REDV
شركة تطوير العقارات
Real Estate Development Co.

Date: 31/05/2017
Reference: 100

To: Amman Stock Exchange

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

Attached the Audited Financial Statements of (Real Estate Development Co.) for the fiscal year ended 31/12/2016.

Kindly accept our appreciation and respect.

Munther

Munther Abu Awad
Acting General Manager

بورصة عمان
الدائـــرة الإدارية والمالية
الديـــوان
٤ ٠ حزيران ٢٠١٧
الرقم المتسلسل: 3378
رقم الملف: 31087
الجهة المختصة: [illegible]

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- Jordan Securities Commission.
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Tel.: +962 6 55 10 352/4 Fax: +962 6 551 0353 P.O. Box: 962756 Amman 11196 Jordan www.redv.com.jo info@redv.com.jo

Real Estate Development Company

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)

Real Estate Development Company
Public Shareholding Company

Contents

Grant Thornton

Arab Professionals
Member firm within Grant Thornton International Ltd
P.O.Box : 921879 Amman 11192 Jordan
T (962) 6 5151125
F (962) 6 5151124
Email : arabprof@gtijordan.com

INDEPENDENT AUDITOR'S REPORT

To The Shareholders of
Real Estate Development Company
Public Shareholding Company
Amman – Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Real Estate Development Company 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 owned by Arab East Investments for Real Estate Company (subsidiary company) and registered in the name of Housing and Urban Development Corporation amounting to JOD (3,678,762) and other projects under construction registered in the name of Jordan Engineers Association amounting to JOD (1,500,858) against signed agreements with those parties.

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.

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Responsibilities of Board of Directors for the Consolidated Financial Statements

Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as Board of Directors 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, Board of Directors 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 Board of Directors 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.

27 March 2017
Amman – Jordan

Amin Samara
(License No. 481)
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Real Estate Development Company
Public Shareholding Company
Consolidated Statement of Financial Position as at 31 December 2016

(In Jordanian Dinar)

Assets	**Notes**	**2016**	**2015**
Non - Current Assets			
Investment properties	3	17,827,937	20,813,435
Property and equipment	4	49,124	60,977
Financial assets measured at fair value through statement of profit or loss	5	3,809,600	3,842,669
Financial assets measured at fair value through statement of other comprehensive income	6	1,139,906	3,162,831
Investment in associate companies	7	1,225,724	1,319,311
Amounts due from related parties	23	10,046,050	13,776,369
Projects under construction	8	5,179,620	3,678,762
Total Non - Current Assets		39,277,961	46,654,354
Current Assets			
Real estates held for sale	9	11,240,052	11,536,941
Other current assets	10	24,017	112,219
Accounts receivable	11	5,629,578	293,215
Financial assets measured at fair value through statement of profit or loss	12	1,491,383	1,734,365
Cash and cash equivalents	13	225,041	583,129
Total Current Assets		18,610,071	14,259,869
Total Assets		57,888,032	60,914,223
Equity and Liabilities			
Shareholder's Equity	14		
Authorized, subscribed and paid - in capital		49,625,545	49,625,545
Statutory reserve		370,748	176,484
Parent company's shares owned by subsidiaries		(2,895,564)	(2,895,564)
Cumulative change in fair value of financial assets		(1,859,073)	(1,071,392)
Accumulated losses		(18,697,747)	(20,427,475)
Equity attributable to owners of the parent		26,543,909	25,407,598
Non-controlling interests		11,948,259	7,534,331
Total Equity		38,492,168	32,941,929
Liabilities			
Non - Current Liabilities			
Bank facilities - long term	15	1,799,425	8,193,275
Amounts due to related parties	23	5,883,751	10,715,990
Total Non - Current Liabilities		7,683,176	18,909,265
Current Liabilities			
Bank facilities - short term	15	7,870,635	2,010,533
Accounts payable		327,151	474,325
Unearned revenues	16	2,380,185	2,322,603
Other current liabilities	17	1,134,717	4,255,568
Total Current Liabilities		11,712,688	9,063,029
Total Liabilities		19,395,864	27,972,294
Total Equity and Liabilities		57,888,032	60,914,223

"The accompanying notes from (1) to (27) are integral part of these consolidated financial statements"

Real Estate Development Company
Public Shareholding Company
Consolidated Statement of Profit or Loss for the Year Ended 31 December 2016

(In Jordanian Dinar)

	Notes	2016	2015
Profit (Loss) from sale of real estates, net	18	3,425,538	(131,700)
Changes in fair value of financial assets at fair value through statement of profit or loss		(242,922)	(334,881)
Company's share from associate companies operations	7	(164,878)	(211,542)
Administrative expenses	19	(395,463)	(427,877)
Finance costs		(714,373)	(2,011,644)
Loss from sale of financial assets		-	(2,929)
Revenues from the commercial complex, net		-	235,044
Other revenues & expenses, net	20	34,534	(60,477)
Profit (loss) before income tax		1,942,436	(2,946,006)
Previous years' tax expense		(36,465)	(40,774)
Profit (loss) for the year		1,905,971	(2,986,780)
Attributable :			
Owners of the parent			
Non-controlling interests		1,942,637	(3,417,016)
Total		(36,666)	430,236
		1,905,971	(2,986,780)
Basic and diluted earnings (losses) per share	21	0.042	(0.073)

"The accompanying notes from (1) to (27) are integral part of these consolidated financial statements"

Real Estate Development Company
Public Shareholding Company
Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2016

(In Jordanian Dinar)

	2016	2015
Profit (loss) for the year	1,905,971	(2,986,780)
Other comprehensive income:		
Changes in fair value of financial assets through statement of other comprehensive income	(899,339)	468,792
Company's share from other comprehensive income of associate company	42,889	50,409
Total comprehensive income for the year	**1,049,521**	**(2,467,579)**
Attributable :		
Owners of the parent	1,136,311	(2,828,883)
Non-controlling interests	(86,790)	361,304
Total	**1,049,521**	**(2,467,579)**

"The accompanying notes from (1) to (27) are integral part of these consolidated financial statements"

Real Estate Development Company
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	Statutory reserve	Parent company's shares owned by subsidiaries	Cumulative change in fair value of financial assets	Accumulated losses	Total shareholders' equity	Non-controlling interests	Total equity
Balance at 1 January 2016	49,625,545	-	176,484	(2,895,564)	(1,071,392)	(20,427,475)	25,407,598	7,534,331	32,941,929
Total comprehensive income for the year	-	-	-	-	(806,326)	1,942,637	1,136,311	(86,790)	1,049,521
Statutory reserve	-	-	194,264	-	-	(194,264)	-	-	-
Sale of financial assets measured at fair value through other comprehensive income	-	-	-	-	18,645	(18,645)	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	4,500,718	4,500,718
Balance at 31 December 2016	49,625,545	-	370,748	(2,895,564)	(1,859,073)	(18,697,747)	26,543,909	11,948,259	38,492,168
Balance at 1 January 2015	91,500,000	56,025,000	176,484	(2,895,564)	(1,673,723)	(114,194,840)	28,937,357	6,040,060	34,977,417
Losses extinguishment	41,874,455)	(56,025,000)	-	-	-	97,899,455	-	-	-
Sale of subsidiary's shares	-	-	-	-	14,198	(715,074)	(700,876)	-	(700,876)
Total comprehensive income for the year	-	-	-	-	588,133	(3,417,016)	(2,828,883)	361,304	(2,467,579)
Non-controlling interests	-	-	-	-	-	-	-	1,132,967	1,132,967
Balance at 31 December 2015	49,625,545	-	176,484	(2,895,564)	(1,071,392)	(20,427,475)	25,407,598	7,534,331	32,941,929

"The accompanying notes from (1) to (27) are integral part of these consolidated financial statements"

Real Estate Development Company
Public Shareholding Company
Consolidated Statement of Cash Flows for the Year Ended 31 December 2016

(In Jordanian Dinar)

	2016	2015
Operating activities		
Profit (loss) for the year	1,905,971	(2,986,780)
Depreciation	11,853	225,213
Changes in fair value of financial assets at fair value through statement of profit or loss	242,922	334,881
Company's share from associate companies operations	164,878	211,542
Currency exchange differences	33,069	137,229
(Profit) loss from sale of investment properties	(3,232,057)	607,703
Changes in working capital		
Accounts receivable	3,637	(15,328)
Financial assets measured at fair value through statement of profit or loss	60	9,269
Other current assets	88,202	(20,814)
Other current liabilities	(3,720,851)	(792,470)
Accounts payable	(147,174)	105,728
Unearned revenues	57,582	(189,972)
Real estates held for sale	296,889	3,677,688
Net cash flows (used in) from operating activities	(4,295,019)	1,303,889
Investing activities		
Financial assets measured at fair value through statement of other comprehensive income	1,123,586	154,980
Investment properties	(104,412)	21,639,405
Property and equipment	-	1,868
Investment in associate companies	(28,402)	-
Projects under construction	81,109	(264,269)
Net cash flows from investing activities	1,071,881	21,531,984
Financing activities		
Bank facilities	(533,748)	(23,429,897)
Related parties	(1,101,920)	(930,514)
Non-controlling interests	4,500,718	1,132,967
Net cash flows from (used in) financing activities	2,865,050	(23,227,444)
Changes in cash and cash equivalents	(358,088)	(391,571)
Cash and cash equivalents, beginning of year	583,129	974,700
Cash and cash equivalents, end of year	225,041	583,129

"The accompanying notes from (1) to (27) are integral part of these consolidated financial statements"

1. General

Real Estate Development Company was established on 24 June 1995 as a Public Shareholding Company and registered at the Ministry of Trade and Industry under number (287). The Company obtained the right to start its operations on 21 October 1995. The company's 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 were authorized for issue by the Company's Board of Directors in their meeting held on 27 March 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 consolidated 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 consolidated statement of comprehensive income to the disposal date which is the date on which the company loses control over the subsidiaries.

The following subsidiaries have been consolidated:

Company	Ownership	Paid- in capital	Activity
Iwan for Construction LLC	100%	10,000	Housing construction
Iwan for Engineering Consultancy	100%	1,000	Engineering consultancy
Al-Ula for Investment Management	100%	10,000	Real estate development
Daret Amman for Housing Projects LLC	83%	10,000	Housing construction
Arab East Investments for Real Estate PLC	70%	9,996,082	Real estate development
Dghaileeb for Real Estate Investments LLC	70%	10,000	Real estate development
Asrar for Real Estate Investments LLC	70%	10,000	Real estate development
Al- Molheq for Real Estate Investments LLC	52%	10,000	Real estate development
Noor Al Sharq for Real Estate Investments LLC	43%	10,000	Real estate development
Al- Ifsah for Real Estate Investments LLC	35%	10,000	Real estate development
Al Fanneyyah Lelmantojat Al Kharasaneyah LLC	35%	700,000	Real estate development

The financial statements for Noor Al Sharq for Real Estate Investments, Al- Ifsah for Real Estate Investments and Al Fanneyyah Lelmantojat Al Kharasaneyah were consolidated with the accompanying consolidated financial statements even though the ownership percentage is below 50% due to the control imposed by the Real Estate Development Company on the financial and operational policies of these companies.

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.

Standard No.	Title of Standards	Effective Date
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 polices 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 its financial assets, which presented at cost to estimate any impairment in its value, and an impairment of loss (it founded) is accrued in the consolidated statement of profit or loss.

Investment properties

Investment property is measured at cost less any accumulated depreciation and any accumulated impairment losses. Any revenue, operational expenses or impairment related to the investment properties is recorded in the consolidated statement of profit or loss. Investment properties are depreciated using the straight-line method at annual depreciation rates ranging from 2% to 15%. 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 the assets

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:

Offices and other properties	2-10%
Machines & Equipment	10-20%
Vehicles	15%
Other	9-20%

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 deprecation are consistent with the expected pattern of economic benefits from items of property and equipment.

When the property and equipment are sold or discarded, the cost of them is disposed of and any profit or loss related to the disposal is recorded in the consolidated statement of profit or loss.

Financial assets at fair value through 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.

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.

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.

Pledged financial assets
Represent those financial assets pledged to other parties with the existence of the right of use for the other party (sale, re-pledge). These financial assets are measured according to their original classification.

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.

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.

Accounts receivable
Accounts receivable 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.

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.

Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs obtained in order to finance projects under construction are capitalized as part of the projects cost. The capitalizing of borrowing costs is stopped upon the completion of the project under construction.

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.

3. Investment properties

	Lands	Buildings	Total
Cost			
Balance at 1/1/2016	20,813,435	-	20,813,435
Sale of investment properties	(1,244,348)	-	(1,244,348)
Disposal (Land acquisition)	(159,183)	-	(159,183)
Transfer to projects under construction	(1,581,967)	-	(1,581,967)
Balance at 31/12/2016	17,827,937	-	17,827,937
Accumulated depreciation & impairment losses			
Balance at 1/1/2016	-	-	-
Balance at 31/12/2016	-	-	-
Net book value at 31/12/2016	17,827,937	-	17,827,937
Cost			
Balance at 1/1/2015	24,875,384	24,448,731	49,324,115
Additions	52,017	-	52,017
Sale of investment properties	(2,397,348)	(24,448,731)	(26,846,079)
Transfer to real estate held for sales	(1,716,618)	-	(1,716,618)
Balance at 31/12/2015	20,813,435	-	20,813,435
Accumulated depreciation & impairment losses			
Balance at 1/1/2015	-	6,057,011	6,057,011
Depreciation	-	206,561	206,561
Sale of investment properties	-	(6,263,572)	(6,263,572)
Balance at 31/12/2015	-	-	-
Net book value at 31/12/2015	20,813,435	-	20,813,435

- The investment properties include mortgaged lands amounting to JOD (1,533,558) against banks facilities.

- There is a precautionary reservation on part of the Company's lands amounting to JOD (4,130,900) against a lawsuit from one of the crediting banks.

- 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 decision was issued to oblige the Ministry of Energy and Mineral Resources to pay the Company JOD (109,908).

4. Property and equipment

	Offices and other properties	Machines & Equipment	Vehicles	Other	Total
Cost					
Balance at 1/1/2016	49,138	56,744	119,325	49,830	275,037
Balance at 31/12/2016	49,138	56,744	119,325	49,830	275,037
Accumulated depreciation					
Balance at 1/1/2016	2,457	54,479	109,699	47,425	214,060
Depreciation	983	934	9,623	313	11,853
Balance at 31/12/2016	3,440	55,413	119,322	47,738	225,913
Net book value at 31/12/2016	**45,698**	**1,331**	**3**	**2,092**	**49,124**
Cost					
Balance at 1/1/2015	49,138	56,879	154,253	78,025	338,295
Additions	-	(135)	(34,928)	(28,195)	(63,258)
Balance at 31/12/2015	49,138	56,744	119,325	49,830	275,037
Accumulated depreciation					
Balance at 1/1/2015	1,474	53,677	128,375	73,272	256,798
Depreciation	983	937	14,475	2,257	18,652
Disposals	-	(135)	(33,151)	(28,104)	(61,390)
Balance at 31/12/2015	2,457	54,479	109,699	47,425	214,060
Net book value at 31/12/2015	**46,681**	**2,265**	**9,626**	**2,405**	**60,977**

5. Financial assets measured at fair value through statement of profit or loss

	2016	2015
Investment in unlisted company's shares (outside Jordan)	3,809,600	3,842,669

6. Financial assets measured at fair value through statement of other comprehensive income

	2016	2015
Investments in listed shares (inside Jordan)	1,050,236	1,213,964
Investments in listed shares (outside Jordan)	18,145	19,896
Investments in unlisted shares (inside Jordan)	71,525	79,009
Mutual fund (outside Jordan)	-	1,849,962
	1,139,906	3,162,831

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

7. Investment in associates companies

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

Company	Beginning Balance	Share from Loss Extinguishment	Share from Operations	Share from Accumulative Change in Fair Value	Ending Balance	Fair Value
Al Talleh for Investment Projects LLC	1	4,999	(2,734)	-	2,266	Unlisted
Al Ttallah for Investment Projects LLC	1	4,999	-	-	5,000	Unlisted
Wajehat Amman for Investment Projects LLC	5,000	-	-	-	5,000	Unlisted
Panorama Amman for Investment Projects LLC	1	3,450	-	-	3,451	Unlisted
Jannah for Investments LLC	3,310	-	(159)	-	3,151	Unlisted
Al Monbatheqa for Consulting LLC	1	-	-	-	1	Unlisted
Al Mekman for Real Estate Investments LLC	1	4,724	-	-	4,725	Unlisted
Al Thaher for Real Estate Investment LLC	1	4,999	-	-	5,000	Unlisted
Ansam for Real Estate Investment LLC	1	3,877	(9)	-	3,869	Unlisted
Al Quilaib for Real Estate Investments LLC	1	1,354	-	-	1,355	Unlisted
Jerusalem for Real Estate Investments PLC	1,310,993	-	(161,976)	42,889	1,191,906	805,591
	1,319,311	28,402	(164,878)	42,889	1,225,724	

The following table summarizes key financial information of the associates:

Company	Activity	Ownership	Assets	Liabilities	Revenues	Losses
Al Talleh for Investment Projects LLC	Investment	50%	2,138,781	2,134,248	-	(5,467)
Al Ttallah for Investment Projects LLC	Investment	50%	1,621,731	1,611,731	-	-
Wajehat 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 Consulting LLC	Consulting and training	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	-	-
Jerusalem for Real Estate Investments PLC	Real estate investments	26.85%	8,214,702	2,645,501	95,280	(557,987)
			37,891,343	34,216,882	95,280	(563,926)

All of the above associate companies are registered in Jordan except for Jerusalem for Real Estate Investments Company PLC, which is registered in Palestine.

8. Projects under construction

This item represents projects under construction owned by Arab East Investments for Real Estate Company PLC (Subsidiary Company) and registered in the name of Housing and Urban Development Corporation amounting to JOD (3,678,762), and other projects under construction registered in the name of Jordan Engineers Association amounting to JOD (1,500,858) against signed agreements with those parties.

9. Real estates held for sale

This item includes mortgaged lands amounting to JOD (1,716,618) against banks facilities.

10. Other current assets

	2016	2015
Prepaid expenses	8,462	8,153
Income tax deposits	11,631	11,377
Refundable deposits	1,351	91,254
Others	2,573	1,435
	24,017	112,219

11. Accounts receivable

	2016	2015
Receivables related to lands sale	5,619,795	280,030
Tenants receivables	84,591	87,991
Others	94,195	100,639
Provision for doubtful accounts	(169,003)	(175,445)
	5,629,578	293,215

The movement on the provision for doubtful accounts was as follow:

	2016	2015
Balance at beginning of the year	175,445	203,290
Write offs	(6,442)	(27,845)
	169,003	175,445

Company's management believes that all past due not impaired accounts receivable are collectable in full.

12. Financial assets at fair value through statement of profit or loss

	2016	2015
Investments in listed shares (inside Jordan)	1,491,383	1,734,305
Investments in listed shares (outside Jordan)	-	60
	1,491,383	1,734,365

13. Cash and cash equivalents

	2016	2015
Cash on hand	1,333	976
Cash at banks	3,684	32,153
Time deposits	220,024	550,000
	225,041	583,129

Bank deposits mature within one month with annual interest rate ranging between (2.4% - 2.65%).

14. Equity

Capital

The Company's authorized, subscribed and paid in capital is JOD (49,625,545) divided equally into (49,625,545) share with par value of JOD (1) per share as at 31 December 2016 and 2015.

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.

Parent company's shares owned by subsidiaries

This presents the cost of stocks owned by the subsidiaries in the capital of Real Estate Development Company (Parent company). Part of these shares is pledged against credit facilities granted to the subsidiaries with a fair value amounting to JOD (1,078,744) as at 31 December 2016.

Cumulative change in fair value of financial assets

This item represents the cumulative change in fair value of financial assets measured at fair value through other comprehensive income owned by the Company and its subsidiaries and associates.

Non - controlling interest

This represents 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.

15. Bank facilities

Credit Type	Currency	Interest Rate	Maturity Date	Facility Limit	Outstanding Balance
Loan	JOD	8.25%	2018 - 2020	2,700,000	1,437,126
Loan	JOD	7%	2018	2,470,000	367,319
Loan	JOD	9%	2017	7,865,615	7,865,615
				13,035,615	9,670,060

The above facilities are granted to the Company against land mortgage and stocks pledges.

16. Unearned revenues

	2016	2015
Unearned revenues from sale of real estates	2,380,185	2,322,603

17. Other current liabilities

	2016	2015
Various provisions	921,539	395,075
Shareholders withholdings	74,617	74,655
Accrued expenses	129,347	91,220
Deferred revenues related to land sale to an associate company	8,577	8,577
Provision against associate companies' losses	-	3,683,058
Others	637	2,983
	1,134,717	4,255,568

18. Profit (loss) from sale of real estates, net

	2016	2015
Revenues from sale of real estates	5,840,000	27,004,437
Cost of real estates sold	(2,150,867)	(27,136,137)
Fines related to sale of real estates in previous years	(263,595)	-
	3,425,538	(131,700)

19. Administrative expenses

	2016	2015
Salaries and other benefits	183,389	181,093
Board of Directors' transportations	49,500	41,050
Fees and subscriptions	42,122	52,725
Professional fees and lawsuits expenses	40,353	40,729
Provision for doubtful accounts	18,855	41,053
Depreciation	11,853	18,652
Rents	8,680	8,728
General Assembly Meetings	6,318	8,115
Utilities	2,889	3,063
Travel and transportation	2,819	8,583
Post and telephone	2,604	2,514
Fuel and cars maintenance	829	1,392
Companies Controller fees	1,200	2,400
Miscellaneous	24,052	17,780
	395,463	427,877

20. Other revenues & expenses, net

	2016	2015
Currency exchange differences	(33,069)	(137,229)
Interest from bank deposits	16,784	8,779
Gains from sale of property and equipment	-	14,950
Others	50,819	53,023
	34,534	(60,477)

21. Basic and diluted earnings (losses) per share

	2016	2015
Profit (loss) for the year attributable to shareholders	1,942,637	(3,417,016)
Weighted average number of shares	46,856,821	46,856,821
	0.042	(0.073)

22. 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 has been taken on the Company's results of operations for the year 2016 as the company's expenses exceeded its taxable revenues.

23. Related party transactions

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

Party	Relationship Nature	Transaction Volume	Transaction Nature	Balance at year end Debit	Balance at year end Credit
Al Mekman for Real Estate Investments LLC	Associate	203,036	Financing	1,097,366	-
Al Thaher for Real Estate Investment LLC	Associate	453,476	Financing	560,540	-
Jannah for Investments LLC	Associate	-	Financing	3,497,094	-
Al Monbathaqa for Consulting LLC	Associate	18,855	Financing	125,973	-
Al Talleh for Investment Projects LLC	Associate	420,238	Financing	1,062,230	-
Al Ttallah for Investment Projects LLC	Associate	460,183	Financing	804,758	-
Panorama Amman for Investment Projects LLC	Associate	1,523,695	Financing	1,916,421	-
Ansam for Real Estate Investment LLC	Associate	226,597	Financing	291,701	-
Al Quilaib for Real Estate Investments LLC	Associate	424,239	Financing	689,967	-
Arab East Investments Company PLC	BOD member	4,832,308	Financing & Commercial	-	5,877,682
Wajehat Amman for Investment Projects LLC	Associate	-	Financing	-	6,069
				10,046,050	5,883,751

The remunerations of the executive management during the years 2016 and 2015 amounted to JOD (136,596) and JOD (135,053) respectively.

24. Segments reporting

The company is engaged mainly in investment in securities and real estates inside and outside the Hashemite Kingdom of Jordan, and as the following:

	2016		2015	
	Inside Jordan	Outside Jordan	Inside Jordan	Outside Jordan
Losses generated from securities investments	(245,824)	(195,045)	(337,919)	(348,662)
Revenues (losses) generated from real estates investments	3,425,538	-	4,189,683	(4,086,339)
Securities investments segment's assets	2,646,962	5,019,651	3,035,596	7,023,580
Real estate investments segment's assets	34,247,609	-	36,029,138	-

25. Liabilities in the name of the Company

The Company has signed during the year 2015 an agreement under which all of its rights to returns and management of Dubai healthcare building (financed by finance lease from United National Bank) have transferred to a second party who will be liable of the finance lease until the full settlement. The finance lease obligation is still registered in the name of the Company and in case of default from the second party, the Bank has the right to sell the building without any financial obligation towards the Company.

26. 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	1,491,383	3,809,600	-	5,300,983
Financial assets at fair value through statement of other comprehensive income	1,068,381	71,525	-	1,139,906
	2,559,764	3,881,125	-	6,440,889

2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through statement of profit or loss	1,734,365	3,842,669	-	5,577,034
Financial assets at fair value through statement of other comprehensive income	1,233,860	1,928,971	-	3,162,831
	2,968,225	5,771,640	-	8,739,865

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.

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 (5,340,000) at 31 December 2016 against JOD (280,030) at 31 December 2015.

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, To avoid this risk, the company's deposits are short term and have fixed interest rates, if interest rates had increased or decreased by 0.5% annually the consolidated comprehensive income for the year would have been reduced / increased by JOD (1,100) during 2016 (2015: JOD 2,750).

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 consolidated comprehensive income for the year 2016 would have been reduced / increased by JOD (255,976) (2015: JOD 296,823).

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	7,870,635	1,799,425	9,670,060
Accounts payable	327,151	-	327,151
Amounts due to related parties	-	5,883,751	5,883,751
Unearned revenues	2,380,185	-	2,380,185
Other current liabilities	1,134,717	-	1,134,717
	11,712,688	7,683,176	19,395,864

2015	Less than one year	More than one year	Total
Bank facilities	2,010,533	8,193,275	10,203,808
Accounts payable	474,325	-	474,325
Amounts due to related parties	-	10,715,990	10,715,990
Unearned revenues	2,322,603	-	2,322,603
Other current liabilities	4,255,568	-	4,255,568
	9,063,029	18,909,265	27,972,294

27. 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.

	2016	2015
Total Debt	9,670,060	10,203,808
Total Equity	38,492,168	32,941,929
Debt to Equity ratio	25%	31%