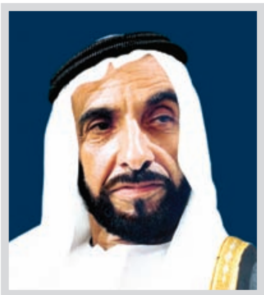
"Strategic business units covering investment banking, private equity, asset management, real estate, investment research, principal investments and client advisory"

The National Investor
ANNUAL REPORT

fiscal year ended March 31, 2007



المستثمر الوطني
The National Investor
Guiding you towards success™



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

ANNUAL REPORT

fiscal year ended March 31, 2007

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The Firm

Financial Statements

The National Investor (PrJSC)
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Website: www.tni.ae

Members of the Board

Abdullah M. Mazrui
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 Letter

Dear Shareholder,

On behalf of the Board of Directors, it is my pleasure to present the annual report of The National Investor (TNI) detailing the progress we have made across our businesses for the fiscal year ended March 31, 2007.

These are exciting and challenging times to be in the financial services industry. The regional landscape is rapidly changing. Strong economic growth is providing opportunities in every facet of our business. This in turn is increasingly attracting competition. Our response to this changing environment is to keep improving the quality of our service offering, and to build ever stronger ties with our clients. We continue to make significant progress against our stated targets, and we continue to differentiate ourselves on the basis of our trusted client service.

The past year witnessed difficult capital markets across the region, which for most investment banks translated into weaker earnings. Despite this, we have made important strides in establishing TNI as a full-service firm and becoming amongst the premier providers of advisory and investment services in the region. TNI achieved consolidated revenues of AED 162.3 million for the year ended March 31, 2007 and net profits attributable to equity holders of AED 79.6 million.

We remain steadfast in our strategy for driving growth and diversification. We expect the continuing positive economic prospects in our main markets, coupled with the inherent strengths of our businesses and prudent, targeted investments, to be strong drivers for growth across the firm. We will seek opportunities to further increase our market share and will step up the pace of our delivery. I am thus confident that we will witness improved performance in the year ahead.

For TNI, the year closing March 31st, 2007 was characterized by strategic decisions with long-term impact. Harnessing all our strengths, we embarked on a strategic review of all divisions, with the aim to further enhance our position as a leading regional investment bank. We also focused on improving areas where we need to enhance our competencies and made important strides in implementing our expansion plans, such as our entry into the Kingdom of Saudi Arabia. This gives me confidence that our firm is positioned for strong earning growth in the coming year and beyond.

Within an increasingly crowded market place, we took further steps to differentiate ourselves through product innovation and quality of service. To reinforce confidence in TNI, we have taken a client-centric perspective, attuned to local needs. We have also emphasized a long-term approach to client relationships and embraced an entrepreneurial culture that supports the individual while accentuating on teamwork.

The regional focus and expertise of our staff form the basis for our continued success in positioning TNI in the GCC. Our committed, highly qualified teams of professionals, combined with our flexible corporate

TNI

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structure, provide us with the ability to efficiently adjust to 'cyclical' market conditions and to consistently take advantage of emerging market opportunities.

It gives me pleasure to express the appreciation of the Board of Directors towards our shareholders for their support and confidence. I must also thank the members of the board as well as the Executive Committee for their steadfast dedication and belief in TNI and its future. Their insight has been invaluable to the firm's quest for excellence.

I further commend TNI's dedicated staff and partners for enabling us to maximize the opportunities that we identified. Going forward, we will continue to leverage TNI's expertise and broad resources to strengthen the capabilities of our staff and managers as they respond to our clients' evolving needs. Your ongoing interest in TNI and support for our efforts is very much appreciated.

While also driving the change and growth agenda, delivery of performance in the year ended March 31, 2007, is due to the commitment of the management of TNI and its employees. On behalf of our shareholders I thank the management of TNI and its entire staff.

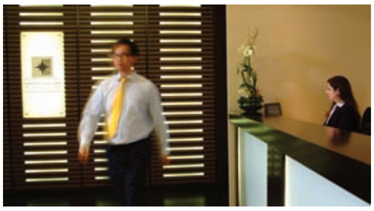
The Board of Directors would also like to express sincere appreciation to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, UAE President and Ruler of Abu Dhabi, His Highness Sheikh Mohamad Bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai, and His Highness General Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, for their invaluable support to the UAE business community and economic interests of the country.

Moreover, we shall not forget to pay tribute to the memory of the late Sheikh Zayed Bin Sultan Al Nahyan and the late Sheikh Maktoum Bin Rashid Al Maktoum for their remarkable vision. The UAE owes them its miraculous developments and achievements.

Best regards,

A. Mazrui

Abdullah M. Mazrui
Chairman



Chief Executive Officer's Insight

Dear shareholders, business associates and fellow employees,

We embarked during the year on an initiative to help our business grow by expanding our operations within GCC borders. We set up a new, private equity office at the Dubai International Financial Center (DIFC), one of the world's latest global financial hubs, and partnered with Saudi Arabia's Al Rajhi Investment Group (ARIG) to establish a closed joint stock company in Riyadh. Set up with an initial paid up capital of SAR 75 million (AED 75 million), The National Investor Saudi Arabia (TNI-KSA) will provide a full range of investment banking services.

Our ambition today is to grow TNI in its home markets and abroad. We anticipate that our presence in Abu Dhabi, Dubai, Riyadh and other locations in the future will provide the firm with a clear advantage in deal flow sourcing and client servicing.

2006 further reinforced my confidence that our mix of businesses provides the best route to strong performance across a broad range of economic environments. As such, we are committed to new business lines and new geographies.

Going forward, we will continue to deliver innovative solutions and serve new markets. Our approach will be to focus our people and our investments only in those businesses where we have a clear competitive advantage. Investment banking and asset management are demonstrated areas of leadership, and we are looking to achieve similar recognition in real estate and private equity.

As TNI moves ahead, we will maintain our focus on execution and we will continue to grow our core business by capitalizing on the opportunities that lie ahead. This will be achieved gradually by transforming the firm into an integrated merchant bank and deploying our balance sheet, along with our clients, into proprietary investment situations to generate higher returns.

While many things have changed throughout our platform over the past year, one thing has not: TNI's unwavering focus on providing our clients with specialized services and products and unparalleled execution on all fronts. We believe the TNI story is still in its early chapters. We are keen to continue to build and grow our firm, while being mindful of the competitive landscape and the cyclical nature of the industry in which we operate.

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Financial Highlights

The year under review has seen our firm deliver suitable performance despite challenging market conditions. Consolidated revenues amounted to AED 162.3 million and consolidated net profit stood at AED 79.6 million. We achieved these results despite the impact of a weakening capital market, which squeezed industry profit margins.

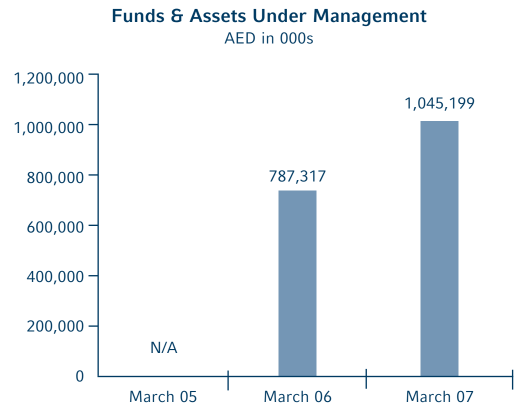
When I assess the business environment and the progress we have made in repositioning the business for future growth, I have reason to be satisfied with the performance of the firm.

During the year, however, our shareholders were not rewarded with a higher share price commensurate with our financial results and operational achievements. Our share price performance, which has been in line with other regional investment banks, was lower due to weaker capital markets and a decline in regional initial public offering activity.

While there will be challenges during the upcoming year, TNI has significant strengths which I believe will help achieve superior share price performance over time, including a growing mix of businesses, a developing principal investment program, and an expanding geographic footprint. We also have untapped potential to improve profitability and to achieve economies of scale through our delivery model.

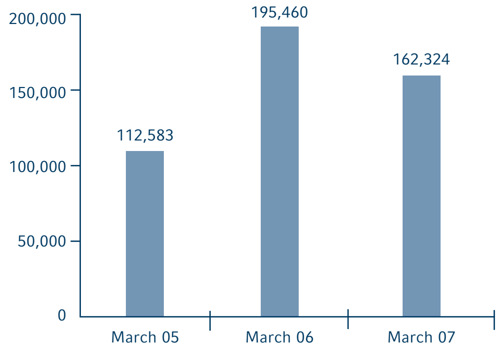
Furthermore, our capital base remains strong. At year-end, our balance sheet investments amounted to around AED 802 million distributed across six uncorrelated asset classes (up from three one year ago). This is the result of a voluntary diversification effort, in particular to reduce our dependency to regional stock market volatility.

Improving the quality of our earnings has always been a priority. To achieve this goal, we have been striving to grow the recurring component of our revenues by consistently developing the portfolio of services that carry a potential for repeat business. We have particularly focused on increasing our assets under management (AUMs). At year-end, our AUMs had grown 33% to AED 1.045 billion, up from AED 787 million a year earlier.



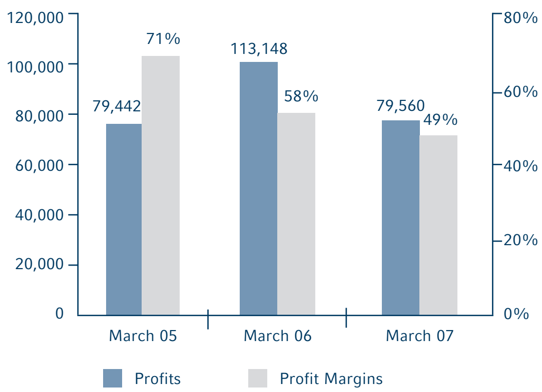
This year, our revenues declined by 17% to AED 162.3 million, from a peak of AED 195.5 million one year ago. This was mainly the result of a trading loss of AED 12.1 million, against a capital gain of AED 56.8 million the previous year. It was also attributable to a decrease in asset management performance fees, further to the weakness of GCC equity markets. Excluding non-recurring trading losses, our revenues for the year are up 29%.

Consolidated Revenues
AED in 000s



Consequently, TNI's consolidated net profit for the year amounted to AED 79.6 million versus AED 113.1 million last year. Our net profit margin was 49% as compared to 58% a year ago, due to higher revenue contributions from our subsidiaries sharing a much lower profit margin and a decrease in consolidated revenues.

Profits and Profit Margins
AED in 000s and %



Shareholders' equity and Return on Equity for the year were AED 849.9 million and 9% respectively.

Divisional Overview

Investment Banking

TNI's Investment Banking Division recorded revenues of AED 82 million, an increase of 37% over the prior year. Net results for the year under review have been affected nonetheless by limited equity capital market investment banking revenues and falling GCC stock markets. However, we have made significant progress in building on the strategic direction set out for the division in the previous year. To this end, we have successfully enhanced our product range and geographical reach beyond our market reputation as a UAE IPO advisory powerhouse. In fact as much as 40% of our current investment banking deal flow is outside the UAE and spans IPO, private placement and cross-border mergers and acquisitions advisory services. During the year, our investment banking team advised on a number of transactions in India, Australia, South Africa, Saudi Arabia and Sudan.

Notwithstanding the weaker UAE capital markets and the delays in the promulgation of the new UAE Companies Law, we still managed to grow our investment banking revenues to AED 82 million from the record AED 59 million achieved last year. During the year, our Investment Banking Division continued to help clients raise capital despite a quiet IPO market, and the investment banking team completed several private placements including the structuring and joint lead management of a US$ 300 million private placement for Thuraya Satellite.

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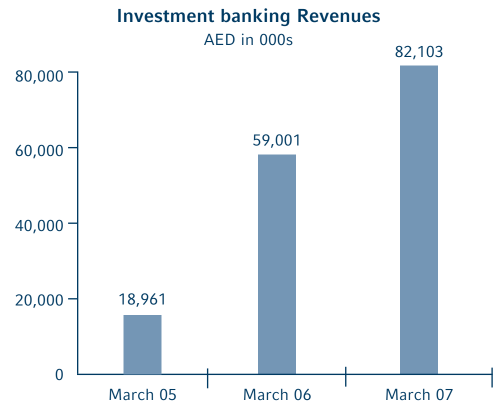
As a testament to these achievements, and for the second consecutive year, the firm was voted "Best Equities House in the UAE" by Euromoney in June 2006.

EUROMONEY 2006 Awards for excellence

TNI's investment banking advisory team enters the current financial year with strong deal flow momentum differentiated by its variety. Current mandates include mergers and acquisitions, IPOs (both on the DIFX and the local UAE exchanges) and private placements. We look forward to launch our operations in Saudi Arabia this year and become an active participant in the burgeoning investment banking market in the Kingdom.



Private Equity

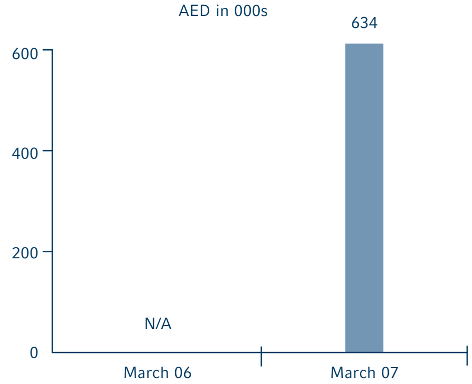
Our Private Equity Group closed the first round of capital raising for the TNI Growth Capital Fund (GCF) in July 2006. The fund has been designed to provide superior risk-adjusted returns by targeting late-stage growth capital investments in the GCC, North Africa and the Asian Subcontinent. Private equity is a natural fit for our existing portfolio of businesses. It leverages the transaction-based skill set and business relationship network which have made us successful in our investment banking business. It is an integral element of our strategy as we seek to diversify our revenue streams, and to create in particular more annuity-like revenue streams to mitigate against the volatility of the other business units.

GCF, which we consider to be our flagship private equity product, is already off to a very good start. The fund partially exited its first private equity investment, Depa United Group, in the last quarter of 2006 at an IRR above 300 per cent and generated a cash-on-cash return of 250 per cent. This outcome underlines our ability to exit investments even in difficult markets. For the year under review, private equity revenues stood at AED 0.6 million.

During the year, we also formalized our private equity group as a separate entity from the investment banking team. This detachment is important to create the appropriate separation and 'Chinese Walls' between the two operations and ensure that transactions occur transparently and at an arms-length basis. In a crowded, financial services marketplace, we are building TNI to be a leading financial services firm in the region, and hence taking deliberate care to build the private equity business as a world class operation.

The launch of a TNI Industrial Fund is planned for the second half of our coming fiscal year. The fund will target the growing manufacturing sector across the region. It has already identified several opportunities for partnership with international companies to create a regional manufacturing base. While fund raising for this fund has not yet been formally launched, interest from a large number of potential regional and European fund managers has already been shown.

Additionally, our Private Equity Group hopes to launch two additional funds in the middle of our current fiscal year: a Mezzanine Fund to target the growing, and currently underserved market for acquisition financing, and a Shariah Compliant Fund to target the growing market for investment activity that is consonant with the tenets of Islamic faith.



Asset Management

Despite unfavorable market conditions as witnessed by the negative performance of most GCC and Arab markets indices, TNI was relatively successful in preserving assets under management, while launching new product lines adapted to market changes. The division is well positioned today to grow in the coming years.

In the year ending March 2007, revenue contribution from the Asset Management Division amounted to AED 9 million. Revenues from the division decreased during the year due to the decline in performance fees. Nevertheless, our flagship UAE Blue Chip Fund (BCF) currently stands as best performer amongst UAE equity funds, beating the MSCI UAE Index by 15 per cent with much lower volatility. Similarly, our Middle East and North Africa Real Estate Active Fund (MENA REAF) also stands as best performer in its class, beating the MSCI Arabia Index by over 20 per cent. The strong performance of both regional equity funds has attracted interest from foreign institutional investors, strengthening and further diversifying our client-base.

Building on our funds' performance, we have strengthened our discretionary management business, structuring generic as well as specific mandates for large investors. The flexibility of this service allows us to respond to the specific needs of institutional investors. Those mandates include Shariah compliant portfolios, IPO/pre-IPO investment portfolios and equity trading portfolios, all targeting regional markets.

During the year, we launched new product lines, which will help us cover a wider range of clients and risk profiles. Our innovative structured products are gaining momentum, amassing nearly AED 30 million in subscriptions during the second half of the year.

Our Dana Women Fund has been restructured to become a global fund of funds, providing absolute return and much lower volatility. Another strategic innovation was the launch in 2006 of our Investment Consultancy Services (ICS), which are dedicated to help regional corporations meet their investment management challenges. These services have enabled us to expand our corporate and high net worth client base.

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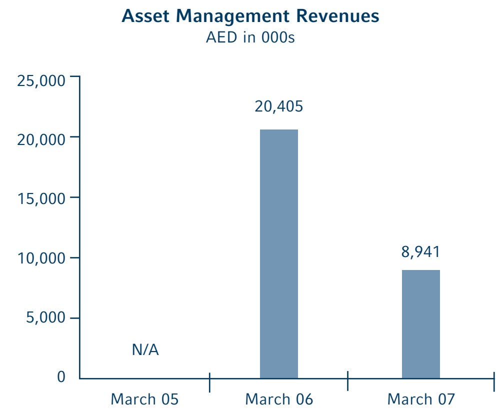


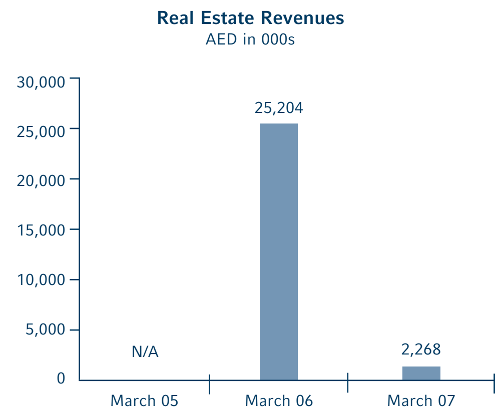
Real Estate

Revenue contribution from the Real Estate Division to our activities in investment banking, asset management, and development amounted to AED 2 million. The year-on-year drop in revenues was due to a slowdown in investment banking activity and a softening capital market.

However, from mid fiscal year, our real estate strategy focused on the buy-side. As a result, we acquired the Mafraq Hotel and two plots of land in Abu Dhabi. TNI plans to redevelop the hotel at a cost of around AED 70 million. This will be implemented in three stages: construction of a new adjoining 115-room extension, refurbishment of the hotel's existing 120 rooms to international standards, and the addition of commercial space linking the existing and new wings.

In June 2006, our Real Estate Division launched a new close-ended fund, the TNI Real Estate Development Fund (REDF). The fund invests in new property developments and the repositioning and refurbishment of existing properties across the Middle East and North Africa region.

Another new initiative, the TNI Real Estate Investment Fund of Funds (REIFF), was launched to make equity investments primarily in closed-ended private equity real estate funds from around the world that are managed by top-tier managers. We consider this fund as a vehicle that provides high net worth individuals and institutions with access to institutional real estate markets across the globe through lower minimum commitments. To date, REIFF has made three investments and is expected to close one more in the coming months.



Securities

After having been initially the home of Asset Management, Trading and Execution and the Client Advisory Group (CAG), our Securities Division was restructured in 2006 to integrate the CAG and Investment Research Departments. The new structure is resulting in a synergistic product offering that has gathered momentum with the advent of our first management road shows.

The Investment Research Department has issued more than a dozen reports since its launch in mid June, as part of its mission to offer investment recommendations to all of TNI's clients, including our own asset management team. To date, our reports have covered five main areas including real estate, industrials, transportation,

technical research and strategy. We aim to increase our breadth of coverage to progressively include every major sector in the UAE and, in due time, the GCC. Our team combines naturally inquisitive and analytical acumen to provide thought-provoking, objective research. During the coming year, we will add insight to our coverage by growing our team and the number of companies under coverage.

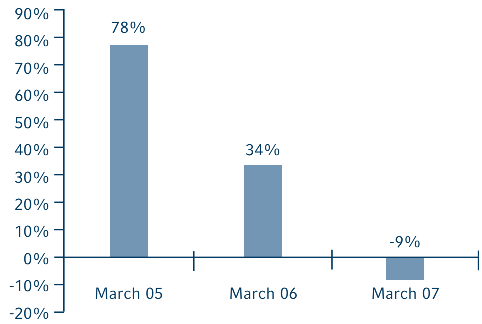
The Client Advisory Group has been streamlined to become fully client-driven. Our sales team is now focused on understanding our clients and their needs, and on offering creative idea generation. This has been achieved through a growth of the sales force, thus allowing for enhanced and continuous client interface. Ultimately, we will develop and fine-tune our products in consultation with our clients. Going forward, we will further challenge ourselves to be better at seamless coordination between the firm's various delivery channels.

Principal Investments

Revenues from principal investments amounted to AED 28.1 million. Principal revenues were generated from money market instruments, direct investments and capital markets activity.

During the year, we decided due to excessive market volatility, to wind down our proprietary portfolio of listed UAE equities. Our defensive stance has yielded positive results as we minimized the effects of market uncertainty. The contribution to consolidated revenues of the firm's principal capital markets investments decreased from 78% two years ago to -9% today, underscoring the firm's improved business mix.

Capital Markets Revenues
as a % of Total Revenues



Confidence for Future Years

Since 2001, the year we launched our new identity, we have been steadfast in our strategy of driving growth, diversification and value through our expanding team of talented individuals, and our ability to serve growing companies in the UAE and increasingly around the GCC region.

In 2006, we effected substantial expansion and significant improvement in our business lines and made considerable strides in establishing ourselves as a regional firm. One of our distinctive service offerings is to be the cross border advisor of choice within the region, especially with regards to transactions that have a GCC link or a GCC-related capital flow. We also intend to capitalize on the firm's strong track record as an investment manager to broaden our fund offering around various asset classes, investment styles and risk profiles. As such, the firm will achieve its goal of diversifying revenues and improving quality of earnings.

TNI

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TNI's ability to commit its own capital remains an important long term differentiator. As our firm expands into new geographies and broadens its product scope, we will carry-on growing our principal investment activity, as part of our overall strategy of diversifying our business mix.

We continue to believe that our strategy is a promising one. As we look forward to 2007 and beyond, we see additional areas that would benefit from our capabilities as well as opportunities to significantly increase our market share in our existing markets. Whilst doing so, we will maintain our focus on execution, and at the same time continue to grow our core businesses by capitalizing on the opportunities that lie ahead. We have a strong foundation in place, and through continuous incremental efforts and prudent growth we can transform TNI into a full-service regional firm that is a leader in the markets we serve.

Integrity, Responsibility and Transparency

We take pride in the tradition of integrity that we have developed since our inception over a decade ago. As a responsible corporate citizen, we are dedicated to offering our clients independent, trusted and unbiased advice. While our investors may not see the immediate bottom-line impact of some of the initiatives of the past year, we emphasize our pledge to our shareholders to remain committed to delivering best-in-class corporate governance, through improved transparency and financial disclosure.

We are committed to continually strengthening the functions that allow us to pursue and execute business professionally, ethically and in the best interest of our shareholders and clients.

In 2006, TNI also adopted a set of environmental principles to guide its business. One of these principles relates to waste reduction, where we have decided to use recycled paper on a number of our print materials, including this annual report, marketing collateral and direct mail.

Our Employees

Our employees continue to be a key factor in the progress of our business. During a year of great change and volatile market conditions, they have shown resilience, determination and an unrelenting commitment to putting our clients first. Passion, creativity and the performance discipline of our people are what define our long term competitive advantage. There is a clear sense of pride in being with TNI. I want to thank our employees for their consistently superb quality of work and dedication. It is thrilling to work with these teammates every day.

Appreciation

I would like to take this opportunity to express my sincere gratitude to members of TNI's Board of Directors, who have assisted in the firm's success with their high levels of commitment and expertise. I would also like to thank them for their wisdom, vision and invaluable guidance. And especially, I would like to thank our customers and clients for their continued business with TNI.

Orhan Osmansoy
Chief Executive Officer

Business Lines

TNI remains firmly focused on investment banking, private equity, asset management, real estate, securities, and principal investing.

Investment Banking

The principal areas of activity within the investment banking advisory group include:

- Public and private offerings of both equity and debt instruments;
- Mergers and acquisitions advisory services;
- Structuring of Shariah compliant financing instruments; and
- General corporate finance advisory services.

TNI's investment banking practice has built on last year's impressive performance in an environment characterized by increased competition and uncertain equity market conditions. In the UAE, uncertainty over the promulgation of the long-awaited Companies' Law, coupled with falling equity markets, resulted in the postponement and cancellation of several planned initial public offerings. Nevertheless, implementation of last year's stated strategy of diversifying TNI's product range and geographical reach succeeded in growing the firm's investment banking revenues above the record levels achieved in the prior year.

Notable transactions which have been almost completed or accounted for during the period under review include:

- Joint lead management of a US$ 300 million private placement of Thuraya Satellite Telecommunications;
- AED 150 million private placement for an India-listed global software solutions and services company;
- A pre-IPO placement in India's 2nd largest real estate company; and
- Capital raising advisory services for Australian ASX-listed Boulder Steel Limited on its Australian and GCC based seamless tube projects.

Given the limited number of UAE initial public offerings in the financial year under review, most of the team's efforts were directed towards the enhancement of the firm's footprint and franchise in new geographies, as well as the focus on private placements and mergers and acquisitions advisory services. During the year, the team advised on a number of transactions in India, Australia, South Africa, Saudi Arabia and Sudan. Additionally, special focus on the growing number of financial sponsors in the GCC region has begun to pay off with several new buy or sell side advisory mandates being concluded. As a result, the firm was voted for the second consecutive year "Best Equities House in the UAE" by Euromoney in 2006.

EUROMONEY 2006 Awards for excellence

TNI's investment banking advisory team enters the current financial year with strong deal flow momentum differentiated by its variety. Current mandates include mergers and acquisitions, IPOs (both on DIFX and the local UAE exchanges) and private placements.

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An interesting trend, which has emerged within the GCC markets, is the increased propensity for regional investors to undertake cross border M&A.

In particular, the firm's coverage teams have originated cross border transactions in India and Saudi Arabia during the year. TNI anticipates that this will create more significant advisory opportunities in the current financial year and reduce the firm's historic reliance on revenues generated by local IPOs. In addition, certain changes to the UAE Companies Law have already been announced to increase the propensity for UAE family-owned businesses to seek capital through floatation from the public equity markets. This is likely to provide certain stimulus to the IPO pipeline. TNI further expects a significant increase in the number of corporate debt issues, both conventional and Islamic, and hence the firm is working to bolster its product expertise in this area.

Whilst the outlook for the Investment Banking Division for the current financial year remains strong, it may be important to highlight several market trends, which could create challenges to our business. These include:

- Attraction and retention of talent in an environment of abundant liquidity and over zealous market entrants;
- Increased competition from regional and international market participants;
- Ability to support investment banking clients with capital in transactions the firm undertakes; and
- Continued downward pressure on fee levels.

To sustain the growth of TNI's Investment Banking Division, it would be essential to rely on the firm's ability to retain and enhance its core team of professionals, provide a less commoditized service offering built around the central tenets of superior customer service and commitment to quality, and provide balance sheet support to our core clients.

Private Equity

During the fiscal year ended March 31st, 2007, TNI's Private Equity Group continued to extend its product base by leveraging on its expertise and deal flow. Significant developments include the launch of the firm's first third-party private equity fund, the TNI Growth Capital Fund. Despite a challenging fundraising environment, the fund had a first close in 2006, while the second close is expected to occur in the second quarter of 2007. The fund achieved its first exit through the partial sale of shares of Depa United Group to a regional private equity fund, at cash-on-cash return of 250 per cent and IRR of over 300 per cent.

This has established TNI's clear advantage of being able to come in early into private equity transactions and create significant value.

So far, TNI has been able to develop a robust deal pipeline for the fund. At this stage, the fund is accessing high-quality private equity opportunities in the UAE, Saudi Arabia, Egypt, Pakistan, India, Jordan and Kuwait. The TNI fund has access to numerous high quality opportunities through the firm's network of business relationships. Given the strong deal flow witnessed at present, the firm expects the fund to be fully invested within a couple of years.

Advanced plans for developing an early stage industrial fund are also underway. Extensive research and product design have been completed with market tests reflecting positive results. The fund has already identified four opportunities for partnership with international companies to create a regional manufacturing base. The firm has also initiated at least two dialogues for the launch of specific future private equity fund products over the next 12 to 18 months. They include a TNI Mezzanine Fund targeting the growing, currently underserved market for acquisition financing, and a Shariah Compliant Fund targeting the growing market for investment activity that is consonant with the tenets of the Islamic faith.

Considered as one of its major strides, TNI announced in May 2007 the soft opening of its Dubai private equity office. Although the office is still at its early stages of operation, it has achieved significant increase in deal flow.

During the year, TNI also implemented a branding campaign for TNI private equity, through targeted industry media, and anchor sponsorship of the inaugural session of the Middle East Chapter of the Wharton Private Equity Partners Association, which is the global network of alumni of the Wharton School at the University of Pennsylvania, who are dealing in private equity funds throughout the world.

TNI is very keen to grow its private equity business over the next three to five years. Its objective is to increase assets under management significantly and establish a track record as a leading private equity operator in the region. Over time, the firm believes the private equity practice will raise its visibility as a principal investor and successfully create a stable, annuity-type income stream through its funds under management fees and carried interest. This is expected to impact positively on TNI's overall financial profile.

Asset Management

The year 2006 was a consolidation year for equity markets in the Middle East and North Africa region. The MSCI Arabia Index lost 41 per cent year-on-year closing 601 points down in 2006 from 1,014 points at the end of 2005. The major driver of the region-wide correction was the consolidation of the largest GCC markets, namely Saudi Arabia, the UAE and Kuwait, as witnessed by the MSCI GCC Index shedding 46 per cent for the same period. Trading volumes also dropped dramatically throughout the region, driven by negative investor outlook.

TNI

The firm comprises seven strategic business units covering investment banking, private equity, asset management, real estate, investment research, principal investments and client advisory.

MSCI Arabia Index

Period	Performance
Y-O-Y (2006)	-41.0%

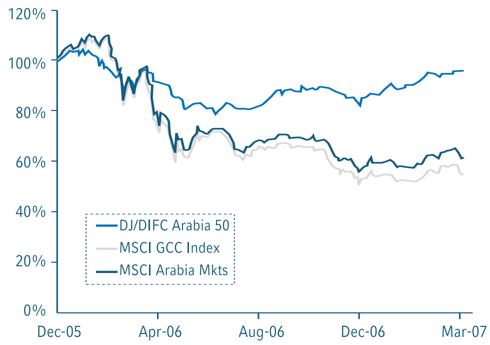
MSCI GCC Index

Period	Performance
Y-O-Y (2006)	-46.0%

MSCI UAE Index

Period	Performance
Y-O-Y (2006)	-44.4%

MSCI Regional Indices



As most regional corporate earnings were negatively affected by the sharp correction, the bearish sentiment was extended through the first quarter of 2007; whilst regional valuations look promising for the future.

TNI UAE Blue Chip Performance

Regional equity investors incurred severe losses as a result of market drops, dented by excessive trading leverage granted by the banking system. TNI's conservative management policy and low volatility approach resulted in the firm's funds outperforming most of their peers and their respective benchmarks. Consequently, TNI has consolidated its reputation as a leading regional asset manager.

TNI UAE Blue Chip Fund

TNI BCF Performance

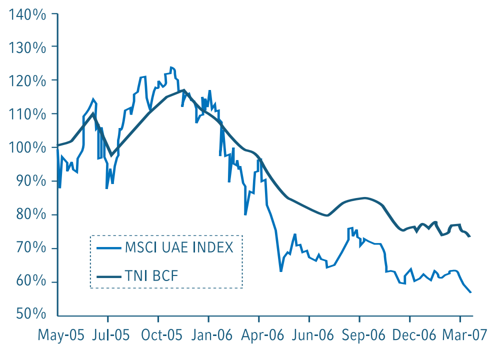
Period	Performance
Y-O-Y (2006)	-31.2%
Since Inception	-24.1%

MSCI UAE Index

Period	Performance
Y-O-Y (2006)	-44.4%
Since Inception	-39.4%

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

BCF vs. MSCI UAE Index*



The TNI UAE Blue Chip Fund has outperformed the MSCI UAE index by 15.3 per cent since its inception in 2005, and by 11.6 per cent during the year 2006, with a weekly annualized volatility of 20 per cent compared to a market index volatility of 29 per cent. This makes the firm's TNI UAE Blue Chip Fund the best performer amongst its peers on both absolute and risk-adjusted return basis.

This has been achieved through thorough buy-side efforts covering not only the UAE but other GCC equity markets. Success has also been the result of a disciplined execution of a low volatility approach that was adopted by the fund manager since the fund's inception.

The TNI MENA Real Estate Active Fund (TNI MENA REAF) is a unique investment product that provides exposure to the real estate sector in the MENA region. The firm's regional asset management capability is evidenced by the track record of TNI MENA REAF that has outperformed the all-share regional benchmark, and many of its peers. Performance of the fund encouraged TNI to pursue a sector approach in its regional equity funds, as sector specialization is a major element that the Asset Management Division will add to the firm's fund management capabilities.

In terms of performance, TNI MENA REAF has outperformed the MSCI Arabia Index by 19.5 per cent since its inception in August 2005. In 2006, the fund outperformed the market index by 20 per cent with weekly annualized volatility at 17 per cent compared to an index volatility of 28 per cent.

TNI MENA Real Estate Active Fund

TNI MENA REAF Performance

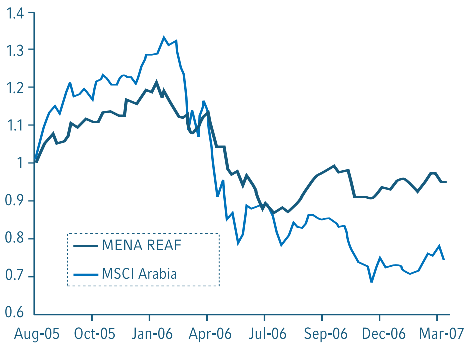
Period	Performance
Y-O-Y (2006)	-21.0%
Since Inception	-7.5%

MSCI Arabia Index

Period	Performance
Y-O-Y (2006)	-41.0%
Since Inception	-27.0%

*Index performance comparison is
for illustrative purposes only

MENA REAF vs. MSCI Arabia Index*



TNI

The firm comprises seven strategic business units covering investment banking, private equity, asset management, real estate, investment research, principal investments and client advisory.

TNI Dana Women Fund

TNI DWF Performance

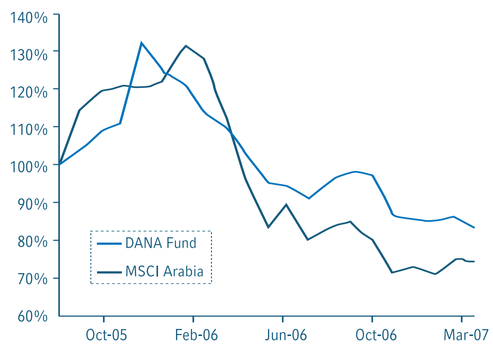
Period	Performance
Y-O-Y (2006)	-31.0%
Since Inception	-12.5%

MSCI Arabia Index

Period	Performance
Y-O-Y (2006)	-41.0%
Since Inception	-27.0%

*Index performance comparison is for illustrative purposes only

DWF vs. MSCI Arabia Index*



TNI Dana Women Fund aims at achieving high returns through investing in regional as well as global markets. In June 2006, TNI decided to review the investment strategy of the fund and adopt a fund of fund approach, increasing its global exposure to 60 per cent and limiting the regional exposure to a maximum of 40 per cent.

The objective of the fund was to achieve a consistent, diversified source of superior risk-adjusted returns with capital preservation at the heart of the strategies. Whilst the realignment of the portfolio is in progress, the fund has already been exposed to a range of asset classes, including global equities and bonds, emerging equities and bonds, real estate, commodities, hedge funds and managed futures.

Managed Accounts

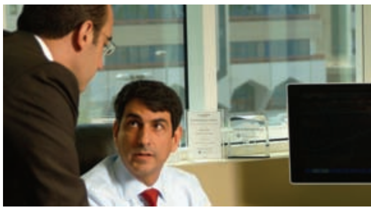
The Asset Management Division offers investment management consultancy services for specific portfolio requirements. In addition to its existing MENA equity discretionary managed accounts, TNI is currently offering its global asset management capabilities to corporate and institutional investors.

During the year, TNI signed several investment management mandates that include the management of the balance sheets of large institutions. The mandates include consulting on investment guidelines and asset allocation, investment processes and procedures, choice of counterparts and ancillary service providers such as brokers, bankers, custodians and portfolio management systems, in addition to the management of global and/or regional exposure, and legal and tax advisory services.

By offering these services, TNI relies on the expertise of its asset management team in terms of global asset allocation and investment management, in addition to its regional markets networks and contacts with service providers.

Structured Products

In an effort to bring more investment solutions to the market, the Asset Management Division launched several equity linked notes, guaranteed by AA rated guarantors, and paying yearly coupons. The total size of both tranches neared AED 30 million.



Building a Team

During the year under review, TNI consolidated its asset management capabilities by growing its portfolio management team and implementing a state-of-the-art infrastructure that will allow the firm to cater for investors of diverse profiles.

The Asset Management Division's strategic objective is to create long-term value for TNI's investors, customers and other stakeholders through the sustained development of the firm's businesses. The focus of this development is to build on the core strengths, values and expertise of the division and its staff, to solidify TNI's leadership position in local and regional markets, and to create a profitable and sustainable engine of growth.

The Asset Management Division will achieve this by:

- Providing attractive, diversified and innovative product structures;
- Committing to delivering superior risk-adjusted returns; and
- Offering high levels of client service.

Real Estate

TNI is one of a few investment banking firms in the UAE with a specialized, fully dedicated real estate team offering comprehensive solutions in investment banking, asset management, development and international investing. In its third year of operation, the Real Estate Division has made a moderate contribution to the firm's bottom line. In recognition of its many achievements, the division was awarded in December 2006 the prize for "Best Investment House in the UAE" in real estate by London-based ICG.

IREF ME 2006 EXCELLENCE IN REAL ESTATE AWARDS

TNI's Real Estate Division provides clients with tailored solutions to assist them in achieving their objectives in this growing sector. The division's dedicated team of real estate professionals has over 80 years of combined experience in providing comprehensive real estate solutions. Through Colliers International, a wholly owned subsidiary of TNI, the firm also provides services in property management, development consultancy, valuations and feasibility studies as well as sales and leasing.

Services offered within investment banking include the preparation of feasibility studies, financial and legal due diligence, capital structure optimization, valuations and raising of private and public capital. The real estate team was mandated in 2006 on the IPO of Tamweel, a Dubai-based mortgage financing company. Tamweel was the first company in the UAE to be converted directly from a Limited Liability Company into a Public Joint Stock Company.

The division is currently working on building its own portfolio of project development. In November 2006, TNI acquired two plots of land at Capital Centre in Abu Dhabi to develop two buildings; one 23-storey office tower and one 27-storey serviced apartment facility. At the heart of Capital Center is the Abu Dhabi National Exhibition Centre (ADNEC), a U-shaped, state-of-the-art conference and exhibition multiplex.

TNI

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In April 2007, TNI acquired the 120-room Mafraq Hotel in Abu Dhabi, previously owned by the Tourism Development and Investment Company (TDIC). Situated on a plot of land of around 28,000 square meters, the hotel was initially opened in 1996 and then refurbished in 2006. The Mafraq Hotel was offered for sale by TDIC, which is part of the Abu Dhabi Tourism Authority (ADTA), in a private tender, which closed on September 16, 2006. TNI also plans to construct a new adjoining 115-room wing and renovate the existing property.

TNI's Real Estate Division launched a new, close-ended real estate fund in June 2006. The TNI Real Estate Development Fund (REDF) invests in new property developments and the repositioning and refurbishment of existing properties across the Middle East and North Africa region. The objective of REDF is to focus primarily on investing in the development of real estate projects in strategic locations and high growth areas across all property types including residential, office, retail, hospitality and industrial. Another objective is to invest in opportunistic investments focusing on under-managed or distressed real estate assets with the aim to re-develop and re-position such assets.

REDF targets real estate projects, which are generally too small for a large property developer or too large for a small property developer. The fund sees a great opportunity in this "niche market" with targeted individual projects ranging in size between USD 30 million to USD 150 million per transaction, allowing for a well diversified portfolio investing in 10-15 projects in the targeted region. Investments will spread across MENA, India and South Africa targeting emerging and growing property markets and seeking optimum risk adjusted returns.

Another fund, the TNI Real Estate Investment Fund of Funds (REIFF) was established in November 2005 to make equity investments primarily in closed-ended private equity real estate funds from around the world. REIFF seeks to raise USD 150 million in equity to invest in up to 12 underlying investments. TNI considers the fund as a vehicle that provides high net worth clients and institutional investors with access to institutional real estate markets across the globe through lower, minimum commitments.

REIFF intends to target real estate private equity funds focusing on value-added and opportunistic strategies. It aims to achieve geographical diversification by investing in North America, Europe and the Far East. It also aims to maintain low volatility of returns, exhibit low correlation to equity and debt returns and attain a controlled risk profile.

Securities

TNI's Securities Division integrates the firm's Client Advisory Group (CAG) and Investment Research, in a synergistic offering which will allow the firm to become increasingly advice and client-driven, going forward.

Investment Research

The best way to ensure a sound approach to investing is to support investment decisions with in-depth, unbiased analysis. This confirms TNI's commitment to investment research as a key success factor in capital markets. In a fast-paced environment, where markets are particularly volatile and challenging, research enables the firm and its clients to remain ahead of the information curve.

The Investment Research Department aims to offer investment recommendations to all clients of the firm,

including TNI's in-house asset management team. More than a dozen reports have been issued since the first publication in mid June 2006, covering five main areas: real estate, industrial companies, transportation, technical research and strategy. Our research aims at providing better understanding of GCC markets, both from a fundamental bottom-up approach, and from a strategic top-down point of view.

In the coming year, TNI's Investment Research Department seeks to expand its team and output. Its challenge remains to provide the firm's clients with unparalleled, thought-provoking ideas which enhance the performance of their portfolios.

Client Advisory Group

The firm also continues to streamline its Client Advisory Group (CAG), which emerges as being increasingly client-driven. By growing its sales team, TNI will be better equipped to meet changing client needs and provide them with innovative and tailored solutions.

The transactions and products in which TNI has been involved have often proven to be award-winning investment opportunities. As the firm's product pipeline gets ever richer, CAG would like to make sure that clients get fully exposed to every investment opportunity that emanates from the firm in the future. With that in mind, CAG is in the process of rolling-out a customer relationship management system to provide the firm with real-time client and product intelligence.

To differentiate itself further from competition, TNI is bundling research and sales, along the lines of what has long been a best practice in mature markets. The synergies are immediate and transpire clearly in management road shows, a new initiative by CAG, which was launched in the fall of 2006.

Such road shows bring together company managements and TNI clients who have a direct interest in those companies, to discuss relevant business issues. They require coordination between the analysts, who are the company specialists, and the CAG professionals, who are the client specialists. Client feedback has been very positive to date, and CAG hopes to bring further opportunities for TNI clients to meet the highly ranked executives of some of the largest companies in the region.

Principal Investment Area

Our principal investment activity has consistently sought to maximize return on the firm's capital. Such investments include proprietary trading, seed investments in support of our funds, as well as long term direct investments in private equity and real estate. During the year, proprietary revenues were generated from investments in money market instruments, capital market securities, and direct/indirect investments in listed and private equity. Revenue contribution from our principal investments over the past three years ending March 31st, 2007 has been significant reaching AED 200 million in aggregate.

We limited the impact of losses from weakening capital markets by reducing our exposure to listed

TNI

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securities from AED 123.1 million to AED 4.1 million throughout the year. A significant portion of the cash generated from the sell-down was re-invested in capital protected structured note and various absolute return funds. These alternative investments, carrying much lower investment risks, have appreciated in excess of 10% in a market which was down nearly 35% over the same period.

TNI has been consistently growing its portfolio of direct investments into profitable business ventures contributing positively to the firm's bottom line. In addition to incubating new ventures, TNI actively seeks to acquire stakes in late-stage, profitable, privately owned entities with a view to developing and growing them prior to an exit through a trade sale or an IPO. This strategy has paid off handsomely in the past. As for the year ending March 31, 2007, several restructuring initiatives and new investments have further consolidated our growing portfolio of direct investments. These include the restructuring of our subsidiaries NIPMC/Colliers and NAS Administration Services LLC as they position themselves for regional expansion.

During the year, a consortium of investors led by TNI also formed The National Entertainment Company (Tarfeeh), which focuses on developing entertainment projects throughout the GCC, particularly in the UAE. Moreover, TNI invested minority stakes in Thuraya and Emaar-MGF, India. This is in addition to the acquisition of Mafraq Hotel and two plots of lands at the Capital Center, Abu Dhabi where the firm plans to build its future headquarters.

In line with our asset allocation strategy, we have adopted a stance to shift highly volatile assets into low risk ones. As such, balance sheet investments in volatile assets were reduced from 62% to 32% by year-end. Simultaneously, efforts are being focused on optimizing the firm's asset allocation mix to mitigate equity market risk. Consequently, investments in capital markets instruments decreased by AED 293 million, while investments in real estate and private equity increased by AED 155 million. A further AED 44 million was diverted into absolute return investments.

Operational Enhancement

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

As a result, the firm has embarked in 2006 on a new strategy to further enhance its operations. Our first change emerged in 2006 with the implementation of Oracle Financials. The adoption of this state-of-the-art system allows TNI to monitor its accounting and finance position in real time, which shall enable our management team to adapt to changing market conditions and to quickly identify emerging opportunities.

We continue to invest in internal support structures to achieve greater flexibility and future scalability. During the year, we adopted another advanced IT system in order to enhance our fund management activities and assist our fund managers, risk controllers and middle office operators in centralizing all data to manage trading positions and market-related information.

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

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"

Milestones of Success

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

2002

Launch of "Emirates Real Estate Fund"

Appointed as Advisor for Tabreed on recapitalisation and future Financing options

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 Marfaq 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

TNI Profile

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

As a regional firm TNI operates from Abu Dhabi and Dubai in the UAE and is currently developing operations in the Kingdom of 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 13 years, TNI has been successful in positioning itself amongst the region's most trusted and reputed financial institutions. With a proven track record across all of its lines of business, the firm ranks as the leading arranger of public share offerings with total transaction value exceeding AED 10.6 billion. The firm focuses on delivering consistently superior results in line with its growing reputation as a regional leader. As the financial environment evolves, both regionally and globally, 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 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, Manasek 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

TNI

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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).

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.

ANNUAL REPORT

fiscal year ended March 31, 2007

Financial Statements

KPMG

Independent Auditors' Report

The Shareholders
The National Investor Private Joint Stock Company

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of The National Investor Private Joint Stock Company (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 March 2007, 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 judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting 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 2007, 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 2007, which may have had a material adverse effect on the business of the Group or its financial position.

KPMG
Munther Dajani
Registration No. 268

17 May 2007

Consolidated Income Statement

for the year ended 31 March 2007

	Note	2007 AED'000	2006 AED'000
INCOME			
Fee and service income	6	**127,075**	103,072
Net (loss) / income from investments at fair value through profit or loss	7	**(25,305)**	64,800
Share of profit from equity accounted investees		**9,800**	7,990
Income from investments available for sale		**27,832**	14,603
Fair value of government grant	15	**9,600**	-
Interest income		**12,582**	4,947
Other income		**740**	48
Total income		**162,324**	195,460
EXPENSES			
Investment costs		**(2,7840)**	(20,026)
Borrowing costs		**(158)**	(17,595)
Other operating expenses	8	**(74,437)**	(42,013)
Depreciation	13	**(3,349)**	(1,658)
Amortisation of intangible asset	14	**(569)**	-
Total expenses		**(81,297)**	(81,292)
Profit for the year		**81,027**	114,168
ATTRIBUTABLE TO:			
Equity holders		**79,560**	113,148
Minority interest		**1,467**	1,020
Profit for the year		**81,027**	114,168

The notes set out on pages 35 to 52 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 30.

Consolidated Balance Sheet

as at 31 March 2007

	Note	2007 AED'000	2006 AED'000
ASSETS			
Cash and balances with banks	9	**263,158**	466,481
Investments at fair value through profit or loss	10	**118,947**	240,893
Investments available for sale	11	**290,275**	356,064
Amounts due from related parties	23	**36,983**	26,731
Investment in equity accounted investees	12	**59,880**	34,979
Premises and equipment	13	**6,736**	4,813
Intangible asset	14	**6,232**	-
Investment properties	15	**125,462**	-
Other assets	16	**59,137**	44,896
Total assets		**966,810**	**1,174,857**
EQUITY			
Share capital	18	**550,000**	500,000
Legal reserve	19	**30,371**	22,782
Statutory reserve	20	**28,687**	21,251
Revaluation reserve		**146,271**	299,527
Retained earnings		**94,520**	108,281
Total equity attributable to equity holders		**849,849**	951,841
Minority interest		**1,595**	1,911
Total equity		**851,444**	**953,752**
LIABILITIES			
Loan	9	**25,000**	25,000
Amounts due to related parties	23	**1,448**	168,184
Other liabilities	17	**88,918**	27,921
Total liabilities		**115,366**	**221,105**
Total equity and liabilities		**966,810**	**1,174,857**

These consolidated financial statements were approved and authorised for issue on behalf of the Board of Directors on 23 May 2007 by:

A. Mazrui

Abdullah Mazrui
Chairman

Orhan Osmansoy
Chief Executive Officer

The notes set out on pages 35-52 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 30.

Consolidated Statement Changes in Equity

for the year ended 31 March 2007

	Share capital AED'000	Legal reserve AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Retained earnings AED'000	Total AED'000
As at 1 April 2005	200,000	11,456	10,342	141,763	50,398	413,959
Dividend paid during the year *(note 18)*	-	-	-	-	(30,000)	(30,000)
Directors' remuneration paid	-	-	-	-	(3,030)	(3,030)
Increase in share capital *(note 18)*	300,000	-	-	-	-	300,000
Profit for the year	-	-	-	-	113,148	113,148
Transferred to legal reserve *(note 19)*	-	11,326	-	-	(11,326)	-
Transferred to statutory reserve *(note 20)*	-	-	10,909	-	(10,909)	-
Unrealised gains on investments available for sale	-			158,312	-	158,312
Realised gains transferred to the income statement	-	-	-	(548)	-	(548)
As at 31 March 2006	**500,000**	**22,782**	**21,251**	**299,527**	**108,281**	**951,841**
As at 1 April 2006	500,000	22,782	21,251	299,527	108,281	951,841
Dividend paid during the year *(note 18)*	-	-	-	-	(25,000)	(25,000)
Directors' remuneration paid	-	-	-	-	(3,296)	(3,296)
Bonus shares issued *(note 18)*	50,000	-	-	-	(50,000)	-
Profit for the year	-	-	-	-	79,560	79,560
Transferred to legal reserve *(note 18)*	-	7,589	-	-	(7,589)	-
Transferred to statutory reserve *(note 20)*	-	-	7,436	-	(7,436)	-
Unrealised losses on investments available for sale	-	-	-	(131,592)	-	(131,592)
Realised gains transferred to income statement	-	-	-	(21,664)	-	(21,664)
As at 31 March 2007	**550,000**	**30,371**	**28,687**	**146,271**	**94,520**	**849,849**

The notes set out on pages 35 to 52 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 30.

Consolidated Statement of Cash Flows

for the year ended 31 March 2007

	2007 AED'000	2006 AED'000
OPERATING ACTIVITIES		
Profit for the year	**81,027**	114,168
Adjustments for:		
Gain on disposal of available for sale investments	**(21,665)**	-
Fair value of government grant	**(9,600)**	-
Unrealised gain on investment in associate	**(6,695)**	-
Interest income	**(12,582)**	(4,947)
Interest expense	**158**	17,595
	30,643	126,816
Change in investments at fair value through profit or loss	**121,946**	(145,865)
Change in amounts due from related parties	**(10,252)**	(26,678)
Change in other assets	**(14,241)**	118,380
Change in amounts due to related parties	**(166,736)**	168,184
Change in other liabilities	**3,066**	11,274
Acquisition of investments available for sale	**(101,548)**	10,569
Disposal of investments available for sale	**35,744**	-
Investment in equity accounted investees	**(18,206)**	(32,879)
Interest income on term deposits	**10,333**	1,511
Net cash (used in) / from operating activities	**(109,251)**	231,312
INVESTING ACTIVITIES		
Change in premises and equipment, net	**(1,923)**	(3,436)
Acquisition of intangible asset, net	**(6,232)**	-
Purchase of investment property	**(57,931)**	-
Net cash used in investing activities	**(66,086)**	(3,436)
FINANCING ACTIVITIES		
Proceeds from issue of share capital	**-**	300,000
Dividends and remuneration paid	**(28,296)**	(33,030)
Additional contribution of minority interest	**(1,781)**	-
Interest expense	**(158)**	(17,595)
Interest income	**2,249**	3,436
Funds repaid	**-**	(49,175)
Net cash (used in) / from financing activities	**(27,986)**	203,636
(Decrease) / increase in cash and cash equivalents	**(203,323)**	431,512
Cash and cash equivalents at 1 April	**441,481**	9,969
Cash and cash equivalents at 31 March (note 9)	**238,158**	441,481

The notes set out on pages 35 to 52 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 30.

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 (IFRS).

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:
- investments at fair value through profit or loss
- available for sale investments
- investment properties

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 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.

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 26.

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.

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.

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.

v Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing these consolidated financial statements.

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.

Notes to the Consolidated Financial Statements

c) Financial instruments

i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments at fair value through profit or loss, investments available for sale, receivables, cash and cash equivalents, payables 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.

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

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. Upon initial recognition, attributable transaction costs are recognised in the 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.

The fair value of investments at fair value through profit or loss is determined by reference to their quoted bid price at the reporting date. If a quoted market price is not available on a recognised stock exchange or from a broker, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques, as applicable. 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. Investments in unlisted investment funds are recorded at the net asset value per unit as reported by the managers of each fund.

Available for sale investments

The Group's investments 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 income statement.

The fair value of available for sale investments is determined by reference to their quoted bid price at the reporting date. If a quoted market price is not available on a recognised stock exchange or from a broker, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques, as applicable. Investments in unlisted investment funds are recorded at the net asset value per unit as reported by the managers of each fund.

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 (i) (iii).

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 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.

d) Premises and equipment

Items of premises and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are 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 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
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 reassessed annually.

e) 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 income statement on a straight line basis over the estimated useful lives of the intangible assets from the date they are available for use.

f) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any changes therein recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

g) Impairment

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 income statement. Any cumulative loss in respect of an available for sale financial asset recognised previously in equity is transferred to 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 income statement. For available for sale financial assets that are equity securities, the reversal is recognised directly in equity.

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 and 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.

h) 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.

i) Revenue

i Fee income
Fee 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.

ii Dividend income

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

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

iii 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 income statement using the effective interest method.

j) 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.

k) New accounting standards and interpretations not yet adopted

A number of new accounting standards, amendments to accounting standards and interpretations are not yet effective for the year ended 31 March 2007, and have not been applied in preparing these consolidated financial statements:

IFRS *7 Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosure* requires extensive disclosures about the significance of financial instruments for an entity's financial position and performance and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and the amended IAS 1, which become mandatory for the Group's 2008 financial statements, will require extensive additional disclosures with respect to Group's financial instruments and share capital.

IFRIC 9 *Reassessment of Embedded Derivatives* requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for the Group's 2008 financial statements, is not expected to have a significant impact on the consolidated financial statements.

IFRS 8 *Operating segments* will replace IAS 14 *Segment reporting* and requires an entity to report financial and descriptive information about its reportable segments. This new standard may require changes in the way the Group discloses information about its operating segments.

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.

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.

Notes to the Consolidated Financial Statements

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.

5 Group entities

These consolidated financial statements include the financial position and results of operations as at and for the year ended 31 March 2007 of the entities set out below:

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

(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 and are therefore not consolidated in these consolidated financial statements.

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

(4) 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 was formed in 2002 as an investment vehicle to facilitate the participation of UAE investors in Nextcare Global FZ LLC ("Nextcare"). Management believes that its control over Nextcare is temporary as NextCare is currently dormant and will be liquidated upon the resolution of certain outstanding legal issues with the initial promoters. The investment in Nextcare has been accounted for using the equity method after recording 100% impairment provision resulting in a net investment of nil as at the balance sheet date *(2006:Nil)*.

6 Fee and service income

	Year ended 31 Mar 2007 AED'000	Year ended 31 Mar 2006 AED'000
Investment banking fees[1]	**83,083**	59,792
Asset management fees[2]	**10,166**	21,213
Consultancy and administration income	**33,826**	22,067
	127,075	103,072

(1) Investment banking fees include AED 60 million received from Aldar Properties PJSC ("Aldar") as final settlement of the outstanding fees in connection with Aldar's initial public offering.

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

7 Net income from investments at fair value through profit or loss

	Year ended 31 Mar 2007 AED'000	Year ended 31 Mar 2006 AED'000
Realised (loss) / gain	**(38,797)**	64,819
Unrealised gain / (loss)	**12,987**	(3,165)
Dividend income	**505**	3,146
	(25,305)	64,800

8 Other operating expenses

	Year ended 31 Mar 2007 AED'000	Year ended 31 Mar 2006 AED'000
Staff costs	**47,762**	32,204
Others	**26,675**	9,809
	74,437	42,013

Notes to the Consolidated Financial Statements

9 Cash and balances with banks

	2007 AED'000	2006 AED'000
Cash in hand	**61**	103
Call and current accounts	**49,277**	167,701
Term deposits	**188,820**	273,677
Cash and cash equivalents	**238,158**	441,481
Term deposit under lien	**25,000**	25,000
Cash and balances with banks	**263,158**	466,481

Bank deposits are held with banks registered in the UAE and carry effective interest rate of 5.5 % per annum *(2006: 4.5 % per annum).*

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

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

The term deposit of AED 25 million is not considered as cash and cash equivalents for the purposes of the cash flow statement.

10 Investments at fair value through profit or loss

	2007 AED'000	2006 AED'000
Trading securities	**4,114**	123,130
Equity and hedge funds	**96,440**	117,763
Protected coupon paying note	**18,393**	-
	118,947	240,893

11 Investments available for sale

	2007 AED'000	2006 AED'000
Founders shares	**189,798**	356,064
Equity funds	**87,615**	-
Private equity investments	**12,862**	-
	290,275	356,064

Investments available for sale include founders shares amounting to AED 15,479 thousand (*2006: AED 356,064 thousand)* which are shares held by the Group as founder member and are subject to lock-in period as at the reporting date.

Included in investments in equity funds are units held by the Company in two funds managed by it and valuing AED 27,999 thousand (*31 March 2006: AED nil)* which are subject to a one year lock-up period from the date of the transaction, i.e. 2 January 2007. Further, no redemptions of any units held by the Company in those funds will be allowed before 31 May 2007 unless unanimously authorised by the Investment Committee of the respective funds. Redemptions that could occur after 31 May 2007 are capped at a maximum amount of AED 5 million per calendar month.

12 Investments in equity accounted investees

	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
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	-	-	-
2006										
Gulf National Securities Centre LLC[1]	35	61,952	1,381	63,333	20,756	9,000	29,756	34,074	(14,622)	19,452
UAE Mall LLC[2]	35	18	-	18	17	-	17	142	(177)	(35)
National Entertainment LLC - Tarfeeh[3]	50	897	118	1,015	490	-	490	-	(247)	(247)
Depa United Group PrJSC[4]	4.63	324,786	356,140	680,926	170,490	18,015	188,505	97,965	(82,814)	15,151
Al Dana Trust LLC[5]	40	150	-	150	-	-	-	-	-	-

Notes to the Consolidated Financial Statements

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 January 2007 to 31 March 2007 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 January 2007 to 31 March 2007 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.

13 Premises and Equipment

	Leasehold Improvements AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost					
At 1 April 2005	445	548	2,134	141	3,268
Additions	2,625	532	1,834	103	5,094
At 31 March 2006	3,070	1,080	3,968	244	8,362
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**
Depreciation					
At 1 April 2005	166	436	1,210	79	1,891
Charge for the year	639	150	823	46	1,658
At 31 March 2006	805	586	2,033	125	3,549
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**
Net carrying amount					
At 1 April 2005	279	112	924	62	1,377
At 31 March 2006	2,265	494	1,935	119	4,813
At 31 March 2007	**2,445**	**527**	**3,625**	**139**	**6,736**

Notes to the Consolidated Financial Statements

14 Intangible asset

Intangible asset represents costs incurred for acquisition and implementation of computer software during the year. The Group considers the useful life of this asset to be finite, estimated to be 4 years and has accordingly amortised the asset on a straight line basis over the estimated useful life, from the date it has become available for use. Amortisation is recognised in the income statement.

	2007 AED'000
Acquisition and implementation costs capitalised during the year	6,801
Amortisation for the year	(569)
Net book value as at 31 March 2007	6,232

15 Investment properties

Investment properties include a plot of land located in Abu Dhabi, received as an unconditional grant from the Government of Abu Dhabi, without consideration. The Company has 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 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.

During the year, the Company entered into an agreement to purchase two plots at the Abu Dhabi National Exhibition Centre development site for an aggregate amount of AED 115,862 thousand of which AED 57,931 thousand has been paid as at the reporting date as per the payment schedule in the agreement. These plots are acquired with the intention of constructing an investment property on it and have been accordingly classified as investment property.

16 Other assets

	2007 AED'000	2006 AED'000
Receivables	**37,148**	36,447
Prepaid expenses	**2,802**	2,154
Due from employees	**1,938**	1,371
Others	**18,568**	5,052
	60,456	45,024
Less: impairment losses	**(1,319)**	(128)
	59,137	44,896

Included within 'Others' is an amount of AED 5,859 thousand *(2006: AED 1,747 thousand)* for deferred project costs. These are initial direct expenses such as legal, technical and consultancy fees incurred incidental to the projects. These costs are recognised in the year in which the project revenue is recognised.

17 Other Liabilities

	2007 AED'000	2006 AED'000
Payables	**65,235**	4,775
Accrued expenses	**20,266**	20,915
Provision for end of service benefits	**3,417**	2,231
	88,918	27,921

Payables include an amount of AED 57,931 in relation to the agreement to purchase two plots at the Abu Dhabi National Exhibition Centre development site (also refer note 15).

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

	2007 AED'000
At 1 January	**2,231**
Charge for the year	**1,545**
Payments made during the year	**(359)**
At 31 December	**3,417**

18 Share Capital

	2007 AED'000	2006 AED'000
Authorised, issued and paid up: 55,000,000 shares of AED 10 each *(2006: 50,000,000 shares of AED 10 each)*	**550,000**	500,000

During the year, the Company's authorised, issued and paid up share capital was increased to AED 550 million *(2006: AED 500 million)* by issue of 5 million ordinary bonus shares *(2006: 30 million rights shares)* issued at AED 10 each as per resolution in the Annual General Meeting dated 6 June 2006.

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

	2007 AED'000	2006 AED'000
AED 0.5 per ordinary share *(2006: AED 0.6)*	**25,000**	30,000

On 23 May 2007, a cash dividend amounting to AED 27.5 million (AED 0.5 per ordinary share) (2006: AED 50 million, AED 1 per ordinary share) was proposed by the Board of Directors for the year ended 31 March 2007 which is subject to the approval of the shareholders at the Annual General Meeting.

Notes to the Consolidated Financial Statements

19 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.

20 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.

21 Fiduciary activities

The Company acts as a trustee for managing assets amounting to AED 1,044,898 thousand (2006: AED 777,025 thousand).

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

	2007 AED'000	2006 AED'000
Shares (at market value)	**328,901**	265,418
Cash at banks	**4,983**	63,616

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

22 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(%)**
Emirates Real Estate Fund	50	3,889	11
Dana Women Fund	500	4,135	25
Mena Real Estate Fund	998	34,772	45
Blue Chip Fund	6,702	48,653	34
TNI Real Estate Development Fund	62	21,674	83
TNI Real Estate Investment Fund of Funds L.P	-	20,024*	51
TNI Capital Growth Fund L.P	-	21,163*	43

* Represents net asset value of Company's capital contribution

23 Related parties

Identification 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 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 directors and executive officers in addition to entitlement to post employment benefits.

	2007 AED'000	2006 AED'000
Short term employment benefits	**10,807**	4,608
Post employment benefits	**799**	524
Board of directors' remuneration paid	**3,296**	3,030
	14,902	8,162

On 23 May 2007, the Board of Directors proposed directors' remuneration of AED 2,767 thousand *(2006: AED 3,296 thousand)* for the year ended 31 March 2007 which is subject to the approval of the shareholders at the Annual General Meeting.

Other related party transactions

Significant transactions with related parties were as follows:	**2007 AED'000**	2006 AED'000
Fees earned from related parties	**7,773**	17,713
Sale of founders' shares to funds managed by the Company	**27,999**	-
Loans and advances to related parties	**21,607**	23,927

Included in investments at fair value through profit or loss are investments amounting to AED nil *(2006: AED 7,054 thousand)*, which are held in the name of a director of the Company beneficially on behalf of the Company.

24 Commitments and contingencies

	2007 AED'000	2006 AED'000
Bank guarantees	**5,000**	5,000
Corporate guarantee	**10,500**	7,000

The Group is committed to contribute AED 59 million into funds managed by the Group. (*2006: AED 37 million).*

Notes to the Consolidated Financial Statements

25 Financial instruments and associated risks

The Group maintains positions in a variety of financial instruments as dictated by its investment management strategy. The Group's investment portfolio comprises quoted and non-quoted equity investments and investments in other funds, structured investment products and money market instruments.

The Group's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Group is exposed are credit risk, foreign currency risk, price risk and liquidity risk.

The Group's exposure to risks is discussed below.

Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group. The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Group's investments are mainly in listed or to-be listed equity securities and equity funds managed by itself or by professional fund managers. Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk related to unsettled transactions is considered small due to the short settlement period involved.

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

Interest rate risk

The Group's investments in variable rate money market investments and variable rate borrowings are exposed to a risk of change in cash flows due to change in interest rates. Investment in equity securities, funds and short term receivables are not exposed to interest rate risk.

Currency risk

Currency risk comprises transaction and balance sheet risk. Transaction risk relates to the Group's cash flow being adversely affected by a change in the exchange rates of foreign currencies against AED. Balance sheet risk relates to the risk of the Group's monetary assets and liabilities in foreign currencies acquiring a lower or higher value, when translated into AED, as a result of currency movements.

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 US Dollars and the exchange rate for conversion to the AED to USD is pegged since 1980.

Price risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Price risk is mitigated by the Group by constructing a diversified portfolio of instruments.

26 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.

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 15.

(d) Impairment losses on receivables

The Group reviews its receivables to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the 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.