



Arab East Investment Company (Ltd.)
الشركة العربية للاستثمارات المالية والإقتصادية

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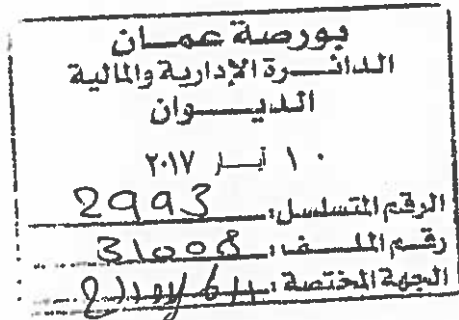
To \ Amman Stock Exchange

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

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

Kindly accept our appreciation and respect

Arab East Investment Ltd.
Financial manager \ Mazen Qudeimat



Arab East Investment 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)

**Arab East Investment Company
Public Shareholding Company**

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INDEPENDENT AUDITORS' REPORT

**To The Shareholders of
Arab East Investment Company
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 Investment 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 Matter

The accompanying financial statements include a land amounting to JOD (1,706,343) registered in the name of Arab East for Real Estate Investment Company. The company maintains confirmation letter regarding the full authorization use of the land.

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.



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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


Arab Professionals

Amin Samara

(License No. 481)



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Arab East Investment 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	31,251,197	31,244,221
Projects under construction	4	1,762,246	1,331,985
Property and equipment		15,520	25,214
Amounts due from related parties	18	6,186,248	11,024,834
Investment in associate companies	5	12,385,471	11,852,855
Financial assets at fair value through other comprehensive income	6	2,350,726	2,482,920
Total Non - Current Assets		53,951,408	57,962,029
Current Assets			
Lands held for sale	3	6,549,971	7,429,803
Properties held for sale	7	647,849	588,659
Receivables and other assets	8	1,830,996	1,860,178
Financial assets held for sale	9	966,048	990,818
Financial assets at fair value through statement of profit or loss	10	346,665	353,892
Cash and cash equivalents	11	3,380,074	4,081,077
Total Current Assets		13,721,603	15,304,427
Total Assets		67,673,011	73,266,456
Equity and Liabilities			
Shareholder's Equity	12		
Paid - in capital		47,000,000	47,000,000
Additional paid - in capital		-	16,322,822
Statutory reserve		7,598,646	7,532,923
Voluntary reserve		4,498,152	14,846,063
Cumulative change in fair value of financial assets		(557,848)	(49,298)
Parent's shares owned by subsidiary companies		(5,008,733)	(5,008,733)
Retained earnings (losses)		591,511	(26,670,733)
Total Shareholder's Equity		54,121,728	53,973,044
Non-controlling interest		182,860	(3,524,167)
Net Equity		54,304,588	50,448,877
Liabilities			
Non - Current Liabilities			
Deferred revenues		71,400	74,212
Amounts due to related parties	18	6,968,371	10,686,144
Bank facilities - long term	13	4,479,332	5,479,332
Total Non - Current Liabilities		11,519,103	16,239,688
Current Liabilities			
Payables and other liabilities	14	1,186,390	6,544,520
Bank facilities - short term	13	662,930	33,371
Total Current Liabilities		1,849,320	6,577,891
Total Liabilities		13,368,423	22,817,579
Total Equity and Liabilities		67,673,011	73,266,456

"The accompanying notes from (1) to (22) are integral part of these consolidated financial statements"

Arab East Investment Company
Public Shareholding Company
Consolidated Statement of Profit or Loss for the year ended 31 December 2016
(In Jordanian Dinar)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Properties sales		2,396,031	5,585,595
Properties cost of sales		<u>(1,870,244)</u>	<u>(4,891,387)</u>
Gross Profit		525,787	694,208
Company's share from associate companies operations	5	843,201	(1,403,499)
Changes in fair value of financial assets held for sale		(24,770)	168,722
Changes in fair value of financial assets at fair value through profit or loss		(7,227)	5,447
Administrative expenses	15	(579,853)	(580,138)
Finance costs		(350,658)	(548,579)
Other revenues	16	<u>262,610</u>	<u>218,508</u>
Profit (loss) before tax		669,090	(1,445,331)
Tax expense		<u>(16,109)</u>	<u>-</u>
Profit (loss) for the year		<u>652,981</u>	<u>(1,445,331)</u>
Attributable :			
Owners of the Parent		657,234	(1,443,049)
Non-controlling interest		<u>(4,253)</u>	<u>(2,282)</u>
Profit (loss) for the year		<u>652,981</u>	<u>(1,445,331)</u>
 Basic and diluted earnings (losses) per share	 17	 <u>0.015</u>	 <u>(0.032)</u>

"The accompanying notes from (1) to (22) are integral part of these consolidated financial statements"

Arab East Investment Company
Public Shareholding Company
Consolidated Statement of Comprehensive Income for the year ended 31 December 2016
(In Jordanian Dinar)

	<u>2016</u>	<u>2015</u>
Profit (loss) for the year	652,981	(1,445,331)
Other comprehensive income:		
Company's share from other comprehensive income of associate companies	(319,199)	244,087
Changes in fair value of financial assets through other comprehensive income	<u>(189,351)</u>	<u>108,111</u>
Total comprehensive income for the year	<u>144,431</u>	<u>(1,093,133)</u>
Attributable :		
Owners of the Parent	148,684	(1,090,851)
Non-controlling interest	<u>(4,253)</u>	<u>(2,282)</u>
Total	<u>144,431</u>	<u>(1,093,133)</u>

"The accompanying notes from (1) to (22) are integral part of these consolidated financial statements"

Arab East Investment 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	Reserves	Fair value adjustments	Treasury stocks	Retained Earnings (losses)	Total shareholder's equity	Non- controlling interest	Net Equity
			Statutory	Voluntary					
Balance at 1 January 2016	47,000,000	16,322,822	7,532,923	14,846,063	(5,008,733)	(26,670,733)	53,973,044	(3,524,167)	50,448,877
Extinguish of the accumulated losses (Note 12)	-	(16,322,822)	-	(10,347,911)	-	26,670,733	-	-	-
Total comprehensive income for the year	-	-	-	-	-	657,234	148,684	(4,253)	144,431
Statutory reserve	-	-	65,723	-	-	(65,723)	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	3,711,280	3,711,280
Balance at 31 December 2016	47,000,000	-	7,598,646	4,498,152	(5,008,733)	591,511	54,121,728	182,860	54,304,588
Balance at 1 January 2015	47,000,000	16,322,822	7,532,923	14,846,063	(5,008,733)	(24,937,908)	55,353,671	(3,735,238)	51,618,433
Total comprehensive income for the year	-	-	-	-	-	(1,443,049)	(1,090,851)	(2,282)	(1,093,133)
Adjustment related to associate company*	-	-	-	-	-	(289,776)	(289,776)	-	(289,776)
Non-controlling interest	-	-	-	-	-	-	-	213,353	213,353
Balance at 31 December 2015	47,000,000	16,322,822	7,532,923	14,846,063	(5,008,733)	(26,670,733)	53,973,044	(3,524,167)	50,448,877

*The above represent the company's share from the losses of Real Estate Development Company (PLC), against sales of stocks owned in a subsidiary company.

"The accompanying notes from (1) to (22) are integral part of these consolidated financial statements"

Arab East Investment Company
Public Shareholding Company
Consolidated Statement of Cash Flows for the year ended 31 December 2016

(In Jordanian Dinar)

	<u>2016</u>	<u>2015</u>
Operating Activities		
Profit (loss) for the year	652,981	(1,445,331)
Properties sales gains	(525,787)	(694,208)
Company's share from associate companies operations	(843,201)	1,403,499
Changes in fair value of financial assets held for sale	24,770	(168,722)
Changes in fair value of financial assets at fair value through profit or loss	7,227	(5,447)
Depreciation	9,875	14,275
Changes in Working Capital		
Financial assets at fair value through profit or loss	-	14,525
Lands and properties held for sale	1,346,429	4,463,607
Receivables and other assets	29,182	(14,719)
Payables and other liabilities	(868,838)	452,033
Net cash flows (used in) from operating activities	<u>(167,362)</u>	<u>4,019,512</u>
Investing Activities		
Investment properties and projects under construction	(437,237)	(437,226)
Financial assets at fair value through other comprehensive income	(57,343)	666,176
Property and equipment	(181)	(1,804)
Net cash flows (used in) from investing activities	<u>(494,761)</u>	<u>227,146</u>
Financing Activities		
Bank facilities	(370,441)	(2,206,324)
Amounts due from/ to related parties	331,561	121,992
Net cash flows used in financing activities	<u>(38,880)</u>	<u>(2,084,332)</u>
Changes in cash and cash equivalents	(701,003)	2,162,326
Cash and cash equivalents, beginning of year	<u>4,081,077</u>	<u>1,918,751</u>
Cash and cash equivalents, end of year	<u>3,380,074</u>	<u>4,081,077</u>

"The accompanying notes from (1) to (22) are integral part of these consolidated financial statements"

Arab East Investment Company
Public Shareholding Company
Notes to the consolidated Financial Statements
31 December 2016

(In Jordanian Dinar)

1. General

Arab East Investment Company PLC. was established on 12 January 1995 as a Public Shareholding Company and registered at the Ministry of Trade and Industry under number (268). The company head office is in the Hashemite Kingdom of Jordan. The company's main objective is managing its subsidiaries and exercising all real estate investment activities, and investing in stocks and bonds and providing loans, guarantees and financing its subsidiaries.

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 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.

The following subsidiaries have been consolidated:

Company	Ownership	Paid - in capital	Activity
Arab East for Development and Investment PLC	80%	500,000	Investment
Al Monbathaqa for Training and Consulting LLC	75%	18,000	Training and Consulting
Elaf for Real Estate Investment LLC	100%	10,000	Real estate development
Ajhara for Real Estate Investment LLC	100%	10,000	Real estate development
Al Wajah Al Aqari for Investment LLC	100%	10,000	Real estate development
Al Badyia for Real Estate LLC	100%	10,000	Real estate development
Wajht Amman for Projects Investment LLC	50%	10,000	Real estate development
Panorama Amman for Projects Investment LLC	65.5%	10,000	Real estate development
Al Taleh for Projects Investment LLC	50%	10,000	Real estate development
Al Tallah for Projects Investment LLC	50%	10,000	Real estate development
Al Qulaib for Real Estate Investments LLC	86.5%	10,000	Real estate development
Al Daimumah for Real Estate Investments LLC	100%	10,000	Real estate development
Al Mekman for Real Estate Investments LLC	53%	10,000	Real estate development
Al Noqtah Al Khamesah for Specialized Investments LLC	100%	10,000	Real estate development
Al Thaher for Real Estate Investment LLC	50%	10,000	Real estate development
Tal Al -Qamar for Real Estate Investment LLC	100%	10,000	Real estate development
Al Marfaq for Real Estate Investment LLC	100%	10,000	Real estate development
Ansam for Real Estate Investment LLC	80.6%	10,000	Real estate development
Al Masarh for Real Estate Investment LLC	100%	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.

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 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 less any accumulated depreciation and any accumulated impairment losses. The cost of constructed property includes the cost of material and any other costs directly attributed to bringing the property to a working condition for its intended use. Borrowing costs that are directly attributed to acquisition and construction of a property are included in the cost of that property.

Lands Held for Sale

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

Projects under Construction, Lands and Properties Held for Sale

Lands and properties being developed which are held for sale 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 lands 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.

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:

Furniture and fixtures	20%
Office equipment	20-35%

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.

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.

Financial Assets Held for Sale

The financial assets held for sale are measured by the lesser of the net carrying amount or fair value net of selling expenses.

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.

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.

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.

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.

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

	2016	2015
Lands registered in the name of the company and its subsidiaries	36,094,825	36,967,681
Land registered in the name of Arab East for Real Estate Investment Company	1,706,343	1,706,343
	<u>37,801,168</u>	<u>38,674,024</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 company maintains written confirmations in its favor in return for the piece of land registered in the name of Arab East for Real Estate Investment Company.
- The law requires the approval of the Minister of Finance before selling the real estate investments that have not been owned for more than five years.
- The Court of Southern Amman issued a decision in 2014 to cancel the sale of land purchased by one of the company's subsidiaries with a carrying value of JOD (425) thousand due to the objection of one of the heirs to the sale. The company objected on cancelling the sale decision. In the opinion of the Board of Directors of the company and the legal counsel, there are legal data that support the position of the company in the mentioned case.
- One of the company's subsidiaries has filed a lawsuit against the Water Authority to reestimate the value of the compensation paid to the company against the acquisition of parts of the land owned by the company. The court order was issued with a determinative degree, obliging the Water Authority to pay the company JOD (127,776).

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

	2016	2015
Balance at beginning of the year	38,674,024	40,249,155
(Disposals) purchases	(4,802)	666,524
Transfers to projects under constructions	(868,054)	-
Sales of lands	-	(2,241,655)
	<u>37,801,168</u>	<u>38,674,024</u>

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4. Projects under Construction

	Tallet Abdoun apartments (1)	Tallet Abdoun apartments (2)	Total
Cost of lands:			
Balance at 1/1/2016	474,280	-	474,280
Transfer from lands held for sale	-	868,054	868,054
Transfers to properties held for sale	(474,280)	-	(474,280)
Balance at 31/12/2016	-	868,054	868,054
Cost of constructions:			
Balance at 1/1/2016	857,705	-	857,705
Additions	597,449	894,192	1,491,641
Transfers to properties held for sale	(1,455,154)	-	(1,455,154)
Balance at 31/12/2016	-	894,192	894,192
Cost of projects at 31/12/2016	-	1,762,246	1,762,246
Cost of lands:			
Balance at 1/1/2015	474,280	-	474,280
Balance at 31/12/2015	474,280	-	474,280
Cost of constructions:			
Balance at 1/1/2015	800	-	800
Additions	856,905	-	856,905
Balance at 31/12/2015	857,705	-	857,705
Cost of projects at 31/12/2015	1,331,985	-	1,331,985

- The above represent the actual cost as at 31 December 2016 to establish Tallet Abdoun Apartments (2) project which contain (28) apartments in Abdoun area.
- The approximate remaining cost of completing the project according to management estimation is JOD (1.15) million as at 31 December 2016.

5. Investment in Associates

The following table summarizes key financial information of the associates:

Company	Activity	Ownership	Assets	Liabilities	Revenues	Net Profit (loss)
Real Estate Development PLC	Investment	40.52%	57,888,032	19,395,864	3,460,072	1,942,637
Al Fanneyyah Lelmantojat Al Kharasaneyah LLC	Investment	50%	724,229	29,596	-	(71,965)
Noor Al Sharq for Real Estate Investments LLC.	Investment	38.61%	2,003,031	1,993,031	-	-
Al- Ifsah for Real Estate Investments LLC	Investment	50%	8,854,205	8,650,816	500,000	193,389
Al- Molheq for Real Estate Investments LLC	Investment	25.66%	5,443,493	5,433,493	-	-
			74,912,990	35,502,800	3,960,072	2,064,061

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

Company	Beginning Balance	Share of Income	Share of Accumulated Change	Deferred Revenue's Adjustment	Share from Loss Extinguishment	Ending Balance
Real Estate Development PLC	11,469,553	779,677	(319,199)	-	-	11,930,031
Al Fanneyyah Lelmantojat Al Kharasaneyah LLC	383,299	(35,983)	-	-	-	347,316
Noor Al Sharq for Real Estate Investments LLC.	1	-	-	-	3,860	3,861
Al- Ifsah for Real Estate Investments LLC	1	99,507	-	(2,812)	4,999	101,695
Al- Molheq for Real Estate Investments LLC	1	-	-	-	2,567	2,568
	11,852,855	843,201	(319,199)	(2,812)	11,426	12,385,471

- The investment in Real Estate Development Company includes pledged stocks against bank facilities granted to the company amounting to JOD (6,061,068).
- All of the above Associates are not listed in the financial markets and they have no fair value, except for the Investment in Real Estate Development Company which has fair value as at 31 December 2016 amounting to JOD (7,842,986).

6. Financial Assets at Fair Value Through Other Comprehensive Income

	2016	2015
Investment in quoted companies shares (in Jordan)	1,993,235	2,125,429
Investment in unquoted companies shares (in Jordan)	357,491	357,491
	<u>2,350,726</u>	<u>2,482,920</u>

- The above financial assets include pledged shares against credit facilities granted to the company with a fair value amounting to JOD (495,000) as at 31 December 2016.
- The company's investment in the unquoted companies shares presented in their purchase cost as their fair value can not be reliably measured.

7. Properties Held for Sale

	Abdoun Villas	Abdoun Apartments (1)	Total
Cost of lands:			
Balance at 1/1/2016	235,966	-	235,966
Transfers from projects under constructions	-	474,280	474,280
Sale of properties/ Disposal of lands cost	(235,966)	(314,780)	(550,746)
Balance at 31/12/2016	-	159,500	159,500
Cost of constructions:			
Balance at 1/1/2016	352,693	-	352,693
Transfers from projects under constructions	-	1,455,154	1,455,154
Sale of properties/ Disposal of construction cost	(352,693)	(966,805)	(1,319,498)
Balance at 31/12/2016	-	488,349	488,349
Cost of properties held for sale at 31/12/2016	-	647,849	647,849
Cost of lands:			
Balance at 1/1/2015	1,357,951	-	1,357,951
Sale of properties/ Disposal of lands cost	(1,121,985)	-	(1,121,985)
Balance at 31/12/2015	235,966	-	235,966
Cost of Construction:			
Balance at 1/1/2015	1,844,655	-	1,844,655
Additions	35,785	-	35,785
Sale of properties/ Disposal of construction cost	(1,527,747)	-	(1,527,747)
Balance at 31/12/2015	352,693	-	352,693
Cost of properties held for sale at 31/12/2015	588,659	-	588,659

8. Receivables and Other Assets

	2016	2015
Accounts receivable related to selling of lands	1,774,599	1,774,599
Others	56,397	85,579
	<u>1,830,996</u>	<u>1,860,178</u>

9. Financial Assets Held for Sale

In 2008, the management of the company decided to sell a total of (6) million shares of its investment of Real Estate Development Company (an associate). Accordingly, these shares were reclassified as financial assets held for sale in accordance with International Financial Reporting Standards. A total of (1,432,800) shares were sold during the previous years. A total of (2,090,154) shares were also excluded as a result of the reduction of the capital of Real Estate Development Company.

10. 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.

11. Cash and Cash Equivalents

	2016	2015
Bank deposits	3,327,371	3,958,703
Current bank accounts	51,238	121,374
Cash on hand	1,465	1,000
	<u>3,380,074</u>	<u>4,081,077</u>

Bank deposits mature within one month with annual interest rate ranging between (3%) and (3.5%).

12. Equity

Paid - in capital

The company's authorized, subscribed and paid in capital is JOD (47) million divided equally into (47) million 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 voluntary reserve and the additional paid in capital.

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.

Parent's Shares Owned By Subsidiary Companies

This presents the cost of stocks owned by the subsidiaries in the capital of Arab East Investment Company. (Parent company).

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.

13. Bank Facilities

Credit Type	Currency	Interest Rate	Maturity date	Facility Limit	Outstanding Balance	
					Short - term	Long - term
Overdraft	JOD	8%	2017	400,000	7,685	-
Loan	JOD	8%	2017-2019	1,454,332	300,000	1,154,332
Loan	JOD	8%	2017-2019	3,680,245	355,245	3,325,000
					<u>662,930</u>	<u>4,479,332</u>

The above facilities are granted to the company against pledge of financial assets with fair value of JOD (6,556,068).

14. Payables and Other Liabilities

	2016	2015
Payments received in advance against properties sale	160,488	1,019,624
Shareholders deposits	377,659	379,885
Other provisions	413,237	422,131
Accounts payable	120,432	135,123
Provision for employees remuneration's	98,465	98,465
Income tax provision	16,109	-
Provision against associate companies losses	-	4,489,292
	<u>1,186,390</u>	<u>6,544,520</u>

The movement on the provision against associate company's losses is as follows:

	2016	2015
Balance at the beginning of the year	4,489,292	4,496,856
Share from associate companies losses extinguishment	(4,489,292)	(7,564)
	<u>-</u>	<u>4,489,292</u>

15. Administrative Expenses

	2016	2015
Salaries and benefits	349,127	334,006
Professional and consulting fees	66,973	66,962
Board of Directors transportations	61,200	59,400
Licenses and subscriptions	29,768	30,389
Vehicles expenses	17,280	22,914
Rents	15,977	15,977
Depreciation	9,875	14,275
General Assembly expenses	3,669	5,712
Post ,telephone and internet	5,008	6,325
Companies Controller fees	1,200	1,200
Miscellaneous	19,776	22,978
	<u>579,853</u>	<u>580,138</u>

16. Other Revenues

	2016	2015
Bank deposits interest income	122,685	122,902
Dividends income	93,573	14,982
Others	46,352	80,624
	<u>262,610</u>	<u>218,508</u>

17. Basic and Diluted Earnings (Losses) per Share

	2016	2015
Profit (loss) for the year attributable to shareholders	657,234	(1,443,049)
Weighted average number of shares	44,931,310	44,931,310
	<u>0.015</u>	<u>(0.032)</u>

18. Related Party Transactions

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

Party	Relationship Nature	Transaction Nature	Balance at year end	
			Debit	Credit
AL Ifsah for Real Estate Investment LLC	Associate	Financing	3,258,650	-
AL Molhaq for Real Estate Investment LLC	Associate	Financing	1,460,421	-
Noor AL Sharq for Real Estate Investment LLC	Associate	Financing	757,923	-
AL Farneyyah Leimantojat Al Kharasaneyah LLC	Associate	Financing	27,539	-
Real Estate Development PLC	Associate	Financing	314,056	-
Jannah for Investments LLC	Sister company	Financing	367,659	-
Arab East for Real Estate PLC	Sister company	Financing	-	6,966,575
Other Companies	Sister company	Financing	-	1,796
			<u>6,186,248</u>	<u>6,968,371</u>

The remuneration of the executive management during the years 2016 and 2015 amounted to JOD (232,777) and JOD (229,498) respectively.

19. Segments Reporting

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

	2016	2015
Revenues generated from securities investments	61,576	189,151
Revenues generated from real estate investments	2,396,031	5,585,595
Securities investment segment assets	3,663,439	3,827,630
Real estate investment segment assets	40,211,263	40,594,668

20. 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.
- The income tax provision on the subsidiary's income for the year ended 31 December 2016 has been calculated in accordance with the Jordanian Income Tax Law.

21. 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, accounts payable and deferred revenues.

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	346,665	-	-	346,665
Financial assets held for sale at fair value	966,048	-	-	966,048
Financial assets at fair value through other comprehensive income	1,993,235	-	357,491	2,350,726
	<u>3,305,948</u>	<u>-</u>	<u>357,491</u>	<u>3,663,439</u>
2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through statement of profit or loss	353,892	-	-	353,892
Financial assets held for sale at fair value	990,818	-	-	990,818
Financial assets at fair value through other comprehensive income	2,125,429	-	357,491	2,482,920
	<u>3,470,139</u>	<u>-</u>	<u>357,491</u>	<u>3,827,630</u>

Financial assets included in level 3 are stated at cost less impairment charges, as the fair value of these assets cannot be measured reliably due to the lack of available active markets for identical assets.

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.

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.

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	662,930	4,479,332	5,142,262
Amounts due to related parties	-	6,968,371	6,968,371
Deferred revenues	-	71,400	71,400
Payables and other liabilities	1,186,390	-	1,186,390
	<u>1,849,320</u>	<u>11,519,103</u>	<u>13,368,423</u>

2015	Less than one year	More than one year	Total
Bank facilities	33,371	5,479,332	5,512,703
Amounts due to related parties	-	10,686,144	10,686,144
Deferred revenues	-	74,212	74,212
Payables and other liabilities	6,544,520	-	6,544,520
	<u>6,577,891</u>	<u>16,239,688</u>	<u>22,817,579</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 (330,595) (2015: JOD 347,014).

22. 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	5,142,262	5,512,703
Total Equity	54,304,588	50,448,877
Debt to Equity ratio	9.5%	10.9%