

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

Consolidated Financial Statements and Auditor's Report
For the Year Ended December 31, 2006

Arab Real Estate Development Co.
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Arab Real Estate Development Co. (P.S.C)
Amman - The Hashemite Kingdom of Jordan
Consolidated Balance Sheet as of December 31 , 2006

Exhibit A

	<u>Note</u>	<u>2006</u>	<u>2005</u>
		JD	JD
<u>Assets</u>			
<u>Current Assets</u>			
Cash on hand and at banks	3	192,426	3,197,748
Cheques under collection	4	2,829,815	-
Accounts receivable - Net	5	12,359,717	7,481
Trading securities	6	17,627,402	-
Other receivables	7	2,380,221	4,876
Total Current Assets		<u>35,389,581</u>	<u>3,210,105</u>
Investment in Real Estate	8	17,111,510	923,776
Investment in affiliated company /Buildings Development	9	3,745,631	-
Goodwill	10	2,047,575	-
Advances on investments	11	16,275,000	-
Projects under constructions		53,875	-
Intangible assets		150,000	-
Fixed assets - net of accumulated depreciation	12	923,432	9,944
Total Assets		<u>75,696,604</u>	<u>4,143,825</u>
<u>Liabilities and Shareholders' Equity</u>			
<u>Current Liabilities</u>			
Banks overdraft	13	14,488,502	-
Deferred cheques		13,775,000	-
Short-term loans	14	5,257,661	-
Accounts payable		2,882,497	-
Advances received on sale of lands		1,987,312	-
Withholding - GGICO		4,500,000	-
Withholding "shareholders"		649,359	-
Other payables	15	1,077,368	23,746
Total Current Liabilities		<u>44,617,699</u>	<u>23,746</u>
Long-term loans	14	4,059,384	-
<u>Shareholders' Equity</u>			
Paid Capital	16	20,000,000	3,667,067
Addition paid in capital	16	5,000,000	-
Treasury stock		(166,197)	-
Statutory reserve		267,363	87,983
Voluntary reserve		26,404	26,404
Retained earnings at year end - Exhibit C	17	1,891,951	338,625
Total Shareholders' equity		<u>27,019,521</u>	<u>4,120,079</u>
Total Liabilities and Shareholders' Equity		<u>75,696,604</u>	<u>4,143,825</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
Consolidated Statement of Income
For The Year Ended December 31, 2006 & 2005

Exhibit B

	<u>Note</u>	2006 JD	2005 JD
<u>Revenues</u>			
Net land sales	2c	1,384,569	11,763
Commission on selling and purchasing of securities		3,408,303	-
Other revenues	18	169,491	101,879
Total Revenues		4,962,363	113,642
General & administrative expenses	19	(1,328,569)	(66,085)
Doubtful debts		(329,569)	-
(Loss) from sales of trading securities		(1,940,511)	-
Unrealized (Loss) from trading securities	6	(1,456,404)	-
(Loss) from Investment in affiliated Co.	9	(156,125)	-
Commission from selling and purchasing trading securities	10	(166,327)	-
Bank interests and Commissions		(1,648,878)	(980)
Year profit (Loss) before unrealized profit of land investments valuation		(2,064,020)	46,577
Unrealized profit of land investments valuation		4,277,150	-
Year profit before provisions and Tax		2,213,130	46,577
Provision for Scientific Research & Professional training Jordanian Universities fees provision		(17,938)	(465)
Income tax provision		(17,938)	(465)
Board of Directors Remuneration		(424,323)	(4,670)
Educational & Professional training fund		(55,000)	-
Year profit after provisions and Tax		1,697,931	87,191
Retained Earnings - beginning of year		338,625	302,669
Prior years revenues		34,775	-
Retained Earnings to be appropriated as follows :		2,071,331	389,860
Statutory reserve		179,380	4,658
Retained earnings at year end (Exhibit C)		1,891,951	338,625
Total		2,071,331	343,283
		J.D/Share	J.D/Share
Earnings per share		0.248	0.002
		Share	Share
Weighted average No. of shares outstanding		6,833,533	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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Consolidated Statement of Cash Flows
For The Year Ended December 31, 2006 & 2005

Exhibit D

	2006 JD	2005 JD
<u>Cash Flows From Operating Activities</u>		
Net income after provisions and tax	1,697,931	40,614
Unrealized profit of land investments valuation	(4,277,150)	-
Unrealized (losses) from trading securities	1,456,404	-
(Loss) from Investment in affiliate Co.	156,125	-
Prior years revenues	34,775	-
Doubtful debts	239,569	-
Depreciation and amortization	98,414	3,678
Operating profit (Loss) before changes in working capital	(593,932)	44,292
<u>(Increase) decrease in current assets</u>		
Accounts receivable	(12,655,448)	13,534
Cheques under collection	(2,829,815)	2,200,000
Other receivables	(2,401,703)	(4,831)
<u>Increase (decrease) in current liabilities</u>		
Payables accounts	2,882,497	-
Deferred cheques	13,775,000	-
Other Payables accounts	1,053,623	(17,977)
Advances received on sale of lands	1,987,312	-
Advances on capital increase	4,500,000	-
Withholding of shareholders	649,359	-
Net Cash Provided by Operating Activities	6,366,893	2,235,018
<u>Cash Flows From Investing Activities</u>		
Changes in fixed assets	(961,902)	(4,251)
Goodwill	(2,047,575)	-
Trading securities	(19,083,806)	-
Investment in affiliates Co.	(3,901,756)	-
Changes in investment in Real estate	(11,910,584)	(664,390)
Advanced on investments	(16,275,000)	-
Intangible assets	(200,000)	-
Treasury stock	(166,197)	-
Projects under process	(53,875)	-
Net Cash from (Used in) Investing Activities	(54,600,695)	(668,641)
<u>Cash Flows From Financing Activities</u>		
Bank over drafts	14,488,502	-
Loans	9,317,045	-
Capital	16,332,933	-
Additional paid in capital	5,000,000	-
Dividends	-	(293,365)
Net Cash from (Used in) Financing Activities	45,138,480	(293,365)
Net (Decrease) Increase in Cash	(3,005,322)	1,273,012
Cash on hand and at banks at beginning of year	3,197,748	1,924,736
Cash on hand and at banks at year end(Exhibit A)	192,426	3,197,748

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 Consolidated 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 .

The Company has bought Asoul Co. for Investment and Financial Services .Ltd. With a capital of JD 10,000,000.

2- **Basis of Consolidation of the Financial Statements**

The consolidated financial statements included the assets , liabilities , revenues and expenses of the subsidiary company Asoul Co. for Investment and Financial Services Ltd. At rate of 100% , the total Subsidiary company assets represent 26,918,512 Jordanian Dinars , its liability represent 17,577,664 Jordanian Dinars , its revenues represent 2,033,186 Jordanian Dinars and its expenses represent 2,273,015 Jordanian Dinars for the year ended December 31, 2006 .

2- **Significant Accounting Policies**

a- **Investments in Real Estate**

Investments in real estate are stated at cost and they are revaluated 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.
- Commission from securities are recognized upon securities exchange .

d- **Trading Securities**

Trading securities are stated at fair market value . The difference between fair market value and book value is recorded in Income Statement .

e- **Available for Sale Securities**

Available for sale securities are stated at fair market value . The difference between the securities fair market value and the book value is recorded as a component of shareholders' equity .

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f- Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of the assets and liabilities of the subsidiary . Every year the Goodwill will be examined for any decline in value . The goodwill will appear in the balance sheet after the reduction of any accumulated impairment .

g- Intangible assets

The intangible assets recognized by cost price and its amortized for 4 years at a rate 25% annually .

h- Investments in Associated Companies

The investments over 20% in associated companies are stated at the equity method .

i- Accounts recievable

Accounts recievable is appearing at net realiable value after taking into consideration the allowance of doubtful accounts .

j- Income Tax

Income tax provision is stated according to the required legal and local requirements and by using necessary needed estimates , any extra amount to be paid for previous years will appear in Income Statement .

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

This item consists of :

	2006 JD	2005 JD
Cash	365	-
Petty cash	104	570
Current accounts in banks	166,688	408
Deposits on banks	25,269	3,196,770
Total	192,426	3,197,748

4- **Cheques Under Collection**

This item consists of :

	2006 JD	2005 JD
Cheques under collection	2,022,704	-
deferred cheques	65,478	-
Accrued cheques	741,633	-
Total	2,829,815	-

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5- **Accounts Receivable**

This item consists of :	<u>2006</u> JD	<u>2005</u> JD
General recievables	12,599,333	-
Trade receivables	48,758	4,422
Other receivables - lands valuation	5,879	6,059
Board of directors recievables	11,959	-
Total	12,665,929	10,481
Provision for doubtful debts	(306,212)	(3,000)
Net	12,359,717	7,481

6- **Other Recievables**

This item consists of :	<u>2006</u> JD	<u>2005</u> JD
Guarantee deposit	500,000	-
Withholding tax on interest	2,607	4,831
Refundable deposits	385	45
Prepaid Expenses	3,048	-
Other receivables	26,357	-
Provision for doubtful debts	(26,357)	-
LGs deposits	70,300	-
Settlement fund	438,950	-
Exchange settlement	1,345,201	-
Employees recievables	9,950	-
Others	9,780	-
Net	2,380,221	4,876

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8- **Investments in Real Estate**

a- This item consists of :

	2006 JD	2005 JD
Bal'ama Land No. 403	7,636,989	-
Al-Jeeza Land No. 4657	4,439,304	-
Al Zaitouneh Village land No. 55	186,360	-
Al Zaitouneh Village land No. 12	215,400	-
Al Shoneh Al Janobeih Land No. 397	1,715,000	-
Arjan Land 1029	225,600	215,195
Arjan Land 1025	237,600	224,658
Arjan Land 1030	253,500	239,692
Al Quwaismeh Village Land	222,933	203,022
Al Naser Stores and Land	49,162	41,209
Al Hammam Al Sharqi Land No. 3	1,315,418	-
Al Qwierh Land No. 162	614,244	-
Total	17,111,510	923,776

b- Some lands are not registered in the company's name but the company has the diliation documents and requirments .

c- The above land investments were revaluated at the date of balance sheet by depending on experts .

9- **Investment in Associated Co. - The Developmming, Maufacturing and Investments of Buildings Co.**

	Owners Rate	2006 JD	2005 JD
The Developmming, Maufacturing and Investments of Buildings Co. (P.S.C)	32.666%	3,901,756	-
Company's share from the (Loss) of the year (Exhibit b)		(156,125)	-
Balance at 31 December 2006		3,745,631	-

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10- **Intangible Assets**

	2006	2005
a- This item consists of :	JD	JD
Intangible assets	200,000	-
Amortization	(50,000)	-
Net	150,000	-

b- The above amount represent the license for working in Amman Stock Echange .

11- **Advances on Investments**

	2006	2005
a- This item consists of :	JD	JD
Advances on investments in Arab united Investors Co. (UAIC)	16,275,000	-
Net	16,275,000	-

b- The above amount represent apayment for Strategic investment in (UAIC).

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Notes to the Consolidated Financial Statements

14- **Long and Short Term Loans - Cont.**

b- On 11/6/2006 the company obtained a loan of 5,000,000 Jordanian dinars to finance the purchase of Giza land plot No. 4657, at a rate of 7.5% to be paid in 8 quarterly installments of 625,000 Jordanian Dinars . The first installment was on 1/12/2006 , next installments will be on the beginning of each quarter for the coming years. The mortgage will be land No. 4567 Basin Moars No. 7 of Giza land , with a value of 5,000,000 Jordanian Dinars.

c- On 1/5/2006 the company obtained a loan of 5,000,000 Jordanian Dinars from Capital Bank to finance the purchase of land No. 403 Basin No. 12 Talat Qasim of Al Mafraq Lands at a rate of 8% to be paid in 20 quarterly installment with an amount of 250,000 Jordanian Dinars per installment. The first installment will be after one year of loan date . The mortgage will be a piece of land No. 403 Basin No. 12 Talaht Qasim of Al Mafraq Lands with retail value of 4,000,000 Jordanian Dinars

d- The company obtained a revolving loan from Capital Bank with an amount of 3,000,000 Jordanian Dinars to finance the chques under collection from company's sales of land No. 403 Basin No. 12 Talaht Qasim of Al Mafraq Lands at a rate of 9.5% .The repayments will be after 6 months of each withdrawal .

15- **Other Accounts Payable**

This item consists of :

	2006	2005
	JD	JD
Advanced recieved on sales of land	-	1,729
Accrued expenses	7,642	1,265
Other Withholding	3,167	27
Unearned Revenues	37,400	-
Provision for income tax	424,323	4,670
Remuneration reserve	-	5,131
Provision for scientific research & Prof. training	18,403	465
Jordanian universities fees provision	17,938	465
Educational & Professional training fund	-	363
Board of Directors Remuneration	55,000	-
Suitcases provision	-	5,220
Other provisions	4,411	4,411
Shareholders withholding	40,937	-
Withholding for others	468,147	-
Total	1,077,368	23,746

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Notes to the Consolidated Financial Statements

16- **Paid in Capital**

According to the extraordinary meeting of general assembly on 2/3/2006 the paid in capital was increased from 3,667,067 Jordanian Dinars to 20,000,000 Jordanian Dinars as follows :
 An amount of 11,332,933 Jordanian Dinars was to the company shareholders with 1JD per share, without any issuance premium . An amount of 10,838,045 Jordanian Dinars, was

a-

paid by shareholders . The balance of 494,888 Jordanian Dinars was sold with an amount of 1,158,037 Jordanian Dinars and the difference was recorded as shareholders withholding .
 An amount of 5,000,000 Jordanian Dinars from a strategic partner 1JD par value and an

b-

issuance premium of 1 JD per share .

17- **Retained earnings at the End of Year**

This item consists of :

	2006	2005
	JD	JD
(Accumulated Loss) Retained earnings from realized earnings	(2,385,199)	338,625
Retained earnings from unrealized earnings	4,277,150	-
Net	1,891,951	338,625

18- **Other Revenues**

This item consists of :

	2006	2005
	JD	JD
Share dividends	21,245	-
Bank interests	55,420	96,788
Valuation revenues	1,340	5,091
Other revenues	91,486	-
Net	169,491	101,879

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Notes to the Consolidated Financial Statements

19- **General and Administrative Expenses**

This item consists of :

	<u>2006</u>	<u>2005</u>
	JD	JD
Salaries, wages and Remunerations	253,215	28,720
Stationary & printing	15,390	1,090
Fees & taxes	56,191	5,862
Postage , telephone and telex	25,551	1,492
Professional fees	14,214	4,950
Rents	17,507	8,883
Water and electricity	9,542	521
Entertainment	1,498	749
Depreciation	98,414	3,678
Advertising	173,496	1,851
Insurance	8,006	1,902
Company's share of social security	25,310	2,242
Others	31,125	4,145
Consultations	57,370	-
Issuing expenses	52,509	-
Capital increase expenses	72,294	-
B.O.D Transportations	49,110	-
Commissions	6,370	-
Valuations expenses	2,575	-
Donations	1,000	-
Engineering consultancy	8,372	-
Curruncies	7,264	-
Cars Expenses	4,809	-
Benalties	3,294	-
Investor Protection fund	111,656	-
Amortization of broking	53,198	-
Establishment expenses	42,782	-
Remunerations	106,047	-
Stamp expenses	20,460	-
Total	<u>1,328,569</u>	<u>66,085</u>

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

20- **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 .

21- **Related parties**

There is purchasing of lands between the company and related parties amounted to JD 3,538,832 .

13- **Comparative Figures**

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