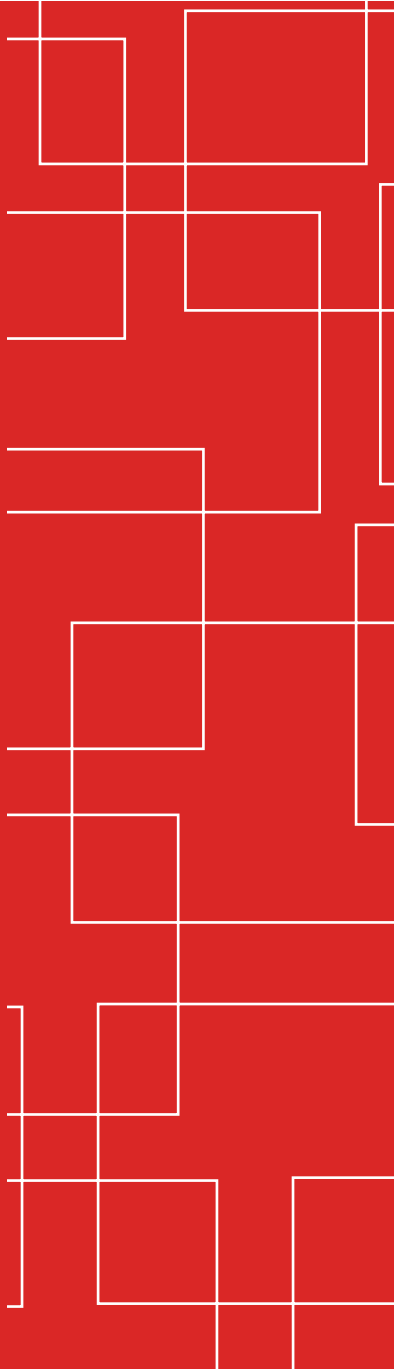




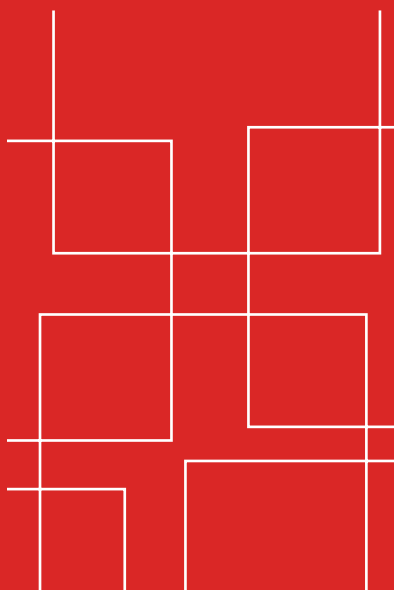
Union Properties



Public Joint Stock Company and Subsidiaries

Consolidated Financial Statements 31 December 2005

Together with Independent Auditors' Report





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The Directors have pleasure in presenting their report together with the audited consolidated financial statements of Union Properties Public Joint Stock Company ("the Group") for the year ended 31 December 2005.

Financial Results

The Group has reported a net profit of AED 584.5 million for 2005, representing an increase of 294% over the net profit of AED 148.4 million in 2004.

The Directors have decided to propose the issue of bonus shares in the ratio of 1:4.

The Directors propose that the net profit of AED 584.5 million be appropriated as follows:

	AED million
a) Transfer to Statutory Reserve	1.9
b) Transfer to General Reserve	55.6
c) Proposed bonus shares	444.5
d) Directors' fees	10.1
e) Balance transferred to retained earnings	<u>72.4</u>
	<u>584.5</u>

After appropriations total shareholders' funds amount to AED 3,887.6 million as at 31 December 2005.

Directors

The Board of Directors comprised of:

- Mr Anis Al Jallaf	Chairman
- Mr Fardan Bin Ali Alfardan	Vice Chairman
- Mr Mohammed Omar Bin Haider	Director
- Mr Abdul Aziz Yaqoob Al Serkal	Director
- Mr Abdullah Rashed Abdullah Omran	Director
- Mr Saeed Mohammed Al Sharid	Director
- Mr Yousuf Yaqoob Yousuf Al Serkal	Director

Auditors

M/s. KPMG were appointed as auditors of the Company at the Annual General Meeting held on 23rd February 2005. M/s. KPMG are eligible for re-appointment, and have expressed their willingness to continue in office.

On behalf of the Board

ANIS AL JALLAF
Chairman
Dubai
2 February 2006



The Shareholders
Union Properties Public Joint Stock Company

Report of the Auditors

We have audited the accompanying consolidated balance sheet of Union Properties Public Joint Stock Company ("the Company") and its subsidiaries as set out in note 25 (collectively referred to as "the Group") as of 31 December 2005 and the related consolidated statements of income, cash flows and changes in equity for the year then ended.

Respective responsibilities of the Company's Management and the Auditors

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

Basis of opinion

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply, where appropriate, with the Articles of Association of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

Other matters

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper books of accounts have been kept by the Group, a physical count of inventories was carried out by management in accordance with established principles and the content of the Directors' report, which relates to these consolidated financial statements, is in agreement with the Group's financial records. We are not aware of any violation of the above-mentioned Law and the Articles of Association having occurred during the year ended 31 December 2005, which may have had a material effect on the business of the Group or its financial position.

Vijendranath Malhotra
(Registration No. B 48)
Dubai, United Arab Emirates
2 February 2006



consolidated income statement for the year ended 31.12.2005

	Note	2005	2004
Revenue	3	1,388,136	569,903
Direct costs	3	(1,060,300)	(460,907)
Administrative and general expenses	4	(54,351)	(37,323)
Gain on valuation of investment properties	8	316,076	39,478
Profit on sale of investments		-	2,812
Income from Government grant	20	2,250	562
Other (expenses) / income	5	(3,626)	4,913
Amortisation of goodwill	6	-	(87)
Share of profit in joint venture & associate companies	25(i)(a)&(ii)	20,298	42,435
Finance costs		(23,945)	(13,375)
Profit for the year		584,538	148,411
Earnings per share (AED)	29	0.37	0.10

The notes on pages 8 to 24 form part of these consolidated financial statements.

The report of the Auditors is set out on page 3.



consolidated balance sheet at 31.12.2005

	Note	2005	2004
Intangible assets	6	40,776	295
Property, plant and equipment	7	366,629	353,172
Investment properties	8	1,886,350	1,504,323
Development properties	9	1,486,731	332,929
Investment in an associate	25(ii)	3,206	3,070
Other investments	10	64,262	77,100
Long-term receivables	11	155,648	200,127
Current assets			
Properties held for sale	9	36,312	-
Other investments	10	33,000	-
Inventories		35,060	9,246
Contract work-in-progress	12	127,872	95,190
Trade and other receivables	13	904,885	247,927
Due from related parties	14	30,594	14,247
Cash at bank and in hand	15	1,222,999	51,681
		2,390,722	418,291
Current liabilities			
Trade and other payables	16	1,010,159	307,749
Advances and deposits	17	310,641	24,978
Due to related parties	14	473	-
Bank borrowings	18	111,987	402,917
Current portion of long-term bank loans	19	80,003	59,803
		1,513,263	795,447
Net current assets / (liabilities)		877,459	(377,156)
Long-term bank loans	19	(597,828)	(481,833)
Deferred income	20	(42,188)	(44,438)
Long-term payable		(328,469)	(12,277)
Provision for employees' terminal benefits	21	(24,997)	(18,671)
Net assets		3,887,579	1,536,641
Represented by			
Share capital	22	1,778,216	774,268
Proposed bonus shares	22	444,554	116,140
Statutory reserve	23	1,301,709	412,011
General reserve	23	107,547	51,970
Hedging reserve	24	864	-
Retained earnings		254,689	182,252
Shareholders' equity		3,887,579	1,536,641

The notes on pages 8 to 24 form part of these consolidated financial statements.

Anis Al Jallaf
Chairman

Mohammed Omar Bin Haider
Director

Simon E. Azzam
Chief Executive Officer

The report of the Auditors is set out on page 3.



consolidated statement of cash flows
for the year ended 31.12.2005

	Note	2005	2004
Cash flows from operating activities			
Profit for the year		584,538	148,411
<i>Adjustments for:</i>			
Depreciation	7	29,168	12,927
Amortisation of goodwill	6	-	87
Directors' fees	27	(10,080)	(1,440)
Share of profit in a jointly controlled entity	25(i)(a)	(20,162)	(42,853)
Share of (profit) / loss in an associate	25(ii)	(136)	418
Finance costs (net)		23,945	13,375
Profit on disposal of property, plant and equipment	5	(4)	(38)
Profit on sale of investments		-	(2,812)
Profit on valuation of investment properties	8	(316,076)	(39,478)
Impairment of property, plant and equipment	7	40,000	-
Income from government grant	20	(2,250)	(562)
<i>Operating cash inflow before working capital changes</i>		328,943	88,035
Increase in trade and other receivables		(656,094)	(25,779)
(Increase) / decrease in inventories		(25,814)	1,818
Increase in contract work-in-progress		(32,682)	(14,221)
Increase in long-term retentions receivable		(24,732)	(6,464)
Increase in due from related parties		(16,347)	(5,641)
Increase in trade and other payables		702,410	91,691
Increase / (decrease) in due to related parties		473	(350)
Increase in long-term payable		316,192	12,277
Increase in advances and deposits		285,663	2,681
Provision for employees' terminal benefits - net		6,326	3,913
<i>Net cash inflow from operating activities</i>		884,338	147,960
Cash flows from investing activities			
Intangible assets acquired		(40,481)	-
Additions to property, plant and equipment	7	(82,951)	(9,942)
Additions to investment properties	8	(8,279)	(2,718)
Additions to development properties	9	(1,247,786)	(471,896)
Proceeds from disposal of property, plant and equipment		330	242
Increase / (decrease) in loan receivable from jointly controlled entity	11	69,211	(80,653)
Proceeds from sale of investments		-	11,679
<i>Net cash outflow from investing activities</i>		(1,309,956)	(553,288)
Cash flows from financing activities			
Increase in term loans		136,195	310,505
Increase / (decrease) in trust receipts		2,044	(1,613)
Interest paid (net)		(23,945)	(13,375)
Proceeds from rights issue		1,775,616	-
<i>Net cash inflow from financing activities</i>		1,889,910	295,517
Net increase/(decrease) in cash and cash equivalents		1,464,292	(109,811)
Cash and cash equivalents at the beginning of the year		(346,249)	(236,438)
Cash and cash equivalents at the end of the year	28	1,118,043	(346,249)

The notes on pages 8 to 24 form part of these consolidated financial statements.

The report of the Auditors is set out on page 3.

(Currency: Thousands of U.A.E. Dirhams). The accompanying notes form an integral part of these consolidated financial statements.



Consolidated statement of changes in equity
for the year ended 31.12.2005

	Share capital	Share premium	Proposed bonus shares	Statutory reserve	General reserve	Hedging reserve	Retained earnings	Total
Balance at 1 January 2004	703,880	-	70,388	410,240	39,602	-	165,560	1,389,670
Net profit for the year	-	-	-	-	-	-	148,411	148,411
Transfer to Statutory reserve (Note 23)	-	-	-	1,771	-	-	(1,771)	-
Transfer to general reserve (Note 23)	-	-	-	-	12,368	-	(12,368)	-
Bonus shares issued during the year	70,388	-	(70,388)	-	-	-	-	-
Proposed bonus shares (Note 22)	-	-	116,140	-	-	-	(116,140)	-
Directors' fees paid (Note 27)	-	-	-	-	-	-	(1,440)	(1,440)
Balance at 31 December 2004	774,268	-	116,140	412,011	51,970	-	182,252	1,536,641
Balance at 1 January 2005	774,268	-	116,140	412,011	51,970	-	182,252	1,536,641
Proceeds from right issue	887,808	887,808	-	-	-	-	-	1,775,616
Transfer to statutory reserve of share premium	-	(887,808)	-	887,808	-	-	-	-
Net profit for the year	-	-	-	-	-	-	584,538	584,538
Fair value changes on cash flow hedge	-	-	-	-	-	864	-	864
Transfer to statutory reserve (Note 23)	-	-	-	1,890	-	-	(1,890)	-
Transfer to general reserve (Note 23)	-	-	-	-	55,577	-	(55,577)	-
Bonus shares issued during the year	116,140	-	(116,140)	-	-	-	-	-
Directors' fees paid (Note 27)	-	-	-	-	-	-	(2,080)	(2,080)
Directors' fees payable (Note 27)	-	-	-	-	-	-	(8,000)	(8,000)
Proposed bonus shares (Note 22)	-	-	444,554	-	-	-	(444,554)	-
Balance at 31 December 2005	1,778,216	-	444,554	1,301,709	107,547	864	254,689	3,887,579

In accordance with the interpretation of Article 118 of the U.A.E. Federal Law No. 8 of 1984 by the Ministry of Economy & Commerce, directors' fees have been treated as an appropriation of shareholders' funds.

The notes on pages 8 to 24 form part of these consolidated financial statements.



1. Legal status and principal activities

Union Properties Public Joint Stock Company ("the Company") was incorporated on 28 October 1993 as a public joint stock company by a United Arab Emirates Ministerial decree.

The principal activities of the Company are investment in and development of properties, the management and maintenance of its own properties including the operation of cold stores, the undertaking of property related services on behalf of other parties, including related parties and acting as the holding company of its subsidiaries and investing in an associate company and a jointly controlled entity as set out in note 25.

The Company and its subsidiaries are collectively referred to as "the Group". The Company's registered office address is PO Box 24649, Dubai, United Arab Emirates.

2 Principal accounting policies

Statement of compliance

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

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the Group's consolidated financial statements.

Accounting convention

The consolidated financial statements of the Group, presented in UAE Dirhams ("AED") rounded to the nearest thousand, have been prepared under the historical cost convention except in respect of investment properties, investments available for sale and derivatives which are stated at fair values.

Basis of preparation

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

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

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 32.

Basis of consolidation

The consolidated financial statements comprise a consolidation of the audited financial statements of the Company and its subsidiaries on a line-by-line basis and the Group's investment in an associate and a jointly controlled entity. The principal subsidiaries, joint venture and an associate together with their reporting dates and principal activities have been disclosed in note 25.

(i) Subsidiaries

Subsidiaries are those enterprises, which are controlled by the Company. Control exists when the Company owns, directly or indirectly, more than 50% of the equity capital and has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The results of operations and total assets and liabilities of subsidiary companies are included in the consolidated financial statements and the interest of minority shareholders, if any, in the net assets of subsidiaries is stated separately.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.



(ii) Associates

Associates are those enterprises in which the Group has significant influence and which are neither subsidiaries nor joint ventures. Significant influence exists when the Group has the power to participate in the financial and operating policy decisions of an enterprise, but does not have control. The consolidated financial statements include the Group's share of the total recognised gains and losses of the associate accounted on an equity basis, from the date that significant influence commences and until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate. Dividends are reduced from the carrying amount of investment when declared.

(iii) Joint ventures

Joint ventures comprise jointly controlled entities and operations:

(a) Jointly controlled entities

Jointly controlled entities are those enterprises over whose activities the Group has joint control, established by contractual agreement. Investment in jointly controlled entities is accounted for under the equity method, whereby the investment is initially recorded at cost and adjusted thereafter at each balance sheet date for the post acquisition change in the Group's share of net assets of the investee. Dividends are reduced from the carrying amount of the investment when declared.

(b) Jointly controlled operations

Jointly controlled operations are those operations that involve the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represents its own obligations. The joint venture agreement usually provides a means by which the revenue from the joint contract and any expenses incurred in common are shared among venturers. The consolidated financial statements include the Group's proportionate share in the assets, liabilities, revenue and expenses of jointly controlled operations on a line-by-line basis.

(iv) Transactions eliminated on consolidation

Material intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in full in preparing these consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated similarly to unrealised gains, but only to the extent that there is no evidence of impairment.

Property, plant and equipment and depreciation

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is provided on a straight-line basis over the assets' estimated useful lives at the following annual rates:

	%
Buildings and leasehold improvements	5 to 33
Plant and machinery	10 to 20
Furniture, fixtures and office equipment	25 to 50
Motor vehicles	25
Gymnasium equipment	20
Equipment and tools	33 to 50

Investment properties

Land and buildings owned by the Company for the purposes of generating rental income or capital appreciation or both are classified as investment properties. Where the Company provides ancillary services to the occupants of a property, it treats such a property as investment property if the services are a relatively insignificant component of the arrangement as a whole.

Investment properties are accounted for using the fair value model under IAS 40 (revised 2003).

A property interest under an operating lease is classified and accounted for as an investment property on a property by property basis when the Company holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Lease payments are accounted for as described in accounting policy for 'lease payments'.



When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognised in the income statement immediately.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

When the Company begins to redevelop an existing investment property for continued future use as investment property, the property remains as investment property, which is measured based on fair value model, and is not reclassified as development property during the redevelopment.

Development properties

Property that is being constructed or developed for future use as investment property is classified as development property and stated at cost less impairment losses, if any, until construction or development is complete, at which time it is reclassified as investment property. The cost of development property comprises the cost of construction and any directly attributable costs. Rent paid for leasehold land on which development properties are being constructed is also capitalised until the asset is ready for its intended use. No depreciation is charged during the construction period.

Intangible Assets

(i) Goodwill

The excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition is recorded as goodwill. Goodwill attributable to investments in associate companies is shown as part of the carrying value of investments in associate companies. Goodwill attributable to subsidiaries is shown as goodwill on the consolidated balance sheet.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Until 2004, goodwill was being amortised over a period of 5 years based on the acquired businesses' performance, expansion plans and expected revenue and earnings profile. During 2005, in accordance with International Financial Reporting Standard ("IFRS") 3, Business Combinations, goodwill is annually tested for impairment and carried at cost less accumulated impairment losses.

(ii) Other Intangibles

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

Investments

Investments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement. Where the Group has the positive intent and ability to hold bonds to maturity, they are stated at amortised cost less impairment losses. Other investments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised in equity.

The fair value of investments held for trading and investments available-for-sale is their quoted bid price at the balance sheet date and incorporates an assessment by the Company's Directors of the liquidity, or lack thereof, of the particular financial instrument on a case by case basis. Investments in unquoted marketable securities are stated at cost, less impairment losses, if any, where there is no market price in the active market and other methods of reasonably estimating the fair value are inappropriate or unworkable.

Investments held for trading and available-for-sale investments are recognised / derecognised by the Group on the date it commits to purchase / sell the investments. Investments held-to-maturity are recognised / derecognised on the day there are transferred to / by the Group.



Trade and other receivables

Trade and other receivables at the balance sheet date are stated at cost less impairment losses, if any.

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in-first-out method and includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition.

Contract work-in-progress

Contract work in progress is stated at contract costs plus estimated attributable profits less foreseeable losses and progress billings. Cost includes all expenditure directly related to specific projects and an allocation of fixed and variable overheads incurred in the Group's contractual activities based on normal operating capacity. For contracts where progress billings exceed the contract revenue, the excess is included in current liabilities as billings in excess of valuation.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank in current accounts and call deposits. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

Impairment

The carrying amounts of the Group's assets other than investment properties and inventories are reviewed at each balance sheet date whenever there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognised in the income statement.

Staff terminal benefits

The provision for staff terminal benefits, disclosed as a long-term liability, is calculated in accordance with the UAE Federal Labour Law and is based on the liability that would arise if the employment of the entire Group's staff were terminated at the balance sheet date.

Trade and other payables

Trade payables are stated at cost.

Provisions

A provision is recognised in the balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Revenue recognition

(i) Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to the surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Sale of property on 99 years leases are regarded as finance leases. Revenue from the sale of properties under finance lease is recognised in the income statement when the significant risks and rewards of ownership are transferred to the buyer.

(ii) Construction contracts

Contract revenue on construction contracts is stated at contract cost plus estimated attributable profits less any foreseeable losses recognised during the year. Profit is recognised only when the outcome of the contract can be reliably estimated. Contract revenue is recognised on the percentage of completion method. The estimated final gross margin is applied to costs to arrive at the profit on the contract. Provision is made for all losses incurred to the accounting date together with any further losses foreseen in bringing the contract to completion.



(iii) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(iv) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(v) Government grants

An unconditional non-monetary government grant of an asset recorded at fair value is recognised in the income statement as revenue when the grant becomes receivable. Any other government grant is recognised in the balance sheet initially as deferred income when there is a reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. Such deferred income is recognised as income on a systematic basis over the useful life of the asset or over the periods necessary to match them with the related costs which they are intended to compensate or as the conditions related to the grant are fulfilled.

Operating lease payments

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives allowed by the lessor are recognised in the income statement as an integral part of the total lease payments made.

Borrowing costs

Interest is payable on current facilities from banks and overdrafts and long-term loans from banks at normal commercial rates or agreed rates. Borrowing costs directly attributable to the acquisition or construction of development property are capitalised as part of the cost of that property. The capitalisation of borrowing costs commences from the date of incurring of expenditure related to the property and ceases when substantially all the activities necessary to prepare the development property for its intended use is complete. Borrowing costs relating to the period after acquisition or construction are expensed.

Foreign currency

Transactions denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to AED at the foreign exchange rates ruling at the date of the transaction. Realised and unrealised exchange gains and losses have been dealt with in the income statement.

Derivative Financial Instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are recognised at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability, a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised in the income statement immediately. Any gain or loss arising from changes in the time value of the derivative financial instrument is excluded from the measurement of hedge effectiveness and is recognised in the income statement immediately.



Notes forming part of the consolidated financial statements
(continued)

3 Revenue and direct costs

	Construction	Property rentals	Hotel apartments	Property sales	Others	Total
2005						
Revenue	839,622	109,691	32,020	336,672	70,131	1,388,136
Direct costs	(775,687)	(28,124)	(13,687)	(184,833)	(57,969)	(1,060,300)
Margin	63,935	81,567	18,333	151,839	12,162	327,836
2004						
Revenue	424,272	92,439	25,995	-	27,197	569,903
Direct costs	(382,053)	(26,471)	(12,958)	-	(39,425)	(460,907)
Margin	42,219	65,968	13,037	-	(12,228)	108,996

The above costs include finance costs amounting to AED 0.91 million (2004: Nil), staff costs amounting to AED 116.67 million (2004: AED 89.2 million) and depreciation amounting to AED 29.92 million (2004: AED 10 million).

4 Administrative and general expenses

	2005	2004
These include the following:		
Staff costs	23,779	15,863
Depreciation	3,103	2,562
Provision for doubtful debts	3,491	4,895

The Group had 9,110 employees at 31 December 2005 (2004: 4,708 employees).

5 Other (expenses) / income

	2005	2004
Interest income	32,380	2,129
Profit on sale of property, plant and equipment	4	38
Miscellaneous income	3,990	2,746
Impairment of autodrome (Note 7 (ii))	(40,000)	-
	(3,626)	4,913

6 Intangible assets

	Goodwill	Other Intangibles	Total
Cost			
Balance at 1 January 2004	2,838	-	2,838
Acquisitions through business combinations	-	-	-
Balance at 31 December 2004	2,838	-	2,838
Balance at 1 January 2005	2,838	-	2,838
Other acquisitions	-	40,481	40,481
Balance at 31 December 2005	2,838	40,481	43,319
Amortisation and impairment losses			
Balance at 1 January 2004	2,456	-	2,456
Amortisation for the year	87	-	87
Balance at 31 December 2004	2,543	-	2,543
Balance at 1 January 2005	2,543	-	2,543
Amortisation for the year	-	-	-
Balance at 31 December 2005	2,543	-	2,543



Notes forming part of the consolidated financial statements
(continued)

6 Intangible assets (Contd.)

	Goodwill	Other Intangibles	Total
Carrying amounts			
At 1 January 2004	382	-	382
At 31 December 2004	295	-	295
At 1 January 2005	295	-	295
At 31 December 2005	295	40,481	40,776

- (i) Until 2004, goodwill was being amortised over a period of 5 years based on the acquired businesses' performance, expansion plans and expected revenue and earnings profile. In accordance with International Financial Reporting Standard ("IFRS") 3, Business Combinations, goodwill is annually tested for impairment and carried at cost less accumulated impairment losses.

In accordance with the transitional provisions of IFRS 3, at the beginning of the current financial year, the carrying amount of the accumulated amortisation is eliminated with a corresponding decrease in goodwill.

- (ii) The intangible asset acquired during the year mainly comprises a non-refundable signing fee of USD 10 million, together with associated expenses, paid in respect of the Formula One™ Theme Park as per the License agreement between the company and the Formula One Administration Limited (FOA), a company formed under the laws of United Kingdom. The agreement pertains to the use of the FOA intellectual property rights, the FOA historical archives and materials and for the assistance of FOA in establishing and promoting the Formula One™ Theme Park including the right to use the FOA's F1 and Formula One trade marks and logos in the official name of the Formula One™ Theme Park. The intangible asset will be amortised over a period of 10 years commencing on the launch of the Formula One™ Theme Park expected in 2008.

7 Property, plant and equipment

	Balance at beginning of the year	Additions/ charge	Transfers in/(out)	Disposals	Balance at end of the year
2005					
Cost					
Land	48,790	-	-	-	48,790
Buildings and leasehold improvements	305,370	56,321	-	-	361,691
Plant and machinery	10,729	5,867	-	-	16,596
Furniture, fixtures and office equipment	30,308	13,924	39	(355)	43,916
Motor vehicles	8,551	6,365	-	(866)	14,050
Gymnasium equipment	1,814	4	-	-	1,818
Equipment and tools	731	212	-	-	943
Capital Work in Progress	-	258	-	-	258
	406,293	82,951	39	(1,221)	488,062
Accumulated depreciation					
Buildings and leasehold improvements	15,858	19,088	-	-	34,946
Plant and machinery	6,899	1,016	-	-	7,915
Furniture, fixtures and office equipment	23,403	6,289	39	(220)	29,511
Motor vehicles	4,905	2,301	-	(675)	6,531
Gymnasium equipment	1,387	251	-	-	1,638
Equipment and tools	669	223	-	-	892
	53,121	29,168	39	(895)	81,433
Book Value	353,172				406,629
Less: Impairment (Note ii)	-				(40,000)
Net book value	353,172				366,629

(Currency: Thousands of U.A.E. Dirhams). The accompanying notes form an integral part of these consolidated financial statements.



7 Property, plant and equipment (Contd.)

	Balance at beginning of the year	Additions/ charge	Transfers in/(out)	Disposals	Balance at end of th year
2004					
Cost					
Land	3,199	45,591	-	-	48,790
Buildings and leasehold improvements	36,797	268,573	-	-	305,370
Plant and machinery	10,377	352	-	-	10,729
Furniture, fixtures and office equipment	25,385	5,203	(10)	(270)	30,308
Motor vehicles	7,442	2,040	-	(931)	8,551
Gymnasium equipment	1,644	170	-	-	1,814
Equipment and tools	552	179	-	-	731
	<u>85,396</u>	<u>322,108</u>	<u>(10)</u>	<u>(1,201)</u>	<u>406,293</u>
Accumulated depreciation					
Buildings and leasehold improvements	10,174	5,684	-	-	15,858
Plant and machinery	6,379	520	-	-	6,899
Furniture, fixtures and office equipment	18,862	4,725	(9)	(175)	23,403
Motor vehicles	4,285	1,442	-	(822)	4,905
Gymnasium equipment	1,051	336	-	-	1,387
Equipment and tools	449	220	-	-	669
	<u>41,200</u>	<u>12,927</u>	<u>(9)</u>	<u>(997)</u>	<u>53,121</u>
Net book value	<u>44,196</u>				<u>353,172</u>

- (i) The Company occupies, for its administrative purposes, three floors of Union House, a building owned by the Company and classified as an investment property at 31 December 2002.

During 2003, the proportionate cost of the fair value of Union House amounting to AED 10.2 million including land, on which Union House is built, amounting to AED 3.2 million was transferred from investment properties to owner-occupied property being the carrying cost of two floors of Union House.

During 2004, another floor was transferred from investment properties to owner-occupied property. As result, a further amount of AED 2.4 million (including land of AED 0.6 million) was transferred to property, plant and equipment. Also refer note 8(i).

- (ii) During the year, management identified that on the basis of current and forecast performance, the carrying cost of the Autodrome may need to be adjusted for impairment losses. In accordance with IAS 36, a discounted cash flow forecast (using a discount rate of 12%) was prepared to ascertain value in use. This indicated that an impairment provision was required and this was recorded against the individual asset. Management consider that a related project (MotorCity) is integral to the success of the Autodrome. An additional provision reflecting the uncertainty of the impact that this project would have on the future cash flows of the Autodrome has been made to the carrying value of land for Motor city within investment properties and an equal and opposite adjustment made to the associated fair value gain.

8 Investment properties

	2005	2004
Balance at 1 January	1,504,323	1,307,049
Additions during the year	11,891	2,718
Gain on fair valuation	316,076	39,478
Transfer from development properties (refer to note 9)	57,672	157,565
Transfer of owner-occupied property to property, plant and equipment (refer to note (i) below)	-	(2,487)
Disposals	(3,612)	-
Balance at 31 December	<u>1,886,350</u>	<u>1,504,323</u>



Notes forming part of the consolidated financial statements
(continued)

8 Investment properties (Contd.)

	2005	2004
Investment properties comprise:		
Freehold land and buildings	1,819,350	1,437,323
Buildings on leasehold land	67,000	67,000
(i) The transfer to property, plant and equipment comprises the self-occupied portion of a property owned by the Company. Also refer to note 7(i).		
(ii) Investment properties include a property, Skywalk Towers, which comprises furnished executive apartments that are leased for short duration of time. Management is of the view that the ancillary services provided to occupants are a relatively insignificant component of the arrangement as a whole and accordingly, the property has been treated as an investment property.		
(iii) During 2005, the Company purchased a building amounting to AED 11 million for the purpose of letting out the units within this property on short-term lease basis.		
(iv) At 31 December 2005, the Group has obtained fair values for all properties based on open market valuation carried out by an independent registered valuer, Cluttons. This has resulted in a net gain on valuation of investment properties of AED 316 million (2004: net gain of AED 39.5 million), which is included in the consolidated income statement. The valuations are prepared considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. Also refer to note 7(ii).		
(v) Certain buildings have been constructed on land leased from the Government of Dubai, the leases of which are renewed annually. The Directors are of the opinion that the leases will be renewed upon expiry and are not likely to be cancelled in the foreseeable future.		
(vi) Certain properties, which the Group holds in its name on behalf of a significant shareholder, a bank under a trust agreement, are not included in the consolidated financial statements.		

9 Development properties

	2005	2004
Balance at 1 January	332,929	328,276
Additions during the year	1,466,003	471,896
Transfer to investment properties (refer to note 8)	(57,672)	(157,565)
Transfer to property, plant and equipment	(44,128)	(309,678)
Transfer to properties held for sale	(36,312)	-
Sales of properties	(174,089)	-
Balance at 31 December	1,486,731	332,929
Development properties at 31 December comprise:		
Land transferred from investment properties at fair value	-	95,000
Construction cost	517,735	229,164
Land cost	949,296	-
Interest capitalised	19,700	8,765
	1,486,731	332,929

10 Other investments

	2005	2004
Investment in a jointly controlled entity (refer to note (i) below)	64,262	44,100
Held to Maturity investment (refer to note (ii) below)	33,000	33,000
Less: Classified as short term	(33,000)	-
	64,262	77,100



- (i) Investment in a jointly controlled entity comprises the investment in Properties Investment LLC, a limited liability company registered in the Emirate of Dubai ("the jointly controlled entity"). The principal activities of the jointly controlled entity are investment in and development of properties and related activities. The Group has subscribed to 50% of the total paid up share capital of AED 10 million of the jointly controlled entity and the investment is accounted for by the equity method. The Group's share of profit for the year in the jointly controlled entity amounts to AED 24.8 million (31 December 2004: AED 43.7 million). Also refer to note 25(i)(a).

At 31 December 2005, the jointly controlled entity has capital commitments amounting to AED 42.41 million (2004: AED 94.8 million) for projects in progress.

- (ii) This represents purchase at original issuance of five-year floating rate notes issued by Emirates Airlines amounting to AED 33 million (2004: AED 33 million). These bonds carry a semi-annual coupon of Emirates Interbank Rate plus 0.7% receivable every six months in arrears. Until the previous year, these bonds were classified as originated debt security. In the current year, with the adoption of IAS 39 (revised 2003), Financial Instruments: Recognition and Measurement, management has designated these bonds as held to maturity. The bond is redeemable by the Group or by the issuer by way of a put/call option exercisable at three years. The put option is exercisable if at least 50% of the subscribers agree to exercise the option. These bonds have been classified as short term as the maturity date of these bonds is July 2006.

11 Long-term receivables

	2005	2004
Long-term retention receivables	54,746	30,014
Long-term receivable from a jointly controlled entity (refer below)	100,902	170,113
	155,648	200,127

Long-term receivable from a jointly controlled entity comprise a loan given to Properties Investment LLC. The loan is long-term, unsecured, without fixed repayment terms and carries interest at agreed rates.

12 Contract work-in-progress/billings in excess of valuation

	2005	2004
Costs plus attributable profit less foreseeable losses	1,035,017	805,189
Less: progress billings received and receivable	(1,007,596)	(748,470)
	27,421	56,719
Disclosed in the balance sheet as follows:		
Contract work in progress	127,872	95,190
Billings in excess of valuation (refer to note 16)	(100,451)	(38,471)
	27,421	56,719

13 Trade and other receivables

	2005	2004
Contract receivables	448,290	185,905
Other trade receivables	39,063	30,857
Retentions due within one year	38,033	22,747
	525,386	239,509
Other receivables and prepayments	385,511	18,358
Receivable on interest rate swap	864	-
	911,761	257,867
Less: provision for doubtful receivables and retentions	(6,876)	(9,940)
	904,885	247,927

Certain contract receivables are assigned in favour of the banks for facilities availed by a subsidiary (refer to note 18).



Notes forming part of the consolidated financial statements
(continued)

14 Transactions with related parties

The Group, in the normal course of business, enters into transactions with other enterprises, which fall within the definition of a related party contained in IAS 24. Such transactions are on terms and conditions believed by the Group's management to be comparable with those that could be obtained from third parties. The transactions with related parties, other than those already disclosed separately elsewhere in the consolidated financial statements, are as follows:

	2005	2004
Project management income and income from contracts for related parties	12,099	13,170
Interest earned from deposit with a significant shareholder, a bank	18,201	-
Interest on bank overdraft paid to a significant shareholder, a bank	4,999	5,706
Interest on term loan paid to a significant shareholder, a bank	11,646	2,649
Interest on loan charged to the jointly controlled entity (refer to note 11)	-	1,207
Property management fees charged to a significant shareholder, a bank	33	147
Other charges to a significant shareholder, a bank	7	557
Operating expenses paid to a significant shareholder, a bank	391	456
Recharges to the jointly controlled entity	203	218
Rental income from a significant shareholder, a bank	-	65
Advertisement expenses	9,683	4,714
Compensation to key management personnel are as follows:		
- Salaries and other short term employee benefits	5,334	4,492
- Provision towards employees terminal benefits	504	310

The Group has obtained banking facilities from a significant shareholder, a bank, at agreed rates (refer to note 18 and 19).

15 Cash at bank and in hand

	2005	2004
Cash in hand	365	345
Cash at bank in:		
- Fixed deposit accounts	1,174,421	29,597
- Current accounts	48,089	21,459
- Margin deposit accounts	124	280
	1,222,999	51,681

16 Trade and other payables

	2005	2004
Trade payables	236,590	159,623
Billings in excess of valuation (refer to note 12)	100,451	38,471
Other payables and accruals	642,531	80,819
Retention due within a year	21,935	28,167
Directors' fees payable	8,000	-
Dividend payable	652	669
	1,010,159	307,749

17 Advances and deposits

	2005	2004
Rent received in advance	20,975	19,115
Membership fee received in advance	2,117	1,679
Deposits	5,250	4,184
Amounts received in advance relating to construction contracts	197,796	-
Amounts received in advance relating to property sales	84,503	-
	310,641	24,978



18 Bank borrowings

	2005	2004
Bank overdraft	99,956	389,268
Bills/cheques discounted	5,000	8,662
Trust receipts	7,031	4,987
	111,987	402,917

Bank overdraft includes AED 63.53 million (2004: AED 269.1 million) due to a significant shareholder, a bank.

Bank borrowings of a subsidiary amounting to AED 87.894 million (2004: AED 58.4 million) are secured by joint and several guarantees of the Company, a letter of undertaking by the Company stating that their shareholding in the subsidiary will not be reduced below 81% as long as the banking facilities are outstanding and assignment of certain contract receivables (refer to note 13).

Bank borrowings carry interest at agreed rates.

19 Long-term bank loans

	2005	2004
Balance at 31 December	677,831	541,636
Less: current portion	(80,003)	(59,803)
Non-current portion	597,828	481,833

- (i) The Company has a term loan facility from a significant shareholder, a bank amounting to AED 188.2 million (2004: AED 188.2 million). At 31 December 2005, the Company had drawn down AED 177.1 million (2004: AED 177.1 million). The loan is repayable in quarterly instalments commencing 31 March 2003 over the period of eleven years and nine months or until 31 December 2012, whichever is earlier, depending on drawings under the facility and carries interest at agreed rates.

The above loan is secured by:

- Deposit of title deeds of a property together with an undertaking to create a legal mortgage over the property at any time during the tenure of the loan in the event of default;
- Assignment of rental income in respect of a property; and
- Assignment of insurance policy of a property.

- (ii) The Company has a term loan facility of AED 64 million from a bank which is payable in 40 quarterly instalments starting from 1 February 2003. This loan is secured by:

- Irrevocable undertaking/commitment to mortgage over a property at any time during the tenure of the loan in the event of default;
- Assignment of fire insurance policy of a property; and
- Assignment of rental income from a property.

- (iii) The Company has a term loan of AED 150 million from a significant shareholder, a bank, which is repayable in 16 equal half yearly instalments commencing 28 January 2005. This loan is secured by:

- Deposit of title deeds of a property together with an undertaking to create a legal mortgage over the property at any time during the tenure of the loan in the event of default; and
- Promissory note for AED 150 million.

- (iv) The Company has a term loan facility from a bank of AED 70 million. At 31 December 2005, the Company had drawn down AED 66.98 million. The loan is repayable in 36 quarterly instalments commencing from 26 January 2005. This loan is secured by:

- Assignment of lease proceeds of a property;
- Assignment of fire insurance policy of a property; and
- Deposit of title deeds of a property together with an undertaking to create a legal mortgage over the property at any time during the tenure of the loan in the event of default.



- (v) The Company has a term loan facility from a bank of AED 65 million, which is payable in 32 equal quarterly instalments commencing 20 July 2004. This loan is secured by:
- Assignment of lease proceeds of certain properties;
 - Assignment of insurance policy of properties; and
 - Irrevocable undertaking/commitment to mortgage over the properties at any time during the tenure of the loan in the event of default.
- (vi) The Company has a term loan facility from a bank of AED 50 million, which is repayable in 32 equal quarterly instalments commencing from 30 June 2004. This loan is secured by:
- Irrevocable assignment of lease rentals from a property;
 - Assignment of insurance policy of a property; and
 - Promissory note for AED 50 million.
- (vii) During 2005, the Group has obtained an additional loan facility of AED 290 million from a bank which is payable in 40 quarterly instalments starting from 31 March 2006. At 31 December 2005, the company had drawn down AED 197 million. The loan is secured by:
- Deposit of Title deeds of property together with an undertaking to create a legal mortgage over the property at any time during the tenure of the loan in the event of default and;
 - Assignment of insurance policy of a property.

20	Deferred income	2005	2004
	Balance at 1 January	44,438	45,000
	Less: income recognised during the year	(2,250)	(562)
	Balance at 31 December	42,188	44,438

In 2003, the Company received a plot of land from the Government of Dubai as a grant. The grant of land comprises two separate grants. The first grant representing 50% of the land area has been granted with a condition to build an Autodrome comprising a motor racing circuit and related assets. The second grant comprises the other 50% of the land area and there are no conditions attached to this grant other than compliance with relevant local regulations. The land and the associated grant have been recorded on a gross basis at the fair value of the land at the time it was granted based on the open market valuation carried out by an independent registered valuer, Cluttons.

The Autodrome was completed in October 2004 and classified as property, plant and equipment. It will be depreciated over its estimated useful life of 20 years from date of completion. The grant relating to the Autodrome land (50% of the land area) has been recognised in the financial statements as deferred income and would be recognised in the income statement over the estimated useful life of the Autodrome of 20 years.

The fair value of the other land (remaining 50% of the land area) was recognised as income in 2003 as it has no conditions attached to it.

21	Provision for employees' terminal benefits	2005	2004
	Balance at 1 January	18,671	14,758
	Provision made during the year	9,603	5,210
	Payments made during the year	(3,277)	(1,297)
	Balance at 31 December	24,997	18,671

22	Share capital and proposed bonus shares	2005	2004
	Authorised, issued and fully paid up:		
	1,778,216,174 (2004: 77,426,811) shares of AED 1 each	1,778,216	774,268



The shareholders in their Annual General Meeting held on 23 February 2005, resolved to split the shares of the Company to a nominal value of AED 1 per share. The share split was followed by a bonus issue of AED 116,140,216 to the shareholders, being 15% of the revised paid-up share capital of the Company. Furthermore, in the Extraordinary General Meeting held on the same day, it was resolved to issue right shares in the ratio of one share for every share held by the shareholders (after the share split and bonus issue) at a premium of AED 1 per share.

In accordance with Article 203 of the Federal Commercial Companies Law No. 8 of 1984 (as amended), the share premium that arose on the issuance of right shares is transferred to statutory reserve.

The directors have proposed bonus shares of AED 444,554,044 to the shareholders, being 25% of the paid-up share capital of the Company as at 31 December 2005.

23 Statutory and general reserves

According to Federal Commercial Companies Law No. 8 of 1984 (as amended), 10% of the annual net profit of the Company and its subsidiaries is appropriated to statutory reserve until such reserve equals 50% of the paid-up share capital.

Furthermore, according to the Articles of Association of the Company, 10% of the annual net profit is appropriated to general reserve. The transfer to general reserve may be suspended at the recommendation of the Board of Directors or when it equals 50% of the paid-up share capital. These reserves are not available for distribution.

24 Hedge accounting

IAS 39 (revised 2003), Financial Instruments: Recognition and Measurement, requires recognition of derivative financial instruments on the balance sheet at their fair values. The Company uses interest rate swaps to hedge its risk associated primarily with the variability in cash flows resulting from interest rate fluctuations on term loans.

During 2005, the Group obtained interest rate swaps with periodic knockout structure to hedge 50% of its long-term loan portfolio representing a total notional amount of AED 258.4 million. As per the swap arrangement, the Group pays a fixed rate and receives floating. The swap was used to protect the term loans taken by the Company from exposure to any increase in interest rates. At 31 December 2005, the fair value (net) on the interest rate swaps amounted to AED 0.864 million, which has been credited to hedging reserve and included as part of equity.

25 Subsidiary, joint venture and associate companies

At 31 December 2005, the Company holds investments in the following subsidiaries, joint venture and associate. These entities are limited liability companies and have 31 December as their reporting date:

Entity	Incorporated in	Effective ownership	Principal activities
Subsidiaries			
Thermo LLC	UAE	100%	Contracting of electrical, mechanical and plumbing works of building projects, facilities management services, manufacturing of air conditioning ducts, fire dampers and attenuators.
Serve U LLC	UAE	100%	Facilities management, security, MEP and energy management services.
Nautilus LLC	UAE	80%	Providing services to operate and manage health clubs and all related or ancillary services.
Edara LLC	UAE	100%	Project management services and property services.
OITC Thermo WLL	Qatar	85%	Contracting of electrical, mechanical and plumbing works of building projects, facilities management services, manufacturing of air conditioning ducts, fire dampers and attenuators.
Jointly controlled entity			
Properties Investment LLC	UAE	50%	Property investment and development related activities.
Associate			
Emirates District Cooling LLC	UAE	40%	Constructing, installing and operating cooling and conditioning systems.



Notes forming part of the consolidated financial statements
(continued)

(i) **Interest in joint ventures**

- (a) The Group has a 50% equity interest in Properties Investment LLC. This investment is accounted for under the equity method. The Group's interest in the assets, liabilities, revenues and expenses of the jointly controlled entity is as follows:

	2005	2004
Non-current assets	304,093	422,028
Current assets	53,324	8,207
Non-current liabilities	(161,212)	(196,800)
Current liabilities	(124,536)	(186,583)
Inter company elimination	(7,407)	(2,752)
Net assets	64,262	44,100
Income	232,822	135,753
Expenses	(208,003)	(91,990)
Elimination of unrealised profit	(4,657)	(910)
Net profit	20,162	42,853

- (b) On 4 April 2002, Thermo LLC entered into an agreement with Airmech (Dubai) LLC to carry out a contract under a joint venture, Thermo/Airmech Joint Venture. Furthermore on 16 June 2004, Thermo LLC entered into an agreement with Overseas AST Company LLC to carry out contract under joint venture, Thermo/Overseas AST Joint Venture. The details of the Group's share in the results of operations, assets and liabilities of jointly controlled operations included in the consolidated financial statements are as follows:

	2005	2004
Non-current assets	23,448	4,558
Current assets	31,350	15,838
Current liabilities	(27,229)	(17,519)
Net assets	27,569	2,877
Income	31,004	27,252
Expenses	(31,916)	(28,092)
Net loss	(912)	(840)

- (c) During 2004, Edara LLC entered into agreements with Asia Pacific Projects and Bovis Lend Lease International to carry out project management services under joint ventures. The joint venture with Bovis Lend Lease International has been concluded in 2004. The details of the Group's share in the operations, assets and liabilities of jointly controlled operations included in the consolidated financial statements are as follows:

	2005	2004
Non-current assets	4	3
Current assets	882	1,275
Current liabilities	(303)	(1,087)
Net assets	583	191
Income	1,992	970
Expenses	(1,601)	(779)
Net profit	391	191



(ii) **Investment in an associate**

In 2003, the Company had contributed AED 4 million towards 40% of the share capital of Emirates District Cooling LLC.

	2005	2004
Balance at 1 January	3,070	3,488
Share of profit/(loss) during the year	136	(418)
Balance at 31 December	3,206	3,070

26 Minority interest

During 2003, Thermo LLC ("Thermo") had acquired 85% of the voting power of OITC Thermo WLL and 15% is held by the minority shareholders. Under an agreement dated 4 April 2002, the minority shareholders have an option to increase their share in OITC Thermo WLL to a maximum of 50 percent at the end of the third year from the date of its incorporation. Furthermore, Thermo has agreed with the minority shareholders that they are not liable to contribute to the share capital of the subsidiary and the minority shareholders have provided rent-free premises in lieu of their contribution to the share capital of the subsidiary. OITC Thermo WLL has accumulated losses at 31 December 2004 and Thermo has resolved to absorb this loss completely. As such the loss applicable to the minority is not charged against the minority interest.

Furthermore, the Company holds 80% of the voting power of Nautilus LLC ("Nautilus") and 20% is held by the minority shareholders. The losses applicable to the minority in Nautilus have exceeded their interest in the equity. Accordingly, the losses applicable to the minority are not charged against the minority interest.

27 Directors' fees

This represents professional fees paid / payable to the Company's directors for serving on any committee, for devoting special time and attention to the business or affairs of the Company and for otherwise performing services outside the scope of their ordinary activities.

28 Cash and cash equivalents

	2005	2004
Cash at bank and in hand	1,222,999	51,681
Bank overdraft (refer to note 18)	(99,956)	(389,268)
Bills discounted (refer to note 18)	(5,000)	(8,662)
	1,118,043	(346,249)

29 Earnings per share

	2005	2004
Net profit attributable to shareholders (AED'000)	584,538	148,411
Weighted average number of shares	1,588,862,776	1,453,610,348

For calculating the earnings per share for 2004, the weighted average number of shares has been adjusted as if the bonus issue and share split had occurred at the beginning of 2004 as well as to reflect the timing and impact of the rights issue.

30 Capital commitments and contingent liabilities

	2005	2004
Commitments:		
Purchase commitments (letters of credit)	248,113	22,631
Capital commitments	1,232,161	344,973
Contingent liabilities:		
Letters of guarantee	686,414	326,847

The Company has provided a corporate guarantee of AED 112.5 million (2004: AED 112.5 million) to a significant shareholder, a bank, in respect of facilities granted by it to the jointly controlled entity and AED 47 million (2004: AED 35 million) to another bank in respect of facilities granted by the bank to an associate company.



31 Financial instruments

Financial assets of the Group include cash and bank balances, trade and other receivables, amounts due from related parties, long-term receivables and investments in securities. Financial liabilities of the Group include bank borrowings, term loans from banks, trade and other payables, long term retentions payable and advances and deposits.

Interest rate risk

The Group's deposits with banks carry interest at agreed rates. Further, the interest rates and terms of repayment of loans of the Group are described in notes 18 and 19 to the consolidated financial statements. The Group has taken out derivative contracts to hedge part of the interest rate risk (Note 24)

Credit risk

Cash is placed with local and international banks of repute. Trade and other receivables include contract receivables, retentions and other receivables and are stated at cost less impairment losses. These receivables are subject to market credit risks, which are closely monitored by management.

Currency risk

Currency risk faced by the Group is minimal as majority of the foreign currency purchases are in US Dollars, to which the UAE Dirham is pegged.

Fair value

The fair values of the Group's financial instruments approximate their carrying values.

32 Accounting estimates and judgements

Revenue recognition for real estate properties

Revenue from the sale of properties under finance lease is recognised in the income statement when the significant risks and rewards of ownership are transferred to the buyer. Significant risks and rewards of ownership are deemed to be transferred to the buyer when price risk is transferred to the buyer by signing of the contract agreement and the buyer has been granted access to the property.

Valuation of investment properties

Note 8 contains information for basis of valuation and key assumptions for the valuation of investment properties.

Contingency provisions in project accruals

In order to recognise cost of properties sold, management needs to estimate the total cost of the project considering the fact the all the project accounts may not be finalised as at the balance sheet date. These contingency provisions are initially made as a percentage of the total anticipated project cost and adjusted based on judgement as the project progresses. At 31 December 2005, the Company has made a contingency provision of AED 135.539 million towards project accounts not yet settled with contractors.

Impairment of fixed assets

Impairment provision for the Autodrome is based on management's estimate of future cash flows derived from the asset discounted at a risk adjusted rate.

33 Comparatives

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

