

The National Investor

Annual Report

fiscal year ended March 31, 2006



**HH Sheikh Zayed
bin Sultan Al Nahyan**

Late President
of the United Arab Emirates



**HH President Sheikh
Khalifa bin Zayed
Al Nahyan**

President of the United
Arab Emirates



**HH General Sheikh
Mohammed bin Zayed
Al Nahyan**

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

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Members of the Board



Abdullah M. Mazrui
Chairman



Mohamad Abdulla Alqubaisi
Vice Chairman



Abdulmajeed Al Fahim
Member of the Board



Fatima Obeid Al Jaber
Member of the Board



Hamad Abdulla Al Shamsi
Member of the Board



Mohamad Mohamad Fadhel Al Hamli
Member of the Board



Omeir Saoud Al Dhahiri
Member of the Board



Mohamad Rashid Al Naseri
Member of the Board

Chairman's Message



Greetings,

It is with pride and pleasure that I present to you, on behalf of the Board of Directors of The National Investor (TNI), the Directors' report on the firm's activities for the fiscal year ended March 31, 2006.

One year ago, at our Annual General Assembly/ Extraordinary General Meeting, our shareholders expressed their confidence in TNI by approving a capital increase of AED 300 million, raising total capital to AED 500 million. The Board recommended the capital increase to enable the firm to continue to build upon its solid foundation to reach new levels of growth and success. I am gratified to report that TNI's results for the year ended March 31, 2006, exceeding even the high expectations of the Board, will validate our shareholders' expectations and set the stage for a successful future.

TNI achieved consolidated revenues of AED 195 million for the year ended March 31, 2006, representing a 74% increase over the prior year. Maintenance of strong profit margins contributed to a net profit of AED 113 million from consolidated activities, representing a 42% increase over the AED 80 million earned in the previous year.

The firm has undergone tremendous growth over the past twelve months in revenues, profits and services. New business lines and expanded operations contributed to enhanced profitability and reduced historical reliance on proprietary portfolio revenues.

In support of our objective for geographical expansion, TNI was the first UAE-based investment banking firm to be licensed in the Dubai International Financial Centre (DIFC), and we have begun the process to establish a subsidiary in the Kingdom of Saudi Arabia.



The extraordinary results of the past year are particularly impressive considering they were achieved during an inflection year which saw the introduction of several initiatives specifically designed to promote the firm's expansion and growth objectives and to achieve our main goal: *to build the most dynamic, progressive and profitable regional investment bank with a distinguished track record and diversified revenue stream in order to provide shareholders with a superior return on investment.*

A number of new initiatives are underway that directly support this goal. The firm is increasing its business offerings throughout all its divisions. Our organisational structure is being adjusted to support the firm's expansion and business development initiatives. We are enhancing our human resources programme to further improve the firm's ability to identify, attract, retain and develop human capital. Work is also underway to ensure that our IT infrastructure is best of breed.

Our immediate priorities are clear. We must continue our tradition of providing superior service to our clients as we diversify our business offerings and expand our regional presence. This will be accomplished by leveraging our expertise in the regional capital markets along with our reputation for superior client service. To this end, we intend to deliver outstanding value to all of our stakeholders.

As we review the extraordinary results achieved over the last year and prepare for the many challenges and opportunities that lie ahead, I believe that TNI is well positioned to demonstrate its leadership throughout the GCC and the MENA region.

It gives me great pleasure to express the sincere appreciation of the Board of Directors towards our

shareholders for their continued support and confidence. I must also thank the members of the Board of Directors as well as the Executive Committee for their steadfast dedication and belief in TNI and its future. Their strategies and insights have been invaluable in the firm's quest for excellence.

Whilst thanking TNI's management and employees, I would like to express our pride and gratitude for their professionalism and relentless pursuit of first class service. They are to be commended for their dedication and hard work in achieving these exceptional results, and we look forward to another year of unprecedented success.

The Board of Directors would like to express sincere appreciation to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the United Arab Emirates and Ruler of Abu Dhabi, to His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai and to His Highness General Sheikh Mohamad Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, for their invaluable support to the business community and economic interests of the UAE. Moreover, we shall not forget to pay tribute to the memory of the late Sheikh Zayed Bin Sultan Al Nayhan and the late Sheikh Maktoum Bin Rashid Al Maktoum for their remarkable vision and to whom the UAE owes its miraculous developments and achievements.

Best Regards,

A. Mazrui

Abdullah M. Mazrui
Chairman

Chief Executive Officer's Message



Greetings,

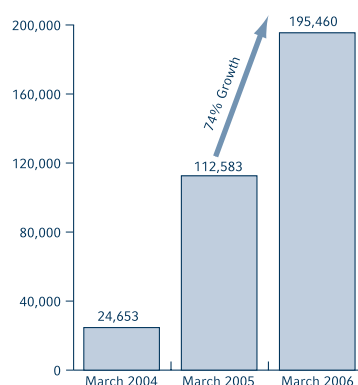
It is my great privilege and pleasure to be writing my first annual statement as Chief Executive Officer of The National Investor (TNI).

The year under review has seen our firm make significant progress. In fact, in the period ending March 31, 2006, TNI had its best year by almost all measures. We have built upon our strong merchant banking franchise, launched new activities and are expanding our operational capabilities, in anticipation of further opportunities and growth. Despite all of our many successes, we realise that the firm has yet to reach its full potential, and it is with great enthusiasm that we look to TNI's future and the possibilities that lie ahead.

Financial Highlights

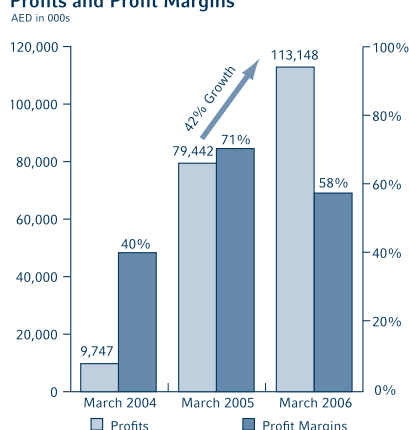
Our financial performance for the fiscal year ended March 31, 2006 was the best in the firm's history. Revenue growth from managed businesses increased 74% and rigorous attention to expenses resulted in a consolidated net profit margin of 58%.

Revenues
AED in 000s



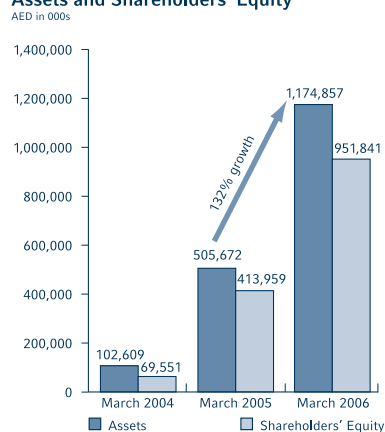


Profits and Profit Margins



Our balance sheet remains very strong. Total assets have increased 132% over the prior year and total equity has risen by 130%. The addition of AED 300 million in shareholder capital has improved our liquidity and our ability to continue to finance strategic investments. This year's record earnings have driven Return on Average Equity to 17%, outperforming the hurdle rate set by the Board.

Assets and Shareholders' Equity



Divisional Overview

TNI's **Investment Banking Division** had record-breaking revenues of over AED 59 million, an increase of 214% over the prior year. Acting in the capacity of Lead Manager or Co-Lead Manager, TNI conducted several of the year's landmark initial public offerings (IPOs) and private placements that raised in excess of AED 920 billion (USD 250 billion) from the local and regional capital markets. Highlights for the year include the hugely successful IPO of Aabar Petroleum, which was oversubscribed 808 times and Tamweel, which was the first operating LLC to go public in the UAE. Also notable was our participation in the IPO of Sorouh, the largest in UAE history at the time, and the listing of Kingdom Hotel Investments, the region's second floatation on the Dubai International Financial Exchange (DIFX). As a testament to these achievements the firm was voted "**Best Equities House in the UAE**" by Euromoney magazine in June 2005.

Our investment banking track record in numbers:

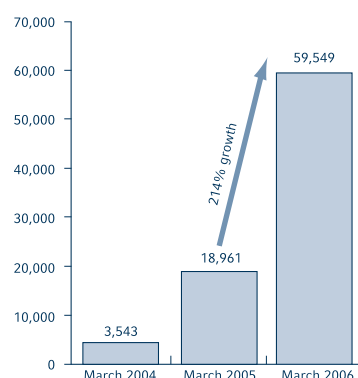
- 38% market share (by number of IPOs) and 48% market share (by public amounts raised). TNI is currently ranked as the market leader in IPOs in both the UAE and GCC.
- 234x average oversubscription on TNI IPOs, highlighting the firm's placement power and execution capabilities.
- AED 3.9 billion (USD 1.1 billion) of raised capital for the year ended March 31, 2006.
- AED 920 billion (USD 250 billion) of total demand generated for TNI-sponsored IPOs for the year ended March 31, 2006.

Our expertise in the successful structuring and placement of large regional issues and our ability to create unprecedented demand has secured our position as the regional leader in capital market transactions.

Our investment banking team has a rich pipeline of regional and international IPO and M&A mandates. This, together with an expanding client base, is evidence of deepening partnerships with our clients. We will continue to build our reputation as a market leader by capitalising on market dynamics and expanding our reach from the UAE, through the MENA region, into Africa and the Asian subcontinent.

Investment Banking Revenues

AED in 000s



The **Private Equity Division** gained major momentum over the last several months, building on the foundations laid in the preceding year. Recent acquisitions have started to make significant contributions to our bottom line, and private equity revenues have grown to AED 27 million. We completed two profitable exits and have acquired stakes in three new businesses. Two of these acquisitions are already profitable and plans are underway with the third to acquire an operation that will make it profitable within the coming twelve months.

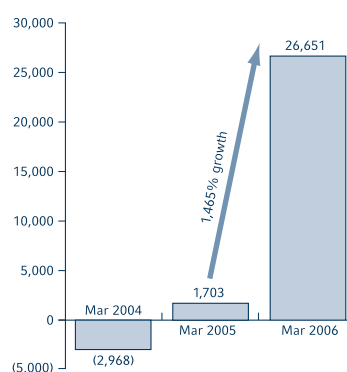
The firm's ability to target strong companies with high growth potential and well-defined strategies has resulted in robust historical returns. TNI boasts an impressive track record in direct private equity investments spanning the last decade, and it was a fitting honour to receive the award for "**Best Institution for Private Equity**" from Banker Middle East in May 2005.

In seeking ways to provide access to regional private equity opportunities, the firm launched in 2006 its first third party private equity fund, the TNI Growth Capital Fund, L.P. With a target size of USD 150 million, the fund is designed to provide superior risk-adjusted returns by targeting late-stage growth capital investments in the GCC, North Africa and the Asian subcontinent. The fund will seek investments in a broad range of sectors and will capitalise on emerging opportunities created by the changing structural dynamics and industry trends in the region.

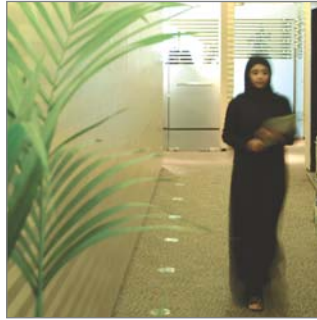
TNI's pre-eminent market position provides unmatched access to quality private equity investments in early-stage and growth ventures. In the coming year we will endeavour to incubate promising businesses as part of our principal investment activity. The firm is also seeking to launch a number of private equity and venture capital related investment products.

Private Equity Revenues

AED in 000s



In February of 2005, TNI made the strategic decision to establish a dedicated **Real Estate Division** that would give it the ability to access advisory and investment opportunities in a burgeoning real estate market across the region. This division cuts across our entire business to provide real estate-specific solutions in investment

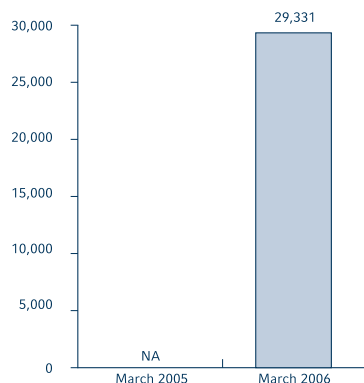


banking, asset management and specialised real estate development. The decision has proved to be insightful and profitable. In the fiscal year ending March 2006, revenue contribution from the Real Estate Division to investment banking and asset management amounted to AED 29 million.

As the only investment banking firm in the UAE with a team that specialises in real estate, TNI has played a major role in managing and placing two successful IPOs and executing three advisory mandates. Furthermore, we have launched a series of real estate funds, such as the Emirates Real Estate Fund, a Shari'a compliant investment fund which was the first of its kind to be launched in the UAE, and a global real estate fund-of-funds. The firm is also finalising plans to launch the TNI RE Development Fund, a vehicle that offers a unique opportunity to invest in development projects, refurbishments and re-developments across the GCC, the MENA region, India and South Africa.

Real Estate Revenues

AED in 000s



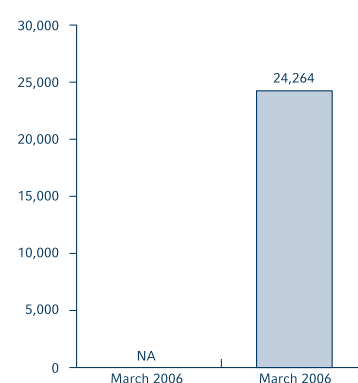
In order to further broaden the firm's revenue base and provide comprehensive service to our clients, an investment management business was launched during the past year. In its first year of operation, our **Asset Management Division** contributed AED 24 million to

revenues through the successful launch of three equity funds. Our flagship TNI UAE Blue Chip Fund boasts one of the lowest volatilities of UAE-focused funds, while TNI MENA REAF (Real Estate Active Fund) stands as one of the best performers in its class in the region. A first of its kind, TNI Dana Women Fund, was created exclusively for women citizens of the GCC and provides a unique opportunity for them to participate in regional securities markets.

Continued expansion of our asset management business remains a significant priority. In a relatively short time, we have consolidated our reputation and have earned a place on the map of regional asset management activity, as witnessed by our award in May 2006 of **"Best Asset Management House"** by Banker Middle East. Over the coming months we will leverage the firm's strong track record as an investment manager to broaden our fund offering around various asset classes, investment styles and risk profiles.

Asset Management Revenues

AED in 000s



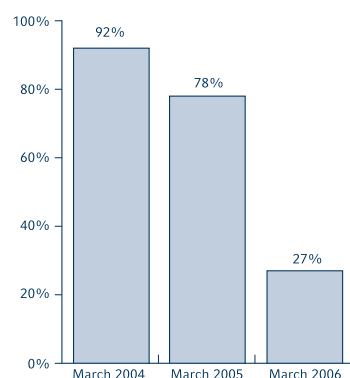
Our success has come from placing clients at the core of all that we do. As our product pipeline gets richer, we seek to ensure that our clients benefit from the investment opportunities that the firm is known for generating, from IPOs and private equity deals, to asset management

services and research. With that in mind, the firm has restructured its **Client Advisory Group**, the firm's sales team, around clients in order to better meet their changing needs and provide them with innovative solutions.

TNI has always considered company and sector research to be invaluable for capital market participants. In an industry where information is key, equity research is crucial to our clients' success. Consequently, in the latter part of 2005, TNI endeavoured to set up a **Research Department**. Within the next few months the initiative will be fully operational, working towards its stated objective of delivering unbiased, value-added research and trading ideas on regionally listed companies. Our strong franchise identity and reputation for excellence, coupled with our expertise in fundamental analysis, should allow us to remain ahead of the information curve.

For the year ending March 31, 2006, TNI's **Proprietary Portfolio** achieved revenues of AED 54 million. The Proprietary Portfolio's contribution to consolidated revenues decreased from 92% two years ago to 27%, underscoring the firm's decreasing reliance on Proprietary Portfolio revenues.

Proprietary Portfolio Revenues as a % of Total Revenues



While the UAE and other GCC markets witnessed excessive volatility over the past six months, our portfolio managers succeeded in minimising the effects of such volatility by adopting defensive trading strategies. Our ability to swiftly react to market corrections allowed us to significantly limit losses from declines in stock values. The firm continues to outperform the local index on the back of its deep market knowledge and its ability to actively trade the market.

As we move into the latter part of 2006, we intend to maintain our defensive stance, relying on our proprietary research and analysis and our ability to identify discounted securities backed by strong fundamentals.

Prospects

A key element of TNI's vision is the diversification of revenue generating capabilities. This year we have set in motion a primary strategy to expand our managed business, improve our productivity and make strategic hires to bolster our industry, product and geographic expertise.

A closer look at the firm's revenues shows the additional achievement of an improved revenue mix. Two years ago, our revenues were primarily generated from the firm's proprietary portfolio. Currently, over two-thirds of consolidated revenues are attributable to our managed businesses.

In January 2006, TNI became the first UAE-based Investment Company to be granted a license to operate in the Dubai International Financial Centre (DIFC) through a wholly-owned subsidiary, The National Investor (Dubai) Limited. With the opening of our new office in Dubai, we look forward to expanding our pipeline of DIFC transactions.

In addition to the DIFC, we are taking the necessary steps to establish a subsidiary in the Kingdom of Saudi Arabia and are in the process of completing requirements for



application to the Saudi Capital Markets Authority. We intend to leverage our strong investment banking franchise to capture new markets throughout the GCC, MENA and the Asian subcontinent.

Throughout the region, we are seeing the initiation of rigorous standards of corporate governance. To ensure success in this new environment, TNI is assuming a central role at the forefront of this movement and is in the process of implementing governance mechanisms with thorough internal processes, tight controls and the right culture for that purpose. Going forward, our people, culture, processes and controls will weave compliance into our firm's fabric. This effort will also support TNI's ability to adapt to the legal and regulatory requirements of the countries we have targeted for expansion.

Regional markets are witnessing significant growth fuelled by sound economic fundamentals. TNI's financial performance combined with its operational accomplishments for the year ended March 31, 2006 is evidence of our ability and preparedness to capitalise on these opportunities and to continue to guide our clients towards success.

Human Capital

Last but not least, a crucial component of the firm and its successes is our human capital. In a business reliant on talent we have managed to assemble a diverse and talented group of people that we believe achieve more by working in teams to produce extraordinary results for the firm and our clients. Our financial achievement is a testament to TNI's ability to identify, attract, develop and retain the best and brightest. We are very proud of their contribution and recognise that our employees are our single most important asset.

The development of our unique firm culture and the pursuit of best practices are dependent on the quality of our team. To this end, we strive to be a meritocracy,

offering advancement opportunities to those individuals who deliver exceptional performance.

Appreciation

What has been achieved during the year is due to the exceptional hard work of my colleagues all around the firm and the continued loyalty of our clients to whom I must express sincere appreciation.

In closing I would like to thank the members of the Board of Directors for their vision and guidance, the employees of the firm for their loyalty, dedication and team spirit, and the community of TNI's shareholders whose confidence has enabled us to achieve these outstanding results.

Your firm is resolutely committed to pursuing the achievement of another good performance for the year ahead. Our unrelenting vision for excellence will continue to push us to strive for more.

Orhan Osmansoy
Chief Executive Officer

Milestones of Success

Pioneering record-breaking IPOs – regionally and internationally, TNI is creating value for corporate and private clients alike by identifying profitable and high-growth investment opportunities.

TNI has over a decade of award-winning performance and proven expertise in the spheres of investment banking, private equity, real estate and asset management.

1994

Founding of The National Investor



1995

Lead Manager for Abu Dhabi Ship Building IPO

Established Gulf Energy Systems (GES)



1996

Capital Increase to AED 35M

Established NIPMC (Colliers UAE)

Appointed as Financial Advisor to UAE Offsets Group



2001

New Corporate Identity



2002

Launch of "Emirates Real Estate Fund"

Appointed as Advisor for Tabreed on recapitalisation and future financing options



2003

Sole Advisor, Arranger and Lead Manager for Tabreed Islamic Sukuk

Appointed as Financial Advisor on private acquisition for Tabreed

Joint Lead Manager for Finance House IPO



2004

Capital Increase to AED 200M

Joint Lead Manager for ALDAR IPO

Joint Lead Manager for Arab International Logistics IPO



الدار العقارية
ALDAR Properties PJSC

Arab International Logistics
parent company of



1997

Joint Lead Manager for
Abu Dhabi Islamic Bank IPO

Established National
Inspection Company

Lead Manager for Oasis
International Leasing
Company IPO



1998

Capital Increase to AED 77M

Lead Manager for
Tabreed IPO

Lead Manager for
Manasek IPO

Lead Manager for
Asmak IPO



1999

Launch of strategy
to become an
Investment Company

Advised on Acquisition
of GES



2000

Established NAS

Licensed by UAE
Central Bank as
Investment Company



2005

Launch of "TNI Blue
Chip Fund"

Lead Manager and Book
Runner for Aabar IPO

Voted "Best Institution for
Private Equity" by Banker
Middle East

Financial Advisor and Joint
Lead Manager for
Sorouh IPO



Capital Increase
to AED 500M

Voted "Best Equities House
in the UAE" by Euromoney

Launch of "TNI Dana
Women Fund"

Launch of "TNI MENA Real
Estate Active Fund"



2006

First UAE-based firm
licensed in the DIFC

Launch of "TNI Growth
Capital Fund, L.P."

Financial Advisor and Lead
Manager for DEPA United
Group Private Joint Stock
Offering



Delivering Excellence

Joint Lead Manager
for Kingdom Hotel
Investments IPO

Financial Advisor, Lead
Manager & Book Runner
for Tamweel IPO

Voted "Best Asset
Management House"
by Banker Middle East



Company Overview

The National Investor (TNI) is a privately owned regional investment and merchant banking group. Since its inception, TNI has remained faithful in its promise to produce unparalleled client service. The firm comprises seven strategic business units covering investment and merchant banking, private equity, asset management, real estate, research, principal investments and client advisory. In addition, the firm has an associate company, GNSC, which provides brokerage services as a registered member of the Abu Dhabi Securities Market (ADSM) and the Dubai Financial Market (DFM).

As a regional firm we operate from Abu Dhabi in the UAE and are currently developing operations in Dubai and the Kingdom of Saudi Arabia. We provide a wide range of investment, advisory and fund management services to a substantial client base that includes listed and unlisted companies, financial and government institutions and high net worth individuals.

We derive our revenues from five main sources:

- Fees from advisory services;
- Fees from asset management services;
- Fees from private equity fund management services;
- Returns on the firm's principal investments; and
- Returns from proprietary trading.

Over the last twelve years, we have been successful in positioning ourselves amongst the region's most trusted and reputed financial institutions. With a proven track record across all of our lines of business, we rank as the leading arranger of public share offerings with total transaction value exceeding AED 9.9 billion. The firm focuses on delivering consistently superior results in line with its growing reputation as a regional leader. As the financial environment evolves, both regionally and globally, our goal remains the same: "guiding you towards success." Our execution capabilities, combined with our extensive network of

business relationships, make us a trusted advisor to our clients and a valued resource to our investors.

History

The National Investor was founded in 1994 as a private joint stock company registered in the Emirate of Abu Dhabi and wholly owned by UAE nationals who belong to the highest echelons of the business and political community. Since its incorporation, the firm has grown by implementing four capital increases for a total current paid-up capital of AED 500 million.

In the early years spanning 1995 through 1999, the firm worked to build its proprietary portfolio. During the same period, it launched a number of successful companies, including Gulf Energy Systems and National Investor Property Management Company (Colliers UAE), and lead-managed numerous public offerings.

In late 1999, the firm responded to changing market conditions by pursuing a new strategy devised to address the anticipated growing demand for capital market products and investment banking services throughout the UAE.

In 2005, TNI continued its evolution into a comprehensive investment banking firm with the launch of the asset management, real estate, and research divisions, and the marketing of our first third party private equity fund. These developments, along with a continued commitment to excellence, have earned the firm considerable value and trust in the marketplace.

2006 has witnessed further expansion in our operations and business offerings. In January, TNI became the first UAE investment banking firm to be licensed in the newly created Dubai International Financial Centre (DIFC), the world's newest international financial hub.

Today, the professionals of our firm differentiate themselves through their focus on delivering high-level client service.



We tend to share a common entrepreneurial mindset with our clients. In addition to our entrepreneurial mindset, we have built a professional culture that stresses a commitment to high ethical standards, a team approach to every client engagement, and meritocracy in the workplace.

Profile of Services and Business Offerings

Investment Banking

The firm's investment banking advisory capability effectively addresses client needs by seamlessly providing strategic, financial, commercial, research, negotiation and transaction implementation support. The principal areas of activity within the investment banking advisory group are:

- Public and private offerings of both equity and debt;
- Mergers and Acquisitions;
- Shari'a compliant finance; and
- General corporate finance advice.

Our investment banking operations have enjoyed a record year in an environment of increased corporate activity and investment banking competition throughout the GCC. During the year the advisory team built on its formidable record of being the leading advisor on UAE initial public offerings (IPOs). Notable transactions completed and accounted for this fiscal year include:

- AED 900 million IPO of Aabar Petroleum Investments (oversubscribed 808 times);
- AED 2,000 million IPO of Sorouh (oversubscribed 176 times, at the time the largest IPO in UAE history);
- USD 397 million IPO of Kingdom Hotel Investments (oversubscribed 14 times, the second listing ever on the Dubai International Financial Exchange); and
- AED 1,000 million IPO of Tamweel (oversubscribed 476 times, the first operating LLC to go public in the UAE).

As a result, the firm has been successful in consolidating its position as the leading arranger of UAE IPOs and it was a fitting honour to be awarded **"Best Equities House in the UAE"** by Euromoney magazine in June 2005.



In addition to our record of IPO mandates completed throughout the year, we have also been active in mergers and acquisitions and private placements, including the noteworthy origination, structuring and lead management of the AED 475 million private placement for Depa United Group PrJSC. The advisory team completed a number of further transactions for other divisions of TNI and in particular its principal investment and private equity group.

Our investment banking advisory team enters the 2006-2007 financial year with strong dealflow momentum, which is differentiated by its variety. Current mandates include mergers and acquisitions, IPOs (both on DIFX and the local UAE exchanges), debt offerings and private placements. The firm's reputation has also sparked the interest of a wider client base and testament to this is the fact that mandates are currently being executed in India, the Kingdom of Saudi Arabia and South Africa. These mandates typify the newly positioned nature of our advisory capability, which seamlessly delivers services traditionally operating under the separate functional areas of capital market transactions, debt, mergers and acquisitions and corporate finance. When coupled with the increase in cross-border advisory mandates, our expertise in origination and our creativity supplement our capital raising and transaction execution in a manner that our clients find difficult to source elsewhere.

We eagerly anticipate the new UAE Companies Law as we believe it will drive further momentum in capital markets activity (both equity and debt), mergers and acquisitions and corporate restructuring, which bodes well for growing our investment banking platform.

In order to broaden our advisory capability and as a result of increased market opportunity, we continue to expand the size of our advisory team. In doing so, we seek a diversity of backgrounds, which has already paid dividend in the wealth of perspectives and abilities delivered to our clients. Our diverse team is the foundation of the investment banking group and the key driver of its success. One of the most pleasing aspects of the team forming in the division has been the development of a culture which blends together diversity and talent into nimble, focused and innovative client service.

The investment banking division's results for the 2005-2006 financial year further demonstrates that we have enhanced the TNI franchise by adding capabilities, clients and talent. Underlying all of this is our commitment to an uncompromising standard of excellence. Our success is largely a result of our clients' confidence and belief that we will live up to this standard. Each day, we work hard to earn, maintain and increase that level of confidence.

Private Equity

TNI has an established private equity track record and is a recognised leader in private equity investing in the GCC. Until recently, private equity investing was undertaken purely by the firm's principal investment group. Over the last decade this group has generated an impressive blended IRR of some 65% on its private equity portfolio. In recognition of these achievements the firm was awarded **"Best Institution for Private Equity"** from Banker Middle East in May 2005.



During the year we completed two profitable exits and have acquired stakes in three new businesses. Two of these acquisitions are already profitable and plans are

underway with the third to acquire an operation that will make it profitable within the coming twelve months.

The private equity asset class in the GCC and the MENA region has burgeoned over the past twelve months, with a plethora of new funds being announced, launched or closed by both established players and new upstarts in the industry. We believe this is a healthy development in raising the awareness of private equity as an alternative asset class to investors in the region, as well as creating a value-adding source of capital to potential investees. However, the increase in the number of funds has also led to an increase in the price of assets, as competitive tension for investment opportunities mounts. We are of the opinion that key differentiators for long term success in private equity include an incentivised specialist private equity team, a track record for generating above average private equity returns and proprietary access to quality deal flow.

In the fourth quarter of the 2005-2006 financial year, we took the strategic decision to leverage our private equity skills and capital alongside a premier set of domestic and regional investors. As a result the firm launched the TNI Growth Capital Fund, L.P., a targeted USD 150 million private equity fund focusing on late stage growth capital opportunities in the GCC, North Africa, Levant and Asian subcontinent. The fund completed its first closing in February 2006 and has already begun making investments. A specialist private equity team with extensive private equity experience has been recruited to manage the Fund.

Of strategic importance to the firm is the team's ability and readiness to provide ongoing strategic, financial and operational support to investees. In the past this has driven our private equity investment record and provided further differentiation. In our opinion, an optimal balance between financial and intellectual capital is key to private equity success. In addition, as a result of our position as



a pre-eminent regional investment bank, we have demonstrable access to quality deal flow prior to such deals being “shopped around” in the market.

In the coming financial year, the private equity group will continue to extend its product base by leveraging its expertise and deal flow. We have advanced plans for developing an early stage industrial fund. Extensive research and product design have been completed with market tests reflecting positive results. We believe that the management of third party private equity funds will provide TNI with a high quality earnings stream, comprising fees predominantly of an annuity nature and generating attractive returns on invested capital.

Real Estate

The establishment of the real estate division was a strategic undertaking to provide clients with tailored solutions and assist them in achieving their objectives in this growing sector. The division’s dedicated team of real estate professionals has over 80 years of combined experience in providing comprehensive real estate solutions in investment banking, asset management, development and international investing. Through Colliers International, a wholly owned subsidiary of TNI, the firm also provides services in property management, sales and leasing.

Services offered within investment banking include the preparation of feasibility studies, financial and legal due diligence, and capital structure optimisation. Our real estate professionals, backed by their industry knowledge and strong distribution platform, also seek to provide our clients with capital raising services.

During the 2005-2006 financial year, the real estate team was mandated on two high profile IPOs. The USD 397 million IPO of Kingdom Hotel Investments was the second listing ever on the Dubai International Financial Exchange, with a GDS listing on the London Stock Exchange. Tamweel, a Dubai-based mortgage financing

company, was the first company in the UAE to be converted from a Limited Liability Company directly into a Public Joint Stock Company. The offering was 476 times oversubscribed.

The firm’s real estate team has also advised on major transactions in the UAE, including the Abu Dhabi Tourist Club, Corniche Beach Hotel, HCSEZ - Workers Residential City and National Investment Company. Real estate mandates are being sourced within the UAE, as well as in the Kingdom of Saudi Arabia, India, Pakistan and South Africa.

Our industry expertise has also enabled us to develop a real estate asset management service. In addition to the existing Emirates Real Estate Fund and MENA Real Estate Active Fund, two new real estate funds are set to be launched soon. A global real estate equity fund-of-funds is expected to raise initial subscriptions of USD 150 million and a real estate development fund is targeted for June 2006 with an expected size of USD 200 million.

The real estate division is also available to assist clients in development projects. Our real estate investment banking professionals work with experts from various fields (planning, design, architecture, engineering, and construction) to provide end-to-end services from conception to occupation. From pre-construction tenders and applications to identification of project managers, the team has experience which is unique to the region in representing and advising clients on all construction related matters.

Colliers International operates throughout the GCC offering sale, lease property management, as well as feasibility studies, valuations and development consultancy services. During the course of next year, Colliers is planning further growth through the penetration of new markets such as Qatar, Oman, Jordan and Lebanon.

Asset Management

TNI's asset management division was formed in 2005. As an investment management firm, we offer regional investment management and advisory services to institutional and high-net-worth investors. In addition to managing third party funds, we also provide both discretionary and non-discretionary portfolio management services tailored to suit the changing needs of our discerning clients. Assets under management have reached AED 719 million, after less than one year of operation.

During the course of the 2005-2006 financial year, we launched three funds: TNI UAE Blue Chip Fund (BCF), TNI MENA Real Estate Active Fund (MENA REAF) and TNI Dana Women Fund (DWF). TNI's methodical approach in targeting low volatility and staying true to investment guidelines has positioned the funds as ideal investment vehicles.

With a volatility of 21% versus 28% for the benchmark NBAD UAE General Index, BCF has emerged as an attractive performer on a risk adjusted basis. As of March 31, 2006, the fund's performance since inception stood at -2.4%, versus -9% for the NBAD UAE General Index. Comparatively, the Abu Dhabi Stock Market and the Dubai Financial Market were down 28% and 16% respectively.

For the same period, MENA REAF posted a return of 10.3% since inception, and remains one of the best performers amongst pan-GCC and MENA funds.

DWF, which was created exclusively for women citizens of the GCC and which provides them with a unique opportunity to participate in the regional securities market, was up 10.1% as of March 31, 2006.

The funds' performance and our asset managers' dedication to achieving superior returns have not gone

unnoticed, as TNI was awarded "Best Asset Management House" by Banker Middle East in May 2006.



We believe that the successful launches of several new investment products reflect the initial results of our efforts. Going forward, our objective is to focus on delivering superior investment performance and client service and to broaden our product offering. The asset management division's specific investment strategies, regional reach, brand identity, and access to multiple distribution channels should allow us to achieve our objectives and build further on our early success.

Principal Investment Area

TNI's principal investment activity has generally focused on investments in GCC equity markets, GCC private equity and GCC pre-IPO special situations. Since its inception, our principal investments in private equity have included a number of early stage as well as late stage growth capital transactions. Over the years, we have incubated and actively managed eight start-ups and have successfully exited two of these companies through IPOs on the local UAE stock exchanges. We have been able to grow our portfolio of investments into profitable business ventures contributing positively to the firm's bottom line.

In addition to incubating new ventures, we are actively seeking to acquire stakes in late stage, profitable, privately owned entities with a view to developing and growing them prior to an exit either through a trade sale or an IPO. We were able to exit one such deal during the year generating a return of nearly 160% only one year post initial investment.

Our investing activity is by definition exposed to equity risk and by its nature difficult to hedge. While correlation



with public markets is limited by the special opportunity and privately negotiated nature of much of our proprietary investments, inevitably earnings can be adversely affected in turbulent public equity markets.

The firm's ability to commit its own capital remains strategically valuable and a differentiator in our market. As our firm expands into new geographies and broadens its product scope, we will continue to grow the reach and breadth of our principal investment activity as part of our overall strategy of continuously seeking to improve the quality of our earnings.

Research

As TNI asserts its leadership in the regional investment landscape, and bolsters its presence in asset management, a thorough understanding of stock market dynamics becomes key. We strongly believe that the best way to ensure a sound approach to investing is to support investment decisions with in-depth, unbiased analysis. From this belief stems the firm's strategic decision to establish a research department, which endeavours to offer superior investment recommendations to our asset managers, investors and clients.

In a fast-paced environment, where markets are particularly volatile and challenging, research enables the firm and our clients to remain ahead of the information curve. Beginning in mid-2006, our research infrastructure will produce regular publications with the highest international quality standards.

The firm's research analysts seek to provide clients with thought leadership in emerging industry trends and developments as well as insights into specific companies. Going forward, this communication will be supplemented by a series of specialised reports including daily market reports, technical analysis and single stock and industry reports. Throughout the process, we remain dedicated to offering expert stock-market research and insight.

We aspire to have our clients view us as a source for credible market insights and new investment ideas. We intend to continue to expand our research footprint, and to that end, we plan to further enhance our capabilities by growing our research team. This focused commitment to research will create opportunities for our investment banking and asset management businesses and enhance our position with our target audience.

Client Advisory Group

The transactions and products in which we have been involved have often proven to be award-winning investment opportunities. As our product pipeline gets ever richer, we would like to make sure that our clients get fully exposed to every investment opportunity that emanates from TNI in the future.

With that in mind, we have restructured our sales effort. As a result, we make sure that our investment advisors are involved with our clients every step of the way, from understanding their needs, to pitching products and closing transactions. While our investment advisors remain product generalists, they provide an effective and timely liaison for our clients with the firm's specialists.

In addition, we make sure whenever possible that a single Client Advisory Group professional is responsible for each client relationship. This enables us to build genuine client knowledge which transforms over-time into improved and proactive service and centralised coverage.

Operational Enhancement

Managing different types of risk to enhance shareholder and franchise value goes to the very heart of TNI's business. With the firm's significant growth comes the challenging task of providing the necessary operational and risk management infrastructure and policies and procedures that underpin a sound corporate governance framework and help to develop a corporate culture that attracts, rewards and retains talented people.

As a result, we have appointed specialists to help us develop firm policies and procedures, design short-term and long-term staff incentive schemes, and roll out state-of-the-art information technology systems. Our revamped information technology platform will help improve productivity and decision making and will assist in better managing operational risks. We believe that the operational enhancements TNI has embarked upon during the year will provide our team with increased competitive advantage.

Financial Statements

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Report of the Auditors



The Shareholders The National Investor Private Joint Stock Company

Report of the Auditors

We have audited the accompanying consolidated balance sheet of The National Investor Private Joint Stock Company (the "Company") and its subsidiaries (jointly referred to as the "Group") as at 31 March 2006 and the related consolidated statements of income, changes in equity and cash flows for the year then ended.

Respective responsibilities of the Group's Directors and the Auditors

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

Basis of opinion

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

Opinion

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

Other matters

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

A handwritten signature in blue ink, appearing to read 'Munther Dajani', with a stylized flourish at the end.

KPMG

Munther Dajani

Registration No. 268

Abu Dhabi
6 May 2006

Consolidated Income Statement

for the year ended 31 March 2006

	Notes	2006 AED'000	2005 AED'000
INCOME			
Investment banking fees and income	4	103,072	28,780
Net income from investments at fair value through the income statement	5	64,800	80,469
Net income from associates		7,990	-
Income from investments available for sale		14,603	1,275
Interest income		4,947	909
Other income		48	1,150
Total income		195,460	112,583
EXPENSES			
Investment costs		(20,026)	(10,065)
Borrowing costs		(17,595)	(1,747)
Staff costs		(32,204)	(16,664)
Other operating expenses		(9,809)	(4,040)
Depreciation		(1,658)	(625)
Total expenses		(81,292)	(33,141)
Net profit before minority interest		114,168	79,442
ATTRIBUTABLE TO:			
Equity holders of the Company		113,148	79,645
Minority interest		1,020	(203)
		114,168	79,442

The notes set out on pages 27 to 38 form part of these consolidated financial statements. The Report of the Auditors is set out on page 22.

Consolidated Balance Sheet

as at 31 March 2006

	Notes	2006 AED'000	2005 AED'000
ASSETS			
Cash and balances with banks	6	466,481	34,969
Investments at fair value			
through the income statement	7	240,893	95,028
Investments available for sale	8	356,064	208,869
Amount due from related parties	18	26,731	53
Investment in associates	9	34,979	2,100
Premises and equipment	10	4,813	1,377
Other assets	11	44,896	163,276
Total assets		1,174,857	505,672
EQUITY			
Share capital	14	500,000	200,000
Legal reserve	15	22,782	11,456
Statutory reserve	16	21,251	10,342
Revaluation reserve		299,527	141,763
Proposed dividends and remuneration		53,296	33,030
Retained earnings		54,985	17,368
Total equity attributable to equity holder		951,841	413,959
Minority interest		1,911	891
Total equity		953,752	414,850
LIABILITIES			
Loans and overdrafts	12	25,000	74,175
Amount due to related parties	18	168,184	-
Other liabilities	13	27,921	16,647
Total liabilities		221,105	90,822
Total equity and liabilities		1,174,857	505,672

These consolidated financial statements were approved on behalf of the Board of Directors on 6 May 2006 by:



Abdullah Mazrui
Chairman



Orhan Osmansoy
Chief Executive Officer

Consolidated Statement of Changes in Equity

for the year ended 31 March 2006

	Share capital AED'000	Legal reserve AED'000	Statutory reserve AED'000	Re- valuation reserve AED'000	Proposed dividends & remuneration AED'000	Retained earning AED'000	Total AED'000
As at 1 April 2004	77,000	3,470	2,472	-	-	(13,391)	69,551
Increase in share capital	123,000	-	-	-	-	-	123,000
Net profit for the year	-	-	-	-	-	79,645	79,645
Transferred to legal reserve	-	7,986	-	-	-	(7,986)	-
Transferred to statutory reserve	-	-	7,870	-	-	(7,870)	-
Unrealised gains on investments available for sale	-	-	-	143,038	-	-	143,038
Realised gains transferred to income statement	-	-	-	(1,275)	-	-	(1,275)
Proposed dividends	-	-	-	-	30,000	(30,000)	-
Proposed directors' remuneration	-	-	-	-	3,030	(3,030)	-
As at 31 March 2005	200,000	11,456	10,342	141,763	33,030	17,368	413,959
As at 1 April 2005	200,000	11,456	10,342	141,763	33,030	17,368	413,959
Dividend paid during the year	-	-	-	-	(33,030)	-	(33,030)
Increase in share capital	300,000	-	-	-	-	-	300,000
Net profit for the year	-	-	-	-	-	113,148	113,148
Transferred to legal reserve	-	11,326	-	-	-	(11,326)	-
Transferred to statutory reserve	-	-	10,909	-	-	(10,909)	-
Unrealised gains on investments available for sale	-	-	-	158,312	-	-	158,312
Realised gains transferred to income statement	-	-	-	(548)	-	-	(548)
Proposed dividends	-	-	-	-	50,000	(50,000)	-
Proposed directors' remuneration	-	-	-	-	3,296	(3,296)	-
As at 31 March 2006	500,000	22,782	21,251	299,527	53,296	54,985	951,841

The notes set out on pages 27 to 38 form part of these consolidated financial statements. The Report of the Auditors is set out on page 22.

Consolidated Statement of Cash Flows

for the year ended 31 March 2006

	2006 AED'000	2005 AED'000
OPERATING ACTIVITIES		
Net profit for the year before minority interest	114,168	79,442
<i>Adjustments for:</i>		
Interest income	(4,947)	(909)
Interest expense	17,595	1,747
Operating profit before changes in working capital	126,816	80,280
Increase in investments at fair value through the income statements	(145,865)	(49,929)
(Increase) / decrease in amount due from related parties	(26,678)	175
Increase / (decrease) in other assets	118,380	(160,870)
Increase in amounts due to related parties	168,184	-
Increase in other liabilities	11,274	9,265
Net cash flows from / (used in) operating activities	252,111	(121,079)
INVESTING ACTIVITIES		
Purchase of investments available for sale	10,569	(52,932)
Investments in associates	(32,879)	143
Increase premises and equipment, net	(3,436)	(864)
Net cash flows used in investing activities	(25,746)	(53,653)
FINANCING ACTIVITIES		
Increase in share capital	300,000	123,000
Dividend and remuneration paid	(33,030)	-
Additional contribution of minority interest	-	1,071
Interest expense	(17,595)	(1,747)
Interest income	4,947	909
Funds (repaid) / borrowed	(49,175)	48,521
Net cash flows from financing activities	205,147	171,754
Increase / (decrease) in cash and cash equivalents	431,512	(2,978)
Cash and cash equivalents at 1 April	9,969	12,947
Cash and cash equivalents at 31 March (note 6)	441,481	9,969

Notes to the Consolidated Financial Statements

1 Legal status and principal activities

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

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

The Company and its subsidiaries (jointly referred to as the “Group”) operate in the UAE. The Group employed 146 employees as of 31 March 2006 (31 March 2005: 79 employees).

2 Significant accounting policies

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and its interpretation adopted by the International Accounting Standard Board and the requirements of the UAE Federal Law No. 8 of 1984 (as amended).

b) Basis of preparation

These consolidated financial statements are presented in UAE Dirhams (“AED”) rounded off to the nearest thousand and have been prepared on the historical cost basis except for investments at fair value through the income statement and available for sale investments which are stated at fair value

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if the revision affects both current and future periods.

c) Basis of consolidation

i Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing the control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the Consolidated Financial Statements

2 Significant accounting policies (continued)

ii Associates

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

iii Jointly controlled operations

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the entities' assets, liabilities, revenues and expenses with items of a similar nature on a line by line basis, from the date that joint control commences until the date the joint control ceases.

iv Transactions eliminated on consolidation

Intra-Group balances, and any unrealised gains and losses on income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

d) Financial instruments

i Classification

Investments at fair value through the income statement are those that the Group principally holds to generate short term profit.

Investments available for sale assets are non-derivatives financial assets that are designated as available for sale or are not classified as investments at fair value through the income statements.

ii Recognition and derecognition

The Group recognises financial assets at fair value through the income statement and available for sale assets on the date it commits to purchase the assets.

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

iii Measurement

Financial assets are measured initially at fair value (transaction price) plus transaction cost that are directly attributable to the acquisition of the financial assets.

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

iv Fair value measurement principles

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

v Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial assets at fair value through income statement are recognised directly in the consolidated income statement. Investments available for sale are measured at fair value at the balance sheet date, with unrealised gain or loss reported as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at that time the cumulative gain or loss previously reported in equity is transferred to the consolidated income statement.

e) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services, (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments.

f) Premises and equipment and depreciation

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

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

g) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in consolidated income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the consolidated income statement is the difference between the acquisition cost and current fair value, less, any impairment loss on that financial asset previously recognised in the consolidated income statements.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

h) Staff terminal benefits

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

Notes to the Consolidated Financial Statements

2 Significant accounting policies (continued)

i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at balance sheet date are retranslated in AED at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statements.

j) Cash and cash equivalents

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

k) Revenue

i Investment banking fees and income

Investment banking fees and income represents the income earned for services provided by the Group during the year and are recognised on an accrual basis when the services are rendered and no significant uncertainties remain regarding the recovery of consideration due.

ii Dividend income

Dividend income relating to exchange-traded equity investments is recognised in the consolidated income statement on ex-dividend date.

Income distributed from private equity investment and other investment funds are recognised in the income statement as dividend income when declared.

iii Interest income and expenses

Interest income / expense is recognised in the consolidated income statement as it accrues, using the original effective interest rate of the instrument.

3 Consolidation

The financial statements of the following companies have been consolidated in the consolidated financial statements.

	Country of incorporation	Holding per cent 2006	Holding per cent 2005
National Investor Property Management Company LLC	UAE	100%	100%
United Capital LLC ⁽¹⁾	UAE	100%	-
Falcon Capital LLC ⁽¹⁾	UAE	100%	-
Fidelity Invest LLC ⁽¹⁾	UAE	100%	-
Fidelity Trust LLC ⁽¹⁾	UAE	100%	-
Blue Chip Capital LLC ⁽¹⁾	UAE	100%	-
Al Dhafra Capital LLC ⁽¹⁾	UAE	100%	-
TNI Real Estate Investments Company LLC ⁽¹⁾	UAE	100%	-
TNI Capital partners Limited ⁽²⁾	Cayman	100%	-
TNI General partners Limited ⁽²⁾	Cayman	100%	-
TNI (Dubai) Limited ⁽³⁾	UAE	100%	-
National Science & Technology LLC	UAE	60%	60%
NAS Administration Services LLC ⁽⁴⁾	UAE	51%	51%
Nextcare Global FZ LLC ⁽⁴⁾	UAE	51%	51%

- (1) The principal activities of those companies are to invest, establish and manage the commercial, industrial and real estate projects and to invest in public joint stock companies.
- (2) During the year the Group established two special purpose entities ("SPEs") in the Cayman Islands. Management intends to transfer the beneficial ownership of those SPEs to the Growth Fund upon its establishment. As management intends to hold those SPEs for a temporary period, they are not considered for consolidation.
- (3) The National Investor (Dubai) Ltd 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.
- (4) NAS Administration Services LLC was formed in 2002 as an investment vehicle to facilitate the participation of UAE investors in Nextcare Global FZ LLC ("Nextcare"). Management believes that its control over Nextcare is temporary as Nextcare is currently dormant and will be liquidated upon the resolution of certain outstanding legal issues with the initial promoters. The investment in Nextcare has been accounted for using the equity method after recording 100% impairment provision resulting in a net investment of nil as at the balance sheet date (2005:Nil).

4 Investment banking fees and income

	2006 AED'000	2005 AED'000
Investment banking fees ⁽¹⁾	59,792	17,592
Asset management fees ⁽²⁾	21,213	825
Income of subsidiaries	22,067	10,363
	103,072	28,780

- (1) The Company and another institution were appointed to manage the initial public offering of Aldar Properties PJSC ("Aldar") and to carry out other services in relation to the formation of Aldar. Under the terms of the IPO advisory agreement, the two institutions were paid a fixed fee of AED 4.5 million each. The two institutions were also entitled to receive an additional fee which was linked to the interest earned on the funds generated by the offering. As a result of the offering being oversubscribed, the Company's share of additional fee amounted to approximately AED 76.8 million.

The management of Aldar subsequently entered into negotiation with the two institutions to reduce the amount of additional fees payable. The Company was offered AED 25 million by the management of the Aldar for full and final settlement. It is the intention of the Company to pursue the collection of the full amount earned in accordance with the terms of the IPO advisory agreement through various means. However due to the uncertainty of the timing of successful collection of the full amount, the Company has not recognised the additional fees as income in the consolidated financial statements

- (2) Asset management fees include management and performance fees charged for the management of funds. The Company provides administrative, accounting, secretarial and registrar services to the funds and earns management and administration fees calculated at the rate of 2% per annum. The Directors believe that such arrangement does not expose the Company to the fund's liabilities.

Notes to the Consolidated Financial Statements

5 Net income from investments at fair value through the income statement

	2006 AED'000	2005 AED'000
Realised gain on trading securities	64,819	27,900
Unrealised (loss) / gain on trading securities	(3,165)	51,222
Dividend income	3,146	1,347
	64,800	80,469

6 Cash and balances with banks

	2006 AED'000	2005 AED'000
Cash in hand	103	97
Call and current accounts	167,701	260
Term deposits	273,677	9,612
Cash and cash equivalents	441,481	9,969
Term deposits under lien	25,000	25,000
Cash and balances with banks	466,481	34,969

Bank deposits are held with banks registered in the UAE and carry effective interest rate of approximately 4.5 % (2005: approximately 1.7 %).

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

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

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

7 Investments at fair value through the income statement

	2006 AED'000	2005 AED'000
Investment equities	123,130	90,500
Investments in units of funds	117,763	4,528
	240,893	95,028

As at date of the consolidated balance sheet, the Company had the following investments in funds which are under its management:

	No of Units	Net asset value AED'000	Percentage of holding
Emirates Real Estate Fund	50	3,760	11%
Dana Women Fund	50	5,504	2%
Mena Real Estate Fund	1,000	40,532	44%
Blue Chip Fund	5,000	48,831	23%

As at the year end, investments at fair value through the income statement includes AED 19 million which represent investment in TNI Real Estate Investment Fund of Funds – under incorporation which is carried at cost. The Company has committed to contribute an additional AED 18 million.

8 Investments available for sale

Investments available for sale representing AED 356,064 thousand (2005 AED 199,982 thousand) are shares held by the Group as founder member as at year end. These shares cannot be sold before 2 years from the date of incorporation of the respective company, unless sold to another founder member.

9 Investments in associates

	Percentage of holding		Assets 2006 AED'000	Liabilities 2006 AED'000
	2006	2005		
Gulf National Securities Centre LLC ⁽¹⁾	35%	35%	63,332	29,755
ADDAR Real Estate Services LLC ⁽²⁾	-	15%	-	-
UAE Mall LLC ⁽³⁾	35%	-	52	16
National Entertainment Co. - Tarfeeh ⁽⁴⁾	50%	-	1,016	490
Depa United Group PrJSC ⁽⁵⁾	4.7%	-	680,925	170,490
Al Dana Trust LLC ⁽⁶⁾	40%	-	150	-

All of the above associates are incorporated in the United Arab Emirates.

(1) Gulf National Securities Centre was established on 24 August 2004 as a limited liability company. The company's principal activities are to provide share brokerage services in finance and commodity markets.

(2) Investment in ADDAR Real Estate was sold during the current year.

(3) UAE Mall LLC was established on 6 June 2004 and incorporated as limited liability company registered in the Emirate of Abu Dhabi on 14 September 2005. The company's principal activities are to carry out internet services and provide services through the internet and commercial brokerage activities.

Notes to the Consolidated Financial Statements

9 Investments in associates (continued)

- (4) National Entertainment LLC was established on 25 September 2005 as a limited liability company registered in the Emirate of Abu Dhabi. The company's principal activities are to operate entertainment centres, hotels and resorts and to provide different tourist and entertainment services.
- (5) Depa United Group PrJSC was established on 15 January 2006 as a private joint stock company registered in the Emirate of Dubai. The company specialises in investments, establishments, and management of commercial and industrial enterprises. Although the Group owns less than 20 per cent of the voting power of Depa United Group PrJSC, it is able to exercise significant influence, but not control, by virtue of indirect ownership. Consequently, Depa United Group PrJSC has been classified as an associate.
- (6) Al Dana Trust LLC was established on 24 May 2005 as a Limited Liability Company registered in the Emirate of Abu Dhabi. The principal activities of the company are to invest, establish, and manage commercial and industrial real estate projects.

10 Premises and equipment

	Leasehold improvements AED'000	Furniture and fixtures AED'000	Office equipments AED'000	Motor vehicles AED'000	Total AED'000
COST					
At 1 April 2004	303	379	683	88	1,453
Transfers in	32	61	723	-	816
Additions	127	108	909	53	1,197
Write offs	(17)	-	(181)	-	(198)
At 31 March 2005	445	548	2,134	141	3,268
At 1 April 2005	445	548	2,134	141	3,268
Additions	2,625	532	1,834	103	5,094
At 31 March 2006	3,070	1,080	3,968	244	8,362
DEPRECIATION					
At 1 April 2004	33	362	499	46	940
Transfers in	15	26	450	-	491
Charge for the year	127	48	417	33	625
Write offs	(9)	-	(156)	-	(165)
At 31 March 2005	166	436	1,210	79	1,891
At 1 April 2005	166	436	1,210	79	1,891
Charge for the year	639	150	823	46	1,658
At 31 March 2006	805	586	2,033	125	3,549
NET CARRYING AMOUNT					
At 31 March 2005	279	112	924	62	1,377
At 31 March 2006	2,265	494	1,935	119	4,813

11 Other assets

	2006 AED'000	2005 AED'000
Receivables	36,447	21,936
Prepaid expenses	2,154	819
Due from employees	1,371	963
Others	5,052	139,558
	45,024	163,276
Less: provision for doubtful receivables	(128)	-
	44,896	163,276

Included in Others is an amount of AED 1,747 thousand (2005: AED 1,723 thousand) for deferred project cost. These are initial direct expenses such as legal, technical and consultancy fees incurred incidental to the projects. These costs are recognised in the year in which the project revenue is recognised.

In 2005 Others included an amount of AED 138 million representing investment in the initial public offering of a company under formation to which allotment was pending as at year end.

12 Loans and overdrafts

Loans and overdrafts comprise the following:

	2006 AED'000	2005 AED'000
Overdraft	-	49,175
Term loan	25,000	25,000
	25,000	74,175

13 Other liabilities

	2006 AED'000	2005 AED'000
Payables	4,775	6,939
Accrued expenses	20,915	8,156
Provision for end of service benefits	2,231	1,552
	27,921	16,647

14 Share capital

	2006 AED'000	2005 AED'000
Authorised, issued and paid up: 50,000,000 shares of AED 10 each (2005: 20,000,000 shares of AED 10 each)	500,000	200,000

During the year, the Company's authorised, issued and paid up share capital was increased to AED 500 million (2005: AED 200 million) by issue of 30 million (2005: 12.3 million) ordinary shares issued at AED 10 each. These shares were offered to existing shareholders in the proportion of three new shares for every two existing shares.

Notes to the Consolidated Financial Statements

15 Legal reserve

As required by the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company and its subsidiaries, 10% of the profit for the year must be transferred to legal reserve. The Company and its subsidiaries may resolve to discontinue such transfers when the reserve equals 50% of the share capital. The legal reserve is not available for distribution.

16 Statutory reserve

In accordance with the Company's articles of association, 10% of the profit for the 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.

17 Assets held under trust

As at date of the consolidated balance sheet, the Company held-under-trust the following assets:

	2006 AED'000	2005 AED'000
Shares (at market value)	265,418	86,051
Cash at banks	63,616	3,030

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

18 Related parties

Identification of related parties

The Company has a related party relationship with its subsidiaries (see note 3), associates (see note 9) and with its directors and executive officers (key management personnel).

Transactions with key management personnel

Directors of the Company and their immediate relatives control 19.04 per cent of the voting shares of the Company. Loans to directors for the year ended 31 March 2006 amounted to AED nil (2005: AED nil).

In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers in addition to entitlement to post employment benefits.

	2006 AED'000	2005 AED'000
Short term non-cash benefits	4,608	2,374
Post employment benefits	524	312
	5,132	2,686

Other related party transactions

Significant transactions with related parties were as follows:

	2006 AED'000	2005 AED'000
Income earned from a related party	-	54
Board of director's remuneration	3,296	3,030
Fee earned from a related party	17,713	651
Loan and advance to related parties	23,927	-
Amount due from related parties	26,731	53
Amount due to related parties	168,184	-

Included in investments at fair value through the income statement are investments amounting to AED 7,054 thousand (2005: AED 14,040 thousand), which are held in the name of a director of the Company beneficially on behalf of the Company.

Amount due to related parties comprises initial public offering refund collected by the Company on behalf of related parties.

19 Segment reporting

Segment information is presented in respect of the Group's business segment. The primary format of business segments is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses.

The Group comprises the following main business segments:

- Investment banking. Represents consultancy and management services in relation to private and public placements.
- Investment activities. Represents the direct investments of the Group in the markets.
- Asset management. Represents management services rendered to funds.

Segmental information is not presented in these consolidated financial statements due to impracticality.

The Group has insignificant geographical segments.

20 Commitments and contingencies

	2006 AED'000	2005 AED'000
Bank guarantees	5,000	5,000
Corporate guarantee	7,000	4,500

The Group is committed to contribute AED 37 million into funds which are under formation.

There were no significant capital commitments outstanding as at the year end (2005: AED Nil).

Notes to the Consolidated Financial Statements

21 Financial instruments

Exposure to credit, interest rate, market and currency risks arises in the normal course of the Group's business.

Credit risk

Investments are allowed only in liquid securities. At the consolidated balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk

Interest on term loan is charged at 0.75% above the term deposit rate.

Market risk

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

Foreign exchange risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the AED, US Dollar, and GCC currencies.

Fair value

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

22 Comparative figures

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