

**Investment House for Financial Services**

**Public Shareholding Company**

**Amman – Jordan**

**Reviewed Financial Statements**

**December 31, 2010**

**Investment House for Financial Services**  
**Public Shareholding Company**  
**Amman – Jordan**

**Reviewed Financial Statements**  
**December 31, 2010**

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# Investment House for Financial Services

## Public Shareholding Company

Amman – Jordan

### Statement of Financial Position

		Dec 31, 2010	Dec 31, 2009
	Note	<u>JOD</u>	<u>JOD</u>
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalent		472,120	8,059
Depository Center settlement		-	110,691
Deposits at banks		-	1,009,244
Investment in designated financial assets	5	1,191,941	832,251
Receivables from margin accounts – net	4	4,898,371	8,640,837
Receivables from spot accounts – net	4	5,283,139	7,373,403
Prepaid Murabaha on loans – short-proportion		277,169	950,441
Other debit balances	6	349,901	353,029
<b>Total current assets</b>		<b><u>12,472,641</u></b>	<b><u>19,277,955</u></b>
<b><u>Non-current Assets</u></b>			
Investments in financial assests available for sale	7	4,329,514	1,220,794
Investments in associates	8	3,379,234	11,221,061
Intangible assets – net	9	-	43,989
Prepaid Murabaha on loans – long-proportion		-	277,169
Tangible assets	10	217,577	1,410,029
<b>Total non-current assets</b>		<b><u>7,926,325</u></b>	<b><u>14,173,042</u></b>
Financial assets held for sale	11	460,917	-
<b>Total assets</b>		<b><u>20,859,883</u></b>	<b><u>33,450,997</u></b>

Accompanying notes from 1 to 27 form integral part of this statement

**Investment House for Financial Services**  
**Public Shareholding Company**  
**Amman – Jordan**

**Statement of Financial Position - continued**

		Dec 31, 2010	Dec 31, 2009
	<u>Note</u>	<u>JOD</u>	<u>JOD</u>
<b><u>Liabilities and Equity</u></b>			
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Payable to Depository Center		29,908	-
Accrued Murabaha on loans		1,235,706	930,186
Short-term loans		7,105,238	7,052,471
Bank overdraft	12	3,928,007	6,010,795
Payables to margin accounts		10,283	-
Payables to spot accounts	13	349,155	658,480
Advances on sale financial investments		471,620	-
Other credit balances	14	96,497	99,824
<b>Total current liabilities</b>		<b>13,226,414</b>	<b>14,751,756</b>
<b><u>Non-current liabilities</u></b>			
Murabaha on loans – long-term	12	-	184,777
Long-term loans	12	4,083,334	7,859,851
Employees' End-of-services Provision		3,147	4,986
<b>Total non-current liabilities</b>		<b>4,086,481</b>	<b>8,049,614</b>
<b>Total liabilities</b>		<b>17,312,895</b>	<b>22,801,370</b>
<b><u>Equity</u></b>			
	16		
Paid capital		3,000,000	12,000,000
Statutory reserve		457,524	457,524
Voluntary reserve		89,464	409,084
Fair value adjustments reserve		-	6,089
(cumulative )Accumulated loss		-	(2,223,070)
<b>Net equity</b>		<b>3,546,988</b>	<b>10,649,627</b>
<b>Total liabilities and equity</b>		<b>20,859,883</b>	<b>33,450,997</b>

Accompanying notes from 1 to 27 form integral part of this statement

# Investment House for Financial Services

## Public Shareholding Company

Amman – Jordan

### Statement of Comprehensive Income

		Yead ended Dec 31,	
		2010	2009
	Note	JOD	JOD
Revenues from commissions	17	650,380	2,023,146
Revenues from Issuance Publication services	18	-	14,569
Loss on investments	23	(342,217)	(624,996)
<b>Total operating income</b>		<b>308,163</b>	<b>1,412,719</b>
Employee benefits	19	(447,918)	(495,089)
Bad debts	5	(2,900,000)	(1,100,000)
Administrative and general expenses	20	(293,065)	(308,417)
End-of-service expense		-	(3,255)
Depreciation and amortization		(101,003)	(125,934)
Investor's Protection Fund expense		(16,422)	(53,393)
<b>Operating loss</b>		<b>(3,450,245)</b>	<b>(673,369)</b>
Gain (loss) on sale financial assets		65,106	(1,588)
Impairment of the value of associates	8	(2,329,115)	(808,929)
Impairment of available for sale financial assets		-	(340,195)
Fair value adjustments	4	(89,212)	(12,289)
Other income		7,714	-
Finance costs	21	(1,300,798)	(1,172,732)
<b>Year loss before tax</b>		<b>(7,096,550)</b>	<b>(3,009,102)</b>
Tax expense		-	-
<b>Year loss after tax</b>		<b>(7,096,550)</b>	<b>(3,009,102)</b>
Comprehensive income items		(6,089)	3,187,194
<b>Total comprehensive income items</b>		<b>(6,089)</b>	<b>3,187,194</b>
<b>Year comprehensive income</b>		<b>(7,102,639)</b>	<b>178,092</b>
Earning per share (JOD/share)		(0.591)	(0.251)

Accompanying notes from 1 to 27 form integral part of this statement

**Investment House for Financial Services**  
**Public Shareholding Company**  
**Amman – Jordan**

**Statement of Changes in Equity**

	<b>Capital</b>	<b>Statutory Reserve</b>	<b>Voluntary Reserve</b>	<b>Fair Value Adjustment Reserve</b>	<b>Cumulative profit ,loss</b>	<b>Total</b>
	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>
<b><u>For the year ended Dec 31, 2010</u></b>						
Balance at Jan 1, 2010	12,000,000	457,524	409,084	6,089	(2,223,070)	10,649,627
Year comprehensive income				(6,089)	(7,096,550)	(7,102,639)
Redaction of capital	<b>(9,000,000)</b>	-----	<b>(319.620)</b>			
Fire losses					<b>9,319.620</b>	
Balance at Dec 31, 2010	<b>3 000,000</b>	<b>457,524</b>	<b>89.464</b>	-	-	<b>3,546,988</b>
<b><u>For the year ended Dec 31, 2009</u></b>						
Balance at Jan 1, 2009	12,000,000	457,524	409,084	(3,181,105)	786,032	10,471,535
Year comprehensive income				3,187,194	(3,009,102)	178,092
Balance at Dec 31, 2009	<b>12,000,000</b>	<b>457,524</b>	<b>409,084</b>	<b>6,089</b>	<b>(2,223,070)</b>	<b>10,649,627</b>

Accompanying notes from 1 to 27 form integral part of this statement

**Investment House for Financial Services**  
**Public Shareholding Company**  
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**Statement of Cash Flows**

	year ended Dec 31	
	2010	2009
	<u>JOD</u>	<u>JOD</u>
<b><u>Cash flows from operating activities</u></b>		
Loss before tax and provisions	(7,096,550)	(3,009,103)
Credit bank interests	-	(1,195,570)
Board remunerations	-	3,255
Impairment of receivables	2,900,000	1,100,000
Depreciation and amortization	101,003	125,935
Gain on sale of fixed assets	(65,106)	1,588
finance costs	1,300,798	1,172,732
Impairment of investments in associates	2,329,115	808,929
Impairment in available for sale financial assets	-	340,195
Fair value adjustments	89,912	12,289
Operating profit before changes in assets and liabilities	<u>(440,828)</u>	<u>(639,750)</u>
Change in receivables	890,264	1,926,689
Change in receivables - margin	2,042,466	3,063,820
Non accrued Murabaha	950,441	1,041,405
Reconciliation fund withholding	-	126,000
Change in other debit balances	3,128	(31,601)
Change in payables	(299,996)	(1,208,986)
Change in payables - margin	954	8,656
Due to / from Depository Center	140,599	(110,691)
Murahaba on loans	120,743	(174,198)
Advances on sale of financial investments	471,620	-
Change in other credit balances	(3,327)	(115,377)
Cash flows resulted from operating activities	<u>3,876,064</u>	<u>3,885,967</u>
Income tax paid	-	(647,100)
Net cash flows resulted from operating activities	<u><b>3,876,064</b></u>	<u><b>3,238,867</b></u>
<b><u>Cash flows from investing activities</u></b>		
Changes in investments designed through profit or loss	(449,602)	(413,267)
Available for sale financial assets	(3,575,726)	12,613,352
Investments in associates	5,512,712	(12,029,989)
Credit bank interests	-	1,195,570
Sale of fixed assets	1,300,636	591
Purchase of fixed assets	(101,930)	(72,137)
Investments In companies under establishment	-	-
Cash flows resulted from investing activities	<u><b>2,686,090</b></u>	<u><b>1,294,120</b></u>
<b><u>Cash flows from financing activities</u></b>		
Loans and borrowings	(5,806,538)	481,191
Loans settled	-	(1,724,305)
finance costs	(1,300,798)	(1,172,732)
Dividends paid	-	(900,000)
Cash flows resulted from financing activities	<u><b>(7,107,336)</b></u>	<u><b>(3,315,846)</b></u>
Change in cash balances	(545,182)	1,015,359
Cash and banks at beginning of year	1,017,302	1,943
Cash and banks at end of year	<u><b>472,120</b></u>	<u><b>1,017,302</b></u>

Accompanying notes from 1 to 27 form integral part of this statement

# Investment House for Financial Services

## Public Shareholding Company

Amman – Jordan

### Notes to the Financial Statements

#### 1. Incorporation

“Investment House for Financial Services – PSC” company has been incorporated as a public shareholding company in accordance with Companies’ Law 22 for 1997 with a starting capital of 6 million Jordanian Dinars. The Company has been registered under the No (363) at the public shareholding companies’ registry on May 4, 2005.

In compliance with valid applicable regulations, the Company mainly practices: brokerage services at Amman Stock Exchange and other stock markets, purchasing, selling and dealing with financial stock securities in Jordan and outwards, rendering financial consultation services, custody and management of investments and managing issuance. The Company has commenced work on Sep 27, 2005.

The General Assembly decided in its extra-ordinary meeting held on Jul 14, 2007 to increase the authorized and paid capital up to 12 million Jordanian Dinars.

Moreover, the General Assembly in the extra-ordinary meeting held on Nov 23, 2008 decided to increase the authorized capital up to 24 million Jordanian Dinars by issuing the increase for public or/and private subscription or/and by attracting strategic partner. The Assembly delegated the board of directors to follow up and carry out the procedures required to achieve that in the proper timing.

These financial statements have been approved by the board of directors in the meeting held on Feb 16, 2011 and it is exposed to the approval of the General Assembly.

#### 2. Basis of Preparation financial statements

##### 2.1. General

The financial statements have been prepared according to the IFRs and using the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Financial statements are stated in Jordanian Dinar which is the functional currency of the Company.

**Investment House for Financial Services**  
**Public Shareholding Company**  
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**Notes to the Financial Statements 2010 - continued**

2.2. Use of estimations

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2.3. Comparatives

Some of comparative figures have reclassified – when needed – to confirm with current year's figures.

**3. Summary of Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

3.1. 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.

3.2. Investments in financial assets through profit and loss

This category has two sub-categories: 'financial assets held for trading', and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognized at fair value and transaction costs are expensed in the income statement.

**Investment House for Financial Services**  
**Public Shareholding Company**  
**Amman - Jordan**  
**Notes to the Financial Statements 2010 - continued**

3.3. Investment in financial assests available for sale

These financial assets are recognized at cost in addition to costs afforded to acquire these financial assets. They are revalued at the date of the financial position with the differences resulted being stated as a separate item in the equity category. On the sale of all or part these financial statement, or if there were a decline in their fair values, the profit or loss resulted is recognized in the Statement of Comprehensive Income with the balances previously recorded and stated in the Equity Category.

3.4. Investments in associates

These investments represent the investments in companies of which the Company (Invest House) has the significant influence to participate in putting down their financial and managerial decisions and policies.

3.5. Receivables

Receivables are recognized initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

3.6. Tangible Assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Items are depreciated at the following annual rates:

	<u>%</u>
Furniture and decore	15
Office equipments	15-25
Electrical fixtures	15
Computer Hardware	25
Vehicles	15

An asset property carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**Investment House for Financial Services**  
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**Notes to the Financial Statements 2010 - continued**

3.7. Intangible Assets

Intangible assets are stated at cost less accumulated depreciation and impairment loss. They are amortized using the straight-line method over the estimated lives of these assets. The estimated lives are being reviewed annually at the date of the financial position.

3.8. Fair value

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current closing price. The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term convention, as debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined by using quoted forward exchange rates at the balance sheet date.

3.9. Impairment of financial assets

Financial assets, as of the date of the financial position, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. If impaired, the loss is recognized in the statement of comprehensive income.

3.10. Payables and accruals

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.11. Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

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**Notes to the Financial Statements 2010 - continued**

3.12. Income tax

The Company is subject to valid Tax Law no 28 of 2009 and subsequent amendments thereto and the regulations issued by the Income Tax Department in the Hashemite Kingdom of Jordan and provided on an accrual basis. Income tax is computed based on adjusted taxable income. Any difference in the estimate is recorded when the final assessment is approved at the time the provision is cleared. According to IAS 12, the Company may have deferred tax assets resulting from the difference between the accounting value and the tax value of the assets and liabilities related to provisions. These assets are not shown in the accompanying financial statements since there is no assurance could be arise from the benefits of there deferred taxes during specific period of time.

3.13. Equity

**Statutory reserve**

According to the requirements of the Companies' Law and the By-law of the Company, it is compulsory that a statutory reserve should be built up at annual rate of 10% of the year net profit until the total of the accumulated statutory reserve is equal to one forth of the subscribed capital.

**Voluntary reserve**

In accordance with the requirements of the Companies' Law, the Company has the right to built up a voluntary at annual rate not exceeding 20% of the net profit. until the total of the accumulated voluntary reserve is equal to one forth of the subscribed capital.

The General Assembly of the Company has the right to use this reserve for internal purpose in the Company or to distribute the balance among shareholders as a profit.

3.14. Revenues

Revenue recognition

Commissions are recognized as revenues on the issuance of the invoice of purchasing and selling securities for clients during the year.

**Investment House for Financial Services**

**Public Shareholding Company**

**Amman - Jordan**

**Notes to the Financial Statements 2010 - continued**

**4. Receivables**

	Dec 31, 2010	Dec 31, 2009
	<u>JOD</u>	<u>JOD</u>
Debt Spot accounts- Receivable from related parties – notes 24	6,165,177	6,922,451
Impairment provision	1,417,962	1,550,952
	<u>(2,300,000)</u>	<u>(1,100,000)</u>
	<b><u>5,283,139</u></b>	<b><u>7,373,403</u></b>
Margin accounts	6,598,371	8,640,837
Impairment provision	<u>(1,700,000)</u>	-
	<b><u>4,898,371</u></b>	<b><u>8,640,837</u></b>
	2010	2009
	<u>JOD</u>	<u>JOD</u>
<u>Following is the movement in impairment provision</u>		
Balance at Jan 1	1,100,000	-
Bad debts	2,900,000	1,100,000
<b>Balance at Dec 31</b>	<b><u>4,000,000</u></b>	<b><u>1,100,000</u></b>

**5. Investment in designated financial assets (fair value)**

	Dec 31, 2010	Dec 31, 2009
	<u>JOD</u>	<u>JOD</u>
Book value	1,281,153	844,540
Fair value adjustments	<u>(89,212)</u>	<u>(12,289)</u>
<b>Fair value</b>	<b><u>1,191,941</u></b>	<b><u>832,251</u></b>

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**Notes to the Financial Statements 2010 - continued**

**6. Other debit balances**

	Dec 31, 2010	Dec 31, 2009
	<u>JOD</u>	<u>JOD</u>
Prepaid expenses	48,445	60,732
Refundable deposits – LGs	141,800	141,800
Reconciliation Fund With-holdings	25,000	25,000
Tax with-holdings – bank deposits	1,824	571
Costs on issuance services	66,867	66,867
Due from employees	62,974	57,665
Other	2,792	195
Refundable deposits	199	199
	<b><u>349,901</u></b>	<b><u>353,029</u></b>

**7. Investments in financial assets available for sale**

		Dec 31, 2010	Dec 31, 2009
		<u>JOD</u>	<u>JOD</u>
Investment in investments funds	1.7	-	63,141
Middle East Aviation Academy		201,230	201,230
Al-Jazeera Jordan Sudani Bank	2.7	207,756	207,756
Investments in service sector		-	287,750
Syrian Investment House Co. – Ltd	3.7	-	460,917
First Finance Co. – PSC		3,920,528	-
		<b><u>4,329,514</u></b>	<b><u>1,220,794</u></b>

**7.1. Investment Funds**

The Company invests in the Palestinian Investing Fund in 1000 shares a USD100 per share in addition to 2% portfolio management commission.

## Investment House for Financial Services

### Public Shareholding Company

#### Amman - Jordan

### Notes to the Financial Statements 2010 - continued

#### 7.2. Al Jazeera Jordanian Sudanian Bank

The Company invests in USD250,000 in 250,000 shares of the founding shares of Al Jazeera Jordanian Sudanian Bank whose authorized capital is USD80,000,000.

#### 7.3. Syrian Investment House – Limited Liability Company

The Company invests in 30 million Syrian lira in 60,000 shares of the capital of Syrian Investment House – Limited Liability Co. at 500 Lira per share. The Capital of the Company is S.L.150,000,000. That is, Investment House owned 20% of the capital.

At the beginning of 2011, the Company has sold its shares in the Syrian Investment House – LLC to “AAL SAREE’ HOLDING CO. – QATAR” for JOD471,619 at JOD6,675 gain on the sale. The selling amount has been received in full during the end of 2010. During Jan 2011, the release and transfer of ownership to the new buyer has been completed. These Investments has been classified as “Financial assets held for sale” in the statement of financial position.

## **8. Investments in Associates**

Following are the associated companies:

	Total Assets	Total Liabilities	Revenues	Profit (loss) after tax	Ownership
	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>%</u>
First Insurance – PSC	29,209,263	4,041,701	2,349,781	485,722	%12

Investment House Company has the clear significant influence on this company through membership in the board to participate in its managerial and financial policies and decisions.

During April 2010, the Company sold 1,000,000 shares of Meethaq in which was classified as associate in 2009. Accordingly, the rest shares have been reclassified as available for sale starting from the date of sale.

Pursuant to the fact that the Company has no longer influence over the First Finance Company (which was classified as associate in 2009), this investment has been reclassified as available for sale.

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**Notes to the Financial Statements 2010 - continued**

Following is the movement (transactions) in Investments in Associate:

	<u>2010</u>	<u>2009</u>
	<u>JOD</u>	<u>JOD</u>
Balance at Jan 1	11,221,061	-
<u>Reclassification</u>		
Reclassified to associates (First Finance, First Insurance and Meethaq)	-	12,031,155
Reclassified out of associates (First Finance)	(3,920,528)	-
<u>Sale of shares</u>		
Sale of Meethaq shares	(1,344,866)	-
<u>Share in results of associates</u>		
Profits	-	127,411
Dividends received	(247,318)	-
<u>Impairment loss</u>		
Impairment loss recognized	(2,329,115)	(937,505)
	<u><u>3,379,234</u></u>	<u><u>11,221,061</u></u>

**9. Intangibles**

	<u>Deferred Expenses</u>	<u>Licenses</u>	<u>Total</u>
	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>
Book value at Jan 1, 2010	33,334	10,655	43,989
Additions	-	-	-
Disposals	-	-	-
Amortization	(33,334)	(10,655)	(43,989)
Book value at Dec 31, 2010	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Book value at Dec 31, 2009	<u><u>33,334</u></u>	<u><u>10,655</u></u>	<u><u>43,989</u></u>

**Investment House for Financial Services**

**Public Shareholding Company**

**Amman - Jordan**

**Notes to the Financial Statements 2010 - continued**

1. **Deferred Expenses**

This item represents the non-recurring establishment expenses that are paid for one time and they are amortized over 5 years.

2. **Licenses**

This item represents the value of the brokerage licenses fee amounting to JD200,000 which was paid to Security Commission. It is non-refundable and amortized over 5 years.

**10. Tangible assts**

	<u>Land</u>	<u>Assets under construction</u>	<u>Decore and furniture</u>	<u>Vehicles</u>	<u>Sets and Equipemts</u>	<u>Total</u>
	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>
<b><u>Cost</u></b>						
Balance at Jan 1,2010	1,114,792	56,822	209,409	18,790	215,076	1,614,889
Additions	-	94,210	525		7,195	101,930
Disposals	(1,114,792)	(61,492)	(44,908)	-	(32,417)	(1,253,609)
Balance at Jan 1,2010	<u>-</u>	<u>89,540</u>	<u>165,026</u>	<u>18,790</u>	<u>189,854</u>	<u>463,210</u>
<b><u>Accumulated Dep</u></b>						
Balance at Jan 1,2010	-	-	83,435	5,800	115,625	204,860
Additions	-	-	22,717	2,819	31,478	57,014
Disposals	-	-	(8,709)	-	(7,532)	(16,241)
Balance at Jan 1,2010	<u>-</u>	<u>-</u>	<u>97,443</u>	<u>8,619</u>	<u>139,571</u>	<u>245,633</u>
<b>Book value at Dec 31, 2010</b>	<u>-</u>	<u>89,540</u>	<u>67,583</u>	<u>10,171</u>	<u>50,283</u>	<u>217,577</u>
<b>Book value at Dec 31, 2009</b>	<u>1,114,792</u>	<u>56,822</u>	<u>125,974</u>	<u>12,990</u>	<u>99,451</u>	<u>1,410,029</u>

• **Land**

During April 2010, a land has been sold ,after releasing the mortgage thereon, for JD1,034,000 in cash.

• **Assets under construction**

This item represents the cost of decore and fixture for the new location of the Company which is still under construction.

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**11. Assets held for sale**

At the beginning of 2011, the Company has sold its shares in the Syrian Investment House – LLC to “AAL SAREE’ HOLDING CO. – QATAR” for JOD471,619 at JOD6,675 gain on the sale. The selling amount has been received in full during the end of 2010. During Jan 2011, the release and transfer of ownership to the new buyer has been completed. These Investments has been classified as “Financial assets held for sale” in the statement of financial position.

**12. Bank borrowings**

	Dec 31, 2010			Dec 31, 2009
	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>
<b><u>Bank facilities</u></b>				
Jordan Commercial Bank	3,928,007	-	3,928,007	6,010,795
<b><u>Loans</u></b>				
Investment Bank	901,706	4,083,334	4,985,040	5,906,003
First Finance Company – Loan 1	-	-	-	2,000,000
First Finance Company – Loan 2	2,000,000	-	2,000,000	5,000,000
First Finance Company – Loan 3	4,203,532	-	4,203,532	2,006,319
	6,203,532	-	6,203,532	9,006,319
<b>Total</b>	<u>11,033,245</u>	<u>4,083,334</u>	<u>15,116,579</u>	<u>20,923,117</u>
<b><u>Non-accrued Murabaha</u></b>				
First Finance Company – Loan 1	139,027	-	139,027	571,783
First Finance Company – Loan 2	45,750	-	45,750	228,110
First Finance Company – Loan 3	1,050,929	-	1,050,929	427,718
	<u>1,235,706</u>	-	<u>1,235,706</u>	<u>1,227,611</u>

Loans are detailed as follows:

12.1. On Feb 17, 2009, the Company has been granted an overdraft facility of JOD3,000,000 by the Commercial Bank at annual 9.5% interest rate and a zero commission. On Oct 19, 2008, the Company has been granted additional JOD2,000,000. This facility is matured on order. The agreement has been renewed for a new year (to be mature on Feb 27, 2011) guaranteed by a mortgage on the land.

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During the year 2010, the land was sold and the load was decreased down to JOD3,850,000.

- 12.2. On May 21, 2008, the Company has been granted a declining loan at JOD10,000,000 by the Investing Bank. The balance of this loan amounting to JOD7,600,237 on Dec 31, 2008 at an annual interest rate of 9% and an annual commission of 1%. The loan with interest thereto was accrued on Jan 28, 2009 and Feb 28, 2010. This loan is guaranteed by a mortgage on securities with a value of 130% of the loan balance.

On Mar 24, 2009, the loan balance of JOD7,079,576 was re-scheduled at 11% annual interest being calculating on a daily-basis on the balance as per bank's records with the interest being debited on a monthly-basis at the end of each month. Added to that is an annual commission at 1% and an exceeding commission at 1% (if there). This new arrangement is guaranteed by mortgaged securities at 130% of the balance.

On Apr 26, 2010, another re-scheduling action has been taken place. According to the new arrange, a monthly payment of JOD109,000 has been agreed upon starting from Nov 30, 2010 including interest and commission on equal 60 premiums provided that the annual interest is 11% and the annual commission is 1%.

- 12.3. On Mar 27, 2008, the Company has been granted a Murabaha finance of 2 million Jordanian Dinars by First Finance Co. in order to finance operations to deal with securities listed in Amman Stock Market with a total Murabaha of JOD549,000 matured on 4 settlements. The finance is matured on Mar 26, 2011 against cheques issued for that purpose.

- 12.4. On Dec 28, 2008, the Company has been granted a Murabaha finance of 5 million Jordanian Dinars by First Finance Co. in order to finance operations to deal with securities listed in Amman Stock Market at an annual Murabaha rate of 11%. Murabaha is being accrued over 3 years with the principal accrued on Jan 13, 2011 against cheques issued for that purpose.

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12.5. On Dec 28, 2008, the Company has been granted a Murabaha finance at JOD2,500,000 by First Finance Company in order to finance operations at an annual Murabaha rate of 9.25% for the first 3 months and 8.25% for the residual period of the finance divided into numerous payments. The principal of the finance is accrued over 2 settlements, on Mar 28, 2010 and Dec 27, 2011. This arrangement is guaranteed by issuing cheques totaling to the finance and Murabaha thereto to the benefit of First Finance Company.

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**13. Payable to clients**

	Dec 31, 2010 <u>JOD</u>	Dec 31, 2009 <u>JOD</u>
Payable to spot clients	344,950	649,151
Payable to related parties – note 21	4,205	9,329
	<u><b>349,155</b></u>	<u><b>658,480</b></u>

**14. Other credit balances**

	Dec 31, 2010 <u>JOD</u>	Dec 31, 2009 <u>JOD</u>
Accrued expenses	1,769	4,087
Other creditors	2,600	2
Accrued bonus	1,908	1,909
With-holdings to Shareholders	5,601	5,601
With-holdings to Brokers	2,325	4,632
With-holdings to Shareholders – Capital increase	55,328	56,234
With-holdings to Shareholders – Dividends	26,966	27,359
	<u><b>96,497</b></u>	<u><b>99,824</b></u>

**15. Income tax**

Income tax for 2007 and 2008 has been calculated in accordance with Income Tax Law No 57 of 1985 and the amendments and instructions thereto.

The income tax is reconciled and resolved until the end of 2008

Following is the movement in the income tax provision:

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	<u>2010</u>	<u>2009</u>
	<u>JOD</u>	<u>JOD</u>
Balance at Jan 1	-	647,100
Payments	-	(647,100)
Balance at Dec 31	<u>-</u>	<u>-</u>

As for 2010, the management believes that there is no need to deduct a provision for income tax because the year resulted at tax-acceptable loss.

**16. Capital**

The General Assembly in its meeting held on Nov 23, 2009 has decided to increase the Capital (authorized and paid) up-to 24 million Jordanian Dinars. The increase is to be collected through private and/or public and/or attracting new strategic partner. The Assembly authorized the board to implement the needed procedures in the proper time. Up till now, the procedures of the increase were not completed. Also, the increase fee was not paid to the Ministry of Trade and Commerce.

	<u>Dec-31</u>	<u>Dec-31</u>
	<u>2010</u>	<u>2009</u>
	<u>JOD</u>	<u>JOD</u>
Authorized capital	24,000,000	24,000,000
Paid capital	12,000,000	12,000,000

The Board of Directors decided in to invite the General Assembly to an extra-ordinary meeting on Nov 7, 2010 to discuss the suggested restructuring of capital. The meeting agenda contained the following:

- Approve the audited financial statements for the period (nine months) end on Sep 30, 2010.
- Decrease the authorized and paid capital from 12 million JOD down to 4 million JOD in order to amortize 8 million JOD of the accumulated loss which totaled to JOD8,409,084. The residual amount of loss would be amortized by debiting the voluntary reserve by JOD409,084.

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- Increase Capital from 4 million shares/JOD up-to 12 million shares/JOD at JOD1 per share through private or public subscription to the shareholders or through other strategic partners.
- Amend the related articles in the By-law of the Company in compliance with the decisions taken by the General Assembly.
- Confirm the membership of “Amoon for Investments – PSC” and Mr. Samer Ali Shawawreh in the Board starting from Oct 18, 2010 instead of the resigned members: Mr. Maan Ghanem Abdel Jaleel and Mr. Abdel Hameed Attari.

The mentioned meeting have been held on the determined date with the attendance of the representative of Companies’ Control Department in the Ministry of Commerce and Trade who declared that all legal requirements for the meeting had been completed in compliance with instructions stipulated by the valid Companies’ Law.

Unfortunately, the Companies’ Controller decided in his letter dated Dec 8, 2010 that the meeting is not complied with article 174 of the Companies’ Law No 22 of 1997 and the amendments thereto due to the fact that the invitation did not include the cancellation of the General Assembly decision in its extra-ordinary meeting held on Jan 1, 2008 from one hand. On the other hand, the concept of loss is related to full fiscal year not to a part of it as decided in the meeting.

**17. Revenues from commissions**

	year ended Dec 31	
	2010	2009
	<u>JOD</u>	<u>JOD</u>
Brokerage commissions – spot clients	436,562	1,752,763
Brokerage commissions – margin clients	213,818	270,383
	<u><b>650,380</b></u>	<u><b>2,023,146</b></u>

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**18. Net revenues from issuance services**

	year ended Dec 31	
	2010	2009
	<u>JOD</u>	<u>JOD</u>
Issuance services income	-	66,602
Direct Costs related to issuance jobs	-	(52,033)
	<u>-</u>	<u>14,569</u>

**19. Employee benefits**

	year ended Dec 31	
	2010	2009
	<u>JOD</u>	<u>JOD</u>
Salaries	396,075	436,286
Bonus	6,000	-
Social security	30,595	38,508
End-of-service remunerations	1,755	-
Medical and life insurance	12,345	17,043
Uniform	600	800
Transportation	548	1,142
Training	-	1,310
	<u>447,918</u>	<u>495,089</u>

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**20. Administrative and general expenses**

	year ended Dec 31	
	2010	2009
	<u>JOD</u>	<u>JOD</u>
Rent	113,075	58,020
Professional fee	28,600	10,400
Fines	633	2,720
Stamps	790	-
Bad debits	-	865
Hospitality	4,565	9,990
Fees to committees	50	4,886
Property tax	8,922	10,071
Representation	300	3,422
Water and electricity	9,375	12,415
Cleaning	1,750	2,123
Maintenance	1,604	2,103
Stationary and printings	12,151	14,565
Legal fee	880	7,550
Vehicle expenses	1,375	2,247
Property insurance	2,605	997
Communications cost	35,547	53,818
Advertising	4,103	9,745
Donations	-	3,825
Board of Directors transportation	12,672	57,000
Other	4,267	3,936
Currency exchange difference	3,198	6,379
Marketing expenses	282	354
Licenses and Subscriptions	46,321	30,986
	<u><b>293,065</b></u>	<u><b>308,417</b></u>

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**21. Finance costs – net**

	year ended Dec 31	
	2010	2009
	<u>JOD</u>	<u>JOD</u>
Commission on margin accounts	794,090	1,195,570
Other commissions received	25,067	11,423
	<u>819,157</u>	<u>1,206,993</u>
Interest and Murabaha paid	(2,119,955)	(2,379,725)
<b>Net</b>	<b><u>(1,300,798)</u></b>	<b><u>(1,172,732)</u></b>

**22. Earning per share**

The calculation of the basic earning per share depends on the distributable profits returned to ordinary shares divided by the weighted average of the number of shares listed and issued during a period.

Following is the calculation of the EPS:

	year ended Dec 31	
	2010	2009
	<u>JOD</u>	<u>JOD</u>
Year loss	(7,096,550)	(3,009,102)
Weighted-average number of shares	12,000,000	12,000,000
EPS (JOD/share)	<u>(0.591)</u>	<u>(0.251)</u>

**23. Loss on investments**

This item represent the realized loss recognized as a result of dealing with securities for the benefit of the Company for 2010 and 2009.

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**24. debt balances of Related Parties**

Total balances due from related parties totaled to JOD1,417,962 as of Dec 31, 2010. These balances resulted from deals made with and for the benefit of board members and key personnel through both spot and margin agreements.

Following are the transactions made with related parties:

a- Trading transactions (Purchase and Sale):

	<u>Commissions</u>		<u>Dealing Volume</u>	
	<u>Year ended Dec 31</u>		<u>Year ended Dec 31</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>
Board Members	19,592	106,042	4,558,473	26,417,712
Key Managers	36,973	3,115	9,225,582	759,628
	<u>56,565</u>	<u>109,157</u>	<u>13,784,055</u>	<u>27,177,340</u>

All these transactions have been made in the same conditions implemented to other clients.

b- Salaries and Compensations paid to Board Members and Key Managers:

Key managers comprise: the General Manager, other managers, internal audit manager and other employees who are directly involved in dealing with operations.

It is important to mention that the employees in the Company were restructured down to 18 employees from 34 employees during the first half of the year

Following are the details:

	<u>2010</u>	<u>2009</u>
	<u>JOD</u>	<u>JOD</u>
Salaries	243,035	239,137
Bonus	8,595	-
Additional compensations	-	4,440
Board of Directors' transportation	14,500	57,000
Board of Directors' remuneration	-	45,000
	<u>266,130</u>	<u>345,577</u>

c- Balances of related parties at the end of the year:

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	<u>Receivable from related parties</u>		<u>Payable from related parties</u>	
	<u>Dec-31</u>	<u>Dec-31</u>	<u>Dec-31</u>	<u>Dec-31</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>
Board of directors	500,300	1,420,591	4,205	6,519
Key employees	917,662	130,361	-	2,810
	<u>1,417,962</u>	<u>1,550,952</u>	<u>4,205</u>	<u>9,329</u>

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## **25. Risk Management**

### **25.1. Financial risk factors**

The Company's activities expose it to a variety of financial risks:

▶ **Market risks**

**Foreign exchange risk:**

Most of the transactions are made in Jordanian Dinars. Transactions in other currencies are limited, so the foreign exchange risk impact on the financial statements is insignificant.

**Interest rate risks:**

The Company may be exposed to interest rate risk on its financial assets and liabilities that appear interest, such as: banks. Once bank overdrafts are short-term ones, and other assets and liabilities do not bear any interest rates, so the risks that may affect the Company are insignificant.

▶ **Credit risks:**

These risks arise from cash, cash equivalent, and bank deposits in financial institutions and receivables treatments which may cause defaults from parties to pay their commitments.

As for financial institutions, the Company treats with solid and reputable institutions.

As for receivables, the management has a credit policy with limits and there is an ongoing following up procedures to collect matured amounts. The management believes that the credit risk the Company exposed to is low.

▶ **Liquidity risks**

The management plans the cash flows of the Company. There is an ongoing monitoring policy to ensure the cash adequacy to cover and finance operations with no violations or breaches to any committed bank facilities conditions.

The Company may face a liquidity problem in the short-run. Following is a summary of the management's plan to face and manage this risk:

- The cash available in the time being is enough and sufficient to pay for the balances due to clients as of the date of the financial position. There is no liability accrued and not paid as of the date of the financial position.
- As for the liabilities against loans, they have been re-scheduled over reasonable periods in which management expects that the cash provided by operations will be sufficient to pay these settlements especially for loans payable to First Finance Company about which the

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Company is negotiating to achieve a proper compromise to avoid any default in payments. The negotiations are now in the final steps.

- On the other hand, an emergency and alternative plan to avoid liquidity problems is to liquidate the Company's portfolio of securities, the market value of which was about 7 million JODs as of the financial position date. Moreover, management expects the economic situation will be better during 2011, the matter that will positively affect the ability to collect receivable.
- Another procedure that is already taken is to condense and minimize expense as much as possible. The branch in the Housing Bank Complex has been closed during the end of 2010.

The following table shows financial liabilities (non discounted) according to the residual period of the contractual maturity:

	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>
Bank overdraft	3,928,007	-	-	-	3,928,007
Payables	359,438	-	-	-	359,438
Other credit balances	93,997	-	-	-	93,997
Loans	<u>12,233,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,233,200</u>
	<u>16,614,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,614,642</u>

### **25.2. Capital management**

The management 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 to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may make necessary adjustments on the capital structure in order to comply with operational circumstances. The board has decided to invite for an extra-ordinary General Assembly meeting to make a decision in terms of capital restructuring.

### **25.3. Fair value estimation**

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Financial instrument comprise financial assets and liabilities. Financial assets consist of cash, and cash equivalent, receivables, checks for collection and other debit balances. Financial liabilities consist of payables, bank overdraft and other credit balances. Fair value of financial instruments does not significantly differ from their book values.

**26. Legal Acts**

- There is a legal suite case filed in court against the Company in Irbid. The subject of this case contains a claim that the Company has violated valid laws and regulations and they are still at perspective. According to the lawyer, there are not other material suite cases filed against the Company.
- There is a legal suite case no 70/2010 in Irbid. The subject of this case contains a claim of damages and it is still perspective.

**27. Contingent Liabilities**

The Company's has a contingent liability against letter of guarantees amounting to JOD1,276,000.