

**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 2000, and the related 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 2000 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

25 February 2001
Abu Dhabi

National Central Cooling Company PJSC**CONSOLIDATED BALANCE SHEET**
31 December 2000

	<i>Note</i>	<i>2000</i> <i>AED</i>	<i>1999</i> <i>AED</i>
ASSETS EMPLOYED			
NON CURRENT ASSETS			
Capital work in progress	3	87,024,131	8,252,715
Plant, furniture and equipment	4	19,307,809	1,989,375
Advance to employee incentive scheme	5	2,550,000	2,550,000
Intangibles	6	<u>13,795,769</u>	<u>15,616,866</u>
		<u>122,677,709</u>	<u>28,408,956</u>
CURRENT ASSETS			
Trade and other receivables	7	26,276,979	10,805,937
Prepayments		1,565,042	1,209,845
Bank balances and cash	8	<u>162,522,933</u>	<u>229,808,900</u>
		<u>190,364,954</u>	<u>241,824,682</u>
TOTAL ASSETS		<u>313,042,663</u>	<u>270,233,638</u>
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	10	250,000,000	250,000,000
Statutory reserve	11	1,537,628	1,225,381
Accumulated profits		<u>10,256,945</u>	<u>7,459,177</u>
TOTAL EQUITY		<u>261,794,573</u>	<u>258,684,558</u>
MINORITY INTERESTS	12	2,612,460	2,000,000
NON-CURRENT LIABILITY			
Employees' terminal benefits	13	<u>809,796</u>	<u>436,936</u>
		3,422,256	2,436,936
CURRENT LIABILITIES			
Trade and other payables	9	<u>47,825,834</u>	<u>9,112,144</u>
TOTAL EQUITY AND LIABILITIES		<u>313,042,663</u>	<u>270,233,638</u>

Mohamed Saif Al Mazrouei
CHAIRMAN

Dany Safi
MANAGING DIRECTOR

The attached notes 1 to 21 form part of these financial statements.

National Central Cooling Company PJSC

CONSOLIDATED STATEMENT OF INCOME
Year Ended 31 December 2000

	<i>Note</i>	<i>12 month period to 31/12/2000 AED</i>	<i>20 month period to 31/12/1999 AED</i>
REVENUE			
Chilled water and related income		462,685	-
Costs		<u>251,721</u>	<u>-</u>
		<u>210,964</u>	<u>-</u>
Contract revenue		-	29,257,064
Contract costs		<u>-</u>	<u>26,897,554</u>
		<u>-</u>	<u>2,359,510</u>
GROSS PROFIT		<u>210,964</u>	<u>2,359,510</u>
Salaries and staff related costs		(5,707,702)	(8,598,962)
Other administrative expenses		(5,138,050)	(6,516,654)
Amortisation of goodwill and trade marks	6	(1,848,682)	(2,739,360)
Amortisation of deferred charges		<u>-</u>	<u>(412,761)</u>
		<u>(12,694,434)</u>	<u>(18,267,737)</u>
LOSS FROM OPERATIONS		<u>(12,483,470)</u>	<u>(15,908,227)</u>
Finance costs		-	(58,599)
Pre-incorporation costs (net)		-	(850,000)
Other income	15	<u>15,605,945</u>	<u>25,501,384</u>
PROFIT BEFORE MINORITY INTEREST		3,122,475	8,684,558
Minority interest	12	<u>(12,460)</u>	<u>-</u>
NET PROFIT FOR THE YEAR		<u>3,110,015</u>	<u>8,684,558</u>
Basic earnings per share	16	<u>0.06</u>	<u>0.17</u>

The attached notes 1 to 21 form part of these financial statements.

National Central Cooling Company PJSC

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended 31 December 2000

	<i>31/12/2000</i>	<i>20 month period to 31/12/1999</i>
	<i>AED</i>	<i>AED</i>
OPERATING ACTIVITIES		
Net profit for the year	3,110,015	8,684,558
Adjustment for:		
Depreciation	1,195,190	1,030,946
Amortisation of goodwill and trade marks	1,848,682	2,739,360
Amortisation of deferred charges	-	412,761
Provision for employees' terminal benefits	374,586	663,583
Interest income	(15,023,142)	(23,464,306)
Profit on sale of furniture and equipment	<u>(2,000)</u>	<u>(15,468)</u>
Operating loss before working capital changes	(8,496,669)	(9,948,566)
Increase in receivables	(11,335,063)	(5,223,665)
Increase in payables	<u>38,713,690</u>	<u>1,606,929</u>
Net cash from (used in) operations	18,881,958	(13,565,302)
Minority interest	612,460	2,000,000
Employees' terminal benefits paid	<u>(1,726)</u>	<u>(537,762)</u>
Net cash from (used in) operating activities	<u>19,492,692</u>	<u>(12,103,064)</u>
INVESTING ACTIVITIES		
Net cash flow from the acquisition of a subsidiary	-	(18,209,956)
Purchase of furniture and equipment	(1,737,917)	(2,547,726)
Additions to capital work in progress	(95,547,123)	(8,252,715)
Proceeds from sale of furniture and equipment	2,000	101,881
Registration of trademarks	(27,585)	(93,826)
Interest received	<u>10,531,966</u>	<u>23,464,306</u>
Net cash used in investing activities	<u>(86,778,659)</u>	<u>(5,538,036)</u>
FINANCING ACTIVITIES		
Issue of share capital	-	250,000,000
Payments to employee incentive scheme	<u>-</u>	<u>(2,550,000)</u>
Net cash from financing activities	<u>-</u>	<u>247,450,000</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(67,285,967)	229,808,900
Cash and cash equivalents at the beginning of the year	<u>229,808,900</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>162,522,933</u>	<u>229,808,900</u>

The attached notes 1 to 21 form part of these financial statements.

National Central Cooling Company PJSC**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
Year Ended 31 December 2000

	<i>Share capital AED</i>	<i>Statutory reserve AED</i>	<i>Retained earnings AED</i>	<i>Total AED</i>
Issue of share capital	250,000,000	-	-	250,000,000
Net profit for the period	-	-	8,684,558	8,684,558
Transfer to statutory reserve	<u>-</u>	<u>1,225,381</u>	<u>(1,225,381)</u>	<u>-</u>
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>-</u>	<u>312,247</u>	<u>(312,247)</u>	<u>-</u>
Balance at 31 December 2000	<u>250,000,000</u>	<u>1,537,628</u>	<u>10,256,945</u>	<u>261,794,573</u>

The attached notes 1 to 21 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 2000 were authorised for issue in accordance with a resolution of the Directors on 25 February 2001.

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, 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 2000 was 60 (1999: 50).

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 Committee (IASC), interpretations issued by the Standing Interpretations Committee of the IASC, 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 are consistent with those used in the previous period.

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

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.

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. 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.

2 SIGNIFICANT ACCOUNTING POLICIES continued

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 vehicle	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 10 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.

Accounts receivable

Accounts receivable are stated net of provisions for amounts estimated to be non-collectable. An estimate for doubtful accounts 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 are defined as cash and bank balances. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and bank balances.

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 are 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. Actuarial gains or losses where material are recognised in the statement of income over the expected average employment periods of the employees.

2 SIGNIFICANT ACCOUNTING POLICIES continued

Revenues

Chilled water

Revenue represents the sale value of chilled water and related services provided by the Company and its subsidiary 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.

Pre-incorporation and pre-operating costs

Pre-incorporation and pre-operating costs are expensed in the period in which they are incurred.

3 CAPITAL WORK IN PROGRESS

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

	<i>2000</i>	<i>1999</i>
	<i>AED</i>	<i>AED</i>
Balance at the beginning of the year/period	8,252,715	-
Additions during the year/period	95,547,123	8,252,715
Transfer to property, plant and equipment (note 4)	<u>(16,775,707)</u>	<u>-</u>
Balance at end the end of the year/period	<u>87,024,131</u>	<u>8,252,715</u>

4 PLANT, FURNITURE AND EQUIPMENT

	<i>Plant AED</i>	<i>Furniture and fixtures AED</i>	<i>Office equipment and instruments AED</i>	<i>Motor vehicles AED</i>	<i>Total AED</i>
Cost:					
At 1 January 2000	-	1,713,227	1,123,600	694,750	3,531,577
Additions	-	338,219	1,230,698	169,000	1,737,917
Transfer from capital work in progress	16,775,707	-	-	-	16,775,707
Disposals	-	(100,000)	-	(38,500)	(138,500)
At 31 December 2000	<u>16,775,707</u>	<u>1,951,446</u>	<u>2,354,298</u>	<u>825,250</u>	<u>21,906,701</u>
Depreciation:					
At 1 January 2000	-	851,188	479,224	211,790	1,542,202
Provided during the year	167,757	391,182	453,640	182,611	1,195,190
Relating to disposals	-	(100,000)	-	(38,500)	(138,500)
At 31 December 2000	<u>167,757</u>	<u>1,142,370</u>	<u>932,864</u>	<u>355,901</u>	<u>2,598,892</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>
Net book value at 31 December 1999	<u>-</u>	<u>862,039</u>	<u>644,376</u>	<u>482,960</u>	<u>1,989,375</u>

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

	<i>12 month period to 31/12/2000 AED</i>	<i>20 month period to 31/12/1999 AED</i>
Included in contract costs	-	29,891
Included in other administrative expenses	1,124,958	1,001,055
Included in capital work in progress	<u>70,232</u>	<u>-</u>
	<u>1,195,190</u>	<u>1,030,946</u>

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. In accordance with the Company's articles of association, the incentive scheme holds 500,000 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 recoverable after one year from the balance sheet date.

6 INTANGIBLES

	<i>Goodwill</i>		<i>Trademarks</i>		<i>Total</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Balance at beginning of the year/period	15,523,040	-	93,826	-	15,616,866	-
Additions during the year/period	-	18,262,400	27,585	93,826	27,585	18,356,226
Amortisation for the year/period	<u>(1,826,240)</u>	<u>(2,739,360)</u>	<u>(22,442)</u>	<u>-</u>	<u>(1,848,682)</u>	<u>(2,739,360)</u>
Balance at end of the year/period	<u>13,696,800</u>	<u>15,523,040</u>	<u>98,969</u>	<u>93,826</u>	<u>13,795,769</u>	<u>15,616,866</u>

The goodwill amortisation charge for 1999 was for the 20-month period ended 31 December 1999.

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2000</i>	<i>1999</i>
	<i>AED</i>	<i>AED</i>
Trade accounts receivable	2,074,828	-
Accrued project revenue	-	6,135,816
Interest receivable	8,924,101	4,432,925
Other receivables	<u>15,278,050</u>	<u>237,196</u>
	<u>26,276,979</u>	<u>10,805,937</u>

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 BANK BALANCES AND CASH

Bank balances and cash include, bank deposits of AED 155,685,088 (1999 : AED 222,244,398) placed with commercial banks in the United Arab Emirates. These are denominated in AED with effective rates of interest ranging from 6.12% to 7.75% (1999 : 4.75% - 6.44%). Bank deposits include an amount of AED 11,361,628 (1999 : AED 6,794,702) which is held by the Company and its subsidiaries' bankers as security for facilities granted.

9 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2000</i>	<i>1999</i>
	<i>AED</i>	<i>AED</i>
Trade accounts payable	42,411,381	5,092,594
Retention payable	2,354,714	1,362,652
Other payables	1,389,736	475,657
Accrued expenses	<u>1,670,003</u>	<u>2,181,241</u>
	<u>47,825,834</u>	<u>9,112,144</u>

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

10 SHARE CAPITAL

2000 and
1999
AED

Authorised share capital:

50,000,000 ordinary shares of AED 10 each 500,000,000

Issued share capital:

50,000,000 ordinary shares of AED 10 each of which AED 5 has been paid 250,000,000

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 a means to be fixed by the Board of Directors of the Company.

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 period. 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:

	2000 AED	1999 AED
Balance at the beginning of the year/period	2,000,000	-
Share of purchase of subsidiary companies during the year/period	600,000	2,000,000
Share of results of subsidiary companies during the year/period	<u>12,460</u>	<u>-</u>
Balance at the end of the year/period	<u>2,612,460</u>	<u>2,000,000</u>

13 EMPLOYEES' TERMINAL BENEFITS

In accordance with U.A.E. Law, the Company and its subsidiaries provide for employees' terminal benefits in accordance with the employees contracts of employment. There were no material unrecognised actuarial gains or losses during the year.

	<i>2000</i> <i>AED</i>	<i>1999</i> <i>AED</i>
Balance at the beginning of the year/period	436,936	-
Relating to a subsidiary acquired at the beginning of the year/period	-	311,115
Provided during the year/period	374,586	663,583
Paid during the year	<u>(1,726)</u>	<u>(537,762)</u>
Balance at the end of the year/period	<u>809,796</u>	<u>436,936</u>

The principal actuarial assumptions used at the balance sheet date included management's estimate of the rate of increase in employee remuneration and the average length of employee service discounted to its net present value using appropriate market rates.

14 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>12 month</i> <i>period to</i> <i>31/12/2000</i> <i>AED</i>	<i>20 month</i> <i>period to</i> <i>31/12/1999</i> <i>AED</i>
Other administration expenses	25,000	300,000
Pre-incorporation costs	-	2,950,000

Included in capital work in progress is AED 400,000 in respect of transactions with related parties.

15 OTHER INCOME

	<i>12 month</i> <i>period to</i> <i>31/12/2000</i> <i>AED</i>	<i>20 month</i> <i>period to</i> <i>31/12/1999</i> <i>AED</i>
Interest income	15,023,142	23,464,306
Miscellaneous	<u>582,803</u>	<u>2,037,078</u>
	<u>15,605,945</u>	<u>25,501,384</u>

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2000

16 EARNINGS PER SHARE

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

	<i>2000</i>	<i>1999</i>
Net profit for the year (AED)	<u>3,110,015</u>	<u>8,684,558</u>
Ordinary shares issued	<u>50,000,000</u>	<u>50,000,000</u>
Earnings per share (AED)	<u>0.06</u>	<u>0.17</u>

17 RESULTS OF SUBSIDIARIES

Included in the consolidated statement of income for the year ended 31 December 2000 are the following relating to the operations of subsidiaries:

	<i>12 month period to 31/12/2000 AED</i>	<i>20 month period to 31/12/1999 AED</i>
Revenues (includes interest)	1,168,070	30,058,759
Expenses	<u>(888,179)</u>	<u>(29,197,300)</u>
Net profit for the year	<u>279,891</u>	<u>861,459</u>

18 CONTINGENT LIABILITIES

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

	<i>2000 AED</i>	<i>1999 AED</i>
Performance guarantee	5,507,156	5,155,156
Retention release guarantee	<u>4,664,471</u>	<u>4,664,471</u>
	<u>10,171,627</u>	<u>9,819,627</u>

19 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 by 31 December 2000.

20 FINANCIAL INSTRUMENTS

Fair values

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

Interest rate risk

The Company is not exposed to interest rate risk, as its interest sensitive assets are re-priced frequently. At the year-end there were no interest sensitive liabilities.

Currency risk

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

21 CAPITAL COMMITMENTS

The Directors have authorised future capital expenditure amounting to AED 571 million (1999 : AED 169 million). Included in this amount is AED 327 million, (1999 : AED 50 million) which is expected to be incurred within one year of the balance sheet date.