

**ARAB REAL ESTATE DEVELOPMENT COMPANY**  
**(ARAB CORP).**

**PUBLIC SHAREHOLDING COMPANY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2007**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
ARAB REAL ESTATE DEVELOPMENT COMPANY (ARAB CORP) .  
AMMAN - JORDAN**

We have audited the accompanying consolidated financial statements of **ARAB REAL ESTATE DEVELOPMENT COMPANY (PUBLIC SHAREHOLDING COMPANY)**, which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements as of 31 December 2006 were audited by another auditor whose report dated 23 January 2007 expressed an unqualified opinion on those statements.

We did not audit the financial statements of the Company's subsidiaries, which reflect total assets and revenues of 9.5 % and 1.5%, respectively, of the Company as of 31 December 2007. Those financial statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Emphasis Of Matter**

As disclosed in note (6) to the consolidated financial statements, investment properties as of 31 December 2007 include plots of land with a book value of JD 18,817,470 that are not registered in the name of the Company. The Company has irrevocable power of attorney in favour of some of the board members.

Amman – Jordan  
6 March 2008

**ARAB REAL ESTATE DEVELOPMENT COMPANY (ARAB CORP)**  
**PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED BALANCE SHEET**  
**AT 31 DECEMBER 2007**

| <u>ASSETS</u><br><u>2006</u>                               | <u>Notes</u> | <u>2007</u>       |                                |
|------------------------------------------------------------|--------------|-------------------|--------------------------------|
|                                                            |              | JD                | JD<br>(Restated)<br>( Note 2 ) |
| <b>Non – current assets</b>                                |              |                   |                                |
| Property and equipment                                     | 4            | 195,078           | 923,432                        |
| Projects in progress                                       |              | 478,157           | 53,875                         |
| Investments in associates                                  | 5            | 142,207           | 3,745,631                      |
| Investment properties                                      | 6            | 26,045,703        | 12,834,360                     |
| Goodwill                                                   | 3            | -                 | 2,047,575                      |
| Intangible assets                                          |              | -                 | 150,000                        |
| Available for sale investments                             | 7            | 25,449,277        | -                              |
| Checks under collection                                    |              | 345,548           | -                              |
| Payments on account of investments                         | 8            | 12,631,797        | 16,275,000                     |
| Due from related parties                                   | 9            | 1,502,591         | -                              |
|                                                            |              | <u>66,790,358</u> | <u>36,029,873</u>              |
| <b>Current assets</b>                                      |              |                   |                                |
| Accounts receivable                                        | 10           | 49,711            | 12,359,717                     |
| Other current assets                                       | 11           | 34,247            | 2,380,221                      |
| Buildings under construction                               | 12           | 1,741,004         | -                              |
| Due from related parties                                   | 25           | 17,721            | -                              |
| Checks under collections                                   |              | 3,048,502         | 2,829,815                      |
| Trading Investments                                        | 13           | 4,783,480         | 17,627,402                     |
| Bank balances and cash                                     | 14           | 1,256,026         | 192,426                        |
|                                                            |              | <u>10,930,691</u> | <u>35,389,581</u>              |
| <b>TOTAL ASSETS</b>                                        |              | <u>77,721,049</u> | <u>71,419,454</u>              |
| <b><u>EQUITY AND LIABILITIES</u></b>                       |              |                   |                                |
| <b>Equity attributable to equity holders of the parent</b> |              |                   |                                |
| Paid in capital                                            | 15           | 25,000,000        | 20,000,000                     |
| Additional paid in capital                                 | 15           | 7,500,000         | 5,000,000                      |
| Treasury Shares                                            |              | -                 | ( 166,197)                     |
| Statutory reserve                                          | 16           | 803,426           | 267,363                        |
| Voluntary reserve                                          |              | 26,404            | 26,404                         |
| Fair value reserve                                         |              | ( 3,306,579)      | -                              |
| Retained earnings (accumulated losses)                     |              | <u>2,229,979</u>  | <u>( 2,385,199)</u>            |
|                                                            |              | 32,253,230        | 22,742,371                     |
| <b>Minority interests</b>                                  |              | <u>15,580</u>     | <u>-</u>                       |
| <b>Total equity</b>                                        |              | <u>32,268,810</u> | <u>22,742,371</u>              |
| <b>Non - current liabilities</b>                           |              |                   |                                |
| Post dated checks                                          |              | 862,387           | -                              |
| Long term loans                                            | 17           | 14,537,980        | 4,059,384                      |
|                                                            |              | <u>15,400,367</u> | <u>4,059,384</u>               |
| <b>Current liabilities</b>                                 |              |                   |                                |
| Advance for capital increase                               |              | -                 | 4,500,000                      |
| Accounts payable and other current liabilities             | 18           | 4,071,976         | 4,609,224                      |
| Post dated checks                                          |              | 565,836           | 13,775,000                     |
| Notes payable                                              | 19           | 13,500,000        | -                              |
| Due to banks                                               |              | 106,099           | 14,488,502                     |
| Current portion of long term loans                         | 17           | 9,584,783         | 5,257,661                      |
| Unearned revenues                                          |              | 96,035            | 487,312                        |
| Due to related parties                                     | 25           | 2,127,143         | 1,500,000                      |
|                                                            |              | <u>30,051,872</u> | <u>44,617,699</u>              |
| <b>Total liabilities</b>                                   |              | <u>45,452,239</u> | <u>48,677,083</u>              |
| <b>TOTAL EQUITY AND LIABILITIES</b>                        |              | <u>77,721,049</u> | <u>71,419,454</u>              |

The attached notes 1 to 30 form part of these consolidated financial statements

**ARAB REAL ESTATE DEVELOPMENT COMPANY (ARAB CORP).**  
**PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

|                                                                         | Notes | 2007<br>JD          | 2006<br>JD<br>(Restated)<br>( Note 2 ) |
|-------------------------------------------------------------------------|-------|---------------------|----------------------------------------|
| <b>Continuing operations</b>                                            |       |                     |                                        |
| <b>Revenues-</b>                                                        |       |                     |                                        |
| Net gain from sale of land                                              |       | 7,511,818           | 1,384,569                              |
| Unrealized gain (loss) from trading investments                         |       | 117,040             | ( 1,132,984)                           |
| Gain (loss) on sale of investment                                       |       | 676,084             | ( 800,630)                             |
| Interest revenues                                                       |       | 19,626              | 55,420                                 |
| Dividends revenue                                                       |       | 900,000             | -                                      |
| Projects revenues                                                       |       | 137,413             | -                                      |
| Share of loss of associates                                             | 5     | ( 122,961)          | ( 156,125)                             |
| Others                                                                  |       | 508                 | 60,662                                 |
| <b>Net revenues</b>                                                     |       | <u>9,239,528</u>    | <u>( 589,088)</u>                      |
| <b>Expenses-</b>                                                        |       |                     |                                        |
| Administrative expenses                                                 | 21    | ( 636,859)          | ( 329,745)                             |
| Commission on sales and purchases of trading investments                |       | ( 59,094)           | -                                      |
| Depreciation                                                            |       | ( 30,226)           | ( 5,798)                               |
| Provision for doubtful debts                                            |       | -                   | ( 26,357)                              |
| Finance costs                                                           |       | ( 3,217,261)        | ( 838,428)                             |
| Projects expenses                                                       |       | ( 72,453)           | -                                      |
| Jordanian Universities' fees                                            |       | ( 53,606)           | ( 17,938)                              |
| Scientific research support fees                                        |       | ( 53,606)           | ( 17,938)                              |
| Technical and vocational education and training support fund fees       |       | ( 46,618)           | -                                      |
| Board of Directors' remuneration                                        |       | ( 55,561)           | ( 55,000)                              |
| <b>Total Expenses</b>                                                   |       | <u>( 4,225,284)</u> | <u>( 1,291,204)</u>                    |
| <b>Profit (loss) for the year from continuing operations before tax</b> |       | 5,014,244           | ( 1,880,292)                           |
| Income tax                                                              | 22    | -                   | ( 5,000)                               |
| <b>Profit (loss) form continuing operations</b>                         |       | 5,014,244           | ( 1,885,292)                           |
| <b>Discontinued operations</b>                                          |       |                     |                                        |
| Profit (loss) after tax for the year from a discontinued operation      | 20    | 111,577             | ( 659,152)                             |
| <b>Profit (Loss) for the year</b>                                       |       | <u>5,125,821</u>    | <u>( 2,544,444)</u>                    |
| Attributable to:                                                        |       |                     |                                        |
| Equity holders of the parent                                            |       | 5,151,241           | ( 2,544,444)                           |
| Minority interests                                                      |       | ( 25,420)           | -                                      |
|                                                                         |       | <u>5,125,821</u>    | <u>( 2,544,444)</u>                    |
|                                                                         |       | <u>JD/Fils</u>      | <u>JD/Fils</u>                         |
| Basic and diluted earnings per share                                    | 23    | <u>0/234</u>        | <u>( 0/372)</u>                        |
| Basic and diluted earnings per share from continuing operations         | 23    | <u>0/229</u>        | <u>( 0/276)</u>                        |

The attached notes 1 to 30 form part of these consolidated financial statements

**ARAB REAL ESTATE DEVELOPMENT COMPANY (ARAB CORP)**  
**PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

|                                                                               | Attributable to equity holders of the parent |                        |                          |                            |                            |                             | Retained earning<br>(Accumulated losses) |                  |                   | Minority<br>interests<br>JD | Total equity<br>JD |
|-------------------------------------------------------------------------------|----------------------------------------------|------------------------|--------------------------|----------------------------|----------------------------|-----------------------------|------------------------------------------|------------------|-------------------|-----------------------------|--------------------|
|                                                                               | Paid in<br>capital<br>JD                     | Share<br>premium<br>JD | Treasury<br>Shares<br>JD | Statutory<br>reserve<br>JD | Voluntary<br>reserve<br>JD | Fair value<br>reserve<br>JD | Realized<br>JD                           | Unrealized<br>JD | Total<br>JD       |                             |                    |
| <b>Balance as of<br/>1 January 2007</b>                                       | 20,000,000                                   | 5,000,000              | ( 166,197)               | 267,363                    | 26,404                     | -                           | (2,385,199)                              | -                | 22,742,371        | -                           | 22,742,371         |
| Change in fair value                                                          | -                                            | -                      | -                        | -                          | -                          | (3,306,579)                 | -                                        | -                | ( 3,306,579)      | -                           | (3,306,579)        |
| Total income<br>and expenses for the<br>year recognized directly<br>in equity | -                                            | -                      | -                        | -                          | -                          | (3,306,579)                 | -                                        | -                | (3,306,579)       | -                           | (3,306,579)        |
| Profit for the year                                                           | -                                            | -                      | -                        | -                          | -                          | -                           | 5,034,201                                | 117,040          | 5,151,241         | ( 25,420)                   | 5,125,821          |
| Total income and expenses<br>for the year                                     | -                                            | -                      | -                        | -                          | -                          | (3,306,579)                 | 5,034,201                                | 117,040          | 1,844,662         | ( 25,420)                   | 1,819,242          |
| Minority interest                                                             | -                                            | -                      | -                        | -                          | -                          | -                           | -                                        | -                | -                 | 41,000                      | 41,000             |
| Treasury Shares                                                               | -                                            | -                      | 166,197                  | -                          | -                          | -                           | -                                        | -                | 166,197           | -                           | 166,197            |
| Transfers                                                                     | -                                            | -                      | -                        | 536,063                    | -                          | -                           | ( 536,063)                               | -                | -                 | -                           | -                  |
| Increase in<br>capital (Note 15)                                              | <u>5,000,000</u>                             | <u>2,500,000</u>       | -                        | -                          | -                          | -                           | -                                        | -                | <u>7,500,000</u>  | -                           | <u>7,500,000</u>   |
| <b>Balance as of<br/>31 December 2007</b>                                     | <u>25,000,000</u>                            | <u>7,500,000</u>       | <u>-</u>                 | <u>803,426</u>             | <u>26,404</u>              | <u>( 3,306,579)</u>         | <u>2,112,939</u>                         | <u>117,040</u>   | <u>32,253,230</u> | <u>15,580</u>               | <u>32,268,810</u>  |
| <b>Balance as of<br/>January 1, 2006</b>                                      | 3,667,067                                    | -                      | -                        | 87,983                     | 26,404                     | -                           | 338,625                                  | -                | 4,120,079         | -                           | 4,120,079          |
| Loss for the year                                                             | -                                            | -                      | -                        | -                          | -                          | -                           | (2,544,444)                              | -                | (2,544,444)       | -                           | (2,544,444)        |
| Treasury shares                                                               | -                                            | -                      | (166,197)                | -                          | -                          | -                           | -                                        | -                | (166,197)         | -                           | (166,197)          |
| Transfers                                                                     | -                                            | -                      | -                        | 179,380                    | -                          | -                           | (179,380)                                | -                | -                 | -                           | -                  |
| Increase in capital                                                           | <u>16,332,933</u>                            | <u>5,000,000</u>       | -                        | -                          | -                          | -                           | -                                        | -                | <u>21,332,933</u> | -                           | <u>21,332,933</u>  |
| <b>Balance as of<br/>31 December 2006</b>                                     | <u>20,000,000</u>                            | <u>5,000,000</u>       | <u>(166,197)</u>         | <u>267,363</u>             | <u>26,404</u>              | <u>-</u>                    | <u>(2,385,199)</u>                       | <u>-</u>         | <u>22,742,371</u> | <u>-</u>                    | <u>22,742,371</u>  |

The attached notes 1 to 30 form part of these consolidated financial statements

**ARAB REAL ESTATE DEVELOPMENT COMPANY (ARAB CORP)  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

|                                                                     | Notes | 2007<br>JD          | 2006<br>JD<br>(Restated)<br>( Note 2 ) |
|---------------------------------------------------------------------|-------|---------------------|----------------------------------------|
| <b><u>OPERATING ACTIVITIES</u></b>                                  |       |                     |                                        |
| Profit (loss) for the year from continuing operations before tax    |       | 5,014,244           | ( 1,880,292)                           |
| Profit (loss) for the year from a discontinued operation before tax |       | 206,424             | ( 239,829)                             |
| Adjustments for:                                                    |       |                     |                                        |
| Net gain from sale of land                                          |       | ( 7,511,818)        | ( 1,384,569)                           |
| Unrealized (gain) loss from trading investments                     |       | ( 117,040)          | 1,132,984                              |
| Share of loss of an associate                                       |       | 122,961             | 156,125                                |
| Provision for doubtful debts                                        |       | -                   | 26,357                                 |
| Gain on disposal of property and equipment                          |       | ( 508)              | -                                      |
| Depreciation from continuing operations                             |       | 30,226              | 5,798                                  |
| (Profit) loss from a discontinued operation                         |       | ( 206,424)          | 239,829                                |
| <b>Working Capital Changes:</b>                                     |       |                     |                                        |
| Accounts receivable                                                 |       | 152,837             | ( 221,424)                             |
| Checks under collection                                             |       | ( 564,235)          | ( 2,829,815)                           |
| Other current assets                                                |       | ( 28,207)           | ( 1,164)                               |
| Trading investments                                                 |       | 1,839,280           | ( 7,638,704)                           |
| Accounts payable and other current liabilities                      |       | 4,545,570           | ( 502,340)                             |
| Unearned revenues                                                   |       | ( 391,277)          | 487,312                                |
| Post dated checks                                                   |       | (12,346,777)        | 13,775,000                             |
| Due to related parties                                              |       | ( 1,392,024)        | 1,500,000                              |
| <b>Net cash flows (used in) from operating activities</b>           |       | <u>(10,646,768)</u> | <u>2,625,268</u>                       |
| <b><u>INVESTING ACTIVITIES</u></b>                                  |       |                     |                                        |
| Projects in progress                                                |       | 28,487              | ( 53,875)                              |
| Purchase of investment properties                                   |       | (20,541,874)        | (18,888,741)                           |
| Purchase of property and equipment                                  |       | ( 166,352)          | ( 60,690)                              |
| Buildings under construction                                        |       | (1,741,004)         | -                                      |
| Proceed from sales of property and equipment                        |       | 2,720               | 3,672                                  |
| Payments on account of investments                                  |       | ( 1,218,812)        | (16,275,000)                           |
| Purchase of available for sale investments                          |       | ( 8,735,225)        | -                                      |
| Investment in an associate                                          |       | ( 265,168)          | ( 3,901,756)                           |
| Proceeds from sale of investment properties                         |       | 14,389,580          | 8,362,726                              |
| Due from related parties                                            |       | ( 1,520,312)        | -                                      |
| Acquisition of a subsidiary, net of cash acquired                   | 3     | -                   | ( 6,160,560)                           |
| <b>Net cash flows used in investing activities</b>                  |       | <u>(19,767,960)</u> | <u>(36,974,224)</u>                    |
| <b><u>FINANCING ACTIVITIES</u></b>                                  |       |                     |                                        |
| Increase in capital                                                 |       | 500,000             | 13,432,933                             |
| Additional paid in capital                                          |       | 2,500,000           | 2,100,000                              |
| Advances for capital increase                                       |       | -                   | 4,500,000                              |
| Due to related parties                                              |       | 2,019,167           | -                                      |
| Due to banks                                                        |       | ( 1,887,557)        | 1,993,656                              |
| Long term loans                                                     |       | 14,805,718          | 9,317,045                              |
| Notes payable                                                       |       | 13,500,000          | -                                      |
| Minority interests                                                  |       | 41,000              | -                                      |
| <b>Net cash flows from financing activities</b>                     |       | <u>31,478,328</u>   | <u>31,343,634</u>                      |
| <b>Net increase(decrease) in cash and cash equivalents</b>          |       | 1,063,600           | ( 3,005,322)                           |
| Cash and cash equivalents at the beginning of the year              |       | 192,426             | 3,197,748                              |
| <b>Cash and cash equivalents at the end of the year</b>             |       | <u>1,256,026</u>    | <u>192,426</u>                         |

The attached notes 1 to 30 form part of these consolidated financial statements

**ARAB REAL ESTATE DEVELOPMENT COMPANY (ARAB CORP)**  
**PUBLIC SHAREHOLDING COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

---

**(1) GENERAL**

Arab Real Estate Development Company (Arab Group) was established on 28 September 1995 with a share capital of JD 3,667,067 divided into 3,667,067 shares at JD 1 per share. The Company increased its shares capital during 2006 to JD 20,000,000. The General Assembly resolved in its meeting held during 2007 to increase the Company's authorized capital to JD 40,000,000. During 2007 the Company's share capital was increased by JD 5,000,000 to JD 25,000,000 divided into 25,000,000 shares at JD 1 per share.

The principle activities of the Company are to invest in real estate projects inside and outside Jordan, and to invest in shares, bonds, financial instruments, and in any other companies or projects.

The financial statements were approved by the Company's Board of Directors in their meeting held on 6 March 2008. The financial statements require the approval of the General Assembly.

**(2-1) BASIS OF PREPARATION**

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards.

The consolidated financial statements are prepared under the historical cost convention, modified to included measurement at fair value of available for sale and trading investments.

The consolidated financial statements are presented in Jordanian Dinars.

**(2-2) BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of Arab Real Estate Development Company and the following subsidiaries as at 31 December 2007:

| <u>Country</u>                          | <u>Principal Activities</u> | <u>Ownership Interest</u> |
|-----------------------------------------|-----------------------------|---------------------------|
| Al Monshaat for Real Estate Investments | Real Estate                 | 80 %                      |
| Amlak for Contracting.                  | Construction                | 65 %                      |
| Al Qarra for Real Estate Development    | Real Estate                 | 100 %                     |
| Al Onwan for Real Estate Development    | Real Estate                 | 100 %                     |

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

### **(2-3) CHANGES IN ACCOUNTING POLICIES**

The accounting policies are consistent with those used in the previous year except that:

1. The Company has adopted the following new and amended International Financial Reporting Standards and IFRIC interpretations effective 1 January 2007. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Company. They did, however, give rise to additional disclosures.

#### **Amendments to IAS 1 – Capital Disclosures**

This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives policies and processes for managing capital.

#### **IFRS 7- Financial Instruments: Disclosures**

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments.

#### **IFRIC Interpretation 8 - Scope of IFRS 2**

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods or services received, in particular where equity instruments are issued for consideration which appears to be less than fair value.

#### **IFRIC Interpretation 9 - Reassessment of Embedded Derivatives**

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Company has no embedded derivatives requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Company.

#### **IFRIC Interpretation 10 - Interim Financial Reporting and Impairment**

IFRIC Interpretation 10 requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Company had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Company.

2. Effective 1 January 2007, the Company applied the instructions of the Jordanian Security Exchange Commission which requires using the cost method when applying international accounting standard 40 "Investments Properties". Accordingly, the Company restated the consolidated financial statements for the year ended 31 December 2006 in accordance with international accounting standard 8 as follows:

|                                   | <u>2006</u><br>JD                                         |
|-----------------------------------|-----------------------------------------------------------|
| <b>Balance Sheet</b>              |                                                           |
| Decrease in investment properties | (4,277,150)                                               |
| Decrease in retained earnings     | (4,277,150)                                               |
|                                   | For the year<br>ended in<br><u>31 December 2006</u><br>JD |
| <b>Income Statement</b>           |                                                           |
| Decrease in profit for the year   | (4,277,150)                                               |

Had the investment properties been measured at fair value as of 31 December 2007, the profit for the year would have increased by JD 11,394,266.

#### **(2-4) USE OF ESTIMATES**

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions and in particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

#### **(2-5) SIGNIFICANT ACCOUNTING POLICIES**

##### **Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets using annual percentages ranging between 9% to 20%.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

### **Investments in associates**

The Company's investment in its associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The consolidated income statement reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and disclose this, when applicable, in the consolidated statement of changes in equity. Profit and losses resulting from transactions between the Group and the associate are eliminated to the extent of interest in the associate.

### **Investments properties**

Investment properties represent land held for capital appreciation

Investments properties are measured initially at cost including transaction costs.

### **Available for sale investments**

These are initially recognized at cost, being the fair value of consideration given including directly attributable transaction costs and subsequently re-measured at fair value. Fair value changes are reported as a separate component of equity until the investment is derecognized or the investment is determined to be impaired. On derecognizing or impairment the cumulative gain or loss previously reported as "cumulative change in fair value" within the equity, is included in the consolidated income statement.

In case the fair value of an investment cannot be reliably measured, it is stated at cost and any impairment in the value is recorded in the consolidated income statement.

### **Trading Investments**

These are initially recognized at cost and subsequently re-measured at fair value. All related realized and unrealized gains or losses are recognized in the consolidated income statement.

Dividends is recognized in the consolidated income statement when the right to receive payment is established.

## **Fair value**

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

## **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank balances and short term deposits with an original maturity of three months or less.

## **Borrowings**

All loans and borrowings are initially recognized at the fair value of the consideration received.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Interest on borrowings is recorded in the consolidated income statement.

## **Accounts payable and accruals**

Liabilities are recognized 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 a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be measured reliably.

## **Revenue recognition**

Revenue from sale of land is recognized when the significant risks and rewards of ownership of land have passed to the buyer, usually at transfer of ownership, and the revenue can be reliably measured.

Dividends revenue is recognized when the Company's right to receive cash is established

## **Income tax**

Income tax provision was provided in accordance with Income Tax Law No. (57) of 1985 and its subsequent amendments and in accordance with IAS 12 which requires the recognition of deferred taxes resulting from the difference between the carrying amount of an asset or liability and its tax base.

## **Foreign currency transactions**

Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the consolidated balance sheet date. Foreign exchange gains or losses are taken to the consolidated income statement.

The assets and liabilities of foreign subsidiaries are translated into the Jordanian Dinars at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recorded as translation adjustment in the consolidated statement of changes in equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognized in equity relating to the particular subsidiary is recognized in the consolidated income statement.

**(3) ACQUISITION OF A SUBSIDIARY**

During 2006, the Company acquired 100% of the voting shares of Osool Investment and Financial Services Company.

|                                                               | <u>JD</u>         |
|---------------------------------------------------------------|-------------------|
| Net assets of Osool Investment and Financial Services Company | 10,000,000        |
| Goodwill arising on acquisition                               | <u>2,047,575</u>  |
| Acquisition Cost                                              | <u>12,047,575</u> |

The acquisition cost of Osool Investment and Financial Services Company amounted to JD 12,047,575 as follows:

|                                                                                               | <u>JD</u>          |
|-----------------------------------------------------------------------------------------------|--------------------|
| Issuing 2,900,000 share in Arab Real Estate Development Company (Arab Corp) at JD 2 per share | 5,800,000          |
| Cash increase in capital of Osool Investment and Financial Services Company                   | 5,000,000          |
| Cash Paid                                                                                     | 1,200,000          |
| Costs attributed to the acquisition                                                           | <u>47,575</u>      |
|                                                                                               | <u>12,047,575</u>  |
| Cash outflow on acquisition:                                                                  | <u>JD</u>          |
| Cash paid                                                                                     | (6,247,575)        |
| Net cash acquired with the subsidiary                                                         | <u>87,015</u>      |
| Net cash outflow                                                                              | <u>(6,160,560)</u> |

**(4) PROPERTY AND EQUIPMENT**

|                              | <u>Land</u>      | <u>Buildings</u> | <u>Furniture</u> | <u>Office<br/>equipment</u> | <u>Computers</u> | <u>Vehicles</u> | <u>Tools</u>  | <u>Total</u>     |
|------------------------------|------------------|------------------|------------------|-----------------------------|------------------|-----------------|---------------|------------------|
| 2007 -                       | JD               | JD               | JD               | JD                          | JD               | JD              | JD            | JD               |
| <b>Cost -</b>                |                  |                  |                  |                             |                  |                 |               |                  |
| Balance at 1<br>January 2007 | 219,000          | 418,743          | 94,671           | 165,534                     | 9,751            | 77,650          | -             | 985,349          |
| Additions                    | -                | -                | 41,263           | 8,763                       | 5,468            | 57,000          | 53,858        | 166,352          |
| Disposals                    | -                | -                | (15,652)         | -                           | -                | -               | -             | (15,652)         |
| Disposal of a<br>subsidiary  | <u>(219,000)</u> | <u>(418,743)</u> | <u>(62,377)</u>  | <u>(147,064)</u>            | <u>-</u>         | <u>(57,700)</u> | <u>-</u>      | <u>(904,884)</u> |
| At 31 December<br>2007       | <u>-</u>         | <u>-</u>         | <u>57,905</u>    | <u>27,233</u>               | <u>15,219</u>    | <u>76,950</u>   | <u>53,858</u> | <u>231,165</u>   |
| <b>Depreciation -</b>        |                  |                  |                  |                             |                  |                 |               |                  |
| Balance at 1<br>January 2007 | -                | 5,965            | 19,078           | 24,591                      | 1,636            | 10,647          | -             | 61,917           |
| Charge for the<br>year       | -                | 4,187            | 10,399           | 15,107                      | 2,546            | 12,821          | 11,533        | 56,593           |
| Disposals                    | -                | -                | (13,440)         | -                           | -                | -               | -             | (13,440)         |
| Disposal of a<br>subsidiary  | <u>-</u>         | <u>(10,152)</u>  | <u>(9,164)</u>   | <u>(36,687)</u>             | <u>-</u>         | <u>(12,980)</u> | <u>-</u>      | <u>(68,983)</u>  |
| At 31 December<br>2007       | <u>-</u>         | <u>-</u>         | <u>6,873</u>     | <u>3,011</u>                | <u>4,182</u>     | <u>10,488</u>   | <u>11,533</u> | <u>36,087</u>    |
| <b>Net book<br/>value:</b>   |                  |                  |                  |                             |                  |                 |               |                  |
| At 31 December<br>2007       | <u>-</u>         | <u>-</u>         | <u>51,032</u>    | <u>24,222</u>               | <u>11,037</u>    | <u>66,462</u>   | <u>42,325</u> | <u>195,078</u>   |

|                             | Land    | Buildings | Furniture | Office equipment | Computers | Vehicles | Tools | Total    |
|-----------------------------|---------|-----------|-----------|------------------|-----------|----------|-------|----------|
| 2006 -                      | JD      | JD        | JD        | JD               | JD        | JD       | JD    | JD       |
| <b>Cost -</b>               |         |           |           |                  |           |          |       |          |
| Balance at 1 January 2006   | -       | -         | 29,957    | 12,286           | 8,116     | -        | -     | 50,359   |
| Additions                   | -       | -         | 26,721    | 8,784            | 5,235     | 19,950   | -     | 60,690   |
| Disposals                   | -       | -         | (24,384)  | (2,600)          | (3,600)   | -        | -     | (30,584) |
| Acquisition of a subsidiary | 219,000 | 418,743   | 62,377    | 147,064          | -         | 57,700   | -     | 904,884  |
| At 31 December 2006         | 219,000 | 418,743   | 94,671    | 165,534          | 9,751     | 77,650   | -     | 985,349  |
| <b>Depreciation -</b>       |         |           |           |                  |           |          |       |          |
| Balance at 1 January 2006   | -       | -         | 32,065    | 4,164            | 4,186     | -        | -     | 40,415   |
| Charge for the year         | -       | 5,965     | 7,727     | 23,026           | 1,049     | 10,647   | -     | 48,414   |
| Disposals                   | -       | -         | (20,714)  | (2,599)          | (3,599)   | -        | -     | (26,912) |
| At 31 December 2006         | -       | 5,965     | 19,078    | 24,591           | 1,636     | 10,647   | -     | 61,917   |
| <b>Net book value:</b>      |         |           |           |                  |           |          |       |          |
| At 31 December 2006         | 219,000 | 412,778   | 75,593    | 140,943          | 8,115     | 67,003   | -     | 923,432  |

## **(5) INVESTMENTS IN ASSOCIATES**

|                            | <i>Country of incorporation</i> | <i>Ownership</i> |
|----------------------------|---------------------------------|------------------|
| Bait Al Aamal (Eqarat.Com) | Jordan                          | 25%              |
| Mayadeen for Investments   | Jordan                          | 30.5%            |

Movement on Investments in associates is as follows:

|                                | 2007<br>JD     | 2006<br>JD       |
|--------------------------------|----------------|------------------|
| Balance, beginning of the year | 3,754,631      | -                |
| Investment During the year:    |                |                  |
| Eqarat.Com                     | 204,168        | -                |
| Mayadeen for Investments       | 61,000         | -                |
| Offtec Investment Group        | -              | 3,901,756        |
| Disposal during the year *     | ( 3,754,631)   | -                |
| Share of loss for the year     | ( 122,961)     | ( 156,125)       |
| Balance, end of the year       | <u>142,207</u> | <u>3,745,631</u> |

\* During 2007, Offtec Investment Group increased its share capital to JD 42,000,000 at JD 1 per share, and accordingly, the Company's share decreased to 6.36%. The Company's investment in Offtec Investment Group was recorded as an available for sale investment at an amount of JD 3,745,631, which represents the carrying value of the investment as of the date of sale.

Following is a summary of the Company's share of the associates' assets and liabilities:

|                           | <u>2007</u><br>JD     | <u>2006</u><br>JD       |
|---------------------------|-----------------------|-------------------------|
| Non- current assets       | 194,978               | 3,558,423               |
| Current assets            | 1,575,380             | 230,459                 |
| Non – current liabilities | (1,499,353)           | -                       |
| Current liabilities       | <u>(128,798)</u>      | <u>(43,251)</u>         |
| Net assets                | <u><u>142,207</u></u> | <u><u>3,745,631</u></u> |

#### **(6) INVESTMENTS PROPERTIES**

| <b>Land-</b>                      | <u>2007</u><br>JD        | <u>2006</u><br>JD        |
|-----------------------------------|--------------------------|--------------------------|
| Balance, beginning of the year    | 12,834,360               | 923,776                  |
| Additions                         | 20,541,874               | 18,888,741               |
| Disposals                         | ( 6,877,762)             | ( 6,978,157)             |
| Transfers to projects in progress | <u>( 452,769)</u>        | <u>-</u>                 |
| Balance, end of the year          | <u><u>26,045,703</u></u> | <u><u>12,834,360</u></u> |

Investment properties as of 31 December 2007, include plots of land with a book value of JD 18,817,470 that are not registered in the name of the Company. The Company has irrevocable power of attorney in favour of some of the board members

The fair value of investment properties as of 31 December 2007 and 2006 was JD 37,439,969 and JD 17,111,510, respectively. The fair values for 2007 and 2006 were determined based on valuations performed by accredited independent valuers.

#### **(7) AVAILABLE FOR SALE INVESTMENTS**

|                                      | <u>2007</u><br>JD        | <u>2006</u><br>JD |
|--------------------------------------|--------------------------|-------------------|
| Quoted shares (Amman Stock Exchange) | 24,440,051               | -                 |
| Unquoted shares *                    | <u>1,009,226</u>         | <u>-</u>          |
|                                      | <u><u>25,449,277</u></u> | <u><u>-</u></u>   |

\* These Investments is recorded at cost as the fair value cannot be measured reliably.

**(8) PAYMENTS ON ACCOUNT OF INVESTMENTS**

|                                | <u>2007</u><br>JD | <u>2006</u><br>JD |
|--------------------------------|-------------------|-------------------|
| United Arab Investors          | -                 | 16,275,000        |
| Al Marina Tower (Dubai)        | 1,131,797         | -                 |
| Aman For Financial Investments | <u>11,500,000</u> | <u>-</u>          |
|                                | <u>12,631,797</u> | <u>16,275,000</u> |

**(9) AMOUNTS DUE FROM RELATED PARTIES**

This amount represents the cash paid to Mayadeen Investment Company, which invests in the Little Italy project in Dubai.

**(10) ACCOUNT RECEIVABLE**

|                              | <u>2007</u><br>JD | <u>2006</u><br>JD |
|------------------------------|-------------------|-------------------|
| Trade receivables            | 49,711            | 12,665,929        |
| Provision for doubtful debts | <u>-</u>          | <u>( 306,212)</u> |
|                              | <u>49,711</u>     | <u>12,359,717</u> |

As at 31 December 2006, trade receivables at nominal value of JD 306,212 were impaired. Movements in the allowance for impairment of receivables were as follows:

|                                | <u>2007</u><br>JD | <u>2006</u><br>JD |
|--------------------------------|-------------------|-------------------|
| Balance, beginning of the year | 306,212           | 3,000             |
| Charge for the year            | -                 | 303,212           |
| Amounts written off            | ( 3,000)          | -                 |
| Disposal of a subsidiary       | <u>( 303,212)</u> | <u>-</u>          |
| Balance, end of the year       | <u>-</u>          | <u>306,212</u>    |

As at 31 December, the ageing of unimpaired trade receivables is as follows

|                  | <u>Total</u> | <i>Past due but not impaired</i> |                |                 |                | <u>Over 161</u> |
|------------------|--------------|----------------------------------|----------------|-----------------|----------------|-----------------|
|                  |              | <u>1 – 30</u>                    | <u>31 – 90</u> | <u>91 – 120</u> | <u>121–160</u> |                 |
|                  | <i>days</i>  | <i>days</i>                      | <i>days</i>    | <i>days</i>     | <i>Days</i>    |                 |
|                  | <i>JD</i>    | <i>JD</i>                        | <i>JD</i>      | <i>JD</i>       | <i>JD</i>      |                 |
| 31 December 2007 | 49,711       | 289                              | 99             | -               | -              | 49,323          |
| 31 December 2006 | 12,359,717   | 116,712                          | -              | 21,349          | 4,562          | 12,217,094      |

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

#### **(11) OTHER CURRENT ASSETS**

|                               | <u>2007</u>   | <u>2006</u>      |
|-------------------------------|---------------|------------------|
|                               | <i>JD</i>     | <i>JD</i>        |
| Cash Margins                  | -             | 500,000          |
| Letters of Guarantee Margins  | -             | 70,300           |
| Reconciliation guarantee fund | -             | 438,950          |
| Transaction reconciliation    | -             | 1,345,201        |
| Employees receivable          | -             | 9,950            |
| Income tax receivable         | 2,861         | 2,607            |
| Refundable Deposits           | 6,271         | 385              |
| Prepaid expenses              | 25,115        | 3,048            |
| Others                        | -             | 9,780            |
|                               | <u>34,247</u> | <u>2,380,221</u> |

#### **(12) BUILDINGS UNDER CONSTRUCTION**

This amount represents cost of the apartment building project related to Al Monshaat for Real Estate Investments. The Company expects to complete the project and sell the apartments in 2008

#### **(13) TRADING INVESTMENTS**

This amount consists of investment in Quoted shares in Amman Stock Exchange.

#### **(14) BANK BALANCES AND CASH**

Included in bank balance are deposits with local banks in Jordanian Dinar amounting to JD 502,290 as of 31 December 2007. The deposits are short term in nature with an interest rate of 5.5% per annum.

### **(15) PAID IN CAPITAL AND ADDITIONAL PAID IN CAPITAL**

During 2007 the Company increased its capital by JD 5,000,000 through issuing 5,000,000 share at JD1 per share to a strategic partner. The difference between the issue price and par value amounting to JD 2,500,000 was recorded as additional paid in capital.

### **(16) STATUTORY RESERVE**

As required by the Jordanian Companies Law, 10% of the profit before tax is transferred to statutory reserve. This reserve is not available for distribution.

### **(17) LONG TERM LOANS**

|                                    | <u>2007</u>       |                   | <u>2006</u>       |                  |
|------------------------------------|-------------------|-------------------|-------------------|------------------|
|                                    | <u>Short term</u> | <u>Long term</u>  | <u>Short term</u> | <u>Long term</u> |
|                                    | <u>JD</u>         | <u>JD</u>         | <u>JD</u>         | <u>JD</u>        |
| Housing Bank for Trade and Finance | 3,321,062         | 8,287,980         | 2,500,000         | 1,301,994        |
| Jordan Kuwaiti Bank                | 2,000,000         | -                 | -                 | -                |
| Capital Bank                       | 3,230,980         | 3,250,000         | 2,757,661         | 2,757,390        |
| Jordan Ahli Bank                   | <u>1,032,741</u>  | <u>3,000,000</u>  | <u>-</u>          | <u>-</u>         |
|                                    | <u>9,584,783</u>  | <u>14,537,980</u> | <u>5,257,661</u>  | <u>4,059,384</u> |

#### **Housing Bank For Trade And Finance**

During March 2007, the Company obtained a loan from the Housing Bank for Trade and Finance for an amount of JD 10,000,000. The loan bears interest at 9% and is repayable in 7 semi annual instalments of JD 1,702,313, which includes principal and interest. The first instalment is due on 1 September 2008. The loan is secured by at first degree mortgage on a plot of land for an amount of JD 9,000,900 and mortgage of 500,000 share from the Company's investment in Jordanian Company For Taameer.

During June 2006, The company obtained a loan from Housing Bank for Trade and Finance for an amount of JD 5,000,000. The loan bears interest at 7.5% and is repayable in 8 quarterly instalments of JD 625,000, the first of which is due in 1 December 2006. The loan is secured by a first degree mortgage on a plot of land for an amount of JD 4,879,150.

#### **Jordan Kuwaiti Bank**

During March 2007, the Company obtained a loan from Jordan Kuwaiti Bank for an amount of JD 2,000,000. The loan bears interest at 9% and is repayable in one instalment on 1 March 2008. The loan is secured by a first degree mortgage on a plot of land for an amount of JD 1,000,000 and mortgage of 250,980 shares from the Company Investment in Arab East Investment company and 228,864 shares from the Company investment in Offtec Investment Group.

## Capital Bank

During May 2006, the Company obtained a loan from Capital Bank for an amount of JD 5,000,000. The loan bears interest at 8% and is repayable in 20 quarterly instalments of JD 250,000, the first instalment of which is due after a year from obtaining the loan. The loan is secured by a first degree mortgage on a plot of land for an amount of JD 4,000,000.

During September 2006, The company obtained a revolving loan from Capital Bank for an amount of JD 3,000,000. The loan bears interest at 9.15%, and is repayable after 6 months from the date of withdrawal of funds.

## Jordan Ahli Bank

During January 2007, the Company obtained a loan from Jordan Ahli Bank for an amount of JD 4,000,000. The loan bears interest at 9.5% and is repayable in 16 quarterly instalments of JD 250,000, the first of which is due on 31 January 2008. The loan is secured by a first degree mortgage on a plot of land for an amount of JD 4,068,000.

## **(18) ACCOUNT PAYABLE AND OTHER CURRENT LIABILITIES**

|                                                                      | <u>2007</u><br>JD | <u>2006</u><br>JD |
|----------------------------------------------------------------------|-------------------|-------------------|
| Accounts payable                                                     | 3,002,145         | 2,882,497         |
| Shareholders payable – special offering                              | 630,145           | 649,359           |
| Income tax provision                                                 | 5,000             | 424,323           |
| Other payables                                                       | -                 | 468,147           |
| Board of directors' remuneration                                     | 55,561            | 55,000            |
| Scientific research support fees                                     | 53,606            | 18,403            |
| Jordanian universities' fees                                         | 71,544            | 17,938            |
| Unearned Interest revenue                                            | 29,117            | 37,400            |
| Accrued expenses                                                     | 113,452           | 7,642             |
| Shareholders payable                                                 | -                 | 40,937            |
| Provisions                                                           | -                 | 4,411             |
| Technical and vocational education<br>and training support fund fees | 46,618            | -                 |
| Others                                                               | <u>64,788</u>     | <u>3,167</u>      |
|                                                                      | <u>4,071,976</u>  | <u>4,609,224</u>  |

## **(19) NOTES PAYABLE**

During December 2007, the Company obtained short term credit facility for an amount of JD 13,500,000. The facility bears interest at 9.1% and is repayable in one payment in June 2008. The facility is secured by a mortgage of 3,533,569 shares from the Company's investment in United Arab Investors Company.

**(20) PROFIT (LOSS) AFTER TAX FOR THE YEAR FROM A DISCONTINUED OPERATION**

|                                                                                             | <u>2007</u><br>JD                | <u>2006</u><br>JD            |
|---------------------------------------------------------------------------------------------|----------------------------------|------------------------------|
| Company's share of loss of<br>Osool for Investments and Financial Services*                 | (748,478)                        | (659,152)                    |
| Profit from disposal of the investment<br>in Osool for Investments and Financial Services** | <u>860,055</u><br><u>111,577</u> | <u>-</u><br><u>(659,152)</u> |

\* On 8 October 2007, the Company sold its 100% share in Osool for Investment and Financial Services for JD 11,500,000. The selling price was satisfied by shares in Aman for Financial Investments Company, however, the shares were not transferred to the Company as of 31 December 2007, and therefore, they were recorded as payments on account of investments in Aman for financial investment Company. In accordance with International Financial Reporting Standard (5), this activity was treated as a discontinued operation. The results of Osool for Investment and Financial Services are as follows:

|                                     | <u>For the period</u><br><u>from 1 January 2007</u><br><u>to 30 September 2007</u><br>JD | <u>2006</u><br>JD |
|-------------------------------------|------------------------------------------------------------------------------------------|-------------------|
| Revenues                            | 755,474                                                                                  | 2,033,186         |
| Expenses                            | ( 659,760)                                                                               | (1,419,949)       |
| Finance costs                       | ( 722,978)                                                                               | ( 810,450)        |
| Depreciation                        | ( 26,367)                                                                                | ( 42,616)         |
| Loss for the period/year before tax | ( 653,631)                                                                               | ( 239,829)        |
| Income tax                          | ( 94,847)                                                                                | ( 419,323)        |
| <b>Loss for the period/year</b>     | <u>( 748,478)</u>                                                                        | <u>(659,152)</u>  |

\*\* The fair value of Osool for Investment and Financial Services assets and liabilities as of 30 September 2007 are as follows:

|                     | <u>JD</u>          |
|---------------------|--------------------|
| Non- current assets | 963,561            |
| Current assets      | 15,470,683         |
| Current liabilities | <u>(7,841,874)</u> |
| Net Assets          | 8,592,370          |
| Goodwill            | <u>2,047,575</u>   |
|                     | 10,639,945         |
| Selling price       | <u>11,500,000</u>  |
| Gain on disposal    | <u>860,055</u>     |

**(21) ADMINISTRATIVE EXPENSES**

|                                    | <u>2007</u>    | <u>2006</u>    |
|------------------------------------|----------------|----------------|
|                                    | JD             | JD             |
| Salaries and related benefits      | 255,752        | 52,569         |
| Social security                    | 11,407         | 5,116          |
| Stationary                         | 4,037          | 2,528          |
| Fees and taxes                     | 36,753         | 9,205          |
| Postage, telephone and telex       | 8,826          | 4,931          |
| Professional fees                  | 26,639         | 2,900          |
| Rent                               | 48,550         | 17,507         |
| Water and electricity              | 3,650          | 3,446          |
| Hospitality expenses               | 13,451         | 1,498          |
| Advertising and marketing expenses | 30,428         | 14,516         |
| Insurance expenses                 | 5,078          | 2,901          |
| Consultancy fees                   | 32,578         | 57,370         |
| Prospectus expenses                | -              | 52,509         |
| Capital increase fees              | 79,025         | 72,294         |
| Board of directors' transportation | 61,235         | 9,287          |
| Commissions                        | -              | 6,370          |
| Valuation fees                     | 3,910          | 2,575          |
| Donations                          | 274            | 1,000          |
| Others                             | 15,266         | 11,223         |
|                                    | <u>636,859</u> | <u>329,745</u> |

**(22) INCOME TAX**

No provision for income tax was recorded for the year 2007 due to the excess of expenses over taxable profit

The Company reached a final settlement with the income tax department for the years up to 2002 and for the year 2005.

The income tax department did not review the Company's records for the years 2003, 2004 and 2006.

**(23) EARNINGS PER SHARE****Basic and diluted earnings per share**

|                                                   | <u>2007</u>       | <u>2006</u>      |
|---------------------------------------------------|-------------------|------------------|
|                                                   | JD                | JD               |
| Profit (loss) for the year (JD)                   | 5,151,241         | (2,544,444)      |
| Weighted average number of shares during the year | <u>22,013,698</u> | <u>6,833,533</u> |
| Earnings per share                                | <u>0/234</u>      | <u>(0/372)</u>   |

**Basic and diluted earnings per share  
from continuing operations**

|                                                            | <u>2007</u>       | <u>2006</u>      |
|------------------------------------------------------------|-------------------|------------------|
|                                                            | JD                | JD               |
| Profit (loss) for the year from continuing operations (JD) | 5,039,664         | (1,885,292)      |
| Weighted average number of shares during the year          | <u>22,013,698</u> | <u>6,833,533</u> |
| Earnings per share                                         | <u>0/229</u>      | <u>( 0/276)</u>  |

**(24) SEGMENTS INFORMATION**

The principle activities of the Company are to invest in real estate and shares.

|                                         | <u>Continued Operations</u> |                    |               |                                    |              |
|-----------------------------------------|-----------------------------|--------------------|---------------|------------------------------------|--------------|
|                                         | <i>Shares</i>               | <i>Real Estate</i> | <i>Others</i> | <i>Discontinued<br/>operations</i> | <i>Total</i> |
| <b>31 December 2007</b>                 | <u>JD</u>                   | <u>JD</u>          | <u>JD</u>     | <u>JD</u>                          | <u>JD</u>    |
| Net revenues                            | 1,693,124                   | 7,526,270          | 20,134        | -                                  | 9,239,528    |
| Profit from a discontinued operation    | -                           | -                  | -             | 111,577                            | 111,577      |
| <b><u>Assets and liabilities</u></b>    |                             |                    |               |                                    |              |
| Investment in associates                | -                           | 142,207            | -             | -                                  | 142,207      |
| Assets                                  | 41,732,757                  | 35,793,214         | 195,078       | -                                  | 77,721,049   |
| Liabilities                             | 16,246,153                  | 25,952,555         | 3,253,531     | -                                  | 45,452,239   |
| <b><u>Other Segment Information</u></b> |                             |                    |               |                                    |              |
| Capital expenditures                    | -                           | -                  | 166,352       | -                                  | 166,352      |
| Depreciation                            | -                           | -                  | 30,226        | -                                  | 30,226       |

|                                         | <u>Continued Operations</u> |                    |               |                                    |              |
|-----------------------------------------|-----------------------------|--------------------|---------------|------------------------------------|--------------|
|                                         | <i>Shares</i>               | <i>Real Estate</i> | <i>Others</i> | <i>Discontinued<br/>operations</i> | <i>Total</i> |
| <b>31 December 2006</b>                 | <u>JD</u>                   | <u>JD</u>          | <u>JD</u>     | <u>JD</u>                          | <u>JD</u>    |
| Net revenues                            | (1,933,614)                 | 1,228,444          | 116,082       | -                                  | (589,088)    |
| Loss from a discontinued operation      | -                           | -                  | -             | (659,152)                          | (659,152)    |
| <b><u>Assets and liabilities</u></b>    |                             |                    |               |                                    |              |
| Investment in associates                | -                           | 3,745,631          | -             | -                                  | 3,745,631    |
| Assets                                  | 55,441,774                  | 15,718,050         | 259,630       | -                                  | 71,419,454   |
| Liabilities                             | 37,801,154                  | 6,307,439          | 4,568,490     | -                                  | 48,677,083   |
| <b><u>Other Segment Information</u></b> |                             |                    |               |                                    |              |
| Capital expenditures                    | -                           | -                  | 60,690        | 904,884                            | 965,574      |
| Depreciation                            | -                           | -                  | 5,798         | -                                  | 5,798        |

## **(25) RELATED PARTY TRANSACTIONS**

These represent transactions with related parties i.e. major shareholders, associated companies, directors and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

Balances with related parties included in the consolidated balance sheet are as follows:

|                                              | <u>2007</u><br>JD | <u>2006</u><br>JD |
|----------------------------------------------|-------------------|-------------------|
| <b>Due from related parties</b>              |                   |                   |
| Mayadeen for Investment-Little Italy Project | 1,502,591         | -                 |
| Mayadeen for Investment-Other current assets | <u>17,721</u>     | <u>-</u>          |
|                                              | <u>1,520,312</u>  | <u>-</u>          |
| <b>Due to related parties</b>                |                   |                   |
| Al Bareja for Food Trading                   | 1,400,000         | 1,500,000         |
| Jordan International Food Supply Company     | 350,000           | -                 |
| Mayadeen for investments                     | 269,167           | -                 |
| Others                                       | <u>107,976</u>    | <u>-</u>          |
|                                              | <u>2,127,143</u>  | <u>1,500,000</u>  |

Transactions with related parties included in the consolidated income statement are as follows :

|                               | <u>2007</u><br>JD | <u>2006</u><br>JD |
|-------------------------------|-------------------|-------------------|
| Net revenue from sale of land | <u>294,925</u>    | <u>-</u>          |

### **Compensation of key management personnel**

The remuneration of members of key management during the year was as follows:

|                       | <u>2007</u><br>JD | <u>2006</u><br>JD |
|-----------------------|-------------------|-------------------|
| Salaries and benefits | <u>149,789</u>    | <u>32,740</u>     |

## **(26) RISK MANAGEMENT**

### **Interest rate risk**

The Company is exposed to interest rate risk on its interest bearing assets and liabilities (Deposits, due to banks, and loans).

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2007.

|             | <u>Increase/<br/>decrease in<br/>basis points</u> | <u>Effect on<br/>profit</u> |
|-------------|---------------------------------------------------|-----------------------------|
| <b>2007</b> |                                                   | JD                          |
| JD          | +70                                               | ( 273,471)                  |
| JD          | -70                                               | 273,471                     |
| <b>2006</b> |                                                   |                             |
| JD          | +115                                              | ( 273,764)                  |
| JD          | -115                                              | 237,764                     |

### **Equity price risk**

The following table demonstrates the sensitivity of the income statement and cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

|                      | <u>Change in<br/>equity<br/>price (%)</u> | <u>Effect on<br/>Profit</u> | <u>Effect on<br/>equity</u> |
|----------------------|-------------------------------------------|-----------------------------|-----------------------------|
| <b>2007</b>          |                                           | JD                          | JD                          |
| Amman Stock Exchange | 30%                                       | 1,435,044                   | 7,634,783                   |
| <b>2006</b>          |                                           |                             |                             |
| Amman Stock Exchange | 25%                                       | 1,626,430                   | -                           |

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables and with respect to banks by only dealing with reputable banks

No single customer accounts for more than 10% of outstanding accounts receivable at 31 December 2007.

### Liquidity risk

The Company limits its liquidity risk by ensuring bank facilities are available.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2007, based on contractual payment dates and current market interest rates.

| Year ended 31 December 2007                    | <i>Less than</i> | <i>3 to 12</i>    | <i>1 to 5</i>     | <i>&gt; 5 years</i> | <i>Total</i>      |
|------------------------------------------------|------------------|-------------------|-------------------|---------------------|-------------------|
|                                                | <i>3 months</i>  | <i>months</i>     | <i>years</i>      |                     |                   |
|                                                | <i>JD</i>        | <i>JD</i>         | <i>JD</i>         | <i>JD</i>           | <i>JD</i>         |
| Due to banks                                   | 66,806           | -                 | 39,293            | -                   | 106,099           |
| Account payable and other current liabilities. | 507,858          | 1,925,785         | 630,145           | 568,502             | 3,632,290         |
| Post dated checks                              | 171,319          | 394,517           | 862,387           | -                   | 1,428,223         |
| Loans                                          | 5,919,133        | 5,473,793         | 16,844,562        | -                   | 28,237,488        |
| Notes payable                                  | -                | 14,114,250        | -                 | -                   | 14,114,250        |
| <b>Total</b>                                   | <b>6,665,116</b> | <b>21,908,345</b> | <b>18,376,387</b> | <b>568,502</b>      | <b>47,518,350</b> |

  

| Year ended 31 December 2006                   | <i>Less than</i>  | <i>3 to 12</i>    | <i>1 to 5</i>    | <i>&gt; 5 years</i> | <i>Total</i>      |
|-----------------------------------------------|-------------------|-------------------|------------------|---------------------|-------------------|
|                                               | <i>3 months</i>   | <i>months</i>     | <i>years</i>     |                     |                   |
|                                               | <i>JD</i>         | <i>JD</i>         | <i>JD</i>        | <i>JD</i>           | <i>JD</i>         |
| Due to banks                                  | 1,993,657         | 12,494,845        | -                | -                   | 14,488,502        |
| Account payable and other current liabilities | 2,387             | 21,153            | 649,359          | 2,899,894           | 3,572,793         |
| Post dated checks                             | 13,775,000        | -                 | -                | -                   | 13,775,000        |
| Loans                                         | 811,341           | 5,154,184         | 4,631,880        | -                   | 10,597,405        |
| <b>Total</b>                                  | <b>16,582,385</b> | <b>17,670,182</b> | <b>5,281,239</b> | <b>2,899,894</b>    | <b>42,433,700</b> |

### Currency risk

Most of the Company's transaction are in Jordanian Dinars and accordingly, the company is not exposed to significant currency risk.

## **(27) FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of trading investments, available for sale investments, cash and bank balances, accounts receivable, due from related parties and some other current assets.

Financial liabilities consist of accounts payable, long term debt, due to related parties, and some other current liabilities.

The fair values of the financial instruments are not materially different from their carrying values.

## **(28) CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 2006. Capital comprises share capital, additional paid in capital, statutory reserve, voluntary reserve and retained earnings, and is measured at JD 35,559,809 as at 31 December 2007 (2006: JD 22,742,371).

## **(29) NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

IFRS 8 – Operating Segments

Amendments to IAS 23: Borrowing Costs

IFRIC Interpretation 11: IFRS 2 – Group and Treasury Share Transactions

IFRIC Interpretation 12: Service Concession Arrangements

IFRIC Interpretation 13: Customer Loyalty Programs

Management does not expect these standards and interpretations to have a significant impact on the Company's financial statements when implemented.

## **(30) COMPARATIVE FIGURES**

Certain 2006 figures were reclassified to correspond with the presentation of the 2007 figures. The reclassifications have no effect of the 2006 profit or equity.