



بتلكو الاردن  
Batelco Jordan

التاريخ: ٢٠٠٦/٨/١  
الرقم: ٢٠٠٦/٩٧٧/دم

معالي الدكتور بسام الساكت المحترم  
رئيس هيئة الأوراق المالية المحترم  
عمان- الأردن

SEMI ANNUAL- FTGR- 3/8/2006

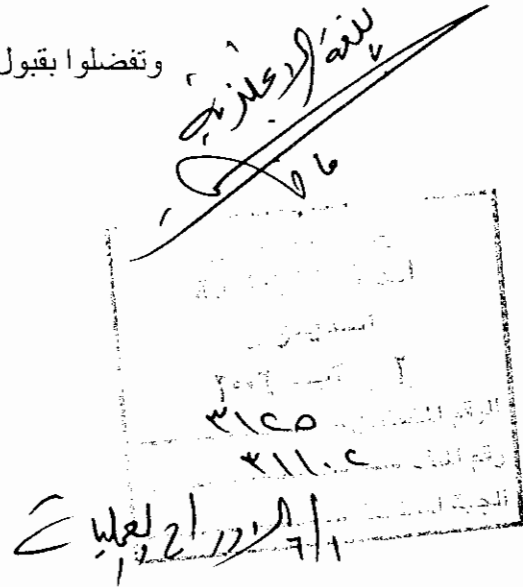
تحية طيبة وبعد،

يرجى التكرم بالعلم أننا نرفق طيه البيانات المالية للسنة نصف المنتهية في ٢٠٠٦/٦/٣٠ مع تقرير مدقق الحسابات القانوني.

نرجو أن نؤكد التزامنا بكافة تعليمات الإفصاح وقانون هيئة الأوراق المالية شاكرين لكم حسن تعاونكم.

وتفضلوا بقبول فائق الاحترام

مروان جمعة  
الرئيس التنفيذي



نسخة:

- السادة المحترمين/ بورصة عمان
- السادة المحترمين/ مركز إيداع الأوراق المالية

(2)

**BATELCO JORDAN**  
**(PUBLIC SHAREHOLDING COMPANY)**  
**AMMAN - JORDAN**  
**FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2006**

**BATELCO JORDAN  
(PUBLIC SHAREHOLDING COMPANY)  
REVIEW REPORT AND FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2006**

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### REVIEW REPORT

To the Shareholders of  
**BATELCO JORDAN**  
**(PUBLIC SHAREHOLDING COMPANY)**  
Amman - Jordan

We have reviewed the accompanying Balance Sheet of **BATELCO JORDAN (PUBLIC SHAREHOLDING COMPANY)** as of 30 June 2006 and the related Statements of Income, Changes in Shareholders' Equity and Cash Flows for the six months period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

The financial statements for the year ended 31 December 2005 were audited by another auditor, who issued an unqualified report dated 17 January 2006.

We conduct our review in accordance with the International Standard on Review Engagements (2400). This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view in accordance with International Financial Reporting Standards.

Bawab & Co

Amman, 20 July 2006  
AZ/ss/5/1

**BATELCO JORDAN**  
**(PUBLIC SHAREHOLDING COMPANY)**  
**BALANCE SHEETS**  
**AS OF 30 JUNE 2006 AND 31 DECEMBER 2005**

		<b><u>2006</u></b> <b><u>JD</u></b>	<b><u>2005</u></b> <b><u>JD</u></b>
<b><u>ASSETS</u></b>			
<b><u>CURRENT ASSETS</u></b>			
Cash and cash equivalents	(Note 3)	569,952	1,362,419
Accounts receivable, net	(Note 4)	2,204,449	854,770
Inventories		18,963	16,376
Other debit balances	(Note 5)	836,128	735,841
Due from related parties		61,399	35,021
Total Current Assets		<u>3,690,891</u>	<u>3,004,427</u>
Property, plant and equipment, net	(Note 6)	<u>1,438,850</u>	<u>1,435,867</u>
Intangible assets, net	(Note 7)	<u>72,778</u>	<u>82,028</u>
Projects under construction		<u>2,477,772</u>	<u>1,565,356</u>
TOTAL ASSETS		<u><u>7,680,291</u></u>	<u><u>6,087,678</u></u>
<b><u>LIABILITIES</u></b>			
<b><u>CURRENT LIABILITIES</u></b>			
Bank overdraft		116,383	-
Accounts payable	(Note 8)	1,552,399	1,493,294
Other credit balances	(Note 9)	2,615,358	1,802,280
Partners' loan		645,663	50,000
Total Current Liabilities		<u>4,929,803</u>	<u>3,345,574</u>
<b><u>SHAREHOLDERS' EQUITY</u></b>			
Authorized paid in capital		6,252,150	6,252,150
Issuance discount		( 1,273,686 )	( 1,273,686 )
Statutory reserve	(Note10)	146,288	146,288
Accumulated deficit		( 2,374,264 )	( 2,382,648 )
Total Shareholders' Equity		<u>2,750,488</u>	<u>2,742,104</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u><u>7,680,291</u></u>	<u><u>6,087,678</u></u>

The attached notes to the financial statements  
form an integral part of these statements.

**FINANCIAL MANAGER**

**GENERAL MANAGER**

**BATELCO JORDAN**  
**(PUBLIC SHAREHOLDING COMPANY)**  
**STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2006 AND 2005**

	<b><u>2006</u></b> <b><u>JD</u></b>	<b><u>2005</u></b> <b><u>JD</u></b>
Net operating revenues	3,120,079	2,109,502
Operating cost	( 1,600,470 )	( 873,924 )
Sales commission	( 91,500 )	( 73,975 )
Gross profit	<u>1,428,109</u>	<u>1,161,603</u>
<b><u>Less:</u></b>		
Selling and marketing expenses (Note11)	( 273,610 )	( 35,884 )
General and administrative expenses (Note12)	( 884,543 )	( 544,187 )
Profit from operations	<u>269,956</u>	<u>581,532</u>
Other revenues	5,884	14,643
Financing costs	( 27,280 )	( 7,195 )
Doubtful debts expenses	( 30,000 )	( 15,000 )
Depreciation and amortization expenses	<u>( 210,176 )</u>	<u>( 209,706 )</u>
Net profit	<u><u>8,384</u></u>	<u><u>364,274</u></u>

The attached notes to the financial statements  
form an integral part of these statements.

**BATELCO JORDAN**  
**(PUBLIC SHAREHOLDING COMPANY)**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2006 AND 2005**

	<u>AUTHORIZED</u> <u>PAID IN CAPITAL</u> <u>JD</u>	<u>ISSUANCE</u> <u>DISCOUNT</u> <u>JD</u>	<u>STATUTORY</u> <u>RESERVE</u> <u>JD</u>	<u>ACCUMULATED</u> <u>DEFICIT</u> <u>JD</u>	<u>TOTAL</u> <u>JD</u>
Balance at 1 January 2005	6,252,150	( 1,273,686 )	121,845	( 2,564,305 )	2,536,004
Net profit	-	-	-	364,274	364,274
Balance at 30 June 2005	<u>6,252,150</u>	<u>( 1,273,686 )</u>	<u>121,845</u>	<u>( 2,200,031 )</u>	<u>2,900,278</u>
Balance at 1 January 2006	6,252,150	( 1,273,686 )	146,288	( 2,382,648 )	2,742,104
Net profit	-	-	-	8,384	8,384
Balance at 30 June 2006	<u>6,252,150</u>	<u>( 1,273,686 )</u>	<u>146,288</u>	<u>( 2,374,264 )</u>	<u>2,750,488</u>

The attached notes to the financial statements  
form an integral part of these statements.

**BATELCO JORDAN**  
**(PUBLIC SHAREHOLDING COMPANY)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2006 AND 2005**

	<u>2006</u> <u>JD</u>	<u>2005</u> <u>JD</u>
<b><u>Cash flows from operating activities</u></b>		
Net profit	8,384	364,274
Adjusted for:		
Depreciation and Amortization	210,176	209,706
Doubtful debts provision	( 19,287 )	15,000
Net operating profit	<u>199,273</u>	<u>588,980</u>
Changes in working capital:		
(Increase) decrease in current assets:		
Accounts receivable	( 1,330,392 )	( 218,077 )
Inventories	( 2,587 )	144
Other debit balances	( 100,287 )	( 178,933 )
Due from related parties	( 26,378 )	( 12,682 )
Increase in current liabilities:		
Accounts payable	59,105	74,474
Other credit balances	813,078	359,282
Cash (used in) provided by operating activities	<u>( 388,188 )</u>	<u>613,188</u>
<b><u>Cash flows from investing activities</u></b>		
Purchase of property, plant and equipment	( 203,909 )	( 248,944 )
Projects under construction	( 912,416 )	( 194,602 )
Cash used in investing activities	<u>( 1,116,325 )</u>	<u>( 443,546 )</u>
<b><u>Cash flows from financing activities</u></b>		
Bank overdraft	116,383	-
Partners' loan	595,663	-
Cash provided by financing activities	<u>712,046</u>	<u>-</u>
Net (decrease) increase in cash	( 792,467 )	169,642
Cash and cash equivalents - beginning balance	1,362,419	1,890,172
Cash and cash equivalents - ending balance	<u><u>569,952</u></u>	<u><u>2,059,814</u></u>

The attached notes to the financial statements  
form an integral part of these statements.



**BATELCO JORDAN**  
**(PUBLIC SHAREHOLDING COMPANY)**  
**SIGNIFICANT ACCOUNTING POLICIES**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2006**

The accompanying financial statements have been prepared under the historical cost convention on the accrual basis of accounting, and in compliance with International Financial Reporting Standards, as published by the International Accounting Standards Board. Significant accounting policies used are summarized as follows:

- **Use of estimates in the preparation of financial statements**

The preparation of financial statements in conformity with international financial reporting standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

- **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, time deposit and demand deposit, with financial institutions with maturities of three months or less.

- **Accounts receivable**

Accounts receivable are carried at original amount less provision made for doubtful accounts, if any. A provision for doubtful accounts is established when there is significant doubt that the Company will not be able to collect all amounts due according to the original terms of accounts receivable.

- **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and are depreciated using the straight line method over estimated useful lives of the related assets as follows:

	<b><u>Useful live (years)</u></b>
Page networks unit and communication	
networks link unit	4 - 5
Computer and softwares	5
Furniture, fixtures and decorations	5
Tools, equipment and machines	5
Vehicles	6.6

Property and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Expenditures for maintenance and repairs that do not materially extend the asset's life are included in expenses. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the statements of income.

- **Intangible assets**

Intangible assets are stated at fair value at the purchase date and are subsequently shown at amortized cost. Intangible assets are amortized using the straight-line method over 15 years.

- **Bank overdraft**

Bank overdraft is stated at the utilized portion thereof. Interest on bank overdraft are charged to the income statement in the period in which they are incurred.

- **Accounts payable and accrued amounts**

Accounts payable and accrued amounts are recognized to be paid in the future for received goods and services whether invoiced or not.

- **Revenue recognition**

Revenue comprises the invoiced value for the sales of services net of sales returns and discounts. Subscription revenues are recognized according to subscription period.

Affiliation fees revenues is recognized when contract is signed and invoice is issued.

- **Income Tax**

The income tax provision is calculated according to the Income Tax Law number (57) for the year 1985 and its amendments. Any differences between the accounting and tax results are recognized when the management is certain that they will occur.

- **Foreign currency translation**

Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinars using the prevailing exchange rates at year end. Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of the transactions, foreign exchange gains or losses are reflected in the income statement.

**BATELCO JORDAN**  
**(PUBLIC SHAREHOLDING COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2006**

1. **GENERAL**

- The Company was established under the name "The First Group For Communication Co." on April 21, 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) for the year 1997. The Company was vested the right to operate on June 18, 1996.

On December 6, 2000 an approval was obtained by Batelco Middle East Company (BMEC) to own 51% of the total Company and the name was changed to Batelco – Jordan, Public Shareholding Company.

- The financial statements were authorized for issue on 20/7/2006.

2. **COMPANY'S OBJECTIVES**

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

3. **CASH AND CASH EQUIVALENTS**

	<b><u>30 JUNE</u></b> <b><u>2006</u></b> <b><u>JD</u></b>	<b><u>31 DECEMBER</u></b> <b><u>2005</u></b> <b><u>JD</u></b>
Cash in hand	233	18,384
Cash at banks	223,698	996,681
Cheques under collection	346,021	347,354
	<u>569,952</u>	<u>1,362,419</u>

4. **ACCOUNTS RECEIVABLE, NET**

	<b><u>30 JUNE</u></b> <b><u>2006</u></b> <b><u>JD</u></b>	<b><u>31 DECEMBER</u></b> <b><u>2005</u></b> <b><u>JD</u></b>
Trade receivables	2,288,974	971,161
Employees	128,700	116,121
	<hr/> 2,417,674	<hr/> 1,087,282
<b>Less:</b>		
Doubtful debt provision	( 100,713 )	( 120,000 )
Contingent liabilities provision	( 112,512 )	( 112,512 )
	<hr/> 2,204,449	<hr/> 854,770
	<hr/> <hr/>	<hr/> <hr/>

Contingent liabilities provision is taken for fraud litigation against ex-employees in Company.

5. **OTHER DEBIT BALANCES**

	<b><u>30 JUNE</u></b> <b><u>2006</u></b> <b><u>JD</u></b>	<b><u>31 DECEMBER</u></b> <b><u>2005</u></b> <b><u>JD</u></b>
<b>a. Deposits:</b>		
Guarantees	463,825	343,584
Letters of credit	25,957	82,157
Refundable	12,987	12,762
	<hr/> 502,769	<hr/> 438,503
<b>b. Others:</b>		
Accrued income	104,269	80,956
Books	1,250	-
	<hr/> 105,519	<hr/> 80,956
<b>c. Sales tax</b>	<hr/> 74,658	<hr/> 136,993
<b>d. Prepaid expenses</b>	<hr/> 153,182	<hr/> 79,389
	<hr/> 836,128	<hr/> 735,841
	<hr/> <hr/>	<hr/> <hr/>

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

	<u>Page networks unit &amp; communication networks link unit</u>	<u>Computer &amp; softwares</u>	<u>Furniture, fixtures &amp; decorations</u>	<u>Tools, equipment &amp; machines</u>	<u>Vehicles</u>	<u>Total</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
<b><u>Cost:</u></b>						
Balance at 1 January 2006	1,485,584	1,552,878	426,404	591,386	121,283	4,177,535
Additions	92,998	82,580	17,865	10,466	-	203,909
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance at 30 June 2006	1,578,582	1,635,458	444,269	601,852	121,283	4,381,444
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>Accumulated depreciation:</u></b>						
Balance at 1 January 2006	987,448	1,039,291	195,883	492,832	26,214	2,741,668
Additions	84,321	77,138	19,280	11,090	9,097	200,926
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance at 30 June 2006	1,071,769	1,116,429	215,163	503,922	35,311	2,942,594
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>Net book value as of:</u></b>						
30 June 2006	<u>506,813</u>	<u>519,029</u>	<u>229,106</u>	<u>97,930</u>	<u>85,972</u>	<u>1,438,850</u>
31 December 2005	<u>498,136</u>	<u>513,587</u>	<u>230,521</u>	<u>98,554</u>	<u>95,069</u>	<u>1,435,867</u>

7. INTANGIBLE ASSETS, NET

	<u>Paging networks unit</u>	<u>AT &amp; T contract</u>	<u>Telephones, telecommunication lines</u>	<u>The Company's website</u>	<u>Total</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
<b><u>Cost:</u></b>					
Balance at					
1 January 2006	25,000	41,113	149,468	1,702	217,283
Balance at					
30 June 2006	25,000	41,113	149,468	1,702	217,283
<b><u>Accumulated Amortization:</u></b>					
Balance at					
1 January 2006	23,749	33,918	75,886	1,702	135,255
Amortization for the period	1,251	2,055	5,944	-	9,250
Balance at					
30 June 2006	25,000	35,973	81,830	1,702	144,505
<b><u>Net book value as of:</u></b>					
30 June 2006	-	5,140	67,638	-	72,778
31 December 2005	1,251	7,195	73,582	-	82,028

8. **ACCOUNTS PAYABLE**

	<b><u>30 JUNE</u></b> <b><u>2006</u></b> <b><u>JD</u></b>	<b><u>31 DECEMBER</u></b> <b><u>2005</u></b> <b><u>JD</u></b>
Trade payables	1,546,151	1,491,525
Employees	6,248	1,769
	<u>1,552,399</u>	<u>1,493,294</u>

9. **OTHER CREDIT BALANCES**

	<b><u>30 JUNE</u></b> <b><u>2006</u></b> <b><u>JD</u></b>	<b><u>31 DECEMBER</u></b> <b><u>2005</u></b> <b><u>JD</u></b>
Unearned revenues	1,780,464	1,455,425
Accrued expenses	746,178	241,861
Social security	17,116	14,949
Income tax	10,988	19,782
Provision for Jordanian universities' fund	13,411	13,411
Provision for educational, vocational and technical training support fund	13,411	13,411
Provision for Educational and Training Board	2,151	11,802
Provision for prior year income tax	15,000	15,000
Other provisions	15,000	15,000
Others	1,639	1,639
	<u>2,615,358</u>	<u>1,802,280</u>

10. **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.

11. **SELLING AND MARKETING EXPENSES**

	<b><u>30 JUNE</u></b> <b><u>2006</u></b> <b><u>JD</u></b>	<b><u>30 JUNE</u></b> <b><u>2005</u></b> <b><u>JD</u></b>
Sponsorship expenses	3,200	7,717
Advertising and promotion expenses	262,810	19,469
Public relations	-	1,011
Exhibitions	-	4,515
Research and studies	-	468
Marketing expenses	7,500	-
Donations	100	2,534
Tender expenses	-	170
	<b>273,610</b>	<b>35,884</b>

12. **GENERAL AND ADMINISTRATIVE EXPENSES**

	<b><u>30 JUNE</u></b> <b><u>2006</u></b> <b><u>JD</u></b>	<b><u>30 JUNE</u></b> <b><u>2005</u></b> <b><u>JD</u></b>
Salaries and wages	499,557	285,265
Social security	46,589	35,190
Administrative expenses – Bahrain	-	21,783
Professional and consulting fees	36,594	20,140
Postage, telex and telephone	33,990	24,178
Rents	56,356	36,787
License fees	7,728	13,800
Hospitality and entertainment	6,445	4,405
Insurance	6,104	4,861
Cleaning expenses	-	2,654
Stationery and printing materials	21,773	6,198
Government's stamps	5,524	-
Newspapers and subscriptions	6,387	4,835
Collection commissions	-	900
Electricity, water and heat	25,686	11,449
Health insurance	32,412	6,999
Consumables	3,443	75
Fuel	5,379	3,040
Training	27,640	15,091
Travel and transportation	2,244	20,898
Maintenance	32,952	24,119
Others	27,740	1,520
	<b>884,543</b>	<b>544,187</b>



### 13. FINANCIAL RISK MANAGEMENT

- **Interest rate risk**

Most of the financial instruments on the balance sheet are not subject to interest risk except for banks facilities. The facilities are subject to interest rates prevailing in the local market.

- **Foreign exchange risk**

Most of the Company's transactions are in Jordanian Dinar and US Dollar. The Jordanian Dinar exchange rate is fixed against the US Dollar (US \$ 1,41 = 1 JD).

- **Credit risk**

The Company ensures that sales are made to customers with appropriate credit history and do not exceed the specified credit limit.

### 14. RECLASSIFICATION

Certain amounts in the 2005 financial statements were reclassified to conform with the 2006 presentation.