ASSURANCE AND ADVISORY BUSINESS SERVICES

National Central Cooling Company PJSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

ERNST & YOUNG

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AUDITORS' REPORT TO THE SHAREHOLDERS OF

NATIONAL CENTRAL COOLING COMPANY PJSC

We have audited the accompanying consolidated balance sheet of National Central Cooling Company PJSC ('the Company") and its subsidiaries as of 31 December 2004, and the related consolidated statements of income, cash flows and changes in equity for the year then ended. 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.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of 31 December 2004 and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

We also confirm that in our opinion proper books of account have been kept by the Company, an inventory was duly carried out, and the contents of the report of the Board of Directors relating to these consolidated financial statements are in agreement with the books of account. 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 U.A.E. Commercial Companies Law of 1984 (as amended) or 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
Bassam E Hage
Partner
Registration No. 258

14 February 2005
Abu Dhabi

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2004

	Notes	***2004 AED***	*2003 AED*
Revenues	3	**242,084,700**	190,975,051
Operating costs	3	**(150,788,183)**	(128,544,291)
GROSS PROFIT	3	**91,296,517**	62,430,760
Salaries and staff related costs		**(21,752,516)**	(18,396,990)
Other administrative expenses		**(20,319,053)**	(13,024,641)
Amortisation of goodwill and trademarks	12	**(861,509)**	(776,103)
		(42,933,078)	(32,197,734)
PROFIT FROM OPERATIONS		**48,363,439**	30,233,026
Finance costs		**(20,400,967)**	(7,340,599)
Other income	4	**7,758,466**	2,090,671
Share of results of associates	9	**(227,711)**	-
PROFIT BEFORE MINORITY INTERESTS		**35,493,227**	24,983,098
Minority interests	19	**(3,908,200)**	(1,609,777)
NET PROFIT FOR THE YEAR		**31,585,027**	23,373,321
Basic earnings per share	5	**0.63**	0.47

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

CONSOLIDATED BALANCE SHEET
At 31 December 2004

	Notes	2004 AED	2003 AED
ASSETS			
Non-current assets			
Capital work in progress	7	**330,869,051**	129,174,890
Plant, furniture and equipment	8	**772,893,901**	862,402,237
Investments in associates	9	**18,518,900**	4,978,051
Advance to employee incentive scheme	11	**12,416,431**	5,673,662
Intangibles	12	**30,044,298**	11,133,400
Prepayments		**21,987,485**	11,550,000
		1,186,730,066	1,024,912,240
Current assets			
Inventories		**8,417,912**	4,804,823
Trade and other receivables	13	**131,325,255**	67,844,920
Contract work in progress	14	**70,457,460**	29,434,991
Prepayments		**8,183,753**	5,209,078
Bank balances and cash	15	**255,389,978**	110,600,318
		473,774,358	217,894,130
TOTAL ASSETS		**1,660,504,424**	1,242,806,370
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**500,000,000**	500,000,000
Statutory reserve	17	**7,914,371**	5,160,205
Retained earnings		**29,669,010**	25,838,149
Proposed dividend	18	**25,000,000**	15,000,000
Cumulative changes in fair value of derivatives	29	**(6,419,667)**	(4,315,300)
Total equity		**556,163,714**	541,683,054
MINORITY INTERESTS	19	**14,529,845**	7,986,372
Non-current liabilities			
Accounts payable and accruals	23	**1,194,280**	44,755,852
Term loans	20	**213,680,402**	169,239,594
Islamic Ijara loans	21	**324,322,983**	241,000,000
Islamic Istisna'a loans	7 & 21	**180,075,029**	-
Islamic Muqawala loans	21	**121,826,103**	42,195,906
Employees' end of service benefits	22	**5,603,590**	3,451,744
		846,702,387	500,643,096
Current liabilities			
Accounts payable and accruals	23	**171,578,635**	152,162,162
Bank overdrafts	15	**27,500,632**	20,464,466
Current portion of term loans	20	**26,312,840**	15,680,000
Current portion of Ijara loans	21	**9,395,644**	-
Current portion of Muqawala loans	21	**8,320,727**	4,187,220
		243,108,478	192,493,848
TOTAL EQUITY AND LIABILITIES		**1,660,504,424**	1,242,806,370

Mohamed Saif Al Mazrouei
CHAIRMAN

Dany Safi
CHIEF EXECUTIVE OFFICER

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

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2004

	Notes	2004 AED	2003 AED
OPERATING ACTIVITIES			
Net profit for the year		**31,585,027**	23,373,321
Adjustment for:			
Depreciation		**36,415,484**	23,282,593
Amortisation of goodwill and trademarks		**861,509**	776,103
Provision for employees' end of service benefits		**2,151,846**	1,383,136
Interest income		**(3,961,583)**	(1,209,008)
Finance costs		**20,400,967**	7,340,599
Employee incentive scheme award		**821,680**	-
Profit on sale of plant, furniture and equipment		**(745,591)**	(210,060)
Operating profit before working capital changes		**87,529,339**	54,736,684
Inventories		**(3,613,089)**	(898,842)
Receivables and prepayments		**(88,378,759)**	(44,445,511)
Contract work in progress		**(41,022,469)**	(13,930,041)
Accounts payable and accruals		**(16,711,309)**	81,355,320
Net cash (used in) from operations		**(62,196,287)**	76,817,610
Minority interest		**6,543,473**	1,769,777
Finance costs		**(20,400,967)**	(7,340,599)
Net cash (used in) from operating activities		**(76,053,781)**	71,246,788
INVESTING ACTIVITIES			
Purchase of plant, furniture and equipment		**(5,701,416)**	(4,459,558)
Proceeds from sale of plant, furniture and equipment		**76,565,205**	537,500
Investments in associates		**(13,540,849)**	(4,978,051)
Advance to the employee incentive scheme		**(285,430)**	(14,456)
Additions to capital work in progress		**(218,719,507)**	(267,111,819)
Acquisition of subsidiaries, net of cash acquired		**(25,103,319)**	(220,000)
Interest received		**3,961,583**	1,209,008
Net cash used in investing activities		**(182,823,733)**	(275,037,376)
FINANCING ACTIVITIES			
Share capital received		-	71,176,740
Dividends paid		**(15,000,000)**	-
Term loans received		**250,039,996**	45,415,907
Term loans repaid		**(194,966,348)**	(86,060,000)
Islamic Ijara loans received		**187,425,030**	-
Islamic Ijara loans repaid		**(94,706,403)**	
Muqawala loans received		**86,228,242**	15,014,305
Muqawala loans repaid		**(2,464,538)**	(3,491,430)
Islamic Istisna'a loans received		**180,075,029**	10,319,313
Cash from financing activities		**396,631,008**	52,374,835
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**137,753,494**	(151,415,753)
Cash and cash equivalents at the beginning of the year	15	**90,135,852**	241,551,605
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15	**227,889,346**	90,135,852

Significant non-cash transactions, which have been excluded from the statement of cash flows, are as follows:

Accounts payable and accruals – fair value adjustment for derivatives	**1,247,562**	-
Receivables and prepayments – fair value adjustment for derivatives	**(3,351,929)**	-
Increase in value of employee incentive scheme	**(7,279,019)**	(1,599,758)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2004

	Share capital AED	*Statutory reserve AED*	*Retained earnings AED*	*Proposed dividend AED*	*Cumulative changes in fair value of derivatives AED*	*Total AED*
Balance at 31 December 2002	500,000,000	3,065,840	19,559,193	-	(2,818,429)	519,806,604
Net profit for the year	-	-	23,373,321	-	-	23,373,321
Changes in fair value of derivatives	-	-	-	-	(1,496,871)	(1,496,871)
Transfer to statutory reserve	-	2,094,365	(2,094,365)	-	-	-
Proposed dividend (note 18)	-	-	(15,000,000)	15,000,000	-	-
Balance at 31 December 2003	500,000,000	5,160,205	25,838,149	15,000,000	(4,315,300)	541,683,054
Dividend paid	-	-	-	(15,000,000)	-	(15,000,000)
Net profit for the year	-	-	31,585,027	-	-	31,585,027
Changes in fair value of derivatives	-	-	-		(2,104,367)	(2,104,367)
Transfer to statutory reserve	-	2,754,166	(2,754,166)		-	-
Proposed dividend (note 18)	-	-	(25,000,000)	25,000,000	-	-
Balance at 31 December 2004	500,000,000	7,914,371	29,669,010	25,000,000	(6,419,667)	556,163,714

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

1 ACTIVITIES

National Central Cooling Company PJSC is registered in the United Arab Emirates as a Public Joint Stock Company pursuant to the U.A.E. Commercial Companies Law No. 8 of 1984 (as amended). The principal objectives of the Company are to construct, own, assemble, install, operate and maintain cooling and conditioning systems. In addition, the Company's objectives include to distribute and sell chilled water for use in district cooling technologies.

The Company's registered office is located at P O Box 32444, Dubai, United Arab Emirates.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 14 February 2005.

The total number of employees as at 31 December 2004 was 399 (2003: 223).

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements have been prepared in accordance with Standards issued, or adopted by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Interpretations Committee and applicable requirements of the UAE Commercial Companies Law of 1984 (as amended).

The financial statements have been presented in United Arab Emirates Dirhams (AED).

The significant accounting policies adopted are as follows:

Accounting convention
The consolidated financial statements are prepared under the historical cost convention as modified for the measurement at fair value of derivative financial instruments and the advance to employee incentive scheme.

The accounting policies are consistent with those used in the previous year.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and each of its controlled subsidiaries for the year ended 31 December. All significant inter-company balances, transactions and profits have been eliminated on consolidation.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Where subsidiary financial statements are drawn up to different reporting dates, adjustments are made. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Minority interest principally represents the interest in subsidiaries not held by the Company.

Revenue recognition
Sales are recognised when the significant risks and rewards of ownership of the goods and services have passed to the buyer and the amount of revenue can be measured reliably. For sale of chilled water, revenue comprises of available capacity and variable output provided to customers and is recognised when services are provided.

Contract revenue represents the total sales value of work performed during the year, including the estimated sales value of contracts in progress assessed on a percentage of completion method, measured by reference to total cost incurred to date to estimated total cost of the contract. Provision is made for any known losses and contingencies.

Interest revenue is recognised as interest accrues.

2 SIGNIFICANT ACCOUNTING POLICIES continued

Capital work in progress
Capital work in progress is recorded at cost which represents the contractual obligations of the Company for the construction of the plant. Allocated costs directly attributable to the construction of the asset are capitalised. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Company's policies when construction of the asset is completed and commissioned.

Plant, furniture and equipment
Plant, furniture and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Plant and buildings	over 25 years
Furniture and fixtures	over 3 to 4 years
Office equipment and instruments	over 3 to 4 years
Motor vehicles	over 4 to 5 years

The carrying values of plant, furniture 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 carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts.

Investments in associates
The Company's investments in associates are accounted for under the equity method of accounting. These are entities in which the Company has between 20% to 50% of the voting power or over which it exercises significant influence. Investments in associates are carried in the balance sheet at cost, plus post-acquisition changes in the Company's share of net assets of the associate, less any impairment in value. The income statement reflects the Company's share of the results of its associates.

Interest in joint venture
The Company's interest in its joint venture is accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

Intangibles
Goodwill
Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary or associate at the date of acquisition. Goodwill is amortised using the straight-line method over the expected period of benefit being twenty years.

Trademarks
Costs relating to the registration of trademarks are capitalised and amortised using the straight-line method over the expected period of benefit being five years.

Borrowing costs
Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalised (net of interest income on temporary investment of borrowings) as part of the cost of the asset until the asset is commissioned for use. Borrowing costs in respect of completed assets or not attributable to assets are expensed in the period in which they are incurred.

Contract work in progress
Contract work in progress represents cost plus attributable profit less provision for foreseeable losses and progress payments received and receivable.

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss recognised for the difference between the recoverable amount and the carrying amount. Impairment losses are recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES continued

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

- Raw materials, consumables and goods for resale – purchase cost on a first-in, first-out basis.
- Work in progress and finished goods – costs of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents
Cash and cash equivalents comprise cash at hand, bank balances and short-term deposits with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognised when the Company and its subsidiaries have an obligation (legal or constructive) arising from a past event and the cost to settle the obligation is both probable and able to be reliably measured.

Term loans and Islamic loans
The term loans and Islamic loans are carried on the balance sheet at their principal amount. Instalments due within one year are shown as a current liability. Interest on term loans and fluctuating profit charges on Islamic loans are charged as an expense or capitalised as part of capital work in progress in accordance with International Accounting Standard No 23 as it accrues, with unpaid amounts included in "accounts payable and accruals".

Leases
Finance leases, which transfer to the Company and its subsidiaries substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised directly in the income statement.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Employees' end of service benefits
The Company and its subsidiaries provide end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company and its subsidiaries make contributions to the relevant UAE Government pension scheme calculated as a percentage of the employees' salaries. The obligations under these schemes are limited to these contributions, which are expensed when due.

2 SIGNIFICANT ACCOUNTING POLICIES continued

Derivative financial instruments
The Company uses derivative financial instruments such as interest rate swaps and caps to hedge its risks associated with interest rate currency fluctuations. Such derivative financial instruments are stated at fair value. The fair value of interest rate swap and cap contracts is determined by reference to market values for similar instruments. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet.

For the purposes of hedge accounting, hedges are classified as either fair value hedges where they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement. Any gains or losses on the hedged item attributable to the hedged risk are adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in equity and the ineffective portion is recognised in the income statement. The gain or loss on effective cash flow hedges recognised initially in equity is either transferred to the income statement in the period in which the underlying transaction impacts the income statement or capitalised with other borrowing costs directly attributable to the construction of each plant as part of the capital work in progress. The capitalisation of gain or loss ceases when the asset is commissioned for use.

For derivatives that do not qualify for special hedge accounting, any gain or loss arising from changes in fair value is taken to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for special hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Financial instruments
Financial instruments comprise receivables, deposits, bank balances and cash, payables and certain other assets and liabilities.

Fair values of financial instruments are based on estimated fair values using methods such as the net present value of future cash flows.

The fair value of interest bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. The fair value of investments traded in organised markets is determined by reference to quoted market bid prices.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

3 SEGMENTAL ANALYSIS

Income statement	Services AED	Chilled water AED	Contracting AED	Manufacturing AED	Total AED
2004:					
Revenues	**13,606,154**	**101,494,191**	**83,987,309**	**42,997,046**	**242,084,700**
Operating costs	**(4,833,419)**	**(51,407,766)**	**(67,367,197)**	**(27,179,801)**	**(150,788,183)**
Gross profit	**8,772,735**	**50,086,425**	**16,620,112**	**15,817,245**	**91,296,517**
Segmental profit	**3,213,019**	**6,524,637**	**16,319,241**	**9,436,330**	**35,493,227**
Minority interests					**(3,908,200)**
Net profit for the year					**31,585,027**
2003:					
Revenues	9,288,267	75,458,917	74,500,000	31,727,867	190,975,051
Operating costs	(4,964,778)	(33,896,578)	(68,508,279)	(21,174,656)	(128,544,291)
Gross profit	4,323,489	41,562,339	5,991,721	10,553,211	62,430,760
Segmental profit	428,245	12,904,724	6,773,952	4,876,177	24,983,098
Minority interests					(1,609,777)
Net profit for the year					23,373,321
Assets and liabilities					
2004:					
Segment assets	**17,729,123**	**1,464,981,476**	**140,144,530**	**37,649,295**	**1,660,504,424**
Segment liabilities	**6,232,983**	**978,900,949**	**90,117,875**	**14,559,058**	**1,089,810,865**
2003:					
Segment assets	5,415,105	1,138,459,235	67,765,668	31,166,362	1,242,806,370
Segment liabilities	4,286,861	634,572,265	39,865,363	14,412,455	693,136,944

The Company is organised as one geographical segment and consequently, no secondary information is required to be provided.

4 OTHER INCOME

	2004 AED	*2003 AED*
Interest income	**3,961,583**	1,209,008
Miscellaneous	**3,796,883**	881,663
	7,758,466	2,090,671

5 BASIC EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2004	*2003*
Net profit for the year *(AED)*	**31,585,027**	23,373,321
Ordinary shares issued	**50,000,000**	50,000,000
Earnings per share *(AED)*	**0.63**	0.47

6 RESULTS OF SUBSIDIARIES

Included in the consolidated income statement for the years ended 31 December 2003 and 2004 are the following in respect of subsidiary operations:

	2004 AED	*2003 AED*
Revenues	**144,018,570**	119,305,683
Expenses	**(116,577,783)**	(107,784,656)
Net profit for the year before minority interest	**27,440,787**	11,521,027

7 CAPITAL WORK IN PROGRESS

The movement in capital work in progress during the year is as follows:

	2004 AED	*2003 AED*
Balance at 1 January	**116,264,445**	380,266,733
Additions during the year	**205,774,009**	265,957,729
Transfer to plant, furniture and equipment (note 8)	**(17,025,346)**	(529,960,017)
Balance at 31 December	**305,013,108**	116,264,445
Advances to contractors	**25,855,943**	12,910,445
	330,869,051	129,174,890

A substantial portion of capital work in progress has been funded under Islamic financing arrangements and term loans (notes 20 and 21). Upon completion of the construction of plants under Istisna'a financing arrangements, the total cost of the plant is financed under an Islamic Ijara agreement.

Istisna'a is a sales contract between a contract owner (the Islamic financing institution) and a contractor (the Company) whereby the contractor, based on an order from the contract owner, undertakes to manufacture or otherwise acquire the subject matter of the contract according to specifications, and sells it to the contract owner for an agreed upon price and method of settlement whether that be in advance, by instalments or deferred to a specific future time.

In addition, AED 220,462,866 (2003: AED 46,386,126) is included in capital work in progress which has been funded under a separate Islamic financing arrangement.

Included in additions to capital work in progress are capitalised financing costs amounting to AED 23,300,142 (2003: AED 7,142,265).

8 PLANT, FURNITURE AND EQUIPMENT

	Plant and buildings AED	*Furniture and fixtures AED*	*Office equipment and instruments AED*	*Motor vehicles AED*	*Total AED*
Cost:					
At 1 January 2004	879,967,257	10,749,520	8,290,682	1,867,950	900,875,409
Additions	553,392	1,218,491	3,350,533	579,000	5,701,416
Transfer from capital work in progress (note 7)	17,025,346	-	-	-	17,025,346
Transfers	6,685,849	(6,685,849)	-	-	-
Disposals	(78,736,918)	(40,000)	-	(415,750)	(79,192,668)
At 31 December 2004	**825,494,926**	**5,242,162**	**11,641,215**	**2,031,200**	**844,409,503**
Depreciation:					
At 1 January 2004	(31,937,507)	(2,105,983)	(3,513,923)	(915,759)	(38,473,172)
Charge for the year	(34,086,138)	(770,702)	(1,161,280)	(397,364)	(36,415,484)
Relating to transfers and disposals	2,864,677	97,754	-	410,623	3,373,054
At 31 December 2004	**(63,158,968)**	**(2,778,931)**	**(4,675,203)**	**(902,500)**	**(71,515,602)**
Net carrying amount:					
At 31 December 2004	**762,335,958**	**2,463,231**	**6,966,012**	**1,128,700**	**772,893,901**
At 31 December 2003	848,029,750	8,643,537	4,776,759	952,191	862,402,237

The depreciation charge for the year has been dealt with as follows:

	2004 AED	*2003 AED*
Included in operating costs	**32,980,545**	20,534,590
Included in other administrative expenses	**3,343,582**	2,689,548
Included in capital work in progress	**91,357**	58,455
	36,415,484	23,282,593

At 31 December 2004, the net book value of plants financed by an Islamic Ijara loan under sale and leaseback Ijara financing arrangements amounted to AED 407,973,838 (2003: AED 186,104,204).

The plants are constructed on land which has been granted to the Company and one of its subsidiaries at nominal or no cost to them.

9 INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

		Ownership	
	Country of incorporation	*2004*	*2003*
Industrial City Cooling Company	Emirate of Abu Dhabi	20%	-
Qatar Central Cooling Company PJSC	State of Qatar	44.5%	44.5%

Both associates are involved in the same business activity as the Company. The reporting dates for both the associates are identical to the Company.

The following is a summary of the carrying value of the investments:

	2004	*2003*
	AED	*AED*
Cost of investments	**18,746,611**	4,978,051
Share of post acquisition results	**(227,711)**	-
Carrying value of investments	**18,518,900**	4,978,051

Management believe that the carrying value of the investments will be realised in full.

10 INTEREST IN JOINT VENTURE

During the year, the Company invested AED 5.4 million in a joint venture, SNC – Lavalin Gulf Contractors, a limited liability company incorporated in the Emirate of Abu Dhabi.

The share of the assets and liabilities of the joint venture at 31 December 2004 included in the consolidated financial statements is as follows:

	2004
	AED
Current assets	**20,391,586**
Non-current assets	**2,599,270**
	22,990,856
Current liabilities	**17,773,850**
Non-current liabilities	**58,284**
	17,832,134

There are no revenues or expenses of the joint venture for the year ended 31 December 2004 included in the consolidated financial statements.

11 ADVANCE TO EMPLOYEE INCENTIVE SCHEME

The employee incentive scheme represents an advance extended to fund the employee incentive scheme, which was formed in accordance with the Board of Directors resolution dated 17 December 2000. At 31 December 2004, the incentive scheme held 374,553 shares (2003: 420,271 shares) in the Company, which are held in the name of a related party acting as a custodian. The advance to the scheme is interest-free and is principally recoverable after one year from the balance sheet date.

The movements on the advance to employee incentive scheme recognised in the balance sheet are as follows:

	2004	*2003*
	AED	*AED*
Balance at 1 January	**5,673,662**	4,059,448
Employees' incentive scheme awarded during the year	**(821,680)**	-
Advance made during the year	**285,430**	14,456
Increase in value of advance in the year due to movements in the market value of the Company's shares	**7,279,019**	1,599,758
Balance at 31 December	**12,416,431**	5,673,662

12 INTANGIBLES

	Goodwill		***Trademarks***		***Total***	
	2004	*2003*	***2004***	*2003*	***2004***	*2003*
	AED	*AED*	***AED***	*AED*	***AED***	*AED*
Balance at 1 January	**11,058,703**	11,591,130	**74,697**	98,373	**11,133,400**	11,689,503
Additions during the year	**19,772,407**	220,000	**-**	-	**19,772,407**	220,000
Amortisation for the year	**(800,936)**	(752,427)	**(60,573)**	(23,676)	**(861,509)**	(776,103)
Balance at 31 December	**30,030,174**	11,058,703	**14,124**	74,697	**30,044,298**	11,133,400

13 TRADE AND OTHER RECEIVABLES

	2004	*2003*
	AED	*AED*
Trade accounts receivable	**113,913,819**	65,556,139
Due from related parties	**-**	635,536
Other receivables	**17,411,436**	1,653,245
	131,325,255	67,844,920

14 CONTRACT WORK IN PROGRESS

	2004 *AED*	*2003* *AED*
Cost plus attributable profit	**158,844,279**	74,500,000
Less: progress billings	**(88,386,819)**	(45,065,009)
	70,457,460	29,434,991

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows include the following balance sheet amounts:

	2004 *AED*	*2003* *AED*
Bank balances and cash	**255,389,978**	110,600,318
Bank overdrafts	**(27,500,632)**	(20,464,466)
	227,889,346	90,135,852

Bank balances and cash include bank deposits of AED 144,104,163 (2003: AED 40,287,622) placed with commercial banks in the United Arab Emirates. These are denominated in AED with effective rates in the range of 0.875% to 3.5% (2003: 0.875% to 2.5%).

16 SHARE CAPITAL

	Authorised, issued and fully paid 2004 & 2003 AED
50,000,000 ordinary shares of AED 10 each	**500,000,000**

17 STATUTORY RESERVE

As required by the U.A.E. Commercial Companies Law of 1984 (as amended) and the articles of association of the Company and its subsidiaries, 10% of the net profit for the year is transferred to the statutory reserve. The transfer for the year represents 10% of the profit of the Company before accounting for the Company's share in the results of its subsidiaries, and the Company's share in the subsidiaries' statutory reserve transferred for the year. The Company and its subsidiaries may resolve to discontinue such transfers when the reserve equals 50% of the share capital. The reserve is not available for distribution.

18 PROPOSED DIVIDEND

The Board of Directors has proposed dividend amounting to AED 25,000,000 or AED 0.5 per share (2003: AED 15,000,000 or AED 0.3 per share). The dividend will be submitted for approval at the Annual General Meeting in 2005.

19 MINORITY INTERESTS

The movement in minority interests recognised in the balance sheet is summarised as follows:

	2004 AED	*2003 AED*
Balance at 1 January	**7,986,372**	6,216,595
Contribution during the year	**4,876,781**	160,000
Purchase of minority interests during the year	**(1,041,508)**	-
Dividend paid	**(1,200,000)**	-
Share of results of subsidiary companies during the year	**3,908,200**	1,609,777
Balance at 31 December	**14,529,845**	7,986,372

20 TERM LOANS

	2004 AED	*2003 AED*
Bilateral bridging loan	-	44,076,000
Term loans	**239,705,494**	140,843,594
Other loan	**287,748**	-
	239,993,242	184,919,594
Due in less than one year		
Term loans	**26,180,000**	15,680,000
Other loan	**132,840**	-
	26,312,840	15,680,000
Due in more than one year		
Term loans	**213,525,494**	169,239,594
Other loan	**154,908**	-
	213,680,402	169,239,594
	239,993,242	184,919,594

The bilateral bridging loan was repaid in full in June 2004.

20 TERM LOANS continued

The term loans are secured by pledges over plant and capital work in progress and a corporate guarantee in accordance with the facility agreements and are summarised as follows:

- The first term loan amounting to AED 135 million was repaid in full in 2004.
- The second term loan amounting to AED 7,423,594 is repayable in 4 annual instalments, 3 instalments each of AED 1,680,000 commencing January 2003 and the last instalment for the remaining balance. This loan carries interest at 1.5% over 6 months EBOR.
- On 24 November 2003, the Company entered into a 12 year, AED 700,000,000 term loan facility agreement (the "new facility") with a syndicate of international and UAE based banks. This facility agreement is to acquire new central cooling plants, and was used to refinance the term loan amounting to AED 135 million, which is secured over previously constructed central cooling plants, along with the repayment of the bilateral bridging loan of AED 44 million. As at 31 December 2004, the Company has drawn down an amount of AED 250 million under the new facility, repayable in 24 semi annual instalments commencing 1 October 2004 in accordance with an agreed upon schedule.

As the term loans attract interest at rates which vary with market movements, the fair value of the term loans approximates their carrying value.

At 31 December 2004, unutilised term loan facilities available to the Company amounted to AED 450 million (2003: AED 521 million).

21 ISLAMIC FINANCING ARRANGEMENTS

	2004 AED	*2003 AED*
Ijara loans	**333,718,627**	241,000,000
Istisna'a loans	**180,075,029**	-
Muqawala loans (net of deferred margin of AED 20,904,340, (2003: AED 23,703,334))	**130,146,830**	46,383,126
	643,940,486	287,383,126
Due in more than one year:		
Ijara loans	**324,322,983**	241,000,000
Istisna'a loans	**180,075,029**	-
Muqawala loans	**121,826,103**	42,195,906
	626,224,115	283,195,906
Due in less than one year:		
Ijara loans	**9,395,644**	-
Muqawala loans	**8,320,727**	4,187,220
	17,716,371	4,187,220
	643,940,486	287,383,126

21 ISLAMIC FINANCING ARRANGEMENTS continued

Ijara and Istisna'a loans:

The Islamic Ijara and Istisna'a loans consist of a number of facilities, which are secured by an assignation of the plant purchased under the Islamic financing arrangement and a joint credit and Islamic loan facility agreement.

Facility 1
The first facility of AED 150,000,000 is repayable in 16 fixed semi-annual instalments commencing from 18 March 2004 and a fluctuating profit charge is paid under the Islamic financing agreements, which is based on EIBOR plus a margin. The amount outstanding at 31 December 2004 is AED 146,293,597 (2003: AED 150,000,000).

Facility 2
During the period, the Company repaid the second facility amounting to AED 91,000,000.

Facility 3 (Sukuk Financing)
On 2 March 2004, the Company entered into Purchase and Ijara Agreements ('the Agreement') with Tabreed Financing Corporation for the sale and leaseback of certain assets of the Company as specified in the Agreement with a total cost of US $51 million (AED 187.4 million).

Furthermore, the Company entered into an Istisna'a Agreement dated 2 March 2004 with Tabreed Financing Corporation for the manufacture and commission of certain assets as specified in the Istisna'a Agreement amounting to US $49 million (AED 180 million). On completion, the specified assets will be sold and leased back from Tabreed Financing Corporation under similar arrangements as specified in the existing Ijara Agreement above.

In March 2009, the Company will purchase the assets leased back under the Ijara Agreement from Tabreed Financing Corporation for an amount of US $100 million, which is the full repayment of the Ijara and Istisna'a loans referred to above.

The Ijara Agreement carries 10 semi-annual rental payments of AED 5,154,000 commencing 2 September 2004. In respect of the Istisna'a assets, the Company is obligated to make 10 semi-annual pre-rental payments of AED 4,952,062 commencing 2 September 2004.

Muqawala loans:
The Company has entered into two Islamic Muqawala loan arrangements as follows:

- The first Muqawala loan amounting to AED 29 million (31 December 2003: AED 31.4 million) is in respect of the procurement and manufacturing of certain items for use in the construction of plants under an Islamic loan facility agreement dated 31 July 2002. The facility is repayable in 14 semi-annual instalments commencing from 29 January 2003. A fluctuating profit charge is paid under the Islamic financing agreement which is based on market rates.

- The second Muqawala loan amounting to AED 101 million (31 December 2003: AED 15 million) is in respect of the construction of a project under an Islamic loan facility dated 25 March 2003. The facility is repayable in 16 semi-annual rental instalments commencing on 1 May 2006. A variable element is payable with each instalment which is based on market rates plus a mark up.

At 31 December 2004, unutilised Islamic funding available to the Company amounted to AED 18.7 million (31 December 2003: AED 110 million).

As the Islamic loan arrangements except for facility 3 attract a fluctuating profit charge which varies with market interest rate movements, the fair value of such Islamic loans approximates their carrying value. Information on facility 3's principal characteristics is presented above.

22 EMPLOYEES' END OF SERVICE BENEFITS

The Company and its subsidiaries provide for employees' end of service benefits in accordance with the employees' contracts of employment. The movements in the provision recognised in the balance sheet are as follows:

	2004 *AED*	*2003* *AED*
Balance at 1 January	**3,451,744**	2,068,608
Net movement during the year	**2,151,846**	1,383,136
Balance at 31 December	**5,603,590**	3,451,744

23 ACCOUNTS PAYABLE AND ACCRUALS

Amounts due in less than one year	*2004* *AED*	*2003* *AED*
Accounts payable	**70,544,856**	81,023,813
Retentions payable	**17,798,140**	12,174,210
Negative fair value of derivatives	**1,247,563**	2,386,142
Other payables	**54,017,175**	14,720,055
Payable to former shareholders	**13,006,071**	23,910,180
Accrued expenses	**14,964,830**	17,947,762
	171,578,635	152,162,162
Amounts due in more than one year		
Accounts payable	-	38,933,434
Retentions payable	**1,194,280**	5,822,418
	1,194,280	44,755,852

24 RELATED PARTY TRANSACTIONS

These represent transactions with related parties ie. shareholders, senior management of the Company and companies of which they are principal owners. Pricing policies and terms of these transactions are made on a commercial basis and approved by senior management.

Included in additions to capital work in progress is AED 354,525 (2003: AED 1,750,000) in respect of transactions with related parties. Included in trade and other receivables is AED 218,603 (2003: AED 635,536) representing expenses which have been incurred on behalf of a related party.

25 CONTINGENT LIABILITIES

The Company and its subsidiaries' bankers have issued guarantees on their behalf as follows:

	2004 *AED*	*2003* *AED*
Performance guarantees	**18,755,781**	13,050,000
Advance payment guarantees	**1,525,342**	3,916,730
Retention release guarantees	**4,506,505**	5,234,250
Financial guarantees	**13,204,200**	13,921,600
	37,991,828	36,122,580

26 FINANCIAL INSTRUMENTS

Fair values

The fair values of the financial assets and liabilities of the Company and its subsidiaries are not materially different from their carrying values at the balance sheet date.

27 CAPITAL COMMITMENTS

The Board of Directors have authorised future capital expenditure amounting to AED 1,179.3 million (2003: AED 762.3 million). Included in this amount is AED 778.8 million (2003: AED 390 million) which is expected to be incurred within one year from the balance sheet date.

28 SUBSIDIARIES

	Country of incorporation	*Percentage of holding*
Gulf Energy Systems LLC	U.A.E.	100
National Central Cooling Company Ras Al Khaimah LLC	U.A.E.	100
Emirates Preinsulated Pipes Industries LLC	U.A.E.	60
Installation Integrity 2000 LLC	U.A.E.	60
BAC Balticare Gulf LLC	U.A.E.	100
Summit District Cooling Company	U.A.E.	51
Bahrain District Cooling Company	Bahrain	55
Ian Banham and Associates	U.A.E.	70

Gulf Energy Systems LLC was registered on 15 April 1995 and commenced its commercial activities thereafter.

National Central Cooling Company Ras Al Khaimah LLC was registered on 22 November 1999 and commenced its commercial activities thereafter. Effective 1 July 2004, the Company became a wholly owned subsidiary. Prior to that date it was a 60% owned subsidiary.

Emirates Preinsulated Pipes Industries LLC was registered on 13 December 2000 and commenced its commercial activities in May 2002.

28 SUBSIDIARIES continued

Installation Integrity 2000 LLC, which was acquired in 2002, was registered on 15 May 2000 and commenced its commercial activities thereafter.

BAC Balticare Gulf LLC was registered on 7 April 2003 and commenced its commercial activities thereafter.

The Company acquired a 51% interest in a newly formed subsidiary, Summit District Cooling Company (SDCC) on 29 May 2004. SDCC commenced its commercial activities thereafter.

The Company acquired a 55% interest in a newly formed subsidiary, Bahrain District Cooling Company (BDCC) on 31 October 2004. BDCC commenced its commercial activities thereafter.

The Company acquired a 70% interest in Ian Banham and Associates on 27 October 2004. Ian Banham and Associates is already engaged in commercial activities.

29 RISK MANAGEMENT

Interest rate risk
The Company and its subsidiaries are exposed to interest rate risk on their interest bearing assets and liabilities (bank overdrafts and loans). Whilst current interest rates are low, management has sought to limit the exposure of the Company and its subsidiaries to any adverse future movements in interest rates by entering into various interest rate swap and cap deals during the year. The notional amount outstanding at 31 December 2004 was AED 1,080 million (2003: AED 220.5 million). Included in this amount is AED 619 million relating to instruments which have effective dates after 31 December 2004. The derivative financial instruments entered into for the purposes of a cash flow hedge had negative changes in their values (unrealised losses) amounting to AED 6,419,667 (2003: AED 4,315,300) which have been recognised within equity under cumulative changes in fair values of derivatives. Management is therefore of the opinion that the Company and its subsidiaries' exposure to interest rate risk is limited.

Credit risk
The Company and its subsidiaries seek to limit their credit risk with respect to customers by monitoring outstanding receivables. The Company and its subsidiaries sell their services and products to a number of institutions in the UAE. Their three largest customers account for approximately 63% of outstanding accounts receivable at 31 December 2004 (2003: 3 customers - 60%). As amounts receivable are stated net of any required provision and are short term in nature, fair value approximates carrying value.

Liquidity risk
The Company and its subsidiaries limit their liquidity risk by monitoring their current financial position in conjunction with their cash flow forecasts on a regular basis to ensure funds are available to meet their commitments for liabilities as they fall due. The Company and the subsidiaries' terms of sale require amounts to be paid within 60 to 90 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase.

Currency risk
The management considers that the Company and its subsidiaries are not exposed to significant currency risk. The majority of their transactions and balances are in either UAE Dirhams or US Dollars. As the UAE Dirham is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.