REDV
شركة تطوير العقارات
Real Estate Development Co

Date: 29/03/2018
Reference: 57

To: Amman Stock Exchange

<u>**Subject: Audited Financial Statements for the fiscal year ended 31/12/2017**</u>

Attached the Audited Financial Statements of (Real Estate Development Co.) for the fiscal year ended 31/12/2017.

Kindly accept our appreciation and respect.

Munther Abu Awad
Acting General Manager

بورصة عمان
الدائـــرة الإدارية والمالية
الديـــوان
٢٩ آذار ٢٠١٨
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Real Estate Development Company

Public Shareholding Company

Consolidated Financial Statements as at 31 December 2017
Together With
Independent Auditor's Report

Arab Professionals
(Member firm within Grant Thornton International Ltd)

Real Estate Development Company
Public Shareholding Company

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INDEPENDENT AUDITOR'S REPORT

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

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 2017, 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 2017, 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 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 (1,496,432) against signed agreements with those parties.

Key Audit Matter
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 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.

15 March 2018
Amman – Jordan

Ibrahim Hammoudeh
(License No. 606)
Arab Professionals

Arab Professionals
Grant Thornton

Real Estate Development Company
Public Shareholding Company
Consolidated Statement of Financial Position as at 31 December 2017

(In Jordanian Dinar)

Assets	**Notes**	**2017**	**2016**
Non – Current Assets			
Investment properties	3	16,538,970	17,827,937
Property and equipment	4	47,331	49,124
Financial assets measured at fair value through statement of profit or loss	5	3,864,164	3,809,600
Financial assets measured at fair value through statement of other comprehensive income	6	1,261,780	1,139,906
Investment in associate companies	7	1,230,529	1,225,724
Amounts due from related parties	22	10,060,362	10,046,050
Projects under construction	8	5,175,194	5,179,620
Total Non – Current Assets		38,178,330	39,277,961
Current Assets			
Real estates held for sale		11,308,912	11,240,052
Other current assets	9	27,519	24,017
Accounts receivable	10	289,789	5,629,578
Financial assets measured at fair value through statement of profit or loss	11	1,671,999	1,491,383
Cash and cash equivalents	12	178,134	225,041
Total Current Assets		13,476,353	18,610,071
Total Assets		**51,654,683**	**57,888,032**
Equity and Liabilities			
Shareholder's Equity	13		
Paid – in capital		49,625,545	49,625,545
Statutory reserve		370,748	370,748
Parent company's shares owned by subsidiaries		(2,889,899)	(2,895,564)
Cumulative change in fair value of financial assets		(1,698,303)	(1,859,073)
Accumulated losses		(19,254,777)	(18,697,747)
Total Shareholders Equity		26,153,314	26,543,909
Non-controlling interests		11,984,952	11,948,259
Total Equity		38,138,266	38,492,168
Liabilities			
Non – Current Liabilities			
Bank facilities – long term	14	4,025,768	1,799,425
Amounts due to related parties	22	5,330,165	5,883,751
Total Non - Current Liabilities		9,355,933	7,683,176
Current Liabilities			
Bank facilities – short term	14	369,385	7,870,635
Accounts payable		348,098	327,151
Unearned revenues	15	2,380,185	2,380,185
Other current liabilities	16	1,062,816	1,134,717
Total Current Liabilities		4,160,484	11,712,688
Total Liabilities		13,516,417	19,395,864
Total Equity and Liabilities		**51,654,683**	**57,888,032**

"The accompanying notes from (1) to (26) 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 2017

(In Jordanian Dinar)

	Notes	2017	2016
(Loss) profit from sale of real estates, net	17	(192,285)	3,425,538
Changes in fair value of financial assets at fair value through statement of profit or loss		180,616	(242,922)
Company's share from associate companies operations	7	(73,626)	(164,878)
Administrative expenses	18	(452,659)	(395,463)
Finance costs		(400,184)	(714,373)
Unneeded land impairment provision		266,911	-
Other revenues & expenses, net	19	116,877	34,534
(Loss) profit before income tax		**(554,350)**	**1,942,436**
Previous years' tax expense		-	(36,465)
(Loss) profit for the year		**(554,350)**	**1,905,971**
Attributable to :			
Shareholders of the Company			
Non-controlling interests		(555,094)	1,942,637
		744	(36,666)
		(554,350)	**1,905,971**
Basic and diluted (losses) earnings per share	20	**(0.012)**	**0.041**

"The accompanying notes from (1) to (26) 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 2017

(In Jordanian Dinar)

	Notes	2017	2016
(Loss) profit for the year		(554,350)	1,905,971
Other comprehensive income:			
Changes in fair value of financial assets through statement of other comprehensive income		121,869	(899,339)
Company's share from other comprehensive income of associate company	7	75,697	42,889
Total comprehensive (loss) income for the year		**(356,784)**	**1,049,521**
Attributable to :			
Shareholders of the Company		(394,324)	1,136,311
Non-controlling interests		37,540	(86,790)
		(356,784)	**1,049,521**

"The accompanying notes from (1) to (26) 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 2017

(In Jordanian Dinar)

	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 2017	**49,625,545**	**370,748**	**(2,895,564)**	**(1,859,073)**	**(18,697,747)**	**26,543,909**	**11,948,259**	**38,492,168**
Total comprehensive loss for the year	-	-	-	160,770	(555,094)	(394,324)	37,540	**(356,784)**
Parent company's shares owned by subsidiaries	-	-	5,665	-	(1,936)	3,729	(847)	**2,882**
Balance at 31 December 2017	**49,625,545**	**370,748**	**(2,889,899)**	**(1,698,303)**	**(19,254,777)**	**26,153,314**	**11,984,952**	**38,138,266**
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**

* Accumulated losses at 31 December 2017 include unrealized gains related to changes in fair value of financial assets at fair value through statement of profit or loss amounting to JOD (180,616).

"The accompanying notes from (1) to (26) 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 2017

(In Jordanian Dinar)

	2017	2016
Operating activities		
(Loss) profit for the year	(554,350)	1,905,971
Depreciation	1,943	11,853
Changes in fair value of financial assets at fair value through statement of profit or loss	(180,616)	242,922
Company's share from associate companies operations	73,626	164,878
Currency exchange differences	(54,565)	33,069
Loss (profit) from sale of investment properties	180,706	(3,232,057)
Unneeded land impairment provision	(266,911)	-
Changes in working capital		
Accounts receivable	5,339,789	3,637
Financial assets measured at fair value through statement of profit or loss	-	60
Other current assets	(3,506)	88,202
Other current liabilities	(71,901)	(3,720,851)
Accounts payable	20,947	(147,174)
Unearned revenues	-	57,582
Real estates held for sale	(28,646)	296,889
Net cash flows from (used in) operating activities	4,456,516	(4,295,019)
Investing activities		
Financial assets measured at fair value through statement of other comprehensive income	-	1,123,586
Investment properties	1,334,958	(104,412)
Property and equipment	(150)	-
Investment in associate companies	(2,734)	(28,402)
Projects under construction	4,426	81,109
Net cash flows from investing activities	1,336,500	1,071,881
Financing activities		
Bank facilities	(5,274,907)	(533,748)
Related parties	(567,898)	(1,101,920)
Parent company's shares owned by subsidiaries	2,882	-
Non-controlling interests	-	4,500,718
Net cash flows (used in) from financing activities	(5,839,923)	2,865,050
Changes in cash and cash equivalents	(46,907)	(358,088)
Cash and cash equivalents, beginning of year	225,041	583,129
Cash and cash equivalents, end of year	**178,134**	**225,041**

"The accompanying notes from (1) to (26) 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 15 March 2018 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 2017. 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 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021

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.

Rent revenue is recognized on the straight line method over the contract period.

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
Cost	
Balance at 1/1/2017	17,827,937
Sale of investment properties	(1,165,414)
Compensation against land acquisition	(151,956)
Additions	28,403
Balance at 31/12/2017	**16,538,970**
Cost	
Balance at 1/1/2016	20,813,435
Sale of investment properties	(1,244,348)
Disposal (Land acquisition)	(159,183)
Transfer to projects under construction	(1,581,967)
Balance at 31/12/2016	**17,827,937**

- The investment properties include mortgaged lands amounting to JOD (1,386,709) against banks facilities.

- The above lands are stated at cost. The fair value of the above investment properties are not disclosed because it can not be measured reliably as there is no active market available for it.

- 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 1/1/2017	49,138	56,744	119,325	49,830	**275,037**
Additions	-	150	-	-	**150**
Balance at 31/12/2017	49,138	56,894	119,325	49,830	**275,187**
Accumulated depreciation					
Balance at 1/1/2017	3,440	55,413	119,322	47,738	**225,913**
Depreciation	982	859	-	102	**1,943**
Balance at 31/12/2017	4,422	56,272	119,322	47,840	**227,856**
Net book value at 31/12/2017	**44,716**	**622**	**3**	**1,990**	**47,331**
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**

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

	2017	2016
Investment in unlisted company's shares (outside Jordan)	**3,864,164**	**3,809,600**

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

	2017	2016
Investments in listed shares (inside Jordan)	1,171,992	1,050,236
Investments in listed shares (outside Jordan)	16,184	18,145
Investments in unlisted shares (inside Jordan)	73,604	71,525
	1,261,780	**1,139,906**

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 (468,500) as at 31 December 2017.

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 cumulative Change in Fair Value	Ending Balance	Fair Value
Al Talleh for Investment Projects LLC	2,266	2,734	(1,592)	-	3,408	Unlisted
Al Ttallah for Investment Projects LLC	5,000	-	-	-	5,000	Unlisted
Wajehat Amman for Investment Projects LLC	5,000	-	-	-	5,000	Unlisted
Panorama Amman for Investment Projects LLC	3,451	-	(3)	-	3,448	Unlisted
Jannah for Investments LLC	3,151	-	(144)	-	3,007	Unlisted
Al Monbatheqa for Consulting LLC	1	-	-	-	1	Unlisted
Al Mekman for Real Estate Investments LLC	4,725	-	-	-	4,725	Unlisted
Al Thaher for Real Estate Investment LLC	5,000	-	-	-	5,000	Unlisted
Ansam for Real Estate Investment LLC	3,869	-	(4)	-	3,865	Unlisted
Al Quilaib for Real Estate Investments LLC	1,355	-	-	-	1,355	Unlisted
Jerusalem for Real Estate Investments PLC	1,191,906	-	(71,883)	75,697	1,195,720	723,474
	1,225,724	**2,734**	**(73,626)**	**75,697**	**1,230,529**	

The following table summarizes key financial information of the associates:

Company	Activity	Ownership	Assets	Liabilities	Revenues	Profit (Losses)
Al Talleh for Investment Projects LLC	Investment	50%	2,138,781	2,131,965	-	(3,184)
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%	6,221,931	6,211,942	-	(11)
Jannah for Investments LLC	Investment	36%	9,142,062	9,133,581	-	(406)
Al Monbathaqa for Consulting LLC	Consulting and training	25%	561,351	2,492,296	-	(250)
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%	1,532,551	1,512,599	-	(24)
Al Quilaib for Real Estate Investments LLC	Investment	14%	5,038,104	-	-	-
Jerusalem for Real Estate Investments PLC	Real estate investments	26.85%	8,472,753	2,886,448	152,104	125,824
			38,208,190	**29,429,488**	**152,104**	**121,949**

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 (1,496,432) against signed agreements with those parties.

9. Other current assets

	2017	2016
Prepaid expenses	7,710	8,462
Income tax deposits	9,942	11,631
Refundable deposits	1,351	1,351
Others	8,516	2,573
	27,519	**24,017**

10. Accounts receivable

	2017	2016
Receivables related to lands sale	279,149	5,619,795
Tenants receivables	84,591	84,591
Others	95,052	94,195
Provision for doubtful accounts	(169,003)	(169,003)
	289,789	**5,629,578**

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

	2017	2016
Balance at beginning of the year	169,003	175,445
Write off	-	(6,442)
	169,003	**169,003**

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

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

This item represents Company's investment in quoted shares companies (in Jordan) at fair value.

12. Cash and cash equivalents

	2017	2016
Cash on hand	925	1,333
Cash at banks	169,866	3,684
Time deposit	7,343	220,024
	178,134	**225,041**

Bank deposit mature within one month with annual interest rate (2,5%).

13. 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 2017 and 2016.

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 (730,823) as at 31 December 2017.

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, consolidated statement of profit and loss and consolidated statement of other comprehensive income.

14. Bank facilities

Credit Type	Currency	Interest Rate	Maturity Date	Facility Limit	Outstanding Balance
Loan	JOD	8.5%	2018 - 2020	2,700,000	1,253,968
Loan	JOD	8.25%	2018 - 2021	3,141,185	3,141,185
					4,395,153

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

15. Unearned revenues

	2017	2016
Unearned revenues from sale of real estates	**2,380,185**	**2,380,185**

16. Other current liabilities

	2017	2016
Various provisions	897,412	921,539
Accrued expenses	85,609	129,347
Shareholders withholdings	70,530	74,617
Deferred revenues related to land sale to an associate company	8,577	8,577
Others	688	637
	1,062,816	**1,134,717**

17. (Loss) profit from sale of real estates, net

	2017	2016
Revenues from sale of real estates	1,470,407	5,840,000
Cost of real estates sold	(1,662,692)	(2,150,867)
Fines related to sale of real estates in previous years	-	(263,595)
	(192,285)	**3,425,538**

18. Administrative expenses

	2017	2016
Salaries and other benefits	187,019	183,389
Professional fees and lawsuits expenses	85,262	40,353
Board of Directors' transportations	85,200	49,500
Fees and subscriptions	35,806	42,122
Rents	8,680	8,680
General Assembly Meetings	5,546	6,318
Travel and transportation	5,103	2,819
Utilities	3,796	2,889
Fuel and cars maintenance	3,595	829
Post and telephone	3,289	2,604
Depreciation (Note 4)	1,943	11,853
Companies Controller fees	1,200	1,200
Provision for doubtful accounts	-	18,855
Miscellaneous	26,220	24,052
	452,659	**395,463**

19. Other revenues & expenses, net

	2017	2016
Currency exchange differences	54,565	(33,069)
Interest from bank deposits	2,489	16,784
Others	59,823	50,819
	116,877	**34,534**

20. Basic and diluted earnings (losses) per share

	2017	2016
(Loss) profit for the year attributable to shareholders	(555,094)	1,942,637
Weighted average number of shares	46,866,167	46,856,821
	(0.012)	**0.041**

21. 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.
- The income tax return for the year 2016 has been filed with Income Tax Department and has been accepted without review based on the sampling system.
- No income tax provision has been taken on the Company's results of operations for the year 2017 as the Company's expenses exceeded its taxable revenues.

22. 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	1,715	Financing	1,099,081	-
Al Thaher for Real Estate Investment LLC	Associate	1,120	Financing	561,660	-
Jannah for Investments LLC	Associate	-	Financing	3,497,094	-
Al Monbathaqa for Consulting LLC	Associate	14,361	Financing	140,334	-
Al Talleh for Investment Projects LLC	Associate	3,414	Financing	1,065,644	-
Al Ttallah for Investment Projects LLC	Associate	1,107	Financing	805,865	-
Panorama Amman for Investment Projects LLC	Associate	-	Financing	1,916,421	-
Ansam for Real Estate Investment LLC	Associate	1,289	Financing	292,990	-
Al Quilaib for Real Estate Investments LLC	Associate	8,694	Financing	681,273	-
Arab East Investments Company PLC	BOD member	552,498	Financing & Commercial	-	5,325,184
Wajehat Amman for Investment Projects LLC	Associate	1,088	Financing	-	4,981
				10,060,362	5,330,165

The remunerations of the executive management during the years 2017 and 2016 amounted to JOD (174,519) and JOD (136,596) respectively.

23. 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:

	2017		2016	
	Inside Jordan	Outside Jordan	Inside Jordan	Outside Jordan
Profit (losses) generated from securities investments	178,874	(17,318)	(245,824)	(195,045)
Profit generated from real estates investments	74,626	-	3,425,538	-
Securities investments segment's assets	2,952,404	5,076,068	2,646,962	5,019,651
Real estate investments segment's assets	33,023,076	-	34,247,609	-

24. 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.

25. 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 consolidated 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.

2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through statement of profit or loss	1,671,999	3,864,164	-	**5,536,163**
Financial assets at fair value through statement of other comprehensive income	1,188,176	73,604	-	**1,261,780**
	2,860,175	**3,937,768**	**-**	**6,797,943**

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**

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 (279,149) at 31 December 2017 against JOD (5,340,000) at 31 December 2016.

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 (37) during 2017 (2016: JOD 1,100).

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 2017 would have been reduced / increased by JOD (286,018) (2016: JOD 255,976).

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.

2017	Less than one year	More than one year	Total
Bank facilities	369,385	4,025,768	**4,395,153**
Accounts payable	348,098	-	**348,098**
Amounts due to related parties	-	5,330,165	**5,330,165**
Unearned revenues	2,380,185	-	**2,380,185**
Other current liabilities	1,062,816	-	**1,062,816**
	4,160,484	**9,355,933**	**13,516,417**

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**

26. 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.

	2017	2016
Total Debt	4,395,153	9,670,060
Total Equity	38,138,266	38,492,168
Debt to Equity ratio	**12%**	**25%**