



Jordan Loan Guarantee Corporation

13th Annual Report

2006



His Majesty King Abdullah II Ben Al-Hussein

Jordan Loan Guarantee Corporation

A Limited, Public Shareholding Company, established under the Jordanian Companies Law and registered in the Public Shareholding Companies Register on 26.03.1994, under No.242, with a declared and paid-up capital of JD 10 million

Mission Statement

To enhance sustainable economic growth in Jordan through improving the credit environment available to the economically viable small and medium sized enterprises and national exports by providing them with credit and loan guarantees

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Message from the Chairman

Honorable shareholders,

I am honored to welcome you to the Jordan Loan Guarantee Corporation Thirteenth Annual Ordinary Meeting of the General Assembly and present you with the results and achievements of 2006 also the financial statements as of 31st Dec., 2006 along with the auditors report.

Honorable Shareholders,

With the help of increased foreign assistance, the national economy in 2006 continued to grow and overcame the sharp increase in fuel prices witnessed throughout the global market. Meanwhile increased domestic demand on consumer goods and investments was the main factor for the registered 6.4% growth in GDP and 6.3% increase in the inflation rate.

As a result of these increases along with the registered deficit in the 2006 Balance of Payments, a solid monetary policy to maintain the stability of the currency and control inflation was required.

During 2006, the CBJ raised the key interest rate on its issues many times which registered a notable high compared with its level at the end of 2005, therefore it reflected on loans and deposits. The Central Bank also maintained the liquidity required to finance the increased economic activity the Jordanian Economy is witnessing.

Honorable Shareholders,

The good performance achieved by our national economy in 2006, had positively reflected on the performance of JLGC. The company's different guarantee programmes continued to show growth. The number of Loan Guarantees reaching a 610 loans valued at JD 18 million and with guaranteed value of JD 12 million. The Credit Guarantee Programs issued 27 policies for an estimated value of JD 59.4 million.

Honorable Shareholders,

Allow me on your behalf to express my sincere thanks to my colleagues on the Board of Directors and the Managing Director, for all their efforts to enable JLGC to achieve its goals in contributing to the prosperity of the Jordanian economy under the leadership of His Majesty King Abdullah II.

Mohammad Said Shahin
Chairman



Message from the Managing Director

SMEs are considered the backbone of any modern open economy; They play a major developmental role by providing employment opportunities and contribute to the economic, social, and political growth as well as technological advancements of their countries.

In developing countries the role of SMEs is essential since they constitute most of producing enterprises in these countries and require large manpower that reduce unemployment substantially. These SMEs represent personal businesses that promote the idea of self employment.

Meanwhile statistics in the United States indicate that 49% of 18 million SMEs do not employ any workers and are run solely by their owners, and that 44% employ at least 10 workers. These SMEs, specifically IT oriented businesses, contributed greatly to the substantial growth the US economy witnessed during the past 2 decades.

The growth of these Information Technology SMEs also known as the New Economy helped contribute to the traditional economy which is based on the large companies and added substantially to the American GDP.

In addition to its contribution to the economy, SMEs also add to social and political development in their societies and therefore help spread the basic values of democracy, by empowering the middle classes which are the social environment through which democratic principles are spread.

The Jordan Loan Guarantee Corporation continued to help SMEs obtain the needed financing through its guarantees and therefore contribute to the development of the Jordanian Economy.

During 2006 JLGC guaranteed 153 productive loans including the financial leasing guarantees, valued at JD 4.8 Million, with a guaranteed value of JD 3 Million.

The company also guaranteed 610 Personal Loans valued at JD 18 Million and a guaranteed value of JD 12 Million.

In its effort to support the national Jordanian exports JLGC signed 27 Credit Guarantee Policies for a value of JD 59 Million.

In the upcoming year the company is working on developing new products aiming at supporting micro enterprises to help provide them with access to the necessary financing.

Managing Director
"Mohammad Said"Al-Hammami

1 - Company's Main Activities, Size of Capital investment and Number of Employees

Company's Main Activities

To enhance sustainable economic growth in Jordan through improving the credit environment available to the economically viable small and medium sized enterprises and national exports by providing them with the following credit and loan guarantee programmes :

I. LOAN GUARANTEE PROGRAMMES

1 - PRODUCTIVE LOAN GUARANTEE PROGRAMMES

a- SMEs Loan Guarantee Programme

- Guarantees intended for small & medium-sized productive projects, owned by the private sector in Jordan, with a labour force not exceeding 50 employees.
- Intended for new projects or expansion / modification of existing ones.
- 75% guarantee of outstanding balance for all types of loans up to JD 40,000.
- 50% guarantee on loans in range of JD 40,000- 100,000.
- Loans in excess of JD 100,000 may be partially guaranteed.
- Loan period cannot exceed 7 years, including a 1 year maximum grace period.
- Participating bank is charged a 1.5% fee on the total ceiling for guarantees allocated to that bank.

b- Industrial Finance Loan Guarantee Programme EJADA

- Guarantee contract covers all SME's loans up to JD 430,000 .
- Guarantee covers 70% of the amount of the loan.
- Maturity Period ranges between three and Eight years including the grace period.
- Maximum Grace Period is 2 years.
- Participating bank is charged a fee of up to 1.5% on the utilized part of guarantees allocated to that bank.
- Enterprise owners contribution 25 % of total costs.

c- Working Capital Loan Guarantee Programme

- Designed to assist Jordanian exporters in obtaining short-term loans from local commercial banks to finance their working capital needs with minimum collateral in order to produce exportable goods.
- 75% guarantee of the bank's loan granted up to JD 250,000.
- Repayment period should not exceed one year.
- Participating bank is charged a 1.5 % fee p.a. on the utilized amount of the ceiling allocated to that bank.
- Loan recipient - be it an individual or a legal entity -- must be located within the Kingdom.
- Project must be private sector owned.
- Guaranteed loan must be used in financing the project's working capital for export.

d- Car Purchase Loan Guarantee Programme

- Guarantees are intended to help finance the purchase or replacement of vehicles used for public transportation.
- Maximum loan amount is JD 14,000.
- Maximum repayment period is 60 months including grace period.
- Full-coverage car insurance policy endorsed to benefit of bank.
- Participating bank is charged a 1.5% fee on the total ceiling for guarantees allocated to that bank.

e- Office Purchase Loan Guarantee Programme

- The Office Purchase Loan Guarantee Programme was designed to help doctors, engineers, lawyers, and other professionals who need offices to practice their professions obtain the necessary financing to own their offices.
- The company guarantees 70% of the loan with a maximum amount of JD 40,000 to be repaid in no more than 10 years. Applicants must have a personal contribution of at least 20% of the office value.

f- Jordan Upgrading and Modernization Loans Programme (JUMP)

- Loan Guarantees intended for productive projects in the industrial sector and their services to help finance the development, expansion or modernization of a project owned by the borrower, or for increasing productivity of the project, or for the purchase of machines and equipment.
- The borrowing company must be registered and working in Jordan for at least 2 years with good financial performance and ability for development and growth..
- Number of employees must be at least 5 .
- Maximum loan amount must not exceed JD 300,000 for a single or a group of loan borrowers.
- Maximum repayment period is 8 years including grace period.
- Applicants must have a personal contribution of at least 20% of the project development value aside from JUMP's contribution.
- Guarantees are intended to help finance the development, expansion or modernization of a project owned by the borrower, or for increasing productivity of the project, or for the purchase of machines and equipment.

g- Financial Leasing Guarantee Programme

- Guarantee contract covers all SME's leases up to JD 430,000 .
- Guarantee covers 70% of the amount of the lease.
- Maturity Period ranges between three and Eight years including the grace period.
- Maximum Grace Period is 2 years.
- Participating bank is charged a fee of up to 1.5% on the utilized part of guarantees allocated to that bank.
- Enterprise owners contribution 25 % of total cost of the lease.

2 - PERSONAL LOAN GUARANTEE PROGRAMMES

a- Housing Loan Guarantee Programme

- Provides guarantees for the risk of housing loans to low and middle income groups.
- Maximum limit of JD 50,000
- 75% guarantee of maximum loan limit
- Partial coverage of loans exceeding JD 50,000
- Participating bank is charged a 0.75% fee on the total ceiling for guarantees allocated to that bank. Real estate mortgage lien of the 1st degree and proof of potential income sources required.
- Maturity Period ranges is 20 years including the grace period.

b- Urban Development Loan Guarantee Programme

- Provides guarantees for the risk of housing loans to low and middle income groups.
- Maximum limit JD 25,000
- 75% guarantee of maximum loan limit
- Participating bank is charged a 0.75% fee on the total ceiling for guarantees allocated to that bank.
- First mortgage lien on purchased house and proof of potential income sources are required.

c- Land Purchase Loan Guarantee Programme

- Maximum loan amount not to exceed JD 30,000.
- 70% guarantee of maximum loan limit
- Participating bank is assigned a 1% annual charge to be paid quarterly.
- First mortgage lien on the purchased land and proof of potential income sources are required.
- Borrower's contribution must be 50% of Land Price.

d- Computer Loan Guarantee Programme

- Loan amount cannot exceed JD 1,100.
- Maximum repayment period of 48 months.
- Guarantee covers 85% of outstanding loan balance including all interest.
- Programme can be administered in conjunction with governmental & non-governmental organizations.

II. CREDIT GUARANTEE PROGRAMMES

1 - EXPORT CREDIT GUARANTEE PROGRAMME

- Guarantee contract covers all the exporter's transactions in external markets excluding those paid in advance or through letters of credit confirmed by a Jordanian bank.
- Guarantee covers the following risks
 - a- **Political Risks:** War, strikes, civil disturbance, protracted default of public buyer, and other governmental interference.
 - b- **Commercial Risks:** Buyer insolvency, protracted default of buyers, and refusal of the buyer to accept the documents or shipped goods.
- The guarantee covers 85% of the loss value caused by any of the commercial or political risks outlined in the guarantee contract.
- Indemnification waiting period ranges between one and six months, depending upon the risks covered.
- Exporter is charged reasonable fees and premiums based on an evaluation of the covered risks. Fees are to be paid upon the implementation of each shipment.
- Participating exporters get access to information about new foreign buyers and their financial position through JLGC's on-line connection to COFACE Group's database.

2 - DOMESTIC CREDIT GUARANTEE PROGRAMME

- Provides guarantees for industrial and commercial companies & establishments for the risk of their credit offered to their clients in Jordan.
- Maximum limit of \$4,000,000 per buyer.
- 85% guarantee of maximum credit limit
- Maximum credit Period not to exceed 6 months

Size of Investment

Total size of investment in 2006 amounted to JD 154,158 compared to JD 144,000 in 2005

Number of Employees

The JLGC programmes and services are run by a staff of 38 employees in 2006 which remained unchanged from 2005.

2. A description of the Subsidiary Companies, the nature of their business and their areas of activity

There are no subsidiary companies or any branches within or outside the Kingdom.

3. Board of Directors & Executive Management

Board of Directors

H.E. Dr. Umayyah Toukan

Chairman until 25 March 2006

Born 1946

PhD in Economics

Governor of the Central Bank of Jordan since 1st January 2001

Ambassador for Jordan in the European Union, Kingdom of Belgium, Kingdom of Holland, & Luxembourg

Represented Jordan in the United Nations (Second Economic & Financial Committee)

Head of Arab & Regional Organizations in the Arab Monetary Fund

General Director of the Amman Financial Market

Economic Advisor at the Prime Ministry

Head of Research & Studies Department at the Central Bank of Jordan

Mr. "Mohammad Said" Mohammed Shahin

Chairman since 25 March 2006

Born 1948

Masters in Public Administration (Economic Development) Harvard University 1978

Bachelor Degree in Economics 1973

Deputy Governor of Central Bank since 16 February 2003

Managing Director and Board Member of the Deposits Guarantee Corporation

Head of Investment Department in the Arab Monetary Fund - Abu Dhabi

Acting Executive Director / Executive Director at the Central Bank of Jordan

Head of the Investment Department at the Central Bank of Jordan

Assistant Head of the Investment Department at the Central Bank of Jordan

Employee / Acting Section Head / Section Head of the Investment Department at the Central Bank of Jordan

Mr. "Mohammad Said" Al-Hammami

Deputy Chairman until 25 March 2006 / Managing Director

Born 1942

Masters Degree in Finance 1976

Jordan Loan Guarantee Corporation Managing Director

Jordan Loan Guarantee Corporation Deputy General Manager

Executive Secretary of the Preparatory Committee for Private Development

Financial & Economic Advisor for the Minister of Finance

Financial Advisor for the Jordan Investment Corporation

General Manager for the Financial Securities Company

Deputy General Manager for the Retirement Fund

Head of the Foreign Affairs Departments in the Central Bank of Jordan

In charge of the Foreign Affairs at the Central Bank of Kuwait

Mr. Mohammad Mousa Dawood

Board Member

Born 1956

Bachelor Degree in Mathematics 1978

Manager of Commercial Credit at the Arab Bank

Manager of Credit at the Arab Bank in Jordan & Palestine

Financial Analyst at the Arab Bank

Mr. Nabih Mousa

Board Member until Jul.30, 2006

Born 1954

Bachelor Degree in Economics and Mathematics 1976

Head of Research Department at the Central Bank of Jordan

Central Bank Advisor to the Palestinian Monetary Authority

Central Bank of Jordan General Controller

Central Bank of Jordan Main Economic Researcher to the UAE Central Bank

Assistant Head of Research Department at the Central Bank of Jordan

Economic Researcher at the Central Bank of Jordan

Mr. Mo'taz Barbour / Board Member

Born 1953

Bachelor Degree in Accounting / High Diploma in Banking Studies

General Controller and Executive Manager in the Investment and External Operations

Department in the Central Bank of Jordan

Executive Manager Assistant in the Investment and External Operations Department in the Central Bank of Jordan

Dr. Ibrahim M. Nsour / Board Member

Born 1953

PHD in Economics 1984

General Manager of the Cities & Villages Development Bank since 1999

Deputy General Manager of the Agricultural Credit Corporation

Head of Research & Banks Supervision Department in the Central Bank of Jordan

Mr. Zuhair H. Idris / Board Member Until 25 Mar. 2006

Born 1960

Bachelor Degree in Business 1984

Assistant General Manager for Branches at the Jordan Kuwait Bank

Credit Manager at the Jordan Kuwait Bank

Branch Manager at the Jordan Kuwait Bank

Accounts Manager & Bank Services at the National Bank of Kuwait

Assistant Branch Manager at the National Bank of Kuwait

Credit Officer at the National Bank of Kuwait

Mr. Fuad N. S. Werr / Board Member Until 25 Mar. 2006

Born 1950

Masters Degree in Finance 1978

Deputy Director for Marketing & Retail at the Jordan National Bank since 3/8/2003

General Manager at Banque Societe General 2000-2003

Assistant General Manager at the Jordan National Bank 1996-2000

Worked in Citibank in New York & Saudi Arabia

Mr. Hazem M. Yousef Abdel Latif / Board Member Until 25 Mar. 2006

Born 1958

Bachelor Degree in Business 1979

General Manager of the Egyptian Arab Land Bank in Jordan

Manager of several Branches at the Egyptian Arab Land Bank in Egypt

Credit Manager & Loan Committee at the Cairo Saudi Bank

Mr. "Mohammad Awni" Khasawneh / Board Member since Sep.1, 2004

Born 1949

Degree in Arabic Literature 1975

Manager for the Center of Default Loans at the Housing Bank for Trade and Finance

Manager of several Branches at the Housing Bank

Follow up & Recoveries Dept. Manager, Provisions Project Manager, Credit Officer at the Housing Bank

Mr. Salah Ahmed Al Momany / Board Member

Born 1951

Bachelor Degree in Nursing 1976

Irbid Branch Manager of the Social Security Corporation

Assistant Manager of the Amman Branch & Assistant Manager of the Retirement & Compensation Department & Section Head at the Social Security Corporation.

Arab American Co. (Aramco) in Saudi Arabia.

Ministry of Health in Jordan.

Mr. Khaled Najjar / Board Member

Born 1964

Bachelor Degree in Accounting 1985

High Diploma in Accounting 1990

Loan Executive Manager in the Industrial Development Bank

Banking Experience at The Jordan Kuwait Bank, Bank of Jordan and Jordan Gulf Bank

Senior Executive Management

Mr. "Mohammad Said" Al-Hammami

Managing Director

Born 1942

Masters Degree in Finance 1976

Jordan Loan Guarantee Corporation Managing Director

Jordan Loan Guarantee Corporation Deputy General Manager

Executive Secretary of the Preparatory Committee for Private Development

Financial & Economic Advisor for the Minister of Finance

Financial Advisor for the Jordan Investment Corporation

General Manager for the Financial Securities Company

Deputy General Manager for the Retirement Fund

Head of the Foreign Affairs Departments at the Central Bank of Jordan

In charge of the Foreign Affairs at the Central Bank of Kuwait

with JLGC since June 1 1997

Mr. Faeq Nassar

Administrative Manager

Born 1957

Bachelor Degree in Finance & Management in 1980

Lecturer then Head of Finance and Administration at the Arab Community College

Administrative Researcher at the Jordan Electricity Authority

Financial and Administrative Manager at the International Contractors Group

Personnel Department / Housing Bank for Trade and Finance

Credit Officer at the Arab Land Bank

with JLGC since Feb. 1 1996

Mr. Mohanad Rashdan

Risk Management Department Manager

Born 1968

Bachelor Degree in Economics 1993, Masters Degree in Financial Management in 2005

Credit Officer at the Housing Bank for Trade and Finance

with JLGC since Oct. 1 1995

Mr. Majdi Abu-Arja

Marketing and Research Manager

Born 1960

Masters Degree in Business Administration in 1991

L.C Section at the Arab Banking Corporation

Marketing Manager at Kinsad Inc.

with JLGC since Oct. 1 2000

Mr. Nizar Ashkar

Technical & Support Manager Until Jul 2006

Born 1960

Bachelor Degree in Economics 1983

Assistant Economic Researcher in the Management Consultants

Economic Researcher in the United Nations Development Programme UNDP in Riyadh S.A.

Planning Department Section Head at the Bank of Jordan

with JLGC since Jun. 1 1997

Mr. Hamdi Al Ejel

Financial Manager

Bachelor Degree in Accounting 1995, Masters Degree in Accounting in 2006

with JLGC since May 1 1995

4. Major Shareholders

The names of the Company's large shareholders in 2006 and the number of shares owned by each of them where such constitutes (5%) or more in comparison with the previous year

Name	Number of Shares 2006	% of Share 2006	% of Share 2005
Central Bank of Jordan	4,775,000	47.75%	47.75%
Saleh Jaber Ahmad Ihmaid	604,526	6.045%	6.00%
Cities & Villages Development Bank	525,000	5.25%	5.25%
Social Security Corporation	524,000	5.24%	5.24%

5. The Company's competitive position

Jordan Loan Guarantee Corporation is the only company that offers loan and export guarantees in Jordan therefore there are no competition in the country, on the other hand there are similar companies in other arab countries that guarantee Jordanian exports.

6. The extent of dependence upon specific suppliers and/or major clients

There are no specific suppliers or major clients for JLGC whether local or international who represent 10% or more of the company's purchases and/or sales or revenues.

7. Any Government Protection or Concession Granted to the Company

Participating Banks using the services offered by the Jordan Loan Guarantee Corporation have the following privileges from the Central Bank:

- Loans Guaranteed by the company are considered Good loans for which general provisions required by the Central Bank of Jordan are waived throughout the life of the loan, as for default loans provisions are waived for the first year of default but to be generated from the second year
- The portion of the participating bank's assets of guaranteed loans are considered preferred assets and therefore the Weighted Average of Capital Adequacy required from banks against its loans is decreased.

8. Any Decision by the Government with a material effect on the Company

In 2001 JLGC in cooperation with the European Union established a fund to provide guarantees to SME's Industrial Modernization Loans under the umbrella of the EJADA Programme.

The main objective of establishing this fund is to resolve the issue of unavailable collaterals for those SMEs which make the banks shy away from approving their loans.

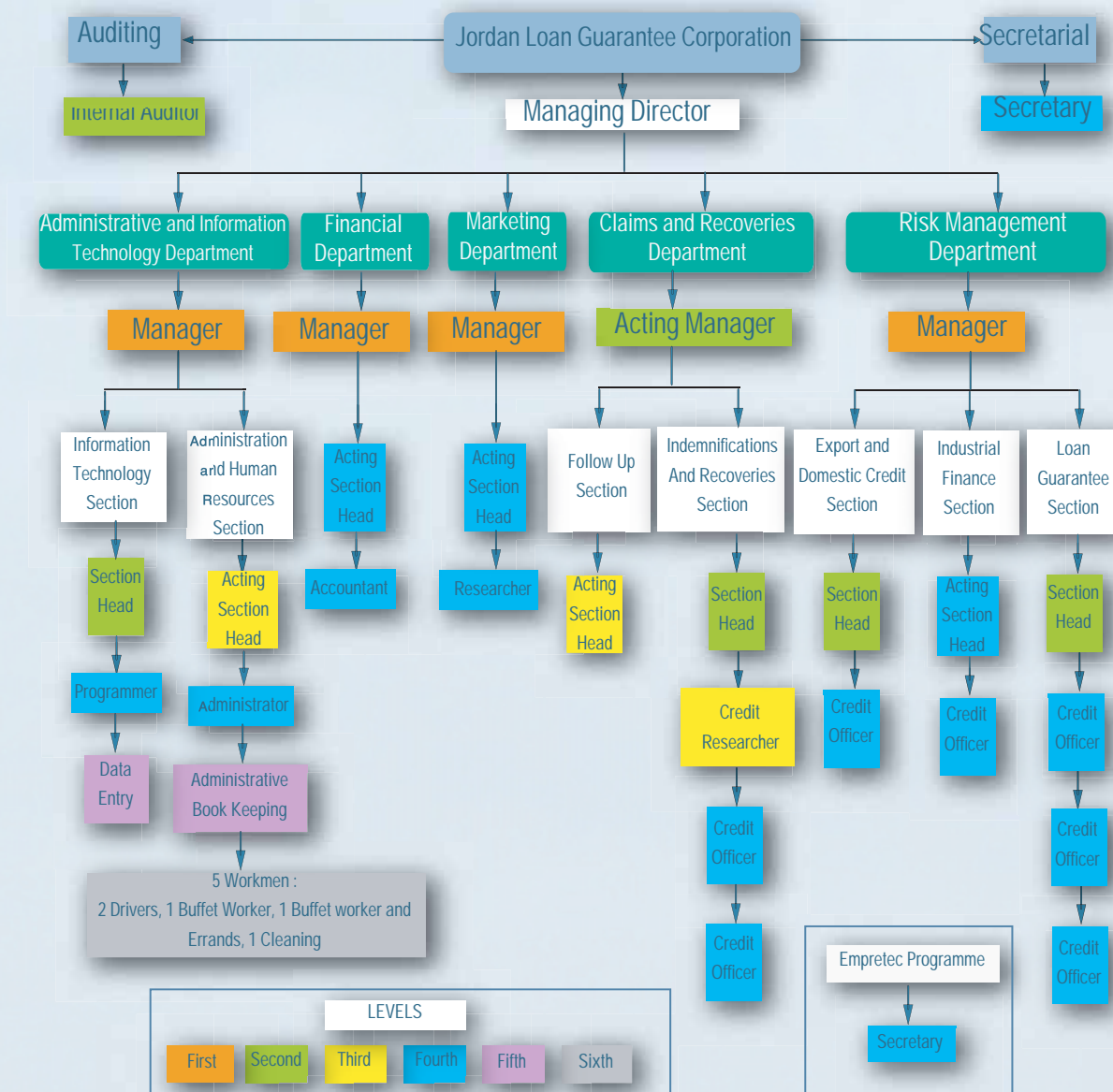
The success of JLGC in running for the financial aspect of EJADA programme made the company eligible for the JD 5.1 Million.

On 14 March, 2006, the company along with the EU and the Central Bank of Jordan with the Ministry of Planning and International Cooperation, signed the necessary agreements that governs the transfer of the Fund to JLGC.

The fund is transferred to JLGC as a long term loan without interest and for unlimited period, this fund is considered to be of great material effect on JLGC.

9. Company's Organizational Chart, Number of Employees their Qualifications, and Training programs

Organizational Chart as of 31 December 2006



The number of employees in 2006 remained unchanged from 2005 at 38 employees, with qualifications as follows:

Masters Degree	High Diploma	Bachelor Degree	Middle Diploma	Secondary School	Less than Secondary School Workman
9	1	20	2	4	2

Hiring and replacing corporation staff is done according to corporation's bylaws and articles. A personnel subcommittee meet and interview applicants and submit its recommendation to the managing director for final approval. The managing director can recommend hiring managerial staff directly after obtaining the board of directors' approval.

Employees turnover rate in 2006 was 12.5 %.

To increase JLG's employee qualifications and technical competence, employees in 2006 attended 49 different local training courses, as well as 18 training courses abroad for a total training cost of JD 38,900 .

A description of the Company's risk exposure

The company's risk exposure through small and medium sized loan or export credit guarantees is present through the default of these projects or the risk of non-payment of the foreign importer of the Jordanian exports, which requires payment of the lending bank or the exporter.

The total amount paid by the company in 2006 is JD 96,000 compared to JD 118,000 in 2005.

11. The Company Accomplishments supported by Numbers

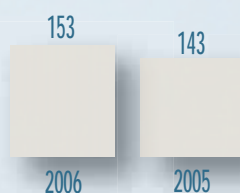
I. LOAN GUARANTEE PROGRAMMES

1. Productive Loan Guarantee Programmes

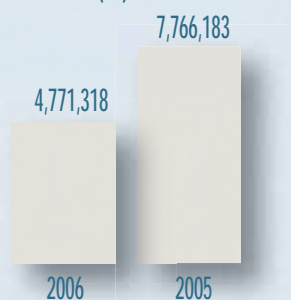
LOANS EXECUTED & UNDER EXECUTION DURING 2006 VS. 2005

PROGRAMME	Number of Loans		Total Loan Amounts		Guaranteed Amounts	
	2006	2005	2006	2005	2006	2005
SME Loan Guarantees	63	65	1,407,500	975,299	943,716	658,067
Working Capital Loan Guarantees	74	36	790,916	655,725	616,439	491,791
Industrial Finance Loan Guarantees	10	29	1,407,902	3,877,240	854,407	2,410,432
Car Purchase Loan Guarantees	0	1	0	13,248	0	9,936
Financial Leasing Loan Guarantees	6	12	1,165,000	2,244,671	737,892	1,034,721
ALL PRODUCTIVE LOAN GUARANTEES	153	143	4,771,318	7,766,183	3,152,454	4,604,947

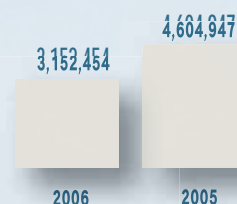
Number of Loans



Total Loan Amounts (JD)



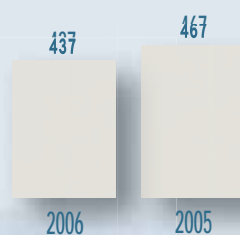
Guaranteed Amounts (JD)



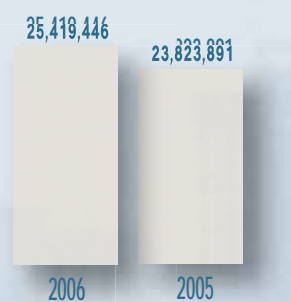
OUTSTANDING PORTFOLIO AT THE END OF 2006 VS. 2005

Number of Loans			Total Loan Amounts			Guaranteed Amounts		
2006	2005	Change	2006	2005	Change	2006	2005	Change
437	467	(30)	25,419,446	23,823,891	1,595,555	9,506,435	9,064,788	441,647

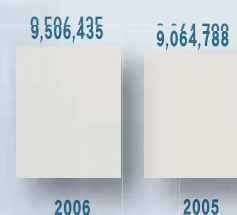
Number of Loans



Total Loan Amounts (JD)



Guaranteed Amounts (JD)



2. Personal Loan Guarantee Programmes

LOANS EXECUTED & UNDER EXECUTION DURING 2006 VS. 2005

PROGRAMME	Number of Loans		Total Loan Amounts		Guaranteed Amounts	
	2006	2005	2006	2005	2006	2005
Housing Loan Guarantees	586	727	18,111,950	19,613,092	12,091,068	13,762,156
Land Purchase Loan Guarantees	4	3	25,600	96,000	17,920	55,050
Computer Purchase Loan Guarantees	20	113	11,954	70,380	10,161	59,185
ALL PERSONAL LOAN GUARANTEES	610	843	18,149,504	19,779,472	12,119,149	13,876,391



OUTSTANDING PORTFOLIO AT THE END OF 2006 VS. 2005

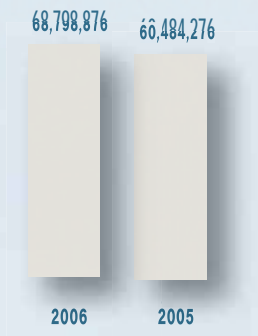
Number of Loans			Total Loan Amounts			Guaranteed Amounts		
2006	2005	Change	2006	2005	Change	2006	2005	Change
3003	3251	(248)	65,521,910	67,994,573	(2,472,663)	41,500,843	43,535,272	(2,034,429)



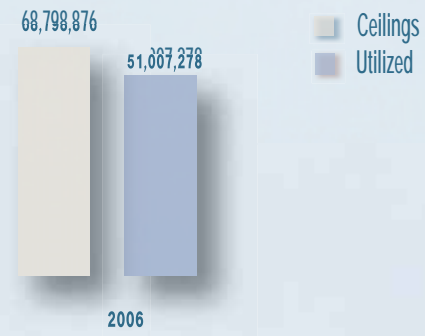
CEILINGS AND AMOUNTS UTILIZED 2006 VS. 2005

Loan Guarantee Ceilings	As of December 31st			Change From Last Year	% Utilized 2006
	Amount of Ceiling		Utilized (JD)		
	2006	2005	2006		
Productive Loan Ceilings	23,518,876	12,824,489	9,506,435	10,694,387	40,4%
Personal Loan Ceilings	45,280,000	47,659,787	41,500,843	(2,379,787)	91,6%
Total Ceilings	68,798,876	60,484,276	51,007,278	8,314,600	

Ceilings



Ceilings & Amounts Utilized

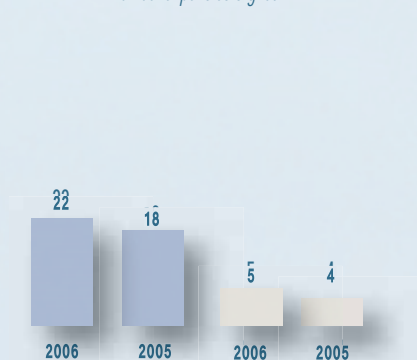


II . CREDIT GUARANTEE PROGRAMMES

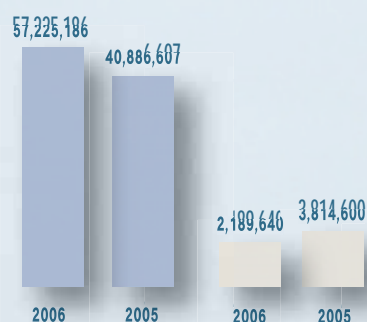
POLICIES SIGNED DURING 2006 vs. 2005

	Number of Policies			Amount of Policies		
	2006	2005	Change	2006	2005	Change
Export Credit Guarantee Programme	22	18	4	57,225,186	40,886,607	16,338,579
Domestic Credit Guarantee Programme	5	4	1	2,189,640	3,814,600	(1,624,960)
All Credit Guarantee Programmes	27	22	5	59,414,826	44,701,207	14,713,619

Number of policies Signed



Amounts of Policies Signed (JD)

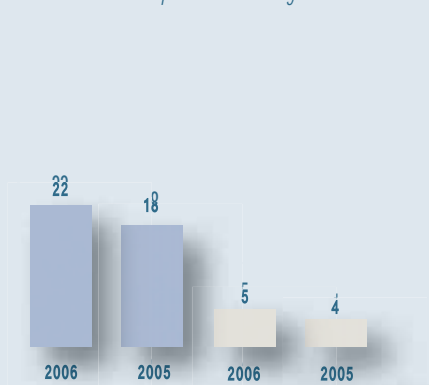


■ Export Credit
■ Domestic Credit

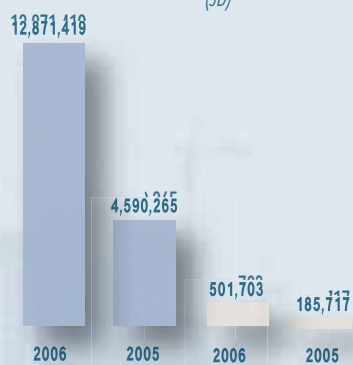
POLICIES OUTSTANDING at the end of 2006 vs. 2005

	Number of Policies			Amount of Policies		
	2006	2005	Change	2006	2005	Change
Export Credit Guarantee Programme	22	18	4	12,871,419	4,590,265	8,281,154
Domestic Credit Guarantee Programme	5	4	1	501,703	185,717	315,986
All Credit Guarantee Programmes	27	22	5	13,373,122	4,775,982	8,597,140

Number of policies Outstanding



Amounts of Policies Outstanding (JD)



■ Export Credit
■ Domestic Credit

III . INDEMNIFICATINS, RECOVERIES, & RESCHEDUALING

INDEMNIFICATION REQUESTS DURING 2006 vs. 2005

Number of Requests			Amount of Requests		
2006	2005	Change	2006	2005	Change
5	20	(15)	97,540	236,398	(138,858)

Number of Requests

Amount of Requests
(JD)



PAID INDEMNIFICATIONS DURING 2006 vs. 2005

Number of Paid Indemnifications			Amount of Paid Indemnifications		
2006	2005	Change	2006	2005	Change
6	13	(7)	95,722	126,159	(30,437)

Number of Paid Indemnifications

Amount of Paid Indemnifications
(JD)

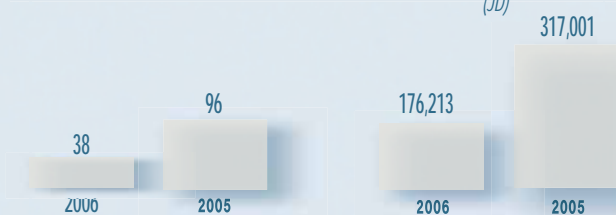


RECOVERIES DURING 2006 vs. 2005

Number of Recoveries			Amount of Recoveries (JD)		
2006	2005	Change	2006	2005	Change
38	96	(58)	176,213	317,001	(140,788)

Number of Recoveries

Amount of Recoveries
(JD)

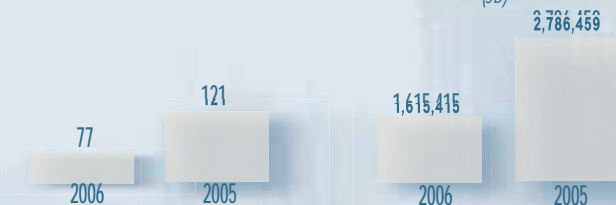


RESCHEDUALED LOANS DURING 2006 vs. 2005

Number of Rescheduled Loans			Amount of Rescheduled Loans (JD)		
2006	2005	Change	2006	2005	Change
77	121	(44)	1,615,415	2,786,459	(1,171,044)

Number of Rescheduled Loans

Amount of Rescheduled Loans
(JD)



IV . FINANCIAL ACTIVITIES

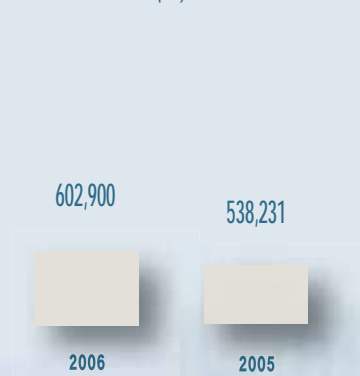
Operational Revenues for 2006 vs. 2005

	JD		
	2006	2005	Change
Housing Loan Guarantee Fees	356,041	342,864	13,177
Productive Loan Guarantee Fees	80,226	90,993	(10,767)
Working Capital Programme Fees	7,893	9,293	(1,400)
Industrial Finance Programme Fees	55,753	52,448	3,305
Export Credit Programme Fees	97,634	37,302	60,332
Domestic Credit Programme Fees	5,353	5,331	22
TOTAL OPERATIONAL REVENUES	602,900	538,231	64,669

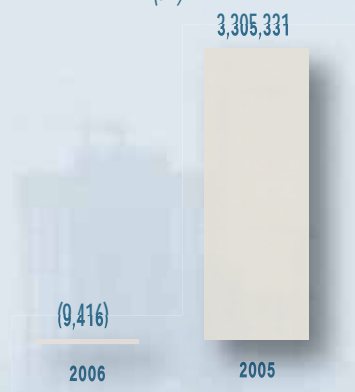
Financial Revenues for 2006 vs. 2005

	JD		
	2006	2005	Change
Interest on Bank Deposits	492,145	133,395	358,750
Interest on Certificates of Deposit	13,954	56,170	(42,216)
Interest on Commercial Notes	30,618	53,318	(22,700)
Interest on Debentures	144,727	167,680	(22,953)
Investment in Shares & Bonds	72,616	39,600	33,016
Trust Investment Fund	(92,930)	1,123,518	(1,216,448)
Income from Investment Portfolio	0	95,419	(95,419)
Profit from Valuation of Trading Securities	(670,546)	1,636,231	(2,306,777)
TOTAL FINANCIAL REVENUES	(9,416)	3,305,331	(3,314,747)

*Operational Revenues
(JD)*



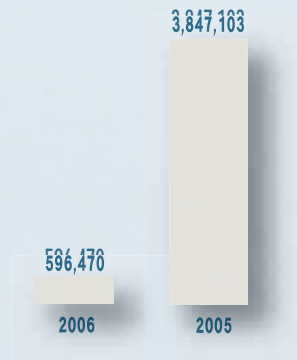
*Financial Revenues
(JD)*



TOTAL REVENUE for 2006 vs. 2005

	JD		
	2006	2005	Change
Operational Revenue	602,900	538,231	64,669
Financial Revenue	(9,416)	3,305,331	(3,314,747)
Other Revenue	2,986	3,541	(555)
TOTAL REVENUE	596,470	3,847,103	(3,250,633)

Total Revenues
(JD)



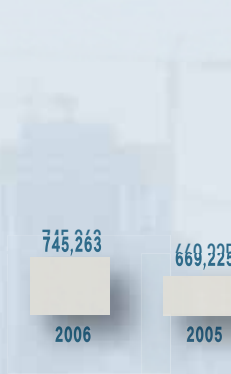
GROSS PROFIT for 2006 vs. 2005

	JD		
	2006	2005	Change
Total Revenues	569,470	3,847,103	(3,250,633)
General & Administrative Expenses	745,263	669,225	76,038
Gross Profit	(148,793)	3,177,878	(3,326,671)

Gross Profit
(JD)



General and Administrative Expenses
(JD)



12. The financial impact of non-recurrent transactions

In a meeting of the Prime Ministry on 7 Feb. 2006 approval was granted to the Central Bank of Jordan, to lend the 6 Million Euros (JD 5,160,695) Fund from the European Union (EJADA Fund) to the Jordan Loan Guarantee Corporation as a no interest long term loan where the fund will be transferred back to the Central Bank in case JLGC was liquidated.

13. A chronology of the realized profits or losses, dividends, shareholders' net equity and the prices of securities issued by the Company

	Net Profit before Tax & other Provisions	Dividends Distributed to Shareholders	Shareholders Net Equity	Share Price
2000	781,166	-	12,180,468	-
2001	647,883	500,000	13,051,558	-
2002	494,280	350,000	13,151,984	-
2003	1,297,527	700,000	14,295,001	-
2004	1,116,355	600,000	15,000,699	-
2005	3,027,045	700,000	17,531,279	1.58
2006	(161,462)	-	16,698,305	1.19

Note : Company Shares were quoted from the Second Amman Financial Market early 2005

14. An analysis of the Company's financial status and of the results of its activities

Discription	2005	2006
Return on Each Share	0.275	0.042
Return on Investment	13.7%	1.0%
Return on Shareholder's Equity	15.7%	1.41%
Return on Paid Up Capital	27.5%	2.35%
Holding Ratio	87.5%	68.50%
Fixed Assets to Shareholder's Equity	0.80%	0.80%
Rate of Indebtedness	2.2%	2.5%
Liabilities to Third Parties to Total Assets	12.5%	31.5%
Liabilities to Third Parties to Shareholder's Equity	14.3%	45.9%
Current Liabilities to Shareholder's Equity	2.6%	3.6%
Revenue to Total Assets	19.2%	2.4%
Circulation Ratio	4443.7%	3980.2%
Working Capital - JD	19,441,177	23,236,892

15. Company's proposed plan for the upcoming year

Following is a summary of future plans :

1. Continue cooperation with Local Community Institutions along with target clients of JLGC and other companies working toward the same developmental goal, in order to increase awareness about the company and market its guarantee products.

2. In order to improve current guarantee programmes and help create new ones, objective studies and research is to be conducted on all company products in order to measure their success in accomplishing the overall goals and objectives of JLGC specifically in servicing Jordanian SMEs and Exporters and the overall impact on the national economy.

3. Continue improving productivity of JLGC employees through automation and the improvement of the company's different management and training systems.

16. Auditing fees

Total amount paid to "Allied Accountants" as auditing fees for 2006 was JD 6580 including the 16% sales tax compared to JD 5140 for 2005.

17. The number of securities issued by the Company which are owned by any member of its Board of Directors, any member of its Senior Executive Management

No member of JLGC's Board of Directors, any member of its Senior Executive Management or any of their relatives own any securities issued by the company.

18. The privileges paid by the Corporation to the Chairman & the Board of Directors

The total amounts paid to the Chairman and the Board of Directors was JD 83,800 as a transportation allowance and annual bonus for the year 2006 compared with JD 94,300 in 2005.

Name	* Bonus	** Transportation	Total
H.E. Dr. Umayyah Toukan	5000	900	5900
Mr. "Mohammad Said" Shahin	0	2700	2700
Mr. "Mohammad Said" Al-Hammami	5000	900	5900
Dr. Ibrahim M. Nsour	5000	3600	8600
Mr. Mohammad Mousa Dawood	5000	3600	8600
Mr. Zuhair Idrees	5000	900	5900
Mr. Fuad N. S. Werr	5000	900	5900
Mr. Hazem M. Yousef Abdel Latif	5000	900	5900
Mr. "Mohammad Awni" Khasawneh	5000	3600	8600
Mr. Salah Ahmed Al Momany	5000	3600	8600
Mr. Bassam Samih Toukan	3333	-	3333
Mr. Mu'taz Barbour	-	1500	1500
Mr. Nabeih Mousa	1667	2100	3767
Mr. Khaled Al Najjar	5000	3600	8600
TOTAL	55,000	28,800	83,800

* 2005 Bonus paid in 2006

** Transportation paid for 2006

The total amounts paid to Executive Management was JD 164,800 as salaries, travel allowances and annual bonuses for the year 2006 compared with JD 157,280 in 2005.

Name	Salaries	Bonuses	Travel Expenses	Total
Mr. "Mohammad Said" Al-Hammami / Managing Director	63,000	4,500	6,780	74,280
Mr. Mohanad Rashdan / Loan Guarantee Manager	19,950	1,425	2,336	23,711
Mr. Faeq Nassar / Administrative Manager	19,390	1,380	527	21,302
Mr. Majdi Abu-Arja / Marketing and Research Manager	19,320	1,380	1,740	22,440
Mr. Nizar Ashkar / Technical & Support Manager	7,467	-	150	7,617
Mr. Hamdi Al Ejel / Financial Manager	14,420	1,030	-	15,450
TOTAL	143,547	9,720	11,533	164,800

19. Donations and Grants

No cash donations were made in 2006 in comparison with JD 500 donated to The Young Moslem Women's Association in 2005.

On the other hand the company donated 18 used computers to the Nazal Zakat Committee valued at JD 26,967.

20. The Company's contracts, projects and engagements with its Subsidiaries, Sister Companies or Affiliates.

There are no contracts, projects or engagements between JLGC and Subsidiaries, Sister Companies or Affiliates or with the Chairman of the Board of Directors, members of the Board of Directors, the Chief Executive Officer or any employee of the Company or relatives. In order to increase corporation and facilitate it work the company signed the following agreements and memorandums of understanding :

1 . MOU signed with ICBG

Many developing countries realize the important developmental role loan guarantee companies contributes to the Economy through helping SMEs obtain the necessary financing from the banking system.



Representatives from ICBG, The Iraqi Company for Bank Guarantees, Ltd. which was recently established in Iraq and in preparation for starting its operations, visited Jordan during the period 30 Jul. - 1 Aug. 2006 to observe the Jordanian experience in the loan guarantee industry and specifically the Jordan Loan Guarantee Corporation.

The delegation included Mr. Kamel Al Kaylani ICBG's Chairman of the Board accompanied with Board Members as well as Iraqi Bank Managers and representatives who are shareholders in ICBG.

JLGC arranged several meetings with ICBG to discuss ways of cooperation between the two companies, including a meeting with JLGC's Board of Directors where Mr. M. Said Hammami presented an overview of JLGC since establishment in 1994 and important issues to be considered when planning to enter this field.



Another meeting was set up between the Iraqi Delegation and managers of JLGC's departments who gave a more technical overview of the work and procedures of running the different programmes offered by JLGC, including the Financial, Accounting and Marketing aspects of the company.

The Iraqi delegation also met some Jordanian banks who represented their points of view regarding dealing with JLGC when obtaining guarantees on their loans.

Finally for further cooperation in know how exchange and training, ICBG and JLGC signed an MOU on 1 Aug. 2006. Signed the memorandum on behalf of ICBG Mr. Kamel Al Kaylani , and on behalf of JLGC Mr. M Said Hammami.

2. Cooperation Agreement with BLOM Bank

To promote SME development and through the Industrial Finance Programme. JLGC signed an agreement with BLOM Bank. the agreement governs providing guarantees to loans granted to SMEs on the basis of the feasibility of these enterprises and their ability to repayment.

According to this agreement JLGC evaluates eligible loans guarantees requested by the bank and issues the guarantee acceptance according to standard procedures, and pays the banks indemnifications after the agreed upon default period. The bank is also required to evaluate the loans according to standard banking procedures and prepares its own credit report on the financed projects and



the applicants as well as follow up on the guaranteed loan status and provide the company with monthly reports on outstanding guaranteed balances.

Dr. Adnan Al Aaraj signed the agreement on behalf of BLOM Bank and Mr. Hammami Managing Director signed the Agreement for JLGC.

With this agreement JLGC now has 17 banks participating in its different loan and credit guarantee programmes.

2. EJADA Programme Fund Transferred to JLGC

In 2001 JLGC started its cooperation with the EU through the Financial Aspect of the Euro-Jordanian Action for Development of Enterprise (EJADA) which provided a fund to guarantee industrial modernization loans to enterprises that don't have the necessary collateral required by banks.

Since that time the company guaranteed 117 Small & Medium industrial projects for loans valued at JD19 Million with guaranteed amounts of JD 12 Million which was considered a success for the Financial aspect of EJADA, and therefore JLGC was eligible for the JD 5.1 Million.



On 14 March, 2006, the company along with the EU and the Central Bank of Jordan with the Ministry of Planning and International Cooperation signed the necessary agreement that governs the transfer of the Fund to JLGC.

According to these agreements the total amount of the Fund from the EU will be granted to JLGC as a no interest unspecified long term loan, which will add to the leverage of the company to provide more guarantees to loans and increase its developmental role it plays within the economy.

21 - The Company's Contribution to Environmental Protection and Local Community Service

In order to continue serving the local community and contribute in its development, The Jordan Loan Guarantee Corporation participated in the following activities:

1. The Second Annual Meeting of the SME Supporting Programmes

The Jordan Loan Guarantee Corporation along with UNCTAD's integrated capacity-building programme (Empretec-Jordan) and the National Fund for Enterprise Support (NAFES) and the Community Development Bureau in the Aqaba Special Economic Zone Authority (ASEZA), JLG participated in the second annual meeting of the various SME supporting programmes available in Jordan held on 8 Mar 2006 in Aqaba. The meeting which is a continuous effort started last May is intended to promote awareness to the various financial and technical services available to SME projects in the Aqaba Special Economic Zone Area.

Mr. Hammami JLG's Managing Director presented the developmental role the company plays through its different programmes and pledged continued support to SMEs and to similar events in the coming years.



22 - Marketing Activities

1. GO NETWORK

As a member, JLG attended the first meeting of the GO Network Project partly financed by the EU Regional Development Fund and intended to develop the Loan Guarantee Industry in the Mediterranean Region and help exchange of experience and best practices between member countries. The Meeting was held in the Calabria Region in Italy, the region managing the Project, and was attended by other loan guarantee representatives from Lebanon, Egypt, Morocco, France, Greece and other regions of Italy. During this meeting Jordan was chosen to hold the second meeting which was arranged by JLG in during the period 15-16 June 2006 in Amman.



2. UNIDO Conference



During a large Investment Conference held at the Dead Sea on 18-20 June 2006, JLG joined the Jordan Investment Corporation and the United Nations Industrial Development Organization (UNIDO) in organizing the event.

A working paper about the company's role in supporting SMEs and exporters was presented by JLG during the conference which was attended by over 500 local and international companies.

Representation

In accordance with section (H) of article (6) regarding disclosure requirements and accounting standards issued by the Securities Commission. The Board of Directors of Jordan Loan Guarantee Corporation declares, to the best of their knowledge that :

- 1 . No material issues might influence the continuity of the Corporation during the upcoming fiscal year.
- 2 . Declares its responsibility for preparing the financial statements and having an effective control & auditing system.
- 3 . All Financial Statements and Information within this report is correct.

Mohammad Said Shahin
Chairman

Mohammad Said Al Hammami
Managing Director

Hamdi Al Ejel
Financial Manager

Proposed Agenda of the Public Assembly Meeting

Dear Sirs,

Based on the provisions of Article 169 of the Corporation's Law No. 22 for 1997, it is the pleasure of the Board of Directors to invite you or your representative to attend the Thirteenth Ordinary General Assembly meeting, scheduled to be held at noon on Sunday 8, April 2007, at the Conference Hall of the Central Bank of Jordan in order to look into the following agenda:

1. Recitation and approval of the minutes of the Eleventh Ordinary General Assembly Meeting held on 26, March 2006.
2. Discussion and approval of the Thirteenth Board of Directors' Report on JLGC's 2006 Operations and Future Work Plan.
3. Presentation of the Auditors' Report for the fiscal year ending on 31, December 2006.
4. Discussion and approval of the Balance Sheet and the Income Statement for the fiscal year ending on 31, December 2006 and absolving the Board of Directors of any liability.
5. Appointment of auditors for the fiscal year 2007.
7. Discuss and approve any other matters in accordance with the provisions of law.

God is the Benefactor of Success

The Board of Director

JORDAN LOAN GUARANTEE CORPORATION LTD.

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006

WITH THE

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
JORDAN LOAN GUARANTEE COMPANY
AMMAN - JORDAN

We have audited the accompanying financial statements of Jordan Loan Guarantee Company (a public shareholding company), which comprise the balance sheet as at December 31, 2006 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Amman - Jordan
March 19, 2007

Allied Accountants

JORDAN LOAN GUARANTEE CORPORATION LTD.
BALANCE SHEET AS OF DECEMBER 31, 2006
(In Jordanian Dinars)

<u>ASSETS</u>	<u>Notes</u>	<u>2006</u>	<u>2005</u>
ii		JD	JD
Cash on hand and at banks	4	10,237,068	4,657,285
Trading investments	5	8,681,794	8,940,611
Available-for-sale investments	6	2,093,189	2,485,609
Held to maturity investments	7	2,452,000	3,452,000
Property and equipment	8	134,050	144,372
Deferred tax assets	9	399,494	-
Accounts receivable and other assets	10	<u>371,701</u>	<u>353,240</u> ii
Total Assets		<u>24,369,296</u>	<u>20,033,117</u>
<u>LIABILITIES AND EQUITY</u>			
Liabilities -			
Income tax provision	9	343,029	136,000
Central Bank of Jordan Loan	11	5,160,695	-
Provisions for loan guarantee	12	1,911,436	1,819,577
Deferred tax liabilities	9	-	234,693
Accounts payable and other liabilities	13	<u>273,356</u>	<u>311,568</u>
Total Liabilities		<u>7,688,516</u>	<u>2,501,838</u>
Equity -			
	14		
Share capital		10,000,000	10,000,000
Statutory reserve	ii	1,041,818	1,041,818
Voluntary reserve	ii	1,874,190	1,874,190
Fair value reserve		1,011,005	1,378,898ii
Retained earnings		<u>2,753,767</u>	<u>3,236,373</u> ii
Total Equity		<u>16,680,780</u>	<u>17,531,279</u> ii
Total Liabilities and Equity		<u>24,369,296</u>	<u>20,033,117</u> ii

The accompanying notes from 1 to 27 form part of these financial statements

JORDAN LOAN GUARANTEE CORPORATION LTD.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2006
(In Jordanian Dinars)

	<u>Notes</u>	<u>2006</u> JD	<u>2005</u> JD
Revenues -			
Interest income	15	506,099	189,565
Commissions on guaranteed loans		436,267	433,857
Commissions on guaranteed industrial loans and financial leasing ^{III}		55,753	52,448
Commissions on guaranteed export loans and domestic buyers		110,880	51,926
(Loss) income from investments	16	(515,515)	3,115,766
Other income	17	<u>2,986</u>	<u>3,541</u>
Total revenues		596,470	3,847,103
Less: Administrative expenses	18	770,281	669,225
Provision for end of service indemnity		7,875	7,875
Other fees		<u>3,552</u>	<u>142,958</u>
(Loss) profit before tax		(185,238)	3,027,045
Income tax benefits (expense)	9	<u>402,632</u>	(278,767)
Profit for the year		<u><u>217,394</u></u>	<u><u>2,748,278</u></u>
Basic and diluted earnings per share	19	0.022	0.275

The accompanying notes from 1 to 27 form part of these financial statements

JORDAN LOAN GUARANTEE CORPORATION LTD.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006
(In Jordanian Dinars)

	<u>Paid in Capital</u> JD	<u>Reserves</u> <u>Statutory</u> JD	<u>Voluntary</u> JD	<u>Fair Value Reserve</u> JD	<u>Retained Earnings</u> JD	<u>Total</u> JD
Balance as of January 1, 2006	<u>10,000,000</u>	<u>1,041,818</u>	<u>1,874,190</u>	<u>1,378,898</u>	<u>3,236,373</u>	<u>17,531,279</u>
Fair value reserve	-	-	-	(367,893)	-	(367,893)
Total income and expenses recognised directly in equity	-	-	-	(367,893)	-	(367,893)
Profit for the year	-	-	-	-	217,394	217,394
Total income and expenses for the year	-	-	-	(367,893)	217,394	(150,499)
Dividends paid	-	-	-	-	(700,000)	(700,000)
Balance as of December 31, 2006	<u>10,000,000</u>	<u>1,041,818</u>	<u>1,874,190</u>	<u>1,011,005</u>	<u>2,753,767</u>	<u>16,680,780</u>
Balance as of January 1, 2005	<u>10,000,000</u>	<u>724,818</u>	<u>1,240,190</u>	<u>996,596</u>	<u>2,039,095</u>	<u>15,000,699</u>
Realised gain / effect of applying IAS (39)	-	-	-	(32,250)	-	(32,250)
Fair value reserve	-	-	-	414,552	-	414,552
Total income and expenses recognised directly in equity	-	-	-	382,302	-	382,302
Profit for the year	-	-	-	-	2,748,278	2,748,278
Total income and expenses for the year	-	-	-	382,302	2,748,278	3,130,580
Transfers to reserves	-	317,000	634,000	-	(951,000)	-
Dividends paid	-	-	-	-	(600,000)	(600,000)
Balance as of December 31, 2005	<u>10,000,000</u>	<u>1,041,818</u>	<u>1,874,190</u>	<u>1,378,898</u>	<u>3,236,373</u>	<u>17,531,279</u>

The accompanying notes from 1 to 27 form part of these financial statements

JORDAN LOAN GUARANTEE CORPORATION LTD.
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2006
(In Jordanian Dinars)

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>Notes</u>	<u>2006</u> JD	<u>2005</u> JD
(Loss) profit before tax		(185,238)	3,027,045
Adjustments:			
Depreciation		35,586	34,935
Provision for end of service indemnity		7,875	7,875
Employees incentive provision		25,018	20,000
Non-cash revenues		-	(1,721)
Gain from sale of investments		-	(1,218,937)
Gain from valuation of trading investments		<u>670,546</u>	<u>(1,636,231)</u>
		553,787	232,966
Increase in assets			
Accounts receivable and other assets		(18,461)	(21,247)
Increase / (decrease) in liabilities			
Accounts payable and other liabilities		(16,104)	(133,343)
Excess loans provisions		<u>91,859</u>	<u>190,842</u>
		611,081	269,218
Board of Directors' remunerations paid		<u>(55,000)</u>	<u>(55,000)</u>
Net cash flows from operating activities		<u>556,081</u>	<u>214,218</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net purchase of trading investments		(411,729)	(685,395)
Net purchase of available-for-sale investments		-	(7,155)
Redemption of held to maturity investments		1,000,000	-
Purchases of property and equipment		<u>(25,264)</u>	<u>(25,149)</u>
Net cash flows from / (used in) investing activities		<u>563,007</u>	<u>(717,699)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Dividends paid		(700,000)	(600,000)
Proceeds from Central Bank of Jordan loan		<u>5,160,695</u>	<u>-</u>
Net cash used in financing activities		<u>4,460,695</u>	<u>(600,000)</u>
Net increase / (decrease) in cash		5,579,783	(1,103,481)
Cash and cash equivalent, beginning of the year		<u>4,657,285</u>	<u>5,760,766</u>
Cash and cash equivalent, end of the year	20	<u>10,237,068</u>	<u>4,657,285</u>

The accompanying notes from 1 to 27 form part of these financial statements

JORDAN LOAN GUARANTEE COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

(1) GENERAL

The Jordan Loan Guarantee Company, (“the Company”) a public shareholding company, was incorporated on March 26, 1994 with a share capital of JD 7,000,000 divided into 7,000,000 shares at a par value of JD 1 per share. The general assembly in its extraordinary meeting held on September 12, 1995, resolved to increase the Company's capital to 10,000,000 shares at a par value of JD1 per share.

The Company was formed as a successor to the Loan Guarantee Project as a result of the Council of Ministers' Decision that transferred all accounts and assets of the Project to the Central Bank of Jordan in preparation for the establishment of a public shareholding company for Loan Guarantee. JD 3,000,000 of the Project's net assets were designated as the Central Bank of Jordan share in the new Company's capital.

The Company's goals include providing guarantees to fully or partially cover loans of different types granted by banks and financial institutions for the establishment, expansion, and raising the productive and marketing capacity of economic projects with the aim of creating job opportunities and securing possibilities for earning or saving foreign reserves. The Company's goals also include extending guarantees required to cover risks in the field of Jordanian export sector.

The financial statements were authorised for issue by the Board of Directors during their meeting held on March 19, 2007. These financial statements require the approval of the General Assembly of the Company.

(2) BALANCES OF GUARANTEED LOANS AND CEILINGS

Balances of guaranteed loans and granted ceilings are as follows:

	Ceiling		Guaranteed Amount	
	2006 JD	2005 JD	2006 JD	2005 JD
Housing loans guarantees	45,280,000	47,606,000	41,463,307	43,481,485
Productive loans guarantees	4,911,000	6,045,000	2,119,654	2,285,300
Computer purchase financing	1,000,000	1,000,000	37,536	53,787
Working capital guarantees	616,439	615,050	317,305	396,662
Export credit guarantees (domestic buyers)	2,674,625	4,775,982	2,674,625	4,775,982
Industrial loans guarantees	15,628,592	15,228,890	5,165,394	5,256,391
Financial leasing	2,362,845	2,293,003	1,904,082	1,126,436

(3) SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards under the historical cost convention except for investments held for trading and available-for-sale investments which are stated at their fair values.

The financial statements are presented in Jordanian Dinar.

Changes in Accounting Policies -

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

Following are the significant accounting policies adopted:

Cash and Cash Equivalents -

Cash includes cash on hand and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Property and Equipment -

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income.

Fixed assets are depreciated over the estimated useful lives using the straight - line method with annual rates ranging from 10% to 20%.

The useful life and depreciation method are reviewed periodically to ensure that method and period of depreciation are consistent with the expected pattern of economic benefits from items of the fixed assets.

Investments -

Investments are classified into the following categories: held to maturity, trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Company has a positive intent and ability to hold to maturity are classified as held to maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading. All other investments are classified as available for sale.

All purchases and sales of investments are recognized on the trade date.

Investments are initially measured at cost, which is the fair value of the consideration given.

Available for sale and trading investments are subsequently carried at fair value by reference to their quoted market price at the balance sheet date.

Gains or losses on measurement to fair value of available for sale investments are recognized directly in the fair value reserve in shareholders' equity, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period.

Changes in the fair values of trading investments are included in the statement of income.

Held to maturity investments are carried at amortized cost using the effective interest rate method.

End of service indemnity -

Provision for end of service indemnity is established to face legal and contractual obligations at the end of employees services as of the date of financial statement.

Revenue recognition -

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Interest is recognized on a time proportion basis that reflects the effective yield on the assets

Commissions on loan guarantees are recognized annually on the guaranteed ceilings granted to banks and financial institutions.

Commissions on post-shipment export credit guarantees are based upon the evaluation of the covered risks, after deducting the reinsurance Company share.

Income Tax -

Current income tax is calculated based on the tax rates and laws that are applicable at the balance sheet date.

Deferred income taxation is provided using the liability method on all temporary differences at the balance sheet date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the balance sheet date.

The carrying values of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Foreign Currency -

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 statement of income.

Use Of Estimates -

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions as well as fair value changes reported in equity. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required for non-performing credit facilities such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

(4) CASH ON HAND AND AT BANKS

	<u>2006</u> JD	<u>2005</u> JD
Cash on hand	44	45
Time deposits	10,237,024	3,657,240
Certificates of deposits	-	<u>1,000,000</u>
	<u>10,237,068</u>	<u>4,657,285</u>

(5) TRADING INVESTMENTS

	<u>2006</u> JD	<u>2005</u> JD
Investment funds	1,833,743	1,532,387
Guaranteed investment portfolios	4,072,017	4,201,692
Non-guaranteed investment portfolios	<u>2,776,034</u>	<u>3,206,532</u>
	<u>8,681,794</u>	<u>8,940,611</u>

(6) AVAILABLE-FOR-SALE INVESTMENTS

	<u>2006</u> JD	<u>2005</u> JD
Investments in quoted shares	1,455,689	1,935,609
Investments in unquoted shares	<u>637,500</u>	<u>550,000</u>
	<u>2,093,189</u>	<u>2,485,609</u>

(7) HELD TO MATURITY INVESTMENTS

	<u>2006</u> JD	<u>2005</u> JD
Investments in debentures	2,452,000	2,452,000
Investments in commercial notes	-	<u>1,000,000</u>
	<u>2,452,000</u>	<u>3,452,000</u>

Investments in debentures mature during the years from 2007 to 2012

(8) PROPERTY AND EQUIPMENT

Cost -	<u>Furniture & Fixture JD</u>	<u>Vehicles JD</u>	<u>Computers & Software JD</u>	<u>Total JD</u>
Balance as of January 1, 2006	170,095	97,224	237,618	504,937
Additions	2,785	-	22,497	25,282
Retirements	-	-	26,985	26,985
Balance as of December 31, 2006	<u>172,880</u>	<u>97,224</u>	<u>233,130</u>	<u>503,234</u>
Accumulated Depreciation -				
Balance as of January 1, 2006	72,624	90,189	197,752	360,565
Additions	12,609	5,100	17,877	35,586
Retirements	-	-	26,967	26,967
Balance as of December 31, 2006	<u>85,233</u>	<u>95,289</u>	<u>188,662</u>	<u>369,184</u>
Net Book Value -				
December 31, 2006	<u>87,647</u>	<u>1,935</u>	<u>44,468</u>	<u>134,050</u>
December 31, 2005	<u>97,471</u>	<u>7,035</u>	<u>39,866</u>	<u>144,372</u>

(9) INCOME TAX

The movement in income tax provision is as follows:

	<u>2006 JD</u>	<u>2005 JD</u>
At January 1,	136,000	-
Accrued income tax	<u>207,029</u>	<u>136,000</u>
At December 31,	<u>343,029</u>	<u>136,000</u>

The income tax in the income statement consists of:

Income tax for the year	(207,029)	(136,000)
Deferred tax assets / (liabilities) on valuation gain of trading investment	131,802	(142,767)
Deferred tax assets on loans guaranteed	<u>477,859</u>	<u>-</u>
	<u>402,632</u>	<u>(278,767)</u>

Deferred tax assets shown on the balance sheet relate to:

	<u>2006 JD</u>	<u>2005 JD</u>
Loan guarantee provisions	477,859	-
Revaluation loss from available for sale investments	(10,965)	-
Change in fair value reserve	<u>(67,400)</u>	<u>-</u>
	<u>399,494</u>	<u>-</u>

Deferred income taxes liabilities as of December 31, 2005 is related to:

	<u>2006</u> JD	<u>2005</u> JD
Net profit from valuation of trading investment	-	142,767
Accumulated change in fair value	<u>-</u>	<u>91,926</u>
	<u>-</u>	<u>34,693</u>

The Income Tax Department did not review the Company's accounting records for the year 2005.

The Company obtained the final tax assessment up to year 2003.

(10) ACCOUNTS RECEIVABLE AND OTHER ASSETS

	<u>2006</u> JD	<u>2005</u> JD
Accrued interest income	56,436	64,249
Accrued commission income	202,382	197,629
Prepaid expenses	67,602	39,428
Refundable deposits	3,230	3,155
Housing loan	41,603	48,665
Others	<u>448</u>	<u>114</u>
	<u>371,701</u>	<u>353,240</u>

(11) CENTRAL BANK OF JORDAN LOAN

The Board of Ministers authorised the Central Bank of Jordan, in their meeting held on February 7, 2006, to grant the Company Euro 6,000,000 (equivalent to JD 5,160,695), zero interest bearing. The grant shall be bestowed to the Central Bank of Jordan upon the liquidation of the Company.

(12) PROVISIONS FOR LOANS GUARANTEES

The Company's Board of Directors decided in 2006 to change the accounting method of provisions. As a result, the provisions of loan's guaranteed, export and domestic buyers will be divided into general and specific provisions.

Accordingly, the general provision was computed as 3% of the productive loans guarantees in addition to the guaranteed portion of working capital guarantees, and 1% of the guaranteed housing loans portfolio. The specific provision was determined as the remaining balance after deducting the general provision.

The breakdown of the amount is as follows:

	<u>2006</u> JD	<u>2005</u> JD
General provision	790,165	851,652
Specific provision	<u>1,121,271</u>	<u>967,925</u>
	<u>1,911,436</u>	<u>1,819,577</u>

(13) ACCOUNTS PAYABLE AND OTHER LIABILITIES

	<u>2006</u> JD	<u>2005</u> JD
Re-insurers (COFACE)	61,892	12,075
Reinsures deposits for outstanding shipments	2,784	6,276
Board of Directors' remuneration	1,400	55,000
Scientific research provision	-	31,700
Jordanian Universities' fees provision	-	31,700
Education, vocational and technical training support fund	2,152	24,558
Reserve for end of service indemnity	75,492	67,617
Accrued expenses	10,375	11,407
Accrued re-insurance fees	73,919	28,964
Employees bonus	25,018	20,000
Others	<u>20,324</u>	<u>22,271</u>
	<u>273,356</u>	<u>311,568</u>

(14) EQUITY**- Statutory reserve -**

The accumulated amounts in this account represent the cumulative appropriations at 10% of net income during the years. This reserve is not available for distribution to shareholders.

- Voluntary reserve -

The accumulated amounts in this account represent the cumulative appropriations not exceeding 20% of net income during the years. This reserve is available for distribution to shareholders.

- Proposed Dividends -

The Board of Directors will propose to the General Assembly to be held during 2007 the distribution of JD 500,000 as dividends, representing 5% of the share capital as of December 31, 2006.

The General Assembly approved in its meeting held during 2006 the distribution of JD 700,000 as dividends, representing 7% of the share capital as of December 31, 2005.

(15) BANK INTEREST INCOME

	<u>2006</u> JD	<u>2005</u> JD
Interest on bank deposits	492,145	133,395
Interest on certificates of deposits	<u>13,954</u>	<u>56,170</u>
	<u>506,099</u>	<u>189,565</u>

(16) INVESTMENTS INCOME

	<u>2006</u> JD	<u>2005</u> JD
Interest on debentures	144,727	167,680
Dividends income	72,616	39,600
Interest on commercial notes	30,618	53,318
Gain from sale of investments	-	95,419
(Loss) gain from sale of funds and portfolios	(92,930)	1,123,518
(Loss) gain from valuation of trading investments	<u>(670,546)</u>	<u>1,636,231</u>
	<u>(515,515)</u>	<u>3,115,766</u>

(17) OTHER INCOME

	<u>2006</u> JD	<u>2005</u> JD
Grant revenue	-	1,721
Recovery of loans written-off	1,391	326
Interest on General Manager housing loan	1,494	1,494
Others	<u>101</u>	<u>-</u>
	<u>2,986</u>	<u>3,541</u>

(18) ADMINISTRATIVE EXPENSES

	<u>2006</u> JD	<u>2005</u> JD
Salaries and wages	373,047	312,671
Company's contribution in saving fund	35,153	26,618
Company's contribution in social security	33,669	27,085
Medical and insurance expenses	24,357	18,262
Employees bonus	25,018	20,000
Board of Directors' transportation	30,600	41,100
Rent	56,892	55,684
Depreciation	35,586	34,935
Maintenance	1,767	1,664
Vehicles expenses	12,728	8,809
Marketing expenses	39,009	28,726
Professional fees	26,840	17,729
Official duties and training courses	23,957	25,466
Stationary and printings	9,629	8,974
Subscriptions	16,622	12,814
Post, telephone and electricity	18,306	19,533
Others	<u>7,101</u>	<u>9,155</u>
	<u>770,281</u>	<u>669,225</u>

(19) EARNINGS PER SHARE

	<u>2006</u>	<u>2005</u>
Profit for the year	217,394	2,748,278
Weighted average number of shares	10,000,000	10,000,000
Basic and diluted earnings per share	0.022	0.275

(20) CASH AND CASH EQUIVALENT

Cash and cash equivalent that appears in the cash flow statements includes cash on hand and at banks and certificate of deposits, which are short-term highly liquid investments that are readily convertible to known amount of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value (Note 4).

(21) RELATED PARTIES TRANSACTION

Related parties represent the Company's executive management. The terms of transactions with related parties are approved by the Company's management.

The outstanding balances are as follows:

	<u>2006</u> JD	<u>2005</u> JD
Housing loan	<u>41,603</u>	<u>48,665</u>
	<u>41,603</u>	<u>48,665</u>
Executive management benefit		
	<u>2006</u> JD	<u>2005</u> JD
Bonus	<u>30,200</u>	<u>94,300</u>
	<u>30,200</u>	<u>94,300</u>

(22) RISK MANAGEMENT

a- Interest Rate Risk

Following are the details of the financial instruments based on the remaining periods of their maturities, and their balances as on December 31, 2006:

Assets -	Subject to interest Rate risk		Not subject to Interest rate risk JD	Total JD	Interest Rate %
	Less than One year JD	More than One year JD			
Cash on hand & in banks	10,237,024	-	44	10,237,068	6%
Investments	205,000	2,247,000	10,774,983	13,226,983	4.6 - 7.25%
Property and equipment	-	-	134,050	134,050	
Deferred tax assets	-	-	399,434	399,434	
Accounts receivable and Other assets	-	-	<u>371,701</u>	<u>371,701</u>	
	<u>10,442,024</u>	<u>2,247,000</u>	<u>11,680,272</u>	<u>24,369,296</u>	
Liabilities and equity -					
Central Bank of Jordan loan	-	-	5,160,695	5,160,695	
Provisions	-	-	2,254,465	2,254,465	
Other liabilities	-	-	273,356	273,356	
Equity	-	-	<u>16,680,780</u>	<u>16,680,780</u>	
	<u>-</u>	<u>-</u>	<u>24,369,296</u>	<u>24,369,296</u>	

The above maturities are computed based on the financial instruments maturity dates.

b- Credit Risks

The Company maintains its accounts and deposits with reputable financial institutions.

The Company maintains ceilings for guaranteed loans, in addition to the reinsurance of export loans.

c- Loans and Exports Guarantee Risks

The Company guarantees 75% of granted loans not exceeding JD 40,000 and 50% of loans exceeding JD 40,000 up to JD 100,000 and guarantees 75% of Housing loans to the low and medium income applicants provided that the loan does not exceed JD 50,000.

The Company guarantees working capital credit for 75% of loans granted by commercial banks up to JD 250,000 for each exporter.

The Company guarantees 85% of post shipment exports losses caused by any of the risks covered by the guarantee contract. The Company reinsures the guaranteed capital through an agreement with COFACE (French Insurance Company for International Trade).

d- Foreign Currency Risk

Most of the Company's transactions are in Jordanian Dinars and US Dollars. The Jordanian Dinar exchange rate is fixed against the US Dollar (US \$ 1.41 for JD1).

(23) FAIR VALUE FINANCIAL INSTRUMENTS

The carrying amounts of cash, accounts receivable, accounts payable, and some of the other current assets and liabilities approximate their fair values since they mature within one year from the date of financial statements.

Investments

The fair value of traded investments is based on quoted market prices, where no quoted market prices are available, a reasonable estimate of fair value is used based on one of the following methods:

- Comparison with the current market value of similar financial instrument.
- Discounted cash flow.
- Options pricing models.

In case the fair value of the investment can not be measured reliably, it is stated at cost or amortized cost, any impairment in value is recorded in the statement of income.

(24) PRODUCTIVITY ENHANCEMENT PROGRAMME

Under the productivity enhancement programme, the Company signed an agreement with the Ministry of Planning, whereby, the Ministry will provide an amount of JD 1,000,000 for the purpose of setting up a loan guarantee scheme with local commercial banks to provide medium and long term loans to small and medium size enterprises. Guarantees given under this scheme will cover up to a maximum of 70% of the principal value of a guaranteed loan and of interest accrued up to a maximum of 180 days.

Funds transferred to the Company under this agreement plus accrued interest should be segregated from the Company assets. The interest is recorded as income in the

The duration of the agreement is eight years, after which, the fund will be returned back to the Ministry of Planning and the Company will be liable for the outstanding guaranteed loans.

The fund balance amounted to JD 250,000 as of December 31, 2006 and 2005 respectively.

(25) CONTINGENT LIABILITIES

Total claims by the banks and financial institutions as of December 31, 2006 is JD 164,185. These claims are still under process and subject to the Reimbursement Committee's approval.

(26) NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following standards and interpretations have been issued but are not yet effective.

Amendments to IAS 1 – Capital Disclosures

Amendments to IAS 1 Presentation of Financial Statements were issued by the IASB as Capital Disclosures in August 2005. They are required to be applied for periods beginning on or after 1 January 2007. When effective, these amendments will require disclosure of information enabling evaluation of the company's objectives, policies and processes for managing capital.

IFRS 7 Financial Instruments: Disclosures

IFRS 7 Financial Instruments: Disclosures was issued by the IASB in August 2005, becoming effective for periods beginning on or after 1 January 2007. The new standard will require additional disclosure of the significance of financial instruments for the company's financial position and performance and information about exposure to risks arising from financial instruments.

IFRS 8 Operating Segments

IFRS 8 Operating Segments was issued by the IASB in November 2006, becoming effective for periods commencing on or after 1 January 2009. The new standard may require changes in the way the company discloses information about its operating segments.

IFRIC Interpretations

During 2006 IFRIC issued the following interpretations:

- IFRIC Interpretation 8 Scope of IFRS 2
- IFRIC Interpretation 9 Reassessment of Embedded Derivatives
- IFRIC Interpretation 11 IFRS 2 – Group and Treasury Share Transactions

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

(27) COMPARATIVE FIGURES

Some of 2005 balances were reclassified to correspond with the 2006 presentation. The reclassification has no effect on the profit for the year and equity.

The effects of the reclassifications made on 2005 balances are as follows:

	<u>2005</u> JD (adjusted)	<u>2005</u> JD
Provisions for loan guarantees	1,819,577	-
Provision of loan guarantees	-	1,683,589
Provision for Exports' Guarantees And Domestic Buyers	<u>-</u>	<u>135,988</u>
	<u>1,819,577</u>	<u>1,819,577</u>