

# **Arab East for Real Estate Investments**

**Public Shareholding Company**

**Consolidated Financial Statements**

**31 December 2020**

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

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**INDEPENDENT AUDITOR'S REPORT**

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

**Opinion**

We have audited the consolidated financial statements of Arab East for Real Estate Investments PLC, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

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

**Emphasis of Matters**

- The accompanying consolidated financial statements include projects under development registered in the name of Housing and Urban Development Corporation amounting to JOD (248,619), and projects under development registered in the name of Jordan Engineers Association amounting to JOD (1,146,593) against signed agreements with those parties.
- The accompanying consolidated financial statements include a land registered in the name of Real Estate Development Company (parent company) amounting to JOD (4,193,800), this land is mortgaged against credit facilities granted to the parent company.

**Key Audit Matters**

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

**Other Information**

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

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

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

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

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

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



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

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

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


- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

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

16 February 2021  
Amman - Jordan



  
Arab Professionals  
Ibrahim Hammoudeh  
License No. (606)



Arab East for Real Estate Investments  
Public Shareholding Company  
Consolidated Statement of Financial Position as at 31 December 2020  
(In Jordanian Dinar)

Assets	Notes	2020	2019
<b>Non-Current Assets</b>			
Investment properties in lands	3	7,590,767	8,253,314
Projects under development	3	1,395,212	1,395,212
Property and equipment		1	1
Amounts due from related parties	14	10,231,864	10,244,459
Investment in associates	4	47,256	51,630
Financial assets at fair value through other comprehensive income	5	939,145	1,044,706
<b>Total Non-Current Assets</b>		<b>20,204,245</b>	<b>20,989,322</b>
<b>Current Assets</b>			
Lands held for sale	3	9,520,761	9,255,954
Receivables and other assets	6	301,953	307,174
Financial assets at fair value through profit or loss	7	1,663,556	1,661,259
Checks under collection		240,000	-
Cash and cash equivalents	8	320,074	24,110
<b>Total Current Assets</b>		<b>12,046,344</b>	<b>11,248,497</b>
<b>Total Assets</b>		<b>32,250,589</b>	<b>32,237,819</b>
<b>Equity and Liabilities</b>			
<b>Shareholders' Equity</b>	9		
Paid-in capital		9,996,082	9,996,082
Additional paid-in capital		2,397,733	2,397,733
Statutory reserve		4,274,207	4,237,110
Voluntary reserve		8,340,577	8,340,577
Cumulative changes in fair value of financial assets		(879,279)	(773,718)
Retained earnings (losses)		252,583	(81,292)
<b>Total Shareholders' Equity</b>		<b>24,381,903</b>	<b>24,116,492</b>
Non-controlling interest		91,620	68,531
<b>Total Equity</b>		<b>24,473,523</b>	<b>24,185,023</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Deferred revenues		387,011	387,011
Amounts due to related parties	14	5,407,489	5,570,862
Bank facilities – long term	10	933,344	1,082,225
<b>Total Non-Current Liabilities</b>		<b>6,727,844</b>	<b>7,040,098</b>
<b>Current Liabilities</b>			
Bank facilities – short term	10	-	130,000
Payables and other liabilities	11	1,049,222	882,698
<b>Total Current Liabilities</b>		<b>1,049,222</b>	<b>1,012,698</b>
<b>Total Liabilities</b>		<b>7,777,066</b>	<b>8,052,796</b>
<b>Total Equity and Liabilities</b>		<b>32,250,589</b>	<b>32,237,819</b>

"The accompanying notes from (1) to (19) are integral part of these consolidated financial statements"

**Arab East for Real Estate Investments**  
**Public Shareholding Company**  
**Consolidated Statement of Profit or Loss for the Year Ended 31 December 2020**  
**(In Jordanian Dinar)**

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Properties sales		1,290,321	2,976,010
Properties cost of sales		<u>(704,791)</u>	<u>(2,257,536)</u>
<b>Gross profit</b>		<b>585,530</b>	<b>718,474</b>
Changes in fair value of financial assets through profit or loss		2,297	(354,194)
Company's share from associates operations	4	607	14,885
Administrative expenses	12	(132,918)	(123,461)
Finance costs		(101,119)	(128,980)
Net of other (expenses) revenues		<u>(13,596)</u>	<u>(14,546)</u>
<b>Profit for the year</b>		<b><u>340,801</u></b>	<b><u>112,178</u></b>
<b>Profit for the year attributable to :</b>			
Owners of the parent		370,972	254,034
Non-controlling interest		<u>(30,171)</u>	<u>(141,856)</u>
		<b><u>340,801</u></b>	<b><u>112,178</u></b>
<b>Basic and diluted earnings per share</b>	13	<b><u>0.037</u></b>	<b><u>0.025</u></b>

"The accompanying notes from (1) to (19) are integral part of these consolidated financial statements"

**Arab East for Real Estate Investments**  
**Public Shareholding Company**  
**Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2020**  
**(In Jordanian Dinar)**

	<u>2020</u>	<u>2019</u>
Profit for the year	340,801	112,178
<b>Other comprehensive income:</b>		
Changes in fair value of financial assets through other comprehensive income	<u>(105,561)</u>	<u>(120,300)</u>
<b>Total comprehensive income (loss) for the year</b>	<b><u>235,240</u></b>	<b><u>(8,122)</u></b>
<b>Total comprehensive income (loss) for the year attributable to :</b>		
Owners of the parent	265,411	133,734
Non-controlling interest	<u>(30,171)</u>	<u>(141,856)</u>
	<b><u>235,240</u></b>	<b><u>(8,122)</u></b>

"The accompanying notes from (1) to (19) are integral part of these consolidated financial statements"

**Arab East for Real Estate Investments**  
**Public Shareholding Company**  
**Consolidated Statement of Changes in Equity for the Year Ended 31 December 2020**  
**(In Jordanian Dinar)**

	Paid-in capital	Additional Paid-in capital	Reserves		Cumulative changes in fair value of financial assets	Retained Earnings (losses)	Total shareholder's equity	Non-controlling interest	Total Equity
			Statutory	Voluntary					
<b>Balance at 1 January 2020</b>	<b>9,996,082</b>	<b>2,397,733</b>	<b>4,237,110</b>	<b>8,340,577</b>	<b>(773,718)</b>	<b>(81,292)</b>	<b>24,116,492</b>	<b>68,531</b>	<b>24,185,023</b>
Non-controlling interest	-	-	-	-	-	-	-	53,260	53,260
Total comprehensive income for the year	-	-	-	-	(105,561)	370,972	265,411	(30,171)	235,240
Statutory reserve	-	-	37,097	-	-	(37,097)	-	-	-
<b>Balance at 31 December 2020</b>	<b>9,996,082</b>	<b>2,397,733</b>	<b>4,274,207</b>	<b>8,340,577</b>	<b>(879,279)</b>	<b>252,583</b>	<b>24,381,903</b>	<b>91,620</b>	<b>24,473,523</b>
<b>Balance at 1 January 2019</b>	<b>9,996,082</b>	<b>2,397,733</b>	<b>4,211,707</b>	<b>8,340,577</b>	<b>(653,418)</b>	<b>(309,923)</b>	<b>23,982,758</b>	<b>489,341</b>	<b>24,472,099</b>
Non-controlling interest	-	-	-	-	-	-	-	(278,954)	(278,954)
Total comprehensive income for the year	-	-	-	-	(120,300)	254,034	133,734	(141,856)	(8,122)
Statutory reserve	-	-	25,403	-	-	(25,403)	-	-	-
<b>Balance at 31 December 2019</b>	<b>9,996,082</b>	<b>2,397,733</b>	<b>4,237,110</b>	<b>8,340,577</b>	<b>(773,718)</b>	<b>(81,292)</b>	<b>24,116,492</b>	<b>68,531</b>	<b>24,185,023</b>

"The accompanying notes from (1) to (19) are integral part of these consolidated financial statements"



**Arab East for Real Estate Investments**  
**Public Shareholding Company**  
**Consolidated Statement of Cash Flows for the Year Ended 31 December 2020**  
**(In Jordanian Dinar)**

	2020	2019
<b>Operating Activities</b>		
Profit for the year	340,801	112,178
Company's share from associate companies operations	(607)	(14,885)
Properties sales gains	(585,530)	(718,474)
Changes in fair value of financial assets through profit or loss	(2,297)	354,194
<b>Changes in Working Capital</b>		
Checks under collection	(240,000)	-
Lands held for sale	(264,807)	(4,369)
Receivables and other assets	5,221	10,797
Payables and other liabilities	166,524	51,838
<b>Net cash flows used in operating activities</b>	<u>(580,695)</u>	<u>(208,721)</u>
<b>Investing Activities</b>		
Investment properties and projects under development	<u>1,248,077</u>	<u>525,959</u>
<b>Financing Activities</b>		
Bank facilities	(278,881)	(1,820)
Amounts due from/ to related parties	<u>(92,537)</u>	<u>(330,683)</u>
<b>Net cash flows used in financing activities</b>	<u>(371,418)</u>	<u>(332,503)</u>
<b>Changes in cash and cash equivalents</b>	295,964	(15,265)
Cash and cash equivalents, beginning of year	<u>24,110</u>	<u>39,375</u>
<b>Cash and cash equivalents, end of year</b>	<u><b>320,074</b></u>	<u><b>24,110</b></u>

"The accompanying notes from (1) to (19) are integral part of these consolidated financial statements"

**Arab East for Real Estate Investments**  
**Public Shareholding Company**  
**Notes to the consolidated Financial Statements**  
**31 December 2020**  
  
**(In Jordanian Dinar)**

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## **1 . General**

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

The Company stocks are listed in Amman Stock Exchange – Jordan.

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

The accompanying consolidated financial statements were authorized for issue by the Company's Board of Directors in their meeting held on 16 February 2021 and it is subject to the General assembly approval.

## **2 . Summary of significant accounting policies**

### **Basis of preparation consolidated financial statements**

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, except for the adoption of new and amended standards effective as at the beginning of the 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 capital	Activity
Al Fanneyyah Lelmantojat Al Kharasaneyah LLC	50%	10,000	Real estate development
Al - Molheq for Real Estate Investments LLC	74%	10,000	Real estate development
Daret Amman for Housing Projects LLC	58%	10,000	Real estate development
Noor Al Sharq for Real Estate Investments LLC	61%	10,000	Real estate development
Dghaileeb for Real Estate Investments LLC	100%	10,000	Real estate development
Asrar for Real Estate Investments LLC	100%	10,000	Real estate development
Al - Ifsah for Real Estate Investments LLC	50%	10,000	Real estate development

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

### Adoption of new and revised IFRS standards

The following standard have been published that are mandatory for accounting periods after 31 December 2020. Management anticipates that the adoption of new and revised Standard will have no material impact on the consolidated financial statements of the Company.

Standard No.	Title of Standard	Effective Date
IFRS 17	Insurance Contracts	1 January 2023

### 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.
- The measurement of impairment losses under IFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. Elements of the expected credit loss model that are considered accounting judgments and estimates include Probability of default (PD), Loss given default (LGD) and Exposure at default (EAD).

### Investment Properties

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

### Lands Held for Sale

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

### **Projects under development**

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

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

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

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

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

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

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

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

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

These assets are not subject to impairment testing.

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

### **Fair Value**

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

### **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.

### **Property and Equipment**

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

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

The useful life and depreciation method are reviewed periodically to ensure that the method and period of deprecation 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.

### **Accounts Receivable**

Accounts receivables are carried at original invoice amount less an estimate made for expected credit loss 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 of 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 of goods or performance of services.

### **Provisions**

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

### **Offsetting**

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

### **Borrowing Costs**

Borrowing costs are generally expensed as incurred.

### **Revenue Recognition**

Revenues from sale of goods are recognized when control transferred to the buyer, while revenues from rendering services are recognized over time and according to percentage of completion. In all cases, it is necessary that the amount of revenue can be measured reliably.

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.

### **Short-term-leases and leases of low-value assets**

The company applies the short-term lease recognition exemption to some of its short-term leases (I.e., those leases that have a lease terms of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### 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 consolidated 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 Held for Sale and Projects under Development

	2020	2019
Lands registered in the name of the Company and its subsidiaries	12,917,728	13,576,251
Land registered in the name of Real Estate Development Company/Parent Company	4,193,800	3,933,017
Projects under development with the Housing and Urban Development Corporation	248,619	248,619
Projects under development with the Jordan Engineers Association	1,146,593	1,146,593
	<b>18,506,740</b>	<b>18,904,480</b>

The movement of investments properties, lands held for sale and projects under development is as follows:

	2020	2019
Balance at beginning of the year	18,904,480	21,075,178
Additions	307,051	86,838
Sold lands	(704,791)	(2,257,536)
	<b>18,506,740</b>	<b>18,904,480</b>

- The above investment properties are stated at cost and the fair value of the above investment properties are not disclosed because it cannot 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.
- The Company maintains written confirmation in its favor in return for the land registered in the name of Real Estate Development Company.
- One of the Company's subsidiaries has filed a lawsuit in 2015 against the Ministry of Energy and Mineral Resources to compensate the acquisition of parts of the land owned by the Company. A court of Appeal order was issued to oblige the Ministry to pay the Company JOD (3,182) but no cash had been collected to the date of these consolidated financial statements.
- One of the Company's subsidiaries has filed a lawsuit in 2016 against the Ministry of Public Works and Housing to compensate the acquisition of parts of the land owned by the Company. A court order was issued to oblige the Ministry to pay the Company JOD (156,500) but no cash had been collected to the date of these consolidated financial statement.
- There is a mortgage on the lands registered in the name of Real Estate Development Company /Parent Company against credit facilities granted to it.



#### 4 . Investment in Associates

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

Company	Beginning Balance	Share of Operations	Share of losses extinguishment	Ending Balance
Al Tallah for Investment Projects LLC	7,838	1,706	-	9,544
Al Ttallah for Investment Projects LLC	5,000	-	-	5,000
Wajht Amman for Investment Projects LLC	4,981	-	(4,981)	-
Panorama Amman for Investment Projects LLC	3,443	-	-	3,443
Jannah for Investments LLC	1,918	(1,066)	-	852
Al Monbathaqa for Training and Consulting LLC	1	-	-	1
Al Mekman for Real Estate Investments LLC	4,725	-	-	4,725
Al Thaher for Real Estate Investment LLC	5,000	-	-	5,000
Ansam for Real Estate Investment LLC	17,369	(33)	-	17,336
Al Quilaib for Real Estate Investments LLC	1,355	-	-	1,355
	<b>51,630</b>	<b>607</b>	<b>(4,981)</b>	<b>47,256</b>

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

The following table summarizes key financial information of the associates:

Company	Activity	Ownership	Assets	Liabilities	Revenues	Net Profit (losses)
Al Tallah for Investment Projects LLC	Investment	50%	2,144,295	2,125,205	8,664	3,413
Al Ttallah for Investment Projects LLC	Investment	50%	1,621,731	1,611,731	-	-
Panorama Amman for Investment Projects LLC	Investment	35%	6,226,881	6,216,904	-	-
Jannah for Investments LLC	Investment	36%	9,136,334	9,133,933	-	(3,006)
Al Monbathaqa for Training and Consulting LLC	Consulting and Training	25%	414,635	2,492,296	-	-
Al Mekman for Real Estate Investments LLC	Investment	47%	2,337,687	2,327,687	-	-
Al Thaher for Real Estate Investment LLC	Investment	50%	1,133,602	1,123,602	-	-
Ansam for Real Estate Investment LLC	Investment	19%	1,478,002	1,388,503	-	(171)
Al Quilaib for Real Estate Investments LLC	Investment	14%	5,042,058	5,032,058	-	-
			<b>29,535,225</b>	<b>31,451,919</b>	<b>8,664</b>	<b>236</b>

#### 5 . Financial Assets at Fair Value through Other Comprehensive Income

	2020	2019
Investment in quoted companies shares (inside Jordan)	933,145	1,038,706
Investment in unquoted companies shares (outside Jordan)	6,000	6,000
	<b>939,145</b>	<b>1,044,706</b>

The above financial assets include pledged shares against credit facilities granted to the Company with a fair value amounting to JOD (364,300) as at 31 December 2020.

## 6 . Receivables and Other Assets

	2020	2019
Accounts receivable related to selling of lands	296,411	296,411
Others	5,542	10,763
	<u>301,953</u>	<u>307,174</u>

## 7 . Financial Assets at Fair Value through Profit or Loss

This presents the Company's investment in quoted shares companies (in Jordan) at fair value and includes pledged shares against credit facilities granted to the Company with a fair value amounting to JOD (551,846) as at 31 December 2020.

## 8 . Cash and Cash Equivalents

	2020	2019
Cash on hand	500	500
Current bank accounts	19,574	23,610
Bank deposits	300,000	-
	<u>320,074</u>	<u>24,110</u>

Bank deposits mature within one month with annual interest rate of (2.9%)

## 9 . Equity

### Paid-in capital

The Company's authorized, subscribed and paid in capital is JOD (9,996,082) divided equally into (9,996,082) share with par value of JOD (1) per share as at 31 December 2020 and 2019.

### Additional paid in capital

The additional paid in capital amounting of JOD (2,397,733) for the year ended 2020 and 2019, and came from issuing shares with a price higher than the par value of JOD (1).

### Statutory Reserve

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

### Voluntary Reserve

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

### Non-Controlling Interest

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

#### 10 . Bank Facilities

<u>Credit Type</u>	<u>Currency</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Facility Limit</u>	<u>Outstanding Balance</u>
Loan	JOD	8.7%	2022 - 2024	2,700,000	<u><u>933,344</u></u>

The above facilities are granted to the Company against pledge of financial assets with fair value of JOD (916,146) as at 31 December 2020.

#### 11 . Payables and Other Liabilities

	<u>2020</u>	<u>2019</u>
Payments received in advance against lands sale	378,000	198,000
Accounts payable	379,960	378,960
Developing provision	222,477	236,053
Shareholders deposits	<u>68,785</u>	<u>69,685</u>
	<u><u>1,049,222</u></u>	<u><u>882,698</u></u>

#### 12 . Administrative Expenses

	<u>2020</u>	<u>2019</u>
Salaries and benefits	44,829	50,715
Board of Directors transportations	24,360	21,600
Professional fees	24,227	20,803
Licenses and subscriptions	13,606	13,681
Rents	2,860	3,360
General Assembly expenses	1,260	1,811
Companies Controller fees	600	1,200
Miscellaneous	<u>21,176</u>	<u>10,291</u>
	<u><u>132,918</u></u>	<u><u>123,461</u></u>

#### 13 . Basic and Diluted Earnings per Share

	<u>2020</u>	<u>2019</u>
Profit for the year attributable to shareholders	370,972	254,034
Weighted average number of shares	<u>9,996,082</u>	<u>9,996,082</u>
	<u><u>0.037</u></u>	<u><u>0.025</u></u>

#### 14. Related Party Transactions

Party	Relationship Nature	Transaction Nature	Balance at year end	
			Debit	Credit
Al Mekman for Real Estate Investments LLC	Associate	Financing	1,099,081	-
Al Thaher for Real Estate Investment LLC	Associate	Financing	561,660	-
Jannah for Investments LLC	Associate	Financing	3,500,640	-
Al Monbathaqa for Training and Consulting LLC	Associate	Financing	103,655	-
Al Tallah for Investment Projects LLC	Associate	Financing	1,065,644	-
Al Ttallah for Investment Projects LLC	Associate	Financing	805,865	-
Panorama Amman for Investment Projects LLC	Associate	Financing	2,145,746	-
Ansam for Real Estate Investment LLC	Associate	Financing	268,300	-
Al Quilaib for Real Estate Investments LLC	Associate	Financing	681,273	-
Arab East Investments PLC	Sister Company	Financing	-	5,191,450
Real Estate Development PLC	Parent Company	Financing	-	216,039
			<b>10,231,864</b>	<b>5,407,489</b>

The remuneration of the executive management during the years 2020 and 2019 amounted to JOD (43,503) and JOD (48,488) respectively.

#### 15. Tax Status

- The Company has settled its tax liability with Income Tax Department up to the year ended 2016 except of 2015 .
- The Income Tax Department had reviewed the Company's records for the year 2015 and imposed an income tax JOD (2,466,553). The Company had objected the assessment decision considering that the Company does not incur any claims as mentioned in the tax return for the year 2015. In the opinion of the Company's board of directors, and tax advisor, the Company has a strong position, and there is no need to take any provisions against the assessment decision
- The income tax returns for the years 2017 ,2018 and 2019 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 and National Contribution tax provision have been taken on the Company's results of operations for the year 2020, as the Company's expenses exceeded its taxable revenues.

#### 16. Segments Reporting

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

	2020	2019
Profit (losses) generated from securities investments	2,297	(354,194)
Revenues generated from real estate investments	1,290,321	2,976,010
Securities investment segment assets	2,602,701	2,705,965
Real estate investment segment assets	18,506,740	18,904,480

## 17. Fair Value of Financial instruments

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

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.

2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	1,663,556	-	-	1,663,556
Financial assets at fair value through other comprehensive income	939,145	-	-	939,145
	<u>2,602,701</u>	<u>-</u>	<u>-</u>	<u>2,602,701</u>
2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	1,661,259	-	-	1,661,259
Financial assets at fair value through other comprehensive income	1,044,706	-	-	1,044,706
	<u>2,705,965</u>	<u>-</u>	<u>-</u>	<u>2,705,965</u>

## 18. Financial Risk Management

### 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.

### 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 2020 would have been reduced / increased by JOD (260,270) (2019: JOD 270,596).

### 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.

2020	Less than one year	More than one year	Total
Bank facilities	-	933,344	933,344
Payables and other liabilities	1,049,222	-	1,049,222
Amounts due to related parties	-	5,407,489	5,407,489
Deferred revenues	-	387,011	387,011
	<u>1,049,222</u>	<u>6,727,844</u>	<u>7,777,066</u>

2019	Less than one year	More than one year	Total
Bank facilities	130,000	1,082,225	1,212,225
Payables and other liabilities	882,698	-	882,698
Amounts due to related parties	-	5,570,862	5,570,862
Deferred revenues	-	387,011	387,011
	<u>1,012,698</u>	<u>7,040,098</u>	<u>8,052,796</u>

### 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.

## 19 . 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.

The table below shows the debt to equity ratio:

	2020	2019
Total Debt	933,344	1,212,225
Total Equity	24,473,523	24,185,023
<b>Debt to Equity ratio</b>	<b>3.8%</b>	<b>5%</b>