tni annual report 2010–11

المستثمر الوطني
The National Investor

«abu dhabi is
becoming justifiably
renowned as a hub
of progress.
you have brought
remarkable wealth
from the desert
sands, and used it
to create a vibrant
modern nation.»

ban ki-moon
secretary general of the united nations
world future energy summit, abu dhabi, 2011

HH Sheikh
Zayed bin Sultan Al Nahyan

Late President of the United Arab Emirates

HH Sheikh
Khalifa bin Zayed Al Nahyan

President of the United Arab Emirates
and Ruler of Abu Dhabi

HH Sheikh
Mohammed bin Rashid Al Maktoum

Vice President of the United Arab Emirates,
Prime Minister and Ruler of Dubai

HH General Sheikh
Mohamed bin Zayed Al Nahyan

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

sheikh zayed mosque
the uae's largest mosque can accommodate 40,000 worshippers.

board members 2010–11

Abdullah M. Mazrui
Chairman

Mohammed Abdulla Alqubaisi
Vice Chairman

Abdulla Nasser Al Mansouri
Member of the Board

Mana Mohamed Saeed Al Mulla
Member of the Board

Saeed Al Masoud
Member of the Board

Mohamad Rashid Al Naseri
Member of the Board

Mohamad Mohamad Fadhel Al Hamli
Member of the Board

Hamad Abdulla Al Shamsi
Member of the Board

Fatima Obeid Al Jaber
Member of the Board

capital gate
abu dhabi's signature tower and the world's most 'leaning' building.

the national investor private joint stock company consolidated financial statements 31 march 2011

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emirates palace

a luxury hotel in abu dhabi set in
100 hectares of landscaped gardens.

chairman's note

Dear Fellow Shareholders,

On behalf of the board of directors of The National Investor (TNI), I am pleased to present the annual report for the fiscal year ended 31 March 2011.

The effects of the fall-out from the global financial crisis continued to create challenges for the broader economy and the financial services industry in particular during FY 2010-11, and we experienced what many would consider to be the most difficult year since the collapse of the global financial system in 2008-09. As a firm, we have strived to overcome these challenges in a fast-changing environment and have managed to preserve the integrity of our franchise. Furthermore, the capital of our shareholders remains protected as a result of our prudent financial management and fiscal discipline. The challenges that the markets faced were exacerbated when some of the countries in the Middle East and North Africa (MENA) region experienced unprecedented political upheaval during the beginning of 2011. Although amid this political turmoil the UAE and the rest of the GCC countries (with the exception of Bahrain) remained stable, our financial performance was adversely affected due to the regional exposure of our funds.

As we mentioned in our annual report for the previous fiscal year, we continue to align our business strategy and focus with the framework for growth and development articulated in the Abu Dhabi Economic Vision 2030. To this end, during FY 2010-11 we intensified our efforts in attracting inward investment, into our funds invested in the local markets, from international institutional investors. One of the key elements of our growth strategy is to position ourselves as the conduit for international institutional investors who seek exposure to the MENA region.

As markets started to slowly recover in the beginning of 2010 and the impact of the global financial crisis began to fade away, we implemented some of the strategic initiatives that we had envisaged for FY 2010-11. The most significant of these was the launch of the MENA UCITS III Fund in June 2010 with seed capital of AED 100 million. This fund was launched as part of our strategy to broaden our product offering and geographic footprint in the long-only universe, and with a view to attracting primarily sophisticated local and international institutional investors. TNI is the only stand-alone investment management firm in the UAE with a UCITS-compliant fund and this landmark achievement has positioned us among the leading ranks of regional investment management firms. Since inception the fund's performance has been steadily improving as stock markets recover from the political turmoil that some parts of the region have witnessed in the beginning of 2011. Our priority now is to raise capital from outside investors for the fund in order to achieve scale in our offering and transform TNI into one of the strongest independent assets managers in the UAE.

During FY 2011-12, we intend to launch the etQaan Shariah Fund, a private equity fund that we have co-branded with KIPCO Asset Management Company. The fund will be launched with seed capital of AED 86 million. Furthermore, we will aim to ramp up our investment banking business in FY 2011-12 by focusing on the opportunity in the mid-market sector particularly in M&A advisory.

Looking ahead, I believe TNI is well-positioned to take advantage of the opportunity in an environment where clients value independent advice more than ever. Our commitment to and focus on corporate governance, risk management and franchise building differentiates us from our peers. We have remained resilient during the financial crisis and the sustainability of our business model has stood the test of time. The competitive landscape is evolving and we are likely to face a more difficult commercial and regulatory environment but we remain confident that we have made the right strategic choices and can continue to create value for our shareholders. The UAE and Abu Dhabi in particular present an exciting growth opportunity and we believe TNI has the requisite capabilities to succeed in this growing market and create a position of leadership.

I would like to take this opportunity to express my gratitude, on behalf of the Board of Directors, to the leadership of the UAE, His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the United Arab Emirates and Ruler of Abu Dhabi, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Prime Minister and Ruler of Dubai, and His Highness Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi for their visionary leadership and unconditional support of the local business community.

I would also like to extend my gratitude to our shareholders for their confidence and trust in the board of directors and management team. Last but not least, I would like to thank our employees who have continued to work hard and demonstrated strong commitment to TNI.

Abdullah M. Mazrui
Chairman of the Board

ceo review

Dear Shareholders,

After a promising start, the fiscal year ending 31 March 2011 has proven to be the third consecutive difficult year for our industry driven by an uncertain economic and political environment in the broader MENA region. Although the UAE and rest of the GCC economies, with the exception of Bahrain, have been the stronghold of economic and political stability in a region characterised by tremendous political uncertainty, our financial performance was nonetheless affected due to our regional footprint and exposure to some of those markets that witnessed significant upheaval.

This regional unrest and economic volatility coupled with corporate and sovereign debt crises in the US and Europe respectively, which derailed global economic recovery in 2010, made FY 2010-11 the most difficult year since the onset of the global financial crisis. Although the repercussions of these political upheavals on economic growth may be less severe than the fall-out from the implosion of the global financial system in 2008-09, these cannot be underestimated.

Against this backdrop, our consolidated revenues for FY 2010-11 declined to AED 161.9 million representing a year-on-year decrease of 13%. Our net profit declined to AED 2.2 million. Our profitability, despite a decrease in revenues, was partly driven by stringent cost controls that management implemented during the course of the year.

While the headline results this year may be disappointing, I firmly believe we have demonstrated our resilience throughout the worst economic and financial crisis in recent history by protecting and preserving the interests of our clients and shareholders, and delivering stable performance. Our prudent management of the balance sheet of the firm, effective risk management and strong corporate governance ensured that the risk to the equity of our shareholders and capital of our clients was restricted. Our financial strength is further bolstered by a strong cash position and our unlevered balance sheet. Our balance sheet and liquidity have never been stronger and we have started to lay the groundwork for positioning ourselves in the front ranks of the investment management industry. We have preserved our reputation as one of the leading regional middle-market investment management and advisory firms, and have capitalized on this to capture international institutional capital inflows that have been directed into the region. We pride ourselves on our meritocratic culture, which has ensured retention of our top-performers during a difficult year. We believe that people are our most important asset and it is their integrity, talent and commitment that contribute to our success. The significance of these achievements cannot be underestimated in an environment where many of our peers have experienced liquidity and solvency issues.

In asset management, our most significant achievement during FY 2010-11 was the launch of the MENA UCITS III Fund. This fund, which was launched with AED 100 million of seed capital and was A-rated by Standard & Poor's, is primarily targeted at sophisticated international and regional institutional investors. This is a particularly strong point of differentiation between TNI and its regional peers. UCITS III (Undertakings for Collective Investment in Transferable Securities Directives) is a set of European Union (EU) directives that aim to allow collective investment schemes to operate freely throughout the EU on the basis of a single authorisation from one member state. Many international institutional fund managers cannot invest in a fund unless it is UCITS-compliant. TNI is positioned as one of the few regional fund managers that can offer these institutional investors exposure to the region through its MENA UCITS III Fund.

We have an impressive track record in the MENA long-only business and over the years have delivered consistent performance, which has helped attract institutional clients. During FY 2010-11, our assets under management increased by 9%. Our UAE Blue Chip Fund received a subscription of AED 50 million from an institutional investment manager in the UK that manages money on behalf of public and private pension funds, and endowments and foundations. This is a significant achievement and our first big ticket from an institutional investor since we implemented the "Focus and Deliver" strategy. This subscription underscores the growing importance of the UAE to institutional investors and validates the best-in-breed status of our UAE Blue Chip Fund. We expect international institutional investors to increase their allocations to emerging market countries since these markets have shown resurgence in economic activity when compared to the US and Europe.

Furthermore, it is anticipated that MSCI, a leading provider of investment decision support tools including indices to institutional clients worldwide, may upgrade the UAE from the MSCI Frontier Markets index to the MSCI Emerging Markets index in 2011. Although the outcome of the MSCI review in 2011 is unclear, the benefits could be significant if the UAE is reclassified for inclusion in the MSCI Emerging Markets index since it is tracked by an estimated USD 380 billion of emerging markets funds. There are varying estimates of the amount of capital inflows that will be directed into the UAE as a result of the reclassification but these could be as much as USD 1.5 billion. This is partly driven by the fact that many emerging markets today have become increasingly crowded and expensive, and investors are searching for markets that are undervalued.

We are confident we can capitalize on this trend in favour of the UAE since we possess the corporate governance, risk management and research capabilities that international institutional clients demand. This increased liquidity could present an opportunity to achieve scale by growing our assets under management and positioning TNI as the preeminent fund manager in the UAE. Furthermore, we will continue to focus on delivering superior performance and client service, and to broaden our product offering and distribution as the competitive landscape in the investment management industry evolves.

In private equity we have completed the groundwork for the launch of the etQaan Shariah Fund, which we are jointly launching with KIPCO Asset Management Company (KAMCO) with seed capital of AED 86 million. This fund will focus primarily on opportunities in turnarounds, recapitalisations, growth capital, and primary and secondary buy-outs. In parallel, we continue to identify direct investment opportunities in sectors that offer significant growth potential including health-care, and food manufacturing and distribution. We invest our own money alongside capital from outside investors in these direct investment opportunities – this model has been exceptionally well-received by our investors and we will continue to develop it into a full-fledged offering as part of our private equity franchise. We believe that in the existing corporate environment there are compelling opportunities for private equity and we are well-positioned to identify these through our extensive network of relationships. We are evaluating a number of such strategic investment opportunities in our focus sectors and expect to close some of these during FY 2011-12.

During FY 2010-11, we realised a successful exit from one of the portfolio companies in our Growth Capital Fund, DEPA United Group, delivering a return of 2.5 times the capital invested. This emphasizes our commitment to creating value for our investors even in a distressed economic environment where opportunities for exits are restricted. Furthermore, TNI was voted the Best Private Equity Firm in the Middle East in 2010 by Banker Middle East in recognition of the strength of our private equity franchise in the region.

During FY 2010-11, we continued to strengthen our institutional sales and coverage model, which is integral to building and growing our investment management business. We have adopted best practices in client relationship management in order to ensure effective coverage of our key clients. In FY 2010-11, we organised a number of road shows in Europe to create market visibility and awareness of our product offerings among institutional investors, and we will continue to build on this momentum during FY 2011-12.

In our investment banking business activity has been sluggish as the M&A and IPO markets continued to show signs of weakness with no indication of recovery in the appetite for IPOs in the short-term. During FY 2010-11, revenues in our investment banking division declined due to the low volume of corporate M&A activity. Furthermore, one of the challenges we face is our lack of balance sheet capability in a market where the ability to lend to clients is key in winning investment banking business. However, we continued to build strong agency capabilities and a growing pipeline of middle-market M&A transactions. Furthermore, we continue to grow our investment banking business by cultivating senior-level relationships with existing and new clients as their advisor of choice. Our goal is to build a prominent local M&A advisory business with cross-border capabilities so we can advise and assist clients in the UAE who are considering expansion into Saudi Arabia and other GCC countries. We are likely to see increased opportunities in M&A advisory particularly in the mid-market segment as companies in the UAE look for growth and expansion outside their domestic market. Although competition for our investment banking business in the UAE has been increasing, the mid-market opportunity is a compelling proposition for us since there is likely to be limited competition from larger foreign banks given the smaller size of the deals and lower fees in this segment. We are confident we can build a leading competitive position in this niche given the depth of our relationships in the mid-market segment and understanding of the local business context. We seek to develop and sustain long-term relationships with our clients. Our goal is to create value for our clients on a continuing basis.

Furthermore, our strong equity capital markets franchise positions us among the leading investment banks in the UAE and we can capitalize on this to win new business, as and when there is a revival of IPO activity.

Our principal investments division continued to perform well during FY 2010-11. We divested our equity interest in a brokerage business yielding an internal rate of return of 25% on our investment. We are also in the process of divesting our equity interest in one of our proprietary portfolio companies, and expect to complete the sale during FY 2011-12 and realise significant capital gains. Our priority is to channel this excess liquidity into growing our client-driven businesses. Furthermore, we have repositioned our portfolio and now a significant portion of the firm's assets are held in either cash or high quality liquid assets. The financial strength of TNI underpins our confidence that we are well-positioned to benefit from the progressive recovery that is anticipated in financial markets over the coming years.

Our flagship real estate project, Mafraq Hotel, is undergoing a massive refurbishment, which is expected to be completed in July 2011. Mafraq Hotel is expected to be fully operational in September 2011 subject to obtaining regulatory approvals.

ceo review (continued)

One of the challenges that we faced during FY 2010-11 was to reorganize our operations in Saudi Arabia due to the decision of our joint-venture partner to exit the business. This, coupled with regulatory constraints imposed by the Capital Market Authority (CMA) in Saudi Arabia, made it mandatory to liquidate the business. We have made a strategic decision to close down the office in Riyadh in the interests of cost-control and conserving cash during the liquidation process, which is expected to be completed during FY 2011-12 under a best-case scenario. We will re-evaluate our options upon the successful completion of the liquidation process and may consider reapplying for a license from the CMA to conduct securities business in Saudi Arabia.

As we start our new fiscal year, we remain committed to building a dominant local investment management and advisory firm in the UAE. We have an incredibly strong franchise and we intend to capitalize on that strength to position TNI as the preeminent financial services firm in the UAE. We are pleased with the continuing evolution of our firm and believe the best is yet ahead. However, our first and foremost priority in the short-term is to generate the requisite return on equity that our shareholders expect. We have a strong management team and highly accomplished and committed professionals, and we can build on that to deliver sustainable financial performance and value creation for our shareholders. Although the new competitive landscape that will evolve as the impact of the global financial crisis diminishes is likely to present challenges including a tougher commercial and regulatory environment, we remain confident we will emerge stronger and maintain our position among the top-tier investment management and advisory firms in the market.

I would like to take this opportunity to express my gratitude to our board members, shareholders and clients for the confidence and trust they have shown in us. It would not have been possible without your support and encouragement to navigate the business through this period of economic volatility.

Orhan Osmansoy
Chief Executive Officer

we remain committed to building a dominant local investment management and advisory firm in the uae

about us and highlights

TNI was founded in 1994, as a privately-owned investment management and advisory company, registered in the emirate of Abu Dhabi and wholly-owned by UAE nationals. Today, TNI has offices in Abu Dhabi and in the Dubai International Financial Centre in Dubai. TNI commenced commercial operations with its proprietary portfolio, from which it made a number of successful venture capital investments, including Gulf Energy Systems and National Investor Property Management Company (Colliers). The firm has also led numerous public offerings, such as Aldar Properties PJSC, Abu Dhabi Ship Building PJSC, Abu Dhabi Islamic Bank PJSC, Oasis International Leasing Company PJSC, and National Central Cooling Company PJSC (Tabreed).

Today, TNI is built around four strategic business divisions which lie at the heart of the firm: asset management, private equity, investment banking and principal investments, which includes real estate. Since inception, TNI's paid-up capital has increased to AED 577.5 million.

The firm provides a wide range of investment management and advisory services to a substantial client base that includes listed and privately owned companies, financial and government institutions, as well as high net-worth individuals.

Today, TNI's team of professionals differentiate themselves through their focus on delivering high level client service. In addition to sharing a common entrepreneurial mindset with its clients, TNI has built a meritocratic culture that thrives on a commitment to the highest ethical standards and a team approach to every client engagement.

TNI has earned numerous awards in its history, including Banker Middle East announcing TNI as the Best Private Equity House in the Middle East in 2010 and 2005; and MENA Fund Manager Magazine naming TNI's UAE Blue Chip Fund the Best Fund in the UAE in 2010. The firm has also been awarded Best Asset Management House from Banker Middle East in 2008, 2007 and 2006, and Best Equities House in the UAE by Euromoney magazine in 2006 and 2005. As the financial environment evolves both regionally and globally, TNI's goals of delivering consistently superior results and creating shareholder value remain unchanged.

Since its establishment, TNI has held a firm belief that integrity lies at the heart of any business, particularly those dealing with the management of third party capital. This commitment to integrity ensures that TNI's shareholders and clients remain protected.

Best Equities House in the UAE

aed 577 500 000

tni's paid up share capital

asset management

FY 2010-11 proved to be another challenging year for the asset management division and for the regional equity markets partly due to the corporate and sovereign debt crises in the US and Europe respectively, which adversely affected the markets. However, the markets had started to show signs of recovery in early 2011, before the MENA region witnessed significant political unrest. These socio-economic developments had a negative impact on the performance of regional funds, however, it is anticipated these events will drive economic and political reforms in the broader MENA region in the medium- to long-term, which could increase institutional capital inflows into the region.

Despite the uncertain economic and political environment in the region, TNI's funds have delivered consistent performance. While many of TNI's competitors faced substantial redemptions, the investor-base of our funds particularly the institutional segment remained stable due to low levels of redemptions and increased subscriptions. Furthermore, the asset management division has been able to differentiate itself from its peers by emerging from the past three turbulent years with no style-drift, proving the resilience of the platform, and the strength and maturity of the investment process. In order to bring greater strength to our offering, two new fund managers were appointed to enhance the expertise of the team and bring on board a greater level of regional experience. This is expected to help further improve the performance of TNI's asset management funds. Furthermore, during the FY 2010-11, the asset management division launched an upgrade of its risk management capabilities in order to better manage performance assessment and attribution. This enables TNI to drive improved performance and will help to deliver greater consistency over the long-term.

STANDARD & POOR'S

a-rating awarded to mena ucits fund: a significant milestone for the division

One of our most significant accomplishments during FY 2010-11 was the launch of the MENA UCITS Fund in June 2010 with seed capital of AED 100 million, demonstrating our confidence in and commitment to the region. This fund has been A-rated by Standard & Poor's since launch due to the mature investment process and the track record of the incumbent fund manager. This is a significant milestone for the asset management division since it is a strong endorsement of the strength of our platform, investment process, compliance and legal infrastructure.

Launching a UCITS III compliant fund registered in Dublin – a highly-regulated environment – was the logical next step for TNI, after a long history of maintaining the highest compliance standards, strong reputation and solid financial performance. This, coupled with TNI's focus on attracting international institutional capital inflows has resulted in subscriptions into our funds from European public and private pension funds, and US endowments, which demonstrates the confidence of institutional investors in our product offering. Furthermore, the UAE is under review for an upgrade to MSCI's Emerging Markets Index in 2011 and although it is unclear whether the reclassification will happen, the benefits could be significant in terms of institutional capital inflows into the UAE. If the UAE market is upgraded, TNI's UAE Blue Chip Fund, which has delivered the best performance among its peer group since inception, will be ideally-positioned to attract institutional liquidity.

despite the uncertain economic and political environment in the region, tni's funds have delivered consistent performance

«tni uae blue chip fund is an efficient investment vehicle for institutional investors who want to add uae exposure to their portfolio. we have experienced a high standard of client service from tni particularly in terms of the fundamental research they provide.»

a leading insurance company in the uae

private equity

TNI's private equity division remained active during FY 2010-11, as it continued to manage and position its portfolio companies for growth, and to identify and develop new investment opportunities. While no deals have been closed in the past twelve months, due to delayed corporate time lines as a result of the economic and political environment, a number of letters of intent and term sheets have been signed.

The first and foremost priority of TNI's private equity division is to preserve and build value in its portfolio companies in order to maximise the return on investment from exits. A significant amount of the private equity team's time is spent working closely with the management of portfolio companies to drive improvements in operational strategies and performance. As a result, the private equity division realised another successful exit, selling its remaining equity interest in DEPA United Group and delivering a return of 2.5 times the capital invested. This is particularly noteworthy in an environment where exits have been very rare. Our Growth Capital Fund (GCF) portfolio companies, Emaar MGF Land Private Limited, Dubai Contracting Company and L'azurde Company for Jewelery, also remain well-positioned to emerge stronger as the general macroeconomic environment improves.

TNI also witnessed renewed appetite for investment from family offices, particularly in the UAE, Saudi Arabia and Qatar, in opportunities where TNI acts as lead investor, with the primary role of deal structuring and portfolio management. At the same time, the availability of debt financing has returned, helping the division look at an increased number of leveraged buy-outs. This return of private equity investment appetite has been further stimulated by the extensive business development initiatives, which have resulted in a significant improvement in deal flow in FY 2010-11. Furthermore, while the level of liquidity has been increasing, the appetite for risk has not increased, resulting in a greater focus on more local and regional investments – target markets in which TNI has a competitive edge. The strong pipeline of deals that the private equity division has been nurturing, combined with more realistic and attractive valuations, has helped drive the interest that the division has been witnessing.

The division's strong track record and a contracting competitive landscape are also leading to greater access to larger transactions. Equally important are TNI's prudent management of its balance sheet, and the resulting availability of "dry powder". This availability of capital to invest puts the private equity division in a position where it can take advantage of current attractive valuations, with a view to achieving strong returns in the medium-term. TNI expects the remaining capital of GCF to be invested by the end of 2011.

Furthermore, TNI's strategic alliance with KIPCO Asset Management Company (KAMCO), one of the leading asset managers in the GCC, to co-launch a private equity fund, etQaan Shariah Fund, has made significant progress and the fund is expected to be launched in 2011 with seed capital of AED 86 million. This fund will focus on liquidity-constrained situations and opportunities in turnaround, primary and secondary buy-outs, and recapitalisations.

The division's clear commitment to quality has once again been recognised by The Banker Middle East, which named TNI the Best Private Equity Firm in the Middle East in 2010.

portfolio update highlights

l'azurde

Amount invested: AED 37.1 million
Date entered: February 2009

TNI has been actively engaged with L'azurde as it pursues its expansion plans over the next few years, and as it plans to make a lucrative exit through an IPO two years from now. TNI has also been actively engaged in hiring the new CEO, Selim Chidiac, who brings strong retail experience and knowledge with him and who is expected to deliver further expansion and growth over the next few years.

emaar mgf

Amount invested: AED 5.4 million
Date entered: March 2007

Emaar MGF is waiting for the right time to pursue an IPO. Despite softness in the Indian real estate market, Emaar MGF is focusing on residential real estate which requires less financing. Emaar MGF is less geared than its peers and has almost its entire land bank already paid for. As a result, we believe Emaar MGF is well positioned to benefit once the market settles as the fundamentals of the sector and the business remain attractive.

depa

Amount invested: AED 21 million
Date entered: July 2006

TNI exited its remaining stake in DEPA in December 2010 at an internal rate of return of 23%, representing 2.5 times the original investment. Overall IRR: 60%, 2.7 times investment

dcc

Amount invested: AED 10.9 million
Date entered: January 2008

TNI's private equity division has taken steps to increase value, including actively engaging with management in business strategy discussions, offering introductions to various parties that can help DCC expand its growth and profitability, and exploring future exit opportunities.

«tni private equity has been a highly reliable and steadfast investor into the business, alongside investcorp and eastgate capital, working closely with l'azurde management on the goal of revenue growth, business institutionalization and value enhancement.»

selim chidiac, ceo of l'azurde company for jewelery

investment banking

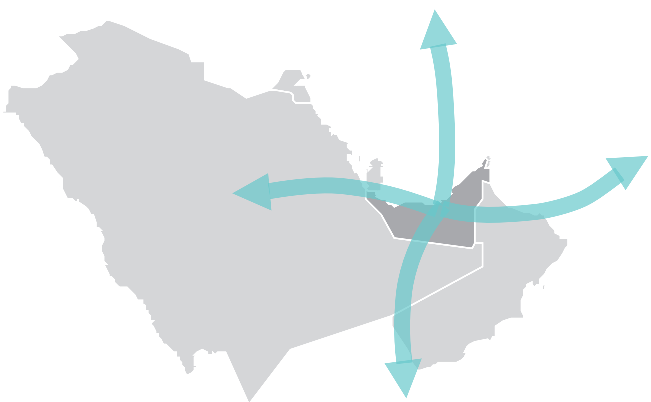
TNI's investment banking division continues to be challenged by the market environment and regional uncertainty, which is manifesting itself in the form of protracted time frames for closing transactions and dampened asset values. Moreover, the division sees no likely return of normal capital markets activity in the new fiscal year. Notwithstanding a few small initial public offerings, most companies remain reluctant to list or raise funds via the public markets. The investment banking division's pipeline in FY 2010-11 was largely focused on restructuring and M&A transactions, where TNI was mostly advising sellers. Furthermore, a small number of private placements for growth capital rounds were undertaken, but these were largely for healthy companies in defensive sectors. Overall, investor sentiment remained cautious.

The focus on origination has started to deliver results, with more mandates booked in FY 2010-11 than in the past two years combined. This is partly a result of increased demand for advisory services from companies but also a direct consequence of our concerted franchise development. Some long-dormant mandates also have been revived as UAE firms start to rebuild after the recession. On the demand side, strategic buyers and financial investors have become more active as conditions have stabilised. Our expertise as a mid-market advisor is helpful as this is a major growth area for these investors.

TNI benefits from its considerable experience as a regional merchant bank with a long track record and strong reputation. This is particularly important for cross-border transactions and we continue to work with international corporates and global financial institutions seeking a credible local partner to co-advise on transactions. Our UAE and GCC focus also distinguishes us from many of our peers, and we foresee increased cross-border work involving international partners in the future.

Looking ahead, the investment banking division is positioning itself as the advisor of choice for companies based in the GCC intending to raise capital in the UAE. Aside from delivering attractive regional opportunities for UAE investors, we also seek to promote the development of our domestic market and deepen relationships with other GCC markets. Working with partners in other markets, primarily in Saudi Arabia, we are actively sourcing such opportunities.

tni's strong regional reputation has made it the partner of choice for international financial institutions



forging strong partnerships within and beyond the gcc

principal investments

Our principal investments division continued to deliver impressive financial performance during FY 2010-11 on the back of the strong portfolio of direct investments that has been constructed over the years. As a result of our prudent approach to managing our investments, we were able to successfully exit a number of liquid and illiquid investments in an uncertain and turbulent market, and realised meaningful capital gains. Notable exits included the sale of a plot of land and divestiture of our equity interest in a brokerage business, which yielded an internal rate of return of 25%. Furthermore, during FY 2010-11, the principal investments division played an active role in collaborating with the private equity team in managing some of the portfolio companies with a view to implementing turnaround strategies, and extracting financial and operational synergies.

In order to support the growth of our client-driven fee businesses, principal investments deployed AED 100 million in the form of seed capital into the MENA UCITS Fund in FY 2010-11, reiterating our confidence in the MENA markets. Furthermore, principal investments has committed AED 36 million of the total AED 86 million of seed capital to the etQaan Shariah Fund, a joint private equity fund with KIPCO Asset Management Company (KAMCO), to be launched in FY 2011-12. The principal investments division, through a focused divestiture strategy, will make additional capital available to the private equity business during FY 2011-12 to be deployed in direct investment opportunities.

In our real estate portfolio our flagship project, Mafraq Hotel, is undergoing a comprehensive refurbishment, which is expected to be completed in July 2011. Mafraq Hotel will be fully operational in September 2011 subject to obtaining the requisite regulatory approvals and is expected to deliver a stable revenue stream. Furthermore, during FY 2011-12, the principal investments division plans to realise an exit from another of the portfolio companies, which is likely to yield significant capital gains. We intend to redeploy this liquidity to support the growth of our asset management and private equity businesses in line with our 'Focus and Deliver' strategy.

25%

internal rate of return realised on a recent divestiture

aed 100 000 000

seed capital invested in the mena ucits fund in the 2010-11 financial year

aed 36m

investment in the etqaan shariah fund

the national investor milestones 1994 - 2011

1994: founding of the national investor

1995
- Established Gulf Energy Systems (GES)

1996
- Established NIPMC (Colliers)
- Appointed Financial Advisor to UAE Offsets Group

1997
- Established National Inspection Company

1998
- Capital increased to AED 77m

1999
- Advised on acquisition of GES

2000
- Established NAS
- Licensed by UAE Central Bank as an investment company

2002
- Launch of "Emirates Real Estate Fund"
- Advised Tabreed on recapitalisation and future financing options

equity capital markets transactions

- Abu Dhabi Ship Building IPO – Lead Manager – 1995
- Abu Dhabi Islamic Bank IPO – Joint Lead Manager – 1997
- Oasis International Leasing Company IPO – Lead Manager – 1997
- Tabreed IPO – Lead Manager 1998
- Asmak IPO – Lead Manager – 1998
- Manasek IPO – Lead Manager – 1998
- Tabreed Islamic Sukuk – Sole Advisor, Arranger and Lead Manager – 2003
- Finance House IPO – Joint Lead Manager – 2003
- Aldar IPO – Joint Lead Manager – 2004
- Arab International Logistics (Aramex) IPO – Joint Lead Manager – 2004
- Aabar IPO – Lead Manager and Book Runner – 2005
- Sorouh IPO – Financial Advisor and Joint Lead Manager – 2005
- DEPA United Group Private Placement – Financial Advisor and Lead Manager – 2006
- Kingdom Hotel Investments IPO – Joint Lead Manager – 2006
- Tamweel IPO - Financial Advisor, Lead Manager and Book Runner – 2006
- Thuraya Private Placement – Joint Lead Manager – 2007
- DEPA United Group IPO - Joint Lead Manager - 2008

2003
- Appointed financial advisor on private acquisition for Tabreed

2004: capital increased to aed 200m

2005
- Named "Best Institution for Private Equity" by Banker Middle East
- Voted "Best Equities House in the UAE" by Euromoney
- Launched "TNI Blue Chip Fund", "TNI Dana Women Fund" and "TNI MENA Real Estate Active Fund"
- Capital increased to AED 500m

2006
- First UAE-based firm licensed in the DIFC
- Launched "TNI Growth Capital Fund, L.P."
- Voted "Best Asset Management House" by Banker Middle East
- Voted "Best Equities House in the UAE" by Euromoney

2007
- Acquired Mafraq Hotel
- Launched investment research
- Launched "TNI Real Estate Development Fund"
- Voted "Best Asset Management House" by Banker Middle East
- Voted "Best Investment House in the UAE" in Real Estate by ICG
- First close of the "TNI Growth Capital Fund, L.P."
- Voted "Best Equities House in the UAE" by Euromoney

2008
- CMA Licensing for TNI KSA
- Voted "Best Asset Management House" by Banker Middle East

2009
- Launched "TNI Special Situations Fund"
- BCF and MENA REAF awarded "A" rating by S&P
- Launched MSCI/TNI MENA Real Estate Index in cooperation with MSCI
- Investment in L'azurde Company for Jewelery

2010
- BCF named "Best Fund in the UAE" by MENA Fund Manager Magazine
- TNI named "Best Private Equity House in the Middle East" by Banker Middle East
- Expansion of Mafraq Hotel
- BCF and MENA REAF "A" ratings by S&P reaffirmed
- Strategic alliance with KAMCO for launch of etQaan Shariah Fund

2011
- Launched the TNI MENA UCITS III Fund

«tni is a valuable investor, and partner who has all along supported our business while it developed into one of the leading third-party healthcare claims administrators in the middle east. i greatly value the contribution of tni's team of professionals in shaping our development strategy in the region and providing management with the required support to execute it.»

joe boulos, ceo of nas united healthcare services, llc

financial statements

the national investor private joint stock company consolidated financial statements 31 march 2011

contents

chairman's report

Dear Fellow Shareholders,

On behalf of the board of directors of The National Investor (TNI), I am pleased to present the annual report for the fiscal year ended 31 March 2011.

The effects of the fall-out from the global financial crisis continued to create challenges for the broader economy and the financial services industry in particular during FY 2010-11 and these challenges were exacerbated when some countries in the Middle East and North Africa (MENA) region experienced unprecedented political upheaval during the beginning of 2011. Although amid this political turmoil the UAE and the rest of the GCC (with the exception of Bahrain) remained stable, our financial performance was adversely affected due to the regional exposure of our funds.

As a firm, we have managed to preserve the integrity of our franchise. Furthermore, the capital of our shareholders remains protected as a result of our prudent financial management and fiscal discipline.

During FY 2010-11, we intensified our efforts in attracting inward investment into our funds invested in the local markets from international institutional investors. One of the key elements of our growth strategy is to position ourselves as the conduit for international institutional investors who seek exposure to the MENA region.

We successfully implemented some of the strategic initiatives that we had envisaged for FY 2010-11. The most significant of these was the launch of the MENA UCITS III Fund in June 2010 with seed capital of AED 100 million. This fund was launched as part of our strategy to broaden our product offering and geographic footprint in the long-only universe and with a view to attracting primarily sophisticated local and international institutional investors. TNI is the only stand-alone investment management firm in the UAE with a UCITS-compliant fund and this landmark achievement has positioned us among the leading ranks of regional investment management firms. Our priority now is to raise capital from outside investors for the fund in order to achieve scale in our offering and transform TNI into one of the strongest independent asset managers in the UAE.

During FY 2011-12, we intend to launch the etQaan Shariah Fund, a private equity fund that we have co-branded with KIPCO Asset Management Company. Furthermore, we aim to ramp up our investment banking business by focusing on the opportunity in the mid-market sector particularly in M&A advisory.

The competitive landscape is evolving and we are likely to face a more difficult commercial and regulatory environment but we remain confident that we have made the right strategic choices and can continue to create value for our shareholders.

I would like to take this opportunity to express my gratitude, on behalf of the Board of Directors, to our shareholders for their confidence and trust in the Board of Directors and Management team.

Abdullah M. Mazrui
Chairman

independent auditors' report

The Shareholders
The National Investor Private Joint Stock Company

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of The National Investor Private Joint Stock Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 March 2011, the consolidated statements of comprehensive income (comprising of consolidated statement of comprehensive income and a separate consolidated income statement), changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Articles of Association 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 UAE 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 maintained by the Group and that the contents of the Chairman's report which relate to these consolidated 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 March 2011, which may have had a material adverse effect on the business of the Group or its financial position.

Munther Dajani
Registration No. 268
25 May 2011

consolidated income statement
for the year ended 31 march

	Note	2011 AED'000	2010 AED'000
Income			
Fee and service income	7	**117,794**	116,652
Net income / (loss) from investments at fair value through profit or loss	8	**4,929**	(9,795)
Income from available-for-sale investments	9	**13,065**	83,660
(Loss) / income from investment in equity accounted investees	15	**(4,669)**	1,233
Unrealised valuation loss on investment properties	16	**-**	(19,400)
Gain on the sale of investment property		**4,360**	-
Interest income		**9,221**	10,493
Other income	10	**17,165**	3,229
Total income		**161,865**	186,072
Expenses			
Operating expenses	11	**(138,895)**	(124,734)
Depreciation	18	**(6,854)**	(7,523)
Amortisation of intangible assets	17	**(1,139)**	(1,700)
Interest expense		**(1,589)**	(1,423)
Impairment losses on financial assets	5(b), 14, 19	**(2,471)**	(10,386)
Total expenses		**(150,948)**	(145,766)
Profit for the year		**10,917**	40,306
Attributable to:			
Equity holders of the Company		**2,215**	30,847
Non controlling interest		**8,702**	9,459
Profit for the year		**10,917**	40,306

The notes 1 to 33 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 23.

consolidated statement of comprehensive income

for the year ended 31 march

	2011 AED'000	2010 AED'000
Profit for the year	**10,917**	40,306
Other comprehensive income / (expense)		
Unrealised gain on fair valuation of available-for-sale investments	**10,270**	33,663
Realised gains transferred to the income statement	**(18,612)**	(31,400)
Other comprehensive (expenses) / income	**(8,342)**	2,263
Total comprehensive income for the year	**2,575**	42,569
Attributable to:		
Equity holders of the Company	**(6,127)**	33,110
Non controlling interest	**8,702**	9,459
Total comprehensive income for the year	**2,575**	42,569

The notes 1 to 33 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 23.

consolidated statement of financial position

as at 31 march

	Note	2011 AED'000	2010 AED'000
Assets			
Cash and balances with banks	12	**298,652**	345,485
Investments at fair value through profit or loss	13	**66,540**	56,023
Amounts due from related parties	25	**8,818**	31,559
Available-for-sale investments	14	**268,329**	219,558
Investment in equity accounted investees	15	**3,136**	18,114
Investment properties	16	**144,000**	152,640
Intangible assets	17	**4,729**	5,599
Premises and equipment	18	**199,539**	109,959
Other assets	19	**72,268**	73,795
Total assets		**1,066,011**	1,012,732
Equity			
Share capital	20	**577,500**	550,000
Legal reserve	21	**49,480**	48,023
Statutory reserve	22	**41,057**	40,252
Fair value reserve		**45,782**	54,124
Share based benefits	23	**3,584**	2,194
Retained earnings		**97,726**	124,930
Total equity attributable to equity holders		**815,129**	819,523
Non controlling interest		**83,682**	80,858
Total equity		**898,811**	900,381
Liabilities			
Term loans	24	**78,082**	27,341
Amounts due to related parties	25	**24,502**	11,710
Other liabilities	26	**64,616**	73,300
Total liabilities		**167,200**	112,351
Total equity and liabilities		**1,066,011**	1,012,732

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 May 2011 and signed on its behalf by:

Abdullah Mazrui
Chairman

Orhan Osmansoy
Chief Executive Officer

2011 asset value: aed 1bn

The notes 1 to 33 are an integral part of these consolidated financial statements.
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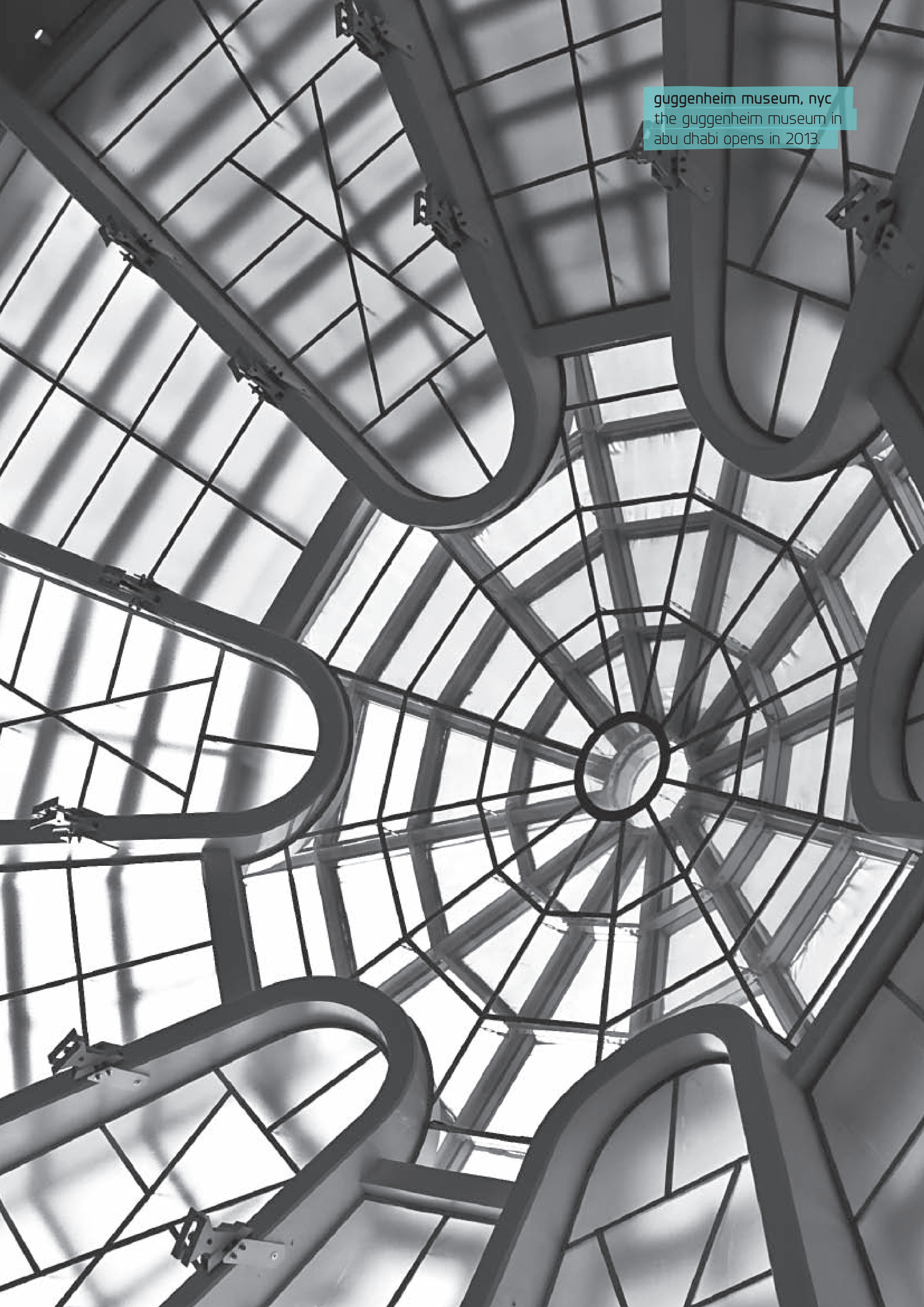

guggenheim museum, nyc
the guggenheim museum in abu dhabi opens in 2013.

consolidated statement of changes in equity

for the year ended 31 march

	Attributable to the equity holders of the Company			
	Share capital	**Legal reserve**	**Statutory reserve**	**Fair value reserve**
	AED'000	**AED'000**	**AED'000**	**AED'000**
As at 1 April 2009	550,000	39,934	36,769	51,861
Profit for the year	-	-	-	-
Unrealised gains on available for sale financial assets	-	-	-	33,663
Realised gains transferred to the income statement	-	-	-	(31,400)
Total comprehensive income for the year	**-**	**-**	**-**	**2,263**
Share based benefits	-	-	-	-
Non controlling interest introduced	-	-	-	-
Transferred to reserves *(notes 21 and 22)*	-	8,089	3,483	-
Total contributions by and distributions to owners	**-**	**8,089**	**3,483**	**-**
As at 31 March 2010	**550,000**	**48,023**	**40,252**	**54,124**
As at 1 April 2010	550,000	48,023	40,252	54,124
Profit for the year	-	-	-	-
Unrealised gains on available for sale financial assets	-	-	-	10,270
Realised gains transferred to the income statement	-	-	-	(18,612)
Total comprehensive income for the year	**-**	**-**	**-**	**(8,342)**
Share based benefits	-	-	-	-
Bonus shares issued	27,500	-	-	-
Dividends of a subsidiary	-	-	-	-
Non controlling interest introduced	-	-	-	-
Transferred to reserves *(notes 21 and 22)*	-	1,457	805	-
Total contributions by and distributions to owners	**27,500**	**1,457**	**805**	**-**
As at 31 March 2011	**577,500**	**49,480**	**41,057**	**45,782**

The notes 1 to 33 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 23.

Attributable to the equity holders of the Company				
Share based benefits AED'000	Retained earnings AED'000	Total equity AED'000	Non-controlling interest AED'000	Total equity AED'000
1,514	105,655	785,733	67,506	853,239
-	30,847	30,847	9,459	40,306
-	-	33,663	-	33,663
-	-	(31,400)	-	(31,400)
-	**30,847**	**33,110**	**9,459**	**42,569**
680	-	680	-	680
-	-	-	3,893	3,893
-	(11,572)	-	-	-
680	**(11,572)**	**680**	**3,893**	**4,573**
2,194	**124,930**	**819,523**	**80,858**	**900,381**
2,194	124,930	819,523	80,858	900,381
-	2,215	2,215	8,702	10,917
-	-	10,270	-	10,270
-	-	(18,612)	-	(18,612)
-	**2,215**	**(6,127)**	**8,702**	**2,575**
1,390	-	1,390	-	1,390
-	(27,500)	-	-	-
-	-	-	(9,720)	(9,720)
-	-	-	4,185	4,185
-	(1,919)	343	(343)	-
1,390	**(29,419)**	**1,733**	**(5,878)**	**(4,145)**
3,584	**97,726**	**815,129**	**83,682**	**898,811**

consolidated statement of cash flows

for the year ended 31 march

	2011 AED'000	2010 AED'000
Operating activities		
Profit for the year	**10,917**	40,306
Adjustments for:		
Impairment losses on financial assets	**2,471**	10,386
Unrealised valuation gain on investment properties	**-**	19,400
Gain on disposal of investment property	**(4,360)**	-
Amortisation of intangible assets	**1,139**	1,700
Gain on disposal of available for sale investments	**(8,743)**	-
Unrealised gain on revaluation of investment at fair value through profit or loss	**(4,317)**	-
Loss / (Income) from investment in equity accounted investees	**1,677**	(1,233)
Depreciation	**6,854**	7,523
Loss on disposal of investment in equity accounted investees	**2,992**	-
Change in share based benefits	**1,390**	680
	10,020	78,762
Acquisition of investment at fair value through profit or loss	**(8,287)**	27,774
Acquisition of available for sale investments	**(98,261)**	-
Proceeds from held to maturity investment	**-**	3,000
Change in amounts due from related parties	**22,741**	(22,144)
Change in other assets	**644**	(11,566)
Change in amounts due to related parties	**12,792**	11,613
Change in other liabilities	**(8,684)**	19,819
Changes in available for sale investments	**-**	(32,355)
Change in investment in equity accounted investees	**-**	55,459
Net cash (used in) / from operating activities	**(69,035)**	130,362
Investing activities		
Other changes in premises and equipment	**(96,434)**	(23,385)
Other changes in intangible assets	**(269)**	(4,467)
Proceeds from the sale of available for sale investments	**48,302**	-
Proceeds from the sale of investment at fair value through profit or loss	**2,088**	-
Proceeds from the sale of investment property	**13,000**	-
Proceeds from the sale of investment in equity accounted investees	**10,309**	-
Net cash used in investing activities	**(23,004)**	(27,852)
Financing activities		
Proceeds from term loan	**50,741**	17,341
Dividend of a subsidiary to non controlling interest	**(9,720)**	-
Non controlling interest introduced	**4,185**	3,893
Net cash from financing activities	**45,206**	21,234
(Decrease) / increase in cash and cash equivalents	**(46,833)**	123,744
Cash and cash equivalents at 1 April	**345,485**	221,741
Cash and cash equivalents at 31 March *(note 12)*	**298,652**	345,485

The notes 1 to 33 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 23.

yas marina circuit, abu dhabi
the abu dhabi grand prix was awarded the fia 2009 'race promoter of the year'.

notes to the consolidated financial statements

1. legal status and principal activities

The National Investor Private Joint Stock Company (the "Company") was established in the Emirate of Abu Dhabi in 1994 and is registered as a Private Joint Stock Company in accordance with the United Arab Emirates Federal Law No. 8 of 1984 (as amended). These consolidated financial statements comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The principal activities of the Group are investment banking, asset management, private equity, funds and securities investment, hospitality, third party real estate and provision of consultancy and administrative services. Its registered office address is P.O. Box 47435, Abu Dhabi, United Arab Emirates.

In 2001, the Company received approval from the Central Bank of the UAE 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.

2. basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and the requirements of the UAE Federal Law No. 8 of 1984 (as amended).

The consolidated financial statements were authorised for issue by the Board of Directors on 25 May 2011.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Investments at fair value through profit or loss are measured at fair value.
- Available-for-sale investments are measured at fair value.
- Investment properties are measured at fair value.

The methods used to measure the fair values are discussed further in note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Group's functional currency. Items included in the financial statements of each of the Company's subsidiaries and associates are measured using the currency of the primary economic environment in which they operate. Except where otherwise indicated, financial information presented in AED has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 30.

3. significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. A list of the Company's subsidiaries and special purpose entities is highlighted in Note 6. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(ii) Special purpose entities

The Group has established a number of special purpose entities (SPE's) for trading and investment purposes. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs' controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving all of the benefits related to the SPEs' operations and net assets, being exposed to risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

3. significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Associates
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Investments in associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iv) Fund under management
The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity. Information about the Group's funds under management is set out in note 28.

(v) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing these consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in consolidated income statement, except for differences arising on the retranslation of available-for-sale equity instruments

(ii) Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to AED at exchange rates at the reporting date.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to consolidated income statement as part of the gain or loss on disposal.

(c) Income

(i) Fee and service income
Fee and income from services provided by the Group during the year are recognised on an accrual basis when the services are rendered and no significant uncertainties remain regarding the recovery of consideration due. Fees that are earned on the execution of a significant act are recognised as revenue when the significant act has been completed.

(ii) Dividend income
Dividend income is recognised in the consolidated income statement on the date that the Group's right to receive payment is established.

(iii) Government grants
Unconditional government grants related to non-monetary assets are measured at fair value and recognised in the consolidated income statement when the grant becomes receivable.

(iv) Interest income and expenses
Interest income comprises income on call and deposit accounts and is recognised in consolidated income statement as it accrues using the effective interest method. Interest expense is comprised of borrowings costs on loans and recognised in income statement using the effective interest method. Borrowing costs on qualifying assets are capitalised in the cost of qualifying asset.

notes to the consolidated financial statements

3. significant accounting policies (continued)

(d) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, funds and debt securities, deposits, receivables, due from and due to related parties, cash and cash equivalents, loans and borrowings, payables, other assets and other liabilities. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through consolidated income statement, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

- *Cash and cash equivalents*
  Cash and cash equivalents include cash on hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of less than three months, which are subject to an insignificant risk of change in their fair value, and are used by the Group in the management of its short-term commitments.

  Cash and cash equivalents are carried at amortised cost in the statement of financial position.

  Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

- *Investments at fair value through profit or loss*
  An investment is recorded at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in consolidated income statement when incurred. Investments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the consolidated income statement.

- *Accounts receivable*
  Accounts receivable are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Accounts receivable comprise trade and other receivables.

- *Available-for-sale investments*
  Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale and that are not classified as held-to-maturity investments, or at fair value through profit or loss, or loans and receivables. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(i)(i)) and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to the consolidated income statement.

- *Others*
  Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. An investment in an unlisted fund is recorded at the net assets value per share / unit as reported by the administrator of such fund.

When a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, net present value techniques and discounted cash flow methods. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and the counterparty, where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

The Group measures the fair value using the following fair value hierarchy that reflects the significance of input used in making these measurements.

Level 1: A fair value measurement for a financial instrument is classified in level 1 of the fair value hierarchy if the fair value is determined as the unadjusted quoted price for an identical instrument in an active market.

3. significant accounting policies (continued)

(d) Financial instruments (continued)

Fair value measurement principles (continued)

Level 2: A fair value measurement determined using observable inputs other than unadjusted quoted prices for an identical instrument, and that does not use significant unobservable inputs, is classified in level 2 of the fair value hierarchy.

Level 3: If a fair value measurement uses significant unobservable inputs, including using observable inputs that require significant adjustments based on unobservable inputs, then the resulting fair value measurement is classified in level 3 of the fair value hierarchy.

Recognition of financial instruments

Financial assets and liabilities are recognised on the date that the Group becomes a party to the contractual provisions of the instrument.

Derecognising of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

A financial liability is derecognised when it is extinguished.

(e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in consolidated income statement.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(f) Premises and equipment

Recognition and measurement

Items of premises and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of premises and equipment have different useful lives, they are accounted for as separate items (major components) of premises and equipment. Gains and losses on disposal of an item of premises and equipment are determined by comparing the proceeds from disposal with the carrying amount of premises and equipment, and are recognised net in the consolidated income statement.

Subsequent costs

The cost of replacing part of an item of premises and equipment is recognised in the carrying amount of the related asset if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of premises and equipment are recognised in the consolidated income statement as incurred.

Depreciation

Depreciation is recognised in the consolidated income statement on a straight-line basis over the estimated useful lives of items of premises and equipment. Depreciation is not recognised on freehold land and capital work in progress. The estimated useful lives for the current and comparative periods are as follows:

	Years
Buildings	20
Leasehold improvements	3 to 4
Furniture and fixtures	3 to 4
Office equipment	2 to 4
Motor vehicles	3 to 5

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(g) Capital work in progress

The Group capitalises all costs relating to assets as capital work in progress, until the date of completion and commissioning of the assets. The costs are transferred from capital work in progress to the appropriate asset category upon completion and commissioning and depreciated over their useful economic lives from the date of such completion and commissioning.

(h) Intangible assets

Recognition and measurement

Intangible assets comprise computer software which is not considered as an integral part of the related hardware, goodwill and trade mark. Intangible assets acquired by the Group and which have finite useful lives are measured at cost less accumulated amortisation and impairment losses, if any. Other intangible assets acquired by the Group and which have infinite useful lives are measured at cost less accumulated impairment losses, if any.

Amortisation

Amortisation is recognised in the consolidated income statement on a straight line basis over the estimated useful lives of the intangible assets from the date they are available for use. The estimated useful lives for the current and comparative periods are as follows:

	Years
Computer software	4
Goodwill	infinite
Trade mark	infinite

notes to the consolidated financial statements

3. significant accounting policies (continued)

(i) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in consolidated income statement and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated income statement.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income and presented in the fair value reserve in equity, to the consolidated income statement. The cumulative loss that is removed from other comprehensive income and recognised in the consolidated income statement is the difference between the acquisition costs, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in the consolidated income statement. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement, then the impairment loss is reversed, with the amount of the reversal recognised in the consolidated income statement. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in the statement of comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at the same time every year.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

(j) Staff end of service benefit

The provision for staff end of service benefit included in other payables is made in accordance with the local regulatory requirements in the jurisdictions where the various group entities primarily operate, and is determined as the liability that would arise if the employment of all staff were terminated at the reporting date.

An actuarial valuation is not performed on staff terminal benefits as the net impact of the discount rate and future salary and benefits level on the present value of the benefits obligation are not expected by management to be significant.

(k) Share based benefits

The fair value of the employee services received in exchange for the grant of the compensation is recognised as an expense with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the shares. The total amount to be expensed over the period at the end of which the employees become unconditionally entitled to the shares is determined by reference to the fair value of the share at the date of grant. The amount is then amortised over the vesting period. The amount recognised as an expense is adjusted to reflect the number of share options for which the related service conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of share options that do meet the related service and non-market performance conditions at the vesting date.

(l) Lease payments

Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3. significant accounting policies (continued)

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Payables

Payables are stated at amortised cost. Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group.

(o) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis or to realize the asset and settle the liability simultaneously.

(p) Amendment to accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2011, and have not been applied in preparing these consolidated financial statements:

Management has assessed the impact of the new standards, amendments to standards and interpretations and amendments to published standards, and concluded that they are either not relevant to the Group or their impact is limited to the disclosures and presentation requirement in the financial statements except for IFRS 9 as stated below.

IFRS 9 is the first standard issued as part of a wider project to replace IAS 39, key features of IFRS 9 are:

- IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value.
- The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.
- The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

The Group is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group's operations, this standard is not expected to have a pervasive impact on the Group's financial statements.

4. determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the methods described below. Where applicable, further information about assumptions made in determining fair values are disclosed in the notes specific to those assets or liabilities.

(i) Premises and equipment

The fair value of premises and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The market value of items of premises and equipment is based on the quoted market prices for similar items.

(ii) Investment properties

Investment properties are defined as land and buildings held for the purpose of earning rental income or because they are expected to increase in value. Investment properties are valued at cost, including directly attributable transaction costs, on initial recognition in accordance with IAS 40. The fair value model is used for the subsequent valuation of investment property. Fair value is normally determined on the basis of annual valuations conducted by either an independent external valuer or by internal experts who are qualified and experienced in the field of Real Estate. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants in occupation, responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

notes to the consolidated financial statements

4. determination of fair values (continued)

(iii) Investment in equity securities and investment funds
The fair values of financial assets at fair value through profit or loss and available-for-sale investments are determined by reference to their quoted bid price at the reporting date. Investments in unlisted investment funds are recorded at the net asset value per unit as reported by the managers of each fund. The fair value of held-to-maturity investments is determined for disclosure purpose.

(iv) Receivables
The fair value of receivables is estimated as the present value of estimated future cash flows, discounted at the market rate of interest at the reporting date.

(v) Loans and other liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(vi) Share-based benefits
The fair value of employee stock options is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, historic volatility in share price, weighted average expected life of the instruments, expected dividends and risk-free rate of interest. Service and non-market performance conditions attached to the transaction are not taken into account in determining fair value.

5. financial risk management

Overview
The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(a) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2011 AED'000	2010 AED'000
Balances with banks	**298,510**	345,340
Available-for-sale investments	**9,550**	8,962
Amounts due from related parties	**8,818**	31,559
Other assets (net of provision)	**19,989**	15,127
	336,867	400,988

Balances with banks
The Group places its cash with commercial banks of good standing.

5. financial risk management (continued)

(b) Credit risk (continued)

Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Credit risk by geographical location for receivables at the reporting date was mainly concentrated in the UAE. The ageing of receivables at the reporting date was:

	Gross 2011 AED'000	**Allowance for impairment 2011 AED'000**	Gross 2010 AED'000	Allowance for impairment 2010 AED'000
Not past due	**4,495**	**-**	3,344	-
Up to 90 days	**2,270**	**-**	6,528	-
More than 90 days	**20,885**	**7,660**	22,290	19,802
	27,650	**7,660**	32,162	19,802

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individual exposures. The movement in the allowance for impairment in respect of receivables during the year was as follows:

	2011 AED'000	2010 AED'000
At 1 April	**19,802**	13,558
Charge during the year	**883**	6,446
Reversal during the year	**(13,025)**	(202)
At 31 March	**7,660**	19,802

As at the reporting date, amount due from related parties is due for a period less than 1 year. The Group has no bad debts from related parties.

Concentration of risks of financial assets with credit risk exposure

The Group monitors concentrations of credit risk by geographic regions and industry sectors. An analysis of concentrations of credit risk at the reporting date is as follows:

	2011 AED'000	2010 AED'000
GCC countries	**336,867**	400,988
At 31 March	**336,867**	400,988

Industry sectors

The majority of the Group's financial assets are concentrated in the financial services sector.

Settlement risk:

The Group's activities may give rise to risk at the time of settlement of transactions and trades. A settlement risk is the risk of loss due to the failure of counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

Commitments and contingencies related credit risk:

Credit risk arising from commitments and contingencies is discussed in Note 29.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disaster.

notes to the consolidated financial statements

5. financial risk management (continued)

(b) Liquidity risk (continued)

The following are the contractual maturities of the assets and liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 March 2011	Total AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	over 5 years AED'000	Unspecified maturity AED'000
Assets							
Cash and balances with banks	298,652	271,093	27,559	-	-	-	-
Investments at fair value through profit or loss	66,540	66,540	-	-	-	-	-
Amounts due from related parties	8,818	5,110	3,708	-	-	-	-
Available-for-sale financial assets	268,329	-	-	9,550	-	-	258,779
Investment in equity accounted investees	3,136	-	-	-	-	-	3,136
Investment properties	144,000	-	-	-	-	-	144,000
Intangible assets	4,729	-	-	-	-	-	4,729
Premises and equipment	199,539	-	-	-	-	-	199,539
Other assets	72,268	-	72,268	-	-	-	-
	1,066,011	**342,743**	**103,535**	**9,550**	**-**	**-**	**610,183**
Liabilities and equity							
Amounts due to related parties	24,502	15,450	-	9,052	-	-	-
Payable	64,616	29,330	19,553	-	-	-	15,733
Term loan	78,082	-	13,355	26,840	26,840	11,047	-
	167,200	**44,780**	**32,908**	**35,892**	**26,840**	**11,047**	**15,733**

5. financial risk management (continued)

(b) Liquidity risk (continued)

The following are the contractual maturities of the assets and liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 March 2010	Total AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	over 5 years AED'000	Unspecified maturity AED'000
Assets							
Cash and balances with banks	345,485	345,485	-	-	-	-	-
Investments at fair value through profit or loss	56,023	56,023	-	-	-	-	-
Amounts due from related parties	31,559	31,559	-	-	-	-	-
Available-for-sale financial assets	219,558	-	-	8,963	-	-	210,595
Investment in equity accounted investees	18,114	-	-	-	-	-	18,114
Investment properties	152,640	-	-	-	-	-	152,640
Intangible assets	5,599	-	-	-	-	-	5,599
Premises and equipment	109,959	-	-	-	-	-	109,959
Other assets	73,795	73,795	-	-	-	-	-
	1,012,732	**506,862**	**-**	**8,963**	**-**	**-**	**496,907**
Liabilities and equity							
Amounts due to related parties	11,710	7,116	3,327	1,267	-	-	-
Payable	73,300	18,592	50,212	4,496	-	-	-
Term loan	27,341	-	10,000	17,341	-	-	-
	112,351	**25,708**	**63,539**	**23,104**	**-**	**-**	**-**

notes to the consolidated financial statements

5. financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return or risk.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currencies. The Group is exposed to currency risk primarily on financial assets at fair value through profit or loss and available-for-sale financial assets that are denominated in a currency other than the respective functional currencies of Group entities, primarily the AED and US Dollars.

The Group's investment in subsidiaries is not hedged as those currency positions are considered to be long-term in nature.

The Group's exposure to foreign currency risk is limited as a significant proportion of the transactions, monetary assets and liabilities are denominated in AED or in USD and the exchange rate for conversion to the AED to USD is pegged since 1980.

Interest rate risk
Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates might adversely affect the value of the financial instruments and the related income or expense.

The effective interest rate of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of that instrument. The rate is an original effective interest rate for a fixed rate instrument carried at amortized cost and a current market rate for a floating instrument or an instrument carried at fair value.

At the reporting date, the Group's interest rate sensitivity position and interest rate gap position based on contractual re-pricing arrangements was as follows:

	31 March 2011			31 March 2010		
	Effective Interest %age	**Carrying Value AED'000**	**Effective Interest AED'000**	Effective Interest %age	Carrying Value AED'000	Effective Interest AED'000
Assets						
Cash and balances with bank	3.56%	244,206	8,721	3.05%	327,205	9,993
Available-for-sale investments	5.24%	9,550	500	5.58%	8,962	500
Total Assets	**3.63%**	**253,756**	**9,221**	**3.12%**	**336,167**	**10,493**
Liabilities						
Term loan	7.24%	78,082	5,655	8.51%	27,341	2,327
Total Liabilities	**7.24%**	**78,082**	**5,655**	**8.51%**	**27,341**	**2,327**
Net interest bearing assets	**2.03%**	**175,674**	**3,566**	**2.64%**	**308,826**	**8,166**
Increase in interest by 50bps	**2.53%**	**175,674**	**4,444**	**3.14%**	**308,826**	**9,710**

Sensitivity:
Interest rate risk is also assessed by measuring the impact of reasonable possible change in interest rate movements. The Group held net of interest bearing (liabilities) / assets variable instrument of AED 175,674 thousand *(2010: 308,826 thousand)*. An increase of 50 basis points as at the reporting date would have increased the net assets attributable to the Group and profit for the year by AED 878 thousand *(2010: AED 1,544 thousand)*. A decrease of 50 basis points would have had an equal but opposite effect. The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

5. financial risk management (continued)

Equity price risk

Equity price risk is the possibility that equity prices will fluctuate, affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices.

The Group manages the equity price risk by maintaining a diversified portfolio in terms of geographical and industry distribution.

The amounts mentioned in the table below reflect an equal but opposite potential effect on profit and equity based on an assumed 5% strengthening or weakening in prices, with all other variables held constant:

	31 March 2011			31 March 2010		
	Effect on profit AED'000	**Effect on equity AED'000**	**Total AED'000**	Effect on profit AED'000	Effect on equity AED'000	Total AED'000
Effect of change in market prices by 5%						
Investments at fair value through profit and loss	**± 3,327**	**-**	**± 3,327**	± 2,801	-	± 2,801
Available-for-sale investments	**-**	**± 13,416**	**± 13,416**	-	± 10,978	± 10,978
	± 3,327	**± 13,416**	**± 16,743**	± 2,801	± 10,978	± 13,779

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's process, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Operational risk arises from all of the Group's operations and is faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damages to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the head of each department with overall oversight from the Board.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends to shareholders.

In accordance with Federal Law No. 8 of 1984, the Company is required to have a minimum capital of AED 2 million. The Company was in compliance with the law throughout the year. There were no changes in the Group's approach to capital management during the year.

Further, in accordance with Central Bank of the UAE resolution number 164/8/94, the Company is required to have a minimum capital of AED 25 million.

notes to the consolidated financial statements

6. group entities

These consolidated financial statements include the financial position and results of operations as at and for the year ended 31 March 2011 of the entities set out below:

	Country of incorporation	**Ownership interest 2011**	Ownership interest 2010
Operating entities			
NAS United Healthcare Services LLC (1)	UAE	**46%**	46%
The Regional Investor (TNI KSA) (2)	Saudi Arabia	**100%**	60%
Mainland Management LLC (3)	UAE	**67%**	67%
Falcon Investments LLC (4)	UAE	**100%**	100%
Uptown Management LLC (5)	UAE	**100%**	100%
Uptown Investment LLC (5)	UAE	**100%**	100%
Mainland Investment LLC (5)	UAE	**100%**	100%
TNI (Dubai) Limited (6)	**UAE**	**100%**	100%
Special purpose entities (7)			
United Capital LLC	UAE	**100%**	100%
Falcon Capital LLC	UAE	**100%**	100%
Fidelity Invest LLC	UAE	**100%**	100%
Fidelity Trust LLC	UAE	**100%**	100%
Blue Chip Capital LLC	UAE	**100%**	100%
Al Dhafra Capital LLC	UAE	**100%**	100%
Al Dana Trust LLC	UAE	**100%**	100%
TNI International Real Estate LLC	UAE	**100%**	100%
TNI Capital Partners Limited	Cayman Islands	**100%**	100%
TNI General Partners Limited	Cayman Islands	**100%**	100%
TNIH General Partner S.a.r.l	Luxembourg	**100%**	100%
Alliance Investment LLC	UAE	**100%**	100%
TNI Funds Public Limited Company	Dublin, Ireland	**100%**	-
Dormant entities (8)			
Nextcare Global FZ LLC	UAE	**51%**	51%
National Science and Technology LLC	UAE	**60%**	60%
Panamax I Limited	Cayman Islands	**100%**	100%
TNI Consolidator Limited	Cayman Islands	**100%**	100%

(1) NAS United Healthcare Services LLC is a limited liability company registered in the Emirate of Abu Dhabi. Its principal activities and that of its subsidiaries are establishing, developing and investing in healthcare projects and provision of healthcare administration services.

(2) The Regional Investor ("TNI KSA") was established on 9 February 2009 in Kingdom of Saudi Arabia. The company's principal activities are investment banking and advisory services.

(3) Mainland Management LLC is registered in the Emirate of Abu Dhabi as a limited liability Company. The Company was incorporated and commenced operations on 8 February 2007. The principal activities of the Company are investment in commercial projects and owning and managing investments in real estate and buildings.

(4) Falcon Investments LLC was incorporated as a limited liability company registered in the Emirate of Abu Dhabi. Its principal activities and that of its subsidiaries are marketing, promoting and selling residential and non residential properties and delivering property management, advisory and brokerage services.

(5) The principal activities of these companies are to invest, develop, establish and manage the commercial, industrial and real estate projects and to invest in public joint stock companies.

(6) TNI (Dubai) Limited was established on 3 January 2006 as a limited liability company registered in Dubai International Financial Centre. The company's principal activities are to arrange credit or investment deals and advising on financial product or credit.

(7) These special purpose entities ("SPEs") are set up to manage assets under trust for Funds launched by the Company.

(8) These dormant companies will be liquidated upon the resolution of certain outstanding legal issues with the initial promoters.

7. fee and service income

	2011 AED'000	2010 AED'000
Consultancy and other service income (1)	**95,609**	92,123
Asset management fees (2)	**9,184**	15,745
Leasing and brokerage income (3)	**11,726**	8,142
Investment banking fees (4)	**1,037**	642
Development fees	**238**	-
	117,794	116,652

(1) Consultancy and other services income include real estate consultancy and healthcare administration services. Furthermore, it also includes revenue from the Group's hotel business.

(2) Asset management fees relate to fees earned by the Group on trust and fiduciary activities where the Group holds or invests assets on behalf of its internally managed funds. The Directors believe that such arrangement does not expose the Group to the fund's liabilities.

(3) Leasing and brokerage income relates to real estate agency commission earned by a subsidiary.

(4) Investment banking fees include those earned by the investment banking division, the real estate – investment banking division, and TNI (Dubai) Ltd.

8. net income / (loss) from investments at fair value through profit or loss

	2011 AED'000	2010 AED'000
Realised (loss) / gain	**(220)**	508
Unrealised gain / (loss)	**4,750**	(10,461)
Dividend and interest income	**399**	158
	4,929	(9,795)

9. income from available-for-sale investments

	2011 AED'000	2010 AED'000
Realised gain	**8,832**	79,479
Dividend income	**4,361**	3,775
Other income / expenses (net)	**(128)**	406
	13,065	83,660

The realised gain from available for sale investments represents the difference between the transaction price, and its sale/settlement price.

10. other income

Other income includes a recovery of doubtful debt which was previously provided for and additional recovery of legal expenses previously paid, both amounting to AED 13,025 thousand *(2010: nil)*.

11. operating expenses

Operating expenses include staff costs of AED 95,013 thousand *(2010: AED 75,279 thousand)*.

12. cash and balances with banks

	2011 AED'000	2010 AED'000
Cash in hand	**142**	192
Call and current accounts with banks	**54,304**	18,088
Term deposits (note 12.1)	**244,206**	327,205
	298,652	345,485

12.1 Term deposits comprise short term deposits placed with commercial banks bearing an interest rates ranging from 1.15% per annum to 5.0% per annum *(2010: from 1.27% per annum to 6.0% per annum)*.

Balances with banks include balances with Finance House PJSC, a related party (note 25).

12.2 Clients' monies are managed in a fiduciary capacity, without risk or recourse to the Group, however, at 31 March 2011, client money included in the cash at bank balance amount to AED 1,198 thousand *(2010: AED 1,174 thousand)*.

notes to the consolidated financial statements

13. investments at fair value through profit or loss

	2011 AED'000	2010 AED'000
Equity and hedge funds	**55,418**	49,685
Listed equity securities	**11,122**	6,338
	66,540	56,023

14. available-for-sale investments

	2011 AED'000	2010 AED'000
Founder shares	**56,625**	73,896
Equity funds	**181,174**	109,663
Private equity investments	**14,689**	14,689
Investments in Islamic Sukuk	**9,550**	8,962
Listed equity securities	**40,215**	44,684
	302,253	251,894
Less: impairment losses	**(33,924)**	(32,336)
	268,329	219,558

The movement in the allowance for impairment losses in respect of available-for-sale investments during the year was as follows:

	2011 AED'000	2010 AED'000
At 1 April	**32,336**	28,755
Charge during the year	**1,588**	3,940
Reversals during the year	**-**	(359)
At 31 March	**33,924**	32,336

15. investment in equity accounted investees

These consolidated financial statements include the results of operations as at and for the year ended 31 March 2011 of the following entities through equity method:

	Country of incorporation	Ownership interest 2011	Ownership interest 2010
Gulf National Securities Centre (GNSC)	UAE	**-**	35%
National Entertainment LLC (Tarfeeh)	UAE	**40%**	40%
UAE Mall LLC (UAE Mall)	UAE	**35%**	35%

Movement of investment in equity in equity accounted investees are as follows:

	2011 AED'000	2010 AED'000
Opening balance	**18,114**	72,340
Share in results of associates	**1,082**	(664)
Share of (loss) / profit from discontinued / reclassified associates	**(2,759)**	2,724
Disposal / reclassifications to other categories	**(13,301)**	(56,286)
Closing balance	**3,136**	18,114

The (loss) / income from investment in equity accounted investees is comprised of the following:

	2011 AED'000	2010 AED'000
Share in results of associates	**1,082**	(664)
Share of (loss) / profit from discontinued / reclassified associates	**(2,759)**	2,724
Loss on disposal / reclassifications of associates	**(2,992)**	(827)
(Loss) / income from investment in equity accounted investees	**(4,669)**	1,233

15. investment in equity accounted investees (continued)

	2011 Tarfeeh 40% AED'000	2011 UAE Mall 35% AED'000	2011 Total AED'000	2010 GNSC 35% AED'000	2010 Tarfeeh 40% AED'000	2010 UAE Mall 35% AED'000	2010 Total AED'000
Current assets	**2,237**	**471**	**2,708**	99,118	617	471	100,206
Non-current assets	**16,785**	**175**	**16,960**	1,616	22,094	175	23,885
Total assets	**19,022**	**646**	**19,668**	100,734	22,711	646	124,091
Current Liabilities	**494**	**341**	**835**	54,372	6,388	341	61,101
Non-current liabilities	**10,823**	**150**	**10,973**	477	11,321	150	11,948
Total liabilities	**11,317**	**491**	**11,808**	54,849	17,709	491	73,049
Net assets	**7,705**	**155**	**7,860**	45,885	5,002	155	51,042
Share of net assets	**3,082**	**54**	**3,136**	16,060	2,000	54	18,114
Revenue	**9,281**	**-**	**9,281**	9,572	6,209	-	15,781
Expenses	**(6,576)**	**-**	**(6,576)**	(15,090)	(3,038)	-	(18,128)
Net profit / (loss)	**2,704**	**-**	**2,704**	(5,519)	3,171	-	(2,348)
Share of net profit / (loss)	**1,082**	**-**	**1,082**	(1,932)	1,268	-	(664)

(1) Gulf National Securities Centre LLC was established on 24 August 2004 as a Limited Liability Company and engaged in brokerage services. The Group sold their share of this company during the year.

(2) National Entertainment LLC (Tarfeeh) was established on 25 September 2005 as a Limited Liability Company and engaged in providing entertainment services. The financial reporting period of the associate is from 1 January to 31 December. Since the reporting date of the Group and the associate is different, management accounts of the associate for the period 1 January 2011 to 31 March 2011 have been considered for applying the equity method of accounting.

(3) UAE Mall Shopping LLC was established on 25 September 2005 as a Limited Liability Company to operate as a web based online shopping company. There operations are currently suspended.

16. investment properties

	2011 AED'000	2010 AED'000
Balance at 1 April	**152,640**	172,040
Disposals	**(8,640)**	-
Change in fair value	**-**	(19,400)
Balance at 31 March	**144,000**	152,640

The Group owns two plots of land, for which the Group has intention to construct investment properties, therefore these plots of land have been classified as investment properties. During the current year, the Group performed an internal valuation since an independent valuation was not performed, which was determined using valuation models that utilize market observable inputs. Based on that there was no significant change in the fair value of these plots of land *(2010: The National Investor Property Management Company LLC, a consolidated entity, and a registered appraiser, had carried out a formal valuation for these plots of land)*.

The Group owned a plot of land located in Abu Dhabi, received in 2007 as an unconditional grant from the Government of Abu Dhabi. This plot of land was sold during the year for AED 13,000 thousand.

notes to the consolidated financial statements

17. intangible assets

	Computer software AED'000	Goodwill AED'000	Trade mark AED'000	Total AED'000
Cost				
At 1 April 2009	6,983	-	-	6,983
Additions on acquisition	-	4,380	-	4,380
Additions	-	-	87	87
At 31 March 2010	**6,983**	**4,380**	**87**	**11,450**
At 1 April 2010	6983	4,380	87	11,450
Additions	86	-	183	269
At 31 March 2011	**7,069**	**4,380**	**270**	**11,719**
Accumulated amortization				
At 1 April 2009	4,151	-	-	4,151
Charge for the year	1,700	-	-	1,700
At 31 March 2010	**5,851**	**-**	**-**	**5,851**
At 1 April 2010	5,851	-	-	5,851
Additions	1,139	-	-	1,139
At 31 March 2011	**6,990**	**-**	**-**	**6,990**
Net carrying amount				
At 31 March 2010	1,132	4,380	87	5,599
At 31 March 2011	**79**	**4,380**	**270**	**4,729**

An impairment test for other intangible assets was also carried out by the Group and based on the results no impairment was noted on the Group's intangible assets.

18. premises and equipment

	Leasehold improvements AED'000	Furniture and fixtures AED'000	Office equipments AED'000	Motor vehicles AED'000	Land AED'000	Buildings AED'000	Capital work in progress AED'000	Total AED'000
Cost								
At 1 April 2009	5,996	4,869	12,664	915	61,506	19,550	8,214	113,714
Additions / transfer in	325	354	2,483	247	-	-	17,928	21,337
Additions on acquisition	-	247	3,579	50	-	-	-	3,876
Disposals / transfer out	-	(51)	(91)	(58)	-	-	-	(200)
At 31 March 2010	**6,321**	**5,419**	**18,635**	**1,154**	**61,506**	**19,550**	**26,142**	**138,727**
At 1 April 2010	6,321	5,419	18,635	1,154	61,506	19,550	26,142	138,727
Additions / transfer in	1,146	199	2,407	111	-	-	93,493	97,356
Additions on acquisition	(1,889)	(24)	(269)	(190)	-	-	-	(2,372)
At 31 March 2011	**5,578**	**5,594**	**20,773**	**1,075**	**61,506**	**19,550**	**119,635**	**233,711**
Accumulated depreciation								
At 1 April 2009	4,320	2,297	8,396	426	-	4,178	-	19,617
Charge for the year	769	1,153	3,277	234	-	2,090	-	7,523
Additions on acquisition	-	94	1,661	9	-	-	-	1,764
Disposals	-	(15)	(90)	(31)	-	-	-	(136)
At 31 March 2010	**5,089**	**3,529**	**13,244**	**638**	**-**	**6,268**	**-**	**28,768**
At 1 April 2010	5,089	3,529	13,244	638	-	6,268	-	28,768
Charge for the year	484	950	3,053	278	-	2,089	-	6,854
Disposals	(1,075)	(24)	(215)	(136)	-	-	-	(1,450)
At 31 March 2011	**4,498**	**4,455**	**16,082**	**780**	**-**	**8,357**	**-**	**34,172**
Net carrying amount								
At 31 March 2010	1,232	1,890	5,391	516	61,506	13,282	26,142	109,959
At 31 March 2011	**1,080**	**1,139**	**4,691**	**295**	**61,506**	**11,193**	**119,635**	**199,539**

18. premises and equipment (continued)

Capital work in progress mainly includes the cost incurred on the refurbishment of the Mafraq Hotel owned by Mainland Investment LLC ("MI"), a consolidated entity.

During May 2009, MI obtained a facility from a local bank in the amount of AED 105,000 thousand to finance 65% of the refurbishment costs. Draw downs up to year end amounted to AED 65,002 thousand *(2010: AED 16,870 thousand)* and the net interest capitalised amounted to AED 3,080 thousand *(2010: AED 365 thousand)*. The facility was secured by a first degree mortgage amounted to AED 140,000 thousand over the land and building of Mafraq Hotel and a Corporate Guarantee of the Group *(note 24)*.

MI also contracted Benyan Development Company LLC, a related party, to develop and refurbish Mafraq Hotel for AED 130,000 thousand *(2010: AED 119,000 thousand)*. Total work completed, billed and approved at year end amounted to AED 90,521 *(2010: AED 12,674 thousand) (note 25)*.

19. other assets

	2011 AED'000	2010 AED'000
Advances	**2,563**	204
Receivables	**27,650**	32,162
Deferred project cost	**19,275**	19,903
Prepaid expenses	**10,145**	15,218
Due from employees	**3,065**	2,563
Accrued income	**4,890**	4,294
Others	**12,340**	19,253
	79,928	93,597
Less: provision for doubtful debts	**(7,660)**	(19,802)
	72,268	73,795

20. share capital

	2011 AED'000	2010 AED'000
Authorised, issued and paid up:		
57,750,000 shares of AED 10 each *(2010: 55,000,000 shares of AED 10 each)*	**577,500**	550,000

Bonus shares at the rate of 5% were approved by the shareholders during the annual general assembly and issued during the current year.

21. legal reserve

As required by the UAE Commercial Company Law No. (8) of 1984 (as amended) and the Articles of Association of the Company and its subsidiaries, 10% of the net profit for the year, on individual basis, 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. An amount of AED 1,457 thousand *(2010: AED 8,089 thousand)* was transferred from the profits of the year to the legal reserve.

22. statutory reserve

In accordance with the Company's Articles of Association, 10% of the profit for the year shall be transferred to a statutory reserve. The Company may resolve to discontinue such transfers when the statutory 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. An amount of AED 805 thousand *(2010: AED 3,483 thousand)* was transferred from the profits of the year to the statutory reserve.

23. share based benefits

During the year, subsequent to approval of the Ministry of Economy, the Group agreed to simultaneously issue convertible bonds and a loan of equivalent nominal values to Alliance Investment LLC, a consolidated entity, to facilitate the conversion of options by eligible employees. The effects of the issuance of the convertible bonds and the loan have been fully eliminated upon consolidation.

The Company introduced in 2008 a share based employee benefit scheme which is designed to reward eligible employees by aligning their interests with the interests of the shareholders by providing a long-term incentive for those eligible employees.

Grant date	**Type**	**Number of instruments**
24 May 2007	Options	741,610
22 May 2008	Options	426,660
28 May 2009	Options	378,380
31 May 2010	Options	645,950
24 May 2007	Performance shares	35,980
22 May 2008	Performance shares	767,970
24 May 2009	Performance shares	681,080

At the reporting date, performance criteria for performance shares were not met. Option vesting criteria is limited to service period.

notes to the consolidated financial statements

24. term loans

Mainland Investments entered into a bridge loan agreement with Finance House PJSC, a related party, on 26 March 2007, for a revolving loan facility amounting to AED 10 million *(2010: AED 10 million)*. Interest is charged at the rate of 12% per annum *(2010: 12% per annum)*. The loan was rolled over again during the current year up to 31 March 2012.

Mainland Investment obtained a loan amounting to AED 105 million from a commercial bank on 7 May 2009, to finance the development and refurbishment of Mafraq Hotel. The loan carries interest at EIBOR plus 200 basis points, minimum of 6.5% per annum. Total drawdowns amounted to AED 65 million *(31 March 2010: AED 17 million)*. Interest of AED 3,080 thousand *(2010: AED 365 thousand)* has been capitalised during the year. The facility was secured by a first degree mortgage amounted to AED 140 million over the land and building of Mafraq Hotel and a Corporate Guarantee of the Group. Once the loan is fully drawn down, it will be repayable over thirty one *(2010: thirty five)* quarterly instalments starting from 01 January 2012.

25. related parties

Identity of related parties

Related parties comprise major shareholders, directors and key management of the Group and their related concerns. The Group, in the ordinary course of business, enters into transactions, at agreed terms and conditions, with other business enterprises or individuals that fall within the definition of related party contained in International Accounting Standard 24. The Company has a related party relationship with its subsidiaries, associates, joint ventures, directors and executive officers including business entities over which they can exercise control or significant influence or which can exercise significant influence over the Company. 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 key management personnel

In addition to their salaries, the Group also provides non-cash benefits to key management personnel and executive officers.

	2011 AED'000	2010 AED'000
Short term employment benefits	**17,836**	13,534
Post employment benefits	**3,208**	2,242
	21,044	15,776

Balances

During the year, the Group had the following balances with its related parties:

	2011 AED'000	2010 AED'000
Amounts due from related parties		
Associate	**2,950**	4,550
Jointly controlled entity	**-**	8,955
Funds under management	**2,160**	3,047
Others (entities under common control)	**3,708**	15,007
	8,818	31,559
Amounts due to related parties		
Associate	**156**	-
Others (entities under common control)	**24,346**	11,710
	24,502	11,710

Balances with related parties are non-interest bearing and do not carry any specific maturities.

Mainland Investment contracted Benyan Development Company LLC, a related party, to develop and refurbish Mafraq Hotel for AED 130,000 thousand *(2010: AED 119,000 thousand)*. Total work completed, billed and approved, at year end was AED 90,521 thousand *(2010: AED 12,674 thousand)* (note 18). Balances with Benyan Development Company LLC at the reporting date were as follows:

	2011 AED'000	2010 AED'000
Advances	**2,848**	10,632
Outstanding progress billing	**(4,662)**	(3,239)
Retention (10% of progress billing)	**(9,052)**	(1,267)

The balances with Finance House PJSC are as follows:

	2011 AED'000	2010 AED'000
Call and current accounts	**2,520**	1,244
Labour guarantee	**554**	162
Time deposits	**56,709**	19,383
Financial guarantee	**30,500**	30,000
Term loan *(note 24)*	**10,000**	10,000

Transactions

During the year, the Group had the following transactions with its related parties:

	2011 AED'000	2010 AED'000
Fees earned from related parties	**9,704**	13,182
Guarantees issued on behalf of the Company	**-**	31,873
Progress billing during the year	**77,847**	12,674

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notes to the consolidated financial statements

26. other liabilities

	2011 **AED'000**	2010 AED'000
Payables	**36,533**	37,584
Accrued expenses	**12,350**	22,887
Provision for end of service benefits	**15,733**	12,829
	64,616	73,300

The movement in the provision for end of service benefits is as follows:

	2011 **AED'000**	2010 AED'000
At 1 April	**12,829**	8,537
Add: charge for the year	**4,427**	5,521
Less: payments made during the year	**(1,523)**	(1,229)
At 31 March	**15,733**	12,829

27. fiduciary activities

The Company acts as a trustee to manage assets amounting to AED 756,006 thousand *(2010: AED 682,876 thousand)*.

As at the date of the consolidated statement of financial position, the Company held under trust the following assets:

	2011 **AED'000**	2010 AED'000
Shares (at market value)	**85,404**	95,077

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

28. investments in funds under management

As at the reporting date, the Company had the following investments in funds under its management:

	2011 thousand units	2010 thousand units	**NAV 2011 AED'000**	NAV 2010 AED'000
TNI Real Estate Investment Fund of Funds L.P	**100**	100	**20,624**	17,302
TNI Emirates Real Estate Fund	**50**	50	**394**	641
TNI Dana Women Fund	**500**	500	**4,277**	4,389
TNI MENA Real Estate Fund	**1**	8	**3,202**	28,231
Blue Chip Fund	**6,702**	6,702	**34,300**	37,276
TNI MENA Special Situation Fund	**5**	5	**32,915**	21,100
TNI Capital Growth Fund L.P *(note 28.1)*	**-**	-	**24,992**	24,490
TNI MENA UCITS sub fund	**27**	-	**101,474**	-

28.1 The Group is holding 35.7% *(2010: 35.7%)* of this fund.

29. commitments and contingencies

	2011 AED'000	2010 AED'000
Bank guarantees	**30,000**	30,000
Corporate guarantees	**142,992**	141,266
Capital commitments	**37,475**	106,326

In 2009, a claim was made by a property developer against one of the subsidiaries with regards to an alleged breach of the sales agency contract. This contract relates to the sale of units in a project under development as at the reporting date.

MI entered into agreements with contractors and consultants for the development and refurbishment of Mafraq Hotel, budgeted at AED 182 million *(31 March 2010: AED 177 million)*. At the reporting date, MI had committed an aggregated amount of AED 154 million *(31 March 2010: AED 146 million)*, of which AED 54 million *(31 March 2010: AED 102 million)* was outstanding. At the reporting date, MI had an unutilized loan facility of AED 37 million *(31 March 2010: AED 88 million)*.

30. accounting estimates and judgements

In the process of applying the Group's accounting policies, which are described in note 3, management has used estimates and made the following judgements which have a significant effect on the amounts of assets and liabilities recognised in the consolidated financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Fair values of financial instruments

Many of the Group's financial instruments are measured at fair value. It is usually possible to determine their fair values within a reasonable range of estimates. For the majority of the Group's financial instruments, quoted market prices are readily available. However, certain financial instruments, such as over-the-counter securities or unquoted securities, are fair valued using valuation techniques, including reference to current fair values of other instruments that are substantially the same (subject to appropriate adjustments). Fair value estimates are made at a specific point in time and are based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment (e.g. interest rates, volatility, estimated cash flows etc.) and therefore, can not be determined with precision.

(b) Useful lives of premises and equipment

Management assigns useful lives and residual values to items of premises and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from the initial estimates. Management has reviewed the residual values and useful lives of the major items of premises and equipment and has determined that no adjustment is necessary.

(c) Fair value of investment property

Critical estimates and judgements in arriving at the fair value of investment property are discussed in note 4.

(d) Impairment losses on receivables

The Group reviews its receivables to assess impairment at least once a year. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of estimated future the cash flows.

(e) Contingent liabilities arising from litigations

Due to the nature of its operations, the Group may be involved in litigations arising in the ordinary course of business. Provision or contingent liabilities arising from litigations are based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

(f) Share option scheme

The fair value of the share option scheme is determined using the Black-Scholes model. The model inputs comprise share price, exercise price, share price volatility, contractual life of the option, dividend yield and risk-free interest rate.

notes to the consolidated financial statements

31. fair value hierarchy

The Group measures fair values using the fair value hierarchy (note 3(d)) that reflects the significance of the inputs used in making the measurements.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The table below classifies financial instruments measured at fair value at the end of reporting period, in accordance with the fair value hierarchy.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
2011				
Investments at FVTPL	**7,327**	**9,802**	**49,411**	**66,540**
Available for sale investments	**106,391**	**160,920**	**1,018**	**268,329**
Total	**113,718**	**170,722**	**50,429**	**334,869**
2010				
Investments at FVTPL	3,968	7,884	44,171	56,023
Available for sale investments	127,543	90,997	1,018	219,558
Total	131,511	98,881	45,189	275,581

During the year there were no fair value hierarchy transfers between Level 1 and Level 2 above. Further, there has been no change in the valuation techniques in relation to the valuation of financial instruments.

The following table shows reconciliation from the beginning balance to the ending balance for fair value measurements in Level 3:

	2011 AED'000	2010 AED'000
Balance at April 1	**44,171**	54,237
Purchases	**4,892**	-
Impairment	**-**	(8,713)
Unrealised gain on investment	**348**	(1,353)
Balance at March 31	**49,411**	44,171

32. operating lease

Non-cancellable operating leases rentals are payable as follows:

	2011 AED'000	2010 AED'000
Less than one year	**2,677**	1,965
One to five years	**3,498**	1,651
	6,175	3,616

The Group leases a number of offices facilities under operating leases. The leases typically run for a period of 1 year, renewed automatically unless the lessee or the lessor does not want to renew the lease contract. Lease payments are increased every year to reflect market rentals and addition in office premises.

33. comparative figures

Comparative figures have been reclassified to conform with the presentation for the current year.