tni annual report 2011-12: looking ahead

المستثمر الوطني
The National Investor

HH Sheikh
Zayed bin Sultan Al Nahyan
Late President of the United Arab Emirates

HH Sheikh
Khalifa bin Zayed Al Nahyan
President of the United Arab Emirates
and Ruler of Abu Dhabi

HH Sheikh
Mohammed bin Rashid Al Maktoum
Vice President of the United Arab Emirates,
Prime Minister and Ruler of Dubai

HH General Sheikh
Mohamed bin Zayed Al Nahyan
Crown Prince of Abu Dhabi and Deputy
Supreme Commander of the UAE Armed Forces

board members 2011-12

Abdullah M. Mazrui
Chairman

Mohammed Abdulla Alqubaisi
Vice Chairman

Mana Mohamed Saeed Al Mulla
Member of the Board

Fatima Obeid Al Jaber
Member of the Board

Mohamad Mohamad Fadhel Al Hamli
Member of the Board

Saeed Al Masoud
Member of the Board

Mohamad Rashid Al Naseri
Member of the Board

Hamad Abdulla Al Shamsi
Member of the Board

yas viceroy abu dhabi
has an incredible LED canopy that not only emits
a symphony of color and shade but also embraces
the exhilarating **yas marina formula 1™ circuit**

the national investor private joint stock company consolidated financial statements 31 march 2012

contents

capital gate
is the "world's furthest leaning man-made tower", designed to lean 18 degrees westwards

chairman's message

Dear Fellow Shareholders,

On behalf of the board of directors of The National Investor (TNI), I am pleased to present the annual report for the fiscal year ended 31 March 2012.

Our financial performance during the fiscal year 2011-12 reflects an increasingly difficult economic environment. The past fiscal year witnessed unprecedented political unrest in the Middle East and North Africa (MENA) region which, coupled with the worsening economic crisis in the European Union, made this year one of the most difficult since the onset of the global economic downturn. Despite these global and regional economic difficulties, we have remained profitable and mitigated downside risks to our shareholders' equity. The regional investment management and advisory industry has endured a significant shake-up during the recent economic downturn, and the competitive landscape continues to evolve. We have sustained the economic crisis and bear markets without facing any reputational damage, unlike many of our competitors, and have emerged stronger by adapting to the new commercial and economic climate. Furthermore, we have preserved our core values of integrity, fiscal prudence and client focus.

As we mentioned in our annual report for the previous fiscal year, we remain focused on aligning our business strategy with the long-term plan for growth and development of the emirate of Abu Dhabi as outlined in the Abu Dhabi Economic Vision 2030. To this end, we continued to enhance our efforts to attract foreign investment into the stock markets in the United Arab Emirates (UAE) and to position ourselves as the primary conduit for international institutional investors who seek to invest in these markets. During FY 2011-12, we received a subscription of c. AED 86 million into our UAE Blue Chip Fund from one of the leading international institutional fund managers, which demonstrates the strength of our product offering and the attractive investment opportunities in the UAE stock markets. We remain optimistic about the evolution of our institutional business given the growth opportunity in the region, which can induce a flow of funds from investors who are becoming increasingly wary of the economic uncertainty in the U.S. and the European Union.

During FY 2011-12, we jointly, with KIPCO Asset Management Company (KAMCO), launched the Etqaan Shari'ah Fund. This private equity fund was launched with seed capital of AED 86 million and will focus primarily on opportunities in turnarounds, recapitalizations, growth capital and secondary buy-outs in MENA. This strategic initiative reinforces our commitment to strengthening our product offering in the investment management arena. We will continue to pursue new product development initiatives that broaden our geographic footprint and present exciting growth opportunities. We will now focus our efforts on raising third party capital for this fund from regional and international institutional investors.

Furthermore, during FY 2011-12, we realized a successful exit on one of our proprietary investments. This divestiture yielded substantial capital gains for our shareholders and other stakeholders at a time when opportunities for exits were limited.

Looking ahead, we remain confident that as the macroeconomic environment improves, the UAE, in particular Abu Dhabi, will play a key role in driving the economic growth in the region. As a leading Abu Dhabi-based investment management and advisory firm, we are uniquely positioned to capitalize on an upturn in financial markets and take advantage of opportunities for growth, both in our domestic market and abroad. As we adjust to the new market and regulatory realities, we will aim to build a sustainable investment management and advisory business.

We have realigned our firm on the premise that the new market reality requires a more streamlined operating model. To this end, we have rationalized our cost structure by significantly reducing headcount, and consolidating some of our businesses to maximize financial and operational synergies. Our realigned organization structure benefits from a relatively low fixed-cost base as we have endeavored to reduce overheads.

Since our inception we have embraced a culture of strong corporate governance, risk management and transparency, which has earned us respect from our peers and stakeholders. It is our goal to create enduring value for our clients and deliver sustainable financial performance to our shareholders, while navigating challenging market conditions. We are confident we can build on our credentials, reputation and accomplished management team to create a position of leadership in the regional investment management and advisory industry.

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

I would also like to express my gratitude to our shareholders for their confidence and trust in the board of directors and management team. Last but not least, I would like to thank our employees who remain committed to the firm and contribute to its continuing success.

A. Mazrui

Abdullah M. Mazrui
Chairman of the Board

ceo's review

Dear Shareholders,

The fiscal year ending 31 March 2012 was a challenging year for the financial services industry characterized by an increasingly difficult economic environment and political upheaval in the Middle East and North Africa (MENA) region. Although the United Arab Emirates (UAE), our core market, did not witness any political or social unrest, and remained stable throughout this period, we were not immune from the economic and financial fall-out of this political uncertainty given our regional footprint. Furthermore, the expectation of a global economic recovery diminished with the growing sovereign credit crisis in the European Union, which exacerbated the volatility in financial markets.

Against this backdrop, our consolidated revenues from continuing and discontinued operations for FY 2011-12 increased to AED 107.1 million representing a year-on-year increase of 5%. Our net profit increased to AED 3.9 million. Our financial performance reflects an economic environment that remains distressed. However, despite these challenges we have managed to mitigate the adverse impact on our profitability as much as possible through our prudent financial management and fiscal discipline.

While our financial performance fell short of expectations, we remained resilient at a time when several of our local and regional competitors had to substantially scale down the size and scope of their activities, suspend commercial operations or file for bankruptcy protection. We have not faced any liquidity constraints or, more importantly, reputational damage in an environment where many of our peers have had to rely on large equity injections from their shareholders to be able to sustain operations. We pride ourselves on the fact that in such a difficult economic climate we managed to preserve the capital of our shareholders, and the integrity and reputation of our franchise. Furthermore, we have remained profitable throughout the worst economic downturn in recent history. In spite of the challenges we faced during the year, we pressed ahead with the implementation of our long-term strategic plan. To this end, we launched the Etqaan Shari'ah Fund, our flagship private equity fund, with seed capital of c. AED 86 million. We launched this fund jointly with KIPCO Asset Management Company (KAMCO), which is one of the largest Kuwait-based asset managers. This fund will focus on opportunities in turnarounds, recapitalizations, growth capital and secondary buy-outs in MENA.

Another noteworthy achievement was the subscription of c. AED 86 million into our UAE Blue Chip Fund by a leading institutional investor based in Europe. This group manages money for endowments, foundations, and public and private pension funds. This subscription underscores the growing importance of the UAE to institutional investors and validates the fund's position among the top-tier funds in the market. During FY 2011-12, our assets under management increased by c. 27% at a time when institutional investors were reluctant to grow their exposure to frontier markets, which is a testament to the quality of our product and service offering.

During the year, we completed the divestiture of one of our proprietary portfolio companies and realized spectacular gains on this exit. This was a company we invested into during 2001, and grew both organically and through acquisitions to position it as one of the leaders in its market segment. Our portfolio management team played a significant role in driving the company's growth and expansion into new geographic markets over the years, and maximizing shareholder value. This demonstrates our ability to drive exits in markets that remain depressed and volatile, and deliver significant returns to our investors.

Furthermore, we successfully completed a comprehensive refurbishment of our flagship real estate project, Mafraq Hotel. The hotel was officially reopened in November 2011 and since then has been improving its occupancy levels and profitability.

In light of the prevalent difficult economic environment and anticipated downward shift in market conditions, we took the necessary steps during the year to ensure we maintained our profitability and preserved shareholders' equity – our first and foremost priority in this volatile economic climate. These steps involved closely integrating our private equity, investment banking and principal investments businesses. In the process, we have rationalized our headcount in the middle- and back-office functions, and have reduced costs across the firm. These changes, although difficult, are for the medium- and long-term benefit of the firm, our clients, and our shareholders, who rely on us to make judicious decisions to protect their capital. Furthermore, such changes are an integral part of the evolution of our business model in a rapidly changing competitive landscape. Consequently, we now have a sustainable organization and cost structure, and are ideally positioned to take advantage of an upturn in market conditions. We have an exceptionally strong franchise, and we intend to capitalize on this strength to position ourselves as the preeminent investment management and advisory business in the Gulf Co-operation Council (GCC). We will continue to build on this to create value for our clients and shareholders.

Our asset management business will be focused on managing our flagship funds, the UAE Blue Chip Fund and the MENA UCITS III Fund, and build upon our track record in the MENA long-only strategy given the renewed interest from international institutional investors. These funds are primarily targeted at sophisticated international and regional investors. Our main objective is to achieve scale by growing assets under management in these funds and positioning ourselves as one of the leading fund managers in the GCC. We are confident we can achieve our objective since we possess the risk management, corporate governance and buy-side research capabilities that institutional investors demand. Furthermore, our UAE Blue Chip Fund retained its A-rating from Standard & Poor's, which is an endorsement of our investment process and strong track record.

The political turmoil in the MENA region had an adverse impact on the performance of our funds during the first nine months of our fiscal year, however, the investor-base of our funds remained stable due to low levels of redemptions and increased subscriptions at a time when many of our competitors faced substantial redemptions. This is a reflection of the resilience of the platform and the rigor of our investment process; attributes that we believe differentiate us from our peers. However, regional stock markets have gained momentum since the start of the new calendar year, which has given us the opportunity to enhance the performance of our funds. As of 31 March 2012, our UAE Blue Chip Fund and MENA UCITS III Fund had outperformed their benchmarks by c. 11% and c. 1% respectively since inception. As the regional stock markets continue to rally (at the time of the writing of this report, MENA markets were up on average c. 14% since the start of the calendar year) we anticipate international institutional investors will increase their allocations to MENA. We are ideally positioned to capitalize on this trend and will aim to capture a part of these capital inflows into the region. Furthermore, we will continue to focus on delivering superior performance and client service, and to broaden our product offering and distribution capability as the competitive landscape in the regional investment management industry evolves.

Our private equity, investment banking and principal investments businesses are being integrated, with significant sharing of resources, while retaining their distinctive identities and focus. These activities will be undertaken within the constraints defined by the separation between a sell-side and a buy-side business to ensure regulatory compliance. Members of this group will also manage the Growth Capital Fund I and the Etqaan Shari'ah Fund.

Investment banking activity in the region, in particular equity offerings, has remained particularly slow, given the challenging economic environment and volatile capital markets. Due to the continued weakness and volatility of capital markets, we have renewed our focus on growing our pipeline of middle-market M&A transactions. In particular, we are enhancing our cross-border capabilities in the M&A advisory business given the tremendous opportunity in advising companies in the UAE on their expansion strategy into new geographic markets in the GCC. Our goal is to continue to grow our middle-market M&A advisory business under the new structure.

Furthermore, we have seen a steady stream of asset disposals by corporates that have faced liquidity constraints driven by excessively leveraged balance sheets. Due to restricted access to capital markets, many of these corporates have had to rely on a sale of assets to fund their commitments. We have been actively engaged with some of these corporates, advising on the disposal of assets to help meet their financial obligations to creditors.

During FY 2011-12 we focused on developing our network of investment banking relationships with local and international financial institutions with the objective of expanding our geographic footprint and product offering. We have entered into a strategic partnership with a leading UAE-based commercial bank that has a strong corporate banking franchise. Furthermore, we have partnered up with the investment banking entity of one of the largest U.S. commercial banks in order to provide our clients with access to investment banking transactions in the U.S. and Europe.

In parallel, we will continue to identify direct investment opportunities, whereby we will invest our own money alongside capital from clients. This direct investments model has become increasingly attractive to institutional investors and family offices in the region, and we intend to develop this into a full-fledged offering. We believe that in the current economic environment there are attractive investment opportunities and we are well positioned to identify these through our extensive network of relationships. We are evaluating a number of such investment opportunities in sectors including education, health-care, and general industrials, and expect to close some of these during FY 2012-13. We also remain committed to realizing value from our existing portfolio of the Growth Capital Fund I, and are investing significant time and resources in managing the fund's portfolio, with a view to creating an exit in the new fiscal year. This reinforces our commitment to value creation for our investors even in a depressed and uncertain commercial environment, where the opportunities for realizing exits are limited. Furthermore, we will continue to focus on managing our proprietary portfolio, with particular emphasis on Colliers International and Mafraq Hotel, with the objective of maximizing financial and strategic value creation in these businesses.

In light of the global economic and financial crisis, and the political upheaval in the MENA region, the fundraising environment during this fiscal year remained challenging; however, there were early signs of recovery in the last quarter. Despite the worsening overall economic climate, we had a successful outcome in our fundraising efforts and we received a substantial subscription into our UAE Blue Chip Fund from a large institutional investor based in Europe. This was the result of a concerted effort to create market visibility and awareness among institutional investors of our product offering, and we will continue to build on this momentum. During this fiscal year, we continued to strengthen our sales and coverage model through agreements with commercial banks and private wealth managers, which have an open architecture, to distribute our funds to their high net-worth clients. Furthermore, we have entered into an agreement to market the flagship funds of a leading international investment

ceo's review (continued)

manager with an exceptional track record to a select group of our clients. This initiative creates a new revenue stream for the firm since we are entitled to a share of the fee that will accrue to the investment manager on any mandates from our clients.

Looking ahead, we remain optimistic on the future of the firm. We will endeavor to continue building our franchise on the principles of integrity and professional excellence that we have nurtured since our inception in 1994. Our business model has evolved in light of the changing competitive landscape in the financial services industry, and we have created sustainable and sufficiently diversified revenue streams. Our business model mitigates the risk to the capital of our shareholders and clients in a depressed economic environment, given the conservative nature of our approach to investment management. Furthermore, it is our intention to continue to invest smartly and return cash to our shareholders as and when we realize exits on our proprietary investments.

We remain focused on growing our client-driven fee business despite the intensely competitive dynamic of that business. We face competition from domestic and international investment banks, which have substantial resources, including the capability to lend to clients. However, we have managed to build a credible franchise driven by our solid track record, extensive network of relationships and strong market insights. Furthermore, we have a very capable and talented team who continues to demonstrate tremendous enthusiasm, drive and commitment. Consequently, we have positioned ourselves as one of the leading investment management and advisory firms in the MENA region. We are confident we have the strength and resilience to further enhance our position of leadership even though the commercial and regulatory environment we operate in remains difficult. The profitability and sustainability of our business are the factors that differentiate us from the competition. As market conditions stabilize, we look forward to building on these strengths to creating an even stronger franchise.

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

Orhan Osmansoy
Chief Executive Officer

we remained resilient at a time when several of our local and regional competitors had to substantially scale down the size and scope of their activities, suspend commercial operations or file for bankruptcy protection.

about us

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

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

The firm provides a wide range of investment management and advisory services to a substantial client base that includes listed and privately owned companies, financial and government institutions, as well as high net-worth individuals. In 2006 TNI became the first UAE investment banking firm to be licensed in DIFC.

TNI has earned numerous awards, including Banker Middle East awarding TNI the Best Private Equity House in the Middle East in 2010 and 2005; and MENA Fund Manager Magazine selecting TNI's UAE Blue Chip Fund as the Best Fund in the UAE in 2010. The firm has also been awarded Best Asset Management House from Banker Middle East in 2008, 2007 and 2006, and Best Equities House in the UAE by Euromoney magazine in 2006 and 2005.

Banker Middle East Industry Awards - 2010 -

MENA Fund Manager Performance Awards Winner UAE Equity Fund of the Year: TNI UAE Blue Chip Fund

EUROMONEY
Best Equities House in the UAE

aed 577 500 000
tni's paid up share capital

asset management

During the fiscal year 2011-12, the asset management team reinforced its position as one of the leading regional investment managers with a strong track record in spite of the volatility in the equity markets, which was driven by the socio-economic challenges in Middle East and North Africa (MENA). Although the economic and political uncertainty in MENA continued to worsen market sentiment and investor confidence, our funds delivered consistent performance given our stringent investment process and risk management framework. Since inception, our UAE Blue Chip Fund (BCF) and MENA UCITS III Fund have consistently outperformed their respective benchmarks by c. 11% and c. 1% respectively as of 31 March 2012. Furthermore, our assets under management increased by c. 27% during FY 2011-12 on the back of subscriptions from international institutional investors, which demonstrates the confidence these investors have in our product offering.

Our most significant achievement during FY 2011-12 was a subscription of c. AED 86 million into BCF from a prominent investment management group based in London with offices in Philadelphia, Singapore and Dubai. This group manages assets primarily for institutional investors including endowments, foundations, and private and public pension funds. This is the second investment by this group in BCF, which has maintained its A-rating from Standard & Poor's. In October 2010 they invested c. AED 50 million in BCF. Furthermore, one of the largest global sovereign wealth funds has completed its final round of due diligence on our asset management business with a view to potentially mandating us to manage their UAE and / or MENA public equities exposure. This would be a significant milestone in the evolution of our asset management offering since this would position us among the front ranks of the regional investment management firms.

subscription of c. AED 86 million into BCF from a prominent investment management group based in London

During FY 2011-12, we continued to enhance our risk management capability in order to drive better performance and deliver greater consistency over the long-term. Our buy-side research capability that was set up during FY 2009-10 has consistently delivered value to our portfolio management team by providing in-depth insights into companies.

FY 2011-12 witnessed the establishment of the first not-for-profit association for the financial services industry in the UAE. The Financial Service Association (FSA) UAE will serve as the intermediary between the financial services community and the regulatory authorities in the UAE. TNI was a founding member of the FSA and our membership of this association will facilitate our interaction with regulators and market participants. Furthermore, the FSA is expected to play an integral role in enhancing the regulatory framework needed to attract long-term investment into the UAE.

asset management team reinforced its position as one of the leading regional investment managers with a strong track record

STANDARD & POOR'S

bcf maintained a-rating

burj al arab stands on its own man-made island and is home to the tallest atrium in the world at 180m

private equity

During FY 2011-12, our private equity team remained focused on managing its portfolio companies with the objective of building value and positioning these for exits. Our most significant achievement during FY 2011-12 was the launch of the Etqaan Shari'ah Fund (Etqaan), a joint venture with KIPCO Asset Management Company (KAMCO), with seed capital of c. AED 86 million. This fund will focus primarily on primary and secondary buy-outs, operational turnarounds, dividend and recapitalization plays and other special situations. This fund offers a unique investment vehicle for investors to invest in private companies, and in light of the sluggish equity capital markets activity and lack of initial public offerings in the region, creates a viable secondary market for investment firms to realize exits. The launch of Etqaan was part of our strategy to broaden our private equity product offering with a view to taking advantage of distressed opportunities and attractive market valuations in the prevailing economic climate. Furthermore, the partnership with KAMCO has strengthened our access to deal flow in Kuwait, which has significantly enhanced our investment footprint in the region and augmented our investment banking business. Since the launch of Etqaan, the investment team has submitted a number of expressions of interest for acquisition opportunities in the health-care and foods manufacturing sectors.

Another noteworthy achievement during FY 2011-12 was the successful refinancing of one of the portfolio companies in Growth Capital Fund I, Dubai Contracting Company. Our private equity team has been actively engaged in managing the turnaround strategy for our largest portfolio company, L'azurde Company for Jewellery, in which we invested alongside other leading regional private equity firms. Since the acquisition, we have delivered significant value creation through stringent financial management, optimization of the product offering and implementation of a comprehensive retail expansion strategy. Our goal is to institutionalize the company for an initial public offering.

In addition to its core equity investments business, our private equity business is increasingly looking for transactions in the form of mezzanine or convertible debt, for which we have seen increased appetite. Furthermore, we are witnessing renewed interest in direct investment opportunities from investors in the UAE and Saudi Arabia, and thus are actively sourcing such opportunities with a view to investing our own capital alongside money from other investors. It is our intention to develop this model into an integral part of our private equity offering.

portfolio update highlights

l'azurde

Date entered: February 2009

TNI private equity, alongside other members of the consortium, has played an active role in driving the company's growth and profitability. Since acquisition, the company's EBITDA has nearly doubled. We are now working with our consortium partners to prepare the company for an IPO.

dcc

Date entered: January 2008

TNI has worked with its consortium partners to participate in the successful refinancing of DCC's debt commitments. TNI private equity team together with its partners has put together and advisory committee in Saudi Arabia to enhance DCC's exposure to the Saudi market. The team has also taken steps to increase value by driving business strategy, offering introductions to various parties and exploring future exit opportunities. Revenues grew by 14% in 2011 from 2010 as DCC won new projects, including Four Seasons Hotel, Fairmont Hotel and Rafal Tower among others.

depa

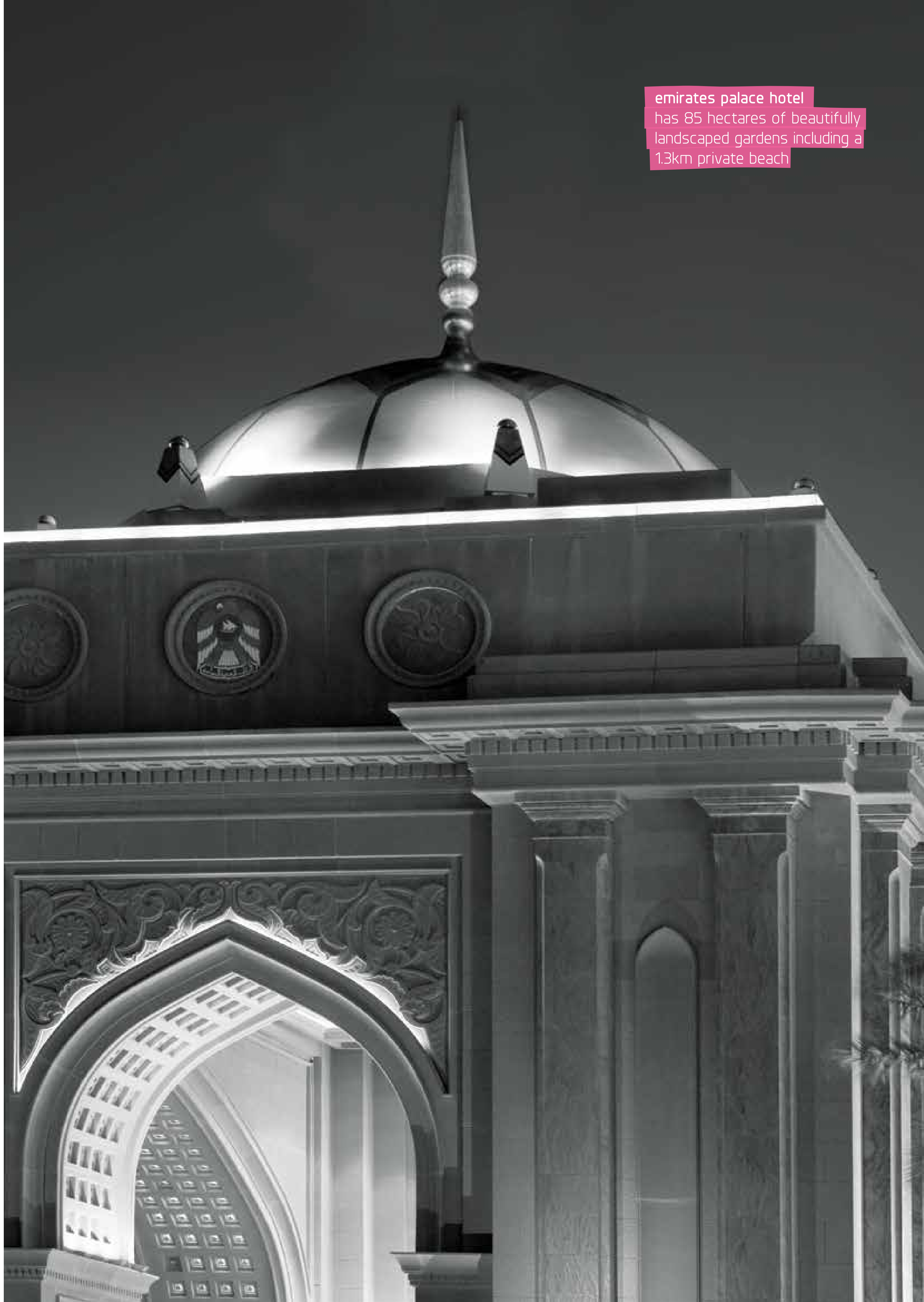
Date entered: July 2006

TNI has exited this investment in four partial exits achieving an aggregate IRR of 61%, representing 2.8 times the original investment.

emaar mgf

Date entered: March 2007

Emaar MGF is waiting for the right time to pursue an IPO. Despite softness in the Indian real estate market, Emaar MGF is focusing on residential real estate which requires less financing. We believe Emaar MGF is well positioned to benefit once the market settles as the fundamentals of the sector and the business remain attractive.



emirates palace hotel
has 85 hectares of beautifully landscaped gardens including a 1.3km private beach

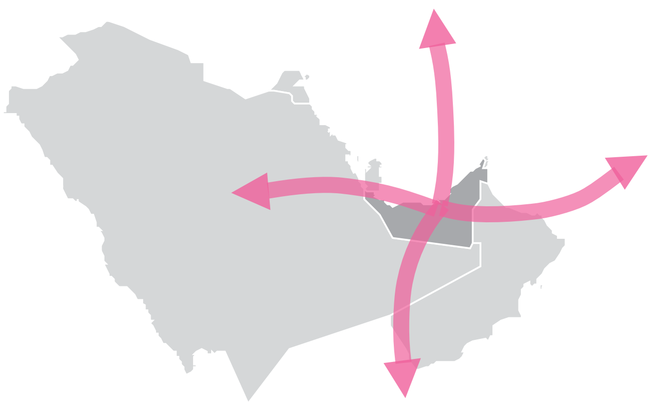
investment banking

In our investment banking business, activity has gained momentum and we have been actively engaged on a number of sell-side advisory mandates. Although investment banking deal flow in the Middle East and North Africa (MENA) region has reduced significantly, we continue to build a pipeline of middle-market advisory transactions. Our goal is to strengthen our investment banking activities outside of our traditional expertise, equity capital markets, by focusing on growing our middle-market advisory business with cross-border capabilities. We are likely to see increased opportunities in M&A advisory particularly in the mid-market segment as companies in the United Arab Emirates (UAE) look for growth and expansion outside their domestic market. We are confident we can build a leading competitive position in this niche given the depth of our relationships in the mid-market segment and understanding of the local business context.

During FY 2011-12, we continued to broaden our network of investment banking relationships with local and international financial institutions, and have entered into a strategic partnership with a leading UAE-based commercial bank with a particularly strong corporate banking franchise. This partnership gives us access to their deep network of corporate banking relationships and the opportunity to provide investment banking advisory services to their clients. Our clients will also benefit from this partnership given the extensive product and service offering in consumer and corporate banking of our partner.

We expect this new initiative to deliver economic and strategic benefits to both parties, and create opportunities to provide products and services to clients across both institutions. Furthermore, we have partnered up with the investment banking franchise of one of the largest commercial banks based in the U.S. in order to provide our clients with access to investment banking transactions in the U.S. and Europe. Our partner has extensive coverage and deep client relationships across diverse sectors in the U.S. and Europe, and has the ability to offer unrivalled advice and execution to our clients who want to pursue acquisition opportunities in those markets. This partnership enhances the distribution capability of both parties by giving us access to their network of relationships in the U.S. and Europe, and providing our partner access to our network of clients in the Gulf Co-operation Council (GCC). Our goal is to expand the geographic footprint and product offering of our investment banking business through these partnerships.

we continued to broaden our network of investment banking relationships with local and international financial institutions, and have entered into a strategic partnership with a leading UAE-based commercial bank



expand the geographic footprint and product offering of our investment banking business

principal investments

During FY 2011-12, our principal investments division delivered exceptional financial performance in spite of the increasingly difficult economic climate in line with its objective to consistently maximize return on the firm's invested capital. Such investments include proprietary trading, direct investments in private equity and real estate, and seed capital contribution into our funds. During the year, proprietary revenues were mainly generated from investments in money market instruments, capital market securities, and direct investments. We maintained our focus on realizing exits on a number of liquid and illiquid investments. To this end, the most significant achievement was the divestiture of our equity interest in one of our proprietary portfolio companies. This exit yielded a substantial return to the firm. Since incubation, we played an integral role in improving operations of the company, enhancing shareholder value and maximizing sale proceeds.

During FY 2011-12, the principal investments division played an active role in managing a number of TNI's portfolio companies with a view to implementing turnaround strategies, and extracting financial and operational synergies. Furthermore, the division jointly with an Abu Dhabi-based investment company, has successfully completed the 100% acquisition of a security services provider in the United Arab Emirates (UAE). The company is licensed by the Abu Dhabi Police and Dubai Police to provide security services to commercial and residential developments across the UAE. Going forward, we will focus on maximizing value through active involvement in managing and growing the business.

Our Emirates Real Estate Fund, which was managed by our principal investments division, has delivered an internal rate of return (IRR) of c. 6.5% over the life of the fund, a period characterized by the global sub-prime crisis and downturn in the UAE real estate market. This is a significant achievement given the adverse market conditions in which the fund was managed. This fund was established in 2004 and was the first fund approved by the Central Bank to invest in income generating properties in the UAE.

Furthermore, we successfully completed the refurbishment of our flagship real estate project, Mafraq Hotel, which is now fully operational and expected to yield a stable revenue stream.

25%, 9x

irr and cash-on-cash return realized on recent exit

aed 37m

investment in the etqaan shari'ah fund

aed 100 000 000

seed capital invested in the mena ucits fund

the national investor milestones 1994–2012

1994: founding of the national investor

1995
- Established Gulf Energy Systems (GES)

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

1997
- Established National Inspection Company

1998
- Capital increased to AED 77m

1999
- Advised on acquisition of GES

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

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

2003
- Appointed financial advisor on private acquisition for Tabreed

2004: capital increased to aed 200m

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

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

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

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

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

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

2011
- Launched the TNI MENA UCITS III Fund

2012
- Launch of Etqaan Shari'ah Fund jointly with KAMCO with seed capital of c. AED 86 million
- Refurbishment and official reopening of Mafraq Hotel
- BCF maintained its A-rating from Standard & Poor's

equity capital markets transactions

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

financial statements

the national investor private joint stock company
chairman's report and consolidated financial statements 31 march 2012

contents

chairman's report

Dear Fellow Shareholders,

On behalf of the board of directors of The National Investor (TNI), I am pleased to present the annual report for the fiscal year ended 31 March 2012.

Our financial performance during the fiscal year 2011-12 reflects an increasingly difficult economic environment. The regional investment management and advisory industry has endured a significant shake-up during the recent economic downturn, and the competitive landscape continues to evolve. We have sustained the economic crisis and bear markets without facing any reputational damage, unlike many of our competitors, and have emerged stronger by adapting to the new commercial and economic climate.

As we mentioned in our annual report for the previous fiscal year, we remain focused on aligning our business strategy with the long-term plan for growth and development of the emirate of Abu Dhabi outlined in the Abu Dhabi Economic Vision 2030. To this end, we continued to enhance our efforts to attract foreign investment into the stock markets in the United Arab Emirates (UAE) and to position ourselves as the primary conduit for international institutional investors who have started the process of investing in these markets. During FY 2011-12, we received a subscription of AED 86 million into our UAE Blue Chip Fund from one of the leading international institutional fund managers.

During FY 2011-12, we realized a successful exit on one of our proprietary investments. This divestiture yielded substantial capital gains for our shareholders and other stakeholders at a time when opportunities for exits have considerably shrunk.

Furthermore, during FY 2011-12, we launched the Etqaan Shari'ah Fund, a private equity fund that we have co-branded with KIPCO Asset Management Company (KAMCO). This fund was launched with seed capital of AED 86 million and will focus primarily on opportunities in turnarounds, recapitalizations, growth capital and secondary buy-outs in MENA.

Looking ahead, we remain confident that as the macroeconomic environment improves, the UAE, particularly Abu Dhabi, will play a key role in driving the economic growth in the region. As a leading Abu Dhabi-based investment management and advisory firm, we are uniquely positioned to capitalize on an upturn in financial markets and take advantage of opportunities for growth, both in our domestic market and abroad, as the regional economic environment improves.

I would also like to express my gratitude to our shareholders for their confidence and trust in the board of directors and management team. Last but not least, I would like to thank our employees who remain committed to the firm and contribute to its continuing success.

A. Mazrui

Abdullah M. Mazrui
Chairman of the Board

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 statement of financial position as at 31 March 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 and the applicable provisions of the articles of association of the Company and the UAE Commercial Companies Law of 1984 (as amended), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The consolidated financial statements of the Group for the year ended 31 March 2011 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on 25 May 2011.

Report on other legal and regulatory requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company; proper books of account have been kept by the Company; and the contents of the report of the Chairman relating to these consolidated financial statements are consistent with the books of account. We further report that we have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Ernst & Young

Signed by
Richard Mitchell
Partner
Ernst & Young
Registration No. 446
20 May 2012
Abu Dhabi

consolidated income statement
for the year ended 31 march 2012

	Notes	2012 AED'000	2011 AED'000
Continuing operations			
Fee and service income	3	**45,947**	48,814
Net income from investments carried at fair value through profit and loss	4	**1,804**	4,929
Net income from available for sale investments	5	-	13,065
Dividend income from investments carried at fair value through other comprehensive income		**7,510**	-
Share of profit (loss) of associates	15	**1,431**	(4,669)
Gain on sale of investment property		-	4,360
Change in fair value of investment properties	16	**(20,860)**	-
Interest income	6	**3,506**	5,307
Other operating income	7	**3,569**	15,860
Total operating income		**42,907**	87,666
Operating expenses	8	**(90,083)**	(82,562)
Amortisation of intangible asset		**(22)**	(1,139)
Depreciation	17	**(6,619)**	(3,597)
Interest expense	9	**(5,538)**	(1,535)
Impairment losses on financial assets		**(1,668)**	(2,396)
Total operating expenses		**(103,930)**	(91,229)
Loss from continuing operations		**(61,023)**	(3,563)
Discontinued operations			
Gain on disposal of a subsidiary	11	**52,955**	-
Profit for the year from discontinued operations	10,11	**11,292**	14,480
		64,247	14,480
Profit for the year		**3,224**	10,917
Attributable to:			
Equity holders of the parent		**3,940**	2,215
Non-controlling interests		**(716)**	8,702
		3,224	10,917

The attached notes 1 to 29 form part of these consolidated financial statements.

consolidated statement of comprehensive income
for the year ended 31 march 2012

	2012 AED'000	2011 AED'000
Profit for the year	**3,224**	10,917
Unrealized gain on fair value of available for sale investments	-	10,270
Realised losses on disposal of available for sale investments	-	(18,612)
Net loss on financial assets measured at fair value through other comprehensive income	**(34,347)**	-
Subsidiary's directors' remuneration paid	**(500)**	-
Other comprehensive loss for the year	**(34,847)**	(8,342)
Total comprehensive (loss) income	**(31,623)**	2,575
Attributable to:		
Equity holders of the parent	**(30,637)**	(6,127)
Non-controlling interests	**(986)**	8,702
	(31,623)	2,575

The attached notes 1 to 29 form part of these consolidated financial statements.

consolidated statement of financial position
as at 31 march 2012

	Notes	2012 AED'000	2011 AED'000
Assets			
Bank balances and cash	12	**159,624**	298,652
Investments carried at fair value through profit and loss	13	**17,582**	66,540
Investments carried at fair value through other comprehensive income	13	**278,493**	-
Available for sale investments	14	**-**	268,329
Amounts due from related parties	26	**6,140**	8,818
Investment in associates	15	**4,567**	3,136
Investment properties	16	**123,140**	144,000
Intangible assets		**58**	4,729
Property, fixtures and equipment	17	**252,675**	199,539
Other assets	18	**109,338**	72,268
		951,617	1,066,011
Assets classified as held for sale	10	**61,296**	-
Total assets		**1,012,913**	1,066,011
Liabilities			
Term loans	19	**127,957**	78,082
Amounts due to related parties	26	**7,651**	24,502
Other liabilities	20	**31,210**	64,616
		166,818	167,200
Liabilities directly associated with assets classified as held for sale	10	**25**	-
Total liabilities		**166,843**	167,200
Equity			
Share capital	21	**577,500**	577,500
Legal reserve	22	**53,667**	49,480
Statutory reserve	23	**45,244**	41,057
Cumulative changes in fair value		**(23,929)**	45,782
Employees' share – based payment scheme	24	**4,528**	3,584
Retained earnings		**128,426**	97,726
Equity attributable to equity holders of the parent company		**785,436**	815,129
Non-controlling interests		**60,634**	83,682
Total equity		**846,070**	898,811
Total liabilities and equity		**1,012,913**	1,066,011
Commitments and contingent liabilities	25	**205,553**	210,467

A. Mazrui

Mr. Abdullah Mazrui
Chairman

Mr. Orhan Osmansoy
Chief Executive Officer

The attached notes 1 to 29 form part of these consolidated financial statements.

al ittihad square
features six different symbols of arabian hospitality and history, including this huge coffee pot

consolidated statement of changes in equity

for the year ended 31 march 2012

	Share Capital AED'000	Legal reserve AED'000	Statutory reserve AED'000	Cumulative changes in fair value AED'000	Employees' share - based payment scheme AED'000	Retained earnings AED'000	Attributable to equity holders of parent AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 April 2011	577,500	49,480	41,057	45,782	3,584	97,726	815,129	83,682	898,811
Transition adjustment on adoption of IFRS 9 *(note 2.3)*	-	-	-	(37,736)	-	37,736	-	-	-
Balance at 1 April 2011 *(adjusted)*	577,500	49,480	41,057	8,046	3,584	135,462	815,129	83,682	898,811
Reclassification of losses on disposal of financial assets measured at fair value through other comprehensive income	-	-	-	2,372	-	(2,372)	-	-	-
Profit for the year	-	-	-	-	-	3,940	3,940	(716)	3,224
Subsidiary's directors' remuneration paid	-	-	-	-	-	(230)	(230)	(270)	(500)
Other comprehensive loss	-	-	-	(34,347)	-	-	(34,347)	-	(34,347)
Total comprehensive loss for the year	-	-	-	(34,347)	-	3,710	(30,637)	(986)	(31,623)
Disposal of a subsidiary *(note 11)*	-	-	-	-	-	-	-	(16,116)	(16,116)
Transfer to legal reserve and statutory reserve	-	4,187	4,187	-	-	(8,374)	-	-	-
Change in non controlling interests	-	-	-	-	-	-	-	644	644
Dividend of a subsidiary	-	-	-	-	-	-	-	(6,590)	(6,590)
Share-based payment transactions	-	-	-	-	944	-	944	-	944
Balance at 31 March 2012	**577,500**	**53,667**	**45,244**	**(23,929)**	**4,528**	**128,426**	**785,436**	**60,634**	**846,070**
Balance at 1 April 2010	**550,000**	**48,023**	**40,252**	**54,124**	**2,194**	**124,930**	**819,523**	**80,858**	**900,381**
Profit for the year	-	-	-	-	-	2,215	2,215	8,702	10,917
Other comprehensive loss	-	-	-	(8,342)	-	-	(8,342)	-	(8,342)
Total comprehensive income for the year	**-**	**-**	**-**	**(8,342)**	**-**	**2,215**	**(6,127)**	**8,702**	**2,575**
Bonus shares	27,500	-	-	-	-	(27,500)	-	-	-
Transfer to legal reserve and statutory reserve	-	1,457	805	-	-	(1,919)	343	(343)	-
Non controlling interests	-	-	-	-	-	-	-	4,185	4,185
Dividends of a subsidiary	-	-	-	-	-	-	-	(9,720)	(9,720)
Share-based payment transactions	-	-	-	-	1,390	-	1,390	-	1,390
Balance at 31 March 2011	**577,500**	**49,480**	**41,057**	**45,782**	**3,584**	**97,726**	**815,129**	**83,682**	**898,811**

The attached notes 1 to 29 form part of these consolidated financial statements.

consolidated statement of cash flows

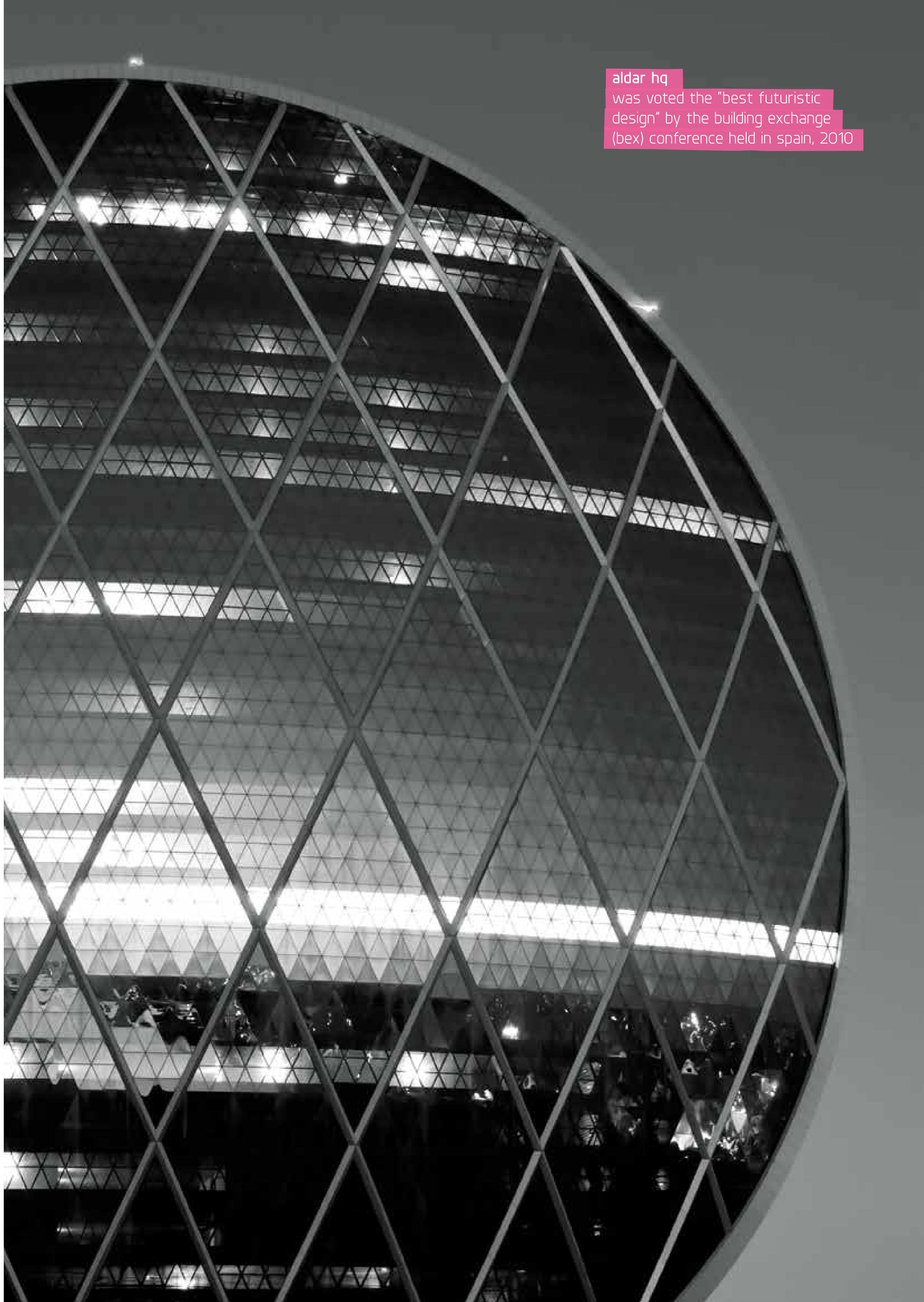
year ended 31 march 2012

	2012 AED'000	2011 AED'000
Operating activities		
Profit for the year	**3,224**	10,917
Non cash adjustments:		
Depreciation	**8,734**	6,854
Amortisation of intangible assets	**22**	1,139
Share-based payment transaction expense	**944**	1,390
Share of (profit) loss of associates	**(1,431)**	1,677
Net income from investments carried at fair value through profit and loss	**(1,804)**	(4,317)
Net income from available-for-sale investments	-	(6,272)
Gain on disposal of investment property	-	(4,360)
Gain on disposal of a subsidiary	**(52,955)**	-
Change in fair value of investment properties	**20,860**	-
Impairment losses on financial assets	**1,668**	883
Loss on disposal of investment in associate	-	2,992
Interest income	**(3,592)**	(5,307)
Interest expense	**5,538**	1,535
Working capital adjustments:		
Amounts due from related parties	**1,577**	22,741
Other assets	**5,621**	(239)
Amounts due to related parties	**(16,836)**	12,792
Other liabilities	**628**	(8,684)
Dividend income from investments carried at fair value through other comprehensive income	**(7,510)**	-
Net cash (used in) from operating activities	**(35,312)**	33,741

	2012 AED'000	2011 AED'000
Investing Activities		
Proceeds from sale of property, fixture and equipment	**1,218**	-
Purchase of property, fixtures and equipment	**(69,260)**	(96,434)
Proceeds from sale of investments carried at fair value through profit and loss	**7,943**	2,088
Purchase of investments carried at fair value through profit and loss	**(418)**	(8,287)
Proceeds from sale of investments carried at fair value through other comprehensive income	**16,786**	-
Purchase of investments carried at fair value through other comprehensive income	**(18,060)**	-
Proceeds from sale of available-for-sale investments	-	48,302
Purchase of available-for-sale investments	-	(98,261)
Proceeds from sale of investment property	-	13,000
Proceeds from sale of investment in associate	-	10,309
Purchase of intangible assets	**(10)**	(269)
Dividend income received	**7,510**	-
Interest income received	**3,592**	5,307
Cash of subsidiary disposed off	**(33,480)**	-
Net cash used in investing activities	**(84,179)**	(124,245)

	Notes	2012 AED'000	2011 AED'000
Financing activities			
Increase in term loans		**49,875**	50,741
Subsidiary's directors' remuneration paid		**(500)**	-
Dividend paid to non-controlling interests		**(6,590)**	(9,720)
Change in non controlling interest		**3,333**	4,185
Interest expense paid		**(5,538)**	(1,535)
Net cash from financing activities		**40,580**	43,671
Net decrease in cash and cash equivalents		**(78,911)**	(46,833)
Cash and cash equivalents at 1 April		**298,652**	345,485
Cash and cash equivalents at 31 March	12	**219,741**	298,652

The attached notes 1 to 29 form part of these consolidated financial statements.



notes to the consolidated financial statements
for the year ended 31 march 2012

1. activites

The National Investor Private Joint Stock Company (the "Company") is registered in Abu Dhabi, United Arab Emirates ("UAE") as a Private Joint Stock Company pursuant to the UAE Federal Law No.8 of 1984 (as amended). In 2001, the Company received approval from the Central Bank of the UAE to conduct financial investment business as an investment company in accordance with the Central Bank's board of directors' Resolution No. 164/8/94 dated 18 April 1995 regarding the regulations for investment companies and banking and investment consultation companies.

The principal activities of the Group are investment banking, asset management, private equity, funds and securities investment, hospitality, third party real estate and provision of consultancy.

The registered head office of the Company is at P.O. Box 47435, Abu Dhabi, U.A.E.

The consolidated financial statements of the Group were authorised for issue by the board of directors on 20 May 2012.

2.1 basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the laws in the U.A.E.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and properties which are carried at fair value.

The consolidated financial statements of the Group are prepared in U.A.E. Dirhams (AED), which is the presentation currency of the Group. All values are rounded to the nearest thousand (AED '000), except otherwise indicated.

2.2 basis of consolidation

The accompanying consolidated financial statements comprise of the financial statements of the Company and its subsidiaries (together referred to as the "Group"). The details of the Company's subsidiaries and their principal activities are as follows:

	Country of incorporation	Ownership interest %	Principal activity
Operating entities			
Mainland Management LLC	U.A.E.	67	Real estate investments
Falcon Investments LLC	U.A.E.	100	Property management, advisory and investment brokerage services
Colliers International Middle East - a subsidiary of Falcon Investments LLC	U.A.E.	100	Advisory and consultancy services
Robert Flanagan Arabian Management Consultancy LLC - a subsidiary of Falcon Investments LLC	U.A.E.	51	Management consultancy services
Uptown Management LLC	U.A.E.	100	Real estate investments
Uptown Investment LLC	U.A.E.	100	Real estate investments
Mainland Investment LLC	U.A.E.	100	Real estate investments
Mafraq Hotel – a subsidiary of Mainland Investment LLC	U.A.E.	100	Hospitality services
TNI (Dubai) Limited	U.A.E.	100	Investment advisory services
Special purpose entities			
United Capital LLC	U.A.E.	100	Asset Management
Fidelity Invest LLC	U.A.E.	100	Asset Management
Fidelity Trust LLC	U.A.E.	100	Asset Management
Blue Chip Capital LLC	U.A.E.	100	Asset Management
Al Dhafra Capital LLC	U.A.E.	100	Asset Management
TNI Capital Partners Limited	Cayman Islands	100	Private Equity Funds
TNI General Partners Limited	Cayman Islands	100	Private Equity Funds
TNIH General Partner S.a.r.l	Luxembourg	100	Private Equity Funds
Alliance Investment LLC	U.A.E.	100	Asset Management
TNI Funds Public Limited Company	Ireland	100	Asset Management
Dormant entities			
National Science and Technology LLC	U.A.E.	60	Dormant entity

notes to the consolidated financial statements
for the year ended 31 march 2012

2.2 basis of consolidation

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Discontinued Operations
In December 2011, the Company disposed of its investment in NAS United Health Services LLC (note 11).

On 10 January 2012, the shareholders of The Regional Investor decided to liquidate its operations. The liquidation process was completed after the year end.

Whereas the board of directors of the Company decided to liquidate the following subsidiaries based on the shareholder's resolution issued by each subsidiary.

Name of subsidiary	*Year*
Falcon Capital LLC	2012
Al Dana Trust LLC	2012
TNI International Real Estate LLC	2012

The planned liquidation for these entities is expected to be completed during the next twelve months.

2.3 changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 April 2011 which do not have any significant impact on the consolidated financial statements:

IAS 24 Related Party Disclosures (Amendment)
The amended standard is effective for annual periods beginning on or after 1 January 2011. The amendment clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group has concluded that the amendment will not have any significant impact on its financial position or performance.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)
The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

Improvements to IFRSs (issued in May 2010)
The IASB issued *Improvements to IFRSs*, an omnibus of amendments to its IFRS standards. The amendments are effective for annual periods on or after either 1 July 2010 or 1 January 2011.

The adoption of the above amendments did not have a material effect on the financial performance or position of the Group.

During the year, the Group has early adopted the following accounting policy:

IFRS 9 Financial Instruments
In October 2010, the International Accounting Standards Board ("IASB") completed the first phase of IFRS 9 Financial Instruments ("IFRS 9" or the "Standard") which will eventually replace IAS 39 Financial Instruments: Recognition and Measurement.

The adoption of IFRS 9 is not mandatory until 1 January 2015. However, the Group has voluntarily adopted the Standard for the year ended 31 March 2012. The Group has chosen to use 1 April 2011 as its date of initial application of IFRS 9. Effective 1 April 2011, the Group's accounting policies for financial instruments are set out as follows:

Financial instruments – initial recognition and subsequent measurement

Date of recognition
All financial assets and liabilities are initially recognised on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

notes to the consolidated financial statements
for the year ended 31 march 2012

2.3 changes in accounting policies continued

Initial measurement
All financial instruments are initially measured at their fair value plus transaction costs, except for those financial assets and financial liabilities measured at fair value through profit or loss.

Subsequent measurement
The subsequent measurement of financial assets depends on the Company's business model for managing those financial assets and their contractual cash flow characteristics.

Transaction costs expected to be incurred on transfer or disposal of a financial instrument are not included in the measurement of the financial instrment.

Financial assets measured at amortised cost
Financial assets are measured at amortised cost only if the asset is held within a business model whose objective is to hold the asset to collect its contractual cash flows and that the contractual terms of the financial asset give rise, on specified dates, to cash flows constituting solely principal and interest on the outstanding principal amount. An inability to meet these two criteria requires the financial asset to be subsequently measured at fair value through profit or loss. However, even where both conditions are met, the Company may elect upon initial recognition to measure the financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments (including derivatives embedded in financial host assets) meeting these criteria are subsequently measured at amortised cost using the effective interest rate method, adjusted for any impairment charges and transaction costs incurred upon initial recognition. The effective interest rate method calculates an interest rate which exactly discounts estimated future cash receipts through the expected life of the financial asset or a shorter period (where appropriate) to the net carrying amount of the financial asset.
After initial measurement at fair value, long term receivables, short term trade and other receivables, due from related parties and bank balances are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate method. The amortisation is included in interest income in the income statement. The losses arising from impairment are recognised in the income statement.

Other financial assets measured at fair value through profit or loss
Financial assets which do not meet the amortised cost criteria such as derivatives and financial assets held for trading are measured at fair value through profit or loss. Gains or losses arising on subsequent measurement of these financial assets are recognised in the income statement.

Financial assets or financial liabilities held-for-trading are recorded in the statement of financial position at fair value. Changes in fair value arerecognised in profit or loss. Interest and dividend is recorded in profit or loss according to the terms of the contract, or when the right to the payment has been established.

Equity investments at fair value through other comprehensive income
Equity investments not held for trading can be designated as being measured at fair value through other comprehensive income at initial recognition and such an election is irrevocable. This designation is made on an instrument-by-instrument basis. Gains or losses arising on subsequent measurement of these equity investments are recognised in other comprehensive income. The gain or loss on disposal of the asset is reclassified to retained earnings and is not recycled to profit or loss. Transaction costs on disposal are taken to the income statement. Dividends received on these equity investments are recognised in the income statement unless the dividend represents recovery of the cost of the investment.

Financial assets and financial liabilities designated at fair value through profit or loss
Financial assets and financial liabilities classified in this category are those that have been designated by management at initial recognition. Management may designate a financial asset at fair value through profit or loss upon initial recognition only when the first of the following criteria are met. A financial liability may be so designated when any of the three criteria are met. Designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in net income or loss on financial assets and liabilities designated at fair value through profit or loss, except that the fair value change attributable to credit risk in respect of the financial liabilities is recognised in other comprehensive income, provided that there is no measurement mismatch arising from such recognition. Interest earned or incurred is accrued in interest income or interest expense, respectively, using the effective interest rate method, while dividend income is recorded in profit or loss when the right to the payment has been established.

notes to the consolidated financial statements
for the year ended 31 march 2012

2.3 changes in accounting policies continued

IFRS 9 Financial Instruments continued

The management of the Group has reviewed and assessed all of its existing financial assets as at the date of initial application of IFRS 9. The reclassification of financial assets on initial application of IFRS 9 changed either the measurement basis and/or the policy for the recognition of gains or losses for the following financial assets of the Group:

- Investments amounting to AED 257,760 thousand as at 1 April 2011, that were previously measured at fair value and classified as available-for-sale, have been reclassified to fair value through other comprehensive income.
- Investments amounting to AED 10,569 thousand as at 1 April 2011, that were previously measured at fair value and classified as available-for-sale, have been reclassified to fair value through profit or loss.
- Investments amounting to AED 55,418 thousand as at 1 April 2011, that were previously measured at fair value and classified as held for trading investments, have been reclassified to fair value through other comprehensive income.
- Investments amounting to AED 11,122 thousand as at 1 April 2011, that were previously measured at fair value and classified as held for trading investments, have been reclassified to fair value through profit and loss.
- Impairment losses and declines in fair values relating to available for sale investments amounting to AED 37,736 thousand as at 1 April 2011 previously charged to profit and loss have been credited to retained earnings.

The impact of adopting IFRS 9 has been effected in the current period without prior period restatement in accordance with IFRS 9.

2.4 standards issued but not yet effective

The following IASB Standards and Amendments have been issued but are not yet mandatory, and have not yet been adopted by the Group:

- IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (Amendment). The amendment becomes effective for annual periods beginning on or after 1 July 2012.
- IAS 12 Income Taxes – Recovery of Underlying Assets (Amendment). The amendment becomes effective for annual periods beginning on or after 1 January 2012.
- IAS 19 Employee Benefits (Amendment). The amendment becomes effective for annual periods beginning on or after 1 January 2013.
- IAS 27 Separate Financial Statements (as revised in 2011). The amendment becomes effective for annual periods beginning on or after 1 January 2013.
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011). The amendment becomes effective for annual periods beginning on or after 1 January 2013.
- IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements (Amendment). The amendment becomes effective for annual periods beginning on or after 1 July 2011.
- IFRS 10 Consolidated Financial Statements. This standard becomes effective for annual periods beginning on or after 1 January 2013.
- IFRS 11 Joint Arrangements. This standard becomes effective for annual periods beginning on or after 1 January 2013.
- IFRS 12 Disclosure of Involvement with Other Entities. This standard becomes effective for annual periods beginning on or after 1 January 2013.
- IFRS 13 Fair Value Measurement. This standard becomes effective for annual periods beginning on or after 1 January 2013.

The Group, however, expects no material impact from the adoption of the above new standards and amendments on its financial position or performance.

2.5 significant accounting policies

Cash and short term deposits

Cash and short term deposits in the statement of financial position comprise of cash at banks and on hand and short term deposits with an original maturity of three months or less.

For the purpose of consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short term deposits as defined above.

Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not in control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when the investment is classified as held for sale in which case, it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

The income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

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2.5 significant accounting policies continued

Where the Company transacts with associates, significant profits and losses are eliminated to the extent of the Company's interest in the associates.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Discontinued operations

In the income statement of the current reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit. The resulting profit or loss is reported separately in the income statement.

Property, fixtures and equipment

Property, fixtures and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of property, fixtures and equipment is their purchase cost together with any incidental costs of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to profit or loss during the financial period in which they are incurred.

Depreciation is charged so as to write off the cost of property, fixtures and equipment on a straight-line basis over the expected useful economic lives of the assets concerned as follows:

Leasehold improvements	3-4 years
Buildings	30 years
Furniture and fixtures	3-7 years
Office equipment	2-10 years
Motor vehicles	3-5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is not depreciated.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is included in the consolidated income statement when the asset is derecognized.

The carrying values of property, fixtures and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Capital work in progress

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property, fixtures and equipment category and is depreciated in accordance with the Group's policies.

Available for sale investments

Available for sale investments under IAS 39 are initially measured at fair value plus directly attributable transaction costs. After initial measurement, available-for-sale investments are measured at fair value with unrealised gains or losses recognised directly in other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss recorded in other comprehensive income is recognised in the consolidated income statement, or determined to be impaired, at which time the cumulative loss recorded in other comprehensive income is recognised in the consolidated income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

notes to the consolidated financial statements

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2.5 significant accounting policies continued

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.
All other borrowing costs are recognised in profit or loss in the period which they are incurred.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Fair values are evaluated as at statement of financial position date by applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Trade receivables

Trade receivables are stated at original invoice amount net of provisions for amounts estimated to be impaired. A provision for doubtful debts is made when collection of the full amount is no longer possible. Bad debts are written off when there is no possibility of recovery.

Share-based payment transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in staff expenses.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee
Leases payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the party or not.

Employee benefits

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the reporting period.

The Group provides end of service benefits for its non-local employees. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security. Such contributions are charged to profit or loss during the employees' period of service.

Term loans

Term loans are initially recorded at fair value of consideration received less directly attributable transaction costs. After initial recognition, term loans are subsequently measured at amortised cost using the effective interest rate method.

notes to the consolidated financial statements

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2.5 significant accounting policies continued

Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the value dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into AED at the rates of exchange ruling at the consolidated statement of financial position date. Any resultant gains and losses are recognised in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Fair values

For investments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and ask prices are used for liabilities. The fair value of investments in mutual funds, private equity funds or similar investment vehicles are based on the last net asset value published by the fund manager. For other investments, a reasonable estimate of the fair value is determined by reference to the price of recent market transactions involving such investments, current market value of instruments which are substantially the same, or is based on the expected discounted cash flows.

The fair value of unquoted investments is determined by reference to discounted cash flows, pricing models, net asset base of investee companies or broker over-the-counter quotes.

Recognition of income and expenses

Fee and service income
Fee and income from services provided by the Group during the year are recognized 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 recognized as revenue when the significant act has been completed.

Interest income and expenses
Interest income comprises income on call and time deposit accounts and is recognized in the consolidated income statement as it accrues using the effective interest method. Interest expense is comprised of borrowing costs on loans and recognized in the income statement using the effective interest method. Borrowing costs on qualifying assets are capitalized in the cost of the qualifying asset.

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

2.6 significant accounting judgements, estimates and assumptions

Judgments

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect in the amounts recognised in the consolidated statement of financial position:

Classification of properties
In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property and equipment and/or property held for resale. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment and property held for resale. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, in particular, the intended usage of property as determined by management.

Classification of investments
The Group classifies investments as fair value through profit and loss if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as fair value through profit and loss depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit and loss in the management accounts, they are classified as fair value through profit and loss.

Equity investments not held for trading can be designated as being measured at fair value through other comprehensive income at initial recognition.

Investments are classified at amortised cost only if the asset is held within a business model whose objective is to hold the asset to collect its contractual cash flows and that the contractual terms of the financial asset give rise, on specified dates, to cash flows constituting solely principal and interest on the outstanding principal amount.

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2.6 significant accounting judgements, estimates and assumptions continued

Classification of investments in subsidiaries and associates
Management made assessment on the extent of control or influence over the entities considered subsidiaries and associates. Management is satisfied that the investments are appropriately classified after consideration of the Group's control or influence over the operational and financial policies of these entities.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives of property, fixtures and equipment
The Group determines the estimated useful lives of its property, fixtures and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge would be adjusted where management believes that the useful lives differ from previous estimates.

Impairment of investments in associates
Management regularly reviews its investments in associates for indicators of impairment. This determination of whether investments in associates are impaired entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in profit or loss.

Impairment of trade and other receivables and due from related parties
An estimate of the collectible amount of trade and other receivables and due from related parties is made when collection of the full amount is no longer probable. This determination of whether the receivables are impaired entails management's evaluation of the specific credit and liquidity position of the customers and related parties and their historical recovery rates, including discussion with the legal department and review of current economic environment. Management believes that the recorded provision is sufficient to cover anticipated losses.

At the statement of financial position date, gross trade receivables and amounts due from related parties were AED 27,950 thousand and 6,140 thousand respectively (2011: AED 34,191 thousand and 8,818 thousand), with provision for doubtful debts amounting to AED 8,656 thousand (2011: AED 7,660 thousand). Any difference between the amounts actually collected in future periods and the amounts expected to be recovered will be recognised in the income statement.

Valuation of unquoted equity investments
Valuation of unquoted equity investments carried at fair value through other comprehensive income and carried at fair value through profit and loss are normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. Management believes that the unquoted equity investments are properly stated at fair value as of 31 March 2012.

Fair value of investment properties
In order to assess the fair value of investment properties, the Group engages the services of professional appraisers. Management believes that the appraised value reflects the true fair value of properties in light of current economic situations. The total fair value of investment properties at 31 March 2012 amounted to AED 123,140 thousand (2011: AED 144,000 thousand). If fair value increases/decreases by 10%, the change in fair value of investment properties recognised in profit or loss for the year ended 31 March 2012 will increase/decrease by AED 12,314 thousand.

Valuation of assets classified as held for sale
Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Management has reviewed the assets classified as held for sale and has determined the fair value less costs to sell based on current economic environment.

3. fee and service income

	2012 AED'000	2011 AED'000
Consultancy and other service income	**32,736**	26,629
Asset management fees	**9,019**	9,184
Leasing and brokerage income	**3,707**	11,726
Investment banking fees	**485**	1,037
Development fees	-	238
	45,947	48,814

4. net income from investments carried at fair value through profit and loss

	2012 AED'000	2011 AED'000
Realised loss on disposal	**(38)**	(220)
Unrealised gain on revaluation	**1,270**	4,750
Interest income	**572**	399
	1,804	4,929

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5. net income from available for sale investments

	2012 AED'000	2011 AED'000
Realised gain on disposal	-	8,832
Dividend income	-	4,361
Other expenses	-	(128)
	-	13,065

6. interest income

	2012 AED'000	2011 AED'000
Time deposits	3,468	5,226
Call accounts	38	81
	3,506	5,307

7. other operating income

	2012 AED'000	2011 AED'000
Reversal of provisions	1,473	13,025
Others	2,096	2,835
	3,569	15,860

8. operating expenses

	2012 AED'000	2011 AED'000
Staff costs	61,077	38,698
Professional fees	3,770	6,616
Rent expense	3,839	8,908
Others	21,397	28,340
	90,083	82,562

9. interest expense

	2012 AED'000	2011 AED'000
Term loans	5,206	1,217
Others	332	318
	5,538	1,535

10. discontinued operations and subsidiaries held for sale

On 10 January 2012, the shareholders of The Regional Investor of which the Group holds 60% decided to liquidate its operations. The liquidation process was completed after year end and an amount of AED 60.9 million was realized on liquidation of which 24 million was paid to the minority shareholders. No gain or loss resulted from the liquidation of The Regional Investor.

Whereas the board of directors of the Company decided to liquidate the following subsidiaries based on the shareholder's resolution issued by each subsidiary.

Name of subsidiary	*Percentage ownership*	*Year*
Falcon Capital LLC	100%	2012
Al Dana Trust LLC	100%	2012
TNI International Real Estate LLC	100%	2012

The planned liquidation for these entities is expected to be completed during the next twelve months.

The results of the discontinued operations included in profit or loss are set out below. The comparative profit from discontinued operations has been restated to include those operations classified as discontinued in the current period.

	2012 AED'000	2011 AED'000
Loss from discontinued operations:		
Interest income	1,424	3,235
Operating expenses	(2,958)	(7,602)
Depreciation	-	(748)
Impairment losses on financial assets	-	(75)
Profit for the year from discontinued operations	(1,534)	(5,190)
Attributable to:		
Equity holders of the parent company	(841)	(3,114)
Non-controlling interests	(693)	(2,076)
	(1,534)	(5,190)
Cash flows from discontinued operations:		
Net cash outflows from operating activities	(1,220)	(6,852)
Net cash inflows from investing activities	-	721
Net cash outflows	(1,220)	(6,131)

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10. discontinued operations and subsidiaries held for sale continued

The major classes of assets and liabilities comprising the operations classified as held for sale at 31 March 2012 are as follows:

	2012 AED'000	2011 AED'000
Cash and cash equivalents (note 12)	60,117	-
Amount due from related parties (note 26)	1,101	-
Other assets (note 18)	78	-
Assets classified as held for sale	61,296	-
Other liabilities (note 20)	25	-
Liabilities directly associated with assets classified as held for sale	25	-
Net assets classified as held for sale	61,271	-

11. disposal of a subsidiary

In December 2011, the Company disposed of its controlling ownership in NAS United Health Services LLC, wherein the Company was also discharged from obligations and liability with respect to NAS United Health Services LLC. During last year, there were no disposals of subsidiaries.

The results of the subsidiary up to the date of disposal included in profit or loss are set out below. The comparative profit for discontinued operations has been restated to include those operations classified as discontinued in the current period.

	2012 AED'000	2011 AED'000
Fee and service income	54,079	68,980
Interest income	215	679
Other operating income	22	1,305
Operating expenses	(39,375)	(48,731)
Depreciation	(2,115)	(2,509)
Interest expense	-	(54)
Profit for the year from discontinued operations	12,826	19,670
Attributable to:		
Equity holders of the parent company	5,966	9,000
Non-controlling interests	6,860	10,670
	12,826	19,670
Cash flows from discontinued operations:		
Net cash (outflows) inflows from operating activities	(15,038)	22,085
Net cash outflows from investing activities	(3,157)	(2,795)
Net cash outflows from financing activities	-	(10,500)
Net cash (outflows) inflows	(18,195)	8,790

The net assets of NAS United Health Services LLC at the date of disposal were as follows:

	2012 AED'000
Property and equipment (note 17)	6,172
Intangible assets	4,683
Trade and other receivables	16,734
Cash and cash equivalents	33,480
Payables and other liabilities	(27,165)
Amount due to related parties	(15)
Deferred revenue	(7,018)
Net assets of NAS United Health Services LLC	26,871
Non-controlling interests	(16,116)
Net assets disposed of	10,755
Consideration on disposal	63,710
Gain on disposal	52,955

12. cash and cash equivalents

	2012 AED'000	2011 AED'000
Cash in hand	100	142
Call and current accounts with banks	11,641	54,304
Term deposits	147,883	244,206
Bank balances and cash	159,624	298,652
Classified as part of disposal group held for sale (note 10)	60,117	-
	219,741	298,652

Bank deposits carry an interest rate ranging from 0.85% to 3.65% (31 March 2011: 1.5% to 5%) per annum.

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13. investments carried at fair value

	2012 AED'000	2011 AED'000
Investments carried at fair value through profit and loss:		
Listed equity securities	**6,768**	11,122
Equity funds	-	55,418
Private equity investments	**1,018**	-
Investments in Islamic Sukuk	**9,796**	-
	17,582	66,540
Investments carried at fair value through other comprehensive income:		
Founder shares	**33,739**	-
Listed equity securities	**27,927**	-
Equity funds	**216,827**	-
	278,493	-

14. available for sale investments

	2012 AED'000	2011 AED'000
Available for sale investments comprise:		
Founder shares	-	56,625
Equity funds	-	181,174
Private equity investments	-	14,689
Investments in Islamic Sukuk	-	9,550
Listed equity securities	-	40,215
	-	302,253
Less: allowance for impairment	-	(33,924)
	-	**268,329**

15. investment in associates

The Group has the following investments in associates

	Percentage of holding 2012	2011
National Entertainment LLC (Tarfeeh)	**40%**	40%
UAE Mall LLC (UAE Mall)	**35%**	35%

National Entertainment LLC (Tarfeeh) is incorporated in the U.A.E. and is engaged in providing entertainment services.

UAE Mall LLC (UAE Mall) is incorporated in the U.A.E. and was established to operate as a web based online shopping company. The operations of the Company are currently suspended.

Summarised financial information on investment in associates is set out below.

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15. investment in associates continued

	2012 AED'000	2011 AED'000
Associates' statement of financial position:		
Assets	**23,143**	19,668
Liabilities	**(11,705)**	(11,808)
Net assets	**11,438**	**7,860**
Group's share of net assets	4,567	3,136
Carrying amount of investment in associates	**4,567**	**3,136**
Associates' revenue and profit:		
Revenue	**4,478**	9,281
Profit for the year	**3,578**	2,704
Group's share of profit for the year	**1,431**	**1,082**
Group's share of loss from discontinued associates	-	**(2,759)**
Loss on disposal of associates	-	**(2,992)**

As of 31 March 2012, the Group's share of the contingent liabilities of associates amounted to AED 29.4 million (2011: AED 29.4 million).

16. investment properties

	2012 AED'000	2011 AED'000
Opening balance	**144,000**	152,640
Disposals during the year	-	(8,640)
Change in fair value	**(20,860)**	-
	123,140	**144,000**

The Group owns two plots of land for which the Group has the intention to construct investment properties, therefore these plots of land have been classified as investment properties. Investment properties are stated at fair value, which has been determined based on valuations performed by an accredited valuer with a recognized and relevant professional qualification. The fair values have been determined on the basis of market value at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation. During the year, the Group has recorded revaluation losses amounting to AED 20,860 thousand (2011: nil) relating to investment properties.

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17. property, fixtures and equipment

	Property, fixtures and equipment				Property, fixtures and equipment			
	Freehold land AED'000	**Leasehold improvements AED'000**	**Buildings AED'000**	**Furniture and fixtures AED'000**	**Office equipment AED'000**	**Motor vehicles AED'000**	**Capital work in progress AED'000**	**Total AED'000**
2012								
Cost:								
At 1 April 2011	61,506	5,578	19,550	5,594	20,773	1,075	119,635	233,711
Additions	-	275	56,001	2,961	9,502	521	-	69,260
Disposals	-	-	-	(1,815)	(910)	(52)	(294)	(3,071)
Transfers	-	-	112,365	2,196	4,780	-	(119,341)	-
Disposal of a subsidiary (note 11)	-	(1,066)	-	(999)	(11,118)	(192)	-	(13,375)
At 31 March 2012	**61,506**	**4,787**	**187,916**	**7,937**	**23,027**	**1,352**	**-**	**286,525**
Accumulated depreciation:								
At 1 April 2011	-	4,498	8,357	4,455	16,082	780	-	34,172
Charge for the year	-	309	4,197	1,228	2,820	180	-	8,734
Disposals	-	-	-	(1,125)	(676)	(52)	-	(1,853)
Disposal of a subsidiary (note 11)	-	(352)	-	(602)	(6,148)	(101)	-	(7,203)
At 31 March 2012	-	**4,455**	**12,554**	**3,956**	**12,078**	**807**	-	**33,850**
Net book value:								
At 31 March 2012	**61,506**	**332**	**175,362**	**3,981**	**10,949**	**545**	**-**	**252,675**
2011								
Cost:								
At 1 April 2010	61,506	6,321	19,550	5,419	18,635	1,154	26,142	138,727
Additions	-	1,146	-	199	2,407	111	93,493	97,356
Disposals	-	(1,889)	-	(24)	(269)	(190)	-	(2,372)
At 31 March 2011	61,506	5,578	19,550	5,594	20,773	1,075	119,635	233,711
Accumulated depreciation:								
At 1 April 2010	-	5,089	6,268	3,529	13,244	638	-	28,768
Charge for the year	-	484	2,089	950	3,053	278	-	6,854
Disposals	-	(1,075)	-	(24)	(215)	(136)	-	(1,450)
At 31 March 2011	-	**4,498**	**8,357**	**4,455**	**16,082**	**780**	-	**34,172**
Net book value:								
At 31 March 2011	61,506	1,080	11,193	1,139	4,691	295	119,635	199,539

Capital work in progress mainly pertains to the refurbishment of the Mafraq Hotel owned by Mainland Investment LLC.

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18. other assets

	2012 AED'000	2011 AED'000
Advances to suppliers	**113**	2,563
Trade receivables	**19,294**	26,531
Deferred project costs	**20,082**	20,393
Prepaid expenses	**4,549**	10,145
Due from employees	**1,590**	3,065
Accrued income	**8,290**	4,891
Others	**64,154**	12,340
	118,072	79,928
Less: allowance for doubtful debts	**(8,656)**	(7,660)
	109,416	72,268
Classified as part of a disposal group held for sale (note 10)	**(78)**	-
	109,338	72,268

As at 31 March 2012, trade receivables at nominal value of AED 8,656 thousand (2011: 7,660 thousand) were impaired, and fully provided for.

The movement in the allowance for doubtful debts is as follows:

Balance at beginning of the year	**7,660**	19,802
Charge for the year	**1,668**	883
Reversal during the year	**(672)**	(13,025)
Balance at end of the year	**8,656**	7,660

As at 31 March, the ageing of unimpaired trade receivables is as follows:

	Total AED'000	Neither past due nor impaired AED'000	Past due but not impaired < 30 days AED'000	31-60 days AED'000	61-90 days AED'000	> 90 days AED'000
2012	**10,638**	-	**3,035**	**2,016**	**1,192**	**4,395**
2011	18,871	-	6,255	5,164	1,522	5,930

19. term loans

	2012 AED'000	2011 AED'000
Term loan 1	**110,957**	68,082
Term loan 2	**17,000**	10,000
	127,957	78,082

Term loan 1: Mainland Investment obtained a loan amounting to AED 105 million from a commercial bank on 7 May 2009, to finance the development and refurbishment of Mafraq Hotel. The loan carries interest at EIBOR plus 400 basis points, with a minimum of 6.5% per annum. Total drawdowns amounted to AED 105 million (31 March 2011: AED 65 million). Interest of AED 7,546 thousand (31 March 2011: AED 3.1 million) has been capitalised during the year. The facility was secured by a first degree mortgage amounted to AED 140 million over the land and building of Mafraq Hotel and a Corporate Guarantee of the Parent Company. The loan is fully drawn down, and it is repayable over thirty one quarterly installments which started on 1 January 2012. As of the statement of financial position date, one installment has been paid.

Term loan 2: Mainland Investment entered into a bridge loan agreement with Finance House PJSC, a related party, on 26 March 2007, for a revolving loan facility amounting to AED 17 million (31 March 2011: AED 10 million). Interest is charged at the rate of 12% per annum (31 March 2011: 12% per annum). The loan was rolled over again in 2011 and is payable in full on 31 December 2013.

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20. other liabilities

	2012 AED'000	2011 AED'000
Trade payables	**7,642**	36,533
Accrued expenses	**12,573**	12,350
Provision for end of service benefits	**11,020**	15,733
	31,235	64,616
Classified as part of disposal group held for sale (note 10)	**(25)**	-
	31,210	64,616

Movement in the employees' provision for end of service benefits is as follows:

	2012 AED'000	2011 AED'000
Balance at beginning of the year	**15,733**	12,829
Provided during the year	**2,304**	4,427
Payments during the year	**(1,123)**	(1,523)
Disposal of a subsidiary	**(5,894)**	-
Balance at end of the year	**11,020**	15,733

21. share capital

	2012 AED'000	2011 AED'000
Authorised, issued and fully paid		
57,750 thousand shares (31 March 2011: 57,750 thousand) of AED 10 each (31 March 2011: AED 10 each)	**577,500**	577,500

22. legal reserve

As required by the UAE Commercial Company Law No. (8) of 1984 (as amended) and the Articles of Association of the Company and its subsidiaries, 10% of the profit for the year, on an individual basis, must be transferred to legal reserve. The Company and its subsidiaries may resolve to discontinue such transfers when the reserve equals 50% of the share capital. The legal reserve is not available for distribution.

23. 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. The statutory reserve is not available for distribution.

24. employees' share-based payment scheme

The Company introduced in 2008 a share-based payment scheme which is designed to reward eligible employees by aligning their interests with the interests of the shareholders by providing a long term incentive for those eligible employees. The values of stock options granted to employees are expensed over a period of 3 years.

During the year, nil options (2011: nil options) were granted to employees and the number of options outstanding as of 31 March 2012 were 2,961 thousand (31 March 2011: 2,176 thousand). The expense recognized in the consolidated income statement amounted to AED 944 thousand (2011: AED 1,390 thousand).

25. commitments and contingent liabilities

	2012 AED'000	2011 AED'000
Bank guarantees	**30,000**	30,000
Corporate guarantees	**142,523**	142,992
Capital commitments	**33,030**	37,475
	205,553	210,467

The Group is a defendant in a number of lawsuits relating to its ordinary course of business. The Group believes that it is only possible, but not probable, that the claimants will succeed. Accordingly, no provision for any liability has been made in these consolidated financial statements.

26. related party transactions

Related parties represent associates, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

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26. related party transactions continued

The year end balances in respect of related parties included in the consolidated statement of financial position are as follows:

	2012 AED'000	2011 AED'000
Amounts due from related parties		
Associates	**670**	2,950
Funds under management	**1,279**	2,160
Others (entities under common control)	**5,292**	3,708
	7,241	8,818
Classified as part of disposal group held for sale (note 10)	**(1,101)**	-
	6,140	8,818
Amounts due to related parties		
Associates	**40**	156
Others (entities under common control)	**7,611**	24,346
	7,651	24,502

Significant transactions with related parties during the year were as follows:

	2012 AED'000	2011 AED'000
Fees earned from related parties	**7,317**	9,704
Guarantees issued on behalf of the Company	**172,523**	172,992
Progress billing during the year	**59,653**	77,847
Short term benefits of key management personnel (salaries, benefits and bonuses)	**17,221**	21,044

27. risk management

27.1 Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

Risk management framework

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

Board of Directors
The overall risk management responsibility lies with the board of directors of the Group. It provides the direction, strategy and oversight of all the activities through various committees.

Audit Committee
The Audit Committee comprises four independent members who represent the board of directors of the Group. The Audit Committee has the overall responsibility of assessing the internal audit findings, directing implementation of audit recommendations and overseeing the internal audit activities undertaken within the internal control environment and regulatory compliance framework of the Group. Duties and responsibilities of the Audit Committee are governed by a formally approved Audit Committee Charter which is in line with best practice and control governance.

Management Committee
The Management Committee is responsible for identifying, measuring, monitoring and controlling the risks arising out of various activities in the Group.

Internal Audit
Risk management processes throughout the Group are audited annually by the internal audit function which is outsourced and examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee. The Internal Audit has direct reporting lines to the Audit Committee in order to secure independence and objectivity in all audit engagements undertaken within the Group.

Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

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27.2 market risk

Market risk is the risk that the fair value and future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities.

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates, with all other variables held constant, of the Group's result for the year.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 March 2012.

	Effect on profit AED'000
2012	
+100 increase in basis point	297
-100 decrease in basis point	(297)
2011	
+100 increase in basis point	1,757
-100 decrease in basis point	(1,757)

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign currency risk is limited since a significant proportion of the Group's transactions, monetary assets and liabilities are denominated in U.A.E. Dirhams and U.S. Dollars. As the U.A.E. Dirham is pegged to the U.S. Dollar, balances in U.S. Dollars are not considered to represent significant currency risk.

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio.

The table below estimates the sensitivity to a possible change in equity markets on the Group's income statement. The sensitivity of the income statement is the effect of the assumed change in the reference equity benchmark on the fair value of investments carried at fair value through profit or loss.

	Assumed level of change %	Impact on net income 2012 AED'000	Impact on net income 2011 AED'000
Investments carried at fair value through profit or loss			
Abu Dhabi Securities Market Index	5%	**169**	394
Dubai Financial Market Index	5%	**169**	162

The effect on equity (as a result of a change in the fair value of equity instruments carried at fair value through other comprehensive income at 31 March 2012) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Assumed level of change %	Impact on equity 2012 AED'000	Impact on equity 2011 AED'000
Investments carried at fair value through other comprehensive income			
Abu Dhabi Securities Market Index	5%	**1,687**	2,831
Dubai Financial Market Index	5%	**1,396**	2,011

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27.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	2012 **AED'000**	2011 AED'000
Balances with banks	**219,641**	298,510
Amounts due from related parties	**6,140**	8,818
Other assets	**93,441**	49,390
Total	**319,222**	356,718

27.4 liquidity risk and funding management

Analysis of financial assets and financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities at 31 March 2012 based on contractual maturities.

	Less than 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	Over 5 years AED'000	Total AED'000
Assets					
Bank balances and cash	**219,741**	**-**	**-**	**-**	**219,741**
Amounts due from related parties	**6,140**	**-**	**-**	**-**	**6,140**
Investments, including associates	**17,582**	**4,567**	**278,493**	**-**	**300,642**
Other assets	**82,803**	**10,638**	**-**	**-**	**93,441**
Financial assets	**326,266**	**15,205**	**278,493**	**-**	**619,964**
Non-financial assets	**17,134**	**-**	**375,815**	**-**	**392,949**
Total assets	**343,400**	**15,205**	**654,308**	**-**	**1,012,913**
Liabilities					
Term loans	**-**	**14,590**	**58,645**	**66,557**	**139,792**
Amounts due to related parties	**7,651**	**-**	**-**	**-**	**7,651**
Other liabilities	**31,210**	**-**	**-**	**-**	**31,210**
Total liabilities	**38,861**	**14,590**	**58,645**	**66,557**	**178,653**

27.4 liquidity risk and funding management

Liquidity risk is the risk that an institution will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or a credit downgrade which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

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27.4 liquidity risk and funding management continued

The maturity profile of the financial assets and liabilities at 31 March 2011 was as follows:

	Less than 3 months AED'000	3 months to 1 year AED'000	1 year to 5 years AED'000	Over 5 years AED'000	Total AED'000
Assets					
Bank balances and cash	**298,652**	**-**	**-**	**-**	**298,652**
Amounts due from related parties	**8,818**	**-**	**-**	**-**	**8,818**
Investments, including associates	**66,540**	**3,136**	**268,329**	**-**	**338,005**
Other assets	**30,519**	**18,871**	**-**	**-**	**49,390**
Financial assets	**404,529**	**22,007**	**268,329**	**-**	**694,865**
Non-financial assets	**27,607**	**-**	**343,539**	**-**	**371,146**
Total assets	**432,136**	**22,007**	**611,868**	**-**	**1,066,011**
Liabilities					
Term loans	**-**	**14,590**	**58,645**	**12,069**	**85,304**
Amounts due to related parties	**24,502**	**-**	**-**	**-**	**24,502**
Other liabilities	**64,616**	**-**	**-**	**-**	**64,616**
Total liabilities	**89,118**	**14,590**	**58,645**	**12,069**	**174,422**

27.5 operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, systems failure, human error, fraud or external events. When required controls fail, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. While the Group cannot expect to eliminate all operational risks, through a control framework and by continuous monitoring and responding to potential risks, the Group is able to manage these risks. Controls include effective segregation of duties, appropriate access, authorisation and reconciliation procedures, staff training and robust assessment processes. The processes are reviewed on an ongoing basis.

27.6 capital management

Capital includes equity attributable to the equity holders of the Group. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2012 and 31 March 2011.

28. fair value of financial instruments

While the Group prepares its financial statements under the historical cost convention modified for measurement to fair value of investments at fair value through other comprehensive income and profit and loss and investment properties, in the opinion of management, the estimated carrying values and fair values of financial assets and liabilities, that are not carried at fair value in the consolidated financial statements are not materially different, since assets and liabilities are either short term in nature.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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28. fair value of financial instruments continued

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy for the year ended 31 March 2012:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial Assets				
Carried at fair value through profit or loss				
Quoted equities	**16,563**	**-**	**-**	**16,563**
Unquoted equities	**-**	**1,019**	**-**	**1,019**
	16,563	**1,019**	**-**	**17,582**
Carried at fair value through other comprehensive income				
Quoted equities	**61,666**	**-**	**-**	**61,666**
Unquoted equities	**-**	**216,827**	**-**	**216,827**
	61,666	**216,827**	**-**	**278,493**

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy for the year ended 31 March 2011:

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Financial Assets				
Carried at fair value through profit or loss				
Quoted equities	11,122	-	-	11,122
Unquoted equities	-	55,418	-	55,418
	11,122	55,418	-	66,540
Available for sale investments				
Quoted equities	106,391	-	-	106,391
Unquoted equities	-	161,938	-	161,938
	106,391	161,938	-	268,329

Transfers between categories
During the reporting period ended 31 March 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

29. comparative figures

Certain comparative figures have been reclassified, where necessary, to conform to the current year presentation. As stated in note 10 and note 11, the comparative loss/profit from discontinued operations has been restated to include those operations classified as discontinued in the current year. This restatement has no effect on the Group's profit for the year and equity.