

SHUAA Capital PSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF 30 JUNE 2007

TOGETHER WITH ACCOUNTANTS' REVIEW REPORT



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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF SHUAA CAPITAL PSC

Introduction

We have reviewed the accompanying interim consolidated balance sheet of SHUAA Capital PSC (the "Company") and its Subsidiaries (the "Group") as of 30 June 2007 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the three month period then ended and explanatory notes. The Directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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 prepared, in all material respects, in accordance with IAS 34.

Signed by: Edward Quinlan
Partner
Registration No. 93

Ernst & Young

Dubai, United Arab Emirates
29 July 2007

SHUAA Capital PSC**CONSOLIDATED BALANCE SHEET**

At 30 June 2007

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

	<i>Notes</i>	<i>30 June 2007 Unaudited</i>	<i>31 March 2007 Audited</i>	<i>30 June 2006 Unaudited</i>
<u>Assets</u>				
Cash and deposits with banks		257,664	135,983	41,517
Other deposits		-	-	17,200
Receivables and other debit balances		409,806	789,853	168,359
Investment securities	3	992,084	849,626	687,124
Installment credits, loans and advances		741,555	650,156	503,674
Investments available for sale		185,175	176,494	87,157
Investments in associates	4	765,983	774,008	753,892
Fixed assets		12,680	11,457	9,073
Goodwill		95,200	95,200	34,111
Total Assets		3,460,147	3,482,777	2,302,107
<u>Liabilities</u>				
Due to banks	5	716,284	690,254	501,414
Payables and other credit balances		598,531	740,148	293,218
Medium term debt	6	513,675	505,134	139,203
Dividend payable	7	110,000	-	-
Total Liabilities		1,938,490	1,935,536	933,835
<u>Equity</u>				
Paid-up share capital		550,000	550,000	550,000
Treasury shares		(13,475)	(13,475)	-
Employee stock option plan shares		(173,793)	(174,659)	(109,319)
Statutory reserve		553,140	553,140	553,140
Retained earnings		587,663	513,123	363,304
Proposed dividend		-	110,000	-
Investment revaluation reserve	8	9,015	2,189	9,224
Translation reserve		3,926	2,330	1,923
Equity attributable to equity holders of parent		1,516,476	1,542,648	1,368,272
Minority Interest		5,181	4,593	-
Total Equity		1,521,657	1,547,241	1,368,272
Total Liabilities and Equity		3,460,147	3,482,777	2,302,107
<u>Contra accounts</u>				
Clients' funds under management	13	7,417,976	6,546,112	5,390,307

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

SHUAA Capital psc**CONSOLIDATED INCOME STATEMENT**

For the period ended 30 June 2007

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

	<i>Notes</i>	<i>1 April 2007 to 30 June 2007 (3 Months) Unaudited</i>	<i>1 April 2006 to 30 June 2006 (3 Months) Unaudited</i>
Interest income		25,288	20,660
Investment banking income:			
Income from investment securities		52,324	(41,826)
Income from investments		12,463	18,139
Fees and commissions income		68,287	24,949
Income from associates		6,380	6,079
Total income		164,742	28,001
Interest expense		(19,868)	(10,127)
Provisions		(28,128)	(488)
Net operating income		116,746	17,386
General and administrative expenses		(40,408)	(14,508)
Depreciation and amortization		(1,235)	(910)
Operating expenses		(41,643)	(15,418)
Net profit for the period before minority interest		75,103	1,968
Profit attributable to equity holders of the parent		74,540	1,968
Profit attributable to minority interest		563	-
Earnings per share	9	AED 0.136	AED 0.004

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 2007

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

	<i>1 April 2007 to 30 June 2007 Unaudited</i>	<i>1 April 2006 to 30 June 2006 Unaudited</i>
Cash flows from operating activities:		
Profit for the period	75,103	1,968
Adjustments for :		
Depreciation and amortization	1,235	814
Income from investments in associates	(6,380)	(6,079)
Gain on sale of investments available for sale	(11,866)	(18,139)
Provisions	28,128	488
Other non operating item	142	-
Net cash provided by / (used in) operating activities before changes in assets and liabilities	86,362	(20,948)
Changes in assets and liabilities:		
Receivables and other debit balances	380,047	141,764
Investment securities	(142,458)	(112,147)
Installment credits, loans and advances	(93,038)	50,113
Payables and other credit balances	(165,707)	88,077
Additions to associates	-	(139,621)
Dividend received from investment in associate	21,651	40,000
Additions to investments available for sale	(27,397)	(4,582)
Proceeds from sale of investments available for sale	29,242	66,892
Purchase of fixed assets	(2,458)	(996)
Net cash provided by operating activities	86,244	108,552
Cash flows from financing activities:		
Increase in amounts due to banks	26,030	51,613
Settlement of corporate bond	(88,152)	-
Increase in medium term debt	96,693	2,588
Director's remuneration paid	-	(6,690)
Dividend paid	-	(165,000)
Movement in employee stock option plan shares	866	(19,395)
Net cash provided by / (used in) financing activities	35,437	(136,884)
Net increase / (decrease) in cash and cash equivalents	121,681	(28,332)
Cash and cash equivalents at beginning of the period	135,983	69,849
Cash and cash equivalents at end of the period	257,664	41,517

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

SHUAA Capital PSC**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the period ended 30 June 2007

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

1. LEGAL STATUS AND ACTIVITIES

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

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

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

These interim condensed consolidated financial statements of the company and its subsidiaries ("the Group") were authorized for issue by the Board of Directors on 29 July 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information contained in these interim condensed consolidated financial statements has been prepared in accordance with International Financial Reporting Standards and the interpretations adopted by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee.

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 March 2007.

Amendments to IAS 1 Presentation of Financial Statements—Capital Disclosures

These amendments require disclosure of information enabling evaluation of the Group's objectives, policies and processes for managing capital. These new disclosures will be included for the first time within the Group's annual financial statements for the year ending 31 March 2008.

IFRS 7 Financial Instruments—Disclosures

This standard requires additional disclosure of the significance of financial instruments for the Group's financial position and performance and information about exposure to risk arising from financial instruments. These new disclosures will be included for the first time in the Group's annual financial statements for the year ending 31 March 2008.

These interim condensed consolidated financial statements do not include all the information and footnotes required for full financial statements, prepared in accordance with International Financial Reporting Standards.

3. INVESTMENT SECURITIES

Investment securities comprise the following:

	30 June 2007 Unaudited	31 March 2007 Audited
Quoted fund investments	405,335	383,271
Equity securities		
Quoted	181,140	320,838
Unquoted	239,130	42,818
Fixed income securities	166,479	102,699
	<u>992,084</u>	<u>849,626</u>

SHUAA Capital psc**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the period ended 30 June 2007

4. INVESTMENTS IN ASSOCIATES

The Group has the following investments in associates:

	Country of incorporation	Book value/Ownership %			
		30 June 2007		31 March 2007	
		Unaudited		Audited	
Porta Egypt for Packaging Materials	Egypt	45,445	49.1%	44,920	49.1%
Amwal	Qatar	231,507	46.7%	239,056	46.7%
Al-Kout Industrial Projects Company	Kuwait	369,974	48.7%	370,960	48.7%
Taghleef Industries L.L.C.	U.A.E.	119,057	23.4%	119,072	23.4%
		<u>765,983</u>		<u>774,008</u>	

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 2007, the Group secured new credit facilities of 303,247 (31 March 2007 – 734,030).

6. MEDIUM TERM DEBT

Medium term debt comprises the following:

	30 June 2007	31 March 2007
	Unaudited	Audited
Term loans	513,675	417,019
Corporate bonds	-	88,115
	<u>513,675</u>	<u>505,134</u>

On 30 June 2004, the Parent Company issued three year bonds of 88,152 (US\$24 million), which matured on 30 June 2007.

7. DIVIDEND PAYABLE

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

SHUAA Capital PSC**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
For the period ended 30 June 2007**8. INVESTMENT REVALUATION RESERVE**

	<i>30 June 2007</i> <i>Unaudited</i>	<i>30 June 2006</i> <i>Unaudited</i>
Available for sale investments		
Balance, beginning of the period	5,241	5,263
Realised during the period	(11,497)	(18,012)
Net movement in fair values during the period	12,156	15,763
Balance, end of the period	<u>5,900</u>	<u>3,014</u>
Group's share of investment revaluation reserves in associates		
Balance, beginning of the period	(3,052)	6,210
Net movement in fair values during the period	6,167	-
Balance, end of the period	<u>3,115</u>	<u>6,210</u>
Total	<u>9,015</u>	<u>9,224</u>

9. EARNINGS PER SHARE

The basic earnings per share for the period has been computed using net income for the period 74,540 (30 June 2006 - 1,968) divided by the adjusted weighted average number of shares outstanding of 547,000,000 (30 June 2006 - 550,000,000).

No figure for diluted earnings per share has been presented as the Group 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 Group management.

Assets and liabilities with related parties are as follows:

	<i>30 June</i> <i>2007</i> <i>Unaudited</i>	<i>31 March</i> <i>2007</i> <i>Audited</i>
Receivables and other debit balances		
Associates	15,990	5,046
Other related parties	6,614	107,095
Loans and advances		
Associates	10,475	10,837
Other related parties	33,174	32,606
Key management personnel	7,688	9,756
	<u>73,941</u>	<u>165,340</u>
Payables and other credit balances		
Other related parties	<u>5,031</u>	<u>628</u>

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

SHUAA Capital psc**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the period ended 30 June 2007

10. RELATED PARTY TRANSACTIONS - continued

Income resulting from transactions with related parties comprises the following:

	<i>1 April 2007 to 30 June 2007 (3 Months) Unaudited</i>	<i>1 April 2006 to 30 June 2006 (3 Months) Unaudited</i>
Interest income		
Associates	173	810
Other related parties	607	437
Fees and commission income		
Other related parties	3,974	21
	<u>4,754</u>	<u>1,268</u>

11. 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:

	<i>30 June 2007 (Unaudited)</i>					
	<i>Up to 3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Non-interest bearing</i>	<i>Total</i>	<i>Effective interest rate</i>
Cash and deposits with banks	103,296	-	-	154,368	257,664	3.1%
Receivables and other debit balances	-	-	-	409,806	409,806	-
Investment securities	239,275	-	-	752,809	992,084	7.0%
Installment credits, loans and advances	319,717	229,804	192,034	-	741,555	11.6%
Investments available for sale	-	-	-	185,175	185,175	-
Investments in associates	-	-	-	765,983	765,983	-
Fixed assets	-	-	-	12,680	12,680	-
Goodwill	-	-	-	95,200	95,200	-
Total Assets	662,288	229,804	192,034	2,376,021	3,460,147	
Due to banks	531,452	145,815	-	39,017	716,284	7.0%
Payables and other credit balances	76,504	2,168	-	519,859	598,531	1.5%
Medium term debt	-	-	513,675	-	513,675	6.3%
Dividend payable	-	-	-	110,000	110,000	-
Shareholders' equity	-	-	-	1,521,657	1,521,657	-
Total Liabilities and Equity	607,956	147,983	513,675	2,190,533	3,460,147	
Interest rate sensitivity gap	54,332	81,821	(321,641)	185,488	-	
Cumulative interest rate sensitivity gap	54,332	136,153	(185,488)	-	-	

SHUAA Capital psc**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the period ended 30 June 2007

11. INTEREST RATE RISK MANAGEMENT- continued

<i>31 March 2007(Audited)</i>						
	<i>0 - 3 Months</i>	<i>3-12 Months</i>	<i>1-5 Years</i>	<i>Non- interest bearing</i>	<i>Total</i>	<i>Effective interest rate</i>
Cash and deposits with banks	72,290	-	-	63,693	135,983	4.0%
Other deposit	-	-	-	-	-	-
Receivables and other debit balances	-	-	-	789,853	789,853	-
Investment securities	79,349	-	82,482	687,795	849,626	7.3%
Installment credits, loans and advances	280,010	207,264	162,882	-	650,156	11.6%
Investments available-for-sale	-	-	-	176,494	176,494	-
Investments in associates	-	-	-	774,008	774,008	-
Fixed assets	-	-	-	11,457	11,457	-
Goodwill	-	-	-	95,200	95,200	-
Total Assets	431,649	207,264	245,364	2,598,500	3,482,777	
Due to banks	581,653	98,510	-	10,091	690,254	7.6%
Payables and other credit balances	-	26,241	-	713,907	740,148	4.5%
Medium term debt	88,115	-	417,019	-	505,134	6.9%
Equity	-	-	-	1,547,241	1,547,241	
Total Liabilities and Equity	669,768	124,751	417,019	2,271,239	3,482,777	
Interest rate sensitivity gap	(238,119)	82,513	(171,655)	327,261	-	
Cumulative interest rate sensitivity gap	(238,119)	(155,606)	(327,261)	-	-	

12. SEGMENTAL INFORMATION

The Group accounts for its activities on the basis of four main business segments: investment securities, investments available for sale, advisory services & asset management and financing activities.

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

<i>30 June 2007(Unaudited)</i>							
	<i>Investment securities</i>	<i>Investments available for sale</i>	<i>Advisory services and asset management</i>	<i>Financing activities</i>	<i>Associates</i>	<i>Unallocated</i>	<i>Total</i>
GCC Countries	43,169	12,463	66,931	24,792	6,027	-	153,382
Middle East & North Africa	1,354	-	1,097	496	353	-	3,300
North America	5,053	-	-	-	-	-	5,053
Europe	2,748	-	259	-	-	-	3,007
Total Revenue	52,324	12,463	68,287	25,288	6,380	-	164,742
Net Income	52,324	12,463	68,287	5,420	6,380	(70,334)	74,540
Assets	992,084	185,175	388,481	893,587	765,983	234,837	3,460,147
Liabilities	52,504	-	181,368	1,264,085	-	330,533	1,828,490

SHUAA Capital rsc**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the period ended 30 June 2007

12. SEGMENTAL INFORMATION - continued*30 June 2006 (Unaudited)*

	<i>Investment securities</i>	<i>Investments available for sale</i>	<i>Advisory services and asset management</i>	<i>Financing activities</i>	<i>Associates</i>	<i>Unallocated</i>	<i>Total</i>
GCC Countries	(36,714)	126	23,384	20,393	5,556	-	12,745
Middle East & North Africa	(9,230)	18,013	1,531	267	523	-	11,104
North America	966	-	6	-	-	-	972
Europe	3,152	-	28	-	-	-	3,180
Total Revenue	(41,826)	18,139	24,949	20,660	6,079	-	28,001
Net Income	(41,826)	18,139	24,949	10,533	6,079	(15,906)	1,968
Assets	687,124	87,157	1,128	572,293	753,892	200,513	2,302,107
Liabilities	66,849	-	-	696,240	-	170,746	933,835

The geographical segmentation of the balance sheet asset and liabilities is as follows :

30 June 2007 (Unaudited)

	<i>GCC countries</i>	<i>Middle East & North Africa</i>	<i>North America</i>	<i>Europe</i>	<i>Asia</i>	<i>Total</i>
Cash and deposits with banks	206,042	49	51,567	6	-	257,664
Receivables and other debit balances	317,156	30,115	49,114	719	12,702	409,806
Investment securities	452,070	142,854	163,008	193,510	40,642	992,084
Installment credits, loans and advances	731,080	10,475	-	-	-	741,555
Investments available for sale	79,247	46,634	183	-	59,111	185,175
Investments in associates	720,537	45,446	-	-	-	765,983
Fixed assets	12,680	-	-	-	-	12,680
Goodwill	95,200	-	-	-	-	95,200
Total Assets	2,614,012	275,573	263,872	194,235	112,455	3,460,147
Due to banks	716,245	-	-	39	-	716,284
Payables and other credit balances	536,720	639	49,462	691	11,019	598,531
Medium term debt	513,675	-	-	-	-	513,675
Dividend Payable	110,000	-	-	-	-	110,000
Equity	1,521,657	-	-	-	-	1,521,657
Total Liabilities and Equity	3,398,297	639	49,462	730	11,019	3,460,147

SHUAA Capital psc**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the period ended 30 June 2007

12. SEGMENTAL INFORMATION - continued

	31 March 2007 (Audited)					
	GCC countries	Middle East & North Africa	North America	Europe	Asia	Total
Cash and deposits with banks	115,327	49	20,602	5		135,983
Receivables and other debit balances	697,129	90,512	-	786	1,426	789,853
Investment securities	383,700	239,952	30,056	155,991	29,927	849,626
Installment credits, loans and advances	639,303	10,853	-	-	-	650,156
Investments available for sale	70,276	41,072	198	2,154	62,794	176,494
Investments in associates	729,088	44,920	-	-	-	774,008
Fixed assets	11,457	-	-	-	-	11,457
Goodwill	95,200	-	-	-	-	95,200
Total Assets	2,741,480	427,358	50,856	168,936	94,147	3,482,777
Due to banks	690,254	-	-	-	-	690,254
Payables and other credit balances	663,060	-	14,682	62,406	-	740,148
Medium term debt	505,134	-	-	-	-	505,134
Equity	1,547,241	-	-	-	-	1,547,241
Total Liabilities and Equity	3,405,689	-	14,682	62,406	-	3,482,777

13. CLIENTS' FUNDS UNDER MANAGEMENT

The Group is licensed as a financial services company regulated by the Central Bank of the United Arab Emirates (Note 1). At 30 June 2007, client funds were managed in a fiduciary capacity, without risk or recourse to the Group. These assets are off balance sheet items and do not constitute part of the Group's assets.

14. COMMITMENTS AND CONTINGENT LIABILITIES

The Group had the following outstanding commitments and contingent liabilities:

	30 June 2007 Unaudited	31 March 2007 Audited
Corporate guarantee	206,000	207,000
Letters of guarantee	164,365	146,000
Commitments to acquire financial assets	165,715	119,148

SHUAA Capital psc**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the period ended 30 June 2007

15. PROPOSED ISSUE OF CONVERTIBLE DEBT SECURITIES

On 24 June 2007, the Group announced that it would call an Extraordinary General Meeting on 5 August 2007 to seek approval to obtain financing by issuance of convertible debt securities totaling AED 1,500 million.

Dubai Banking Group has been chosen by the Group and an agreement in principle has been signed, whereby they will provide the desired financing on a convertible basis in support of the Group's expansion in the UAE and regional markets.

The conversion price agreed in principle is AED 6 per share, which will translate into 250 million shares of the Group, representing a stake of 32% post conversion. The proposed transaction encompasses the funding of all outstanding liabilities of the Group Stock Option Plan.

This proposal is subject to approval by regulators and the shareholders of the Group.