

**NATIONAL CENTRAL COOLING COMPANY PJSC**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2001**

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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 2001, 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 financial statements are free of material misstatement. 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.

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 2001 and the results of their operations and their cash flows for the year then ended in accordance with International Accounting Standards.

We also confirm that in our opinion proper books of account have been kept by the Company and the contents of the report of the Board of Directors relating to these 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.



Signed by  
Bassam E Hage  
Partner  
Registration No. 258

20 March 2002  
Abu Dhabi

National Central Cooling Company PJSC

CONSOLIDATED BALANCE SHEET

31 December 2001

	Note	2001 AED	2000 AED
<b>ASSETS EMPLOYED</b>			
<b>NON CURRENT ASSETS</b>			
Capital work in progress	3	293,396,204	87,024,131
Plant, furniture and equipment	4	90,446,143	19,307,809
Advance to employee incentive scheme	5	2,662,676	2,550,000
Intangibles	6	<u>11,988,929</u>	<u>13,795,769</u>
		<u>398,493,952</u>	<u>122,677,709</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	7	33,606,705	26,276,979
Contract work in progress	8	33,636,146	-
Prepayments		2,752,951	1,565,042
Bank balances and cash	9	<u>60,526,573</u>	<u>162,522,933</u>
		<u>130,522,375</u>	<u>190,364,954</u>
<b>TOTAL ASSETS</b>		<u>529,016,327</u>	<u>313,042,663</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	10	250,000,000	250,000,000
Statutory reserve	11	2,158,716	1,537,628
Accumulated profits		<u>12,344,289</u>	<u>10,256,945</u>
		<u>264,503,005</u>	<u>261,794,573</u>
<b>MINORITY INTERESTS</b>	12	<u>2,667,916</u>	<u>2,612,460</u>
<b>NON-CURRENT LIABILITIES</b>			
Term loan	13	89,545,546	-
Islamic Ijara loan	14	14,914,508	-
Islamic financing for construction	3	8,586,899	-
Trade accounts payable due after more than one year	15	20,340,660	-
Employees' terminal benefits	16	<u>1,318,611</u>	<u>809,796</u>
		134,706,224	809,796
<b>CURRENT LIABILITIES</b>			
Accounts payable and accruals	17	<u>127,139,182</u>	<u>47,825,834</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>529,016,327</u>	<u>313,042,663</u>



Mohamed Saif Al Mazrouei  
CHAIRMAN



Dany Safi  
MANAGING DIRECTOR

The attached notes 1 to 25 form part of these financial statements.

**National Central Cooling Company PJSC**

**CONSOLIDATED STATEMENT OF INCOME**  
Year Ended 31 December 2001

	<i>Note</i>	<i>2001</i> <i>AED</i>	<i>2000</i> <i>AED</i>
<b>REVENUE</b>			
Chilled water and related income		9,338,758	462,685
Direct operating costs		<u>(7,161,474)</u>	<u>(419,478)</u>
		<u>2,177,284</u>	<u>43,207</u>
Contract revenue		35,238,931	-
Contract costs		<u>(29,486,605)</u>	<u>-</u>
		<u>5,752,326</u>	<u>-</u>
<b>GROSS PROFIT</b>		<u>7,929,610</u>	<u>43,207</u>
Salaries and staff related costs		(4,643,544)	(5,707,702)
Other administrative expenses		(5,205,478)	(4,970,293)
Amortisation of goodwill and trade marks	6	<u>(1,854,909)</u>	<u>(1,848,682)</u>
		<u>(11,703,931)</u>	<u>(12,526,677)</u>
<b>LOSS FROM OPERATIONS</b>		<u>(3,774,321)</u>	<u>(12,483,470)</u>
Finance costs		(355,974)	-
Other income	19	<u>6,894,183</u>	<u>15,605,945</u>
<b>PROFIT BEFORE MINORITY INTERESTS</b>		2,763,888	3,122,475
Minority interests	12	<u>(55,456)</u>	<u>(12,460)</u>
<b>NET PROFIT FOR THE YEAR</b>		<u>2,708,432</u>	<u>3,110,015</u>
Basic earnings per share	20	<u>0.0542</u>	<u>0.0622</u>

The attached notes 1 to 25 form part of these financial statements.

National Central Cooling Company PJSC

CONSOLIDATED STATEMENT OF CASH FLOWS  
Year Ended 31 December 2001

	2001 AED	2000 AED
<b>OPERATING ACTIVITIES</b>		
Net profit for the year	2,708,432	3,110,015
Adjustment for:		
Depreciation	3,886,336	1,195,190
Amortisation of goodwill and trade marks	1,854,909	1,848,682
Provision for employees' terminal benefits	544,316	374,586
Interest income	(5,506,581)	(15,023,142)
Profit on sale of plant, furniture and equipment	<u>(35,082)</u>	<u>(2,000)</u>
Operating profit (loss) before working capital changes	3,452,330	(8,496,669)
Increase in receivables	(8,517,635)	(11,335,063)
Increase in contract work in progress	(33,636,146)	-
Increase in payables	<u>99,541,332</u>	<u>38,713,690</u>
Net cash from operations	60,839,881	18,881,958
Minority interest	55,456	612,460
Employees' terminal benefits paid	<u>(35,501)</u>	<u>(1,726)</u>
Net cash from operating activities	<u>60,859,836</u>	<u>19,492,692</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of plant, furniture and equipment	(47,449,611)	(1,737,917)
Additions to capital work in progress	(234,049,468)	(95,547,123)
Proceeds from sale of plant, furniture and equipment	137,418	2,000
Registration of trademarks	(48,069)	(27,585)
Interest received	<u>5,506,581</u>	<u>10,531,966</u>
Net cash used in investing activities	<u>(275,903,149)</u>	<u>(86,778,659)</u>
<b>FINANCING ACTIVITIES</b>		
Term loan received	89,545,546	-
Islamic Ijara loan received	14,914,508	-
Construction finance received	<u>8,586,899</u>	<u>-</u>
Cash from financing activities	<u>113,046,953</u>	<u>-</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(101,996,360)</b>	<b>(67,285,967)</b>
Cash and cash equivalents at the beginning of the year	<u>162,522,933</u>	<u>229,808,900</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>60,526,573</u></b>	<b><u>162,522,933</u></b>

The attached notes 1 to 25 form part of these financial statements.

National Central Cooling Company PJSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
Year Ended 31 December 2001

	<i>Share capital AED</i>	<i>Statutory reserve AED</i>	<i>Accumulated profits AED</i>	<i>Total AED</i>
Balance at 31 December 1999	250,000,000	1,225,381	7,459,177	258,684,558
Net profit for the year	-	-	3,110,015	3,110,015
Transfer to statutory reserve	-	<u>312,247</u>	<u>(312,247)</u>	<u>-</u>
Balance at 31 December 2000	250,000,000	1,537,628	10,256,945	261,794,573
Net profit for the year	-	-	2,708,432	2,708,432
Transfer to statutory reserve	-	<u>621,088</u>	<u>(621,088)</u>	<u>-</u>
Balance at 31 December 2001	<u>250,000,000</u>	<u>2,158,716</u>	<u>12,344,289</u>	<u>264,503,005</u>

The attached notes 1 to 25 form part of these financial statements.

## 1 ACTIVITIES

The consolidated financial statements of National Central Cooling Company PJSC (“the Company”) for the year ended 31 December 2001 were authorised for issue in accordance with a resolution of the Directors on 20 March 2002.

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 PO Box 32444, Dubai, United Arab Emirates.

The total number of employees as at 31 December 2001 was 75 (2000: 60).

## 2 SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

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

The significant accounting policies adopted are as follows:

#### *Accounting convention*

The consolidated financial statements are prepared under the historical cost convention. The accounting policies have been consistently applied by the Company and, except for the changes in accounting policy due to the implementation of IAS 39 “Financial Instruments: Recognition and Measurement” from 1 January 2001, are consistent with those used in the previous year.

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

#### *Changes in accounting policies*

The Company has adopted International Accounting Standard (IAS) 39 “Financial Instruments: Recognition and Measurement” for the year ended 31 December 2001. This has resulted in changes in the accounting policies of the Company in respect of recognition and measurement of financial instruments.

The major change is as follows:

#### *Provision for impairment of financial assets*

The calculation of impairment provision for doubtful debts is now based on the net present value of anticipated cash flows discounted at effective interest rates. Previously, future recoveries were not discounted.

There was no impact on the financial statements as a result of the changes in accounting policies.

#### *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 using consistent accounting policies as those used by the Company. Where subsidiary financial statements are drawn up to different reporting dates, adjustments are made for the effect of significant transactions or other events that occur between those dates and the date of the Company’s financial statements.

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



**2 SIGNIFICANT ACCOUNTING POLICIES** continued

***Capital work in progress***

Capital work in progress is recorded at cost on the basis of the percentage of work completed at the balance sheet date. 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 recorded at cost.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed this recoverable amount, assets are written down to their recoverable amounts.

***Depreciation***

Depreciation is provided on a straight-line basis on plant, furniture and equipment. The rates of depreciation are based upon the following estimated useful lives:

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

***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 ten 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 as part of the cost of the asset until the asset is commissioned for use. Borrowing costs not attributable to an asset 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.

***Accounts receivable***

Accounts receivable are stated net of provisions for amounts estimated to be impaired. Bad debts are written off as incurred.

***Cash and cash equivalents***

Cash and cash equivalents consist of cash and bank balances.

***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 statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2001

2 SIGNIFICANT ACCOUNTING POLICIES continued

***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 has 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.

***Employees' terminal benefits***

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

***Term loan and Islamic Ijara loan***

The term loan and Islamic Ijara loan 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 Ijara loan is charged as an expense as it accrues, with unpaid amounts included in "accounts payable and accruals".

***Finance lease***

Finance leases, which effectively transfer to the Company and its subsidiaries substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased plant and equipment. 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 charged directly against income.

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

***Revenues***

***Chilled water***

Revenue represents the sale value of chilled water and related services provided by the Company and one of its subsidiaries during the year.

***Contract revenue***

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 income***

Interest income is recognised as interest accrues.

***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 statement of income.

***Financial instruments***

The 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2001

**3 CAPITAL WORK IN PROGRESS**

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

	<i>2001</i> <i>AED</i>	<i>2000</i> <i>AED</i>
Balance at beginning of the year	87,024,131	8,252,715
Additions during the year	234,049,468	95,547,123
Transfer to plant, furniture and equipment (note 4)	<u>(27,677,395)</u>	<u>(16,775,707)</u>
Balance at end of the year	<u>293,396,204</u>	<u>87,024,131</u>

Included in capital work in progress is AED 8,586,899 which has been funded under an Islamic financing arrangement (Istisna'a). Upon completion of the construction of the plant subsequent to the year end, the total cost of the plant will be financed under an Islamic Ijara agreement and the repayments under this arrangement will commence after 31 December 2002. The Ijara agreement had not been finalised as at 31 December 2001 as the construction of the plant was under progress.

Istisna'a is a sale 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.

Included in additions to capital work in progress is capitalised financing costs amounting to AED 3,335,592 (2000: AED 643,891).

**4 PLANT, FURNITURE AND EQUIPMENT**

	<i>Plant</i> <i>AED</i>	<i>Furniture and fixtures</i> <i>AED</i>	<i>Office equipment and instruments</i> <i>AED</i>	<i>Motor vehicles</i> <i>AED</i>	<i>Total</i> <i>AED</i>
<i>Cost:</i>					
At 1 January 2001	16,775,707	1,951,446	2,354,298	825,250	21,906,701
Additions	46,426,843	198,604	475,364	348,800	47,449,611
Transfer from capital work in progress (note 3)	27,677,395	-	-	-	27,677,395
Disposals	<u>-</u>	<u>(59,262)</u>	<u>(3,771)</u>	<u>(120,000)</u>	<u>(183,033)</u>
At 31 December 2001	<u>90,879,945</u>	<u>2,090,788</u>	<u>2,825,891</u>	<u>1,054,050</u>	<u>96,850,674</u>
<i>Depreciation:</i>					
At 1 January 2001	167,757	1,142,370	932,864	355,901	2,598,892
Provided during the year	2,718,738	394,375	535,575	237,648	3,886,336
Relating to disposals	<u>-</u>	<u>(37,604)</u>	<u>(553)</u>	<u>(42,540)</u>	<u>(80,697)</u>
At 31 December 2001	<u>2,886,495</u>	<u>1,499,141</u>	<u>1,467,886</u>	<u>551,009</u>	<u>6,404,531</u>
Net book value at 31 December 2001	<u>87,993,450</u>	<u>591,647</u>	<u>1,358,005</u>	<u>503,041</u>	<u>90,446,143</u>
Net book value at 31 December 2000	<u>16,607,950</u>	<u>809,076</u>	<u>1,421,434</u>	<u>469,349</u>	<u>19,307,809</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2001

**4 PLANT, FURNITURE AND EQUIPMENT** continued

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

	<i>2001</i>	<i>2000</i>
	<i>AED</i>	<i>AED</i>
Included in direct operating costs	2,718,738	167,757
Included in other administrative expenses	797,264	957,201
Included in capital work in progress	<u>370,334</u>	<u>70,232</u>
	<u>3,886,336</u>	<u>1,195,190</u>

At 31 December 2001, the net book value of plant financed by an Islamic Ijara loan under a sale and leaseback Ijara financing arrangement amounted to AED 24,519,766 (2000; Nil).

The plant is constructed on land which has been granted to the Company and its subsidiary at nominal or no cost to the Company.

**5 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. The incentive scheme held 429,464 shares (2000: 500,000) 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 movement on the advance to employee incentive scheme during the year is as follows:

	<i>2001</i>	<i>2000</i>
	<i>AED</i>	<i>AED</i>
Balance at the beginning of the year	2,550,000	2,550,000
Employees' incentive scheme award during the year	(380,895)	-
Increase in value of advance in the year due to movements in the market value of the Company's shares	<u>493,571</u>	<u>-</u>
Balance at the end of the year	<u>2,662,676</u>	<u>2,550,000</u>

**6 INTANGIBLES**

	<i>Goodwill</i>		<i>Trademarks</i>		<i>Total</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Balance at the beginning of the year	13,696,800	15,523,040	98,969	93,826	13,795,769	15,616,866
Additions during the year	-	-	48,069	27,585	48,069	27,585
Amortisation for the year	<u>(1,826,240)</u>	<u>(1,826,240)</u>	<u>(28,669)</u>	<u>(22,442)</u>	<u>(1,854,909)</u>	<u>(1,848,682)</u>
Balance at the end of the year	<u>11,870,560</u>	<u>13,696,800</u>	<u>118,369</u>	<u>98,969</u>	<u>11,988,929</u>	<u>13,795,769</u>

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2001

7 TRADE AND OTHER RECEIVABLES

	<i>2001</i> <i>AED</i>	<i>2000</i> <i>AED</i>
Trade accounts receivable	6,260,861	2,074,828
Interest receivable	949,373	8,924,101
Advance payment to contractors	25,591,515	14,883,480
Other receivables	<u>804,956</u>	<u>394,570</u>
	<u>33,606,705</u>	<u>26,276,979</u>

The Company and its subsidiaries sell their services and products to a number of institutions in the UAE. Their five largest customers account for 95% of outstanding accounts receivable at 31 December 2001 (2000: 2 customers, 100%).

As amounts receivable are stated net of any required provision and are short term in nature, fair value approximates carrying value.

The Company's terms of sale require amounts to be paid within 60 to 90 days.

8 CONTRACT WORK IN PROGRESS

	<i>2001</i> <i>AED</i>	<i>2000</i> <i>AED</i>
Cost plus attributable profit	35,238,931	-
Less: progress billings	<u>(1,602,785)</u>	<u>-</u>
	<u>33,636,146</u>	<u>-</u>

9 BANK BALANCES AND CASH

Bank balances and cash include bank deposits of AED 57,365,860 (2000 : AED 155,685,088) placed with commercial banks in the United Arab Emirates. These are denominated in AED with an effective rate of 1.78% (2000 : 6.12% to 7.75%). Bank deposits include an amount of AED 7,408,100 (2000 : AED 11,361,628) which is held by the Company and its subsidiaries' bankers as security for facilities granted.

10 SHARE CAPITAL

	<i>2001 and</i> <i>2000</i> <i>AED</i>
<i>Authorised share capital:</i>	
50,000,000 ordinary shares of AED 10 each	<u>500,000,000</u>
<i>Issued share capital:</i>	
50,000,000 ordinary shares of AED 10 each of which AED 5 has been paid	<u>250,000,000</u>

Under the terms of the public offer for subscription for shares in the Company dated March 1998 and in accordance with the Company's articles of association, the paid up value of the ordinary shares was payable in two instalments, one instalment of AED 5 for each share was due on application and the second instalment of AED 5 for each share is due within five years from the date of formation of the Company at a date and by means to be fixed by the Board of Directors of the Company.

The Board of Directors in their meeting held on 11 March 2002 has resolved to call for the payment of the second instalment during 2002.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2001

**11 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.

**12 MINORITY INTERESTS**

Minority interests represent the beneficial share of the net assets of subsidiary companies of which the Company holds less than 100% of the nominal share capital. The movement in minority interests is summarised as follows:

	<i>2001</i>	<i>2000</i>
	<i>AED</i>	<i>AED</i>
Balance at the beginning of the year	2,612,460	2,000,000
Share of purchase of subsidiary companies during the year	-	600,000
Share of results of subsidiary companies during the year	<u>55,456</u>	<u>12,460</u>
Balance at the end of the year	<u>2,667,916</u>	<u>2,612,460</u>

**13 TERM LOAN**

The term loan is secured by a pledge over the plant and capital work-in-progress in accordance with a joint credit and Islamic loan facility agreement dated 23 May 2001. It carries interest at a variable rate of EIBOR plus a margin determined at each drawdown date and is repayable in semi annual instalments commencing from 23 December 2003 to 23 June 2011 in accordance with an agreed upon instalments schedule. Interest accrues on a monthly basis with the effective rate for 2001 being in the range of 3.875% to 5.475% (2000: Nil) based on the rate prevailing at the date of the relevant drawdown.

As the term loan attracts interest at rates which vary with market movements, the fair value of the term loan approximates carrying value.

At 31 December 2001, unutilised term loan funding available to the Company amounted to AED 35,454,454 (2000: Nil).

**14 ISLAMIC IJARA LOAN**

The Islamic Ijara loan is secured by an assignation of the plant purchased under the Islamic financing arrangement and a joint credit and Islamic loan facility agreement dated 23 May 2001. The facility is repayable in 16 fixed semi-annual instalments commencing from 17 September 2005. A fluctuating profit charge is paid under the Islamic financing agreement which is based on EIBOR plus a margin.

As the Islamic Ijara loan arrangement attracts a fluctuating profit charge which varies with market interest rate movements, the fair value of the Islamic Ijara loan approximates carrying value.

At 31 December 2001, unutilised Islamic funding available to the Company amounted to AED 101,498,593 (2000: Nil).

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**15 TRADE ACCOUNTS PAYABLE AFTER ONE YEAR**

Trade accounts payable amounting to AED 20,340,660 at 31 December 2001 will be financed by the unutilised Islamic funding for which repayments are expected to commence after 31 December 2002 (note 14). The Company will draw down the funds subsequent to the year end.

**16 EMPLOYEES' TERMINAL BENEFITS**

The Company and its subsidiaries provide for employees' terminal benefits in accordance with the employees contracts of employment. The movement on the provision for the year was as follows:

	<i>2001</i>	<i>2000</i>
	<i>AED</i>	<i>AED</i>
Balance at the beginning of the year	809,796	436,936
Provided during the year	544,316	374,586
Paid during the year	<u>(35,501)</u>	<u>(1,726)</u>
Balance at the end of the year	<u>1,318,611</u>	<u>809,796</u>

In the opinion of management, no material difference would have arisen had the employees' terminal benefits provision been calculated on an actuarial basis.

**17 ACCOUNTS PAYABLE AND ACCRUALS**

	<i>2001</i>	<i>2000</i>
	<i>AED</i>	<i>AED</i>
Accounts payable	115,297,913	42,411,381
Retentions payable	8,325,385	2,354,714
Other payables	811,804	1,389,736
Accrued expenses	<u>2,704,080</u>	<u>1,670,003</u>
	<u>127,139,182</u>	<u>47,825,834</u>

Trade accounts payable are normally settled within 60 to 90 days.

**18 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 the statement of income are the following transactions with related parties:

	<i>2001</i>	<i>12 month</i>
	<i>AED</i>	<i>period to</i>
		<i>31/12/2000</i>
		<i>AED</i>
Other administration expenses	-	25,000

Included in capital work in progress is AED 1,000,000 (2000: AED 400,000) in respect of transactions with related parties.

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**19 OTHER INCOME**

	<i>2001</i> <i>AED</i>	<i>2000</i> <i>AED</i>
Interest income	5,506,581	15,023,142
Miscellaneous	<u>1,387,602</u>	<u>582,803</u>
	<u>6,894,183</u>	<u>15,605,945</u>

**20 BASIC EARNINGS PER SHARE**

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

	<i>2001</i>	<i>2000</i>
Net profit for the year ( <i>AED</i> )	<u>2,708,432</u>	<u>3,110,015</u>
Ordinary shares issued	<u>50,000,000</u>	<u>50,000,000</u>
Earnings per share ( <i>AED</i> )	<u>0.0542</u>	<u>0.0622</u>

**21 RESULTS OF SUBSIDIARIES**

Included in the consolidated statement of income for the year ended 31 December 2001 are the following relating to the operations of subsidiaries:

	<i>2001</i> <i>AED</i>	<i>2000</i> <i>AED</i>
Revenues (includes interest)	36,814,888	1,168,070
Expenses	<u>(31,209,980)</u>	<u>(888,179)</u>
Net profit for the year	<u>5,604,908</u>	<u>279,891</u>

**22 CONTINGENT LIABILITIES**

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

	<i>2001</i> <i>AED</i>	<i>2000</i> <i>AED</i>
Performance guarantee	10,755,156	5,507,156
Retention release guarantee	<u>4,664,471</u>	<u>4,664,471</u>
	<u>15,419,627</u>	<u>10,171,627</u>



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**23 SUBSIDIARIES**

	<i>Country of incorporation</i>	<i>Percentage of holding</i>
Gulf Energy Systems LLC	U.A.E.	100
National Central Cooling Company Ras Al Khaimah LLC	U.A.E.	60
Emirates Preinsulated Pipes Industries LLC	U.A.E.	60

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.

Emirates Preinsulated Pipes Industries LLC was registered on 13 December 2000 and has not commenced its commercial activities at 31 December 2001.

**24 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.

*Currency risk*

Management believes that there is a minimal risk of significant losses due to exchange rate fluctuations.

**25 CAPITAL COMMITMENTS**

The Directors have authorised future capital expenditure amounting to AED 259 million (2000 : AED 571 million). Included in this amount is AED 173 million (2000 : AED 327 million) which is expected to be incurred within one year of the balance sheet date.

