement of income from the effective date of formation or acquisition up to the effective date of disposal. 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.

Control is achieved where the Group has power over an investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Non controlling 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 equity attributable to the shareholders of the Parent.

Trade date accounting

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income or expense is recognised on an effective interest basis for debt instruments other than those financial instruments classified as held for trading.

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 or loss
- Loans and advances
- Held to maturity investments
- Available for sale investments

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

These 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.

These investments are initially recognised at cost, being the fair value of the consideration given, excluding all acquisition costs associated with the investment.

After initial recognition, these investments 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.

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

Loans and advances

Instruments that are non derivative financial assets with fixed or determinable payments and that are not quoted in an active market are designated as loans and advances. These are measured at amortised cost using the effective interest method, less any provision for impairment. The Group has a policy of establishing specific provisions against loans and advances to customers, where management considers the recovery of the balance to be doubtful. Loans and advances are only written off after all practical means of pursuing recovery have been exhausted.

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the reporting date. These are 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 are non derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold 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 held for trading, 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 provision for impairment.

Gains or losses arising from a change in the fair value of investments available for sale are recognised in other comprehensive income under the heading of 'investment revaluation reserve'. When the investment is derecognised or determined to be impaired, the accumulated amount in the investment revaluation reserve is reclassified to the consolidated statement of income.

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

Derivatives

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in consolidated statement of income.

Financial liabilities

The Group classifies its financial liabilities at initial recognition as other financial liabilities.

Other financial liabilities

These include medium term debt and payables and other credit balances and are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of income.

Investment in associates

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 an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy discussions of the investee but is not control or joint control over those policies. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Leases

The Group provides leasing services acting as Lessor. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Goodwill

Business combinations are accounted for using the acquisition 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 impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised to write-off the cost or valuation of assets (other than land) less their residual values over their useful lives, using the straight line method. The estimated useful lives, residual lives and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis. 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, computers and software	3-5 years
Motor vehicles	4 years
Buildings	40 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

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. Impairment losses are recognised in the consolidated statement of income.

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 interest method, unless recoverability is in doubt. The recognition of interest income is suspended when financial assets become impaired.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Fee and commission income and expenses are accounted for on the date the transaction arises.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share-based payment transactions

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

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 20.

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 consolidated 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 in accordance with applicable legislations. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company contributes to the 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 respective entities operate ("the functional currency"). The consolidated financial statements are presented in UAE Dirhams which is the Company'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 statement of income.

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 (attributed to non controlling interests as appropriate).

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 statement of income as part of the gain or loss on sale.

Cash and cash equivalents

Cash and cash equivalents for the purposes of the consolidated statement of cash flows consist of cash and short term deposits maturing within 90 days or less.

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 consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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 consolidated financial statements continue to be prepared on the going concern basis.

Classification of financial assets

The classification of financial assets, in the categories described in the significant accounting policies note, depends on the nature and purpose of the financial assets and is determined at the time of initial recognition requiring the exercise of judgment by the management.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of consolidated 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, advances and finance leases

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

In addition to specific allowances against individually significant balances, the Group also makes a collective impairment allowance against exposures (incorporating relevant requirements of the Central Bank of the U.A.E) which, although not specifically identified as requiring a specific allowance, have 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 consolidated statement of income – is removed from equity and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Subsequent increases in their fair value after impairment are recognised in other comprehensive income under the heading of 'investments revaluation reserve'.

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 consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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; or
- 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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

5. 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 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments in SHUAA managed funds				
Held at fair value through profit or loss	**-**	**131,408**	**-**	**131,408**
Other investments				
Held at fair value through profit or loss	**4,122**	**1,796**	**1,038**	**6,956**
Available for sale	**-**	**41**	**12,313**	**12,354**
	4,122	**133,245**	**13,351**	**150,718**

	31 December 2013			
	Level 1	Level 2	Level 3	Total
Investments in SHUAA managed funds				
Held at fair value through profit or loss	-	145,807	-	145,807
Other investments				
Held at fair value through profit or loss	-	2,318	12,233	14,551
Available for sale	-	42	15,268	15,310
	-	148,167	27,501	175,668

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.

Held at fair value through profit or loss

Held at fair value through profit or loss investments 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 and unquoted securities and 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.

Available for sale

Available for sale financial assets are valued using quoted prices in active markets, valuation techniques or pricing models and consist of quoted equities, unquoted equities and unquoted funds. These assets are valued using quoted prices or 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 was no transfer between level 1 and level 2.

Movements in level 3 financial assets measured at fair value

During the year, there were no transfers between levels 1 through level 3.

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 2014						
	Balance at 1 January 2014	**Gain/(loss) through P&L**	**Gain/(loss) through OCI**	**Purchases**	**Sales**	**Transfers from/ (to) levels 1 &2**	**Balance at 31 December 2014**
Other investments							
Held at FVTPL	**12,233**	**(4,352)**	**-**	**-**	**(6,843)**	**-**	**1,038**
Available for sale	**15,268**	**(576)**	**(1,983)**	**-**	**(396)**	**-**	**12,313**
	27,501	**(4,928)**	**(1,983)**	**-**	**(7,239)**	**-**	**13,351**

	31 December 2013						
	Balance at 1 January 2013	Gain/(loss) through P&L	Gain/(loss) through OCI	Purchases	Sales	Transfers from/(to) levels 1 &2	Balance at 31 December 2013
Other investments							
Held at FVTPL	13,472	(1,109)	-	-	(130)	-	12,233
Available for sale	11,603	436	1,667	-	(1,307)	2,869	15,268
	25,075	(673)	1,667	-	(1,437)	2,869	27,501

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

	31 December 2014	31 December 2013
Other investments		
Realised (losses)/gains	**(3,898)**	505
Unrealised losses	**(1,030)**	(1,178)
	(4,928)	(673)

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 2014		31 December 2013	
	Carrying amount	**Effect of reasonably possible alternative assumptions**	Carrying amount	Effect of reasonably possible alternative assumptions
Other investments				
Held at fair value through profit or loss	**1,038**	**260**	12,233	3,058
Available for sale	**12,313**	**2,462**	15,268	3,054
	13,351	**2,722**	27,501	6,112

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 and equity 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 fair values of the Group's financial instruments are not materially different from their carrying values.

6. 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 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 Management Committees which ensures that Group 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. Adherence to overall limits, authorisation, concentration and collateral requirements are independently monitored and managed by Risk Management.

Risk Management oversees the status of receivables, exposures and provisions and mitigation steps are approved for any balances considered doubtful in accordance with internal and regulatory policies and guidelines.

Maximum exposure to credit risk

The maximum exposure to credit risk for the components of the consolidated statement of financial position, before considering collateral or other credit enhancement, is shown below:

	Gross maximum exposure 31 December 2014	Gross maximum exposure 31 December 2013
Cash and deposits with banks	**365,443**	189,471
Receivables and other debit balances	**21,615**	24,064
Loans, advances and finance leases	**846,956**	856,756
Other investments		
Held at fair value through profit or loss	**4,790**	12,258
Investments held to maturity	**-**	6,611
	1,238,804	1,089,160
Contingent liabilities	**1,909**	9,920
Commitments	**72,676**	69,403
	74,585	79,323
Total credit risk exposure	**1,313,389**	1,168,483

The Group does not have significant credit risk exposure to any single counterparty or group of counterparties that have similar credit risk.

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	**306,599**	**49,934**	**3,985**	**2,036**	**2,889**	**-**	**365,443**
Receivables and other debit balances	**13,781**	**5,278**	**1,103**	**-**	**1,453**	**-**	**21,615**
Loans, advances and finance leases	**712,795**	**123,362**	**10,780**	**16**	**-**	**3**	**846,956**
Investments in SHUAA managed funds	**44,058**	**160,000**	**-**	**-**	**-**	**-**	**204,058**
Investments in third party associates	**68,500**	**-**	**-**	**-**	**-**	**-**	**68,500**
Other investments	**4,489**	**11,971**	**1,079**	**1,771**	**-**	**-**	**19,310**
Property and equipment	**45,770**	**468**	**81**	**-**	**-**	**-**	**46,319**
Goodwill	**34,111**	**-**	**-**	**-**	**-**	**-**	**34,111**
Total Assets - 31 December 2014	**1,230,103**	**351,013**	**17,028**	**3,823**	**4,342**	**3**	**1,606,312**
Total Assets - 31 December 2013	1,100,834	353,731	28,002	5,775	407	555	1,489,304

Collateral and other credit enhancements

The amount and type of collateral depends on an assessment of the credit risk of the counterparty. Collaterals 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 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 2014				
	Neither past due nor impaired			**Past due or individually impaired**	**Grand Total**
	High grade	**Standard grade**	**Total**		
Cash and deposits with banks	**365,443**	**-**	**365,443**	**-**	**365,443**
Receivables and other debit balances	**-**	**21,615**	**21,615**	**-**	**21,615**
Loans, advances and finance leases	**-**	**708,523**	**708,523**	**232,688**	**941,211**
Other investments	**-**	**3,752**	**3,752**	**1,038**	**4,790**
	365,443	**733,890**	**1,099,333**	**233,726**	**1,333,059**

	31 December 2013				
	Neither past due nor impaired			Past due or individually impaired	Grand Total
	High grade	Standard grade	Total		
Cash and deposits with banks	189,471	-	189,471	-	189,471
Receivables and other debit balances	-	24,064	24,064	-	24,064
Loans, advances and finance leases	-	804,507	804,507	174,684	979,191
Other investments	-	25	25	18,844	18,869
	189,471	828,596	1,018,067	193,528	1,211,595

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

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

	31 December 2014				
	Less than 30 days	**30 to 60 days**	**60 to 90 days**	**More than 90 days**	**Total**
Loans, advances and finance leases	**84,499**	**26,851**	**9,209**	**-**	**120,559**

	31 December 2013				
	Less than 30 days	30 to 60 days	60 to 90 days	More than 90 days	Total
Loans, advances and finance leases	12,539	6,176	3,760	72,119	94,594

Details of individually impaired exposures, net of related impairment provisions are shown below:

	31 December 2014	31 December 2013
Gross exposure	**112,129**	80,090
Provision for impairment	**(82,381)**	(66,432)
Net exposure	**29,748**	13,658

Specific impairment is assessed when there is a significant deterioration in the credit quality of the exposure.

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 financial 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 and other short term financial assets. 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 property and equipment. Net funding requirement is the liquid assets necessary to fund the cash obligations and commitments.

The maturity profile of assets and liabilities as of the reporting date, determined on the basis of the remaining contractual maturity is as follows. Where assets have no contractual maturity date (*) management has made an estimate of the maturity date based on the liquidity of the asset and their intention.

The maturity profile of assets and liabilities as of 31 December 2014 is as follows:

	Less than 3 Months	3-12 Months	Sub total Less than a year	1-5 Years	Over 5 years	Grand total
Cash and deposits with banks	361,941	400	**362,341**	**3,102**	**-**	**365,443**
Receivables and other debit balances	11,859	6,443	**18,302**	**3,313**	**-**	**21,615**
Loans, advances and finance leases	117,902	237,268	**355,170**	**491,786**	**-**	**846,956**
Investments in SHUAA managed funds*	-	44,058	**44,058**	**160,000**	**-**	**204,058**
Investments in third party associates*	-	13,195	**13,195**	**55,305**	**-**	**68,500**
Other investments*	4,122	12,037	**16,159**	**3,151**	**-**	**19,310**
Property and equipment*	-	-	**-**	**46,319**	**-**	**46,319**
Goodwill*	-	-	**-**	**-**	**34,111**	**34,111**
Total Assets	**495,824**	**313,401**	**809,225**	**762,976**	**34,111**	**1,606,312**
Due to banks	22,356	82,131	**104,487**	**230,745**	**-**	**335,232**
Payables and other credit balances	106,431	11,792	**118,223**	**5,368**	**-**	**123,591**
Equity	-	-	**-**	**-**	**1,147,489**	**1,147,489**
Total Liabilities and Equity	**128,787**	**93,923**	**222,710**	**236,113**	**1,147,489**	**1,606,312**
Net liquidity gap	**367,037**	**219,478**	**586,515**	**526,863**	**(1,113,378)**	**-**
Cumulative liquidity gap	**367,037**	**586,515**	**586,515**	**1,113,378**	**-**	

The maturity profile of assets and liabilities as of 31 December 2013 was as follows:

	Less than 3 Months	3-12 Months	Sub total Less than a year	1-5 Years	Over 5 years	Grand total
Cash and deposits with banks	189,071	400	189,471	-	-	189,471
Receivables and other debit balances	14,403	6,236	20,639	3,425	-	24,064
Loans, advances and finance leases	145,272	207,251	352,523	504,233	-	856,756
Investments in SHUAA managed funds*	-	60,793	60,793	151,115	-	211,908
Investments in third party associates*	-	60,854	60,854	28,246	-	89,100
Other investments*	-	14,197	14,197	22,275	-	36,472
Property and equipment*	-	-	-	47,422	-	47,422
Goodwill*	-	-	-	-	34,111	34,111
Total Assets	348,746	349,731	698,477	756,716	34,111	1,489,304
Due to banks	78,452	98,146	176,598	81,583	-	258,181
Payables and other credit balances	88,228	24,281	112,509	5,162	-	117,671
Equity	-	-	-	-	1,113,452	1,113,452
Total Liabilities and Equity	166,680	122,427	289,107	86,745	1,113,452	1,489,304
Net liquidity gap	182,066	227,304	409,370	669,971	(1,079,341)	-
Cumulative liquidity gap	182,066	409,370	409,370	1,079,341	-	

The Group's contractual undiscounted repayment obligations on interest bearing financial liabilities are as follows:

	31 December 2014			
	Less than 3 months	**3 - 12 months**	**1 - 5 years**	**Total**
Due to banks	**23,609**	**87,806**	**254,198**	**365,613**

	31 December 2013			
	Less than 3 months	3 - 12 months	1 - 5 years	Total
Due to banks	79,605	102,676	91,619	273,900

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

	31 December 2014			
	Less than 3 months	**3 - 12 months**	**1 - 5 years**	**Total**
Contingent liabilities	**1,115**	**794**	**-**	**1,909**
Commitments	**2,856**	**2,621**	**67,199**	**72,676**
Total	**3,971**	**3,415**	**67,199**	**74,585**

	31 December 2013			
	Less than 3 months	3 - 12 months	1 - 5 years	Total
Contingent liabilities	-	9,920	-	9,920
Commitments	2,204	-	67,199	69,403
Total	2,204	9,920	67,199	79,323

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 positions that are exposed to interest rate, 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 Group Assets and Liabilities 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 Group Assets and Liabilities Committee to determine if further action is required. Also, the Group Assets and Liabilities 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 statement of income.

Currency	**Increase in basis points**	**Sensitivity of net interest income 31 December 2014**	Sensitivity of net interest income 31 December 2013
AED	25	**(260)**	(213)
USD	25	**9**	-
SAR	25	**8**	45

The sensitivity of the consolidated statement of income 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 2014. The book value of assets and liabilities subject to floating interest rates is respectively 239,150 and 335,232 (31 December 2013 – 125,659 and 258,181).

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

Foreign exchange risk

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

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

The table below indicates the currencies to which the Group had significant exposure at 31 December 2014. 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 31 December 2014, 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 December 2014		31 December 2013	
	% Change in Currency rate	**Effect on profit**	**Effect on equity**	Effect on profit	Effect on equity
Currency					
Kuwaiti Dinar	+1	**(4)**	**(28)**	(2)	(28)
Egyptian Pound	+1	**(2)**	**(2)**	(2)	(2)
Euro	+1	**3**	**-**	2	-

The UAE Dirham, Saudi Riyal, Qatari Riyal, Omani Riyal, Bahraini Dinar and Jordanian Dinar are pegged to the US Dollar. As a result, balances in these currencies do not result in foreign currency risk for the Group.

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 2014		31 December 2013	
	% Change in equity price	**Effect on profit**	**Effect on equity**	Effect on profit	Effect on equity
Equities					
Kuwait	-5	**-**	**(140)**	-	(143)
Dubai	-5	**(20)**	**-**	(1)	-
Egypt	-5	**-**	**(2)**	-	(2)
Funds	-5	**(7,135)**	**-**	(7,404)	(620)
Bonds	-5	**(239)**	**-**	(613)	-

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 Group Management Committees to set the Group wide operational policies to manage the risk and control environment and meet the expectations of the Board of Directors and shareholders.

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

Capital risk management

The primary objective of the Group's capital management is to ensure that the Group maintains a strong 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 2014	31 December 2013
Total borrowings	**335,232**	258,181
Total equity	**1,147,489**	1,113,452
Total capital	**1,482,721**	1,371,633
Gearing ratio	**22.6%**	18.8%

Borrowings consist of short and medium term bank borrowings and financial liabilities to third parties.

Equity includes all capital and reserves of the Group that are managed as capital.

7. CASH AND DEPOSITS WITH BANKS

Cash and deposits with banks include a fixed deposit of 21,500 (31 December 2013 – 21,500) with a local bank, which is held as collateral for a Central Bank guarantee.

8. RECEIVABLES AND OTHER DEBIT BALANCES

	31 December 2014	31 December 2013
Client related receivables	**3,228**	8,382
Prepayments	**5,310**	4,358
Advances to suppliers	**2,040**	3,810
Deposits	**4,247**	2,688
Advances for staff programs	**2,002**	2,028
Interest receivable	**259**	383
Amounts due from related parties	**911**	276
Other	**3,618**	2,139
	21,615	24,064

9. LOANS, ADVANCES AND FINANCE LEASES

Loans, advances and finance leases comprise the following:

	31 December 2014	31 December 2013
Loans and advances	**699,003**	724,757
Finance leases	**128,331**	102,984
Margin lending	**19,622**	29,015
	846,956	856,756

a. Loans and advances

	31 December 2014	31 December 2013
Total loans and advances	**738,074**	789,412
Cumulative provision for impairment	**(33,151)**	(51,603)
Interest in suspense	**(5,920)**	(13,052)
	699,003	724,757

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

	31 December 2014	31 December 2013
Balance at beginning of the year	**(51,603)**	(40,040)
Provision made during the year	**(39,395)**	(36,715)
	(90,998)	(76,755)
Less: recoveries made against the provision during the year	**7,370**	1,673
Less: write offs	**50,477**	23,479
Balance at end of the year	**(33,151)**	(51,603)

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

b. Finance Leases

	31 December 2014	31 December 2013
Current finance lease receivables	**74,530**	43,083
Non-current finance lease receivables	**55,913**	60,106
Allowances for uncollectible lease payments	**(2,112)**	(205)
	128,331	102,984

Leasing arrangements – the Group as lessor

The Group entered into finance lease arrangements to lease out certain of its equipment to its customers. The average term of finance leases entered into is between 2 and 4 years.

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Not later than one year	**87,503**	55,238	**74,530**	43,083
Later than one year and not later than five years	**62,546**	66,444	**55,913**	60,106
	150,049	121,682	**130,443**	103,189
Less: unearned finance income	**(19,606)**	(18,493)	**-**	-
Present value of minimum lease payments receivable	**130,443**	103,189	**130,443**	103,189
Allowances for uncollectible lease payments	**(2,112)**	(205)	**(2,112)**	(205)
	128,331	102,984	**128,331**	102,984

Unguaranteed residual values of assets leased under finance leases at the end of the reporting period are estimated at nil.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term.

c. Margin lending

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 2014, these underlying securities were valued at 190,164 (31 December 2013 – 157,965). Provisions are made for the uncovered portion of margins. As at the end of the year, the cumulative provision is 53,072 (31 December 2013 – 57,575).

10. INVESTMENTS IN SHUAA MANAGED FUNDS

Investments in SHUAA managed funds consist of the following:

	31 December 2014	31 December 2013
Held at fair value through profit or loss	**131,408**	145,807
Associates	**72,650**	66,101
	204,058	211,908

Held at fair value through profit or loss

During the year, the Group redeemed 30,000 from one of its investments in the SHUAA managed funds.

Associates

The Group owns 27.0% (31 December 2013 – 28.8%) 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 this 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 this fund the Group indirectly owns 26.3% (31 December 2013 – 27.5%) of SHUAA Saudi Hospitality Fund I, a closed ended investment fund regulated by the Capital Markets Authority in Saudi Arabia. The principal purpose of the SHUAA Saudi Hospitality Fund I, is to achieve long term capital growth through investing in hospitality related real estate in the Kingdom of Saudi Arabia.

The Group owns 37.3% (31 December 2013 – 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 this fund is to undertake direct or indirect investments in the Levant region. The recoverable amount of this asset has been determined based on equity accounting net of an impairment provision.

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

	31 December 2014	31 December 2013
Assets	**84,481**	83,830
Liabilities	**(8,202)**	(7,052)
Net assets	**76,279**	76,778
Profit/(loss) for the year - net	**1,065**	(3,611)

11. INVESTMENTS IN THIRD PARTY ASSOCIATES

The Group has investments in third party associates in the following locations:

	31 December 2014	31 December 2013
U.A.E.	**68,500**	69,303
Other G.C.C.	**-**	19,797
Net assets	**68,500**	89,100

City Engineering LLC

The Group owns 40.0% (31 December 2013 – 40.0%) of City Engineering LLC, a limited liability company based in Sharjah U.A.E. and engaged in contracting activities. The recoverable amount of this asset has been determined based on equity accounting net of an impairment provision. During the year, the Group received 2,800 (31 December 2013 – 2,000) as dividend distribution.

Septech Holding Limited

Septech Holding Limited is a limited liability company, incorporated in Cayman Islands and based in Sharjah U.A.E., engaged in wastewater, water, marina and related infrastructure products and services. The Group owns 49.0% (31 December 2013 – 49.0%) of Septech Holding Limited. The recoverable amount of this asset has been determined based on equity accounting.

Amwal

During the year, the Group received 21,558 as final distribution from the liquidation of this entity.

	31 December 2014	31 December 2013
Balance at beginning of the year	**89,100**	92,046
Share of results of associates	**3,671**	1,162
Dividends and capital distribution received	**(24,358)**	(7,190)
Translation reserve	**87**	(14)
Share of other comprehensive income of associates	**-**	(536)
Capital refund adjustment	**-**	3,632
Balance at end of the year	**68,500**	89,100

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

	31 December 2014	31 December 2013
Assets	**163,268**	206,236
Liabilities	**(85,588)**	(99,985)
Net assets	**77,680**	106,251
Revenues	**63,570**	76,916
Loss for the year - net	**(6,518)**	(4,025)

12. OTHER INVESTMENTS

Other investments comprise the following:

	31 December 2014	31 December 2013
Investments held at fair value through profit or loss	**6,956**	14,551
Investments available for sale	**12,354**	15,310
Investments held to maturity	**-**	6,611
	19,310	36,472

a. Investments held at fair value through profit or loss

Investments held at fair value through profit or loss comprises the following:

	31 December 2014	31 December 2013
Fund investments	**1,771**	2,259
Equity securities	**395**	34
Fixed income securities	**4,790**	12,258
	6,956	14,551

Fixed income securities

During the year, the Group exited certain investments in fixed income securities for 6,846 (31 December 2013 – 10,112) realising a loss of (3,833) (31 December 2013 – (61)).

b. Investments available for sale

Investments available for sale comprise the following:

	31 December 2014	31 December 2013
Equity investments	2,833	2,911
Unquoted fund investments	9,521	12,399
	12,354	15,310

c. Investments held to maturity

Investments held to maturity comprise the following:

	31 December 2014	31 December 2013
Fixed income securities	-	6,611

During the year, the Group exited from this investment for 4,185 realising a loss of (2,426).

13. PROPERTY AND EQUIPMENT

	31 December 2014	31 December 2013
Property and equipment	40,492	42,894
Capital work in progress	5,827	4,528
	46,319	47,422

Property and equipment

	31 December 2014						
	Furniture & leasehold improvements	Office equipment, computer & software	Motor vehicles	Land & buildings	Sub-Total	Equipment - operating lease	Total
Cost							
Balance at beginning of the year	28,282	22,049	893	18,583	69,807	20,987	90,794
Additions	207	9,797	465	-	10,469	-	10,469
Disposals	(2,838)	(843)	(266)	-	(3,947)	(4,380)	(8,327)
Balance at end of the year	25,651	31,003	1,092	18,583	76,329	16,607	92,936
Accumulated depreciation							
Balance at beginning of the year	23,663	20,399	675	1,936	46,673	1,227	47,900
Charge for the year	2,285	1,829	100	465	4,679	3,101	7,780
Reversal of depreciation on disposal	(2,835)	(815)	(266)	-	(3,916)	(1,006)	(4,922)
Provision for impairment	-	-	-	-	-	1,686	1,686
Balance at end of the year	23,113	21,413	509	2,401	47,436	5,008	52,444
Net book value							
Balance at end of the year	2,538	9,590	583	16,182	28,893	11,599	40,492

	31 December 2013						
	Furniture & leasehold improvements	Office equipment, computer & software	Motor vehicles	Land & buildings	Sub-Total	Equipment - operating lease	Total
Cost							
Balance at beginning of the year	27,343	28,093	1,087	18,583	75,106	-	75,106
Additions	1,221	1,080	99	-	2,400	20,987	23,387
Disposals	(282)	(7,124)	(293)	-	(7,699)	-	(7,699)
Balance at end of the year	28,282	22,049	893	18,583	69,807	20,987	90,794
Accumulated depreciation							
Balance at beginning of the year	20,997	25,825	897	1,471	49,190	-	49,190
Charge for the year	2,836	1,625	71	465	4,997	1,227	6,224
Reversal of depreciation on disposal	(170)	(7,051)	(293)	-	(7,514)	-	(7,514)
Balance at end of the year	23,663	20,399	675	1,936	46,673	1,227	47,900
Net book value							
Balance at end of the year	4,619	1,650	218	16,647	23,134	19,760	42,894

14. GOODWILL

	31 December 2014	31 December 2013
Gulf Finance Corporation PJSC	**34,111**	34,111

For the purpose of impairment testing, the recoverable amount 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.

There was no movement in goodwill during the year.

15. 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.

	31 December 2014	31 December 2013
Repayable within twelve months	**104,487**	176,598
Repayable after twelve months	**230,745**	81,583
	335,232	258,181

The Group's banking facilities carry EIBOR/SIBOR based floating interest rates plus a spread ranging between 3.0% and 4.5%.

Included within due to banks is 300,000 drawdown from a new 500,000 syndicated loan facility secured by the Group during the year. The facility is repayable over the next 4 years and is secured by a charge over certain of the Group's assets.

At 31 December 2014, letters of guarantee on behalf of the Group amounting to 63,782 (31 December 2013 – 63,782) 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.

16. PAYABLES AND OTHER CREDIT BALANCES

Payable and other credit balances comprise the following:

	31 December 2014	31 December 2013
Dividends payable	**34,048**	34,395
Accruals	**36,600**	27,144
Payable to clients	**20,211**	21,047
End of service benefits	**14,393**	12,591
Provisions	**5,246**	7,874
Due to a related party	**-**	3,632
Other payables	**13,093**	10,988
	123,591	117,671

17. SHARE CAPITAL

Authorised, issued and fully paid share capital comprises 1,065,000,000 shares (31 December 2013 – 1,065,000,000 shares) of UAE Dirham 1.00 per share. Each share carries one vote and the right to receive dividends.

18. TREASURY SHARES

The Group held nil treasury shares as at 31 December 2014:

	31 December 2014	31 December 2013
Number of treasury shares	**-**	3,500,000
Treasury share as percentage of total shares in issue	**-**	0.3%
Cost of treasury shares	**-**	14,458
Market value of treasury shares	**-**	3,605

During the year, all treasury shares were sold for 3,590. The difference between the cost and sale proceeds was adjusted against the accumulated losses.

19. EMPLOYEE LONG TERM INCENTIVE PLAN SHARES

The following employee long term incentive plan shares were held in trust:

	31 December 2014	31 December 2013
Number of shares	**16,218,004**	42,098,004
Shares as percentage of total shares in issue	**1.5%**	4.0%
Cost of shares	**36,896**	95,772
Market value of shares	**10,704**	43,361

During the year 25,880,000 shares vested. Consequently, the weighted average cost of these shares amounting to 58,876 was transferred to accumulated losses. The Company did not acquire any new employee long term incentive plan shares during the year (31 December 2013 – acquired 10,500,000 shares for 9,169).

20. EMPLOYEE LONG TERM INCENTIVE PLAN

Employees are included in the long term incentive plan (LTIP) at the discretion of the Board within a framework approved by the shareholders of the Company.

The current plan was introduced in 2013, as per the plan senior staff would be granted maximum of 40,500,000 shares over a period of 4 years subject to achieving a list of Key Performance Indicators. During the year, 25,880,000 shares vested and were issued to eligible employees.

During the year, no share rights were issued to new and existing employees. In 2013 40,500,000 share rights were issued with a vesting period of 3 years and having a fair value of 23,109.

For the purpose of calculating the expense to be recognised in the consolidated statement of income the fair value of shares rights granted was determined using market price on grant date. The services received and a liability to pay for these services is recognised over the expected vesting period.

The expenses recognised in respect of share based payments was 6,772 (31 December 2013 - 14,103).

21. 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.

This reserve is not available for distribution except as stipulated by the UAE Company Law.

22. INVESTMENTS REVALUATION RESERVE

	31 December 2014	31 December 2013
Available for sale investments		
Balance at beginning of the year	**2,140**	544
Net movement in fair values during the year	**(1,944)**	1,596
Balance at end of the year	**196**	2,140
Group's share of investment revaluation reserves in associates		
Balance at beginning of the year	**-**	536
Net movement in fair values during the year	**-**	(536)
Balance at end of the year	**-**	-
Total investment revaluation reserve	**196**	2,140

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available for sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

23. NON CONTROLLING INTERESTS

Non controlling interests represents the minority shareholders proportionate share in the aggregate value of the net assets of the subsidiaries and the results of these subsidiaries' operations.

24. NET FEE AND COMMISSION INCOME

Fee and commission income and expense comprises the following:

	31 December 2014	31 December 2013
Fee and commission income	**71,332**	47,798
Fee and commission expense	**(5,595)**	(3,870)
	65,737	43,928

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

Gains/(losses) from SHUAA managed funds comprise the following:

	31 December 2014	31 December 2013
Funds held at fair value through profit or loss	**15,601**	52,110
Associates	**4,345**	(7,368)
	19,946	44,742

26. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise the following:

	31 December 2014	31 December 2013
Employee salaries and fringe benefits	**(101,537)**	(112,659)
Professional fees	**(13,048)**	(14,294)
Administration, technology and communication	**(10,670)**	(11,989)
Office rent and related expenses	**(6,960)**	(6,658)
Corporate marketing and branding costs	**(2,996)**	(5,552)
Other	**(8,746)**	(7,048)
	(143,957)	(158,200)

Included in "employee salaries and fringe benefits" is (6,772) (31 December 2013 – (13,762)) relating to a net charge arising from transactions accounted for as equity settled share based payment transactions.

As of 31 December 2014, the Group had a total of 206 employees (31 December 2013 – 179 employees) represented by 80 employees in the Parent company (31 December 2013 – 77 employees) and 126 employees in subsidiaries (31 December 2013 – 102 employees).

27. PROVISIONS - NET

The Group recognised provisions in respect of the following:

	31 December 2014	31 December 2013
Loans, advances and finance leases - net *	**(28,128)**	(17,767)
Allowance for doubtful receivables - net	**5,012**	364
Other	**2,820**	(1,931)
	(20,296)	(19,334)

*Includes provision charge of (32,025) on "loans and advances", (1,907) on "finance leases" and reversal of 5,804 on "margin lending".

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

Gains/(losses) from other investments are detailed as follows:

	31 December 2014	31 December 2013
Third party associates	**3,671**	1,162
Other investments		
Held at fair value through profit or loss	**(2,864)**	(2,325)
Available for sale	**(576)**	436
Held to maturity	**(2,426)**	(908)
	(2,195)	(1,635)

29. EARNINGS PER SHARE

Basic earnings per share have been computed using the net profit attributable to the ordinary equity holders of the Parent 25,845 (31 December 2013 – 2,827) divided by the weighted average number of ordinary shares outstanding 1,065,000,000 (31 December 2013 – 1,061,500,000).

Diluted earnings per share as of 31 December 2014 and 31 December 2013 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

30. RELATED PARTY TRANSACTIONS

The Group enters into transactions with companies and entities that fall within the definition of a related party. Related parties represent significant shareholders, directors and key management personnel of the Group, their close family members and entities controlled, jointly controlled or significantly influenced by such parties. Balances between the Company and its subsidiaries which are related parties of the Company have been eliminated on consolidated and are not disclosed in this note.

The nature of significant related party transactions and the amounts involved were as follows:

	31 December 2014	31 December 2013
Receivables and other debit balances		
Associates	**589**	107
Other related parties	**322**	169
Key management personnel	**200**	238
Loans and advances - Associate	**10,759**	13,646
Investments in SHUAA managed funds	**204,058**	211,908
	215,928	226,068

Advances to key management personnel reflect sums advanced under the staff assistance program available to all employees for which no interest is charged.

	31 December 2014	31 December 2013
Payables and other credit balances		
Associates	**-**	3,632

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

	31 December 2014	31 December 2013
Income from investments in SHUAA managed funds		
Associates	**4,345**	(7,368)
Other related parties	**15,601**	52,110
Fees and commission income		
Other related parties	**3,887**	2,309
	23,833	47,051

Compensation of the key management personnel is as follows:

	31 December 2014	31 December 2013
Short term employee benefits	**18,818**	19,898
Termination benefits	**-**	666
Share based payments charge	**6,772**	14,103
Total compensation paid to key management personnel	**25,590**	34,667

31. SEGMENTAL INFORMATION

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

Asset Management manages investment portfolios and funds in regional equities, fixed income and credit markets. Equities products span across fourteen 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 Shariah compliant portfolios and investment funds using both active and passive management styles. It also manages private equity funds. SHUAA Credit is developing asset management products that provide access to attractive regional credit investment and lending opportunities for sophisticated institutional investors, private families and high net worth investors.

Investment Banking provides corporate finance advisory, private placements, public offerings of equity and debt securities, mergers, acquisitions, divestitures, spinoffs, syndications and structured products. SHUAA Credit provides debt advisory services including structuring and execution of innovative liquidity and financing solutions for regional corporate clients and family businesses.

Capital Markets provides sales and trading access to global markets for SHUAA's institutional and high net worth client base. Through Capital Markets, clients gain access to global equities and fixed income, primary issues as well as OTC derivatives, and liquidity through an extensive network of local and international counterparties. The Capital Markets Division is complemented by Investment Research which produces sectoral research coverage on listed companies across the GCC with emphasis on the UAE and Saudi equities.

Lending activities are conducted by Gulf Finance Corporation PJSC and Gulf Finance Company CJSC, which are primarily engaged in asset-based 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, treasury, operations, risk management, investor relations, marketing communications and human resources.

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.

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

	31 December 2014					
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	Total
Interest income	318	10	1,751	121,389	4,189	127,657
Net fee and commission income	26,098	18,899	10,572	10,107	61	65,737
Trading income/(loss)	-	-	(54)	-	111	57
Gains from investments in SHUAA managed funds - net	-	-	-	-	19,946	19,946
Total revenues	26,416	18,909	12,269	131,496	24,307	213,397
General and administrative expenses	(5,749)	(11,720)	(9,083)	(46,973)	(70,432)	(143,957)
Interest expenses	-	(518)	-	(12,803)	-	(13,321)
Depreciation	-	-	(9)	(5,449)	(2,322)	(7,780)
Provisions - net	-	5,097	2,501	(32,838)	4,944	(20,296)
Total expenses	(5,749)	(7,141)	(6,591)	(98,063)	(67,810)	(185,354)
Net profit/(loss) before losses from other investments	20,667	11,768	5,678	33,433	(43,503)	28,043
Losses from other investments including third party asscoiates - net	-	-	-	-	(2,195)	(2,195)
Profit/(loss) for the year	20,667	11,768	5,678	33,433	(45,698)	25,848
Attributable to:						
Equity holders of the Parent	20,667	11,768	5,687	33,433	(45,710)	25,845
Non controlling interests	-	-	(9)	-	12	3
	20,667	11,768	5,678	33,433	(45,698)	25,848

	31 December 2014					
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	Total
Assets	14,402	582	55,228	1,001,460	534,640	1,606,312
Liabilities	563	-	2,255	364,127	91,878	458,823

	31 December 2013					
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	Total
Interest income	220	520	1,000	99,905	6,200	107,845
Net fee and commission income	21,346	11,238	6,870	4,138	336	43,928
Trading income	-	-	938	-	502	1,440
Gains from investments in SHUAA managed funds - net	-	-	-	-	44,742	44,742
Total revenues	21,566	11,758	8,808	104,043	51,780	197,955
General and administrative expenses	(7,499)	(8,308)	(9,388)	(52,463)	(80,542)	(158,200)
Interest expenses	-	-	-	(9,596)	(118)	(9,714)
Depreciation	-	-	(43)	(4,166)	(2,015)	(6,224)
Provisions - net	-	352	7,954	(34,048)	6,408	(19,334)
Total expenses	(7,499)	(7,956)	(1,477)	(100,273)	(76,267)	(193,472)
Net profit/(loss) before losses from other investments	14,067	3,802	7,331	3,770	(24,487)	4,483
Losses from other investments including third party associates - net	-	-	-	-	(1,635)	(1,635)
Profit/(loss) for the year	14,067	3,802	7,331	3,770	(26,122)	2,848
Attributable to:						
Equity holders of the Parent	14,067	3,802	7,334	3,770	(26,146)	2,827
Non controlling interests	-	-	(3)	-	24	21
	14,067	3,802	7,331	3,770	(26,122)	2,848

	31 December 2013					
	Asset Management	Investment Banking	Capital Markets	Lending	Corporate	Total
Assets	7,456	4,157	15,860	941,843	519,988	1,489,304
Liabilities	20	-	832	285,556	89,444	375,852

The revenue reported above represents revenue generated from external customers only.

The accounting policies of each of the reportable segments are consistent with those of the Group.

Certain comparative numbers as of 31 December 2013 have been reclassified between segments in order to correspond to the changes in the internal reporting to management.

32. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

	31 December 2014	31 December 2013
Contingent liabilities	**1,909**	9,920

Contingent liabilities comprise of letter of credits and performance guarantees issued which are regarded as unlikely to crystallise as a liability.

Commitments	31 December 2014	31 December 2013
SHUAA managed funds	**67,199**	69,403
Others	**5,477**	-
	72,676	69,403

The Group reviewed the contingent liabilities and current legal cases and has sufficiently provided for any future losses that might arise.

33. OPERATING LEASE ARRANGEMENTS

Leasing arrangement – the Group as Lessor

Operating leases mainly relates to the equipment owned by the Group with lease terms of three years. The lessees have an option to purchase the equipment at the expiry of the lease period.

Rental income earned by the Group from its equipment, depreciation charge and other operating expenses arising on equipment for the year are included in fee income, depreciation and general and administrative expenses respectively.

Operating lease receivables:

	31 December 2014	31 December 2013
Not later than 1 year	**4,498**	3,280
Later than 1 year and not longer than 5 years	**5,048**	5,224
	9,546	8,504

34. DERIVATIVES

	31 December 2014			31 December 2013		
	Positive fair value	**Negative fair value**	**Notional amount**	Positive fair value	Negative fair value	Notional amount
Held at fair value through profit or loss	**1,453**	**(1,453)**	**18,137**	112	(112)	64,690

Derivatives with positive fair value and negative fair value are included in 'receivables and other debit balances' and 'payables and other credit balances' respectively. These instruments are executed at the request of clients of the Group and are back to back arrangement.

35. CLIENTS' ASSETS UNDER MANAGEMENT AND ADMINISTRATION

The Group is licensed as a financial services company regulated by the Central Bank of the United Arab Emirates. At 31 December 2014, clients' assets amounting to 3.5 billion (31 December 2013 – 3.2 billion) 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.

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SHUAA Tickers

DFM:	**SHUAA**
Thomson Reuters:	**SHUA.DU**
Bloomberg:	**SHUAA UH**
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Cautionary Statement Regarding Forward-Looking Information

This document contains forward-looking statements. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Forward-looking statements can be identified by words such as: "anticipate," "aspire," "intend," "plan," "goal," "objective," "seek," "believe," "project," "estimate," "expect," "forecast," "strategy," "target," "trend," "future," "likely," "may," "should," "will" and similar references to future periods.

Examples of forward-looking statements include, among others, statements we make regarding:

Expected operating results, such as revenue growth and earnings.

Anticipated levels of expenditures and uses of capital.

Current or future volatility in the capital and credit markets and future market conditions.

Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: Our ability to maintain adequate revenue levels and cost control; economic and financial conditions in the global markets and regional markets in which we operate, including volatility in interest rates, commodity and equity prices and the value of assets; the implementation of our strategic initiatives, including our ability to effectively manage the redeployment of our balance sheet and the expansion of our strategic businesses; the reliability of our risk management policies, procedures and methods; continued volatility in the capital or credit markets; geopolitical events; developments and changes in laws and regulations, including increased regulation of the financial services industry through legislative action and revised rules and standards applied by our regulators.

Any forward-looking statement made by us in this document is based only on information currently available to us and speaks only as of the date on which it is made. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. We undertake no obligation to publicly update any forward-looking statement whether as a result of new information, future developments or otherwise.