

1994
A DECADE OF
PIONEERING
2004
PERFORMANCE

TNI



المستثمر الوطني
The National Investor



Annual Report 2004-2005

Guiding you towards success



HH PRESIDENT SHEIKH
KHALIFA BIN
ZAYED AL NAHYAN

President of the UAE



HH GENERAL SHEIKH
MOHAMMED BIN
ZAYED AL NAHYAN

Crown Prince of Abu Dhabi &
Deputy Supreme Commander of
the UAE Armed Forces

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The National Investor PJSC

Khalifa Street ADNOC Building

P.O. Box 47435, Abu Dhabi, United Arab Emirates

Switchboard: +971 2 627 7878; Fax: +971 2 626 5858

www.nationalinvestor.ae

Members of the Board



ABDULLA MOHAMAD AL MAZROUI
Chairman

MOHAMAD ABDULLA ALQUBAISI
Vice Chairman



ABDULMAJEED AL FAHIM
Member of the Board

HAMAD ABDULLA AL SHAMSI
Member of the Board



FATIMA OBEID AL JABER
Member of the Board

MOHAMAD MUHANNA ALQUBAISI
Member of the Board




MOHAMAD MOHAMAD FADHEL AL HAMLI
Member of the Board

MOHAMAD RASHID AL NASERI
Member of the Board



OMEIR SAUD AL DHAHIRI
Member of the Board



“Fuelled by favourable market conditions, the Company’s operating performance for the year witnessed a strong growth and impressive earnings increase.”

Chairman's Message

The Company achieved a major turnaround in its private equity investments with its portfolio companies generating substantial improvements in both revenues and profits.



Greetings,

It is my pleasure to welcome you and on behalf of the Board of Directors, I am pleased to present the tenth Annual Report of the Company.

Fuelled by favourable market conditions, the Company's operating performance for the year ended March 31 2005 witnessed a strong growth and impressive earnings increase never seen before in the history of the Company. Moreover, the Company pursued aggressively its efforts to develop new areas of income generation which will further broaden the range of services offered and thereby enhance future earnings.

The Company earned a Net Profit of AED 79.6 million from its consolidated activities, a 721% increase over the AED 9.7 million earned in the corresponding period last year. The Company also reported a 356% rise in revenues to AED 112.6 million over the AED 24.7 million achieved during the same period last year.

During the year, the Company demonstrated the strength of its investment banking franchise, ranking first in initial public offerings (IPOs), with leadership position in the UAE. Three innovative initial public offerings including ALDAR Properties, Arab International Logistics and the Finance House IPOs were among the highlights of a notably successful year for TNI. The Company was also successful in

securing and executing one major private placement mandate for one of its major clients. The Company anticipates further growth in this area and continues to evaluate investment proposals. Revenues from Investment Banking activities climbed to AED 19 million, up 443% over the AED 3.5 million achieved last year.

The Company's local shares portfolio continued to appreciate in value to reach AED 90 million. The Company optimised its returns by taking investment positions in blue chip and fundamentally sound firms in both ADSM and DFM. This strategy led the company to once again outperform all domestic market indices. Revenues from the portfolio holding reached AED 79.9 million.

The Company achieved a major turnaround in its private equity investments with its portfolio companies generating substantial improvements in both revenues and profits. Moreover, the Company's Direct Investment activities included the acquisition of a 7% stake in Depa Interiors, the Middle East's leading hotel interiors company, and a 35% stake in Gulf National Securities Centre, a company providing brokerage services on both Abu Dhabi Securities Market and Dubai Financial Markets.



"In the third quarter of the year, the Company raised its paid up capital by AED 123 million, up to AED 200 million."



On Asset Management, the Company made great strides in reaching its strategic goals for the year reflecting the paramount importance to grow this activity into a core source of recurring revenue generation. As a result, the Company was on target to structure and launch the TNI Blue Chip Fund by last quarter of the year. Moreover, the Company secured Central Bank approval to launch three more funds which will go to market during the first half of next year.

The Emirates Real Estate Fund made a first distribution to its Unit Holders in the amount of AED 6.31 million and admitted two new investors, namely Abu Dhabi Islamic Bank and Shamil Bank, who have committed an AED 86.7 million in new funding. In March 2005, The Emirates Real Estate Fund closed its second investment deal acquiring future rental cash flows of 27 villas located throughout Abu Dhabi, raising the Fund's holding to 63 properties in Abu Dhabi.

The Company foresees real estate, especially in Abu Dhabi, as another core area carrying substantial growth potential. In line with this vision, a Director for Real Estate Asset Management and Investment Banking has recently joined the Company and is actively working on the launch of several new real estate domestic and international funds as well as advising on a number of large real estate investment banking mandates.

In the third quarter of the year, the Company raised its paid up capital by AED 123 million, up to AED 200



million, in an overwhelmingly over-subscribed rights issue highlighting the existing shareholders' faith in the Company.

2004-2005 marked the tenth anniversary for The National Investor. With the retention of Net Profit and increase in the Investment Reserve and paid-up capital, our shareholders' equity has grown by 491% and our profit by 721% over their last year's level.

In conclusion, considering the exceptional results for the year ended March 31, 2005 and our promising future outlook, we believe that The National Investor is uniquely positioned to continue in its leadership position and capitalise on the unprecedented historic opportunities ahead of us.

Finally, it is my pleasure to express sincere thanks and appreciation by the Board of Directors to the shareholders for their support, confidence and continuous concern to follow-up on Company's activities. I also take this opportunity to thank the members of the Board of Directors and the Executive Committee for their valuable efforts in contributing to the success of the Company. Our thanks also to the management and staff for their hard work, loyalty and commitment throughout the year.

Best regards,

A. Mazroui

Abdulla Mohamad Al Mazroui

CHAIRMAN



"We are currently positioned as the dominant investment bank in the UAE."

Chief Executive Officer's Message

We are increasingly being invited to bid on capital markets transaction in other GCC countries such as Saudi Arabia and Kuwait.



Greetings,

Three and a half years ago, the Board and Management of The National Investor decided to adopt the following mission statement:

"The 5-year vision of the Board and Management of The National Investor is to build the most dynamic, progressive and profitable investment bank with a distinguished track record and diversified revenue streams in order to provide shareholders with a superior return on investment."

Looking at our achievements so far, we are proud to say that The National Investor is well on its way to achieve this vision and is currently positioned as the dominant investment bank in the UAE with a large market share and the visibility and profitability that come along with it.

We have brought to the market some of the most innovative and sizeable deals including the world-record breaking IPOs of Aabar Petroleum Investment Services and ALDAR Properties as well as the first corporate Islamic sukuk issue in the world and the first GCC bond to be listed in Luxembourg, the US\$ 100 million Tabreed sukuk issue.

Our Investment Banking track record in numbers:

- Our market share in IPOs is 64% by number of

IPOs brought to the market and 93% by public amounts raised.

- The average TNI oversubscription rate is 154 times and the average one-year IPO performance: 162.3%.
- TNI has raised AED 8.6 billion so far and is on track to raise over AED 10 billion by the end of the coming year.
- In terms of total demand generated so far, TNI has raised over AED 940 billion in demand for its public equity offerings.
- TNI is currently ranked as the market leader in IPOs in both the UAE and GCC markets.

This track record puts TNI not only on the regional but also on the global map and gives us the stature of a "bulge bracket" investment banking firm. Given the visibility and record-breaking size of our recent transactions, we are increasingly being invited to bid on capital markets transaction in other GCC countries such as Saudi Arabia and Kuwait.

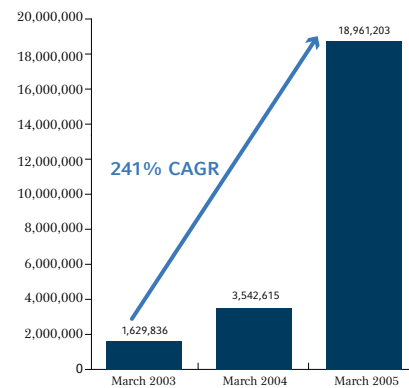
We intend to leverage this track record and our unique expertise to pursue large regional mandates and increase our GCC presence.



The 3 year results of our Investment Banking division are shown in Figure 1.

FIGURE 1

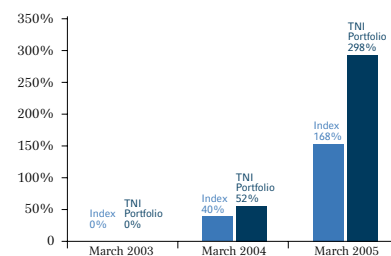
Investment Banking Revenues



Our Asset Management division has performed equally well with our portfolio of listed equities significantly outperforming the local markets. TNI has continuously outperformed the local index mainly due to its strong market knowledge, in-house proprietary research and its ability to actively trade the market (Figure 2).

FIGURE 2

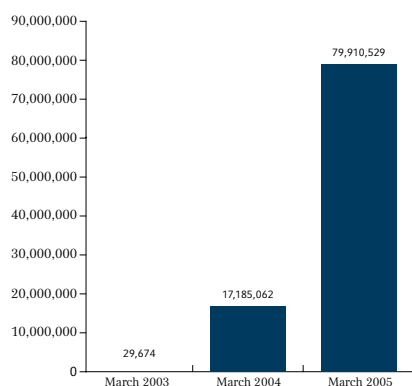
Portfolio Performance





To leverage its unique investment track record, the firm has launched the TNI Blue Chip Listed Equity Fund, an open-ended fund designed to give investors exposure to the UAE equity markets. Central to the firm's strategy of building strong and predictable earning streams is the growth of our Asset Management division. TNI is in the process of launching a number of funds in the coming months designed to provide our investors with exposure to the local and international markets. A summary of our portfolio management revenues is shown in Figure 3.

FIGURE 3
Portfolio Management Revenues



Our Private Equity division has performed well this year with our portfolio companies turning around the corner and registering a profit. We have acquired stakes in several promising businesses which will contribute significant earnings to our bottom line in the future. As our portfolio companies mature and

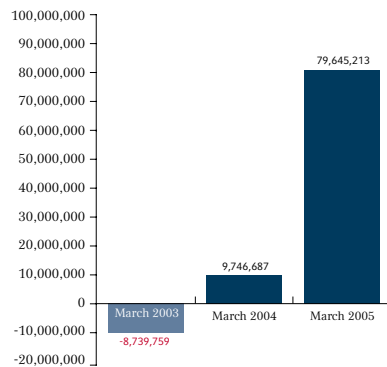
demonstrate stronger profitability, we expect to realise more and more exits. This year saw the floatation of ALDAR Properties in a world-record breaking IPO, raising over AED 370 billion in investor demand. In the coming financial year, ALDAR Properties will acquire ADDAR LLC, a company co-founded by The National Investor with Mubadala Development Corporation, Abu Dhabi Investment Company and other investors; the financial impact of this transaction will be registered in 2005/06. We expect another major exit in 2005/06 which will further contribute to our Private Equity profitability as shown in Figure 4.

FIGURE 4
Private Equity Revenues



TNI's excellence and leadership in private equity was recognised on May 17th, 2005 as the firm was awarded the "Best Private Equity House in the Middle East" by Banker Middle East magazine.

FIGURE 5
Net Profit (Loss)



This year saw the launch of a new Real Estate division which will be engaged in both real estate investment banking and asset management activities. TNI realises that real estate is a backbone of the UAE economy and there will be a tremendous amount of activity in this sector, especially in the recently liberalised Abu Dhabi Emirate. The firm has already secured a number of prestigious real estate investment banking mandates including the Al Srouh AED 2.5 billion IPO, the largest in the history of the country, and the recently completed ALDAR Properties AED 1.5 billion IPO. TNI is the only investment bank in the UAE with a fully dedicated real estate investment banking team. In addition, the firm has launched or is launching a number of real estate related investment products, including the Emirates Real Estate Fund, the first real estate fund to be launched in the UAE. As real estate activities increase in the Emirates and in particular in Abu Dhabi, we expect the Real Estate division to contribute more and more to our bottom line.

With our Investment Banking, Private Equity, Asset Management and Real Estate divisions all performing



in high gear, TNI is enjoying a record year of well-diversified and strong earnings. The net income of the past 3 years is shown in Figure 5.

The growth in assets and shareholders' equity over the last 3 years are shown in Figures 6 & 7. The growth in equity is due to both improved retained earnings and the recent AED 123 million capital increase.

FIGURE 6
Total Assets at Year-End

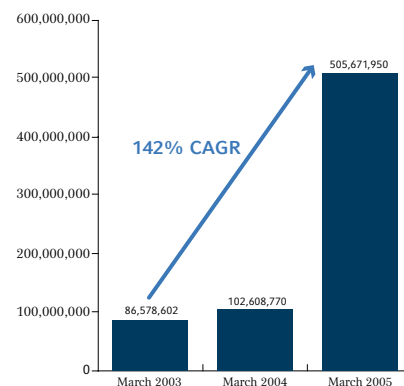
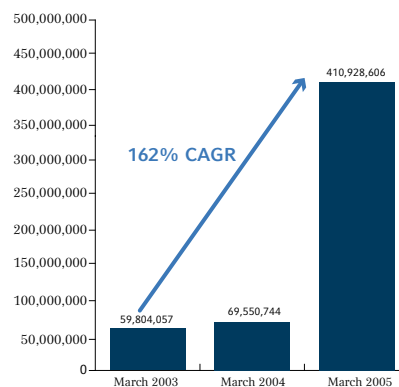


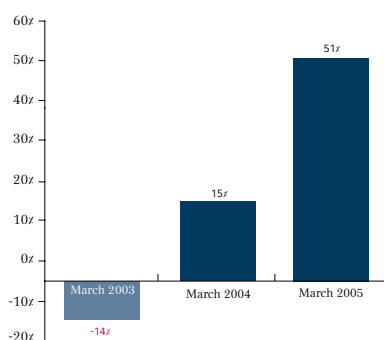
FIGURE 7
Shareholders' Equity at Year-End





The record earnings translate into a strong return on equity for our shareholders as shown in Figure 8.

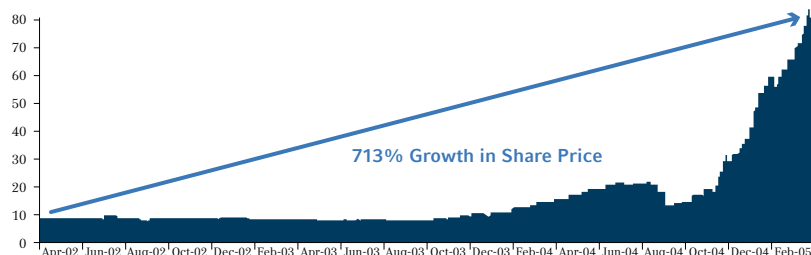
FIGURE 8
**Return on Time-Weighted
Shareholders' Equity**



Last but not least, TNI's strong performance is reflected in the extraordinary surge of its share price (traded over the counter – share split adjusted) as shown in Figure 9.

In summary, we are very proud to say that we have been successful in achieving the goals we set out to accomplish three and a half years ago, with the current year proving to be a year of exceeding achievements. As intended in our original mission statement, The National Investor is today firmly positioned as one of the most dynamic, progressive and profitable investment banks in the Gulf. The grounds which we have laid in the past have shaped a strong foundation to build upon in the future.

FIGURE 9
TNI Stock Performance
(Over the Counter – Share Split Adjusted)



All of these achievements would not have been possible without the extraordinary dedication of our employees. TNI today has the largest and most respected investment banking team in the UAE.

We are very proud of their contribution and recognise that our employees are our single most important asset.

The contribution and guidance of our Board of Directors have been equally invaluable and are an integral part of our success. Last but not least, we are thankful for the unwavering support of our shareholders and their strong belief in The National Investor throughout the years.

Dr. Karim El Solh
CHIEF EXECUTIVE OFFICER

10 Years of Leading Market Presence in the UAE



1994
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A decade of pioneering performance

2005 will mark the 10th anniversary of The National Investor. Since it started operations in 1995, The National Investor has become instrumental in shaping the capital

markets of the UAE. It has done so by offering a myriad of investment choices through its investment banking, private equity and asset management operations. Today, The National Investor is the number one in lead managing IPOs and provides intelligent capital using its unique 'money and know how' merchant banking model.

"Our commitment to the United Arab Emirates and our Shareholders spans over a full decade and is as solid as the ground we stand upon."

Thanks to its commitment, both markets and Company continue to grow. The National Investor has

established a real estate division to capitalise on the anticipation growth of the Abu Dhabi real estate market, while both bourses continue to flourish. With further growth anticipated it will come as no surprise that The National Investor will be in the vanguard of the markets' development.

To commemorate the company's 10th anniversary, The National Investor will be running a contact programme that will engage its key stakeholders through a series of events and activities. These will take place between now and April 2006.

1994

A DECADE OF
PIONEERING

2004

PERFORMANCE

TNI

1995

Lead Manager for
Abu Dhabi Ship Building
IPO – 5 times
oversubscribed

Established Gulf Energy
Systems (GES) – Private
Equity Investment

1997

Joint Lead Manager for
Abu Dhabi Islamic Bank
IPO – 19 times
oversubscribed



Established National
Inspection Company
(NIC) – Private Equity
Investment

Lead Manager for Oasis
International Leasing Co.
IPO

Lead Manager for
Manasek
IPO – 6 times
oversubscribed

Lead Manager for Asmak
IPO – 4.5 times
oversubscribed



1999

Launch of new strategy to
become an Investment
Company

2002

Launch of Emirates Real
Estate Fund

Appointed as Advisor for
Tabreed on
recapitalisation and
future financing options

2003

Sole Advisor and Arranger
Lead Manager for Tabreed
Islamic Sukuk

Appointed as Financial
Advisor on a private
acquisition for Tabreed



1996

Capital Increase to 35 million


Established NIPMC (Colliers) – Private Equity Investment

Appointed as Financial Advisor to UAE Offsets Group

1998

Capital Increase to 77 million

Lead Manager for Tabreed IPO – 4.5 times oversubscribed



Appointed as Advisor for Tabreed on the acquisition of GES

2000

Established NAS – Equity Investment

Licensed by UAE Central Bank as Investment Company

2001

New Corporate Identity

Lead Manager for a Petro-Chemical Manufacturer Private Placement

Joint Lead Manager for The Finance House IPO – 75 times oversubscribed



2004

Joint Lead Manager for ALDAR IPO – 448 times oversubscribed



TNI

"TNI is ranked as a leading arranger of public share offerings with total transaction value exceeding AED 8.6 billion."



Company Overview

With more than a decade of stellar performance, The National Investor ranks amongst the region's finest advisory and management organisations.

The National Investor (TNI) is a leading UAE Investment Company with proven expertise spanning the spheres of investment banking, asset management, private equity and real estate. The National Investor is one of the region's most trusted and reputed financial entities and is backed by over 85 shareholders who come from the highest echelons of the business and political community.

Offering a comprehensive range of services to corporate and private clients alike, TNI fields a strong and experienced team of analysts, consultants and strategists. With a proven track record across all its services, TNI is ranked as a leading arranger of public share offerings with total transaction value exceeding AED 8.6 billion.

Some of TNI's recent IPOs have broken regional as well as international records. As regional growth gathers momentum, TNI is the partner of choice for clients who value professionalism, insight and expertise.

History

The National Investor was founded in 1994 as a private joint stock company registered in the Emirate of Abu Dhabi and wholly owned by UAE nationals.

Since its incorporation, TNI has grown by implementing four capital increases for a total current capital of AED 500 million and increasing its shareholder base from 10 to 85. In late 1999, the Company developed and began to implement a new

business strategy in response to market conditions and based on in-house research that indicated future growth in the demand for capital market financial products and services in the UAE.

TNI realised the near-term objective of the new business strategy to become a fully-fledged investment banking firm with the launch of the first open-ended Fund called the TNI UAE Blue Chip Fund. The fund achieved tremendous success and raised AED 200 million from reputable institutions in 3 weeks demonstrating the value and trust earned by TNI in this market. Now in possession of a full-fledged Asset Management Department, TNI soon plans to introduce further innovative products to provide clients with better choice and diversification.

Profile

With more than a decade of stellar performance, The National Investor ranks amongst the region's finest advisory and management organisations. One of TNI's key strengths is its ability to offer clients both consultancy as well as complete turnkey solutions across a broad range of services and requirements.

From investment banking and asset management to private equity and real estate, TNI can leverage its strategic and analytical expertise on the one hand, and its proven management and execution skills on the other. This unique blend of services results in closer client relationships, swifter implementation and more control throughout the lifecycle of a transaction or project.



The National Investor focuses on delivering consistently solid results in line with its growing reputation as a regional leader. As the financial environment evolves, both regionally and globally, TNI's goal stays constant... guiding its clients towards success.

Team

The National Investor leverages the extensive experience and skill of a highly professional team of consultants, analysts, managers and other associates. TNI's team combines more than 100 years of complex transaction experience and involvement with over US\$ 37 billion of transactions in domestic, regional and international environments.

The National Investor's senior and top management have emphasised professionalism, integrity, respect and commitment to international standards from its very inception. The firm believes in maintaining a passion for excellence, professionalism and innovation.

Investment Banking

The National Investor has the enviable reputation of having lead managed or co-managed the largest number of public offerings in the region and is considered one of the most reliable arrangers of IPOs.

Through its extensive contacts with leading regional and multinational investors, TNI also specialises in private offerings targeted at a specific range of



"TNI's team combines more than 100 years of complex transaction experience and involvement with over US\$ 37 billion of transactions."



high-net-worth individuals and institutions by providing effective and discreet private capital sources. TNI's expertise in this area extends to:

- Private and Public Offerings
- Buyouts and Leveraged Buyouts
- Corporate Restructuring
- Mergers and Acquisitions
- Securitisation
- Sharia Compliant Finance
- Bond and Debt Offerings

Asset Management

The National Investor has regional and international investment capabilities in all major asset classes including equities, fixed income and real estate funds as well as alternative investments. TNI's offerings are tailored to meet individual and institutional requirements and through a strategic network of international partners, it is able to provide the region's most comprehensive array of international products in terms of risk factors as well as yield. TNI's specialisations in this area include:

- Real Estate Funds
- Private Equity Funds
- Listed Equities Funds
- Cash Management Funds
- Global Asset Allocation Products

Private Equity

A reputation built on reliability and unsurpassed profitability enables TNI to provide financial structure advisory and equity allocation services throughout the

breadth of the private equity industry. TNI's position as a leading arranger of public offerings and its equity placement expertise allows it to further provide enhanced financial services throughout the depth and breadth of the capital structure including debt and equity placements. TNI's focus in this area includes:

- Senior Debt
- Mezzanine Finance
- Structured Equity Investments
- Venture Capital
- Growth Capital

Real Estate

The National Investor provides financial structuring and advisory services to an array of Real Estate ventures and acts as a managerial partner with the additional capacity to fund and generate capital for the restructuring and re-capitalisation of existing business models to ensure efficiency in all operations and maintain consistency across all business strategies. In association with Colliers International, TNI provides optimised returns on investments. TNI's activities in this area include:

- Real Estate Asset Management
- Corporate Real Estate Advisory
- Structuring of Financial Models
- Capital and Principal Investments

TNI Staff

MERCHANT BANKING



KHALED H. FOUAD
Senior Vice President



ORHAN S. OSMANSOY
Director



RAMI TOUMA, CPA, CFA
Vice President



SYED FARHAN ZAIDI
Vice President



AMRO NAHAS
Vice President



SAMI CARACAND
Senior Associate



WASSIM MUKAHHAL

Analyst

RIZWAN A. CHOWDHARI

Associate



ASSET MANAGEMENT



WALID A. HAYECK

Vice President

SARA I. MOHAMED

Vice President



REAL ESTATE



LICHA ABDULLAH

Analyst

EMILE HABIB

Managing Director



LOCAL PORTFOLIO



ZEID SHELLEH

Research Analyst

DERAR SALEH

Portfolio Manager



TNI Staff (continued)

ADMINISTRATION



NATALIE COBOURNE
Personal Assistant to CEO



NIDA'A ABU JBARA
Administration and Personnel Manager



RANA HAMZE
Administrative Assistant



FATIMA AL HAMMADI
Administrative Assistant



MOHAMMAD ARAFEH
PR Officer



ABDULLAH AL ZOUBI
PR Manager

LEGAL



THAER Y. AMRO
Legal Counsel



JANET SHAKIBA
Chief Legal Counsel

ACCOUNTS



JOSEPH FARIAS
Senior Accountant



JEAN AYOUB
Chief Financial Officer



USHA RANGARAJAN
Accountant



DALILA DIAS
Accountant

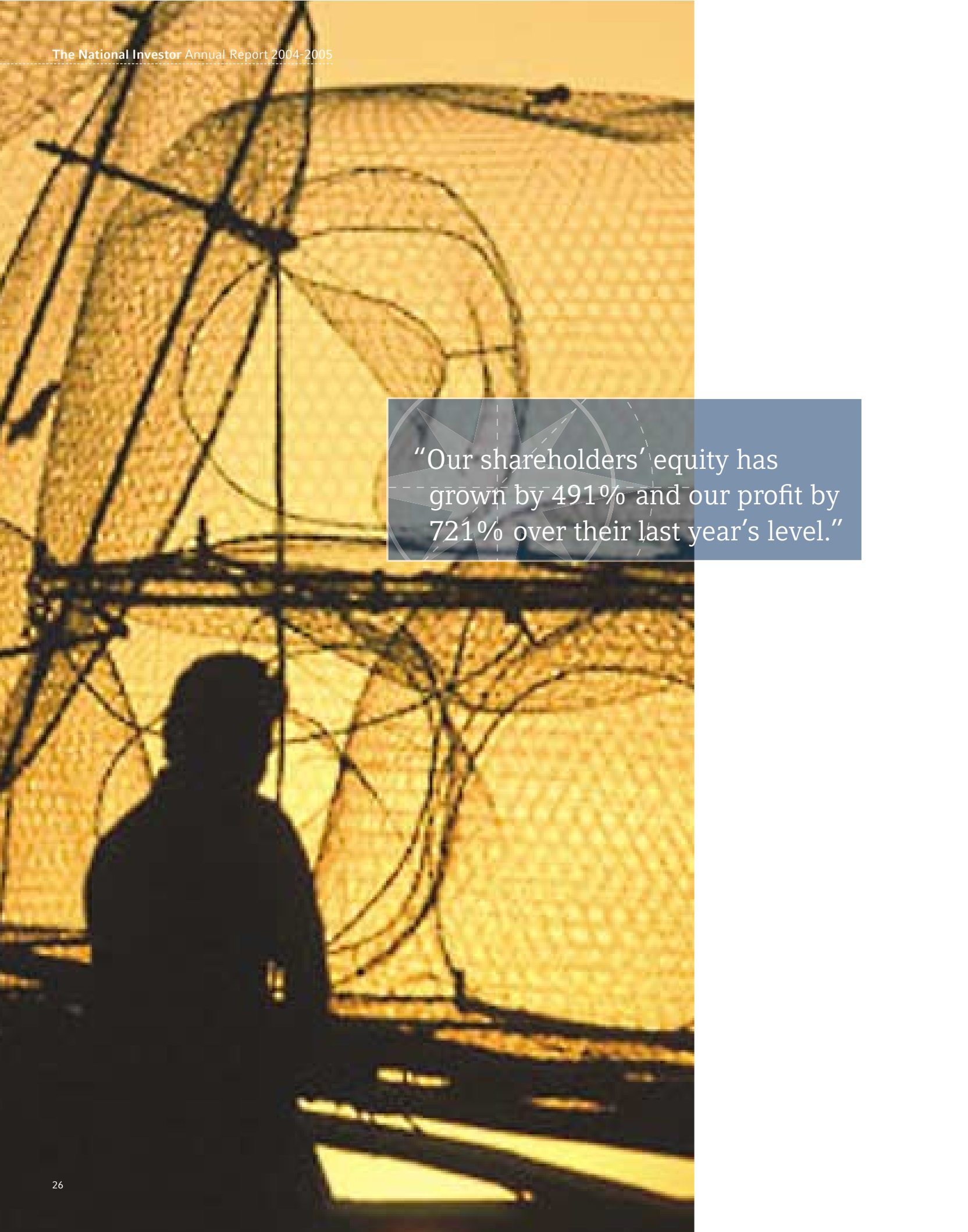
OPERATION



PRISCILLA NORONHA
Operation Officer



ARINDAM BOSE
Operation Officer



"Our shareholders' equity has grown by 491% and our profit by 721% over their last year's level."

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Report of the Auditors



The Shareholders
The National Investor PrJSC

Report of the Auditors

We have audited the accompanying consolidated balance sheet of The National Investor PrJSC and its subsidiaries (collectively referred to as "the Company") as of 31 March 2005 and the related consolidated statements of income, cash flows and changes in equity for the year then ended.

Respective responsibilities of the Company's Management and the Auditors

These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of 31 March 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply, where appropriate, with the Articles of Association and the Federal Law No. 8 of 1984 (as amended).

Other matters

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, that proper financial records have been kept by the Company and the content of the Directors' Report which relates to the consolidated financial statements is in agreement with the Company'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 March 2005, which may have had a material financial adverse effect on the business of the Company or its financial position.

A handwritten signature in black ink, appearing to read 'Munther Dajani'.

KPMG
Munther Dajani
Registration No. 268

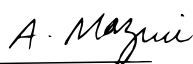
Abu Dhabi
26 April 2005

Consolidated Balance Sheet

as at 31 March 2005

	Notes	2005 AED	2004 AED
ASSETS			
Cash and balances with banks	6	34,969,286	37,947,271
Investments held for trading	7	90,499,891	40,016,636
Investments available for sale	7	208,869,463	14,175,000
Investment in associates	8	2,100,000	2,242,645
Investments in financial asset at fair value through income statement	7	4,526,714	5,080,463
Premises and equipment	10	1,377,474	513,170
Other assets	11	163,329,122	2,633,585
Total assets		505,671,950	102,608,770
LIABILITIES, EQUITY AND MINORITY INTEREST			
LIABILITIES			
Loans and overdrafts	12	74,174,960	25,653,871
Other liabilities	13	19,677,695	7,382,528
Total liabilities		93,852,655	33,036,399
EQUITY			
Share capital	14	200,000,000	77,000,000
Legal reserve	15	11,455,767	3,470,103
Statutory reserve	16	10,342,161	2,471,885
Revaluation reserve		141,762,500	-
Retained earnings / (accumulated losses)		17,368,178	(13,391,244)
Proposed dividends		30,000,000	-
Total equity		410,928,606	69,550,744
Minority interest		890,689	21,627
Total liabilities, Equity and minority interest		505,671,950	102,608,770

These consolidated financial statements were approved on 26 April 2005 by



Abdulla Mohamad Al Mazroui

CHAIRMAN



Dr. Karim El Solh

CHIEF EXECUTIVE OFFICER

Consolidated Income Statement

for the year ended 31 March 2005

	Notes	2005 AED	2004 AED
Income			
Income from trading securities	4	79,895,764	16,995,121
Investment banking and fee income		30,055,364	7,245,425
Gain on financial asset at fair value through income statement		573,037	80,463
Interest income		908,689	271,671
Other income		1,149,720	60,309
Total income		112,582,574	24,652,989
Expenses			
Investment costs	5	(11,812,398)	(6,170,261)
Staff costs		(16,663,811)	(6,079,259)
Other operating expenses		(4,039,698)	(2,489,580)
Depreciation		(624,530)	(163,487)
Total expenses		(33,140,437)	(14,902,587)
Net profit before minority interest		79,442,137	9,750,402
Minority interest		203,077	(3,715)
Net profit for the year		79,645,214	9,746,687

Statement of Changes in Equity

for the year ended 31 March 2005

	Share capital AED	Legal reserve AED	Statutory reserve AED	Revaluation reserve AED	Proposed dividends AED	Accumulated (losses) / profit AED	Total AED
1 April 2003	77,000,000	2,477,200	1,478,982	-	-	(21,152,125)	59,804,057
Net profit for the year	-	-	-	-	-	9,746,687	9,746,687
Transferred to legal reserve	-	992,903	-	-	-	(992,903)	-
Transferred to statutory reserve	-	-	992,903	-	-	(992,903)	-
At 31 March 2004	77,000,000	3,470,103	2,471,885	-	-	(13,391,244)	69,550,744
1 April 2004	77,000,000	3,470,103	2,471,885	-	-	(13,391,244)	69,550,744
Increase in share capital	123,000,000	-	-	-	-	-	123,000,000
Net profit for the year	-	-	-	-	-	79,645,214	79,645,214
Directors' remuneration	-	-	-	-	-	(3,029,852)	(3,029,852)
Transferred to legal reserve	-	7,985,664	-	-	-	(7,985,664)	-
Transferred to statutory reserve	-	-	7,870,276	-	-	(7,870,276)	-
Unrealised gains on available for sale investments	-	-	-	143,037,500	-	-	143,037,500
Realised gains on available for sale investments transferred to income statement	-	-	-	(1,275,000)	-	-	(1,275,000)
Proposed dividends	-	-	-	-	30,000,000	(30,000,000)	-
At 31 March 2005	200,000,000	11,455,767	10,342,161	141,762,500	30,000,000	17,368,178	410,928,606

Consolidated Statement of Cash Flows

for the year ended 31 March 2005

	2005 AED	2004 AED
Operating activities		
Net profit for the year before minority interest	79,442,137	9,750,402
<i>Adjustments for:</i>		
Depreciation	624,529	171,434
Provision for impairment of investments in and loans to subsidiaries	-	2,615,187
Provision for impairment of long-term loan	85,609	590,702
Reversal of impairment	(1,115,902)	
Share of profit loss in associates	-	(131,103)
Interest income	(908,689)	(271,671)
Interest expense	1,747,732	347,900
Loss on sale of premises and equipment	30,580	-
Operating profit before changes in working capital	79,905,996	13,072,851
(Increase) / decrease in investments held for trading	(50,483,255)	9,650,774
Decrease / (increase) in financial asset through income statement	553,749	(5,000,000)
(Increase) / decrease in other assets	(160,695,537)	475,550
Increase in other liabilities (net)	10,215,315	5,574,088
Increase in provision for staff terminal benefits	480,910	51,549
Payment for end of service benefits	(106,952)	-
Net cash flows (used in)/ from operating activities	(120,129,774)	23,824,812
Investing activities		
Purchase of investments - available for sale	(50,292,000)	(14,175,000)
Investment in associate	(2,100,000)	-
Purchase of premises and equipment	(1,196,360)	(458,363)
Net proceeds from sale of premises and equipment	1,970	-
Net cash flows used in investing activities	(53,586,390)	(14,633,363)
Financing activities		
Increase in share capital	123,000,000	-
Loans to a subsidiary	(85,609)	(369,147)
Repayment of loans to a subsidiary	(654,500)	(772,770)
Interest paid	(1,747,732)	(347,900)
Interest income	908,689	271,671
Funds borrowed	49,317,331	-
Net cash flows from / (used in) financing activities	170,738,179	(1,218,146)
(Decrease) / increase in cash and cash equivalents	(2,977,985)	7,973,303
Cash and cash equivalents at beginning of the year	12,947,271	4,973,968
Cash and cash equivalents at end of the year (Note 6)	9,969,286	12,947,271

Notes to the Consolidated Financial Statements

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

The National Investor PrJSC (referred to as “The National Investor”) is registered in the United Arab Emirates as a Private Joint Stock Company (PrJSC) pursuant to the UAE Commercial Companies Law No.8 of 1984 (as amended). The principal activities of The National Investor are investment in venture capital and other investments for both trading and long term investment purposes, the provision of consultancy and administrative services and representing companies and agencies.

During the year ended 31 March 2001, The National Investor received the United Arab Emirates (UAE) Central Bank approval to conduct financial investment business as an investment company in accordance with the Central Bank’s Board of Directors’ Resolution No. 164/8/94 dated 18 April 1995 regarding the regulations for investment companies and banking and investment consultation companies.

The National Investor and its subsidiaries (collectively referred to as “the Company”) operate in the UAE. The Company employed 79 employees as of 31 March 2005 (31 March 2004: 26).

2 EARLY ADOPTION OF THE AMENDED IAS 39

Effective 1 April 2004, the Company early adopted the amended International Accounting Standard No 39 “Financial Instrument: Recognition and Measurement” as permitted by the Standard. As a result, unrealised gains and losses on investments available for sale are now taken to equity in accordance with the requirements of the Standard. Previously, the Company used to account for realised and unrealised gains and losses on investments available for sale in the consolidated income statements.

Additionally, the Company reclassified its investment in the Emirates Real Estate Fund to ‘investments in financial asset at fair value through income statement’. Valuation differences are accounted for in the consolidated income statement as in the previous years.

3 SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and the requirements of the UAE Federal Law No. 8 of 1984 (as amended).

b) Basis of preparation

These consolidated financial statements are presented in UAE Dirhams (“AED”) and are prepared on the historical cost basis except for investments held for trading, investments available-for-sale and investments in financial asset at fair value through income statement which are stated at fair value. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year except as disclosed in Note 2 above.

c) Basis of consolidation

i Subsidiaries

Subsidiaries are those enterprises controlled by The National Investor. Control exists when The National Investor has

Notes to the Consolidated Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 commences until the date that control ceases.

ii Associates

Associates are those enterprises in which The National Investor has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include The National Investor's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When The National Investor's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that The National Investor has incurred obligations in respect of the associate.

iii Jointly controlled operations

Jointly controlled operations are those operations that involve the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. The joint agreement usually provides a means by which the revenue from the joint contract and any expenses incurred in common are shared among the venturers. The consolidated financial statements include The National Investor's proportionate share of the assets, liabilities, revenue and expenses with items of a similar nature on a line by line basis based on unaudited management accounts of the jointly controlled operation from the date that joint control commences until the date that joint control ceases.

iv Transactions eliminated on consolidation

Intra-company balances and transactions, and any unrealised gains arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

d) Premises and equipment and depreciation

Premises and equipment are stated at historical cost less accumulated depreciation less impairment losses, if any. Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of items of premises and equipment as follows:

	Years
Leasehold improvements	3 to 4 years
Furniture and fixtures	3 to 4 years
Office equipment	3 to 4 years
Motor vehicles	3 to 5 years

e) Financial instruments

i Classification

Financial assets held for trading are those that the Company principally holds for the purpose of short-term profit taking.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the Company, or held to maturity.

Financial assets at fair value through income statement is a financial asset that is classified as held for trading or upon initial recognition is designated by the entity at fair value through consolidated income statement.

ii Recognition

The Company recognises financial assets held for trading, financial assets at fair value through consolidated income statement and available-for-sale assets on the date it commits to purchase the assets.

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered.

Available-for-sale assets, financial assets at fair value through income statement and assets held for trading that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Company commits to sell the assets.

The Company uses the weighted average method to determine the gain or loss on derecognition.

iii Measurement

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all trading instruments, financial instruments at fair value through consolidated income statement and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

iv Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques, as applicable.

v Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial assets at fair value through consolidated income statement and trading instruments are recognised directly in the consolidated income statement.

Investments available-for-sale are measured at fair value at the balance sheet date, with unrealised gain or loss reported as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement.

Notes to the Consolidated Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment

The Company's financial assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized, in the consolidated income statement, whenever the carrying amount of an asset exceeds its recoverable amount.

g) Staff terminal benefits

The provision for staff terminal benefits is made in accordance with the UAE Labour Law and the Company's policy for senior expatriate employees and is determined as the liability that would arise if the employment of all staff were terminated at the consolidated balance sheet date.

h) Foreign currency transactions

Transactions denominated in foreign currencies are translated into UAE Dirhams and recorded at rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into UAE Dirhams at the exchange rate ruling on the consolidated balance sheet date. The related foreign exchange gains or losses are included in the consolidated income statement.

i) Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash and bank balances and short term deposits.

j) Revenue recognition

i Fees and commission

Fees and commission represents the income earned for financial services provided by the Company and its subsidiaries during the year and are recognised on an accrual basis when the services are rendered and no significant uncertainties remain regarding the recovery of consideration due.

ii Dividend income

Dividend income is recognised when the Company's right to receive the payment is established.

4 INCOME FROM TRADING SECURITIES

	2005 AED	2004 AED
Gain on trading securities	27,326,314	10,486,825
Unrealized gain on trading securities	51,222,482	5,784,285
Dividend income	1,346,968	724,011
	79,895,764	16,995,121

5 INVESTMENT COSTS

Included in investment costs are interest expense amounting to AED 1,747,732 (2004: AED 347,900)

6 CASH AND BALANCES WITH BANK

Cash and balances with banks include bank deposits amounting to AED 8,900,476 (2004: AED 12,186,283). These deposits are held with banks registered in the UAE and carry effective interest rate of approximately 1 - 1.7 % (2004: 1.25%).

The Bank balances also include a term deposit of AED 25,000,000 pledged in favour of the Central Bank of the UAE for authorizing the Company to conduct financial investment business as an investment company. The deposit earns interest at time deposit rates. The Bank has a secondary charge / lien on the deposit with the primary pledge in favour of the Central Bank of the UAE.

A term loan for a similar amount has been taken from the same bank. The loan carries interest payable monthly at a rate of 0.75% over the time deposit rate and is repayable in a single tranche as and when the bank receives intimation from the Central Bank of the UAE that the bank no longer needs to maintain such deposit in the Company's name.

For the purpose of preparing the cash flow statement, the term deposit amounting to AED 25,000,000 has been excluded from the cash and cash equivalents balance.

7 INVESTMENTS

Investments available-for-sale, financial investments at fair value through consolidated income statement and investments held for trading comprise investments in equity securities in the UAE.

Included in investments available for sale is an amount of AED 199,982,000 representing the fair value of shares held by the Company as a founder member as at year end. These shares cannot be sold before 2 years from the date of incorporation of the respective company, unless sold to another founder member. Also included is an amount of AED 1,887,463 representing the fair value of investment in ADDAR Real Estate Services LLC which the Company intends to sell in the near future.

Included in investment in a financial asset through income statement is the investment in the Emirates Real Estate Fund ("the Fund") representing investment of 50,000 units in the Fund amounting to AED 5 million amounting to approximately 11% share in the Fund. The Company is also acting as a Fund Manager whereby all transactions of the Fund are entered in the name of The National Investor – on behalf of Emirates Real Estate Fund. The Company provides administration, accounting, secretarial and registrar services for the Fund and earns a management and administration fee calculated at 2% per annum of the net asset value of the Fund. This fee income is included under investment banking and fee income in the consolidated income statement. The Directors believe that such an arrangement would not expose the Company to liabilities relating to the Fund's affairs.

As at the year end, the Fund had total assets and liabilities amounting to approximately AED 52,696,955 and AED 11,915,748 respectively. During the year ended 31 March 2005, the Fund earned a net profit of approximately AED 3,242,867.

Out of the total investments, shares amounting to AED 54,806,421 have been pledged against bank facilities.

Notes to the Consolidated Financial Statements

8 INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

	2005 AED	2004 AED
Investments in associates (i)	2,100,000	2,242,645
Investments in subsidiaries (ii)	-	-

i Investments in associates comprise the following:

	Country of incorporation	Percentage of holding	
		2005	2004
Gulf National Securities Center LLC*	UAE	35%	Nil
ADDAR Real Estate Services LLC**	UAE	15%	15%

* This Company was established during the year and was not operational as at year end. Accordingly, it has been accounted for at cost.

** The investment in ADDAR Real Estate LLC has been reclassified to investments available for sale as the Company intends to sell the investment in the near future.

ii Investments in subsidiaries comprise the following:

	Country of incorporation	Percentage of holding	
		2005	2004
National Investor Property Management Company LLC	UAE	100%	100%
National Science and Technology Company LLC	UAE	60%	60%
NAS Administration Services LLC ("NAS")	UAE	51%	51%
NextCare Global FZ LLC	UAE	51%	51%

National Investor Property Management Company LLC ("NIPMC") was registered on 2 October 1996 and commenced its commercial activities in that month. NIPMC is engaged in marketing, promoting and delivering property management, advisory and brokerage services.

National Science and Technology Company LLC was registered on 18 July 1996 and commenced its commercial activities in October 1997 and is presently dormant.

NextCare Administration Services LLC was formed in the year 2002 as an investment vehicle to facilitate the participation of UAE investors in NextCare Global FZ LLC ("NextCare").

Management believes that control over NextCare is intended to be temporary as NextCare is currently dormant and will be liquidated once certain outstanding legal issues with the initial promoters have been resolved. In the previous year, both NAS and NextCare were accounted for using the equity method of accounting. In the current year,

the management has decided to consolidate NAS into the Company's financial statements due to change in the circumstances.

The investments in NextCare have been accounted for using the equity method after recording 100% impairment provisions resulting in a net investment of nil as at the balance sheet date.

The loans to NextCare and from NAS are interest free with no specific maturity.

The investment in NextCare is as follows:

	2005 AED	2004 AED
Balance at 1 April	2,246,040	2,246,040
Transferred during the year	-	-
Less: provision for impairment	(2,246,040)	(2,246,040)
Balance at 31 March	-	-

9 LOANS TO AND FROM SUBSIDIARIES

i Loan to NextCare Global FZ LLC is as follows:

	2005 AED	2004 AED
Balance at 1 April	4,342,197	3,973,050
Advanced during the year	85,609	369,147
Gross value of loan	4,427,806	4,342,197
Less: provision for impairment	(4,427,806)	(4,342,197)
Balance at 31 March	-	-

ii Loan from NAS Administration Services LLC

	2005 AED	2004 AED
Balance at 1 April	-	-
Transferred during the year	-	2,246,040
Repaid during the year	-	(772,770)
Adjustment of loan to NAS in the previous year	-	(819,399)
Balance at 31 March	-	653,871

NAS Administration Services LLC has been consolidated in the current year. The loan has been fully adjusted during the year.

10. PREMISES AND EQUIPMENT

Details of premises and equipment are set out in Schedule I on page 43.

Notes to the Consolidated Financial Statements

11. OTHER ASSETS

	2005 AED	2004 AED
Receivables	21,936,381	1,739,955
Due from related parties	52,583	227,408
Prepaid expenses	818,514	419,143
Due from employees	962,687	395,035
Others	139,558,957	267,854
	163,329,122	3,049,395
Less: provision for doubtful receivables	-	(415,810)
	163,329,122	2,633,585

Included in others is an amount of AED 138 million representing investment in the initial public offering of a company under formation, which was not yet allotted as at year end.

12. LOANS AND OVERDRAFTS

Loans and overdrafts comprise the following:

	2005 AED	2004 AED
Overdraft	49,174,960	653,871
Term loan	25,000,000	25,000,000
	74,174,960	25,653,871

The Company has an outstanding overdraft amounting to AED 202,843,035 obtained from a commercial bank to subscribe to an initial public offering of a company under formation. The overdraft balance has been offset against the refund receivable from the company following the allotment of the subscribed shares.

13. OTHER LIABILITIES

	2005 AED	2004 AED
Payables	6,939,345	6,015,270
Accrued expenses	11,186,634	299,000
Provision for end of service benefits	1,551,716	1,068,258
	19,677,695	7,382,528

14. SHARE CAPITAL

	2005 AED	2004 AED
Authorised, issued and paid up:		
2,000,000 shares of AED 100 each (2004: 770,000 shares)	200,000,000	77,000,000

15. LEGAL RESERVE

As required by the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the

Company and its subsidiaries, 10% of the profit for the year must be transferred to legal reserve. The Company and its subsidiaries may resolve to discontinue such transfers when the reserve equals 50% of the share capital. The legal reserve is not available for distribution.

16. STATUTORY RESERVE

In accordance with the Company's Articles of Association, 10% of the profit for the Company shall be transferred to a statutory reserve.

The Company may resolve to discontinue such transfers when the 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.

17. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the Company, Directors and those enterprises over which the Company, Directors and those other enterprises can exercise significant influence or can be significantly influenced by these entities.

Significant transactions with related parties were as follows:

	2005 AED	2004 AED
Income earned from a related party	54,000	72,000
Fee earned from a related party	651,296	424,077
Board of directors remuneration	3,029,852	-

Included in investments held for trading are investments amounting to AED 14,040,000, which are held in the name of a director of the Company beneficially on behalf of the Company.

18. ASSETS IN TRUST

The Company is holding the following in its name in trust for related parties:

	2005 AED	2004 AED
Shares (at market value)	86,051,000	-
Bank accounts	3,030,000	-

The above assets have not been reflected in these consolidated financial statements.

19. COMMITMENTS AND CONTINGENCIES

	2005 AED	2004 AED
Bank guarantees	5,000,000	-
Corporate guarantee	4,500,000	-

Notes to the Consolidated Financial Statements

The Company is committed to contribute AED 3,649,000 into the capital of an associate company under formation. (2004: AED Nil)

There were no significant capital commitments outstanding as at the year end (2004: AED Nil).

20. FINANCIAL INSTRUMENTS

Financial assets of the Company include investments, receivables, loans, deposits and cash and bank balances. Financial liabilities of the Company include payables and accruals and term loans.

Interest rate risk

Interest on term loan is charged at 0.75% above the term deposit rate. Terms of repayment of the loan is disclosed in note 6 of the consolidated financial statements. The overdrafts bear interest at prevailing banking rates.

Credit risk

Cash is placed with commercial banks with credit risk acceptable to the management. Credit risk on net receivables is limited, as they are considered to be recoverable.

Market Risk

All investments available-for-sale, financial investments at fair value through income statement and investments held for trading instruments are subject to market risk; the risk that future changes in market conditions may make an instrument less valuable. The instruments are recognised at fair value, and all changes in market conditions directly affect the consolidated income statement except for the investments available for sale where changes in market value are recognized in equity.

Foreign exchange risk

The Company's transactions are principally in US Dollars and UAE Dirhams. The rate of exchange of the UAE Dirham is pegged to the US Dollar.

Fair value

The fair values of consolidated financial instruments are not materially different from their carrying amounts.

21 COMPARATIVE FIGURES

Certain comparative figures have been reclassified, where necessary, to conform with the presentation adopted in these consolidated financial statements.

Schedule 1

Premises and equipment

	Leasehold improvements AED	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Total AED
Cost					
At 1 April 2004	303,328	378,573	682,669	88,000	1,452,570
Transfers in	32,235	61,300	722,997	-	816,532
Additions	126,626	107,979	909,255	52,500	1,196,360
Write offs	(16,500)	-	(181,288)	-	(197,788)
At 31 March 2005	445,689	547,852	2,133,633	140,500	3,267,674
Depreciation					
At 1 April 2004	32,890	362,207	498,665	45,639	939,401
Transfers in	14,469	26,084	450,955	-	491,508
Charge for the year	127,498	47,622	415,955	33,455	624,530
Write offs	(8,990)	-	(156,249)	-	(165,239)
At 31 March 2005	165,867	435,913	1,209,326	79,094	1,890,200
Net carrying amount					
At 31 March 2005	279,822	111,939	924,307	61,406	1,377,474
At 31 March 2004	270,438	16,366	184,005	42,361	513,170

(Note: Transfers in represent additions on account of consolidation of NAS in the current year which was not consolidated in the previous year)