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BATELCO JORDAN
(PUBLIC SHAREHOLDING COMPANY)

DRAFT FOR STUDY ONLY

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

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BALANCE SHEET

AS AT 31 DECEMBER 2007

	Note	2007 JD	2006 JD
ASSETS			
Non-current assets			
Property, plant and equipment	6	**6,773,453**	6,157,511
Intangible assets	7	**95,067**	102,797
Projects under progress	8	-	808,374
Total non-current assets		**6,868,520**	7,068,682
Current assets			
Trade and other receivables	9	**4,046,232**	3,055,553
Cash and cash equivalents	10	**336,801**	704,047
Total current assets		**4,383,033**	3,759,600
TOTAL ASSETS		**11,251,553**	10,828,282
EQUITY			
Share capital	11	**1,870,018**	6,252,150
Share discount	11	-	(1,273,686)
Statutory reserve	12	**146,288**	146,288
Losses carried forward	11	**(356,333)**	(3,108,446)
Net equity		**1,659,973**	2,016,306
LIABILITIES			
Current liabilities			
Trade and other payables	13	**9,378,049**	6,427,203
Bank overdraft	14	**181,886**	-
Loan from related party	15	**31,645**	2,384,773
Total current liabilities		**9,591,580**	8,811,976
TOTAL EQUITY AND LIABILITIES		**11,251,553**	10,828,282

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The notes on pages 7 to 34 are an integral part of these financial statements.

The financial statements on pages 3 to 34 were approved for issue by the Directors on ----------
- and were signed on their behalf by:

GENERAL MANAGER

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 JD	2006 JD
Operating revenues, net		**12,550,885**	7,491,693
Direct expenses	16	**(10,350,639)**	(5,607,028)
Sales commission		**(186,217)**	(168,796)
Gross profit		**2,014,029**	1,715,869
Selling and marketing expenses	17	**(754,291)**	(758,891)
General and administrative expenses	18	**(1,033,425)**	(1,266,863)
Other operation income		**-**	15,467
Bad debt expense		**(200,000)**	(129,227)
Depreciation		**(110,376)**	(179,018)
Operating loss		**(84,063)**	(602,663)
Finance costs	19	**(272,270)**	(123,135)
Loss for the year		**(356,333)**	(725,798)
Loss per share	20	**(0.065)**	(0.117)

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The notes on pages 7 to 34 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	CAPITAL	SHARE DISCOUNT	STATUTORY RESERVE	LOSSES CARRIED FORWARD	TOTAL
	JD	JD	JD	JD	JD
Balance at 1 January 2006	6,252,150	(1,273,686)	146,288	(2,382,648)	2,742,104
Loss for the year	-	-	-	(725,798)	(725,798)
Balance at 31 December 2006	6,252,150	(1,273,686)	146,288	(3,108,446)	2,016,306
Losses offsetting	(4,382,132)	1,273,686	-	3,108,446	-
Loss for the year	-	-	-	(356,333)	(356,333)
Balance at 31 December 2007	**1,870,018**	**-**	**146,288**	**(356,333)**	**1,659,973**

The notes on pages 7 to 34 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 JD	2006 JD
Cash flows from operating activities			
Loss for the year		**(356,333)**	(725,798)
Adjustments for:			
Depreciation and amortization	6 , 7	**1,107,158**	750,289
Gain on disposal of property, plant and equipment	6	**-**	(446)
Write-off of intangible assets	7	**-**	82,028
Provision for impairment of receivables	9	**200,000**	80,000
Provision for liabilities and charges, net		**-**	(5,213)
Finance costs		**272,270**	123,135
Changes in working capital:			
Trade and other receivables		**(1,190,679)**	(1,493,545)
Trade and other payables	13	**2,950,846**	3,136,842
Finance costs paid		**(272,270)**	(123,135)
Net cash from operating activities		**2,710,992**	1,824,157
Cash flows from investing activities			
Purchases of property, plant and equipment	6	**(906,996)**	(4,711,417)
Proceeds from sale of property, plant and equipment	6	**-**	776
Purchases of intangible assets	7	**-**	(106,661)
Net cash used in investing activities		**(906,996)**	(4,817,302)
Cash flows from financing activities			
Loan from related party	14	**(2,353,128)**	2,334,773
Net cash (used in) from financing activities		**(2,353,128)**	2,334,773
Net decrease in cash and cash equivalents		**(549,132)**	(658,372)
Cash and cash equivalents at beginning of year	10	**704,047**	1,362,419
Cash and cash equivalents at end of year	10	**154,915**	704,047

The notes on pages 7 to 34 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

1. GENERAL INFORMATION

The Company was established under the name "The First Group For Communication Co." on 21 April 1996 as a Public Shareholding Company and registered at the Ministry of Industry and Trade under registration No. (312) based on Company's Law No. (22). The Company was vested the right to operate on 18 June 1996.

On 6 December 2000 an approval was obtained for Batelco Middle East Company (BMEC) to own 51% of the Company's total capital and the name was changed to Batelco – Jordan, Public Shareholding Company. On 11 May 2003, the extraordinary general assembly of shareholders resolved to increase the capital to an amount of JD 6,252,150, increasing Batelco Middle East Company share to be 80% of the total authorized and outstanding shares.

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The registered address of the Company is P.O. Box 811912 Amman 11181 Hashemite Kingdom of Jordan.

The Company's shares are listed on the Amman Stock Market.

The Company objectives involve building, managing and marketing communication networks and digital paging networks related to banking, financial, commercial, tourism and educational activities through central and terminal equipment which links the information charge networks through linking computer networks locally and internationally.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of Batelco Jordan (Public Shareholding Company) have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Standards, amendments and interpretations effective in 2007.

- IFRS 7, Financial instruments: Disclosures, and the complementary amendment to IAS 1, Presentation of financial statements – Capital disclosures, introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments, or the disclosures relating to taxation and trade and other payables.

- IFRIC 10, Interim financial reporting and impairment, prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Standards, amendments and interpretations effective in 2007 but not relevant to the Company's operations.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Company's operations:

- IFRIC 8, Scope of IFRS 2
- IFRS 4, Insurance contracts,
- IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies; and
- IFRIC 9, Re-assessment of embedded derivatives.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

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The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company accounting periods beginning on or after 1 January 2008 or later periods, but the Company has not early adopted them:

- IAS 23 (Amendment), Borrowing costs (effective from 1 January 2009) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.
- IFRS 8, Operating segments (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.
- IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1 January 2008).
- IFRIC 11, provides guidance on share-based transactions involving treasury shares or involving group entities.
- IFRIC 12, Service concession arrangements (effective from 1 January 2008).
- IFRIC 13, Customer loyalty programs (effective from 1 July 2008).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.3 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of the Company are measured and presented in Jordanian Dinar (JD) being the currency of the primary economic environment in which the entity operates.

b) Transactions and balances

Foreign currency transactions are translated into in Jordanian Dinar using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are recognised in profit or loss as part of the fair value gain or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment

Property, plant and equipment is shown at historical cost, less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

	Useful life (years)
Networking equipment	4 – 14
Computers and softwares	4 – 8
Furniture, fixtures and decorations	8 -11
Tools, equipment and machines	4 – 10
Vehicles	6.6

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets

The acquired Telecommunications Regulatory Commission (TRC) license is shown at historical cost. The license has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the license over its estimated useful life of 15 years.

2.6 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's market value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.9 Share capital

Ordinary shares are classified as equity (Note 11).

2.10 Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.12 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of the amount can be made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Revenue recognition

Revenue represents the value of fixed or determinable consideration that has been received or is receivable and includes revenue from revenue sharing arrangements entered into with national and international telecommunication operators in respect of traffic exchanged.
Revenue for services rendered is stated at amounts invoiced to customers. Fees for installation and activation are recognised as revenue upon activation. All installation and activation costs are expensed as incurred. Monthly service provided to customer is recognised as revenue in the period in which the service is delivered. Revenue from internet services is recognised when the company has performed the related service and is recognized either at the gross amount billed to the customer or the amount receivable by the company based on the contract.
Deferred revenue comprise of the unearned contract value that will be provided to the customers during the next financial year based on the contract terms.

2.14 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.15 Employee benefits

The Company pays contributions to publicly administered pension insurance plans on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as social security expense when they are due.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

a. Market risk

(i) Foreign exchange risk

The Company operations are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. There has been no change in the rate of the foreign exchange between the US Dollar and the Jordanian Dinar during the year (US$ 1.41 = 1JD).

(ii) Cash flow and fair value interest rate risk

The company has no interest bearing assets.

The company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk.

As at 31 December 2007, the company's borrowing at variable rate relates to the overdraft obtained from HSBC Bank which is denominated in JD (Note 14).

As at 31 December 2007, the company's borrowing at fixed rate relates to the loan obtained from the related party which is denominated in USD (Note 15).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 **Financial risk factors (continued)**

b. Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, and credit exposures to customers, including outstanding receivables and committed transactions. The utilisation of credit limits is regularly monitored. Sales to customers are settled in cash or using agreed specified credit terms. The Company has policies to limit its credit risk exposure by ensuring that sales of services are made to customers with an appropriate credit history. The Company maintains its bank accounts in leading financial institution.

c. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The Company's management aims at maintaining flexibility in funding by keeping committed lines available.

Forecasted liquidity reserve per 31 December 2007 is as follows:

	2008	**2009 - 2010**
	JD	**JD**
Opening balance for the period	**154,915**	**1,008,446**
Operating proceeds	**21,365,641**	**51,231,282**
Operating cash outflows	**(20,152,509)**	**(44,215,865)**
Cash outflow for investments	**(3,489,583)**	**(6,179,165)**
Increasing the Capital of the company	**3,129,982**	**-**
Closing balance for the period	**1,008,446**	**1,844,698**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 **Financial risk factors (continued)**

c. Liquidity risk (continued)

The table below analyses the Company's financial liabilities into relevant groupings based on the remaining period at the balance sheet date to the contracted maturity date.

	Less than 1 year JD	Between 1 and 2 years JD
31 December 2007		
Trade and other payables	**9,378,049**	-
Bank overdraft	**181,886**	-
Loan from related party	**31,645**	-
31 December 2006		
Trade and other payables	6,427,203	-
Loan from related party	2,384,773	-

3.2 **Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern (Note 4) in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital by monitoring the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bank overdraft, loan from related party and trade and other payables, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (continued)

Gearing ratios at 31 December 2007 and 2006 were as follows:

	2007 JD	2006 JD
Total borrowings	9,591,580	8,811,976
Less: cash and cash equivalents	(336,801)	(704,047)
Net debt	9,254,779	8,107,929
Total equity	1,659,973	2,016,306
Total capital	10,914,752	10,124,235
Gearing ratio	85%	80%

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3.3 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. As at 31 December 2007, the company's liabilities are short-term liabilities and the carrying value approximate their fair value.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

a) Provision for impairment of trade receivables

The Company establishes a provision for impairment of trade receivables, in accordance with the accounting policy stated in Note 2.8. The recoverable amount of the trade receivables is compared to the carrying amount of the receivables to determine the amount of impairment. The company recognized an amount of JD 200,000 during the year 2007 to increase the provision for impairment of trade receivable to be JD 400,000 (Note 9)

b) Going concern

As at 31 December 2007, the Company's current liabilities exceeds current assets by JD 5,208,547. Management believes it is appropriate for the financial statements to be prepared on the going concern basis because of the continuing financial support which is being provided by the majority shareholders and the plan of restructure the Company to improve its financial position.

The plan of the Company's management to manage the excess of current liabilities over the current assets comprise of the following:

1. Increasing the Company's capital to JD 5,000,000 (Note 11). As per the management, the capital increase is expected to be finalized during April 2008.

2. The management of Batelco Jordan agreed with Batelco Middle East to schedule the amounts due to Batelco Middle East amounting to JD 3,977,505 to be paid in full by the end of 2008. The agreement states that a monthly payment should be made to Batelco Middle East until the full amount is paid.

3. The management of the Company introduced a new plan to increase the cash inflows resulted from operations. The management of the Company is expecting profits during 2008 which is based on the management business plan for 2008.

5. **SEGMENTAL INFORMATION**

a. Primary reporting format – business segments

The Company is organized to provide three main line of services:

- Voice and interconnection services
- Broadband services
- Management Data Services (MDS)

Other Company's services mainly comprise of the sale of internet related services and voice services.

The segment results for the year ended 31 December 2007 are as follows:

	Voice and interconnection services	Broadband services	Management, Data Services (MDS)	Others	Unallocated	Total
	JD	JD	JD	JD	JD	JD
Operating revenue	6,465,707	4,217,398	1,601,349	266,431	-	12,550,885
Operating expense	(6,302,430)	(2,609,699)	(1,147,588)	(290,922)	-	(10,350,639)
Sales commission	(3,724)	(145,249)	(24,208)	(13,036)	-	(186,217)
Gross profit (loss)	**159,553**	**1,462,450**	**429,553**	**(37,527)**	-	**2,014,029**
Selling and marketing expenses	-	(284,845)	-	-	(469,446)	(754,291)
General and administrative expenses	-	-	-	-	(1,033,425)	(1,033,425)
Bad debts	-	(200,000)	-	-	-	(200,000)
Depreciation	-	-	-	-	(110,376)	(110,376)
Operating results	**159,553**	**977,605**	**429,553**	**(37,527)**	**(1,613,247)**	**(84,063)**
Financing costs	-	-	-	-	-	(272,270)
Loss for the year						**(356,333)**

5. **SEGMENTAL INFORMATION (CONTINUED)**

a. Primary reporting format – business segments (continued)

The segment results for the year ended 31 December 2006 are as follows

	Voice and interconnection services	Broadband services	Management, Data Services (MDS)	Others	Unallocated	Total
	JD	JD	JD	JD	JD	JD
Operating revenue	1,846,375	3,672,561	1,445,254	527,503	-	7,491,693
Operating expense	(2,053,146)	(2,269,127)	(1,048,806)	(235,949)	-	(5,607,028)
Sales commission	(11,816)	(126,597)	(16,880)	(13,503)	-	(168,796)
Gross (loss) profit	**(218,587)**	**1,276,837**	**379,568**	**278,051**	**-**	**1,715,869**
Selling and marketing expenses	-	(388,148)	-	-	(370,743)	(758,891)
General and administrative expenses	-	-	-	-	(1,266,863)	(1,266,863)
Other operating income					15,467	15,467
Bad debts	-	(129,227)	-	-	-	(129,227)
Depreciation	-	-	-	-	(179,018)	(179,018)
Operating results	**(218,587)**	**759,462**	**379,568**	**278,051**	**(1,801,157)**	**(602,663)**
Financing costs	-	-	-	-	-	(123,135)
Loss for the year						**(725,798)**

5. SEGMENTAL INFORMATION (CONTINUED)

b. Secondary reporting format – geographical segments

The Company's revenue is generated as follows:

	2007 JD	2006 JD
Revenue		
Jordan	**11,846,766**	**7,416,739**
Bahrain	**397,703**	**74,954**
USA	**217,726**	**-**
Palestine	**88,690**	**-**
	12,550,885	7,491,693

All assets and liabilities are allocated in Jordan.

6. **PROPERTY, PLANT AND EQUIPMENT, NET**

	Networking equipment	Computers & softwares	Furniture, fixtures & decorations	Tools, equipment & machines	Vehicles	Total
	JD	JD	JD	JD	JD	JD
Cost						
At 1 January 2006	1,485,584	1,552,878	426,404	591,386	121,283	4,177,535
Additions	229,787	248,919	75,902	20,497	-	575,105
Transfers from projects in progress (Note 8)	4,038,262	763,424	85,600	6,008	-	4,893,294
Disposals	(1,320)	-	-	-	-	(1,320)
At 31 December 2006	5,752,313	2,565,221	587,906	617,891	121,283	9,644,614
Additions	835,924	47,728	2,375	20,969	-	906,996
Transfers	808,374	-	-	-	-	808,374
At 31 December 2007	**7,396,611**	**2,612,949**	**590,281**	**638,860**	**121,283**	**11,359,984**
Accumulated depreciation						
At 1 January 2006	987,448	1,039,291	195,883	492,832	26,214	2,741,668
Deprecation charges	403,500	249,799	51,835	23,310	17,981	746,425
Disposals	(990)	-	-	-	-	(990)
At 31 December 2006	1,389,958	1,289,090	247,718	516,142	44,195	3,487,103
Deprecation charges	678,673	318,109	61,284	25,077	16,285	1,099,428
At 31 December 2007	**2,068,631**	**1,607,199**	**309,002**	**541,219**	**60,480**	**4,586,531**
Net book value						
At 31 December 2007	**5,327,980**	**1,005,750**	**281,279**	**97,641**	**60,803**	**6,773,453**
At 31 December 2006	4,362,355	1,276,131	340,188	101,749	77,088	6,157,511

7. **INTANGIBLE ASSETS**

	Paging networks unit JD	AT&T contract JD	Telephones telecom JD	Company website JD	TRC license JD	Total JD
Cost						
At 1 January 2006	25,000	41,113	149,468	1,702	-	217,283
Additions	-	-	-	-	106,661	106,661
Disposals	(25,000)	(41,113)	(149,468)	(1,702)	-	(217,283)
At 31 December 2006	-	-	-	-	106,661	106,661
At 31 December 2007	-	[illegible]	-	-	**106,661**	**106,661**
Accumulated amortization						
At 1 January 2006	23,749	33,918	73,582	1,702	-	132,951
Amortization charges	-	-	-	-	3,864	3,864
Disposals	(23,749)	(33,918)	(73,582)	(1,702)	-	(132,951)
At 31 December 2006	-	-	-	-	3,864	3,864
Amortization charges	-	-	-	-	7,730	7,730
At 31 December 2007	-	-	-	-	**11,594**	**11,594**
Net book value						
At 31 December 2007	-	-	-	-	**95,067**	**95,067**
At 31 December 2006	-	-	-	-	102,797	102,797

8. PROJECTS UNDER PROGRESS

	2007 JD	2006 JD
Opening balance	**808,374**	1,565,356
Additions	**-**	4,136,312
Transferred to equipment (Note 6)	**(808,374)**	(4,893,294)
	-	808,374

9. TRADE AND OTHER RECEIVABLES

	2007 JD	2006 JD
Trade receivables	**2,049,863**	2,235,537
Provision for impairment of trade receivables	**(400,000)**	(200,000)
Trade receivables, net	**1,649,863**	2,035,537
Receivables from related parties (Note 21)	**1,231,272**	38,226
Advances to employees	**11,819**	6,145
Guarantees	**109,762**	105,259
Accrued revenues	**836,993**	565,359
Sales tax	**113,810**	186,010
Prepayments	**66,966**	78,268
Refundable deposits	**6,102**	13,017
Prepaid cards inventory	**19,645**	27,732
	4,046,232	3,055,553

Details of gross exposure of trade debtors are:

	2007 JD	2006 JD
Neither past due nor impaired	**1,799,512**	807,813
Past due not impaired	**1,089,325**	1,330,197
Impaired	**392,298**	135,753
	3,281,135	2,273,763

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

As per the credit policy of the Company, customers are extended a credit period of up to 60 days in the normal course of business. Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2007, trade receivables of JD 1,089,325 were past due but not impaired and not provided for in the financial statements. These receivables relate to trusted customers for whom there is no recent history of default. The Company's management believes that this amount will be collected in full. The ageing analysis of this trade receivable is as follows:

	2007	2006
	JD	JD
Up to 3 months	**923,439**	1,127,631
3 to 6 months	**165,886**	202,566
	1,089,325	1,330,197

As of 31 December 2007, trade receivables of JD 392,298 (JD 135,753 for 2006) were impaired and provided for. The amount of the provision was JD 400,000 as of 31 December 2007. The ageing of these receivables is as follows:

	2007	2006
	JD	JD
Over 6 months	**392,298**	135,753

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

	2007	2006
	JD	JD
JD	**3,146,568**	2,235,537
USD	**99,665**	-
Bahrain Dinar	**34,902**	38,226
Total	**3,281,135**	2,273,763

Movements on the Company's provision for impairment of trade receivables are as follows:

	2007	2006
	JD	JD
Opening balance	**200,000**	70,773
Provision for receivables impairment	**200,000**	129,227
	400,000	200,000

The creation and release of provision for impaired receivables have been included in the income statement.

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

Counterparties without external credit rating:

	2007 JD	2006 JD
Existing customers with no default in the past	**2,582,024**	1,563,846
New customers less than 6 months	**699,111**	709,917
Total trade receivables	**3,281,135**	2,273,763

Existing customers with no default in the past are those with whom the company has dealt for more than 12 months.

There is a concentration risk with respect to trade receivables, as the largest trade receivable comprises 49% (22% for 2006) of the net outstanding trade receivable balances.

Advances to employees are presented net of provision of JD 112,512 for the year 2007 and 2006. The other classes within debtors do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable.

The Company does not hold any collateral as security.

10. CASH AND CASH EQUIVALENTS

	2007 JD	2006 JD
Cash in hand	**24,491**	7,253
Cash at bank and cheques	**312,310**	696,794
	336,801	704,047

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2007 JD	2006 JD
Cash and cash equivalents	**336,801**	704,047
Bank overdraft	**(181,886)**	-
	154,915	704,047

11. **SHARE CAPITAL AND DISCOUNT**

	Number of shares	Amount	Share discount	Total
		JD	JD	JD
At 1 January 2006	6,252,150	6,252,150	(1,273,686)	4,978,464
At 31 December 2006	6,252,150	6,252,150	(1,273,686)	4,978,464
Losses offsetting	(4,382,132)	(4,382,132)	1,273,686	(3,108,446)
At 31 December 2007	**1,870,018**	**1,870,018**	-	**1,870,018**

The Company's authorized and issued capital consists of 1,870,108 shares (2006: 6,252,150) with a par value of JD 1 each. All issued shares are fully paid.

The Company's General Assembly decided in its extraordinary meeting on 29 May 2007 to restructure the Company's capital, through reducing the issued and authorized capital from 6,252,150 (JD 1 / Share) to 1,870,018 (JD 1 / Share) in order to offset the accumulated losses amounting to JD 4,382,132 that comprised 70% of the Company's capital as of 31 December 2006, eliminate the discount on capital against theses accumulated losses and subsequently increase the issued and authorized capital to be 5,000,000 shares. As per the management, the capital increase is expected to be finalized during April 2008.

12. **STATUTORY RESERVE**

According to the Jordanian Companies Law and the Company's Articles of Association, the Company is required to appropriate 10% of its net profit before tax as a statutory reserve. This appropriation is made until the statutory reserve equals 25% of the Company's authorized capital. This reserve is not available for distribution to the shareholders.

13. TRADE AND OTHER PAYABLES

	2007	2006
	JD	JD
Amounts to related parties (Note 21)	**3,977,505**	-
Trade payables	**1,630,371**	2,741,250
Payable to employees	**4,920**	5,476
Unearned revenue	**1,569,393**	1,779,827
Accrued expenses	**2,157,190**	1,815,798
Provisions	**20,000**	63,411
Others	**18,670**	21,441
	9,378,049	6,427,203

Movements on the provisions are as follows:

	2007	2006
	JD	JD
Opening balance	**63,411**	68,624
Additions	**-**	20,000
Paid during the year	**(43,411)**	(25,213)
Ending balance	**20,000**	63,411

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14. BANK OVERDRAFT

The Company has a short term facility from a local bank with a maximum ceiling of JD 200,000 and the utilized amount of this facility as of 31 December 2007 was JD 181,886. This facility bear annual interest rates according to the premium rate interest; the interest rate on this facility was 8%.

		31 December 2007		31 December 2006	
	Rating	**Credit limit**	**Balance**	Credit limit	Balance
		JD	**JD**	JD	JD
HSBC Bank	**(-A)**	**200,000**	**(181,886)**	200,000	350,399

15. LOAN FROM RELATED PARTY

	Interest rate	2007 JD	2006 JD
Loan balance	Libor plus 2%	**31,645**	2,384,773
Interest charged		**149,697**	73,358

On 21 March 2006, the Company obtained a loan from Batelco Middle East Company (Shareholder) in the amount of JD 2,840,000 (USD 4,000,000) subject to an interest rate of Libor plus 2%.

This loan was scheduled to be repaid in full on 18 April 2007 but the Company did not pay the loan as scheduled resulting in charging the Company of penalties at the rate of 4% in the amount of JD 72,706 (2006: JD 4,463).

During 2007 the Company paid an amount of JD 2,353,128 as follows:

	JD
October 2007	**471,804**
November 2007	**1,402,069**
December 2007	**479,255**
Total	**2,353,128**

The penalties were charged on the Company based on the monthly unpaid balance of the loan.

16. DIRECT EXPENSES

	2007 JD	2006 JD
Interconnection and telecom costs	**8,902,952**	4,414,592
Depreciation	**996,782**	653,299
Salaries and wages	**388,851**	459,317
Social security	**40,082**	43,781
Health insurance	**21,972**	36,039
	10,350,639	5,607,028

17. SELLING AND MARKETING EXPENSES

	2007 JD	2006 JD
Salaries and wages	**383,376**	278,592
Advertising and promotion expenses	**284,845**	388,148
Social security	**39,855**	26,409
Others	**23,437**	42,325
Health insurance	**21,378**	20,217
Sponsorship expenses	**1,400**	3,200
	754,291	758,891

18. GENERAL AND ADMINISTRATIVE EXPENSES

	2007 JD	2006 JD
Salaries and wages	**295,218**	411,234
Administrative costs – Bahrain (Note 21)	**140,698**	70,463
Rents	**117,776**	174,315
Professional and consulting fees	**74,903**	56,102
Electricity, water and heat	**67,308**	62,010
Maintenance	**46,249**	60,222
License fees	**34,067**	24,908
Postage, telex and telephone	**33,345**	87,359
Social security	**27,119**	35,627
Travel and transportation	**25,219**	48,661
Others	**24,261**	107,477
Insurance	**22,338**	12,477
Consumables	**20,908**	7,224
Health insurance	**16,034**	11,866
Government's stamps	**15,666**	-
Fuel	**15,473**	11,463
Hospitality and entertainment	**14,312**	15,456
Newspapers and subscriptions	**13,986**	13,045
Stationery and printing materials	**13,913**	39,748
Cleaning expenses	**7,747**	17,206
Collection commissions	**6,885**	-
	1,033,425	1,266,863

19. FINANCE COSTS

	2007 JD	2006 JD
Interest on related party loan	**149,697**	73,358
Penalties	**72,706**	4,463
Interest and charges on overdraft and banks commissions	**49,867**	45,314
	272,270	123,135

20. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss of the Company for the year by the weighted average number of shares as follows:

	2007 JD	2006 JD
Loss for the year	**(356,333)**	(725,798)
Weighted average number of shares	**5,521,795**	6,252,150
Basic loss per share	**(0.065)**	(0.117)

21. RELATED PARTY TRANSACTIONS

The Company is controlled by Batelco Middle East (incorporated in Bahrain), which owns 80% of the Company's shares. The remaining 20% of the shares are widely held.

The following transactions were carried out with related parties:

	2007 JD	2006 JD
a) Sales of services		
Batelco Middle East – (Shareholder)	**191,777**	74,954
Voice services - Umniah Mobile Communication (Sister Company)	**5,952,969**	1,262,415
	6,144,746	1,337,369
b) Purchases of services		
Interconnection costs (Batelco Middle East – (Shareholder)	**4,734,402**	1,097,626
Administrative costss (Batelco Middle East – (Shareholder)	**140,698**	70,463
Interest charges (Batelco Middle East – (Shareholder)	**149,697**	73,358
Penalties (Batelco Middle East – (Shareholder)	**72,706**	4,463
	5,097,503	1,245,910
c) Key management compensation		
Salaries, wages and other benefits	**418,755**	632,169

21. RELATED PARTY TRANSACTIONS (CONTINUED)

d) Year-end balances arising from sales/purchases of services:

	2007 JD	2006 JD
Trade and other receivables (Note 9)		
Umniah Mobile Communication (Sister Company)	**1,213,498**	-
Batelco Middle East – (Shareholder)	**17,774**	38,226
Accrued revenue from Umniah Mobile Communication	**594,654**	565,359
	1,825,926	603,585
Trade and other payables (Note 13)		
Batelco Middle East – (Shareholder)	**3,977,505**	-
Loans (Note 15)		
Loan from Batelco Middle East – (Shareholder)	**31,645**	2,384,773

The receivables from related parties arise mainly from sale transactions and are due three months after the date of sales. The receivables are unsecured in nature and bear no interest. No provision has been required in 2007 and 2006 for the receivable balances from related parties.

The payables to related parties arise mainly from purchase transactions and are due three months after the date of purchase. The payables bear no interest.

The above loan is subject to an interest rate of libor plus 2%.

22. CONTINGENT LIABILITIES

As of the balance date the Company had contingent liabilities in respect of banks arising in the ordinary course of business for which no material liabilities are anticipated and as shown below in addition to legal cases raised by number of prior employees against the company:

	2007 JD	2006 JD
Letter of guarantees	**831,067**	938,575
Legal cases	**51,140**	-

23. EMPLOYEE BENEFITS EXPENSE

	2007 JD	2006 JD
Salaries and wages	**1,067,445**	1,149,143
Social security	**107,056**	105,817
	1,174,501	1,254,960
Number of employees	**137**	121

24. INCOME TAX

The Company finished the review procedures with the Income Tax Department for the year 2005, but the years 2006 and 2007 are still not settled. The management of the Company believes that no taxes will be charged on the Company due to the accumulated losses, accordingly no provision was provided for the income tax.

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25. COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2007 JD
Purchasing of a computer software license	**163,300**