The National Investor

ANNUAL REPORT

fiscal year ended March 31, 2008

المستثمر الوطني
The National Investor
نقودكم نحو النجاح

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

HH Sheikh
Mohamed bin Rashid Al Maktoum

UAE Vice President, Prime Minister
and Ruler of Dubai

HH General Sheikh
Mohammed bin Zayed Al Nahyan

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

This Annual Report has been printed on recycled paper to assist in the drive for the protection of the environment.

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The Firm

Consolidated Financial Statements

The National Investor (PrJSC)
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Members of the Board

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Chairman

Mohamad Abdulla Alqubaisi
Vice-Chairman

Abdulmajeed Al Fahim
Member of the Board

Abdulla Nasser Al Mansouri
Member of the Board

Fatima Obeid Al Jaber
Member of the Board

Hamad Abdulla Al Shamsi
Member of the Board

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

Dear Shareholders,

Welcome to the 14th TNI annual assembly. On behalf of the Board of Directors, it is my pleasure to present an account of one of The National Investor's best years to date. TNI is one of the oldest investment banks in the UAE, and as the following report illustrates, our acumen and importance is evolving as rapidly as that of our capital city.

This report details the progress we have made across our businesses for the financial year ended March 31, 2008. TNI started the year with a solid financial position in a period of increasing volatility. We are an investment bank comprising six business divisions, each defined by industry leading expertise and a shared set of group values. Our business divisions include Investment Banking, Private Equity, Asset Management, Real Estate, Investment Research, and Principle Investments. With such a diversified mix, TNI's growth is multi-dimensional, again in line with the UAE's development.

In the reported period the local financial services industry continued to be an exciting and challenging place to operate. International competition increased in 2007-8 with the entrance of leading foreign investment banks. We were privileged to work alongside some of these institutions on landmark deals during the year and were proud to see our offering and high standards match theirs.

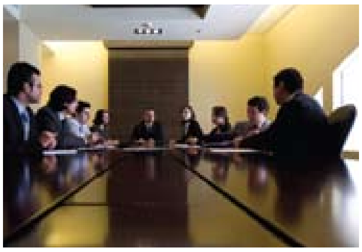
A new achievement was recently added to TNI's milestones of 2007-8; I am delighted to announce that TNI was licensed from Saudi Arabia's Capital Market Authority (CMA), which will accelerate the development of our business in the Kingdom and outside the UAE.

2007-8 proved a challenging year for the global economy. The effects of the credit crunch crisis were felt throughout the world's Capital Markets and this looks set to continue into the next year. However, the UAE market maintained its stability fuelled by renewed growth that supported the performance of TNI. Based upon integrated and diversified capabilities, we expect growth to continue unaffected into 2008-9.

I am honoured to express the appreciation of the Board of Directors to our shareholders for their support and confidence throughout the year and in turn, I must thank the members of the board and executive management for their ongoing dedication to TNI and its vision. Their insight and leadership are the foundation of TNI's excellence.

No less crucial to TNI and the company's performance throughout the year are our hard working employees. Our people are the backbone of the organisation and their commitment enables TNI to achieve optimum performance.

TNI is privileged to boast some of the region's best banking expertise. Each business division comprises a team of talented and highly committed employees who are driven to succeed. On behalf of our shareholders, I thank all our staff and encourage them to continue their enthusiasm and efforts in to 2008-9.



The Board of Directors would also like to thank His Highness Sheikh Khalifa Bin Zayed Al Nahyan, UAE President and Ruler of Abu Dhabi, His Highness Sheikh Mohamad Bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai, and His Highness General Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, for their invaluable support to the local business community and national economy. We aspire to make them proud in 2008, as we further contribute to the UAE's thriving financial sector and strengthen TNI's market presence regionally and internationally.

A. Mazrui

Abdullah M. Mazrui
Chairman

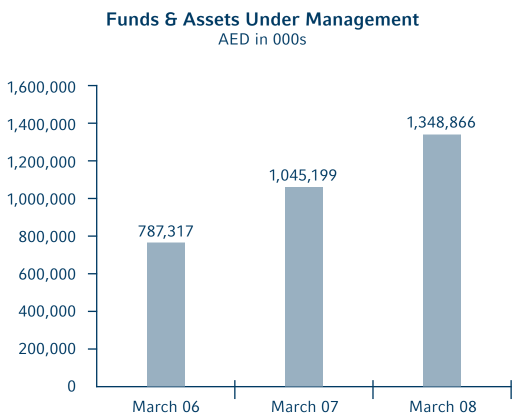
CEO's Statement

Dear Stakeholders,

It is my pleasure to announce that 20078- was one of TNI's best years to date. In terms of profits, growth and market positioning the firm saw many positive developments and went from strength to strength in the 12 months to 31st March 2008.

We continue to build on our existing platform, deepen our industry expertise, and expand our product offering. In a period of increasing market volatility, we are pleased to announce a year of record revenues and earnings totaling AED 292.3 million and AED 113.6 million respectively. TNI ended the year with shareholders' equity of AED 1.1 billion.

Two years ago the firm set out on a new strategic plan to sustain long-term growth through diversification and specialization. We recruited senior talent, developed new capabilities, and broadened our geographic footprint. Today, it is clear that TNI is emerging as a regional merchant bank of growing importance.

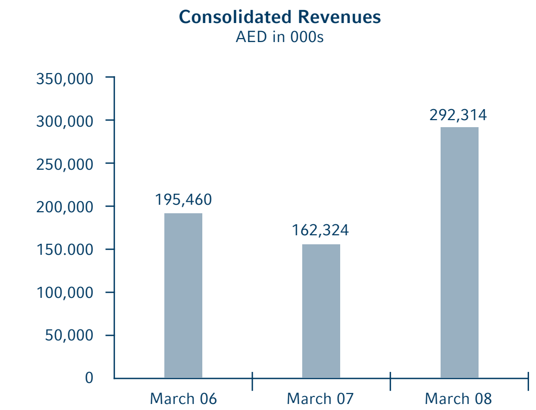


We are proud of what we have achieved for our clients in 2007 and look forward to building on these successes in 2008. We continue to pursue diverse and innovative ways to position the firm for sustainable growth in the future. During the year, funds and assets under management increased 29% from last year to a record AED 1.3 billion.

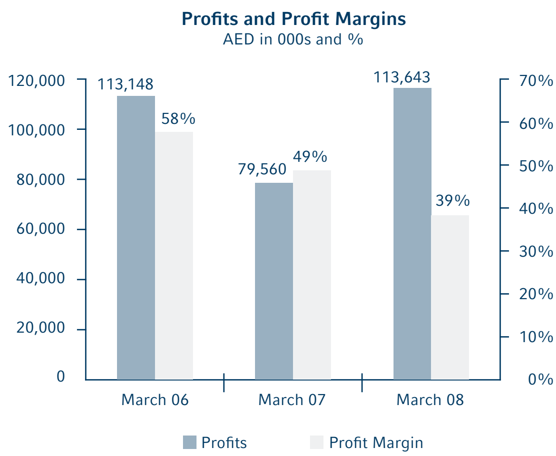
Consolidated Financial Overview

Our annual revenue grew 80% during 2007-8 to a record AED 292.3 million. As a result, we achieved a consolidated net profit

of AED 113.6 million – a healthy increase of 43% over last year.This was achieved despite a challenging local and global market environment.

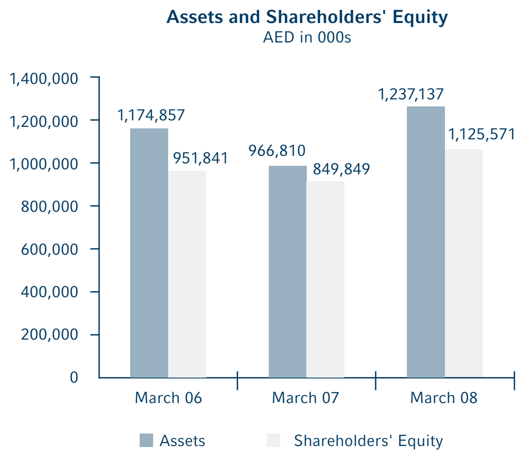


In a year where our top and bottom line have advanced significantly, our share price has remained unchanged. Therefore, it is my view that our share price does not properly reflect



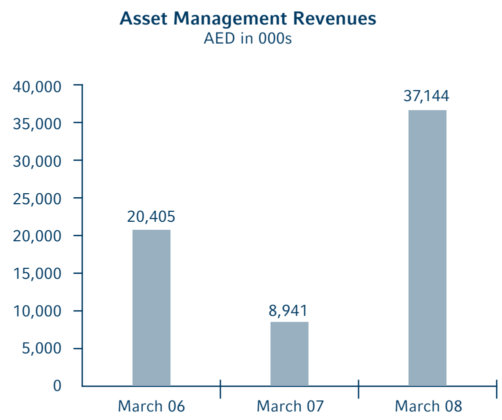
our achievements or the growth potential of the firm. There is much value to be found in our shares and I remain very bullish on the firm's growth prospects.

Going forward we believe that stockholders should benefit directly from our improving financial results. During the year shareholders equity increased by AED 275.8 million to a record AED 1.1 billion.



Divisional Contribution and Achievements Overview

Our Asset Management division was particularly strong during the year. The division enjoyed positive returns in 2007-8 with assets under management (AUMs) up by 46%. Revenues from asset management increased over 300% from last year to a record AED 37.1 million, largely as a result of fees from strong fund performance. The funds, namely the Middle East and North Africa

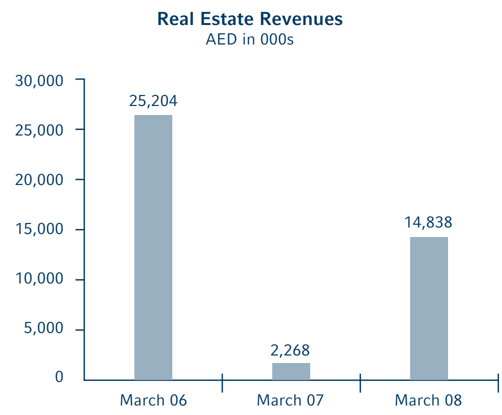


Real Estate Active Fund (MENA REAF) and the UAE Blue Chip Fund (BCF) outperformed their benchmarks by 12.3% and 10.4% respectively. We continue to add new and innovative products, and strengthen our core competencies in order to meet our clients' needs. In the past year we developed new absolute return expertise in the business as well as undertook a number of road shows to scout new and international businesses.

Real Estate recorded impressive growth of 543% year on year, with revenues of AED 14.8 million on a stand alone basis. This growth was generated through fees earned from the various real estate investment funds and development activities as well as asset management services in the real estate asset class. Fees were also earned from the acquisition of the Mafraq Hotel last year.

Earnest action will begin shortly on the refurbishment and expansion of the hotel and the development of our two Capital Centre plots. The Capital Centre project will be situated at the heart of the Abu Dhabi National Exhibition Centre (ADNEC), the landmark conference and exhibition multiplex.

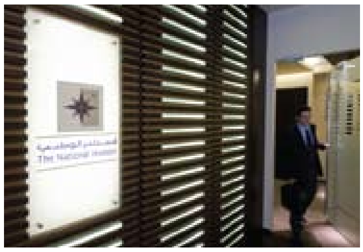
We are currently in the process of initiating development work on the two buildings; a 23-storey office tower and a 27-storey serviced apartment facility at a construction cost of about AED 700 million. 2008 will see work on these initiatives continue with the intent to sell down some of these assets.



Private Equity has shown exciting growth since its official launch last year. The new division's revenues increased significantly year on year to AED 5.8 million. The division increased AUMs by 22% in the year.

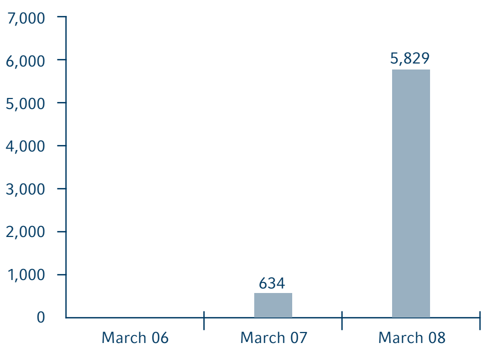
We continue to harvest gains from our highly successful flagship private equity fund, the TNI Growth Capital Fund (GCF), which performed exceptionally well. The launch of the vehicle's larger sequel, on the foundation of GCF's tangible results, is in the pipeline for 2008.





During the year this division contributed significantly to raising TNI's profile. Private Equity led a direct acquisition consortium with leading international institutions, the first of its kind for the group.

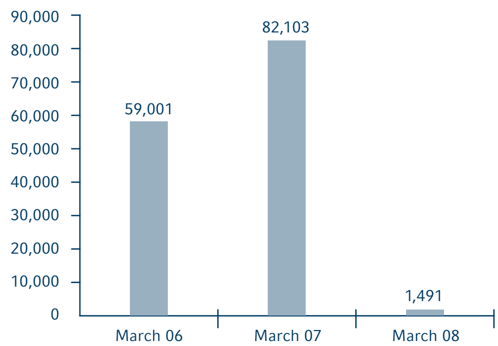
Private Equity Revenues
AED in 000s



Such activity will no doubt be repeated and a number of major exits are planned for next year.

Investment Banking revenues recorded in the period ending 31st March 2008 were a disappointing AED 1.4 million, a 98% decrease from 2006 -7. However, I have every confidence that the division will show good results in the future. We continue to invest heavily in the division and with the exceptional talent we have in place, we are confident that the business will once again become a significant contributor to revenues and profitability. In certain industries we find that sector-specific expertise optimizes the level of client service.

Investment Banking Revenues
AED in 000s



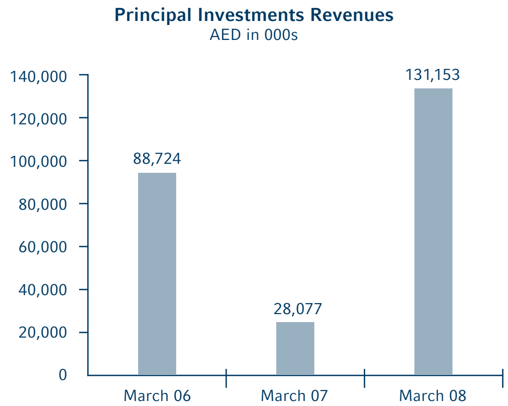
Accordingly, we have developed particular expertise in the real estate and energy sectors. Going forward, the investment banking revenue mix is poised to diversify, transitioning from a primarily IPO business to a more balanced mix of advisory and capital markets transactions.

More than ever before, Investment Research played an important role for TNI. The division supported the Investment Banking practice, contributing to new business research and reporting on stocks and sectors of relevance to our investor base. The division also produced some definitive regional market analysis, raising TNI's profile internationally.

The division identified a variety of themes which have encouraged international thinking and debate on subjects such as family business ownership in the GCC and GCC company corporate governance. We will continue to invest in this important and valuable business unit to further strengthen the position of the firm as a credible and thought-provoking industry leader.

Our Principle Investments initiative performed handsomely in 2007-8, as we continued the prudent deployment of our capital.

A year on year growth of 367% reflected a revenue of AED 131.2 million from TNI's investment activities including our share of subsidiaries and associates. The majority of these returns were made through indirect and direct investments, and money as well as capital markets trading strategies.



Geographic Diversification

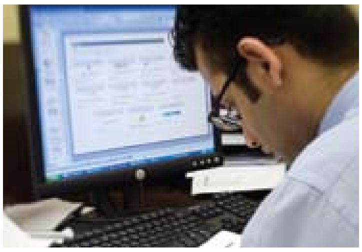
We take pride in the fact that our six complementary businesses are united as one firm. TNI proved to be stronger under its diversified model in the year and this grew apace with product expansion and geographical diversification.

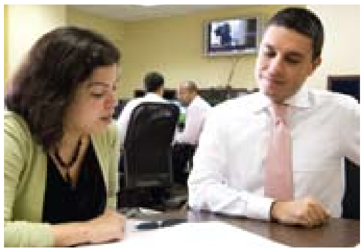
Our new DIFC presence achieved regulatory approval in the year and this office is rapidly developing as an important centre for us. Plans to increase TNI's capacity here, beyond the Private Equity division are also in place.

TNI continues to accelerate the development of its business outside the UAE. In addition to a new base in the DIFC, TNI's Saudi Arabia venture was granted a financial services license by the Capital Market Authority (CMA) in March 2008.

Saudi, our first stop outside UAE borders is an important foothold for us and provides an opportunity to accelerate the development of our business in a new market. Our partner in the Saudi venture, the Al Rajhi Investment Group (ARIG), is one of the most reputable and diversified investment institutions in the country.

We are committed to regional expansion throughout the GCC in order to better serve our clients and extend the strength of our franchise to companies and investors in these markets.





Product Diversification

Through a balanced business model and a diversified product offering, we believe we are well positioned to deliver on our mission to become one of the premier regional investment and merchant banking groups. We continue to add new products and capabilities to adapt to changing market conditions and expanding client needs. Such diversification, in turn, also allows us to soften the effects of market volatility and broaden our sources of income, which form part of our strategy to provide sustainable returns and robust revenue streams. The success of this model was demonstrated in 2007-8 where lowered levels of activity in a key area of business were balanced by other defined divisions capturing new opportunities.

During the year, each of our business divisions consolidated its expertise, diversifying into new growth areas, sectors and product offerings. On the back of these developments, the firm is well-positioned to grow its market share across a number of areas.

Our People

Our team continues to build on the firm's reputation as one of the region's leading financial services providers. Even as we grow, our collective goal is to maintain a culture of creativity, productivity, integrity, accountability and respect for the individual. Our goal is to be 'one firm' in name, values, strategy and execution.

Our professionals are encouraged to strive for personal excellence in a client-focused and relationship-driven environment. Together we work to provide our clients with the highest standards of service in an increasingly competitive market.

Although we have lost some people, as typical and expected, we also attracted a large number of talented professionals to our core team, adding experienced professionals to strengthen our divisions and ensure long-term success. Through clever recruitment, and an emphasis on cultural fit, we now have an intangible asset in our pool of talented and highly committed employees. We have a proven team that is driven to succeed and has the tenacity and courage to do it.

We have put in place blueprints for an employee share ownership scheme, which we hope to begin promoting in the first half of 2008. The Employee Share Option Program (ESOP) will align our employees with our shareholders, and we believe that such ownership alignment is the best motivator for sustainable growth. This initiative will reduce turn-over and significantly improve our retention rates, which is fundamental to our long term success.

We continue to support our growth with improved efforts in legal, compliance, finance, operations and technology. We are committed to best in class corporate governance and compliance, which we believe will protect the firm's interests, and enhance and sustain shareholder value.

Looking forward

We are proud of the firm's achievements in 2007-8 and we look forward to delivering further successes in the coming financial year. TNI will focus on offering a full, integrated service to our clients while concentrating on improving our growth prospects in the region.

In 2007-8 some of the world's most respected banks and financial institutions entered the

UAE market. We were honored to work alongside some of these institutions during the year and we are confident that our distinguishing traits will see TNI succeed in an increasingly competitive environment.

The growth we saw in 2007-8 should position us for steady and sustainable growth in 2008-9. We shall continue to pursue diverse and innovative ways to build on this platform for the future. I would like to see TNI consolidate its reputation as one of the region's leading investment and merchant banking groups and continue to attract talented bankers, develop new products and services, and broaden its geographic footprint. As an indigenous bank with an internationally experienced team, we are well-positioned to respond to changing circumstances and to capitalize on the tremendous potential of our markets.

Appreciation

In closing, I would like to express my deep appreciation for the guidance of our directors, the dedication of our employees and the support of our clients and shareholders. We are honored to be your chosen financial services provider.

Orhan S. Osmansoy
Chief Executive Officer


المستثمر الوطني
The National Investor

TNI Profile

TNI is a privately owned regional merchant and investment banking group. The firm comprises six strategic business divisions covering investment banking, private equity, asset management, real estate, principal investments and investment research. 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, TNI operates from Abu Dhabi and Dubai in the UAE and Riyadh in Saudi Arabia. The firm provides 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 14 years, TNI has been successful in positioning itself amongst the region's most trusted and reputed financial institutions. 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, TNI's goal remains unchanged: "guiding you towards success."

TNI Background

TNI 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 550 million.

In the early years spanning 1995 through 1999, the firm built its proprietary portfolio. During that period, it launched a number of successful venture capital companies, including Gulf Energy Systems, National Investor Property Management Company (Colliers UAE) and National Inspection Company. The firm also lead-managed numerous public offerings, such as Abu Dhabi Ship Building, Abu Dhabi Islamic Bank, Oasis International Leasing Company, Tabreed, Aldar and Asmak.

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 and real estate divisions. These developments, along with a continued commitment to excellence, have earned the firm considerable value and trust in the marketplace. 2006 witnessed further expansion in TNI's operations and business offerings with the launch of the investment research department and the



marketing of the firm's first third party private equity fund. During the year, the firm also became the first UAE investment banking firm to be licensed in the newly created Dubai International Financial Centre (DIFC).

In 2008 a financial services license was granted to TNI KSA, the bank's first venture outside the UAE marking the start of the firm's regional expansion plan.

Today, the firm's team of professionals differentiate themselves through their focus on delivering high-level client service. As such, TNI tends to share a common entrepreneurial mindset with its clients. In addition to the firm's entrepreneurial outlook, it has built a professional culture that stresses a commitment to high ethical standards, a team approach to every client engagement, and meritocracy in the workplace.

As a result, the firm has been successful in consolidating its position as the leading arranger of UAE IPOs and it was a fitting honor to be named "Best Equities House in the UAE" by Euromoney magazine in 2005 and 2006. The firm has also scooped the awards for "Best Private Equity House" and "Best Asset Management House" from Banker Middle East in 2005 and 2006 respectively. And in December 2006, the firm was awarded the real estate prize for "Best Investment House in the UAE" by London-based ICG Group.

Divisional Review

Investment Banking

The Investment Banking Division had a disappointing 12 months. However, whilst the division's revenues were lower than previous years, management focused on restructuring the business, diversifying its service offerings, building specialist expertise in key sectors including energy and real estate by hiring specialist investment bankers, and expanding its geographical footprint. The division also has plans to build a strong distribution network through a dedicated placement team.

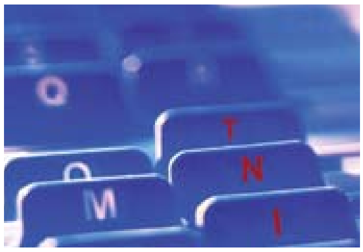
The Investment Banking Division contributed around AED 1.4 million to TNI's revenues in 2007-8. This reflects a decrease from the AED 22 million (excluding an extraordinary fee of AED 60 million earned from a client in connection with a transaction IPO) generated in 2006-7 and is a direct result of a number of factors, which prompted a review of the division's business strategy.
The Investment Banking Division is one of the most established in the UAE and since 1994 has advised on various landmark deals in the country. Due to its unparalleled equity capital markets (ECM) track record and deep understanding of the local market landscape, the investment banking team has always been uniquely positioned to advise clients and ensure optimal execution of transactions. In previous years the business had predominantly focused on ECM activity.

In 2007, amongst an evolving regulatory framework and significant market volatility, equity issuance in the UAE was minimal. Despite this, the team built a healthy pipeline of deals and spent the final quarter of the year advising on a number of transactions, which are expected to close in 2008. However, in a year when the number of initial public offerings in the UAE was low, the division employed a new business strategy. The new strategy focused on creating a specialist investment banking advisory platform where mandates for mergers, acquisitions, divestitures and other corporate restructurings are increasingly sought. Furthermore, building a sector-focused investment banking business reflects the increasingly competitive and sophisticated financial landscape in the UAE.

Integral to the growth of the investment banking business has been the market opportunity in Saudi Arabia. As such, TNI has entered into a joint venture with the Al Rajhi Investment Group (ARIG), one of the most reputable and diversified investments institutions in the Kingdom, in order to develop its presence in Saudi Arabia. The joint venture was licensed by the Capital Markets Authority in March 2008. The Saudi Arabia venture currently comprises a small team of investment bankers and further aggressive staffing is planned for 2008-9.

The investment banking group is keen to further develop a business model whereby TNI acts as an investor and financial advisor utilising all of TNI's resources, including business areas such as Real Estate, Investment Research, Private Equity, Asset Management and Principle Investments.

A number of cross-divisional proposals have been made to clients already. This full-service capability positions TNI at a considerable advantage to some of its competitors.



TNI is very positive on its outlook for the Investment Banking Division in 2008-9. ECM deals in the pipeline are expected to yield healthy revenues from the first half of 2008, in addition to revenues generated from M&A advisory. The dedicated Saudi presence will allow TNI to capitalize on the single largest market and opportunity in the region. The restructuring effort has created a growth business that is expected to better withstand market volatility in the medium-to-long-term.

Private Equity

2007-8 was a very successful year for the Private Equity Division. Fundraising for the division's flagship fund, the TNI Growth Capital Fund (GCF) closed in December 2007 with over AED 100 million in assets under management (AUMs). GCF was launched in July 2006 to pursue a strategy of originating, executing, and managing investments in private and profitable companies in growth industries. As of March 31, 2008, half of the Committed Capital had been called and partially invested in a portfolio of three investments totaling AED 36.5 million. The Private Equity Division has been able to develop a deal pipeline for the Fund, consisting of opportunities in the UAE, Saudi Arabia, Egypt, Pakistan, India, Jordan and Kuwait. Given the strong deal flow developed, the division expects GCF to be largely invested by the first quarter of 2009.

In January 2008, GCF made an investment into Dubai Contracting Company (DCC). TNI joined a consortium of regional and international investors, including Amwal Al Khaleej, Goldman Sachs, and Credit Suisse to acquire 49% of DCC. The acquisition marked GCF's third investment and was in line with the Fund's objective of investing in high growth, branded companies in the MENASA region. The transaction was distinctive for its deployment of a highly creative structure to leverage the investment, and it set a precedent for other complex leveraged deals in the future. The January transaction built on the Private Equity Division's track record of adding value to its investments and fits well with other portfolio companies in the real estate and construction sector such as Aldar Properties and Depa United Group.

Additionally in 2007-8 GCF made a lucrative partial exit for one of its portfolio companies when it sold a portion of its stake at a 3x return on invested capital. As of March 31, 2008, all of the portfolio companies in GCF continue to exhibit strong performance and are expected to IPO within the next 2 years.

Advanced plans for developing an early stage industrial investment company began in 2007-8. Extensive research and product design were completed with market tests reflecting positive results. The investment company is expected to be launched in partnership with a prominent Abu Dhabi entity in 2008-9, and will seek to develop early stage industrial projects across the UAE.

The PE division has a healthy pipeline of deals for the year ahead and the business will continue to seek sector diversification which reflects the growing and increasingly diverse MENASA region. Sectors of focus during 2008-9 will be: Healthcare, on the back of rapid expansion in the availability of medical insurance, and rising expatriate populations in the GCC; Consumer, on the back of the increasing per capita income and the boom in consumer retail spending; and Energy and Industrial, on the back of downstream industries fuelled by the oil boom.

Asset Management

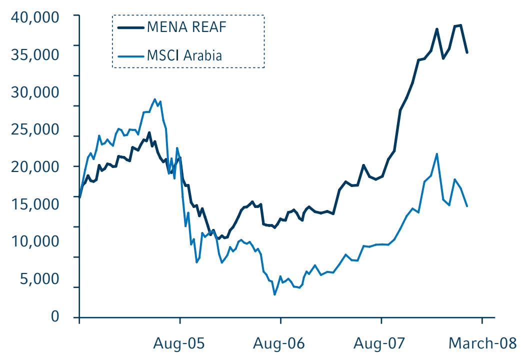
The Asset Management Division had a very successful year up to March 31st 2008. The unit increased revenues 317% and its two flagship funds outperformed their benchmarks for the third consecutive year.

During the year, new funds took shape, assets under management (AUMs) increased by 46% and the growing team courted international institutional mandates for the first time.

The division won the 'Best Asset Management House' award from Banker Middle East for the second year in a row in 2007-8 and has been nominated for the same award in June 2008. At the end of the accounting year the division's AUMs stood at nearly AED1 billion.

The Middle East and North Africa Real Estate Active Fund (MENA REAF) continued to be the best performer in its class in 2007-8. The fund returned 55.3% beating the MSCI Arabia index by a margin of 25.2%, and

MENA REAF vs. MSCI Arabia Index*



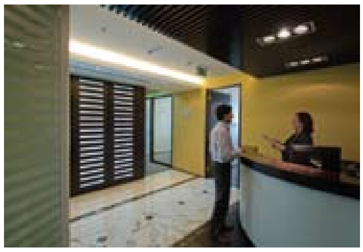
MENA REAF

Period	Performance
Y-O-Y (2008)	55.3%
Since Inception	47.3%

MSCI Arabia

Period	Performance
Y-O-Y (2008)	30.1%
Since Inception	-2.9%

* Index performance comparison is for illustrative purposes only



outperforming the next leading regional fund by 8.6%. The UAE Blue Chip Fund continued its strong track record and returned 55.5% in 2007-8, outperforming its benchmark index by a margin of 14.2%, with the nearest competitor fund 4% behind.

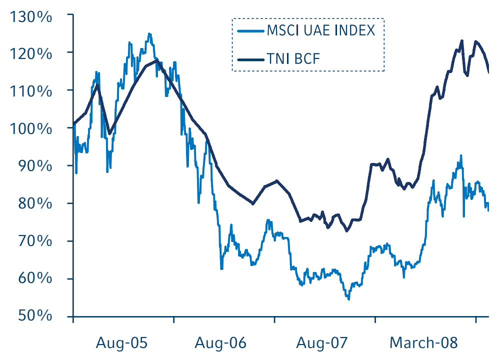
Since inception the MENA REAF has returned 47.3% compared to the benchmark return of -2.9%, while the Blue Chip Fund returned 13.1% compared to the benchmark return of -21.2%. Both funds also exhibited the lowest volatility of any fund in the region.

Work also commenced on establishing two new funds during the year. The MEA Telecom Fund will be an open-ended vehicle that will invest mainly in publicly traded shares of Middle East and Africa telecom companies listed on regional exchanges. 'Buy side' research and statistical data gathering was completed in 2007-8 as was work on the legal framework and related ancillary services. Plans to develop other funds with sector bias took shape in the same period. Extensive work was also undertaken on the development of a MENA Special Situations Fund.

The discretionary management business which is tailored to two types of mandates, namely regional equity portfolio management and institutional asset allocation, won a major institutional mandate in 2007-8. New derivatives expertise was added to the team during the review period and a significant global hedge funds mandate was captured, which the team hopes to replicate over the coming year.

In 2007 the division established a dedicated relationship management and sales team. This decision was driven by increasing international institutional interest and by

BCF vs. MSCI UAE Index*



BCF

Period	Performance
Y-O-Y (2008)	55.5%
Since Inception	13.1%

MSCI UAE

Period	Performance
Y-O-Y (2008)	41.3%
Since Inception	-21.2%

* Due to the unavailability of MSCI UAE Index for the month of May 2005, NBAD UAE Index returns were used for the same period

the need to actively communicate the funds' outperformance and long term potential to the existing client base. Dedication to improved and increased communications will remain a focus going forward.

One of the new team's first accomplishments was the undertaking of a regional and European investor road-show. This is the first year that Asset Management has explored business outside the region, and this is in response to increasing international market interest in the region.

Furthermore, the introduction of the relatively new 'Sophis' system began to enhance front office management capabilities in 2007-8. The new programme quickly added significant value to the investment team's management of risk and administration of portfolios.

The ongoing review of investment procedures and processes resulted in the implementation of weekly investment updates for clients and monthly product updates for potential clients.

Towards the end of the year, preparation began on the restructuring of the division's funds using a Bermuda domiciliation model. This initiative will enable easier access for international investors. Asset Management prepared to appoint HSBC as a new fund custodian while Apex Partners were assigned as fund administrators in 2007-8. As a result, the funds will now be administered efficiently at a competitive price by institutions with proven global expertise.

Initiatives to reorganise joint venture relationships were key in the division's inorganic growth strategy. Existing partnerships were audited and realigned accordingly whilst groundwork for possible future business relationships with strategic global alliances were initiated. These will be strengthened and developed throughout 2008-9.

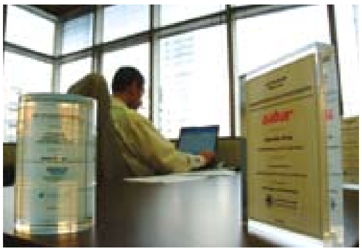
As the region appears to remain largely unaffected by the effects of the year's global credit crisis, Asset Management expects another strong year ahead in 2008-9.

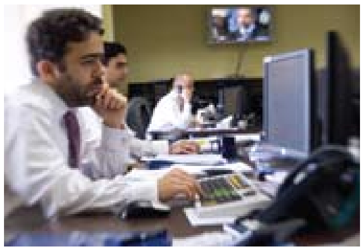
Objectives for the department over the coming year will be to further grow AUMs and to increase the number of client advisory mandates. The business also looks forward to launching new products with sector focuses as well as strategic offerings of a more general and global nature, encompassing the whole MENA region.

Real Estate

The Real Estate Division had a strong year which witnessed its revenues grow by 543% over last year. The division made revenues of AED 14.8 million on a stand alone basis. Driving the strong 2007-8 growth, the real estate team doubled its capacity growing from a unit of three dedicated experts to six. New hires added expertise in investment banking, development investment and construction project management. The expanded facility, and therefore increased activity, saw the division's funds outperform their peers and facilitated the impressive progress of three direct investment projects and business expansion into the wider MENA region. Following the previous year's buy-side focused strategy, 2007's efforts shifted towards finalizing and developing the division's acquisitions. The Mafraq Hotel purchase was finalised in the year.

This deal, which saw the group buy the development from a semi-governmental entity, was the first of its kind in Abu Dhabi. Following the immense success of the first hotel to change ownership it has set the blue print for further such transactions. In 2007-8 a management company was also selected for the hotel, details of which will be announced





in 2008-9. Planning work began on the refurbishment of the 28,000 square metre hotel in the spring and the building of a new 115 room extension will be well under way by the autumn.

In July TNI completed the acquisition of two plots of land at Capital Centre in Abu Dhabi to develop two towers. Project management, design and cost consultants were appointed and design began on a 23 + storey office tower and a 27 + storey serviced apartment facility in the second half of the year.

In addition to the work already underway on TNI's Abu Dhabi projects, research was also initiated on opportunities outside of the GCC. The Real Estate team is currently exploring countries across the MENA market for possible development consideration.
In June 2007, the Real Estate Division celebrated the first anniversary of its outperforming close-ended fund, the TNI Real Estate Development Fund (REDF). The fund, which invests in new property developments and the repositioning and refurbishment of existing properties across the Middle East and North Africa region, boasted returns in excess of the 20% benchmark throughout the year. The TNI Real Estate Investment Fund of Funds (REIFF) also celebrated its first year anniversary in 2007. The fund, which was launched to make equity investments primarily in close-ended private equity global real estate funds managed by top-tier managers, has returned 10.70% for the period. REIFF has made investments of US$ 4.9 million in 2007-8.

To enhance development analysis and management, the 'Estate Master' system was implemented early in the year. Following full training for the team, this system is now being used across the business, efficiently streamlining operations.

Looking ahead to 2008 the Real Estate Division's primary objectives are to continue the development of existing projects as well as the identification of investment in new opportunities. Two or three possibilities are currently in the pipeline. Key focus will also be placed on selling-down these projects and further expanding the team.

Opportunities outside of the GCC will continue to be investigated in 2008, with particular interest in the Levant. Vertical integration may be another feature of activity in the next 12 months as complimentary companies such as architects and construction groups are eyed for acquisition. As with TNI's other business divisions, Real Estate will continue to expand and diversify in the year ahead.

Investment Research

It was another solid foundation year for TNI's young Investment Research Division. The quantity of coverage was increased and diversified in 2007-8 and in line with the greater output, the team likewise grew.

The team investigated a wide range of subjects during the year, and the resulting research identified and lead the debate on some exciting regional business trends. The department was a precursor in examining various issues unique to the Middle East, and the publications were well received by regional and international institutional audiences.

Coverage on topics such as the composition of UAE boards, Abu Dhabi real estate and the national IPO landscape went a long way in positioning TNI as a thought-leader.

Investment Research also expanded its sector focus in the past year. The newly hired banking research team initiated coverage of the banking sector and plans are in place to progressively widen its scope of analysis to the GCC region in the coming year. Specialist coverage of the real estate sector, an area of interest to TNI's investor base, was also initiated in 2007-8. In addition, the research team initiated coverage of multiple industrial companies and sectors.

Going forward, TNI has identified four key research areas in which it intends to progressively build specialist sector knowledge: Banking and Financials, Real Estate, Diversified Industrials and Energy.

It is expected that stock and sector coverage will double again over the coming year, with reasonable headcount growth for the team. While this is done, the focus will remain on the most important aspect of Investment Research: depth and quality of analysis, and accuracy of recommendations.

Principle Investments

Revenues from Principle Investments amounted to AED 131.2 million for the period ending March 31 2008. This exceeded forecasts at the start of the year by nearly 63%. Returns were generated from direct and indirect investments, capital market activities and money market instruments.

Amidst favourable market conditions, around 48% of overall revenue was a product of capital market plays. The strategy in this area focused on reducing risk whilst taking a long-term stance. In line with this strategy, speculative trading was reduced and selected capital market holdings were liquidated.

The second biggest contribution to principle returns for the year was direct investments. Four of twenty plus investments provided particularly favourable returns. GNSC, Colliers, Depa and the Mafraq Hotel all contributed very positively to this year's revenues.

Principle Investments continued to harness TNI's balance sheet to support all areas of the business and will do so throughout the 2008 accounting period.

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

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

2000/01

Established NAS

Licensed by UAE Central Bank as Investment Company

2001 New Corporate Identity

Milestones of Success

2002

- Launch of "Emirates Real Estate Fund"
- Appointed as Advisor for Tabreed on ecapitalisation and future Financing options

2003

- Sole Advisor, Arranger and Lead Manager for Tabreed Islamic Sukuk
- Appointed as Financial Advisor on private acqusition 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

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 AED500M
- 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
- Joint Lead Manager for Kingdom Hotel Investments IPO
- Financial Advisor, Lead Manager and Book Runner for Tamweel IPO
- Voted "Best Asset Management House" by Banker Middle East

2007

- Joint Lead Manager for Thuraya Private Placement
- Acquisition of Mafraq Hotel
- Won Bid for Two Plots of Land at Capital Center
- Launch of Investment Research
- Launch of "TNI Real Estate development Fund"
- Voted "Best Investment House in the UAE" in Real Estate by London-Based ICG
- First Close on the "TNI Growth Capital Fund"
- Voted "Best Equities House in the UAE" by Euromoney

2008

- Development of Mafraq Hotel Expansion
- CMA Licensing for TNI-KSA
- Development of Capital Center projects
- Financial Advisor and Lead Manager for DEPA United Group IPO

ANNUAL REPORT

fiscal year ended March 31, 2008

TNI

Consolidated Financial Statements

Independent auditors' report

The Shareholders
The National Investor Private Joint Stock Company

We have audited the accompanying consolidated financial statements of The National Investor Private Joint Stock Company (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 March 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these 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 judgement, 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 principles 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 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of 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 kept by the Group and 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 2008, which may have had a material adverse effect on the business of the Group or its financial position.

KPMG
Munther Dajani
Registration No. 268

19 May 2008

Consolidated income statement

For the year ended 31 March

	Note	2008 AED'000	2007 AED'000
INCOME			
Fee and service income	7	**142,319**	127,075
Net income / (loss) from investments at fair value through profit or loss	8	**6,531**	(25,305)
Share of profit from equity accounted investees	17	**25,829**	9,800
Income from available-for-sale financial assets	9	**63,256**	27,832
Change in fair value of investment properties	18	**30,138**	–
Fair value of government grant	18	**–**	9,600
Interest income	10	**9,798**	12,582
Negative goodwill on acquisition of subsidiaries	11	**12,174**	–
Other income		**2,269**	740
Total income		**292,314**	162,324
EXPENSES			
Operating expenses	12	**(127,925)**	(73,262)
Impairment losses on financial assets	16,21	**(14,109)**	(4,117)
Amortisation of intangible asset	19	**(1,700)**	(569)
Depreciation	20	**(6,997)**	(3,349)
Finance cost	13	**(20,786)**	–
Total expenses		**(171,517)**	(81,297)
Profit for the year		**120,797**	81,027
ATTRIBUTABLE TO:			
Equity holders		**113,643**	79,560
Minority interest		**7,154**	1,467
Profit for the year		**120,797**	81,027

The notes set out on pages 33 to 57 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 28.

Consolidated balance sheet

As at 31 March

	Note	2008 AED'000	2007 AED'000
ASSETS			
Cash and balances with banks	14	**231,785**	263,158
Financial assets at fair value through profit or loss	15	**105,309**	118,947
Amounts due from related parties	26	**17,848**	36,983
Available-for-sale financial assets	16	**470,600**	290,275
Investment held to maturity		**3,000**	–
Investment in equity accounted investees	17	**58,125**	59,880
Investment properties	18	**155,600**	125,462
Intangible asset	19	**4,532**	6,232
Premises and equipment	20	**88,909**	6,736
Other assets	21	**101,429**	59,137
Total assets		**1,237,137**	966,810
EQUITY			
Share capital	22	**550,000**	550,000
Legal reserve	23	**38,688**	30,371
Statutory reserve	24	**36,769**	28,687
Revaluation reserve		**337,114**	146,271
Employee stock option plan	25	**1,514**	–
Retained earnings		**161,486**	94,520
Total equity attributable to equity holders		**1,125,571**	849,849
Minority interest		**12,758**	1,595
Total equity		**1,138,329**	851,444
LIABILITIES			
Loan	14	–	25,000
Amounts due to related parties	26	**38,716**	1,448
Other liabilities	27	**60,092**	88,918
Total liabilities		**98,808**	115,366
Total equity and liabilities		**1,237,137**	966,810

These consolidated financial statements were approved and authorised for issue on behalf of the Board of Directors on 19 May 2008 by:

A. Mazrui

Abdullah Mazrui
Chairman

Orhan Osmansoy
Chief Executive Officer

The notes set out on pages 33 to 57 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 28.

Consolidated statement of changes in equity

For the year ended 31 March

	Share capital AED'000	Legal reserve AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Employee stock option plan AED'000	Retained earnings AED'000	Total AED'000
As at 1 April 2006	500,000	22,782	21,251	299,527	–	108,281	951,841
Dividend paid during the year (note 22)	–	–	–	–	–	(25,000)	(25,000)
Directors' remuneration paid	–	–	–	–	–	(3,296)	(3,296)
Bonus shares issued (note 22)	50,000	–	–	–	–	(50,000)	–
Profit for the year	–	–	–	–	–	79,560	79,560
Transferred to legal reserve (note 23)	–	7,589	–	–	–	(7,589)	–
Transferred to statutory reserve (note 24)	–	–	7,436	–	–	(7,436)	–
Unrealised losses on investments available for sale	–	–	–	(131,592)	–	–	(131,592)
Realised gains transferred to the income statement	–	–	–	(21,664)	–	–	(21,664)
As at 31 March 2007	550,000	30,371	28,687	146,271	–	94,520	849,849
As at 1 April 2007	550,000	30,371	28,687	146,271	–	94,520	849,849
Dividend paid during the year (note 22)	–	–	–	–	–	(27,500)	(27,500)
Directors' remuneration paid	–	–	–	–	–	(2,778)	(2,778)
Profit for the year	–	–	–	–	–	113,643	113,643
Transferred to legal reserve (note 23)	–	8,317	–	–	–	(8,317)	–
Transferred to statutory reserve (note 24)	–	–	8,082	–	–	(8,082)	–
Employee stock option plan (note 25)	–	–	–	–	1,514	–	1,514
Unrealised gains on investments available for sale	–	–	–	212,392	–	–	212,392
Realised gains transferred to the income statement	–	–	–	(21,549)	–	–	(21,549)
As at 31 March 2008	550,000	38,688	36,769	337,114	1,514	161,486	1,125,571

The notes set out on pages 33 to 57 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 28.

Consolidated statement of cash flows

For the year ended 31 March

	Note	2008 AED'000	2007 AED'000
OPERATING ACTIVITIES			
Profit for the year		**120,797**	81,027
Adjustments for:			
Gain on disposal of available for sale investments	9	**(60,784)**	(21,665)
Impairment losses on available-for-sale financial assets	16	**4,433**	-
Fair value of government grant		**-**	(9,600)
Change in fair value of investment properties	18	**(30,138)**	-
Interest income	10	**(9,798)**	(12,582)
Interest expense	13	**20,786**	158
		45,296	37,338
Change in investments at fair value through profit or loss	15	**13,638**	121,946
Acquisition of investment held to maturity		**(3,000)**	–
Change in amounts due from related parties	26	**19,135**	(10,252)
Change in other assets	21	**(42,292)**	(14,241)
Change in amounts due to related parties	26	**37,268**	(166,736)
Change in other liabilities	27	**(28,826)**	3,066
Acquisition of available for sale financial assets		**(1,550)**	(101,548)
Disposal of available for sale financial assets		**68,419**	35,744
Change in investment in equity accounted investees		**1,755**	(24,901)
Interest income on term deposits	10	**7,383**	10,333
Net cash from / (used in) operating activities		**117,226**	(109,251)
INVESTING ACTIVITIES			
Change in premises and equipment, net	20	**(82,173)**	(1,923)
Acquisition of intangible asset, net	19	**1,700**	(6,232)
Purchase of investment property	18	**-**	(57,931)
Net cash used in investing activities		**(80,473)**	(66,086)
FINANCING ACTIVITIES			
Repayment of loans	14	**(25,000)**	–
Proceeds from release of bank deposit	14	**25,000**	–
Dividends and remuneration paid	22,26	**(30,278)**	(28,296)
Additional contribution of minority interest		**4,009**	(1,781)
Movement in employee stock option plan	25	**1,514**	–
Interest expense		**(20,786)**	(158)
Interest income	10	**2,415**	2,249
Net cash used in financing activities		**(43,126)**	(27,986)
DECREASE IN CASH AND CASH EQUIVALENTS		**(6,373)**	(203,323)
Cash and cash equivalents at 1 April	14	**238,158**	441,481
Cash and cash equivalents at 31 March	14	**231,785**	238,158

The notes set out on pages 33 to 57 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 28.

Notes to the consolidated financial statements

1 Legal status and principal activities

The National Investor Private Joint Stock Company (the "Company") is registered and operates in the United Arab Emirates ("UAE") as a Private Joint Stock Company pursuant to the UAE Federal Law No.8 of 1984 (as amended). These consolidated financial statements comprise the Company and its subsidiaries (the "Group") and the Group's interest in associates and jointly controlled entity. The principal activities of the Group are investment banking, asset management and provision of consultancy and administrative services.

During the year ended 31 March 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

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

b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following which are measured at fair value:

- Financial assets at fair value through profit or loss
- Available for sale financial assets
- Investment properties

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 UAE Dirhams ("AED"), which is the Company's functional currency. Items included in the financial statements of each of the Group's overseas subsidiaries are measured using the currency of the primary economic environment in which they operate. These consolidated financial statements are presented in AED, which is the Group's presentation currency. Except as indicated, all financial information presented in AED has been rounded off to the nearest thousand.

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of 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.

2 Basis of preparation (continued)

d) Use of estimates and judgements (continued)

In particular, 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 these consolidated financial statements are described in note 31.

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.

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

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. In assessing 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. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(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. SPE's 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 SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

(iii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. These consolidated financial statements include the Group's share of the income and expenses of the associates from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted associate, the carrying amount of that interest 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 associate.

(iv) Jointly controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. These consolidated financial statements include the Group's share of net assets of the entities' based on equity method of accounting from the date that joint control commences until the date the joint control ceases.

Notes to the consolidated financial statements

(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 transactions

Transactions in foreign currencies are translated to the functional currency 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 period, adjusted for payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on translation are recognised in the consolidated income statement.

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 the consolidated income statement, except for differences arising on the retranslation of available-for-sale equity instruments.

c) Income

(i) Fee and service income
Fee and service income represents revenue from 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. Fees that are earned on the execution of a significant act are recognised as revenue when the significant act has been completed.

Fee and service income relating to hotel activity represents amounts billed in respect of rooms and other services provided by the Group's hotel business and food and beverage sold during the period, including service charges, net of discount. Revenue is recognised as services are provided. Rental income from the tenants is accounted for on a straight line basis over the lease terms on an ongoing basis.

(ii) Dividend income
Dividend income relating to exchange-traded equity investments and income distributed from private equity investment and other investment funds is recognised in the consolidated income statement when the 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 the consolidated income statement as it accrues using the effective interest method.

Interest expenses comprise borrowings costs on loans and are recognised in the consolidated income statement using the effective interest method.

d) Financial instruments

(i) Non-derivative financial instruments
Non-derivative financial instruments comprise investments at fair value through profit or loss, available-for-sale financial assets, investment held-to-maturity, receivables, cash and cash equivalents, loans and borrowings, payables and accrued expenses, and amounts due from / to related parties.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below.

Cash and cash equivalents
Cash and cash equivalents comprise cash and bank balances and short term deposits.

Investments at fair value through profit or loss
An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments 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 risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in the consolidated income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognised in the consolidated income statement.

Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date the Group commits itself to purchase or sell the asset.

Held-to-maturity investments
If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held to maturity. Held to maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available for sale financial assets
The Group's investment in certain equity securities are classified as available for sale investments. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the consolidated income statement. Investment in equity securities where bid value cannot be determined reliably are carried at cost.

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

Accounting for interest income and expenses is discussed in note 3 (c) (iv).

(ii) Compound financial instruments
Compound financial instruments held by the Group comprise capital protected notes with returns linked to equities. The embedded derivative component is separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument

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with the same terms as the embedded derivatives would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. If an embedded derivative cannot be measured reliably, although the characteristics are such that separation is required, the entire combined contract (i.e, host contract and embedded derivative) is designated at fair value through profit or loss.

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 fair value with any changes therein recognised in the consolidated income statement.

f) Premises and equipment

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.

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 is recognised in the consolidated income statement on a straight-line basis over the estimated useful lives of items of premises and equipment. 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 reporting date.

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 amortised 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.

Intangible assets acquired by the Group and which have finite useful lives are measured at cost less accumulated amortisation and 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.

i) Impairment

(i) Financial assets
A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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 original effective interest rate. An impairment loss in respect of an available for sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the consolidated income statement. Any cumulative loss in respect of an available for sale financial asset recognised previously in equity is transferred to consolidated income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available for sale financial assets that are debt securities, the reversal is recognised in the consolidated income statement. For available for sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets
The carrying amounts of the Group's non-financial assets, other than investment property, 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 if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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.

j) Staff terminal benefits

The provision for staff terminal benefits included in other payables is made in accordance with the UAE Federal Labour Law 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.

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k) Share-based payment transactions

The grant date fair value of options and performance shares granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options and performance shares. The amount recognised as an expense is adjusted to reflect the actual number of shares/options that vest.

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.

m) Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the consideration given at the date of exchange, together with costs directly attributable to that acquisition. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the fair value of the Group's share of identifiable assets, liabilities and contingent liabilities acquired over cost of acquisition is recorded as negative goodwill and is recognised immediately in the consolidated income statement.

n) New amendment to accounting standards not yet adopted

A number of new amendments to accounting standards are not yet effective for the year ended 31 March 2008, and have not been applied in preparing these consolidated financial statements:

(i) Revised IAS 23: Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revision will become mandatory for the Group's 2010 consolidated financial statements.

(ii) Amendment to IAS 1: Presentation of financial statements requires an entity to disclose all items of income and expense (including those accounted for directly in equity) to be presented in either a single statement (a "statement of comprehensive income") or two statements (i.e. "income statement" and "statement of comprehensive income"). Items of "other comprehensive income" (example: gain / loss on revaluation of property) can no longer be shown separately in the statement of changes in equity. The revision will become mandatory for the Group's 2010 consolidated financial statements.

(iii) IFRIC 11 IFRS 2 – Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group's 2010 financial statements, with retrospective application required. It is not expected to have any impact on the consolidated financial statements.

4 Determination of fair values

A number of 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 following methods. 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, prudently and without compulsion. The market value of items of premises and equipment is based on the quoted market prices for similar items.

(ii) Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, is utilised to determine the values of the Group's investment properties. 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, prudently and without compulsion.

(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 financial assets 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 only.

(iv) Receivables

The fair value of receivables is estimated as the present value of 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 payment transactions

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

5 Financial risk management

a) Introduction and 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.

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

Notes to the consolidated financial statements

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 instrument 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:

		2008 AED'000	2007 AED'000
Balances with banks	14	**230,312**	263,097
Investment held to maturity		**3,000**	-
Amounts due from related parties	26	**17,848**	36,983
Other assets	21	**80,756**	37,767
		331,916	337,847

Guarantees
The Group's outstanding guarantees as at 31 March 2008 amounted to 59,750 thousand (2007: AED 15,500 thousands).

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

Receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company'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 2008 AED	Allowance forimpairment 2008 AED	Gross 2007 AED	Allowance for impairment 2007 AED
Not past due	**13,227**	**–**	24,006	-
Up to 90 days	**5,856**	**–**	12,167	969
More than 90 days	**19,437**	**10,916**	975	350
	38,520	**10,916**	37,148	1,319

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:

	2008	2007
	AED'000	AED'000
At 1 April	**1,319**	128
Charge during the year	**9,676**	4,117
Write offs during the year	**(79)**	(2,926)
At 31 March	**10,916**	1,319

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of receivables not past due or past due up to 90 days.

The maximum exposure to credit risk by geographic region for investments held to maturity and amounts due from related parties relates to the UAE.

As at the balance sheet date, amount due from related parties is due for a period less than 1 year. Historically, the Group has not had bad debts from related parties.

Other assets further include advances amounting to AED 52 million which are considered fully recoverable (2007: AED nil).

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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.

Following are the contractual maturities of financial liabilities including estimated interest payments, if any:

	Note	Total	Up to	3 month	1 to 5	over 5
		AED'000	3 months	to 1 year	years	years
31 March 2008			AED'000	AED'000	AED'000	AED'000
Liabilities						
Amounts due to related parties	26	38,716	294	–	–	38,422
Other liabilities	27	60,092	–	55,728	2,182	2,182
Total liabilities		**98,808**	**294**	**55,728**	**2,182**	**40,604**
31 March 2007						
Liabilities						
Loan	26	25,000	–	25,000	–	–
Amounts due to related parties	27	1,448	1,448	–	–	–
Other liabilities		88,918	–	86,640	1,139	1,139
Total liabilities		**115,366**	**1,448**	**111,640**	**1,139**	**1,139**

Notes to the consolidated financial statements

d) 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.

Currency risk
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, but also 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.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amounts	
	2008	2007
	AED'000	AED'000
Fixed rate instruments		
Financial assets	**188,037**	261,634
Financial liabilities	**83,063**	25,000

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Other market price risk
Other price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As the majority of the Group's financial instruments are carried at fair value with fair value changes recognised in the income statement and / or equity, all changes in market conditions will directly affect investment income recognised in the income statement and revaluation reserve in equity.

Price risk is managed by constructing a diversified portfolio of instruments, in different industry sectors and traded on different markets. Under normal circumstances the Group invests in the trading instruments in accordance with the investment guidelines.

e) 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.

f) 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.

6 Group entities

These consolidated financial statements include the financial position and results of operations as at and for the year ended 31 March 2008 of the entities set out below:

Entity	Country of incorporation	Ownership interest 2008	2007
United Capital LLC(1)	UAE	**100%**	100%
Falcon Capital LLC(1)	UAE	**100%**	100%
Fidelity Invest LLC(1)	UAE	**100%**	100%
Fidelity Trust LLC(1)	UAE	**100%**	100%
Falcon Investments LLC(1)	UAE	**100%**	–
Blue Chip Capital LLC(1)	UAE	**100%**	100%
Al Dhafra Capital LLC(1)	UAE	**100%**	100%
NAS United Healthcare Services LLC(1), (6)	UAE	**46%**	100%
TNI Real Estate Investments Company LLC(1)	UAE	**100%**	100%
Uptown Management LLC(1)	UAE	**100%**	100%
Uptown Investment LLC(1)	UAE	**100%**	100%
Mainland Investment LLC(1)	UAE	**100%**	100%
TNI Real Estate Development Fund(1)	Bahrain	**83.33%**	83.33%
TNIH (Luxembourg) General Partner S.a.r.l(2)	Luxembourg	**100%**	100%
TNI Real Estate Development Fund Company B.S.C(2)	Bahrain	**100%**	100%
TNI Capital Partners Limited(2)	Cayman Islands	**100%**	100%
TNI General Partners Limited(2)	Cayman Islands	**100%**	100%
TNI (Dubai) Limited(3)	UAE	**100%**	100%
The National Investor Property Management Company LLC(4)	UAE	**100%**	100%
National Science & Technology LLC(5)	UAE	**60%**	60%
NAS Administration Services LLC(6)	UAE	**–**	51%
Nextcare Global FZ LLC(7)	UAE	**51%**	51%

Notes to the consolidated financial statements

(1) 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.

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

(3) TNI (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) National Investor Property Management Company LLC ("NIPMC") is engaged in marketing, promoting and delivering property management, advisory and brokerage services.

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

(6) NAS Administration Services LLC ("NAS") was formed in 2001. The company's principal business is to provide healthcare administration services to insurance companies and self-insured employers. During the year, holding in NAS Administration Services LLC was transferred to NAS United Healthcare Services LLC.

(7) Management believes that its control over Nextcare Global FZ LLC is temporary as the company 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 AED nil as at the balance sheet date (2007: AED nil).

7 Fee and service income

	Year ended 31 Mar 2008 AED'000	Year ended 31 Mar 2007 AED'000
Consultancy and other service income[1]	**67,410**	24,298
Asset management fees[2]	**44,067**	10,166
Leasing and brokerage income[3]	**25,816**	9,528
Investment banking fees[4]	**4,801**	83,083
Development fees	**225**	–
	142,319	127,075

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

(2) Asset management fees include management and performance fees charged for the funds managed by the asset management, private equity and real estate divisions. The Company also provides administrative, accounting, secretarial and registrar services to the funds and earns custodian and administration fees. The Directors believe that such arrangement does not expose the Company to the fund's liabilities.

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

(4) Investment banking fees include those earned by the investment banking division, the real estate – investment banking division, and TNI (Dubai) Ltd. Fees for the year ended 31 March 2007 included AED 60 million received from Aldar Properties PJSC ("Aldar") as fees in connection with Aldar's initial public offering.

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

	Year ended 31 Mar 2008 AED'000	Year ended 31 Mar 2007 AED'000
Realised gain / (loss)	**2,230**	(38,797)
Unrealised gain / (loss)	**1,480**	12,987
Dividend income	**2,821**	505
	6,531	(25,305)

9 Income from available-for-sale financial assets

	Year ended 31 Mar 2008 AED'000	Year ended 31 Mar 2007 AED'000
Realised gain	**60,784**	21,665
Dividend income	**2,472**	6,167
	63,256	27,832

10 Interest income

Interest income is mainly earned on call and term deposits with banks.

11 Negative goodwill on acquisition of subsidiaries

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree over the cost of acquisition. The excess is recognised immediately in the consolidated income statement.

The acquisition has been accounted for using the purchase method of accounting, as required by IFRS 3 Business Combinations. The fair values of assets and liabilities of the subsidiaries arising from the acquisition were as follows:

NAS Administration Services LLC (acquisition by NAS United Healthcare Services LLC)

	Carrying amount AED'000	Fair value AED'000
Cash and cash equivalents	8,155	8,155
Premises and equipments	521	521
Operating receivables	8,394	8,394
Other assets	1,239	1,239
Other liabilities	(11,546)	(11,546)
Net assets value	6,763	6,763
Less: intra-group gain eliminated		(3,339)
		3,424
Purchase consideration		(216)
Negative goodwill		3,208

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Mafraq Hotel (acquisition by Mainland Investment LLC)

	Carrying amount AED'000	Fair value AED'000
Land		
Building	–	61,507
Property and equipment	19,550	19,550
(excluding land and building)	1,543	1,543
Net assets	21,093	82,600
Purchase consideration		(73,634)
Negative goodwill		8,966
Total negative goodwill		**12,174**

12 Operating expenses

	Year ended 31 Mar 2008 AED'000	Year ended 31 Mar 2007 AED'000
Staff costs		
Brokerage and commission fees	**76,373**	47,762
Advertising & marketing	**15,890**	1,134
Communication	**5,485**	4,450
Rent & insurance	**4,776**	3,798
Consultancy, advisory and other fees	**4,430**	3,598
Others	**3,288**	3,185
	17,683	9,335
	127,925	73,262

13 Finance cost

Finance cost pertains to borrowing costs and interest on profit participation loan and profit participation expense of a subsidiary as explained below.

Mainland Investment LLC ("MI LLC"), a wholly-owned subsidiary of the Company, entered into a profit participation loan agreement ("the Agreement") with Mainland Management LLC ("MM LLC"), a jointly controlled entity on 28 March 2007, in the amount of AED 53,400,000. The loan facility is unsecured and is primarily made available to part-finance the acquisition of the Mafraq Hotel ("Hotel").

In accordance with the Agreement, MI LLC shall account to MM LLC for all its free cash flows as defined in the Agreement and disposition proceeds (if any), on a quarterly basis (profit participation charge) treated as finance cost.

14 Cash and balances with banks

	2008 AED'000	2007 AED'000
Cash in hand	**1,473**	61
Call and current accounts	**113,793**	49,277
Term deposits	**116,519**	188,820
Cash and cash equivalents	**231,785**	238,158
Term deposit under lien*	-	25,000
Cash and balances with banks	**231,785**	263,158

* Term deposit under lien relates to a loan obtained from a commercial bank and placed as a deposit under lien in favour of the Central Bank of the UAE in accordance with the legal requirement. During the year the term deposit was utilised to repay the loan and a letter of guarantee with a nominal amount of AED 25 million was issued by a related party on behalf of the Company in favour of the Central Bank of the UAE (refer note 26 and 30).

15 Financial assets at fair value through profit or loss

	2008 AED'000	2007 AED'000
Equity and hedge funds	**81,954**	96,440
Capital protected coupon paying notes	**19,018**	18,393
Equity securities	**4,337**	4,114
	105,309	118,947

16 Available-for-sale financial assets

	2008 AED'000	2007 AED'000
Founders shares	**325,989**	189,798
Equity funds	**134,631**	87,615
Private equity investments	**14,413**	12,862
	475,033	290,275
Less: impairment losses	**4,433**	–
	470,600	290,275

Notes to the consolidated financial statements

Founder shares include shares amounting to AED nil (2007: AED 15,479 thousand) which are shares held by the Group as founder member and are subject to a lock-in period as at the reporting date.

In the previous year, as per Investment Committee resolution dated 21 December 2006, the Company sold founder shares to funds under its management amounting to AED 27,999 thousand against allocation of units in such funds at the fair value of the founder shares as on the date of the transaction.

Further, units held by the Company valuing AED nil (31 March 2007: AED 27,999 thousand) were subject to a one year lock-up period from the date of the transaction, i.e. 2 January 2007 which expired in the current year. Furthermore, no redemptions of any units held by the Company were allowed before 31 May 2007 unless unanimously authorised by the Investment Committee. Redemptions that could occur after 31 May 2007 were capped at a maximum amount of AED 5 million per calendar month. No redemptions by the Company were made during the current year ended 31 March 2008 (previous year ended 31 March 2007: AED nil).

Private equity investments are investments in unlisted equity securities and are carried at cost.

17 Investment in equity accounted investees

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:

	Ownership (%)	Current assets AED'000	Non - current assets AED'000	Total assets AED'000	Current liabilities AED'000	Non - current liabilities AED'000	Total liabilities AED'000	Revenues AED'000	Expenses AED'000	Profit / (Loss) AED'000
2008										
Gulf National Securities Centre LLC[1]	35	133,610	4,828	138,438	84,037	223	84,260	32,778	(15,187)	17,591
UAE Mall LLC[2]	35	471	175	646	341	150	491	1,366	(1,319)	47
National Entertainment LLC - Tarfeeh[3]	40	4,100	22,631	26,731	6,364	22,000	28,364	1,636	(1,650)	(14)
Depa United Group PrJSC[4]	4.63	1,126,637	745,803	1,872,440	997,341	154,913	1,152,254	1,421,596	(1,240,559)	181,037
Al Dana Trust LLC[5]	40	150	–	150	–	–	–	–	–	–
Mainland Management LLC [6]	33.33	19,813	53,400	73,213	220	–	220	19,663	(70)	19,593
2007										
Gulf National Securities Centre LLC[1]	35	73,214	2,962	76,176	41,745	127	41,872	15,235	(12,020)	3,215
UAE Mall LLC[2]	35	1,970	22	1,992	209	–	209	720	(733)	(13)
National Entertainment LLC - Tarfeeh[3]	40	1,630	20,860	22,490	2,077	22,000	24,077	310	(331)	(21)
Depa United Group PrJSC[4]	4.63	837,026	499,475	1,336,501	584,849	69,236	654,085	273,963	(229,648)	44,315
Al Dana Trust LLC[5]	40	150	–	150	–	–	–	–	–	–
Mainland Management LLC [6]	33.33	73,400	–	73,400	–	20,000	20,000	–	–	–

All of the above associates and the joint venture 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] UAE Mall LLC was established on 6 June 2004 and incorporated as a Limited Liability Company and 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.

[3]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. The financial reporting period of the associate is from 1 January to 31 December. Since the reporting date of the Company and the associate is different, management accounts of the associate for the period 1 April 2007 to 31 March 2008 have been considered for applying the equity method of accounting.

[4]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, establishment 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. The financial reporting period of the associate is from 1 January to 31 December. Since the reporting date of the Company and the associate is different, management accounts of the associate for the period 1 April 2007 to 31 March 2008 have been considered for applying the equity method of accounting.

[5] 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.

[6]Mainland Management LLC was established on 8 February 2007 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. The Group holds a joint control over the economic activity of the company and is accounted for using the equity method (also refer note 26).

18 Investment properties

	2008 **AED'000**	2007 AED'000
Balance at 1 April	**125,462**	–
Acquisition	**–**	125,462
Change in fair value	**30,138**	–
Balance at 31 March	**155,600**	125,462

Investment properties comprise three plots of lands with the intention of constructing an investment property on it and have been accordingly classified as investment property.

Investment properties include a plot of land located in Abu Dhabi, received in previous year as an unconditional grant from the Government of Abu Dhabi, without consideration. The Company had initially recorded the land at fair value, determined at AED 9,600 thousand, based on a valuation carried out on 9 January 2007 by a registered independent appraiser having a recognised professional qualification and experience in the location and category of the property being valued. The fair value was determined having regard to recent market transactions for similar properties in the same location as the Group's investment property.

Notes to the consolidated financial statements

19 Intangible asset

	Intangible asset 2008 AED'000	2007 AED'000
Balance at 1 April	**6,232**	–
Acquisition and implementation costs capitalised	**–**	6,801
Amortisation for the year	**(1,700)**	(569)
Balance at 31 March	**4,532**	6,232

20 Premises and equipment

	Leasehold improvements AED'000	Furniture and fixtures AED'000	Office equipments AED'000	Motor vehicles AED'000	Land AED'000	Buildings	Capital work in progress	Total
Cost								
At 1 April 2006	3,070	1,080	3,968	244	–	–	–	8,362
Additions	1,490	300	3,482	85	–	–	–	5,357
Disposals	(137)	(26)	(92)	–	–	–	–	(255)
At 31 March 2007	4,423	1,354	7,358	329	–	–	–	13,464
At 1 April 2007	4,423	1,354	7,358	329	–	–	–	13,464
Additions	176	1,095	2,974	511	61,506	19,550	3,411	89,223
Disposals	(28)	(20)	(271)	–	–	–	–	(319)
At 31 March 2008	4,571	2,429	10,061	840	61,506	19,550	3,411	102,368
Depreciation								
At 1 April 2006	805	586	2,033	125	–	–	–	3,549
Charge for the year	1,227	267	1,790	65	–	–	–	3,349
Disposals	(54)	(26)	(90)	–	–	–	–	(170)
At 31 March 2007	1,978	827	3,733	190	–	–	–	6,728
At 1 April 2007	1,978	827	3,733	190	–	–	–	6,728
Charge for the year	1,359	716	2,628	206	–	2,088	–	6,997
Disposals	(28)	(20)	(218)	–	–	–	–	(266)
At 31 March 2008	3,309	1,523	6,143	396	–	2,088	–	13,459
Net carrying amount								
At 1 April 2006	2,265	494	1,935	119	–	–	–	4,813
At 31 March 2007	2,445	527	3,625	139	–	–	–	6,736
At 31 March 2008	1,263	906	3,918	444	61,506	17,462	3,411	88,909

21 Other assets

	2008 AED'000	2007 AED'000
Advances[1]	**50,581**	–
Receivables	**38,520**	37,148
Prepaid expenses	**4,449**	2,802
Due from employees	**2,571**	1,938
Others[2]	**16,224**	18,568
	112,345	60,456
Less: impairment losses*	**(10,916)**	(1,319)
	101,429	59,137

[1] Advances relate to investment in a new subsidiary in Saudi Arabia under formation as at the reporting date.

[2] Included within 'Others' is an amount of AED 5,587 thousand (2007: AED 5,859 thousand) which relate to initial direct expenses such as legal, technical and consultancy fees incurred incidental to services being provided. These costs are deferred to be recognised in the year in which the corresponding revenue will be recognised.

* For movement in allowance for impairment refer to note 5 (b).

22 Share capital

	2008 AED'000	2007 AED'000
Authorised, issued and paid up:		
55,000,000 shares of AED 10 each		
(2007: 55,000,000 shares of AED 10 each)	**550,000**	550,000

During the year, the Company's issued and paid up share capital increased by AED nil *(2007: AED 50 million)*.

The following cash dividend was paid by the Group during the year ended 31 March:

	2008 AED'000	2007 AED'000
AED 0.5 per share (2007: AED 0.5 per share)	**27,500**	25,000

On 19 May 2008, a cash dividend amounting to 55 million (AED 1 per ordinary share) (2007: AED 27.5 million, AED 0.5 per ordinary share) was proposed by the Board of Directors for the year ended 31 March 2008 which is subject to the approval of the shareholders at the Annual General Meeting.

Notes to the consolidated financial statements

23 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.

24 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.

25 Share based payments

The Company has put in place a share based payments 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
24 May 2007	Performance shares	35,980

The fair value of the above share based payments as determined on the grant dates is included within staff costs in the consolidated income statement.

26 Related parties

Identity of related parties
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.

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

	2008	2007
	AED'000	AED'000
Short term employment benefits	**13,729**	10,807
Post employment benefits	**1,816**	799
Board of directors' remuneration paid	**2,778**	3,296
	18,323	14,902

On 19 May 2008, the Board of Directors proposed directors' remuneration of AED 5,231 thousand (2007: AED 2,778 thousand) for the year ended 31 March 2008 which is subject to the approval of the shareholders at the Annual General Meeting.

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

Balances	**2008 AED'000**	2007 AED'000
Amounts due from related parties		
Associates	**11,159**	18,255
Jointly controlled entity	**183**	10,131
Funds under management	**6,506**	8,315
Others (entities under common control)	–	282
	17,848	36,983
Amounts due to related parties		
Jointly controlled entity	**28,422**	–
Funds under management	–	1,288
Others (entities under common control)	**10,294**	160
	38,716	1,448

Amounts due to related parties include an amount of AED 28,422 thousand payable by MI LLC to MM LLC which represents the minority shareholders' share of the total payable of AED 73,063 thousand by MI LLC.

Since MM LLC was established by the Company solely for the purpose of providing funds to MI LLC for the acquisition of the Mafraq Hotel in the current year, based on the substance of the transaction, the balance of AED 44,642 thousand representing the Company's effective share of the total payable by MI LLC was eliminated on consolidation against the Company's investment in MM LLC.

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

Other related party transactions

Significant transactions with related parties were as follows:

	2008 AED'000	2007 AED'000
Fees earned from related parties	**38,806**	17,773
Sale of founders' shares to funds managed by the Company	–	27,999
Loans and advances to related parties	**59,382**	21,607
Guarantees issued on behalf of the Company	**25,000**	–

Notes to the consolidated financial statements

27 Other liabilities

	2008 AED'000	2007 AED'000
Payables	**28,040**	65,235
Accrued expenses	**25,506**	20,266
Provision for end of service benefits	**6,546**	3,417
	60,092	88,918

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

	2008 AED'000	2007 AED'000
At 1 April	**3,417**	2,231
Add: charge for the year	**4,117**	1,545
Less: payments made during the year	**(988)**	(359)
At 31 March	**6,546**	3,417

28 Fiduciary activities

The Company acts as a trustee for managing assets amounting to AED 1,348,866 thousand (2007: AED 1,044,898 thousand).

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

	2008 AED'000	2007 AED'000
Shares (at market value)	**413,669**	328,901
Cash at banks	**–**	4,983

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

29 Investment in assets under management

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

	No of Units ('000)		Net asset value AED'000		Percentage of holding (%)	
	2008	2007	**2008**	2007	**2008**	2007
Emirates Real Estate Fund	**50**	50	**1,481**	3889	**11**	11
Dana Women Fund	**500**	500	**4,898**	4,135	**26**	25
Mena Real Estate Fund	**998**	998	**53,956**	34,772	**45**	45
Blue Chip Fund	**6,702**	6702	**75,776**	48,653	**48**	34
TNI Real Estate Investment Fund of Funds L.P	**–**	–	**40,352**	20,024	**67**	67
TNI Capital Growth Fund L.P	**–**	–	**16,053**	21,163	**35**	43

30 Commitments and contingencies

	2008 AED'000	2007 AED'000
Bank guarantees	**5,000**	5,000
Corporate guarantee	**54,750**	10,500

The Group is committed to contribute AED 18 million into funds managed by the Group. (2007: AED 59 million).

During the year, a non-monetary 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.

In accordance with external legal advice obtained by the subsidiary, the management has not provided for the claim as it is unlikely that an outflow of resources embodying economic benefits will be required to settle the claim nor can the amount of any potential claim be accurately measured as at the reporting date.

31 Accounting estimates and judgement

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 and it is usually possible to determine their fair values within a reasonable range of estimates.

Notes to the consolidated financial statements

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 the current fair values of other instruments that are substantially the same (subject to the appropriate adjustments).

Fair value estimates are made at a specific point in time, 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, cannot be determined with precision.

b) Useful lives of premises and equipment

Management assigns useful lives and residual values to the 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 have 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 on an annual basis. In determining whether an impairment loss should be recorded in the consolidate 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 the cash flows.

Dear Stakeholders,

It is my pleasure to present TNI's financial results for the past 12 months. We have made excellent progress across all our businesses this financial year and we begin the 2008-9 period in a solid financial position.

The year ending 31st March 2008 was a challenging year for financial markets amidst a global credit crunch. The UAE market was relatively unaffected by these external events and TNI benefited from the local market's continued growth. It more importantly benefited from a new diversified model; Asset Management, Real Estate, Investment Banking, Private Equity and Principal Investments contributed to a record-breaking bank revenue.

In addition to diversifying our business mix, we extended our geographical footprint in 2007-8. New offices in the Dubai International Financial Centre and Kingdom of Saudi Arabia confirmed our position as a regional investment bank. We expect to see substantial growth in these new footholds in 2008-9.

Competition increased across the region in 2007-8 and we enjoyed working alongside global institutions new to the GCC markets during the year.

TNI welcomes the international competition and is confident of its continued growth as an indigenous nimble institution harnessing best-of-breed talent.

May I once again extend my sincere thanks to our Board of Directors and to our shareholders for the support throughout the year.

A. Mazrui

Abdullah M. Mazrui
Chairman