

**Arab Real Estate Development Co.
(P.S.C)
Amman - The Hashemite Kingdom of Jordan**

**Financial Statements and Auditor's Report
For the Year Ended December 31, 2004**

Arab Real Estate Development Co.
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Arab Real Estate Development Co. (P.S.C)
Amman - The Hashemite Kingdom of Jordan
Balance Sheet as of December 31 , 2004 & 2003

Exhibit A

	<u>Note</u>	<u>2004</u>	<u>2003</u>
<u>Assets</u>		JD	JD
<u>Current Assets</u>			
Cash on hand and at banks	3	1,924,736	468,703
Certificate of deposits		-	400,000
Cheques under collection		2,200,000	-
Accounts receivable - Net	4	21,015	26,272
Investment in real estate	2a,5	259,386	2,923,431
Other receivables	6	45	11,661
Total Current Assets		<u>4,405,182</u>	<u>3,830,067</u>
Fixed assets - net of accumulated depreciation	2b,7	9,371	13,147
Total Assets		<u>4,414,553</u>	<u>3,843,214</u>
 <u>Liabilities and Shareholders' Equity</u>			
<u>Current Liabilities</u>			
Other payables	8	41,723	8,327
Total Current Liabilities		<u>41,723</u>	<u>8,327</u>
 <u>Shareholders' Equity</u>			
Paid Capital		3,667,067	3,667,067
Statutory reserve		83,325	26,690
Voluntary reserve		26,404	26,404
Proposed dividends to shareholders		293,365	-
Retained earnings at year end - Exhibit C		302,669	114,726
Total Shareholders' equity		<u>4,372,830</u>	<u>3,834,887</u>
Total Liabilities and Shareholders' Equity		<u>4,414,553</u>	<u>3,843,214</u>

The accompanying notes form an integral part of this statement .

Arab Real Estate Development Co. (P.S.C)

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Statement of Income and its Appropriation

For The Year Ended December 31, 2004 & 2003

Exhibit B

	Note	2004 JD	2003 JD
Revenues			
Net sales from lands	2c, 9	604,497	20,719
Bank interest		24,402	27,971
Valuation revenues	10	2,276	6,769
Total Revenues		631,175	55,459
General & administrative expenses	11	(64,892)	(55,609)
Other Revenues (expenses)		70	(2,256)
Year profit (loss) before provisions and Tax		566,353	(2,406)
Provision for Scientific Research & Professional training		(5,664)	-
Jordanian Universities fees provision		(5,664)	-
Suit cases provision		(5,220)	-
Other provision		(7,000)	-
Educational & Professional training fund		(4,862)	-
Year profit (Loss) after provisions and Tax		537,943	(2,406)
Retained Earnings - beginning of year		114,726	117,132
Retained Earnings -Ending Balance to be appropriated as follows :		652,669	114,726
Statutory reserve		56,635	-
Proposed dividends to shareholders		293,365	-
Retained earnings at year end (Exhibit C)		302,669	114,726
Total		652,669	114,726
		J.D/Share	J.D/Share
Earnings per share		0.147	(0.001)
		Share	Share
Weighted average No. of shares outstanding		3,667,067	3,667,067

The accompanying notes form an integral part of this statement .

Arab Real Estate Development Co. (P.S.C)
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Statement of Cash Flows

For The Year Ended December 31, 2004 & 2003

Exhibit D

	2004	2003
	JD	JD
<u>Cash Flows From Operating Activities</u>		
Net income (Loss) after provisions and tax	537,943	(2,406)
Doubtful debts	3,000	-
Depreciation	3,776	4,167
Operating profit before changes in working capital	544,719	1,761
<u>(Increase) decrease in current assets</u>		
Accounts receivable	2,257	1,356
Cheques under collection	(2,200,000)	-
Other receivables	11,616	-
<u>Increase (decrease) in current liabilities</u>		
Other payables	33,396	818
Net Cash (Used in) Provided by Operating Activities	(1,608,012)	3,935
<u>Cash Flows From Investing Activities</u>		
Deposits certificates	400,000	(400,000)
Changes in investment in Real estate	2,664,045	32,779
Net Cash Provided by (Used in) Investing Activities	3,064,045	(367,221)
Net Increase (Decrease) in Cash	1,456,033	(363,286)
Cash on hand and at banks at beginning of year	468,703	831,989
Cash on hand and at banks at year end(Exhibit A)	1,924,736	468,703

The accompanying notes form an integral part of this statement .

Arab Real Estate Development Co. (P.S.C)
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Notes to The Financial Statements

1- **Company's Registration and Objectives**

Arab real estate development was registered on 28 Sept. 1995 with capital of JD 3,850,220 , the general assembly decided on 16 July 2000 to reduce the paid capital to become JD 3,667,067 with 3,667,067 shares , the company operational purposes is to invest in projects by using developed, orgnized and managerial systems ..

2- **Significant Accounting Policies**

a- **Investments in Real Estate**

Investments in real estate are stated at cost and they are appeared at fair value in notes attached.

b- **Fixed assets and depreciation**

Fixed assets are recorded at cost and are depreciated over their estimated useful lives by using the straight - line method at annual depreciation rates between 9-20 percent .

c- **Revenues**

Revenues are recognized upon contract signiture and transfer of property .

3- **Cash on Hand and at Banks**

This item consists of :

	2004 JD	2003 JD
Petty cash	3	716
Current accounts in banks	1,059,850	(1,028)
Deposits on banks	864,883	469,015
Total	1,924,736	468,703

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4- **Accounts Receivable**

This item consists of :	<u>2004</u>	<u>2003</u>
	JD	JD
Trade receivables	18,750	20,531
Other receivables - lands valuation	5,265	5,741
Total	24,015	26,272
Provision for doubtful debts	(3,000)	-
Net	21,015	26,272

5- **Investments in Real Estate**

a- This item consists of :

	<u>2004</u>	<u>2003</u>
	JD	JD
Basatin Al Arab Project Lands	-	2,658,708
Queismeh Land	218,177	223,514
Al Naser land and stores project	41,209	41,209
Total	259,386	2,923,431

b- The fair value of real estate investment at the balance sheet date amounted to JD 375,000 .

6- **Other Recievables**

a- This item consists of :

	<u>2004</u>	<u>2003</u>
	JD	JD
Refundable deposits	45	45
Receivables of employees	-	15
Accrued revenues/Bank interests	-	11,601
Total	45	11,661

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8- **Other Payables**

This item consists of :	2004	2003
	JD	JD
Advances received on sale of lands	2,320	-
Accrued expenses	2,575	2,050
Withholding income tax	6	6
Withholding social security	1,100	-
Stamp fees	25	25
Remuneration reserve	4,600	3,578
Provision for scientific research & Prof. training	8,332	2,668
Jordanian universities fees provision	5,664	-
Educational & Professional training fund	4,862	-
Suit cases provision	5,220	-
Other provisions	7,000	-
Employees payables	19	-
Total	41,723	8,327

9- **Net Revenues from Sales of lands**

This item consists of :	2004	2003
	JD	JD
Revenues of land sales	703,978	59,902
Commissions and registrations fees (4%)	(99,481)	(39,183)
Net	604,497	20,719

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10- **Valuation Revenues - net**

This item consists of :	2004 JD	2003 JD
Revenues of Valuation	2,865	7,855
Expenses of Valuation	(589)	(1,086)
Net	2,276	6,769

11- **General and Administrative Expenses**

This item consists of :	2004 JD	2003 JD
Salaries, wages and Remunerations	28,585	27,732
Lawyers and suit cases expenses	701	565
Stationary & printing	311	772
Fees & taxes	6,073	5,022
Postage , telephone and telex	834	825
Professional fees	2,050	600
Rents	8,883	8,883
Water and electricity	331	321
Entertainment	333	398
Depreciation	3,776	4,167
Advertising	2,032	440
Insurance	2,038	2,302
Company's share of social security	2,215	2,359
Others	3,730	1,223
Doubtful debts	3,000	-
Total	64,892	55,609

Notes to The Financial Statements

12- Financial Instruments

1- Risks of Currency Price Fluctuations

The majority of trading transactions of the company is in the Jordanian Dinar /U.S Dollar, the exchange rate of the Dinar has been fixed at U.S Dollar (1 U.S. Dollar = 0.71 Jordanian Dinar) as determined by the Central Bank of Jordan .

2- Risks of Interest Rates

The majority of the financial instruments listed in the balance sheet are not subject to interest rate risks, where all of the company's cash is deposited in Banks with high solvency .

3- Credit, Liquidity and Cash Flows Risks

The company maintains cash balances at highly solvent financial establishments . Accounts receivable were listed at fair value representing the cash flow to be received during the year to face the obligations due for the same year .

13- Comparative Figures

Certain comparative figures were reclassified to conform with the presentation of the current year .