

SHUAA Capital PSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF 30 JUNE 2006

TOGETHER WITH ACCOUNTANTS' REVIEW REPORT

ACCOUNTANTS' REVIEW REPORT

To The Board of Directors of SHUAA Capital PSC

We have reviewed the accompanying interim consolidated balance sheet of **SHUAA Capital PSC** (a public shareholding company registered in the Emirate of Dubai – United Arab Emirates) and its **Subsidiaries** as of 30 June 2006 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the three month period then ended. These interim condensed consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of Group personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with International Financial Reporting Standard 34.



Signed by: Edward B Quinlan
PARTNER
REGISTRATION NO. 93

Ernst & Young

Dubai, United Arab Emirates
29 July 2006

SHUAA Capital PSC**CONSOLIDATED BALANCE SHEET**

At 30 June 2006

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

	<i>Notes</i>	<i>30 Jun 2006 Unaudited</i>	<i>31 Mar 2006 Audited</i>	<i>30 Jun 2005 Unaudited</i>
<u>Assets</u>				
Cash and deposits with banks		41,517	69,849	50,202
Other deposits		17,200	17,200	29,339
Receivables and other debit balances		168,359	310,123	52,698
Investment securities	3	687,124	574,977	452,542
Installment credits, loans and advances		503,674	554,275	381,772
Investments available-for-sale		87,157	133,577	122,026
Investments in associates	4	753,892	648,303	266,033
Fixed assets		9,073	8,891	3,534
Goodwill		34,111	34,111	4,861
Total Assets		2,302,107	2,351,306	1,363,007
<u>Liabilities</u>				
Due to banks	5	501,414	449,801	208,553
Payables and other credit balances		293,218	205,141	104,284
Medium-term debt	6	139,203	136,615	242,913
Total Liabilities		933,835	791,557	555,750
<u>Equity</u>				
Paid-up share capital		550,000	550,000	396,000
Employee stock option plan shares		(109,319)	(89,924)	(29,247)
Statutory reserve		553,140	553,140	91,140
Retained earnings	7	363,304	533,026	301,888
Investment revaluation reserve	8	9,224	11,473	15,904
Translation reserve		1,923	2,034	1,252
Equity attributable to equity holders of parent		1,368,272	1,559,749	776,937
Minority Interest		-	-	30,320
Total Equity		1,368,272	1,559,749	807,257
Total Liabilities and Equity		2,302,107	2,351,306	1,363,007
<u>Contra accounts</u>				
Clients' funds under management	14	5,390,307	6,123,588	4,863,036

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

SHUAA Capital psc**CONSOLIDATED INCOME STATEMENT**

For the period ended 30 June 2006

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

	<i>Notes</i>	<i>1 April 2006 to 30 June 2006 (3 Months)</i>	<i>1 April 2005 to 30 June 2005 (3 Months)</i>
Interest income		20,660	11,124
Investment banking income:			
Income from investment securities		(41,826)	54,752
Income from investments		18,139	6,334
Fees and commissions income		24,949	69,026
Income from associates		6,079	35,699
Total income		28,001	176,935
Interest expense		(10,127)	(5,961)
Provisions		(488)	(26,495)
Net operating income		17,386	144,479
General and administrative expenses		(14,508)	(13,836)
Depreciation and amortization		(910)	(484)
Operating expenses		(15,418)	(14,320)
Net profit for the period before minority interest		1,968	130,159
Less: profit attributable to minority interest		-	(1,629)
Profit attributable to equity holders of the parent		1,968	128,530
Earnings per share	9	AED 0.004	AED 0.273

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

SHUAA Capital psc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2006

	Attributable to equity holders of the Parent								Total equity
	Paid-up share capital	Proposed issue of bonus shares	Employee stock option plan shares	Statutory reserve	Retained earnings	Investment revaluation reserve	Translation reserve	Total	Minority interest
Balance as of 1 April 2005	330,000	66,000	(33,799)	91,140	173,358	17,843	-	644,542	28,691
Net movement in cumulative changes in fair value (note 8)	-	-	-	-	-	(1,939)	-	(1,939)	-
Currency translation differences	-	-	-	-	-	-	1,252	1,252	-
Total income and expense recognized directly in equity	-	-	-	-	-	(1,939)	1,252	(687)	-
Net profit for the period	-	-	-	-	128,530	-	-	128,530	1,629
Total income and expense for the period	-	-	-	-	128,530	(1,939)	1,252	127,843	1,629
Issue of bonus shares	66,000	(66,000)	-	-	-	-	-	-	-
Directors' remuneration	-	-	-	-	(2,700)	-	-	(2,700)	-
Net movement in employee stock option plan shares	-	-	4,552	-	-	-	-	4,552	-
Share based payments	-	-	-	-	2,700	-	-	2,700	-
Balance as of 30 June 2005	396,000	-	(29,247)	91,140	301,888	15,904	1,252	776,937	30,320
Balance as of 1 April 2006	550,000	-	(89,924)	553,140	533,026	11,473	2,034	1,559,749	-
Net movement in cumulative changes in fair value (note 8)	-	-	-	-	-	(2,249)	-	(2,249)	-
Currency translation differences	-	-	-	-	-	-	(111)	(111)	-
Total income and expense recognized directly in equity	-	-	-	-	-	(2,249)	(111)	(2,360)	-
Net profit for the period	-	-	-	-	1,968	-	-	1,968	-
Total income and expense for the period	-	-	-	-	1,968	(2,249)	(111)	(392)	-
Directors' remuneration	-	-	-	-	(6,690)	-	-	(6,690)	-
Dividend payable (note 7)	-	-	-	-	(165,000)	-	-	(165,000)	-
Net movement in employee stock option plan shares	-	-	(19,395)	-	-	-	-	(19,395)	-
Balance as of 30 June 2006	550,000	-	(109,319)	553,140	363,304	9,224	1,923	1,368,272	-

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

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

For the period ended 30 June 2006

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

	<i>1 April 2006 to 30 June 2006</i>	<i>1 April 2005 to 30 June 2005</i>
Cash flows from operating activities:		
Net profit for the period	1,968	128,530
Adjustments to reconcile net profit for the period to net cash used in operating activities:		
Depreciation and amortization	814	484
Income from investments in associates	(6,079)	(35,699)
Income from investments	-	(3,783)
Gain on sale of investments available-for-sale	(18,139)	(2,546)
Minority interest	-	1,629
Provisions	488	26,495
Share based payments	-	2,700
Net cash (used in) from operating activities before changes in assets and liabilities	(20,948)	117,810
Changes in assets and liabilities:		
Increase in other deposits	-	(199)
Decrease in receivables and other debit balances	141,764	67,060
Increase in investment securities	(112,147)	(81,598)
Decrease (increase) in installment credits, loans and advances	50,113	(29,379)
Increase (decrease) in payables and other credit balances	88,077	(77,970)
Additions to associates	(139,621)	(30,272)
Proceeds from investment in associate	40,000	6,000
Additions to investments available-for-sale	(4,582)	(6,868)
Proceeds from sale of investments available-for-sale	66,892	8,830
Purchase of fixed assets	(996)	(1,310)
Net cash provided by (used in) operating activities	108,552	(27,896)
Cash flows from financing activities:		
Increase (decrease) in amounts due to banks	51,613	(4,311)
Increase in medium term debt	2,588	16,505
Director's remuneration paid	(6,690)	(2,700)
Dividend payable	(165,000)	-
Movement in employee stock option plan shares	(19,395)	4,552
Net cash (used in) provided by financing activities	(136,884)	14,046
Net decrease in cash and cash equivalents	(28,332)	(13,850)
Cash and cash equivalents at beginning of the period	69,849	64,052
Cash and cash equivalents at end of the period	41,517	50,202

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

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

1. LEGAL STATUS AND ACTIVITIES

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

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

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

The consolidated financial statements were authorized for issue by the Board of Directors on 29 July 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements have been prepared to present interim financial information in compliance with International Accounting Standard 34, 'Interim Financial Reporting'. The interim condensed consolidated financial information do not include all of the information and footnotes required for complete financial statements prepared in accordance with International Financial Reporting Standards. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2006.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006, except for the adoption of the following amendments mandatory for annual periods beginning on or after 1 January 2006:

- IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") – Amendment for financial guarantee contracts
- IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") – Amendments for hedges of forecast intragroup transactions
- IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") - Amendment for fair value option

The adoption of these amendments did not affect the Group results of operations or financial position.

3. INVESTMENT SECURITIES

Investment securities comprise the following:

	<u>30 June 2006</u>			<u>31 March 2006</u>
	<i>Held for trading</i>	<i>Held to maturity</i>	<i>Total</i>	<i>Held for trading</i>
Quoted fund investments	445,964	-	445,964	395,773
Equity securities	114,571	-	114,571	52,185
Fixed income securities	35,996	90,593	126,589	127,019
	<u>596,531</u>	<u>90,593</u>	<u>687,124</u>	<u>574,977</u>

4. INVESTMENTS IN ASSOCIATES

The company has the following investments in associates:

	Country of Incorporation	Ownership	30 Jun 2006	31 Mar 2006
Emirates Securities L.L.C.	U.A.E.	50.0%	53,872	87,883
Porta Egypt for Packaging Materials	Egypt	49.1%	43,070	42,659
Oman National Investment Corporation Holding SAOG	Oman	34.7%	256,160	247,953
Amwal	Qatar	20.7%	46,427	46,918
Al-Ahlia Investment Company K.S.C. (Closed)	Kuwait	7.25%	215,683	222,890
Taghleef Industries L.L.C.	U.A.E.	25.1%	<u>138,680</u>	<u>-</u>
			<u>753,892</u>	<u>648,303</u>

During the period, the Company concluded the acquisition of a 25.1% stake in Taghleef Industries L.L.C. (Taghleef), a limited liability Company registered in Dubai under the UAE Commercial Companies Law of 1984 (as amended) engaged in the manufacture and sale of BOPP (Biaxially Oriented Polypropylene). Consideration for this acquisition was in the form of cash and a swap of shares in entities now forming part of Taghleef. These shares were previously accounted for as part of available for sale investments.

5. DUE TO BANKS

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

The Group's banking facilities are renewable every six months and carry US Dollar LIBOR based floating interest rates plus a spread ranging between 1% and 3%. During the period ended 30 June 2006, the Group secured new credit facilities of 397,300 (31 March 2006 – 140,635).

6. MEDIUM TERM DEBT

Medium term debt comprises the following:

	30 June 2006	31 March 2006
Corporate bonds	87,840	87,748
Loans	<u>51,363</u>	<u>48,867</u>
	<u>139,203</u>	<u>136,615</u>

On 30 June 2004, the Company issued three year bonds of US \$ 24 million (AED 88,152) maturing on 30 June 2007. The bonds were issued at par and bear interest at the rate of 1.75% per annum above US Dollar LIBOR for six months with a coupon payable semi-annually.

The bonds are stated net of transaction costs which are amortized over the life of the bonds. The corporate bonds have an investment grade rating of "BBB+" and are secured against the assets of the Company.

Loans represent borrowings made by Gulf Finance Corporation from commercial banks in the UAE. The borrowings carry interest at rates between 4.93% and 8.25%.

7. PROPOSED DIVIDEND

The Company's Annual General Meeting held on 19 June 2006 approved a cash dividend of 30% of the paid-up share capital of 550,000 for the year ended 31 March 2006. The dividend has been paid subsequently.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2006

8. INVESTMENT REVALUATION RESERVE

	<i>30 June 2006</i>	<i>30 June 2005</i>
Available for sale investments		
Balance, beginning of the period	5,263	11,647
Realized gains recycled during the period	(18,012)	(2,546)
Net movement in fair values during the period	15,763	(1,135)
Balance, end of the period	3,014	7,966
Group's share of investment revaluation reserves in associates		
Balance, beginning of the period	6,210	6,196
Net movement in fair values during the period	-	(851)
Balance, end of the period	6,210	5,345
Fair value hedges		
Balance, beginning of the period	-	-
Effect of cash flow hedges during the period	-	2,593
Balance, end of the period	-	2,593
Total	<u>9,224</u>	<u>15,904</u>

9. EARNINGS PER SHARE

The earnings per share - basic for the period has been computed using the net profit for the period of 1,968 (30 June 2005 – 128,530) divided by the adjusted weighted average number of shares outstanding of 550,000,000 (30 June 2005 – 470,261,818).

No figure for diluted earnings per share has been presented as the company has not issued any instruments which would have an impact on earnings per share when exercised.

10. RELATED PARTY TRANSACTIONS

A number of transactions are entered into with related parties in the normal course of business. The related parties with which the Group has transacted are entities in which it has made an equity investment. Pricing policies and terms of these transactions are approved by the Company's management.

Assets and liabilities with related parties are as follows:

	<i>30 June 2006</i>	<i>31 March 2006</i>
Receivables and other debit balances	87,810	43,526
Loans and advances	40,755	53,459
	<u>128,565</u>	<u>96,985</u>
Payables and other credit balances	<u>744</u>	<u>835</u>

Income resulting from transactions with related parties comprises the following:

	<i>1 April 2006 to 30 June 2006 (3 Months)</i>	<i>1 April 2005 to 30 June 2005 (3 Months)</i>
Interest income	1,247	165
Fees and commissions income	21	122
	<u>1,268</u>	<u>287</u>

11. SUBSIDIARIES

On 20 April 2006, the Company established SHUAA Partners Ltd. as a company limited by shares incorporated and registered pursuant to the Dubai International Financial Center Companies Law of 2004. The Company is licensed and regulated by Dubai Financial Services Authority under PIB Category 3 to conduct financial services as agent, managing assets, arranging credit or deals in investments and advising on financial products or credit. SHUAA Partners Ltd. paid-up capital is 3,673 and the net assets as of 30 June 2006 amounted to 3,453.

12. INTEREST RATE RISK MANAGEMENT

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group seeks to limit its exposure to such movements by managing the interest rate and maturity structure of assets and liabilities.

The Group's interest rate sensitivity position at the end of the period, determined by the earlier of contractual re-pricing or maturity dates, was as follows:

	Up to 3 months	3-12 months	1-5 years	Non- interest bearing	Total	Effective interest rate
<u>Assets</u>						
Cash and deposits with banks	38,580	-	-	2,937	41,517	4.34%
Other deposit	-	17,200	-	-	17,200	4.45%
Receivables and other debit balances	-	-	-	168,359	168,359	-
Investment securities	103,026	-	124,579	459,519	687,124	7.21%
Installment credits, loans & advances	204,535	164,618	134,521	-	503,674	11.27%
Investments	-	-	-	87,157	87,157	-
Investment in an associates	-	-	-	753,892	753,892	-
Fixed assets	-	-	-	9,073	9,073	-
Goodwill	-	-	-	34,111	34,111	-
Total Assets	346,141	181,818	259,100	1,515,048	2,302,107	
<u>Liabilities and Equity</u>						
Due to banks	447,661	53,753	-	-	501,414	6.9%
Payables and accrued expenses	48,850	-	2,363	242,005	293,218	-
Medium-term debt	-	87,840	51,363	-	139,203	6.57%
Equity	-	-	-	1,368,272	1,368,272	-
Total Liabilities and Equity	496,511	141,593	53,726	1,610,277	2,302,107	
Interest rate sensitivity gap	(150,370)	40,225	205,374	(95,229)	-	
Cumulative interest rate sensitivity gap	(150,370)	(110,145)	95,229	-	-	

SHUAA Capital psc

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2006

13. Segmented information:

The Company accounts for its activities on the basis of four main business segments; trading securities, investments available-for-sale, asset management and advisory services and financing activities.

Net income contributed by the Company's business segments and presented by geographical region is as follows:

	30 June 2006				
	Investment securities	Investments available-for-sale	Commissions and fee income	Financing activities	Total
GCC countries	(31,777)	126	23,384	20,495	5,557
Middle East and North Africa	(9,230)	18,013	1,531	165	522
North America	966	-	6	-	972
Europe	3,152	-	28	-	3,180
Unallocated expenses	(4,937)	-	-	-	(4,937)
Total revenues	(41,826)	18,139	24,949	20,660	28,001
Net income	(41,826)	18,139	24,949	16,095	1,968
Assets	687,124	87,157	-	503,674	1,024,152
Liabilities	-	-	-	211,551	722,284
					933,835

The geographical segmentation of the balance sheet assets and liabilities is as follows-

	30 June 2006				
	GCC countries	Middle East and North Africa	North America	Europe	Others
Assets					
Cash and deposits with banks	38,704	49	2,758	6	-
Other deposits	17,200	-	-	-	-
Receivables and other debit balances	158,842	7,176	-	617	1,724
Investment securities	370,649	146,858	33,302	87,246	49,069
Installment credits, loans & advances	491,800	11,874	-	-	-
Investments available-for-sale	48,045	18,780	197	2,139	17,996
Investment in an associates	710,822	43,070	-	-	-
Fixed assets	9,073	-	-	-	-
Goodwill	34,111	-	-	-	-
Total assets	1,879,246	227,807	36,257	90,008	68,789
					2,302,107
Liabilities and equity					
Due to banks	501,414	-	-	-	-
Payables and other credit balances	291,490	646	-	628	454
Medium-term debt	139,203	-	-	-	-
Equity	1,368,272	-	-	-	-
Total liabilities and equity	2,300,379	646	-	628	454
					2,302,107

	30 June 2005				
	Investment securities	Investments available-for-sale	Commissions and fee income	Financing activities	Total
	44,364	6,329	58,075	10,605	35,699
	10,813	5	10,951	519	22,288
	(410)	-	-	-	(410)
	(15)	-	-	-	(15)
	-	-	-	-	-
	54,752	6,334	69,026	11,124	35,699
	54,752	6,334	69,026	8,538	(10,120)
	452,542	122,026	-	381,772	406,667
	-	-	-	189,088	366,662
					555,750

	31 March 2006				
	GCC countries	Middle East and North Africa	North America	Europe	Others
	67,176	49	2,618	6	-
	17,200	-	-	-	-
	230,732	19,923	-	59,042	426
	363,559	94,168	32,394	27,840	57,016
	542,558	11,717	-	-	-
	69,548	44,084	197	2,121	17,627
	605,645	42,658	-	-	-
	8,891	-	-	-	-
	34,111	-	-	-	-
	1,939,420	212,599	35,209	89,009	75,069
					2,351,306
	449,801	-	-	-	-
	200,151	4,362	-	628	-
	136,615	-	-	-	-
	1,559,749	-	-	-	-
	2,346,316	4,362	-	628	-
					2,351,306

14. CLIENTS' FUNDS UNDER MANAGEMENT

The Company is licensed as a financial services company regulated by the U.A.E. Central Bank (Note 1). At 30 June 2006, clients' funds were managed in a fiduciary capacity, without risk or recourse to the Company. These assets are considered as off-balance sheet items and do not constitute part of the Company's assets.

15. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

	<i>30 June 2006</i>	<i>31 March 2006</i>
Corporate guarantee	29,000	29,000
Letters of guarantee	43,000	43,000
Commitments to acquire financial assets	95,582	78,687
	<u><u> </u></u>	<u><u> </u></u>

16. EVENTS AFTER THE BALANCE SHEET DATE

During the period, the Company restructured its initial investment in Al-Ahlia Investment Company and further acquired an additional stake in the company. The Company sold its entire holdings in Al-Ahlia Investment Company on 29 July 2006 realizing an estimated gain of 67 Million from the disposition.