



ArabEast Investment for Real Estate  
الشرق العربي للاستثمارات العقارية

التاريخ : 2017/05/09  
المرجع : 2017/48

السادة / بورصة عمان المحترمين

الموضوع : البيانات المالية السنوية المدققة للسنة المنتهية في 2016/12/31

تحية طيبة وبعد ،،،  
مرفق طيه نسخة من البيانات المالية المدققة لشركة (الشرق العربي للاستثمارات العقارية م.ع) عن السنة المالية المنتهية في 2016/12/31 .

وأقبلوا فائق الاحترام ،،،

شركة الشرق العربي للاستثمارات العقارية م.ع  
المدير المالي بالوكالة / عمر الكركي

Date : 09/05/2017  
Reference: 48/2017

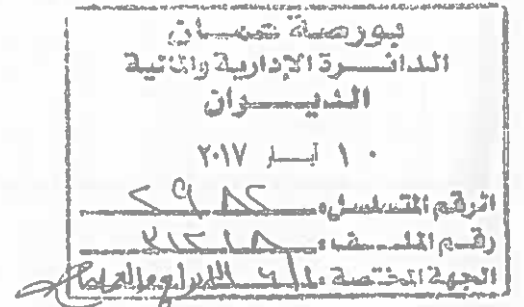
To \ Amman Stock Exchange

Subject: Audited Financial Statements for the fiscal year ended 31/12/2016

Attached the Audited Financial Statements of (Arab East Investment For Real Estate Ltd.) for the fiscal year ended 31/12/2016 .

Kindly accept our appreciation and respect

Arab East Investment For Real Estate Ltd.  
Acting Financial manager \ Omar Karaki



**Arab East for Real Estate Investments**  
**Public Shareholding Company**

**Consolidated Financial Statements as at 31 December 2016**  
**Together With**  
**Independent Auditor's Report**

**Arab Professionals**

**(Member firm within Grant Thornton International Ltd)**

**Arab East for Real Estate Investments  
Public Shareholding Company**

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**INDEPENDENT AUDITORS' REPORT**

**To The Shareholders of  
Arab East for Real Estate Investments  
Public Shareholding Company  
Amman – Jordan**

**Report on the Audit of the Consolidated Financial Statements****Opinion**

We have audited the consolidated financial statements of Arab East for Real Estate Investments PLC, which comprise the consolidated statement of financial position as at 31 December 2016, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Hashemite Kingdom of Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matters**

- The accompanying consolidated financial statements include projects under construction registered in the name of Housing and Urban Development Corporation amounting to JOD (2,196,190), and projects under construction registered in the name of Jordan Engineers Association amounting to JOD (1,151,020) against signed agreements with those parties.
- The accompanying consolidated financial statements include a land registered in the name of Real Estate Development Company (parent company) amounting to JOD (3,642,611). The company maintains confirmation letter regarding the full authorization use of the land, noting that there is pledge on this land against bank facilities granted to the parent company.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

The Company maintains proper accounting records and the accompanying consolidated financial statements are in agreement therewith and with the financial data presented in the Board of Directors' report, and we recommend the general assembly to approve it.

8 February 2017  
Amman - Jordan



**Arab Professionals**

Amin Samara  
(License No. 481)

 Arab Professionals  
Grant Thornton

**Arab East for Real Estate Investments  
Public Shareholding Company  
Consolidated Statement of Financial Position as at 31 December 2016**

(In Jordanian Dinar)

Assets	Notes	2016	2015
<b>Non - Current Assets</b>			
Investment properties in lands	3	9,233,680	10,465,813
Projects under development	3	3,347,210	2,196,190
Property and equipment		1	9,624
Amounts due from related parties	14	10,046,050	13,776,369
Investment in associate companies	4	33,818	8,318
Financial assets at fair value through other comprehensive income	5	1,059,237	1,223,864
<b>Total Non - Current Assets</b>		<b>23,719,996</b>	<b>27,680,178</b>
<b>Current Assets</b>			
Lands held for sale	3	9,179,565	9,420,786
Receivables and other assets	6	280,932	280,164
Financial assets at fair value through statement of profit or loss	7	1,846,999	1,999,373
Cash and cash equivalents	8	167,899	580,054
<b>Total Current Assets</b>		<b>11,475,395</b>	<b>12,280,377</b>
<b>Total Assets</b>		<b>35,195,391</b>	<b>39,960,555</b>
<b>Equity and Liabilities</b>			
<b>Shareholder's Equity</b>			
Paid - in capital	9	9,996,082	9,996,082
Additional paid - in capital		2,397,733	3,904,261
Statutory reserve		4,157,171	4,157,171
Voluntary reserve		8,231,506	8,231,506
Cumulative change in fair value of financial assets		( 759,187)	( 594,560)
Retained losses		( 291,852)	( 1,506,528)
<b>Total Shareholder's Equity</b>		<b>23,731,453</b>	<b>24,187,932</b>
Non-controlling interest		462,796	( 4,782,381)
<b>Total Equity</b>		<b>24,194,249</b>	<b>19,405,551</b>
<b>Liabilities</b>			
<b>Non - Current Liabilities</b>			
Deferred revenues		387,011	387,011
Amounts due to related parties	14	5,812,632	11,331,062
Bank facilities - long term	10	1,799,425	2,061,715
<b>Total Non - Current Liabilities</b>		<b>7,999,068</b>	<b>13,779,788</b>
<b>Current Liabilities</b>			
Payables and other liabilities	11	2,997,054	6,769,820
Bank facilities - short term	10	5,020	5,396
<b>Total Current Liabilities</b>		<b>3,002,074</b>	<b>6,775,216</b>
<b>Total Liabilities</b>		<b>11,001,142</b>	<b>20,555,004</b>
<b>Total Equity and Liabilities</b>		<b>35,195,391</b>	<b>39,960,555</b>

"The accompanying notes from (1) to (18) are integral part of these consolidated financial statements"

**Arab East for Real Estate Investments  
Public Shareholding Company  
Consolidated Statement of Profit or Loss for the year ended 31 December 2016**

(In Jordanian Dinar)

	Notes	2016	2015
Properties sales		500,000	11,664,936
Properties cost of sales		( 350,938)	( 7,750,627)
<b>Gross Profit</b>		<b>149,062</b>	<b>3,914,309</b>
Changes in fair value of financial assets at fair value through profit or loss		( 152,374)	16,282
Company's share from associate companies operations	4	( 2,902)	( 109)
Unneeded provision of lands cost impairment losses		100,084	-
Provision for doubtful accounts		( 18,855)	( 41,053)
Administrative expenses	12	( 144,006)	( 142,427)
Finance costs		( 172,587)	( 337,613)
Other revenues		9,392	13,449
<b>(Loss) profit for the year</b>		<b>( 232,186)</b>	<b>3,422,838</b>
<b>Attributable :</b>			
Owners of the parent		( 291,852)	3,990,998
Non-controlling interest		59,666	( 568,160)
<b>(Loss) profit for the year</b>		<b>( 232,186)</b>	<b>3,422,838</b>
<b>Basic and diluted (losses) earnings per share</b>	13	<b>( 0.029)</b>	<b>0.399</b>

"The accompanying notes from (1) to (18) are integral part of these consolidated financial statements"



**Arab East for Real Estate Investments  
Public Shareholding Company**  
**Consolidated Statement of Comprehensive Income for the year ended 31 December 2016**

(In Jordanian Dinar)

	<u>2016</u>	<u>2015</u>
(Loss) profit for the year	( 232,186)	3,422,838
<b>Other comprehensive income:</b>		
Changes in fair value of financial assets through other comprehensive income	<u>( 164,627)</u>	<u>( 226,400)</u>
<b>Total comprehensive income for the year</b>	<u>( 396,813)</u>	<u>3,196,438</u>
<b>Attributable :</b>		
Owners of the parent	( 456,479)	3,764,598
Non-controlling interest	<u>59,666</u>	<u>( 568,160)</u>
<b>Total</b>	<u>( 396,813)</u>	<u>3,196,438</u>

"The accompanying notes from (1) to (18) are integral part of these consolidated financial statements"

**Arab East for Real Estate Investments  
Public Shareholding Company**  
**Consolidated Statement of Changes in Equity for the Year Ended 31 December 2016**

(In Jordanian Dinar)

	Paid - in capital	Additional Paid - in capital	Reserves		Fair value adjustments	Retained Losses	Total shareholder's equity	Non-controlling interest	Net Equity
			Statutory	Voluntary					
Balance at 1 January 2016	9,996,082	3,904,261	4,157,171	8,231,506	( 594,560)	( 1,506,528)	24,187,932	( 4,782,381)	19,405,551
Extinguish of the accumulated losses	-	( 1,506,528)	-	-	-	1,506,528	-	-	-
Total comprehensive income for the year	-	-	-	-	( 164,627)	( 291,852)	( 456,479)	59,666	(396,813)
Non-controlling interest	-	-	-	-	-	-	-	5,185,511	5,185,511
<b>Balance at 31 December 2016</b>	<b>9,996,082</b>	<b>2,397,733</b>	<b>4,157,171</b>	<b>8,231,506</b>	<b>( 759,187)</b>	<b>( 291,852)</b>	<b>23,731,453</b>	<b>462,796</b>	<b>24,194,249</b>
Balance at 1 January 2015	9,996,082	3,904,261	3,758,071	7,433,306	( 368,160)	( 4,300,226)	20,423,334	( 4,556,409)	15,866,925
Total comprehensive income for the year	-	-	-	-	( 226,400)	3,990,998	3,764,598	( 560,160)	3,196,438
Reserves	-	-	399,100	796,200	-	( 1,197,300)	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	342,188	342,188
<b>Balance at 31 December 2015</b>	<b>9,996,082</b>	<b>3,904,261</b>	<b>4,157,171</b>	<b>8,231,506</b>	<b>( 594,560)</b>	<b>( 1,506,528)</b>	<b>24,187,932</b>	<b>( 4,782,381)</b>	<b>19,405,551</b>

"The accompanying notes from (1) to (18) are integral part of these consolidated financial statements"

**Arab East for Real Estate Investments  
Public Shareholding Company**  
**Consolidated Statement of Cash Flows for the year ended 31 December 2016**

(In Jordanian Dinar)

	<u>2016</u>	<u>2015</u>
<b>Operating Activities</b>		
(Loss) profit for the year	( 232,186)	3,422,838
Depreciation	9,623	14,475
Company's share from associate companies operations	2,902	109
Unneeded provision of lands cost impairment losses	( 100,084)	-
Properties sales gains	( 149,062)	( 3,914,309)
Changes in fair value of financial assets at fair value through profit or loss	152,374	( 16,282)
Provision for doubtful accounts	18,855	41,053
<b>Changes in Working Capital</b>		
Receivables and other assets	( 768)	( 13,365)
Payables and other liabilities	( 89,708)	( 70,432)
<b>Net cash flows used in operating activities</b>	<u>( 388,054)</u>	<u>( 535,913)</u>
<b>Investing Activities</b>		
Investment properties and lands held for sale	571,480	7,692,087
Financial assets at fair value through other comprehensive income	-	1,600
<b>Net cash flows from investing activities</b>	<u>571,480</u>	<u>7,693,687</u>
<b>Financing Activities</b>		
Bank facilities	( 262,666)	( 3,142,200)
Amounts due from/ to related parties	( 332,915)	( 3,837,217)
<b>Net cash flows used in financing activities</b>	<u>( 595,581)</u>	<u>( 6,979,417)</u>
<b>Changes in cash and cash equivalents</b>	( 412,155)	178,357
Cash and cash equivalents, beginning of year	580,054	401,697
<b>Cash and cash equivalents, end of year</b>	<u>167,899</u>	<u>580,054</u>

"The accompanying notes from (1) to (18) are integral part of these consolidated financial statements"

**Arab East for Real Estate Investments  
Public Shareholding Company  
Notes to the consolidated Financial Statements  
31 December 2016**

**(In Jordanian Dinar)**

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**1. General**

Arab East for Real Estate Investments Company PLC. was established on 16 February 2004 as a Public Shareholding Company and registered at the Ministry of Trade and Industry under number (348). The company head office is in the Hashemite Kingdom of Jordan. The company's main objective is exercising all real estate investment activities.

The company stocks are listed in Amman Stock Exchange - Jordan.

The accompanying consolidated financial statements are consolidated with the parent's Company financial statements (Real Estate Development Company PLC) which owns (69.55%) of the Company's shares.

The accompanying consolidated financial statements were authorized for issue by the company's Board of Directors in their meeting held on 8 February 2017 and it is subject to the General assembly approval.

**2. Summary of significant accounting policies**

**Basis of preparation**

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

The consolidated financial statements have been prepared on historical cost basis except for financial assets at fair value.

The consolidated financial statements are presented in Jordanian Dinar which is the functional currency of the company.

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

**Principles of Consolidation**

The consolidated financial statements comprise of the financial statements of the company and its subsidiaries where the company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from their activities. The financial statements of the subsidiaries are prepared for the same reporting year as the company using consistent accounting policies. All balances, transactions, income, and expenses between the company and its subsidiaries are eliminated.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the company obtains control, and continue to be consolidated until the date that such control ceases.

The results of operations of the subsidiaries are consolidated in the statement of comprehensive income from the acquisition date which is the date on which control over subsidiaries is transferred to the company. The results of operation of the disposed subsidiaries are consolidated in the comprehensive income to the disposal date which is the date on which the company loses control over the subsidiaries.

**Arab East for Real Estate Investments Company PLC**  
**Notes to the consolidated Financial Statements**  
**31 December 2016**

The following subsidiaries have been consolidated:

<u>Company</u>	<u>Ownership</u>	<u>Paid capital</u>	<u>Activity</u>
Al Fanneyyah Lelmantajat Al Kharasaneyah LLC	50%	700,000	Real estate development
Al- Molheq for Real Estate Investments LLC	74%	10,000	Real estate development
Daret Amman for Housing Projects LLC	58%	10,000	Real estate development
Noor Al Sharq for Real Estate Investments LLC	61%	10,000	Real estate development
Dghaileeb for Real Estate Investments LLC	100%	10,000	Real estate development
Asrar for Real Estate Investments LLC	100%	10,000	Real estate development
Al- Ifsah for Real Estate Investments LLC	50%	10,000	Real estate development

All of the above mentioned companies registered and operates inside of the Hashemite Kingdom of Jordan.

#### **Adoption of new and revised IFRS standards**

The following standards have been published that are mandatory for accounting periods after 31 December 2016. Management anticipates that the adoption of new and revised Standards will have no material impact on the consolidated financial statements of the company.

<u>Standard No.</u>	<u>Title of Standards</u>	<u>Effective Date</u>
IFRS 2	Classification and Measurement of Share-based Payment Transactions (Amendments)	1 January 2017
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

#### **Use of Estimates**

Preparation of the consolidated financial statements and the application of accounting policies require the company's management to estimate and assess some items affecting financial assets and liabilities and to disclose contingent liabilities. These estimates and assumptions also affect certain elements of the company's assets, liabilities and provisions, and revenue and expenses, and require estimating and assessing the amounts and timing of future cash flows. The mentioned estimates and assumptions are based on multiple factors with varying degrees of assessment and uncertainty. Moreover, the actual results may differ from the estimates due to the changes resulting from the conditions and circumstances of those estimates in the future.

Management believes that the estimates are reasonable and are as follows:

- Management reviews periodically the tangible assets in order to assess the depreciation for the year based on the useful life and future economic benefits. Any impairment is taken to the consolidated statement of profit or loss.
- Management reviews periodically it's financial assets, which presented at cost to estimate any impairment in it's value, and an impairment of loss (it founded) is accrued in the consolidated statement of profit or loss.
- A provision for doubtful debts is taken on the basis and estimates approved by management in conformity with International Financial Reporting Standards.

#### **Investment Properties**

Property held to earn rentals or for capital appreciation purposes as well as those held for undetermined future use are classified as investment property. Investment property is measured at cost.

#### **Lands Held for Sale**

The lands held for sale are presented by the lower of cost or market value.

#### **Projects under development**

Properties being developed are presented by the lower of cost or net realizable value. The cost includes the value of the property and all the necessary expenses for developing and making the property available for sale.

#### **Financial Assets at Fair Value through Statement of Profit or Loss**

It is the financial assets held by the company for the purpose of trading in the near future and achieving gains from the fluctuations in market prices in the short term or trading margins.

Financial assets at fair value through profit or loss are initially stated at fair value at acquisition date (purchase costs are recorded at the consolidated statement of profit or loss upon acquisition) and subsequently measured at fair value. Moreover, changes in fair value are recorded in the consolidated statement of profit or loss including the change in fair value resulting from translation of non-monetary assets stated at foreign currency. Gains or losses resulting from the sale of these financial assets are taken to the consolidated statement of profit or loss.

Dividends and interests from these financial assets are recorded in the consolidated statement of profit or loss.

#### **Financial Assets at Fair Value through Other Comprehensive Income**

These financial assets represent investments in equity instruments held for the purpose of generating gain on a long term and not for trading purpose.

Financial assets at fair value through other comprehensive income initially stated at fair value plus transaction costs at purchase date.

Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statement of other comprehensive income and within owner's equity, including the changes in fair value resulting from translation of non-monetary assets stated at foreign currency. In case those assets - or part of them- were sold, the resultant gain or loss is recorded in the consolidated statement of comprehensive income within owners' equity and the reserve for the sold assets is directly transferred to the retained earnings and not through the consolidated statement of profit or loss.

These assets are not subject to impairment testing.

Dividends are recorded in the consolidated statement of profit or loss on a separate line item.

#### **Fair Value**

For fair value of investments, which are traded in organized financial markets, is determined by reference to the quoted market bid price at the close of the business on the statement of financial position date. For investments which are listed in inactive stock markets, traded in small quantities or have no current prices, the fair value is measured using the current value of cash flows or any other method adopted. If there is no reliable method for the measurement of these investments, then they are stated at cost less any impairment in their value.

#### **Property and Equipment**

Property and Equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives using the following annual depreciation rates:

Vehicles	10%
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When the expected recoverable amount of any property and equipment is less than its net book value, the net book value is reduced to the expected recoverable amount, and the impairment loss is recorded in the consolidated statement of profit or loss.

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

#### **Trading and Settlement Date Accounting**

Purchases and sales of financial assets are recognized on the trade date, i.e. the date on which the Company commits its self to purchase or sell the asset.

#### **Investment in Associates**

Investments in associates are accounted for using the equity method.

The carrying amount of the investment in associates is increased or decreased to recognize the company's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the company.

Unrealized gains and losses on transactions between the company and its associates are eliminated to the extent of the company's interest in those entities.

Where unrealized losses are eliminated; the underlying assets are also tested for impairment.

#### **Accounts Receivable**

Accounts receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

#### **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short - term highly liquid investments.

#### **Accounts Payables and Accruals**

Accounts payable and accrued payments are recognized upon receiving goods or performance of services.

#### **Provisions**

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

#### **Offsetting**

Financial assets and financial liabilities are offset, and the net amount is reflected in the consolidated statement of financial position only when there are legal rights to offset the recognized amounts, the company intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

**Borrowing Costs**

Borrowing costs are generally expensed as incurred.

**Revenue Recognition**

Lands and properties sales revenue is recognized when risk and reward related to the lands or properties ownership transfers to the buyer.

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

Dividends income is recognized when it is declared by the General Assembly of the investee company.

Other revenues are recognized on the accrual basis.

**Foreign Currencies**

Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinar 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 consolidated statement of profit or loss.

**Income Tax**

Income tax expenses are accounted for on the basis of taxable income. Taxable income differs from income declared in the financial statements because the latter includes non-taxable revenues or disallowed taxable expenses in the current year but deductible in subsequent years, accumulated losses acceptable by the tax law, and items not accepted for tax purposes or subject to tax.



Arab East for Real Estate Investments Company PLC  
Notes to the consolidated Financial Statements  
31 December 2016

3. Investment Properties and Lands Held for Sale

	2016	2015
Lands registered in the name of the company and its subsidiaries	14,770,634	16,243,988
Land registered in the name of Real Estate Development Company / Parent company	3,642,611	3,642,611
Projects under development with the Housing and Urban Development Corporation	2,196,190	2,196,190
Projects under development with the Jordan Engineers Association	1,151,020	-
	<u>21,760,455</u>	<u>22,082,789</u>

- The above lands are stated at cost. The fair value of the above investment properties is not disclosed because it can not be measured reliably as there is no active market available for it.
- The investment properties include mortgaged lands amounting to JOD (3,642,611) against credit facilities granted to the Real Estate Development Company (parent company).
- The law requires the approval of the Minister of Finance before selling the real estate investments that have been owned for less than five years.
- One of the company's subsidiaries has filed a lawsuit in 2014 against the Ministry of Energy and Mineral Resources to compensate the acquisition of parts of the land owned by the company. The court order was issued to obliging the Ministry of Energy and Mineral Resources to pay the company JOD (109,908).

The movement of investments properties and lands held for sale is as follows:

	2016	2015
Balance at beginning of the year	22,082,789	25,860,567
Additions	28,604	3,972,849
Sales of lands	( 350,938)	( 7,750,627)
	<u>21,760,455</u>	<u>22,082,789</u>

4. Investment in Associates

The following table summarizes the movements over the company's investments in associates companies:

Company	Beginning Balance	Share from Loss Extinguishment	Share of Operations	Ending Balance
Al Tallah for Investment Projects LLC	1	4,999	( 2,734)	2,266
Al Ttallh for Investment Projects LLC	1	4,999	-	5,000
Wajht Amman for Investment Projects LLC	5,000	-	-	5,000
Panorama Amman for Investment Projects LLC	1	3,450	-	3,451
Jannah for Investments LLC	3,310	-	( 159)	3,151
Al Monbathaqa for Training and Consulting LLC	1	-	-	1
Al Mekman for Real Estate Investments LLC	1	4,724	-	4,725
Al Thaher for Real Estate Investment LLC	1	4,999	-	5,000
Ansam for Real Estate Investment LLC	1	3,877	( 9)	3,869
Al Quilaib for Real Estate Investments LLC	1	1,354	-	1,355
	<u>8,318</u>	<u>28,402</u>	<u>( 2,902)</u>	<u>33,818</u>

All of the above Associates are not listed in the financial markets and they have no fair value.

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The following table summarizes key financial information of the associates:

Company	Activity	Ownership	Assets	Liabilities	Revenues	Net Losses
Al Tallah for Investment Projects LLC	Investment	50%	2,138,781	2,134,248	-	( 5,467)
Al Ttallh for Investment Projects LLC	Investment	50%	1,621,731	1,611,731	-	-
Wajht Amman for Investment Projects LLC	Investment	50%	10,000	-	-	-
Panorama Amman for Investment Projects LLC	Investment	35%	6,220,442	6,210,442	-	-
Jannah for Investments LLC	Investment	36%	9,142,433	9,133,546	-	( 448)
Al Monbathaqa for Training and Consulting LLC	Consulting	25%	503,910	2,492,046	-	-
Al Mekman for Real Estate Investments LLC	Investment	47%	2,335,606	2,325,606	-	-
Al Thaher for Real Estate Investment LLC	Investment	50%	1,133,320	1,123,320	-	-
Ansam for Real Estate Investment LLC	Investment	19%	1,532,575	1,512,599	-	( 24)
Al Quilaib for Real Estate Investments LLC	Investment	14%	5,037,843	5,027,843	-	-
			<u>29,676,641</u>	<u>31,571,381</u>	<u>-</u>	<u>( 5,939)</u>

5. Financial Assets at Fair Value Through Other Comprehensive Income

	2016	2015
Investment in quoted companies shares (in Jordan)	1,050,237	1,213,964
Investment in unquoted companies shares (outside Jordan)	9,000	9,900
	<u>1,059,237</u>	<u>1,223,864</u>

The above financial assets include pledged shares against credit facilities granted to the company with a fair value amounting to JOD (585,700) as at 31 December 2016.

6. Receivables and Other Assets

	2016	2015
Accounts receivable related to selling of lands	279,795	280,030
Others	1,137	134
	<u>280,932</u>	<u>280,164</u>

7. Financial Assets at Fair Value Through Statement of Profit or Loss

This presents the company's investment in quoted shares companies (in Jordan) at fair value and includes pledged shares against credit facilities granted to the company with a fair value amounting to JOD (1,078,744) as at 31 December 2016.

8. Cash and Cash Equivalent

	2016	2015
Cash on hand	833	476
Current bank accounts	2,241	29,578
Bank deposits	164,825	550,000
	<u>167,899</u>	<u>580,054</u>

Bank deposits mature within one month with annual interest rate (2.4%).

9. Equity

**Paid - in capital**

The company's authorized, subscribed and paid in capital is JOD (9,996,082) divided equally into (9,996,082) share with par value of JOD (1) per share as at 31 December 2016 and 2015.

**Accumulated Losses**

The General Assembly had approved in it's meeting held on 24/4/2016 to extinguish the accumulated losses as at 31/12/2015 in the balance of the additional paid in capital.

**Additional paid in capital**

The additional paid in capital amounting of JOD (2,397,733) for the year ended 2016 against JOD (3,904,261) for the year ended 2015, and arose from selling shares with a price higher than the par value of JOD (1).

**Statutory Reserve**

The accumulated amounts in this account represent 10% of the company's net income before income tax according to the Companies Law. This reserve is not available for distribution to shareholders.

**Voluntary Reserve**

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

**Non - Controlling Interest**

This presents the non - controlling interest of the company from the subsidiaries shareholders equity, and the non - controlling interest is presented as a separate account into the consolidated statements of financial position, statement of profit and loss and statement of other comprehensive income.

10. Bank Facilities

<u>Credit Type</u>	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Facility Limit</u>	<u>Outstanding Balance</u>
Loan	JOD	8.25%	2018 - 2020	2,700,000	1,437,126
Loan	JOD	7%	2018	2,470,000	367,319
					<u>1,804,445</u>

The above facilities are granted to the company against pledge of financial assets with fair value of JOD (1,664,444) as at 31 December 2016.

11. Payables and Other Liabilities

	<u>2016</u>	<u>2015</u>
Payments received in advance against lands sale	2,367,582	2,310,000
Accounts payable	316,262	463,515
Developing Provision	243,215	243,214
Shareholders deposits	69,995	70,033
Provision against associate companies losses	-	3,683,058
	<u>2,997,054</u>	<u>6,769,820</u>

12. Administrative Expenses

	2016	2015
Salaries and benefits	56,472	58,466
Board of Directors transportations	24,000	17,250
Professional fees	23,460	20,018
Licenses and subscriptions	13,510	13,261
Depreciation	9,623	14,475
Rents	3,360	3,360
General Assembly expenses	1,528	3,012
Companies Controller fees	600	1,200
Miscellaneous	11,453	11,385
	<u>144,006</u>	<u>142,427</u>

13. Basic and Diluted (Losses) Earnings per Share

	2016	2015
(Loss) profit for the year attributable to shareholders	( 291,852)	3,990,998
Weighted average number of shares	9,996,082	9,996,082
	<u>( 0.029)</u>	<u>0.399</u>

14. Related Party Transactions

The company had the following transactions with related parties during the year:

Party	Relationship Nature	Transaction Nature	Balance at year end	
			Debit	Credit
Al Mekman for Real Estate Investments LLC	Associate	Financing	1,097,366	-
Al Thaher for Real Estate Investment LLC	Associate	Financing	560,540	-
Jannah for Investments LLC	Associate	Financing	3,497,094	-
Al Monbathaqa for Training and Consulting LLC	Associate	Financing	125,973	-
Al Tallah for Investment Projects LLC	Associate	Financing	1,062,230	-
Al Ttallh for Investment Projects LLC	Associate	Financing	804,758	-
Panorama Amman for Investment Projects LLC	Associate	Financing	1,916,421	-
Ansam for Real Estate Investment LLC	Associate	Financing	291,701	-
Al Quilaib for Real Estate Investments LLC	Associate	Financing	689,967	-
Arab East Investments PLC	Sister company	Financing	-	5,577,884
Real Estate Development PLC	Parent company	Financing	-	216,724
Wajehat Amman for Investment Projects LLC	Associate	Financing	-	6,069
Al Ula for Investment Projects Managements LLC	Associate	Financing	-	11,955
			<u>10,046,050</u>	<u>5,812,632</u>

The remuneration of the executive management during the years 2016 and 2015 amounted to JOD (54,336) and JOD (53,743) respectively.

15. Tax Status

- The company has settled its tax liability with Income Tax Department up to the year ended 2014.
- The income tax return for the year 2015 has been filed with the Income Tax Department but the Department has not reviewed the company's records till the date of this report.
- No income tax provision have been taken on the company's results of operations for the year 2016 as the company's expenses exceeded it's taxable revenues.

**16. Segments Reporting**

The company's main operations are in securities and real estate investments inside the Hashemite Kingdom of Jordan, and as the following:

	2016	2015
(Loss) profit generated from securities investments	( 152,374)	16,282
Revenues generated from real estate investments	500,000	11,664,936
Securities investment segment assets	2,906,236	3,223,237
Real estate investment segment assets	21,760,455	22,082,789

**17. Financial instruments**

Financial instruments comprise of financial assets and financial liabilities. Financial assets of the company include cash and cash equivalents, receivables and securities. Financial liabilities of the company include loans from financial institutions, and accounts payable.

**Fair Value**

The fair values of the financial assets and liabilities are not materially different from their carrying values as most of these items are either short-term in nature or re-priced frequently.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observe ability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through statement of profit or loss	1,846,999	-	-	1,846,999
Financial assets at fair value through other comprehensive income	1,059,237	-	-	1,059,237
	<u>2,906,236</u>	<u>-</u>	<u>-</u>	<u>2,906,236</u>
2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through statement of profit or loss	1,999,373	-	-	1,999,373
Financial assets at fair value through other comprehensive income	1,223,864	-	-	1,223,864
	<u>3,223,237</u>	<u>-</u>	<u>-</u>	<u>3,223,237</u>

**Credit Risk**

Credit risks are those risks resulting from the default of counterparties to the financial instrument to repay their commitment to the company. The company limits its credit risk by only dealing with reputable banks and by setting credit limits for individual customers and monitoring outstanding receivables. The maximum exposure to credit risk is represented by the carrying value of each financial asset.

The balance of the largest client amounted to JOD (279,795) for the year ended 2016 against JOD (280,030) for the year ended 2015.

#### Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its net financial obligation. In this respect, the company's management diversified its funding sources, and managed assets and liabilities taking into consideration liquidity and keeping adequate balances of cash, and cash equivalents and quoted securities.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the financial position date to the contractual maturity date.

2016	Less than one year	More than one year	Total
Bank facilities	5,020	1,799,425	1,804,445
Payables and other liabilities	2,997,054	-	2,997,054
Amounts due to related parties	-	5,812,632	5,812,632
Deferred revenues	-	387,011	387,011
	<u>3,002,074</u>	<u>7,999,068</u>	<u>11,001,142</u>
2015	Less than one year	More than one year	Total
Bank facilities	5,396	2,061,715	2,067,111
Payables and other liabilities	6,769,820	-	6,769,820
Amounts due to related parties	-	11,331,062	11,331,062
Deferred revenues	-	387,011	387,011
	<u>6,775,216</u>	<u>13,779,788</u>	<u>20,555,004</u>

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the company's income or the value of its holdings of financial instruments. As most of the company's financial instruments have fixed interest rate and carried at amortized cost, the sensitivity of the company's results or equity to movements in interest rates is not considered significant.

#### Equity Price Risk

Equity price risk results from the change in the fair value of equity securities. The company manages these risks through the diversification of investments in several geographical areas and economic sectors. If the quoted market price of listed equity securities had increased or decreased by 10%, the comprehensive income for the year 2016 would have been reduced / increased by JOD (290,624) (2015: JOD 322,324).

**Currency Risk**

The management considers that the company is not exposed to significant currency risk. The majority of their transactions and balances are in either Jordanian Dinar or US Dollar. As the Jordanian Dinar is pegged to the US Dollar, balances in US Dollar are not considered to represent significant currency risk and the company's results or equity to movements in exchange rates is not considered significant.

**18. Capital Management**

The company manages its capital structure with the objective of safeguarding the entity's ability to continue as a going concern and providing an adequate return to shareholders by keeping a balance between shareholders equity and total debt.

	<u>2016</u>	<u>2015</u>
Total Debt	1,804,445	2,067,111
Total Equity	24,194,249	19,405,551
Debt to Equity ratio	<u>7.5%</u>	<u>10.7%</u>