AL MAL CAPITAL PSC

ANNUAL REPORT

INVESTMENT BANKING ⟆ BROKERAGE ⟆ ASSET MANAGEMENT

www.almalcapital.com

2006

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Mr. Blair Look
Head of Asset Management

Mr. Naser Nabulsi
Executive Chairman

Mr. Khalid Madi
Head of Strategic Investments

Mr. Narendra Gajria
Chief Operating Officer

Mr. Tamim Refai
Head of Al Mal Securities Group

Mr. Salvatore Alioto
Head of Investment Banking

Vision

The Investment Bank of choice in the MENA region, serving a global base of High Net Worth Individuals and Institutional clients, upholding the highest professional standards.

Mission

Through leadership, professionalism and commitment, Al Mal Capital:

- Provides unrivaled service, innovative products and creative solutions to its clients;
- Attracts, develops and retains high-caliber human capital; and
- Delivers exceptional risk-adjusted returns to its shareholders.

Our Strengths

Innovation

In a constantly changing business and investment climate, clients demand sophisticated, flexible financial solutions that serve them in current and future market conditions. Al Mal Capital's customized approach, making use of advanced financial strategies combined with cutting-edge technology, provides clients with personalized, innovative solutions and preferred access to investments and information.

Local knowledge

Fast-paced yet rooted in cultural heritage, constantly changing yet anchored in tradition – dealing in today's regional markets requires contemporary yet classic touch. Al Mal Capital has the depth of local understanding to address the concerns and needs of our clients, yet continue to be a leader in the development of the vibrant economies of the region.

Expertise

The Al Mal Capital team is comprised of reputed investment bankers and industry professionals, complemented by hand-picked research specialists and investment advisors. Our talent is supported by a solid founding investor base that actively contributes to the Company's strategic business efforts. The sum of these constituents provides comfort to clients and stakeholders of Al Mal Capital, knowing that they are partners with an investment bank unrivaled in its standards.

Service

Clients' comparison between financial firms, now more than ever, is weighted toward the quality of contact with front line providers of service. Al Mal Capital understands the critical importance of emphasizing continuous evaluation and improvement, both in human capital and technology platforms, to ensure that we deliver the optimal client experience.

Commitment

In a competitive global marketplace for investment products and services, Al Mal Capital stands out as a financial institution built on a commitment to deliver superior relationship-based advice, service, and money management talent. Al Mal Capital's team has a formidable record of delivering on promises to clients, along with a great wealth of local knowledge, and strong research and support capabilities.

Integrity

Al Mal Capital's reputation as a trusted, reliable financial partner is rooted in our corporate culture, which stresses the importance of individual and organizational integrity, reinforced by rigorous Compliance and Risk Management guidelines and procedures. Our principle-driven approach is augmented by our unwavering dedication to ongoing employee training, evaluation and retention strategies.

Director's Report

Dear Fellow Shareholders and Esteemed Clients:

It is my pleasure to present to you, on behalf of the Board of Directors of Al Mal Capital PSC, a summary of the activities and notable milestones achieved by the Company over the course of this, our first full financial year.

I am pleased to report that 2006 has heralded extraordinary accomplishments by our team of professionals at Al Mal Capital, and that we begin 2007 having exceeded our targets set at inception in every way: the number of products and services launched, firm profitability, the Company's geographical expansion, and department-by-department progress in areas of staffing and operational build-out.

Our Investment Banking team concluded notable business, including an IPO for Tameer (the Jordanian real estate company), the largest private financial market transaction in Jordanian history. In addition, we acted as sole lead manager for Emcor (the US-based Fortune 500 facilities management company) in advising, structuring and fundraising for its numerous new Middle East subsidiary companies. Several more public and private advisory mandates are in various stages of completion by our Investment Banking team, and we look forward to introducing these transactions to our valued clients and the public markets over the coming months.

Our Brokerage business, now known as the Al Mal Securities Group, concluded some key accomplishments: the licensing and establishment of our UAE securities trading presence, through our wholly-owned UAE subsidiary, Al Mal Securities LLC; and the approval of our application for a license from the authorities in Saudi Arabia to operate in the Kingdom as a brokerage entity - the first GCC company to receive such an approval, and an important cornerstone for our regional expansion. Our comprehensive brokerage account, the Investment Management Account, is building momentum and attracting significant new business, both on the regional and international front, by its convenience: one single account and platform on which clients can trade seamlessly, both throughout the region and on a global basis.

In Asset Management, 2006 saw the introduction of our key fund franchises under the auspices of the UAE Central Bank:

- The Al Mal UAE Equity Fund, which proved to be the largest inaugural UAE Equity fund launch and closed the year as the top performing UAE Equity fund for the period from our inception in April;
- The Al Mal Real Estate Fund, advised by senior UAE and regional real estate specialists from Landmark Real Estate Investment Managers, concluded fundraising at AED 150 million and will be our successful initial foray into the Private Equity space;
- The Al Mal UAE FALCON Index, received regulatory approval in September, provides investors with a live, tradable benchmark of UAE Equities, and establishes a framework and formula from which several future products will be derived for the local and regional markets as Exchange Traded Fund vehicles.

Alongside our client-facing activities, at Firm level a number of strategic opportunities were realized as a result of our longstanding strong relationships and open channels with global investment banks, as well as public and private companies, to make available attractive transactions for both Company and client access. Local companies such as Depa, Manazel and Madaares, as well as international opportunities of strategic importance in China, proved to be profitable and lucrative ideas seized on as they were made known to us.

On a firm-wide basis, from a compliance perspective, we have installed the necessary risk controls, policies and procedures for all staff as well as a series of committees with significant Board level involvement (Executive Committee, Investment Committee, Audit Committee and Remuneration Committee) who will be handle oversight of the respective responsibilities afforded their clearly-stated mandate. Operationally and structurally, the organization has brought world class standards to implementation of stringent guidelines for employee conduct and strict observances and training for dealing with clients and other stakeholders.

For the full year 2006, Al Mal Capital recorded revenues of AED 27.1 million and net profit of AED 8.6 million, a significant accomplishment given the initial responsibility of constructing an investment banking platforms which will accommodate significant scope for future growth. Total assets were AED 402 million, of which Investments in Securities amounted to AED 155 million. As a new entrant in regional investment banking, with UAE equity markets having performed poorly in 2006, I am pleased by the manner in which our team managed through the prevailing conditions and produced good results.

Yours sincerely,

Nasser Nabulsi

Executive Chairman

21 February 2007

Naser T. Al Nabulsi (UAE)
Former DIFC Chief Executive

Head of Asset Management,
Investment Office of H.H Sh. Mohammed Bin Rashid Al Maktoum

Abdul Jalil Yousef Darwish (UAE)
Former Vice Chairman, HSBC Middle East
CEO & Executive Director, HSBC Middle East

DIFC and Chamber of Commerce Board Member

Hamad Rashid Nehail Al Neaimi (UAE)
Vice Chairman of Family Office,
H.H. Sh. Saeed Bin Zayed Al Nahyan

Eisa Bin Nasser Bin Abdullatif Al Serkal (UAE)
(Represented by Abdelmonem Bin Eisa Bin Nasser Al Serkal)
Prestigious and Longstanding UAE Business House

Adel Adbul Hameed Ibrahim Abdulla Alhosani (UAE)
Vice Chairman, Abdulla Group (UAE Portfolio Management Co.)
Former Senior Executive: First Gulf Bank, NBAD, and the Central Bank of the UAE

Ahmed Saif Al Darmaki (UAE)
Head of Private Office,
H.H Sh. Diab Bin Zayed Al Nahyan

Sheikh Mishal Bin Khalid Bin Mohd Bin Hethlain (Saudi Arabia)
President, GHRRA United Company,
Saudi Arabia

Khalid S. Madi (Jordan)
Founder and Owner,
Infinity Investment Solutions

Wealth Management, Merrill Lynch International

Al Mal Capital has established several internal committees over the past year of operation. These committees are designed to facilitate transparency and accountability of decision making. The following is a brief description of these committees and their mandated responsibilities.

Executive Committee

Through both direct and delegated authority, the Executive Committee will approve all Al Mal Capital's:

- Operating activities;
- Trading risk parameters;
- Customer review guidelines;
- Business development;
- Policy decisions including major capital expenditure and long term commitments; and
- Any other strategic issues.

Investment / Asset Allocation Committee

The Investment Committee will:

- Approve all Al Mal Capital's Strategic and Proprietary Investments;
- Seek permission from the Board of Directors to approve funds available for investment; and
- Define Risk Limits and Standards if any.

Audit Committee

- Focus on Audit issues pertaining to Al Mal Capital, including (but not limited to) all observations made during course of the various audits and assignments;
- Provide a high level forum to discuss significant matters related to internal controls, regulatory issues and business governance from an audit perspective; and
- Address issues raised by Regulators and External Auditors, and focus on implementation of recommendations made.

Technology Steering Committee

Strategic Functions:

- Review and approve all IT decisions and projects;
- Develop, review and approve Information Security Policy, Standards and Procedures (PSPs), as required; and
- Review the Security Incident Management functions, IT Risks, Threats and Vulnerabilities.

Remuneration Committee

- Approve and evaluate the director, officer and employee compensation plans, policies and programs of Al Mal Capital; and
- Review and approve reports from the Stock Incentive Plan sub-committee.

Investment Banking

Al Mal Capital's Investment Banking team provides advisory, structuring, and placement services to clients seeking to achieve their corporate, strategic, and financial objectives.

Our team is comprised of a group of investment banking professionals with a combination of local and international experience, with exposure to a variety of industry sectors and asset classes.

We have a wealth of experience and understanding in local, regional and international markets, with the capability to engineer the most suitable financial solutions for our clients, and assist them in public and private fund raising in the equity and debt capital markets.

Financial Advisory

Al Mal Capital's role as Financial Advisor can bring our substantial skill sets to a broad range of assignments, ranging from mergers and acquisitions, to divestitures, restructurings and spin-offs. Our services are designed to help our clients achieve their goals: through consultation we identify and then implement strategies that are appropriate given the objectives of the mandate. We provide support on every aspect of the transaction: from strategy development and evaluation to due diligence, bid support, deal structuring, divestment, and post-deal integration.

Equity Capital Markets

The Equity Capital Markets team at Al Mal Capital engages and advises clients, primarily business owners and senior corporate executives, recommending ways to optimize their company capital structure: whether restructuring, private or public issuance of capital, or acquisition or sale of part or all of a business.

Debt Capital Markets

Al Mal Capital is a one stop provider for the debt financing requirements of companies and institutions in the region. Our specialist Debt Capital Markets team focuses on developing tailored fixed income solutions, both conventional and Sharia compliant, to suit client requirements - and uses the comprehensive distribution capability of Al Mal Capital's relationship management team to effectively place products.

Al Mal Securities Group

Al Mal Securities Group (AMSG) is the securities brokerage arm of Al Mal Capital PSC. It is a dynamic business unit with plans to specialize and operate across the GCC & MENA region, and expand globally thereafter.

The Group operates at two levels. It operates at Al Mal Capital level and at the brokerage subsidiaries level, with the former level presiding over the Group.

At Al Mal Capital level

AMSG provides Prime Brokerage Services (PBS) to Institutional clients, and Investment Advisory Services (IAS) to Private clients. Each of our clients is assigned a team of proactive and seasoned investment professionals that cater to his objectives, needs, and instructions. Each team operates as a specialized single service unit and has a leader. Both PBS and IAS are conveniently captured in a consolidated multi-currency, multi-instrument account and come complete with margin financing and nominee-custody. Moreover, in-house quantitative investment analysis and advice is provided atop independent economic and fundamental company research.

At the brokerage subsidiaries level

AMSG aims to build an effective web of broker-dealer subsidiaries especially where trading volumes warrant the investment and where our clients display long-term interest. However, as a GCC company, we do give great priority to GCC exchanges and consider such exchanges "backyard" markets. AMSG controls and manages the following subsidiaries:

- Al Mal Securities (Emirates) (100%) is the UAE brokerage subsidiary with clearing membership on Dubai Financial Market (DFM) and Abu Dhabi Securities Market (ADSM). AMS (Emirates) targets affluent clients in the UAE and provides them with online trading. It also provides DVP trading for Institutional clients, and acts as the execution arm of our Prime Brokerage and Investment Advisory units.

- Al Mal Securities (Saudi) (55%) will be operational by Q2 of this year. AMS (Saudi) is licensed by the Saudi Capital Market Authority (CMA) as a broker-dealer on Tadawul.

AMSG places great emphasis on effective response time, risk-balanced processes, best execution, and transparent reporting. To achieve this, AMSG depends on a distinguished team of investment professionals who lead the business while employing state of the art technology and adhering to the best standards of practice.

Asset Management

Al Mal Capital offers a unique array of asset management products, the result of Al Mal Capital's ability to attract fund management talent of the highest calibre combined with insightful research into timely investment opportunities:

Public Equity Funds:

Public Equity Funds invest in companies listed in regional stock markets, supported by Al Mal Capital's research.

Our Funds span a variety of market opportunities and enlist the expertise of both Al Mal Capital's Asset Management team, as well as partner with outside parties as appropriate for their complementary money management skills.

- *The Al Mal UAE Equity Fund, introduced in April 2006, under joint stewardship of Al Mal Capital and Mr. Adel Al Hosani, was the largest inaugural UAE Fund launch and the best performing UAE Equity Fund in the remainder of 2006.*

Private Equity Funds:

Private Equity Funds primarily invest in private companies, offering the potential to create significant, long-term value for investors, over a full market cycle of five to seven years in a variety of sectors and styles of investing.

Investment funds in private equity are closed-ended, and may invest in a number of different asset classes, which are typically less liquid and longer term in nature.

- *Our initial offering in 2006 was the Al Mal Real Estate Fund, a cooperative effort with the professional real estate fund management group at Landmark Real Estate Investment Management.*

Direct Equity Funds:

Direct Equity Funds are designed to allow investors to participate alongside Al Mal Capital in specific business opportunities, offering close interaction with the target company's management and the potential for co-investment in the company's future activities.

- *We have presented some of the region's leading new companies to investors in recent months, including private companies such as Manazel and Madaares, and initial public share offerings like the DFM, Tamweel and Industrial and Commercial Bank of China.*

Index Equity Funds:

Traded under the FALCON series (Fund of All Liquid COmpany Names), these Exchange-Traded Funds invest in portfolios of underlying stocks under carefully pre-defined criteria, and are rebalanced regularly. They are designed to capture and reflect the performance of the largest and most actively traded representative securities in the regional markets.

- *Our initial Exchange Traded Fund index equity vehicle (expected Q1 2007) will follow on the heels of the successful launch of the Al Mal UAE FALCON Index in September 2006.*

Independent Auditors' Report

The Shareholders
Al Mal Capital PSC and its subsidiaries

Report of the auditors

We have audited the accompanying consolidated financial statements of Al Mal Capital PSC ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No 8 of 1984 (as amended).

Report on other legal and regulatory requirements

As required by the Federal Law No 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, and that proper financial records have been kept by the Group and the contents of the Directors' report which relate to these financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2006, which may have had a material adverse effect on the business of the Group or its financial position.

KPMG
Vijendra Nath Malhotra
Membership No 48 B

21 February 2007

Consolidated balance sheet

at 31 December 2006

	Note	2006	2005
		AED'000	AED'000
ASSETS			
Current assets			
Cash at bank and in hand	*6*	84,585	218,286
Trade and other receivables	*7*	24,319	2,832
Advance for investment	*13*	54,855	9,900
Loans and advances to related parties	*19*	3,171	-
Investments in securities - fair value through income statement	*9*	73,679	68,485
Investment in Associates	*10*	81,097	-
Investments – held to maturity	*11*	33,501	-
Other assets	*8*	43,921	30,000
Total current assets		399,128	329,503
Non-current assets			
Property, plant and equipment	*14*	2,847	832
Total non-current assets		2,847	832
Total assets		401,975	330,335
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Current liabilities			
Bank overdraft		17,980	-
Trade and other payables	*12*	45,739	1,016
Total current liabilities		63,719	1,016
Non-current liabilities			
Provision for staff terminal benefits		274	-
Total liabilities		63,993	1,016
Shareholders' equity			
Share capital	*15*	333,000	333,000
Statutory reserve	*20*	806	-
Legal reserve	*21*	713	-
Retained earnings		3,355	(3,681)

Consolidated balance sheet

at 31 December 2006

	Note	2006	2005
		AED'000	AED'000
Total equity attributable to equity holders of the parent		337,874	329,319
Minority interest	16	108	-
Total shareholders' equity		337,982	329,319
Total liabilities and shareholders' equity		401,975	330,335
Clients' funds under management	24	139,759	-

We approve these financial statements and confirm that we are responsible for them, including selecting the accounting policies and making the judgments underlying them. We also confirm that we have made available all relevant accounting records and information for their compilation.

These financial statements were approved on February 21, 2007 by:

Executive Chairman

Chief Financial Officer

The report of the Auditors is set out on page 14.

The notes on pages 21 to 33 form part of these consolidated financial statements.

Consolidated income statement
for the year ended 31 December 2006

	Note	Year ended 31 December 2006 AED'000	50 day period ended 31 December 2005 AED'000
Revenue			
Net realised gain on investments	*3*	5,580	298
Net unrealised gains on investments	*3*	13,772	(3,722)
Net unrealised loss on investments in associates	*3*	(18,904)	-
Interest income		7,637	4,914
Other income	*4*	19,041	63
		27,126	1,553
Expenses			
Staff costs		(10,090)	(485)
General and administrative expenses	*5*	(6,913)	(406)
Depreciation	*15*	(651)	(10)
Pre-incorporation expenses		-	(4,333)
		(17,654)	(5,234)
Net profit / (loss) from operations before finance costs		9,472	(3,681)
Interest expenses		(909)	-
Net profit / (loss) for the year / period before minority interests		8,563	(3,681)
Attributable to			
Equity shareholders of parent		8,555	(3,681)
Minority interests		8	-
Net profit / (loss) for the year / period		8,563	(3,681)

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Consolidated cash flows
for the year ended 31 December 2006

	Year ended 31 December 2006 AED'000	50 day period ended 31 December 2005 AED'000
Operating activities		
Net profit / (loss) for the year/period before minority interest	8,563	(3,681)
Adjustments for:		
Net unrealised loss on investments	5,132	3,722
Depreciation	651	10
Provision for staff terminal benefits	274	-
Interest accrued on investment held to maturity	(29)	-
Operating profit before changes in working capital	14,591	51
(Increase) in trade receivables	(18,796)	(2,732)
(Increase) in due from banks over 3 months	(10,867)	(10,000)
(Increase) in investments in securities at fair value through income statement	(10,326)	(72,207)
(Increase) in other current assets	(13,921)	(30,000)
Increase in trade payables	33,234	1,016
(Increase) in due from related parties	(5,863)	(100)
Increase in due to related parties	11,488	-
Advance for investments	(44,955)	(9,900)
Cash flows from operating activities	(45,415)	(123,872)
Investing activities		
Purchase of property, plant & equipment	(2,696)	(842)
Proceeds from sale of property, plant & equipment	31	-
Purchase of investment held to maturity	(33,472)	-
Net investment in associate	(81,097)	-
Cash flows from investing activities	(117,234)	(842)
Financing activities		
Equity capital introduced by minority	100	-
Proceeds from shareholders	-	333,000
Cash flows from financing activities	100	333,000
Net increase in cash and cash equivalents	(162,549)	208,286
Cash and cash equivalents at the beginning of the year/period	208,286	-
Cash and cash equivalents at the end of the year/period	45,737	208,286
Cash and cash equivalents include:		
Cash in hand	34	-
Call accounts with bank	20,797	13,562
Current account with bank	25,104	120
Time deposit below 3 month maturity	15,782	183,374
Brokerage account with bank	-	11,230
Cash with Central Depository System	2,000	-
Bank overdraft	(17,980)	-
	45,737	208,286

The report of the Auditors is set out on page 14.
The notes on pages 21 to 33 form part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2006

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Retained earnings AED'000	Sub total AED'000	Minority interest AED'000	Total AED'000
Equity introduced during period	333,000	-	-	-	333,000	-	333,000
Net profit for the period	-	-	-	(3,681)	(3,681)	-	(3,681)
At 31 December 2005	333,000	-	-	(3,681)	329,319	-	329,319
At 1st January 2006	333,000	-	-	(3,681)	329,319	-	329,319
Proceeds during the year	-	-	-	-	-	100	100
Net profit for the year	-	-	-	8,555	8,555	8	8,563
Transferred to statutory reserve	-	806	-	(806)	-	-	-
Transferred to general reserve	-	-	713	(713)	-	-	-
At 31 December 2006	**333,000**	**806**	**713**	**3,355**	**337,874**	**108**	**337,982**

The report of the Auditors is set out on page 14.
The notes on pages 21 to 33 form part of these consolidated financial statements.

Notes

(forming part of the consolidated financial statements)

1 Legal status and principal activities

Al Mal Capital PSC ("the Company" or "AMC") is an investment company licensed by the Central Bank of the United Arab Emirates and is incorporated in the Emirate of Dubai, U.A.E. as a Private Stockholding Company. The Company's registered office is at Emaar Business Park 4, Office 414, 4th Floor, P.O Box. 119930, Dubai, United Arab Emirates.

AMC has registered a subsidiary, Al Mal Securities LLC ("AMS"), as a limited liability company in the Emirate of Dubai under UAE Federal Law No. 8 of 1984. AMC owns 99% of the shares in AMS and has full management control. The company was established on 2nd January 2006 and commenced its operations on 16th May 2006.

AMC has registered three other fully owned subsidiaries in Jebel Ali Free Zone Authority (JAFZA). These entities are Al Mal Direct Equity 1 Limited ("AMDE1"), Al Mal Direct Equity II Limited ("AMDEII"), Al Mal Direct Equity 3 Limited ("AMDE3") and Al Mal Special Opportunity I Limited ("AMSOI"). These companies were established on 16th November 2005, 5th December 2005, 4th March 2006 and 12th September 2006 respectively.

Principal activities
AMC has two principal activities- investment banking services and asset management. The investment banking department does business in line with Central Bank Board of Directors resolution number 164/8/94 dated 18th April 1995 and its amendments. Under the asset management division, the Company acts as fund manager for Al Mal UAE Equity Fund (AMEF) and Al Mal Real Estate Fund (AMREF). AMEF and AMREF are associates of the company.

AMEF is an open ended fund established under approval of Central Bank of the United Arab Emirates reference 13/210/2006 dated 6th February 2006. The Fund commenced operations from 1st March 2006. The objective of the Fund is to achieve medium to long term capital growth and a reasonable level of income by investing primarily in equities listed on the Abu Dhabi Securities Market (ADSM) and Dubai Financial Market (DFM) although, where appropriate, investments may also be made in equities listed on stock exchanges in other GCC countries or elsewhere as permitted by the Prospectus.

AMREF is a closed end fund established under approval of Central Bank of the United Arab Emirates reference 13/1155/2006 dated 13th May 2006. The objective of the Fund is to acquire, hold, develop, manage and dispose of real estate related investments in the UAE and the broader Middle East region. A significant component of the Fund is envisaged to be investments alongside Landmark Real Estate Opportunities Fund I L.P ("LREOF I"), a real estate fund. Subscriptions are being invited for the fund as of 31/12/2006; the fund units will be issued after the closure of subscriptions on 10th January 2007.

The mutual funds managed by the Group, with the exception of holdings directly owned by the Group, are not presented on the face of the Group's consolidated balance sheet since the related assets are owned by third parties and are managed by the Group on a fiduciary basis (refer to note 25). The commissions earned in the year for services rendered by Group entities to these funds (asset management and portfolio deposit services) are recognised under "Fees and commission income" in the consolidated income statement.

The principal activity of AMS is to act as an intermediary in dealing in stocks and shares which are listed on the Dubai Financial Market and Abu Dhabi Securities Market.

AMDE1, AMDEII, AMDE3 and AMSO I are special purpose vehicles holding the investments of AMC.

2 Significant accounting policies

The following accounting policies, which comply with International Financial Reporting Standards ("IFRSs"), have been applied consistently in dealing with items that are considered material in relation to these consolidated financial statements.

Statement of compliance
The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), its interpretations adopted by the Standing Interpretations Committee of the International Accounting Standards Board ("IASB") and the requirements of the UAE Federal Law No. 8 of 1984 (as amended).

Notes (continued)

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied unless otherwise stated.

Basis of preparation
These financial statements are presented in UAE Dirhams ("AED") rounded to the nearest thousand and have been prepared under the historical cost convention basis, as modified for investments which are measured at fair value through consolidated income statement.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgments made by management in the application of IFRSs that have a significant impact on the financial statements and estimates with a risk of material adjustment in the next year are discussed in Note 23.

Principles of consolidation
These consolidated financial statements comprise the results of AMC, AMS, AMDE1, AMDEII, AMDE3 and AMSOI for the period 1 January 2006 to 31 December 2006 (collectively referred to as the "Group").

AMC holds 99% of share capital of AMS. Accordingly, the subsidiary has been consolidated in the Group.

AMC holds 100% of share capital of AMDE1, AMDEII, AMDE3 and AMSOI. Accordingly, these subsidiaries have been consolidated in the Group.

AMC holds 36.72% of the units in AMEF and 41.50% of the units in AMREF at the year end. These funds are treated as associates in the Group's consolidated financial statements.

Basis of consolidation
Subsidiaries
Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Associates
An associate is an entity in which the Group has significant influence but not control and which is neither a subsidiary nor a joint venture. Investments in associates are stated on an equity basis at cost plus an appropriate share of associates' profits and losses post acquisition or establishment. Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

Special Purpose Vehicles (SPV's)
The special purpose vehicles AMDE1, AMDEII, AMDE3 and AMSOI set up by the Group are considered Special Purpose Entities (SPEs) (per IAS 27 read with SIC 12) which are controlled by the Company. The financial statements of SPEs are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Transactions eliminated on consolidation
Material intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Revenue recognition
Revenue comprises income or loss on investments at fair value through consolidated income statement, advisory fees, commission, interest income, management fees and others.

Income or loss on investments at fair value through consolidated income statement comprises realised gains or losses arising on sales of investments. Sales of investments are recognised in the consolidated income statement when the Group commits to sell the investment.

Any unrealised gain or loss arising from a change in fair value of investments is recognised in the consolidated income statement in the period in which it arises.

Commission income is recognised on an accrual basis when the right to receive is established. Fees earned from services that are provided over a certain period of time are recognised ratably over the service period. Fees earned from providing transaction-type services are recognised when the service has been completed.

The following fee income is predominately earned from services that are provided over a period of time: investment fund fees, custodian fees, portfolio and other management and advisory fees and commission income.

Interest income is recognised in the consolidated income statement on an accrual basis. Dividend income is recognised when the Group's right to receive dividends is established.

Property and equipment and depreciation
Property and equipment is stated at cost less accumulated depreciation and impairment losses, if any. The cost of property, plant and equipment is their purchase cost, together with any incidental expenses of acquisition. The property and equipment is impaired if the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. The impairment loss is recognised in the consolidated income statement.

Property and equipment is depreciated on the straight-line basis over its estimated useful life as follows:

	Years
Computer hardware	5
Computer software	3
Office equipment	5
Furniture and fixtures	5
Telephone and electrical equipment	5

Depreciation on additions is charged from the month in which an asset is put to use, while no depreciation is charged for the month in which an asset is disposed of.

Trade and other receivables
Trade and other receivables at the consolidated balance sheet date are stated at amortised cost less impairment losses, if any.

Trade and other payables
Trade and other payables are stated at their amortised cost.

Provisions
A provision is recognised in the consolidated balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Staff terminal benefits
The Group provides for employee end of service benefits based on the liability that would arise if the employment of all staff were terminated at the balance sheet date and is calculated in accordance with the provisions of UAE Federal Labour Law.

Cash at bank and in hand
Cash at bank and in hand comprises cash balances, call and term deposits.

Borrowing costs
Interest was paid on facilities from banks, overdrafts and short-term loans at normal commercial rates or agreed rates. Borrowing costs are recognised as expenses in the period in which these are incurred.

Offsetting of financial assets and financial liabilities
A financial asset and a financial liability is offset and the net amount is reported in the consolidated balance sheet if the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realize the asset.

Notes (continued)

Financial instruments

(i) ***Classification***

Investments at fair value through income statement
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date.

Held-to-maturity assets
Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intent and ability to hold to maturity.

Loans and receivables
Loans and receivables are financial assets which have fixed or determinable payments and that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

(ii) ***Recognition***
Investments at fair value through income statement
These are recognised on the date at which Group commits to purchase the assets. From this date, any gains or losses arising from changes in fair value of the assets are recognised in the consolidated income statement.

Loans and receivables
Loans and receivables are recognised on the day they are transferred to or acquired by the Group.

(iii) ***Measurement***
Financial instruments are measured initially at cost, including transaction costs. Subsequent to initial recognition, all financial assets at fair value through income statement are measured at fair value, except for any instrument that does not have a quoted market price in an active market and whose fair value cannot be measured reliably, which is stated at cost, including transaction costs, less impairment allowances.

All other financial assets and non-trading financial liabilities are measured at amortized cost less impairment allowances.

(iv) ***Fair value measurement principles***
The fair value of financial instruments is based on their closing price quoted at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices. In case of instruments that do not have a quoted market price in an active market, the fair value is estimated using pricing models or discounted cash flow techniques, including the use of recent arm's length market transactions, pricing models or discounting cash flow techniques, as applicable.

Whenever discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discounted rate is a market-related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the balance sheet date.

(v) ***Gains and losses on subsequent measurement***
Gains and losses arising from changes in the fair value of the 'financial instruments at fair value through income statement' category are included in the consolidated income statement in the period in which they arise.

(vi) ***De-recognition of financial instruments***
A financial asset is derecognised when the Group loses control over the contractual rights comprising that asset and Group has transferred all risks and rewards of ownership. This occurs when the rights are realised, expired or are surrendered. A financial liability is derecognised when it is extinguished.

Investments that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as at the date the Group commits to sell the investments. The Group uses the specific identification method to determine the gain or loss on de-recognition.

Impairment
Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment for specific assets or a group of similar assets. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of specific assets or a group of similar assets is calculated as the present value of the expected future cash flows. An impairment loss is recognised whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount.

Impairment losses, if any, are recognised in the consolidated income statement. Financial assets are written off only in circumstances where all reasonable restructuring and collecting activities have been exhausted.

Foreign currency transactions
Transactions denominated in foreign currencies are translated to AED at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to AED at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to AED at the foreign exchange rate ruling at the date of the transaction. Realised and unrealised exchange gains and losses are recognised in the consolidated income statement.

New standards and interpretations not yet effective
The new Standards and the amendments to Standards and Interpretations which are not yet effective for the year ended 31 December 2006 and which have therefore not been applied in preparing these financial statements are as follows:

IAS 1 Presentation of Financial Statements
Requires the Group to disclose information that enables users of its consolidated financial statements to evaluate the entity's objectives, policies and processes for managing capital.

IFRS 7 Financial Instruments
Requires the Group to disclose quantitative information about its exposure to risks, arising from financial instruments, including specific minimum disclosure about credit risk, liquidity risk and market risk.

IAS 1 and IFRS 7 (superseding IAS 30 and 32) which becomes mandatory for the Group's 2007 financial statements, are not expected to have any impact on the financial statements of the Company except for the disclosures as required under the respective IAS and IFRS.

3 Gains and losses on investments

	Year ended 31 December 2006 AED'000	50 day period ended 31 December 2005 AED'000
Realised gains	45,938	324
Realised (losses)	(40,358)	(26)
Net realised gains on investments	5,580	298
Unrealised gains	13,982	821
Unrealised (losses)	(210)	(4,543)
Net unrealised gains on investments	13,772	(3,722)
Net unrealized (loss) on investments in associates	(18,904)	-

Realised gains / losses on investments pertain to gains / losses made by the Group on disposal of investments.

Unrealised gains / losses on investments pertain to gains / losses made by the Group on valuation of investments designated as investment in securities- fair value through income statement.

Net unrealized loss on investments in associates pertains to losses made by the Group on valuation of its holdings in AMEF at the NAV on 31 December 2006.

Notes (continued)

4 Other income

	Year ended 31 December 2006 AED'000	50 day period ended 31 December 2005 AED'000
Fees and commission income	7,640	-
Dividend income	1,458	-
Placement fees	3,291	-
Management and other fees	3,474	-
Foxex gain	1,517	-
Others	1,661	63
	19,041	63

5 Administrative and general expenses

	Year ended 31 December 2006 AED'000	50 day period ended 31 December 2005 AED'000
Management fees	1,419	-
Legal expense	527	200
Office rent	845	66
Advertising and other expenses	714	109
Commission on guarantee	225	-
Telephone and communication expense	560	-
Printing and stationary expense	384	-
Commissions and fees	945	-
Donations	236	-
Pre-incorporation expenses of subsidiaries	296	31
Others	762	-
	6,913	406

6 Cash and deposits with bank

	2006 AED'000	2005 AED'000
Cash in hand	34	-
Call account with banks	20,798	13,562
Current account with banks	25,104	120
Time deposit with banks	36,649	193,374
Brokerage account with bank	-	11,230
Cash with Central Depository System	2,000	-
	84,585	218,286

7 Trade and other receivables

	2006 AED'000	2005 AED'000
Trade receivables	11,179	1,895
Accrued income	829	291
Prepaid expenses	904	413
Short term loans	8,263	-
Due from related parties (refer note 19)	2,792	100
Others	352	133
	24,319	2,832

Included in short term loans are the loans given of AED 5.1 million to two shareholders of the Company for the purpose of investing in the Al Mal Equity Fund. These loans are fully secured by the investments.

The Group has given another loan of AED 1.9 million to Al Mal Securities, KSA ("AMSSA"). AMSSA was under formation as at 31 December 2006.

8 Other assets

	2006 AED'000	2005 AED'000
Fixed deposit under lien	43,921	30,000

Fixed deposit under lien with bank comprises of fixed deposits under lien against performance guarantees to Central Bank, DFM and ADSM.

9 Investments in securities – fair value through income statement

	2006 AED'000	2005 AED'000
Current assets		
Quoted investments	21,213	55,835
Unquoted investments	52,466	12,650
	73,679	68,485

In accordance with International Accounting Standard ("IAS") 39, all investments are stated at their fair values. The fair value of investments in recognised financial markets is their quoted price. 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 discounted cash flow analysis, maintainable earnings models or other reliable valuation methods. Investments whose fair value cannot be reliably measured are carried at cost less any impairment losses. Gains or losses arising from a change in the fair value of investments and from disposal of investments are recognised directly in the consolidated income statement.

Quoted investments comprise investments made by the Group in equity securities listed on the Dubai Financial Market, Abu Dhabi Securities Market and other stock exchanges. Investments are acquired by the Group principally for generating profits from short term fluctuations in price.

Unquoted investments:
The following investments have been made in portfolio companies for which quoted prices are not available:

a) The Group has subscribed to 1% stake in H.I.G. Venture Investment at cost of AED 7.7 million. Management estimates that the fair value of the investment equates to the cost of investment.

Notes (continued)

b) The Group has subscribed in the DFM IPO for 4.53 million shares at cost of AED 9.4 million. This investment includes 3.61 million shares at cost of AED 7.38 million which were held by the Company in beneficial interest of various clients. These shares have been accounted for at cost (including transaction costs) as they have not yet listed. (refer note 12)

c) The Group has subscribed to 6.7 million shares of Gulf Navigation at a cost of AED 7 million. Whilst the Gulf Navigation shares were not listed until after 31 December 2006, management had confirmed that in prelisting trading the shares were being traded at AED 1.50 per share. In view of the above, management has adopted the price of Gulf Navigation shares at AED 1.50 per share for the purposes of fair valuation as at 31 December 2006.

d) The Group has subscribed to 5.1 million units in Manazel at a cost of AED 5.1 million. Whilst the Manazel shares were not listed until after 31 December 2006, management estimates that the fair value of investment equates to the cost of investment.

e) The Company has subscribed to an initial tranche of 5 million shares (equivalent to a 1.05% stake) in Depa United Group ("Depa") at a cost of AED 5 million. The company has subsequently purchased a second tranche of 2 million shares at a cost of AED 5 million (@AED 2.50 per share) as a prelisting trade. Management has adopted the price of Depa shares at AED 2.50 per share for the purposes of fair valuation as at 31 December 2006. Deepa shares were not listed as at 31 December 2006.

f) The Group has subscribed to 250,000 units in Madaares at cost of AED 255,000. Whilst the Madaares shares were not listed until after 31 December 2006, management estimates that the fair value of investment equates to the cost of investment.

10 Investments in Associates

The Group has invested in 100.3 million units in AMEF at a cost of AED 100 million. The fair value of the investments based on the NAV as at 31 December 2006, was AED 81.1 million.

Summarised financial information of associates

	2006 AED'000	2005 AED'000
Assets	81,093	-
Revenues	(17,917)	-
Profit/ (Loss)	(18,904)	-

11 Investments in securities – held to maturity

The Group has invested AED 33.5 million in US dollar Treasury bills during the year. The maturity date was 5th January 2007.

12 Trade and other payables

	2006 AED'000	2005 AED'000
Sundry creditors	21,613	575
Accrual for expenses	1,918	441
Advance received from clients (refer note 9 b)	9,436	-
Due to related parties (refer note 19)	11,488	-
Others	1,284	-
	45,739	1,016

13 Advance for investment

	2006 AED'000	2005 AED'000
Al Mal Securities, KSA	32,455	-
Al Mal UAE Real Estate Fund	22,400	-
Al Mal Securities LLC, UAE	-	9,900
	54,855	9,900

Group has effectively subscribed for 55% share capital of Al Mal Securities, Kingdom of Saudi Arabia ("AMSSA") at a consideration of AED 32.45 million. As at 31 December 2006, AMSSA was under formation.

The Group has applied for 640,000 units in Al Mal Real Estate Fund ("AMREF") at cost of AED 64 million. As at 31 December 2006, 35% of the total commitment was called up by AMREF amounting to AED 22.4 million. The units in AMREF were not allotted at 31 December 2006 as subscription for AMREF was open until 10th January 2007.

14 Property and equipment

All figures in AED'000

	At 1 January 2005	Purchases	Disposals	At 31 December 2005
Cost				
Computer software	-	16	-	16
Furniture and fixtures	-	577	-	577
Office equipment	-	6	-	6
Computers	-	239	-	239
Telephone & installation	-	4	-	4
	-	842	-	842

	At 1 January 2006	Purchases	Disposals	At 31December 2006
Cost				
Computer software	16	1,201	(8)	1,209
Furniture and fixtures	577	183	(15)	745
Office equipment	6	54	-	60
Computers	239	1,056	(8)	1,287
Telephone & installation	4	160		164
Motor vehicles	-	42	-	42
	842	2,696	(31)	3,507

	At 1 January 2005	Depreciation expense	Disposal	At 31December 2005
Accumulated depreciation				
Computer software	-	-	-	-
Furniture and fixtures	-	10	-	10
Office equipment	-	-	-	-
Computers	-	-	-	-
Telephone & installation	-	-	-	-
	-	10	-	10
Net book value as of 31 December 2005				832

Notes (continued)

	At 1 January 2006	Depreciation expense	Disposal	At 31December 2006
Accumulated depreciation				
Computer software	-	288	-	288
Furniture and fixtures	10	128	-	138
Office equipment	-	9	-	9
Computers	-	190	(1)	189
Telephone & installation	-	28	-	28
Motor vehicles	-	8	-	8
	10	651	(1)	660
Net book value as of 31 December 2006				2,847

15 Share capital

	2006 AED'000	2005 AED'000
Authorised, issued and fully paid:		
333,000,000 ordinary shares of AED 1 each	333,000	333,000

16 Minority interest

	2006 AED'000	2005 AED'000
Share capital in Al Mal Securities LLC	100	-
Profit in Al Mal Securities LLC	8	-
	108	-

The holding in the share capital of Al Mal Securities LLC and the corresponding profit represents a 1% holding attributable to minority interests in the share capital of Al Mal Securities LLC.

17 Contingencies and commitments

	2006 AED'000	2005 AED'000
Guarantee of 1 year to Central Bank of UAE	30,000	30,000
Guarantee of 1 year to Emirates Stock Commodity Authority	2,000	-
Guarantee of 1 year to DFM	10,000	-
Guarantee of 1 year to Ministry of Labour	60	-

Commitments

	2006 AED'000	2005 AED'000
Investment in Land Mark Real Estate Opportunity Fund 1	23,855	-
Lease rentals for new office	3,402	-

18 Maturities of assets and liabilities

The maturity profile of assets and liabilities as at 31 December 2006 was as follows:

2006	Less than 3 months AED'000	3-6 months AED'000	6-12 months AED'000	More than 1 year AED'000	Total AED'000
Assets					
Cash and deposits with banks	63,718	-	20,867	-	84,585
Trade and other receivables	24,319	-	-	-	24,319
Advance for investments	54,855	-	-	-	54,855
Loans and advances to related parties	3,171	-	-	-	3,171
Other assets	-	-	43,921	-	43,921
Investments in securities	73,679	-	-	-	73,679
Investments in Associates - AMEF	81,097	-	-	-	81,097
Investment-held to maturity	33,501	-	-	-	33,501
Property, plant and equipment	-	-	-	2,847	2,847
	334,340	-	64,788	2,847	401,975
Liabilities and equity					
Bank overdraft	17,980	-	-	-	17,980
Trade and other payables	45,739	-	-	-	45,739
Provision for staff terminal benefits	-	-	-	274	274
Share capital and reserves	-	-	-	337,874	337,874
Minority interest	-	-	-	108	108
	63,718	-	-	338,256	401,975

Maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contracted or expected maturity date.

19 Related party transactions

The Group, in the normal course of business, enters into transactions with business enterprises that fall within the definition of a 'related party' as contained in International Accounting Standard 24. The Group's management is of the opinion that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

Transactions with related parties during the period are as follows:

	Year ended 31 December 2006 AED'000	50 day period ended 31 December 2005 AED'000
Salary to key management personnel	4,345	390
Brokerage commission paid to International Market Company	1,367	-

Notes (continued)

19 Related party transactions (continued)

The balances with related parties at 31 December 2006 are as follows:

	2006 AED'000	2005 AED'000
Current		
Due from shareholder of AMS	2,792	100
Loan to AMSO2 (refer note below)	3,171	-
	5,963	100
Due to Shareholder	2,325	-
Due to IMC	2,295	-
Due to AMEF	6,868	
	11,488	-

The Company has extended an interest free loan of AED 3.1 million to Al Mal Special Opportunity II Ltd (AMSO2) for acquiring certain equity shares. This loan has no fixed maturity but is repayable on demand.

20 Statutory reserve

In accordance with Article of Association of the Company and Federal Law No. 8 of 1984 (as amended), a minimum of 10% of the net profit of the Company is allocated to a non-distributable statutory reserve. Such allocations may cease when the statutory reserve becomes equal to 50% of the paid-up Share Capital. During the current period, a transfer of AED 806,000 has been made from profits to statutory reserve.

21 General reserve

In accordance with the Company's articles of association, 10% of the profit for the year shall be transferred to a general reserve. The Company may resolve to discontinue such transfers when the general reserve equals 50% of the share capital or in accordance with a resolution taken to this effect by the shareholders at the Annual General Meeting upon the recommendation of the Board of Directors. This reserve may only be used for the purposes recommended by the Board of Directors and approved by the shareholders.

22 Accounting estimates and judgment

Management of the Group develops, selects and determines disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. Significant items where the use of estimates and judgments are required are outlined below:

(i) ***Allowances for impairment of loans and receivables***

The Group reviews its receivables balance to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the contractual future cash flows from a receivable or homogenous group of receivables. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss.

(ii) ***Fair value of unquoted securities***

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. For unquoted financial instruments purchased from third parties, the fair value equates to the cost of instrument in the year of purchase. Where valuation techniques (such as models) are used to determine fair values, these are tested before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Specifically, the fair valuation estimates for investments have been based on valuation model or by comparison to similar industry transactions done by the Group and discussions with potential buyers. The Group's management uses its best judgment in estimating the value of unquoted investments. The fair value estimates presented herein are not necessarily indicative of an amount the Group would realise in a current transaction, and because of the inherent uncertainty of valuations, do not represent amounts that will be ultimately realised, since such amounts depend on future circumstances. The differences could be material.

23 Financial instruments

Financial assets of the Group include cash in hand and at bank, trade and other receivables, advance for investments, due from related parties and other assets. Financial liabilities of the Group include bank overdraft, trade and other payables, advance from subscribers and due to related parties.

Fair value

The fair value of Company's financial assets and liabilities are not materially different from their carrying amount.

Credit risk

The Group has no concentration of credit risk with any single counter-party or group of counter-parties having similar characteristics. The Group has procedures to ensure that transactions are made with customers with an appropriate credit history and do not exceed acceptable credit exposures.

Market price risk

The Group's market price risk is managed through diversification of the investments. The Group's overall market positions are monitored on a daily basis by the Investment Manager and in the case of the Equity Fund are reviewed on a quarterly basis by the Fund's advisory board.

Interest rate risk

Most of the financial instruments in the consolidated balance sheet are not subject to interest rate risks.

Foreign exchange risks

Foreign exchange risk is managed on the basis of continuous assessment of the Group's foreign exchange requirement position, exposure and current and expected exchange rate movements.

24 Funds under management

The details of funds managed by the group are as follows:

Fund	Total NAV AED'000	% of units held by AMC	AMC Share of NAV AED'000	Clients' funds under management AED'000
AMEF	220,852	36.72%	81,097	139,756

The Al Mal UAE Equity Fund was established during 2006, under approval from Central Bank of the UAE. The Company also established the Al Mal Real Estate Fund during the year. Subscriptions for AMREF close on 10 January 2007.

The Company's share of the net asset value of the AMEF and AMREF have been accounted for a on an equity basis, as the funds are considered associates of the Group. (refer notes 1 and 2).

As at 31 December 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.

25 Post balance sheet events

AMREF subscription closed on 10th January 2007. The fund has received the total capital commitment of AED 170 million.

26 Comparative figures

Comparative figures have been reclassified, wherever necessary, to conform to the presentation adopted in the presentation of these financial statements.

From the Employees of Al Mal Capital

"Al Mal Capital represents...

... A commitment to excellence, with high values and standards. All staff work together as a team with one vision in mind. "

... A depth and breadth of knowledge, experience and wisdom accumulated in investment banking and wealth management- coming together to craft a groundbreaking institution from the best practices and business principles of global investment banking leaders, and to establish Al Mal Capital's presence very rapidly atop the category in the region."

... Ethics , Discipline , Respect and Teamwork."

... A symbol of trust, ensuring that your investments both in us and your future are safe."

... An embodiment of longstanding aspirations, for its founders and management: an inspired Investment Bank for the region, from the region, competing and succeeding alongside the best institutions in the world."