

FS- AIC 6 - 1717/2008

الرقم : AJ/TAH/MNS/18
التاريخ : ٢٠٠٨/٤/١٣

السادة / هيئة الأوراق المالية المحترمين ،،

تحيّة طيبة وبعد ،،،

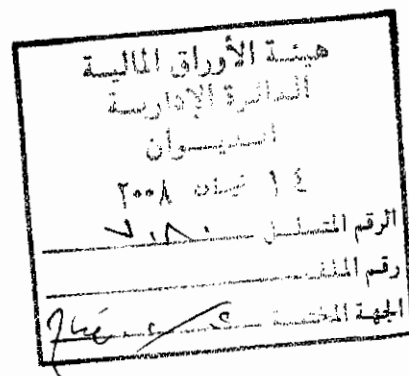
نرفق لكم الميزانية السنوية لعام ٢٠٠٧ باللغة الإنجليزية ، وسوف نقوم بتزويدكم بالنسخة العربية حين انتهائها بأقرب وقت ممكن .

ولكم جزيل الشكر والإمتنان .

وتفضلوا بقبول فائق الاحترام ،،

~~4306~~

تهاني جميل مصطفى
السكرتيرة التنفيذية للمدير العام



**AFIA INTERNTIONAL COMPANY - JORDAN
(PUBLIC SHAREHOLDING COMPANY)**

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

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Independent Auditor's Report

To the Shareholders of Afia International Co. – Jordan P.S.C

We have audited the accompanying financial statements of **AFIA INTERNATIONAL CO. - JORDAN (Public Shareholding Company)** which comprise the Balance Sheet as of 31 December 2007 and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

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.

Auditor's 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 auditor's judgement, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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.

PricewaterhouseCoopers "Jordan"

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Independent Auditor's Report (continued)
To the Shareholders of Afia International Co. – Jordan P.S.C

Basis for qualified opinion

As stated in note 1, the company ceased its manufacturing activity in 2007. The accumulated losses exceed 66% of the paid capital. Accordingly, doubt exists as to the ability of the company to continue as a going concern. Had the financial statements been prepared on a liquidation basis of accounting, adjustments would have been necessary to state all assets and liabilities at their net realisable and settlement values respectively.

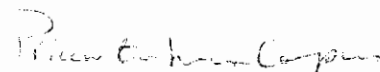
Included in prepayments is an amount of JD 48,783 being the remaining cost of an advertising medium in an overseas country in which the company no longer operates. In accordance with the requirements of IAS 38, Intangible Assets, this amount should have been expensed when incurred with a consequent overstatement of current assets and understatement of the loss for the year by JD 48,783.

Qualified opinion

In our opinion, except for the effect of the matters described in the Basis for qualified opinion paragraphs, the accompanying 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, we recommend that the General Assembly to approve these financial statements after considering the effect of the matters described in the Basis for qualified opinion paragraphs.

Other

Proper records of accounts are kept by the Company, and the attached statements are in agreement with the records and books of accounts.


PricewaterhouseCoopers "Jordan"

Amman, Jordan
10 April 2008

BALANCE SHEET**AT 31 DECEMBER 2007**

	Note	2007 JD	2006 JD
Assets			
Non-current assets			
Property, plant and equipment	6	154,456	5,041,315
Current assets			
Inventories	7	2,649	2,260,268
Trade and other receivables	8	2,504,944	3,461,020
Cash and cash equivalents		521,109	112,618
		3,028,702	5,833,906
Property, plant and equipment held for sale	9	3,351,530	323,128
Total current assets		6,380,232	6,157,034
TOTAL ASSETS		6,534,688	11,198,349
Equity			
Share capital	10	8,000,000	8,000,000
Statutory reserve	11	40,901	40,901
Voluntary reserve	12	90,726	90,726
Accumulated losses		(5,331,083)	(2,352,918)
Net equity		2,800,544	5,778,709
Liabilities			
Current liabilities			
Trade and other payables	13	3,610,884	1,198,691
Borrowings	14	-	3,972,835
Loan from related party	15	-	44,563
Income tax liabilities	16	123,260	203,551
Total current liabilities		3,734,144	5,419,640
TOTAL EQUITY AND LIABILITIES		6,534,688	11,198,349

The notes on pages 7 to 32 are an integral part of these financial statements.

The financial statements on pages 3 to 32 were approved for issue by the Directors on 5 February 2008. These financial statements require the approval of the General Assembly.

General Manager

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 JD	2006 JD
Trading local sales		9,962,485	663,902
Cost of goods sold - trading	17	(8,123,872)	(482,992)
Gross profit from continued operation		<u>1,838,613</u>	<u>180,910</u>
Administrative expenses	18	(483,875)	(943,244)
Selling and distribution expenses	19	(867,163)	(988,043)
Other income		386,754	130,373
Gain on sale of property and equipment	6	2,282	5,405
Impairment for doubtful debts	8	(943,557)	(312,579)
Impairment on property, plant and equipments held for sale	9	(1,434,658)	-
Operating loss		<u>(1,501,604)</u>	<u>(1,927,178)</u>
Gross (loss) profit from discontinued operation	20	(1,278,678)	415,177
Loss before financing cost		<u>(2,780,282)</u>	<u>(1,512,001)</u>
Finance costs	21	(120,994)	(430,181)
Loss before tax		<u>(2,901,276)</u>	<u>(1,942,182)</u>
Tax expense		(76,889)	(256,825)
Loss for the year		<u>(2,978,165)</u>	<u>(2,199,007)</u>
Basic loss per share to equity holders of the company during the year	22	<u>(0.372)</u>	<u>(0.275)</u>

The notes on pages 7 to 32 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	SHARE CAPITAL JD	STATUTORY RESERVE JD	VOLUNTARY RESERVE JD	ACCUMULATED LOSSES JD	TOTAL JD
Balance at 1 January 2006	8,000,000	40,901	90,726	(153,911)	7,977,716
Loss for the year	-	-	-	(2,199,007)	(2,199,007)
Balance at 31 December 2006	8,000,000	40,901	90,726	(2,352,918)	5,778,709
Loss for the year	-	-	-	(2,978,165)	(2,978,165)
Balance at 31 December 2007	8,000,000	40,901	90,726	(5,331,083)	2,800,544

The notes on pages 7 to 32 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 provided from operations	23	4,719,267	4,180,027
Tax paid	16	(157,180)	(149,323)
Interest paid		(120,994)	(410,629)
Net cash provided from operating activities		4,441,093	3,620,075
Cash flows from investing activities			
Proceeds from sale of property and equipment		99,699	367,445
Cash paid for purchase of property, plant and equipment	6	(9,608)	(45,027)
Expenditures on construction work in progress	6	(105,295)	(534,896)
Net cash used in investing activities		(15,204)	(212,478)
Cash flows from financing activities			
Repayment of borrowings	14	(3,972,835)	(2,166,013)
Repayment of loan from related party	15	(44,563)	(1,989,441)
Net cash used in financing activities		(4,017,398)	(4,155,454)
Net increase (decrease) in cash and cash equivalents		408,491	(747,857)
Cash and cash equivalents at beginning of the year		112,618	860,475
Cash and cash equivalents at end of the year		521,109	112,618
Supplementary information for non-cash transaction			
Transfer to plant and equipment held for sale	6	4,463,060	323,128

The notes on pages 7 to 32 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

1. GENERAL INFORMATION

Afia International Co. – Jordan P.S.C was registered in the Register of Public Shareholding Companies in the Ministry of Industry and Trade under No. (354) on 22 September 2004.

The registered address of the Company is P.O. Box 1993 Amman 11821 Hashemite Kingdom of Jordan.

The main objectives of the Company are the production, trading and marketing of vegetable oils, fat products and all derivatives thereof.

The Company's controlling parent is Afia International Company (formerly named Savola Edible oils) . The address of its registered office is Jeddah – Saudi Arabia.

During the year the company ceased its manufacturing activity as a result of the high costs of production resulting in net losses in the past and current years. The company intends to sell its factory and has reclassified all related property, plant and equipment as a current asset (note 9).

Afia International Company (AIC) – KSA has assigned the company as its marketing agent for the Levant region and the company will earn fees on the sales made in this region. The revised business plan anticipates the company trading profitably in future and recovering all the accumulated losses within the five years projected.

The actions taken and the future activity of the company will be put forward for approval at an Extraordinary General Meeting to be held at the same time as the forthcoming Annual General Meeting. These financial statements are prepared on the going concern basis on the assumption that the company will obtain the required approvals for its new activities and will meet its revised business plan.

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 Afia International Company - 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 Company's 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, introduce new disclosures relating to financial instruments but do not have any impact on the classification and valuation of the Company's financial instruments.
- IFRIC 10, Interim financial reporting and impairment.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 **Basis of preparation (continued)**

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

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).

2.2 **Segment reporting**

A geographical segment is engaged in providing products or 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements are measured and presented in Jordan 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 the 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 as they arise.

2.4 Property, plant and equipment

Property, plant and equipment are 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 derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

	Useful life (years)
Buildings	12.5 - 25
Equipment	5-25
Furniture and computers	15
Motor vehicles	7

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.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2.5 **Plant and equipment held for sale**

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

2.6 **Impairment of non-financial assets**

Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 fair 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).

2.7 **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average. The cost of finished goods comprises design costs, raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 **Trade and other receivables**

Trade receivables are recognised initially at carrying value and subsequently measured at amortised 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 reorganisation, 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 in the income statement.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2.9 **Cash and cash equivalents**

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

2.10 **Share capital**

Shares are classified as equity (Note 10).

2.11 **Trade and other payables**

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

2.12 **Revenue recognition**

Revenue comprises the invoiced value for the sale of goods net of sales tax, sales returns and discounts. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

2.13 **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.

2.14 **Employees benefits**

The Company is subscribed to the compulsory defined contribution plan of the national social security fund, whereby the Company pays monthly contributions to this fund and has no legal or constructive obligations to pay further benefits to its employees relating to employee service in the current and prior periods. The subscriptions are recognized 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), credit risk and liquidity risk. The Company's overall risk management programme 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 operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, Euro, Saudi Riyal and the Jordanian Dinar. 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). There has been no change in the rate of foreign exchange between the US Dollar and the Saudi Riyal during the year (US\$ 1 = 3.754SR). Foreign currency transactions are translated into the functional currency 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 period/ year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the finance costs.

(ii) Cash flow and fair value interest rate risk

The Company's interest rate risk arises from short-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.

b. Credit risk

The Company has no significant concentrations of credit risk. Financial assets that potentially subject the Company to credit risk consist principally of cash and cash equivalents and trade and other receivables. The Company's cash is placed with a highly rated bank.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)3.1 **Financial risk factors (continued)**

c. Liquidity risk

The Company follows prudent liquidity risk management, which consists of maintaining sufficient cash and funding through an adequate amount of credit facilities.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flows:

Forecasted liquidity reserve as of 31 December 2007 is as follows:

	2008 JD	2009 -2012 JD
Opening balance	521,109	521,109
Operating proceeds	40,571,064	207,119,340
Operating outflows	(38,975,884)	(199,286,557)
Repayment of debts and dividend (transfer of profit)	(1,595,180)	(7,832,783)
Closing balance	<u>521,109</u>	<u>521,109</u>

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year JD
At 31 December 2007	
Trade and other payables	<u>3,610,884</u>
At 31 December 2006	
Bank borrowings	<u>3,972,835</u>
Trade and other payables	<u>1,198,691</u>

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 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.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company observes capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings 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.

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

	2007 JD	2006 JD
Total borrowings	3,734,144	5,419,640
Cash and cash equivalents	(521,109)	(112,618)
Net debt	3,213,035	5,307,022
Total equity	2,800,544	5,778,709
Total capital	6,013,579	11,085,731
Gearing ratio	53%	48%

3.3 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

4. **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements 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 has undertaken the following major 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:

a) Income tax

The Company is subject to income taxes. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax in the period in which such determination is made.

b) 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.

These calculations require the use of estimates.

c) Provision for impairment of property, plant & equipments held for sale

The Company establishes a provision for impairment of property, plant & equipments held for sale, by comparing the carrying value with the offer they received from a client to purchase the plant.

These calculations require the use of estimates.

d) Going concern

The management prepared a long term plan to return the company to recover all losses during Five years, based on that and after consulting with a lawyer, the management prepared the financial statements on a continuing basis.

5. SEGMENT INFORMATION

The Company is active in only one business segment, production and marketing of vegetable oils, fat productions and all derivatives thereof. The primary segment information is presented according to geographical regions.

	2007 JD	2006 JD
Jordan	12,954,279	13,703,126
Iraq	-	2,151,656
Syria	239,985	2,322,695
Lebanon	34,943	1,234,192
	<u>13,229,207</u>	<u>19,411,669</u>

6. PROPERTY, PLANT AND EQUIPMENT, NET

	Land JD	Plant & equipment JD	Fixtures & computers JD	Motor vehicles JD	Work in progress JD	Total JD
Cost:						
At 1 January 2007	435,070	5,743,223	210,865	139,334	534,896	7,063,388
Additions	-	5,725	3,883	-	105,295	114,903
Disposals	-	(120,700)	(5,800)	(49,936)	-	(176,436)
Transfers	-	565,153	64,742	-	(629,895)	-
Transfer to held for sale (435,070)	(6,193,401)	-	-	-	(6,628,471)
At 31 December 2007	-	-	273,690	89,398	10,296	373,384
Accumulated depreciation:						
At 1 January 2007	-	1,806,039	106,024	110,010	-	2,022,073
Charged	-	409,072	26,408	5,805	-	441,285
Disposals	-	(49,700)	(2,900)	(26,419)	-	(79,019)
Transfer to held for sale	-	(2,165,411)	-	-	-	(2,165,411)
At 31 December 2007	-	-	129,532	89,396	-	218,928
Net book value as of:						
31 December 2007	-	-	144,158	2	10,296	154,456

The land is pledged to the Arab Bank against bank facilities comprising of loans and overdrafts

6. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

	Land JD	Plant & equipment JD	Fixtures & computers JD	Motor vehicles JD	Work in progress JD	Total JD
Cost:						
At 1 January 2006	435,070	6,554,188	196,095	191,083	-	7,376,436
Additions	-	27,476	17,551	-	534,896	579,923
Disposals	-	(415,635)	(2,250)	(51,749)	-	(469,634)
Transfer to held sale	-	(422,806)	(531)	-	-	(423,337)
At 31 December 2006	435,070	5,743,223	210,865	139,334	534,896	7,063,388
Accumulated depreciation:						
At 1 January 2006	-	1,552,607	85,211	115,349	-	1,753,167
Charged	-	418,556	22,418	35,735	-	476,709
Disposals	-	(64,915)	(1,605)	(41,074)	-	(107,594)
Transfer to held sale	-	(100,209)	-	-	-	(100,209)
At 31 December 2006	-	1,806,039	106,024	110,010	-	2,022,073
Net book value as of:						
31 December 2006	435,070	3,937,184	104,841	29,324	534,896	5,041,315

7. INVENTORIES

	2007 JD	2006 JD
Raw materials	-	689,378
Packaging material	49,801	246,963
Finished goods	2,654	1,047,545
Spare parts	205,810	121,059
Goods in transit	100,457	115,768
Others	33,039	39,555
	<u>391,761</u>	<u>2,260,268</u>
Provision for impairment of inventories	(389,112)	-
	<u>2,649</u>	<u>2,260,268</u>

Movements on the provision are as follows:

	2007 JD	2006 JD
At 1 January	-	-
Provision for impairment of inventory	389,112	-
At 31 December	<u>389,112</u>	<u>-</u>

Provision for impairment has been made for all inventories, other than finished goods subsequently sold, following cessation of the manufacturing activity and accordingly the company did not carry out a full physical count of the inventories at 31 December 2007.

8. TRADE AND OTHER RECEIVABLES

The fair values of the trade and other receivables are as follows:

	2007 JD	2006 JD
Trade receivables	2,213,273	2,076,770
Sales tax department	1,145,117	1,169,446
Other receivables	397,531	448,242
Prepayments	69,208	159,939
Deposits	65,584	48,835
	<u>3,890,713</u>	<u>3,903,232</u>
Provision for impairment of doubtful debts	(1,385,769)	(442,212)
	<u>2,504,944</u>	<u>3,461,020</u>

The Company's policy is to grant credit of 7 to 105 days. As of 31 December 2007 analysis of trade receivables is as follows:

	2007 JD	2006 JD
Neither past due nor impaired	1,225,035	723,001
Past due but not impaired	-	704,772
Impaired	1,385,769	1,097,239
	<u>2,610,804</u>	<u>2,525,012</u>

The individually impaired receivables mainly relate to wholesalers, which are in unexpected difficult economic situations and are fully provided against at the year end. In the prior year, it was assessed that a portion of the receivables is expected to be recovered.

Movements on the provision for impairment of doubtful debts are as follows:

	2007 JD	2006 JD
At 1 January	442,212	213,109
Provision for impairment	943,557	312,579
Receivables written off during the year as uncollectible	-	(83,476)
At 31 December	<u>1,385,769</u>	<u>442,212</u>

9. PROPERTY, PLANT AND EQUIPMENT HELD FOR SALE

	2007 JD	2006 JD
Cost		
Opening balance	423,337	-
Transfer	6,628,471	423,337
Closing	7,051,808	423,337
Accumulated depreciation		
Opening balance	100,209	-
Transfer	2,165,411	100,209
Closing	(2,265,620)	100,209
Net Book value	4,786,188	323,128
Impairment provision	(1,434,658)	-
Fair value	3,351,530	323,128

The company plans to sell all assets previously utilised in the manufacturing activity in one lot at the amount for which it has already received offers and has not therefore undertaken an exercise to confirm the continued physical existence of each individual item of property, plant and equipment held for sale.

10. CAPITAL

At 31 December 2007, the Company's share capital consisted of 8 million issued and fully paid shares with a nominal value of JD 1 each.

The capital stock ownership is as follows:

	2007 JD	2006 JD
Afia International Company	6,000,000	6,000,000
Said Baglaf Holding Company	1,800,700	1,800,700
Other	199,300	199,300
	8,000,000	8,000,000

11. STATUTORY RESERVE

According to the Jordanian Companies Law and the Company's Articles of Association, the Company is required to appropriate 10% of its annual 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. No appropriation was made during the years owing to the losses incurred.

12. VOLUNTARY RESERVE

According to the Jordanian Companies Law, the Company may appropriate up to 20% of its net profit as a voluntary reserve. This reserve is available for distribution to shareholders.

Before the Company makes any distribution from this account, they should amend the accumulated losses.

13. TRADE AND OTHER PAYABLES

	2007 JD	2006 JD
Trade payables	170,084	241,866
Due to related party (Note 15)	3,223,582	205,187
Accrued expenses	199,481	554,723
Deposits	1,811	4,559
Postdated cheques	13,990	109,275
Notes payable	-	79,076
Others	1,936	4,005
	<u>3,610,884</u>	<u>1,198,691</u>

14. BORROWINGS

	2007 JD	2006 JD
Current		
Bank overdrafts	-	3,972,835

Bank overdraft

The Company was granted bank facilities from the Arab Bank of JD 3,250,000. Interest is charged at 6.5 % annually with no commissions.

The bank facilities were acquired to finance the Company's working capital.

The bank facilities was granted to the Company based on first mortgaged on the land and a letter from Savola – Saudi Arabia emphasis that their ownership will not go below 51% and they will continue to manage the Company.

The actual interest rates for borrowings above mentioned are as follows:

	2007 %	2006 %
Effective interest rate	7%	7%

15. RELATED PARTY TRANSACTIONS

The company is controlled by Afia International Co. – Saudi Arabia (formerly named Savola Edible Oils) which owns 75 % of the shares, 22.5 % is owned by Said Baglaf Holding Company. The remaining 2.5 % of the shares are widely held.

The following transactions were carried out with Afia International Co. – Saudi Arabia:

	2007 JD	2006 JD
(a) Purchases of goods and services		
Purchases of goods	8,126,526	482,992
Purchases of services:		
Management fees	-	369,618
Royalty	203,528	240,157
Consulting fees	56,364	-
Interest	-	103,590
(b) Sales of machinery		
Machinery	71,000	333,505
(c) Commission and marketing expenses		
In addition to the above, the company earned commission of JD 256,833 directly on sales by the parent company to Syria and incurred marketing expenses JD 365,729 in respect of countries to which sales are made directly by the parent company and are not reflected in these financial statements.		
(d) Key management compensation		
Salaries	27,093	78,600
Other benefits	-	92,064
	<u>27,093</u>	<u>170,664</u>
(e) Year – end balances:		
Due to related parties:		
Afia International Co.-Saudi Arabia	3,223,582	205,187
Loans from related parties:		
Savola Edible Oils Company	-	44,567

16. INCOME TAX LIABILITIES

	2007 JD	2006 JD
Income tax	112,894	193,451
Universities fees	611	611
Vocational training and scientific research fees	597	597
Income tax deduction (2%)	715	449
Others	8,443	8,443
	<u>123,260</u>	<u>203,551</u>

Movements are as follows:

	2007 JD	2006 JD
At 1 January	203,551	96,049
Taxes during the year	76,889	256,825
Paid	(157,180)	(149,323)
At 31 December	<u>123,260</u>	<u>203,551</u>

Income tax

The Company has an exemption from the Jordan Investment Board of 50% for 10 years, starting from 1 January 2002 and ending on 31 December 2011 on profits from manufacturing.

Income tax was not calculated for the year ended 31 December 2007 due to net losses.

17. COST OF GOODS SOLD -MANUFACTURING

	2007 JD	2006 JD
DIRECT MATERIALS USED		
Direct materials – beginning balance	975,896	2,441,873
Purchases of direct materials	896,014	13,958,570
Direct materials available for use	1,871,910	16,400,443
Direct materials – ending balance	(82,840)	(975,896)
	<u>1,789,070</u>	<u>15,424,547</u>
DIRECT COSTS		
Impairment of inventories	389,112	-
Depreciation	366,244	328,358
Salaries and wages	109,543	510,923
Social security	6,323	21,563
Fuels	33,794	339,631
Water and electricity	25,821	182,933
Maintenance	-	21,607
Consumable materials	18,588	22,867
Cleaning expenses	5,179	29,132
Post, telephone and fax	7,526	9,174
Travel and transportation	3,050	15,557
Insurance	16,918	40,855
Entertainment	116	702
Aqaba tanks expenses	15,800	20,785
Freight	-	178,137
Vehicles expenses	8,242	31,557
Others	30,397	14,232
Plastic factory expenses	-	119,511
Rent	-	33,887
Internal transportation	880	3,025
Security and safety	3,524	31,943
	<u>1,041,057</u>	<u>1,956,379</u>
Total cost of manufacturing	2,830,127	17,380,926
Finished goods – beginning balance	1,047,545	1,133,155
Finished goods – ending balance	3,877,672	18,514,081
	-	(1,047,545)
Cost of goods sold -manufacturing	<u>3,877,672</u>	<u>17,466,536</u>
Purchase of finished goods	8,126,526	482,992
Finished goods – ending balance	(2,654)	-
Cost of goods sold -trading	<u>8,123,872</u>	<u>482,992</u>

18. ADMINISTRATIVE EXPENSES

	2007 JD	2006 JD
Professional fees	151,750	100,639
Depreciation	65,158	53,981
Salaries and wages	100,905	212,403
Rent	31,333	32,697
Social security	6,263	10,763
Vehicles expenses	9,485	27,820
Traveling	28,203	40,055
Post, telephone and fax	23,217	18,448
Management fees	-	369,618
Stationery and printing	1,185	5,592
Computer expenses	3,138	13,116
Cleaning expenses	2,682	1,871
Entertainment	8,179	6,197
Insurance	3,568	15,203
Transformation fees	-	2,360
Training	1,330	2,490
Others	15,764	7,053
Maintenance	5,288	410
Management expenses	-	5,920
Governmental fees	6,250	16,608
Direct expenses	2,524	-
Security and safety	2,083	-
Fees and subscription	15,570	-
	<u>483,875</u>	<u>943,244</u>

19. SELLING AND DISTRIBUTION EXPENSES

	2007 JD	2006 JD
Advertisement and publicity	417,482	446,363
Trademarks	203,527	240,157
Salaries and wages	79,290	103,045
Freight	70,489	32,614
Social security	5,950	7,909
Vehicles expenses	11,001	18,757
Traveling	6,709	14,109
Post, telephone and fax	5,223	4,541
Tenders expenses	-	32,555
Insurance	1,175	3,602
Sales commissions	17,469	16,166
Depreciation	9,883	22,234
Others	28,482	21,207
Gifts and samples expenses	792	17,874
Training	5,923	3,736
Design expenses	-	3,174
Rent	3,768	-
	<u>867,163</u>	<u>988,043</u>

20. GROSS (LOSS) PROFIT FROM DISCONTINUED OPERATION

	2007 JD	2006 JD
Manufacturing local sales	2,991,929	13,703,126
Manufacturing foreign sales	274,793	5,044,641
Total manufacturing sales	<u>3,266,722</u>	<u>18,747,767</u>
Discount	(667,728)	(866,054)
Net manufacturing sales	<u>2,598,994</u>	<u>17,881,713</u>
Cost of goods sold - manufacturing	(3,877,672)	(17,466,536)
Gross (loss) profit from manufacturing	<u>(1,278,678)</u>	<u>415,177</u>

21. FINANCE COSTS

	2007 JD	2006 JD
Interest expense:		
Bank expenses	46,102	62,410
Bank overdrafts	74,892	262,724
Loan from related party	-	103,590
Net foreign exchange	-	1,457
	<u>120,994</u>	<u>430,181</u>

22. LOSSES PER SHARE

The basic loss per share is calculated by dividing the loss for the year by the weighted average number of ordinary shares in issue during the year.

	2007 JD	2006 JD
Loss for the year	(2,978,165)	(2,199,007)
Weighted average number of ordinary shares in issue (thousands)	8,000	8,000
Basic loss per share	(0.372)	(0.275)

23. CASH FLOWS FROM OPERATING ACTIVITIES

	Note	2007 JD	2006 JD
Cash flows from operating activities			
Loss for the year before tax		(2,901,276)	(1,942,182)
Adjustments for:			
Depreciation		441,285	476,709
Gain on disposal of property and equipment		(2,282)	(5,405)
Interest expense		120,994	428,724
Provision for impairment of doubtful debts	8	943,557	312,579
Provision for impairment of inventory	7	389,112	-
Impairment provision for property plant & equipments	9	1,434,658	-
Changes in working capital:			
Inventories	7	1,868,507	1,790,308
Trade and other receivables	8	12,519	4,207,094
Trade and other payables	13	2,550,100	(1,087,800)
Cash provided from operations		4,719,267	4,180,027

24. EMPLOYEE BENEFITS EXPENSE

	2007 JD	2006 JD
Salaries and wages	289,738	826,371
Social security	18,536	40,235
	308,274	866,606
Number of employees	25	55

25. CONTINGENT LIABILITIES

	2007 JD	2006 JD
Bank guarantee	467,179	498,885
Purchase commitments	-	136,885
	<u>467,179</u>	<u>635,770</u>

26. CAPITAL COMMITMENTS

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

	2007 JD	2006 JD
Property, plant and equipment	3,792	47,718

27. LEGAL CLAIM

There are labour and general claims against the Company in the amount of JD 45,000 (2006: JD 28,860).

It is not anticipated that any material liabilities will arise from contingent liabilities other than those provided for.

28. OPERATING LEASE COMMITMENTS

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	2007 JD	2006 JD
Not later than 1 year	33,045	36,060
Later than 1 year and not later than 5 years	-	9,045
	<u>33,045</u>	<u>45,105</u>