

**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, 2005 & 2004**

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

Index

	<u>Page</u>
Auditor's Report	1
Balance Sheet as of December 31, 2005 & 2004 (Exhibit A)	2
Statement of Income and its Appropriation For the Year Ended December 31, 2005 & 2004 (Exhibit B)	3
Statement of Changes in Shareholders' Equity For the Year Ended December 31, 2005 & 2004 (Exhibit C)	4
Statement of Cash Flows for the Year Ended December 31, 2005 & 2004 (Exhibit D)	5
Notes To The Financial Statements	6-12

Arab Real Estate Development Co. (P.S.C)
Amman - The Hashemite Kingdom of Jordan
Balance Sheet as of December 31 , 2005 & 2004

Exhibit A

	<u>Note</u>	<u>2005</u>	<u>2004</u>
<u>Assets</u>		JD	JD
<u>Current Assets</u>			
Cash on hand and at banks	3	3,197,748	1,924,736
Cheques under collection		-	2,200,000
Accounts receivable - Net	4	7,481	21,015
Investment in real estate	2a,5	923,776	259,386
Other receivables	6	4,876	45
Total Current Assets		<u>4,133,881</u>	<u>4,405,182</u>
Fixed assets - net of accumulated depreciation	2b,7	9,944	9,371
Total Assets		<u>4,143,825</u>	<u>4,414,553</u>
 <u>Liabilities and Shareholders' Equity</u>			
<u>Current Liabilities</u>			
Other payables	8	23,746	41,723
Total Current Liabilities		<u>23,746</u>	<u>41,723</u>
 <u>Shareholders' Equity</u>			
Paid Capital		3,667,067	3,667,067
Statutory reserve		87,983	83,325
Voluntary reserve		26,404	26,404
Proposed dividends to shareholders		-	293,365
Retained earnings at year end - Exhibit C		338,625	302,669
Total Shareholders' equity		<u>4,120,079</u>	<u>4,372,830</u>
Total Liabilities and Shareholders' Equity		<u>4,143,825</u>	<u>4,414,553</u>

The accompanying notes form an integral part of this statement .

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

Amman - The Hashemite Kingdom of Jordan

Statement of Income and its Appropriation

For The Year Ended December 31, 2005 & 2004

Exhibit B

	<u>Note</u>	<u>2005</u> <u>JD</u>	<u>2004</u> <u>JD</u>
<u>Revenues</u>			
Net sales from lands	2c, 9	11,763	604,497
Bank interest		96,788	24,402
Valuation revenues	10	5,091	2,276
Other revenues		-	70
Total Revenues		113,642	631,245
General & administrative expenses	11	(66,085)	(64,892)
Other expenses		(980)	-
Year profit before provisions and Tax		46,577	566,353
Provision for Scientific Research & Professional training		(465)	(5,664)
Jordanian Universities fees provision		(465)	(5,664)
Suit cases provision		-	(5,220)
Income tax provision		(4,670)	-
Other provision		-	(7,000)
Educational & Professional training fund		(363)	(4,862)
Year profit after provisions and Tax		40,614	537,943
Retained Earnings - beginning of year		302,669	114,726
Retained Earnings -Ending Balance to be appropriated as follows :		343,283	652,669
Statutory reserve		4,658	56,635
Proposed dividends to shareholders		-	293,365
Retained earnings at year end (Exhibit C)		338,625	302,669
Total		343,283	652,669
		<u>J.D/Share</u>	<u>J.D/Share</u>
Earnings per share		0.011	0.147
		<u>Share</u>	<u>Share</u>
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)

Amman - The Hashemite Kingdom of Jordan

Statement of Cash Flows

For The Year Ended December 31, 2005 & 2004 Exhibit D

	<u>2005</u>	<u>2004</u>
	JD	JD
<u>Cash Flows From Operating Activities</u>		
Net income after provisions and tax	40,614	537,943
Doubtful debts	-	3,000
Depreciation	3,678	3,776
Operating profit before changes in working capital	44,292	544,719
<u>(Increase) decrease in current assets</u>		
Accounts receivable	13,534	2,257
Cheques under collection	2,200,000	(2,200,000)
Other receivables	(4,831)	11,616
<u>Increase (decrease) in current liabilities</u>		
Other payables	(17,977)	33,396
Net Cash (Used in) Provided by Operating Activities	2,235,018	(1,608,012)
<u>Cash Flows From Investing Activities</u>		
Purchase of fixed assets	(4,251)	-
Deposits certificates	-	400,000
Changes in investment in Real estate	(664,390)	2,664,045
Net Cash (Used in) Provided by Investing Activities	(668,641)	3,064,045
<u>Cash Flows From Financing Activities</u>		
Dividends distributed	(293,365)	-
Net Cash (Used in) Financing Activities	(293,365)	-
Net Increase in Cash	1,273,012	1,456,033
Cash on hand and at banks at beginning of year	1,924,736	468,703
Cash on hand and at banks at year end(Exhibit A)	3,197,748	1,924,736

The accompanying notes form an integral part of this statement .

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

	2005 JD	2004 JD
Petty cash	570	3
Current accounts in banks	408	1,059,850
Deposits on banks	3,196,770	864,883
Total	3,197,748	1,924,736

Arab Real Estate Development Co. (P.S.C)
Amman - The Hashemite Kingdom of Jordan
Notes to The Financial Statements

4- **Accounts Receivable**

This item consists of :	<u>2005</u>	<u>2004</u>
	JD	JD
Trade receivables	4,422	18,750
Other receivables - lands valuation	6,059	5,265
Total	10,481	24,015
Provision for doubtful debts	(3,000)	(3,000)
Net	7,481	21,015

5- **Investments in Real Estate**

a- This item consists of :

	<u>2005</u>	<u>2004</u>
	JD	JD
Arjan Land	679,545	-
Queismeh Land	203,022	218,177
Al Naser land and stores project	41,209	41,209
Total	923,776	259,386

b- The fair value of real estate investment at the balance sheet date amounted to JD 1,046,000 .

6- **Other Recievables**

a- This item consists of :

	<u>2005</u>	<u>2004</u>
	JD	JD
Advance payment to income tax department	4,831	-
Refundable deposits	45	45
Total	4,876	45

Arab Real Estate Development Co. (P.S.C)
Amman - The Hashemite Kingdom of Jordan
Notes to The Financial Statements

8- **Other Payables**

This item consists of :	2005	2004
	JD	JD
Advanced received from sale of lands	1,729	2,320
Accrued expenses	1,265	2,575
Withholding income tax	2	6
Withholding social security	-	1,100
Stamp fees	25	25
Provision for income tax	4,670	-
Remuneration reserve	5,131	4,600
Provision for scientific research & Prof. training	465	8,332
Jordanian universities fees provision	465	5,664
Educational & Professional training fund	363	4,862
Suit cases provision	5,220	5,220
Other provisions	4,411	7,000
Employees payables	-	19
Total	23,746	41,723

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

This item consists of :	2005	2004
	JD	JD
Revenues of land sales	12,851	703,978
Commissions and registrations fees (4%)	(1,088)	(99,481)
Net	11,763	604,497

Arab Real Estate Development Co. (P.S.C)
Amman - The Hashemite Kingdom of Jordan
Notes to The Financial Statements

10- **Valuation Revenues - net**

This item consists of :	2005 JD	2004 JD
Revenues of Valuation	5,822	2,865
Expenses of Valuation	(731)	(589)
Net	5,091	2,276

11- **General and Administrative Expenses**

This item consists of :	2005 JD	2004 JD
Salaries, wages and Remunerations	28,720	28,585
Lawyers and suit cases expenses	120	701
Stationary & printing	1,090	311
Fees & taxes	5,862	6,073
Postage , telephone and telex	1,492	834
Professional fees	4,950	2,050
Rents	8,883	8,883
Water and electricity	521	331
Entertainment	749	333
Depreciation	3,678	3,776
Advertising	1,851	2,032
Insurance	1,902	2,038
Company's share of social security	2,242	2,215
Others	4,025	3,730
Doubtful debts	-	3,000
Total	66,085	64,892

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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 .