Independent Auditor's Report

105180969

To The Shareholders of
Partners Jordan for Training
Non-Profit Limited Liability Company
Amman-The Hashemite Kingdom of Jordan

We have audited the accompanying financial statements of **Partners Jordan for Training (Non-Profit Limited Liability Company)**, which comprise the statement of financial position as at December 31, 2012, and the statement of revenues and expenses, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of **Partners Jordan for Training (Non-Profit Limited Liability Company)** as of December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Talal Abu-Ghazaleh & Co. International

Steve Karadsheh
(License # 756)

Amman, February 28, 2013

Partners Jordan for Training
Non-Profit Limited Liability Company
Amman-The Hashemite Kingdom of Jordan

Statement of financial position as at December 31, 2012

ASSETS	Notes	2012	2011
Current Assets		JD	JD
Cash and cash equivalents	3	134,552	106,344
Other debit balances	4	5,806	5,806
Total Current Assets		**140,358**	**112,150**
Non - Current Assets			
Property and equipment	5	5,747	3,955
TOTAL ASSETS		**146,105**	**116,105**
LIABILITIES AND EQUITY			
Current Liabilities			
Deferred revenues	6	47,045	807
Other credit balances	7	11,097	11,097
Total Current Liabilties		**58,142**	**11,904**
Equity			
Capital	8	30,000	30,000
Statutory reserve		916	916
Retained surplus		57,047	73,285
Total Equity		**87,963**	**104,201**
TOTAL LIABILITIES AND EQUITY		**146,105**	**116,105**

Partners Jordan for Training
Non-Profit Limited Liability Company
Amman-The Hashemite Kingdom of Jordan

Statement of revenues and expenses for the year ended December 31, 2012

	Notes	2012	2011
		JD	JD
Revenues			
Projects	9	422,655	305,309
Other		1,147	440
Total revenues		**423,802**	**305,749**
Expenses			
Projects	9	397,674	268,774
Administrative	10	42,366	27,813
Total expenses		**440,040**	**296,587**
(Shortage) surplus		**(16,238)**	**9,162**

Partners Jordan for Training
Non-Profit Limited Liability Company
Amman-The Hashemite Kingdom of Jordan

Statement of changes in equity for the year ended December 31, 2012

	Capital	Statutory reserve	Retained surplus	Total
	JD	JD	JD	JD
Balance as at January 1, 2011	30,000	-	65,039	95,039
Surplus	-	-	9,162	9,162
Statutory reserve	-	916	(916)	-
Balance as at December 31, 2011	**30,000**	**916**	**73,285**	**104,201**
Shortage	-	-	(16,238)	(16,238)
Balance as at December 31, 2012	**30,000**	**916**	**57,047**	**87,963**

Partners Jordan for Training
Non-Profit Limited Liability Company
Amman-The Hashemite Kingdom of Jordan

Statement of cash flows for the year ended December 31, 2012

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES	JD	JD
(Shortage) surplus	(16,238)	9,162
Adjustment for :		
Depreciation	1,321	2,196
Changes in operating assets and liabilities:		
Other debit balances	-	4,402
Deferred revenues	46,238	807
Other credit balances	-	7,109
Net cash from operating activities	31,321	23,671
Cash Flows from Investing Activities		
Purchase of property and equipment	(3,113)	(880)
Net cash from investing activities	(3,113)	(880)
Net change in cash and cash equivalents	28,208	22,791
Cash and cash equivalents - beginning of the year	106,344	83,553
Cash and cash equivalents - end of the year	134,552	106,344

1. **Legal status and activities**

- The company was established and registered in the Ministry of Industry and Trade as a non-profit limited liability company under number (105) on October 24, 2005.
- The main activity of the company is to hold training courses in supporting and strengthening the civil society role.

2. **Basis for preparation of financial statements and significant accountant policies**

- **Financial statements preparation framework**

  The financial statements have been prepared in accordance with International Financial Reporting Standards.

- **Measurement bases used in preparing the financial statements**

  The financial statements have been prepared on the historical cost basis except for measurement of certain items at bases other than historical cost.

- **Functional and presentation currency**

  The financial statements have been presented in Jordanian Dinar (JD) which is the functional currency of the entity.

- **Using of estimates**

  - When preparing of financial statements, management uses judgments, assessments and assumptions that affect applying the accounting policies and currying amounts of assets, liabilities, revenue and expenses. Actual result may differ from these estimates.
  - Change in estimates shall be recognized in the period of the change, and future periods if the change affects them.
  - For example, estimates may be required for doubtful and bad debts, useful lives of depreciable assets, provisions, any legal cases against the entity.

- **Financial instruments**

  Financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

  - **Financial assets**

    - A financial asset is any asset that is:
      (a) Cash;
      (b) An equity instrument of another entity;
      (c) A contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.
      (d) A contract that will or may be settled in the entity's own equity instruments.
    - Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.
    - All recognized financial assets are subsequently measured either at amortized cost or fair value, on the basis of both:
      (a) The entity's business model for managing the financial assets, and
      (b) The contractual cash flow characteristics of the financial assets.

- A financial asset is measured at amortized cost if both of the following conditions are met:
  - (a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
  - (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- All other financial assets are subsequently measured at fair value.
- A gain or loss on a financial asset that is measured of fair value and is not part of a hedging relationship is recognized in profit or loss unless the financial asset is an investment in an equity instrument and the entity has elected to present gains and losses on that investment in other comprehensive income.

<u>Cash and cash equivalents</u>

- Cash comprises cash on hand, current accounts and demand deposits with banks.
- Cash equivalents are short- term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

<u>Trade receivables</u>

- Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
- Trade receivables are stated at invoices amount net of allowance for doubtful receivables which represents the collective impairment of receivables.

<u>Impairment of financial assets</u>

- Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each year.
- The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, the amount of the impairment loss shall be recognized as loss.

- <u>Financial liabilities</u>

  - A financial liability is any liability that is:
    - (a) A contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
    - (b) A contract that will or may be settled in the entity's own equity instruments.
  - Financial liabilities are initially recognized at fair value plus transaction costs, directly attributable to the acquisition or issue of those liabilities, except for the financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.
  - Financial liabilities at fair value through profit or loss are stated at fair value, with any resulting gain or loss from change in fair value is recognized through profit or loss.

<u>Trade payables and accruals</u>

Trade payables and accruals are liabilities to pay for goods or services that have been received or supplied and have been either invoiced or formally agreed with the suppliers or not.

- <u>Property and equipment</u>
  - Property and equipment are initially recognized at their cost being their purchase price plus any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.
  - After initial recognition, the property and equipment are carried, in the statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment.

- The depreciation charge for each period is recognized as expense. Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed over the estimated useful life of the assets using the following rates:

Category	Depreciation rate
Computers	25%
Furniture and decorations	15%
Machines and equipment	15%

- The estimated useful lives are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.
- The carrying values of property, plant and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairments losses are calculated in accordance with impairment of assets policy.
- On the subsequent derecognition (sale or retirement) of the property, plant and equipment, the resulting gain or loss, being the difference between the net disposal proceed, if any, and the carrying amount, is included in profit or loss.

- **Impairment of assets**

  - At each statement of financial position date, management reviews the carrying amounts of its assets to determine whether there is any indication that those assets have been impaired.
  - If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset.
  - An impairment loss is recognized immediately as loss.
  - Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately as income.

- **Statutory reserve**

  Statutory reserve is allocated according to the Jordanian Companies Law by deducting 10% of the annual net profit until the reserve equals of the Company's subscribed capital. Such reserve is not available for dividends distribution.

- **Revenue recognition**

  Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

- Revenue from a contract to provide services is recognized by reference to the stage of completion of the transaction at the statement of financial position date.
- The outcome of the transaction can be estimated reliably when all the following conditions are satisfied:
  - The amount of revenue can be measured reliably.
  - It is probable that the economic benefits will flow to the entity.
  - The stage of completion at the statement of financial position date can be measured reliably.
  - The costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

Grants

- Grant is not recognized until there is reasonable assurance that the entity will comply with the conditions attaching to it and that the grant will be received.
- Grants are recognized as income on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Grants whose primary condition is that the entity should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to profit and loss on a systematic and rational basis over the useful lives of the related assets. Other grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognized in profit or loss in the period in which they become receivable.

- **Foreign currencies**
  - In preparing the financial statements, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement date (closing rate). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.
  - Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in profit or loss in the period in which they arise.

3. Cash and cash equivalents

	2012	2011
	JD	JD
Bank deposit - JD (*)	60,000	67,584
Current accounts - JD	53,052	36,661
Current account - EUR	21,500	2,099
Total	**134,552**	**106,344**

(*) The deposit was tied for a year with interest rate of 4%.

4. Other debit balances

	2012	2011
	JD	JD
Prepaid expenses	5,333	5,333
Refundable deposits	273	273
Petty cash	200	200
Total	**5,806**	**5,806**

5. Property and equipment

	Computers	Furniture and decorations	Machines and equipment	Total
2012	JD	JD	JD	JD
Cost				
Beginning of year balance	17,654	7,781	8,174	**33,609**
Additions	2073	-	1,040	**3,113**
Ending of year balance	**19,727**	**7,781**	**9,214**	**36,722**
Accumulated depreciation				
Beginning of year balance	16,846	5,299	7,509	**29,654**
Depreciation	330	634	357	**1,321**
Ending of year balance	**17,176**	**5,933**	**7,866**	**30,975**
Net	**2,551**	**1,848**	**1,348**	**5,747**
2011				
Cost				
Beginning of year balance	16,774	7,781	8,174	**32,729**
Additions	880	-	-	**880**
Ending of year balance	**17,654**	**7,781**	**8,174**	**33,609**
Accumulated depreciation				
Beginning of year balance	16,773	4,404	6,281	**27,458**
Depreciation	73	895	1,228	**2,196**
Ending of year balance	**16,846**	**5,299**	**7,509**	**29,654**
Net	808	**2,482**	665	**3,955**

6. Deferred revenues

	2012	2011
	JD	JD
Participatory budget of municipalities	43,481	-
Edama project	1,944	-
EU project	1,620	807
Total	**47,045**	**807**

7. Other credit balances

	2012	2011
	JD	JD
Projects' deposits	5,821	5,821
Accrued expenses	5,276	5,276
Total	**11,097**	**11,097**

8. Capital

	2012		2011	
	Share	Amount	Share	Amount
	%	JD	%	JD
Saed Darweish Yousif Karajeh	33,33	10,000	25	7,500
Laith Marwan Sodqi Al Qasim	33,33	10,000	25	7,500
Reem Momdooh Abed Alrahman Abu Hassan	33,33	10,000	25	7,500
Raymond Shonehltez	-	-	25	7,500
Total	100	30,000	100	30,000

9. Projects revenues and expenses

	2012							2011
	EU	Training	Mediation	Other	Edama	Participatory budget of municipalities	Total	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Projects' revenues	156,590	31,428	6,193	15,288	206,875	6,281	422,655	305,309
Projects' expenses (*)	149,226	14,977	15,337	11,323	206,811	-	397,674	268,774
Net	7,364	16,451	(9,144)	3,965	64	6,281	24,981	36,535

10. Administrative expenses

	2012	2011
	JD	JD
Contribution to social security	16,461	6,939
Professional fees	4,060	4,060
Salaries	3,647	1,203
Rent	3,360	576
Insurance	2,767	1,715
Cleaning	2,377	2,858
Employees income tax	2,314	-
Depreciation	1,321	2,196
Travel and transportation	1,023	1,208
Governmental fees	1,000	1,128
Miscellaneous	929	-
Electricity and water	769	41
Maintenance	643	175
Communication	558	747
Subscriptions	506	930
Stationery	318	154
Interest and commission	313	337
Currency difference	-	3,546
Total	**42,366**	**27,813**

(*) Part of administrative expenses was allocated to projects' expenses using predetermined rates which were agreed by the doners.

11. Risk management

a) Capital risk

Regularly, the capital structure is reviewed and the cost of capital and the risks associated with capital are considered. In addition, capital is managed properly to ensure continuing as a going concern while maximizing the return through the optimization of the debt and equity balance.

b) Currency risk

- Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- The risk arises on certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the year.
- Certain procedures to manage the exchange rate risk exposure are maintained.

c) Interest rate risk

- Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- The risk arises on exposure to a fluctuation in market interest rates resulting from borrowings and depositing in banks.
- The risk is managed by maintaining an appropriate mix between fixed and floating interest rates balances during the financial year.

d) Other price risk

- Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
- The risk arises from investing in equity investments.
- The entity is not exposed to other price risk.

e) Credit risk

- Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The carrying amount of financial assets recorded in the financial statements represents the maximum exposure to credit risk without taking into account the value of any collateral obtained.

f) Liquidity risk

- Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.
- Liquidity risk is managed through monitoring cash flows and matching with maturity dates of the financial assets and liabilities.
- The following table shows the maturity dates of financial assets and liabilities as of December 31:

	Less than one year	
	2012	2011
	JD	JD
Description		
Financial assets:		
Cash and cash equivalents	134,552	106,344
Other debit balances	473	473
Total	**135,025**	**106,817**
Financial liabilities:		
Other credit balances	11,097	11,097
Total	**11,097**	**11,097**

12. Adoption of new and revised Standards

In the current period, the new and revised International Financial Reporting Standards (IFRSs) including the International Accounting Standards (IASs) and their interpretations have been adopted. The adoption of these new and revised Standards and Interpretations has resulted in changes to the accounting policies in the following areas:

- IAS 1 "Presentation of items of other comprehensive income". The amendments require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.
  - **Applicable for periods beginning on July 1, 2012, and after.**

- IAS 12 "Deferred tax" – Recovery of underlying assets. The amendments provide an exception to the general principles in this standard that the measurement of deferred tax assets and liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 "Investment property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.
  - **Applicable for periods beginning on January 1, 2012, and after.**

At the date of authorization of these financial statements, the following Standards and Interpretations issued but not yet effective:

Standard or Interpretation No.	Description	Effective date
IAS (19)	"Employee benefits" - Change the accounting for defined benefit plans and termination benefits.	Jan. 1, 2013 and after
IAS (27)	"Separate financial statements" - Consolidation requirements.	Jan. 1, 2013 and after
IAS (28)	"Investment in associate and joint ventures" - Requirements for the application of the equity method accounting.	Jan. 1, 2013 and after
IAS (32)	"Financial instruments: presentation" - Offsetting financial assets and financial liabilities.	Jan.1, 2014 and after
IFRS (1)	"First - time adoption of International Financial Reporting Standards" - Government loans.	Jan. 1, 2013 and after
IFRS (7)	"Financial instruments: disclosures" - Offsetting of financial assets and financial liabilities.	Jan. 1, 2013 and after
IFRS (9)	"Financial instruments" – Classification and measurements.	Jan.1, 2015 and after
IFRS (10)	"Consolidated financial statements" – New guidance on control and consolidation.	Jan. 1, 2013 and after
IFRS (11)	"Joint arrangements" - Classified as joint operations or joint ventures.	Jan. 1,2013 and after
IFRS (12)	"Disclosure of interests in other entities" – Disclosures.	Jan. 1, 2013 and after
IFRS (13)	"Fair value measurement" – Guidance and disclosures.	Jan. 1, 2013 and after
IFRIC (20)	"Stripping costs in the production phase of a surface mine" – Accounting, classification and measurement	Jan. 1, 2013 and after

Management anticipates that the adoption of these Standards and Interpretations in current or future periods may not have material financial impact on the financial statements.