

Arab East Investment Company

Public Shareholding Company

Consolidated Financial Statements

31 December 2021

Arab East Investment Company
Public Shareholding Company

	<u>Pages</u>
- Independent auditor's report	2 - 4
- Consolidated statement of financial position	5
- Consolidated statement of profit or loss	6
- Consolidated statement of comprehensive income	7
- Consolidated statement of changes in equity	8
- Consolidated statement of cash flows	9
- Notes to the consolidated financial statements	10 - 22



INDEPENDENT AUDITOR'S REPORT

**To The Shareholders of
Arab East Investment Company
Public Shareholding Company
Amman – Jordan**

Opinion

We have audited the consolidated financial statements of **Arab East Investment Company PLC**, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 a land amounting to JOD (1,706,813) registered in the name of Arab East for Real Estate Investment Company (Sister Company). The Company maintains confirmation letter regarding the full authorization use of the land.

Key Audit Matters

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

Other Information

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

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

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



Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

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

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






- 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 2022
Amman – Jordan




Arab Professionals
Amin Samara
License No. (481)



Arab East Investment Company
Public Shareholding Company
Consolidated Statement of Financial Position as at 31 December 2021
(In Jordanian Dinar)

	Notes	2021	2020
Assets			
Non-Current Assets			
Investment properties	3	32,203,532	32,381,268
Projects under construction	4	530,946	-
Property and equipment		18,428	42,561
Amounts due from related parties	18	5,471,424	5,807,384
Investment in associates	5	11,958,879	11,346,212
Financial assets at fair value through other comprehensive income	6	1,920,829	1,727,290
Total Non-Current Assets		<u>52,104,038</u>	<u>51,304,715</u>
Current Assets			
Properties and lands held for sale	7	7,213,641	7,655,270
Receivables and other assets	8	1,836,200	1,946,605
Financial assets held for sale	9	1,758,703	916,507
Financial assets at fair value through profit or loss	10	143,933	123,499
Checks under collection		-	8,408
Cash and cash equivalents	11	1,212,761	1,469,803
Total Current Assets		<u>12,165,238</u>	<u>12,120,092</u>
Total Assets		<u>64,269,276</u>	<u>63,424,807</u>
Equity and Liabilities			
Shareholders' Equity	12		
Paid-in capital		47,000,000	47,000,000
Statutory reserve		7,673,491	7,598,646
Voluntary reserve		4,498,152	4,498,152
Cumulative changes in fair value of financial assets		(741,061)	(1,067,843)
Parent's shares owned by subsidiary companies		(5,008,733)	(5,008,733)
Accumulated losses		<u>(1,644,091)</u>	<u>(2,284,900)</u>
Net Shareholders' Equity		51,777,758	50,735,322
Non-controlling interest		<u>190,829</u>	<u>189,056</u>
Net Equity		<u>51,968,587</u>	<u>50,924,378</u>
Liabilities			
Non-Current Liabilities			
Deferred revenues		71,400	71,400
Amounts due to related parties	18	7,251,512	7,235,780
Bank facilities - long term	13	<u>3,339,661</u>	<u>3,430,601</u>
Total Non-Current Liabilities		<u>10,662,573</u>	<u>10,737,781</u>
Current Liabilities			
Payables and other liabilities	14	1,032,430	1,059,375
Bank facilities - short term	13	<u>605,686</u>	<u>703,273</u>
Total Current Liabilities		<u>1,638,116</u>	<u>1,762,648</u>
Total Liabilities		<u>12,300,689</u>	<u>12,500,429</u>
Total Equity and Liabilities		<u>64,269,276</u>	<u>63,424,807</u>

"The accompanying notes from (1) to (23) are integral part of these consolidated financial statements"

Arab East Investment Company
Public Shareholding Company
Consolidated Statement of Profit or Loss for the Year Ended 31 December 2021
(In Jordanian Dinar)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Properties and lands sales		156,221	128,700
Properties and lands cost of sales		<u>(118,266)</u>	<u>(107,846)</u>
Gross Profit		37,955	20,854
Company's share from associate companies operations	5	464,220	223,070
Changes in fair value of financial assets held for sale		842,196	99,082
Changes in fair value of financial assets at fair value through profit or loss		20,434	(3,168)
Investment properties depreciation expense	3	(60,935)	(58,787)
Administrative expenses	15	(421,055)	(465,927)
Finance costs		(268,905)	(313,557)
Other revenues	16	<u>134,488</u>	<u>123,749</u>
Profit (loss) for the year before tax		748,398	(374,684)
Income and National Contribution tax for the year	19	(1,414)	(51)
Prior years income tax (expense) saving	19	<u>(23,000)</u>	<u>26,384</u>
Profit (loss) for the year		<u>723,984</u>	<u>(348,351)</u>
Attributable to :			
Owners of the Parent		724,041	(348,484)
Non-controlling interest		<u>(57)</u>	<u>133</u>
		<u>723,984</u>	<u>(348,351)</u>
 Basic and diluted earnings (losses) per share for the year	 20	 <u>0.016</u>	 <u>(0.008)</u>

"The accompanying notes from (1) to (23) are integral part of these consolidated financial statements"

Arab East Investment Company
Public Shareholding Company
Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2021
(In Jordanian Dinar)

	<u>2021</u>	<u>2020</u>
Profit (loss) for the year	723,984	(348,351)
Other comprehensive income:		
Company's share from other comprehensive income (loss) of associate companies	118,285	(32,337)
Changes in fair value of financial assets through other comprehensive income	<u>201,940</u>	<u>8,925</u>
Total comprehensive income (loss) for the year	<u>1,044,209</u>	<u>(371,763)</u>
Attributable to :		
Owners of the Parent	1,042,436	(372,196)
Non-controlling interest	<u>1,773</u>	<u>433</u>
	<u>1,044,209</u>	<u>(371,763)</u>

"The accompanying notes from (1) to (23) are integral part of these consolidated financial statements"

Arab East Investment Company
Public Shareholding Company
Consolidated Statement of Changes in Equity for the Year Ended 31 December 2021

(In Jordanian Dinar)

	Paid-in capital	Reserves		Cumulative Changes in fair value	Parent's Shares owned by Subsidiary companies	Accumulated losses	Net shareholders' equity	Non- controlling interest	Net Equity
		Statutory	Voluntary						
Balance at 1 January 2021	47,000,000	7,598,646	4,498,152	(1,067,843)	(5,008,733)	(2,284,900)	50,735,322	189,056	50,924,378
Sale of financial assets at fair value through other comprehensive income	-	-	-	8,387	-	(8,387)	-	-	-
Total comprehensive profit for the year	-	-	-	318,395	-	724,041	1,042,436	1,773	1,044,209
Statutory reserves	-	74,845	-	-	-	(74,845)	-	-	-
Balance at 31 December 2021	<u>47,000,000</u>	<u>7,673,491</u>	<u>4,498,152</u>	<u>(741,061)</u>	<u>(5,008,733)</u>	<u>(1,644,091)</u>	<u>51,777,758</u>	<u>190,829</u>	<u>51,968,587</u>
Balance at 1 January 2020	47,000,000	7,598,646	4,498,152	(1,044,131)	(5,008,733)	(1,936,416)	51,107,518	193,604	51,301,122
Non-controlling interest	-	-	-	-	-	-	-	(4,981)	(4,981)
Total comprehensive loss for the year	-	-	-	(23,712)	-	(348,484)	(372,196)	433	(371,763)
Balance at 31 December 2020	<u>47,000,000</u>	<u>7,598,646</u>	<u>4,498,152</u>	<u>(1,067,843)</u>	<u>(5,008,733)</u>	<u>(2,284,900)</u>	<u>50,735,322</u>	<u>189,056</u>	<u>50,924,378</u>

"The accompanying notes from (1) to (23) are integral part of these consolidated financial statements"

Arab East Investment Company
Public Shareholding Company
Consolidated Statement of Cash Flows for the Year Ended 31 December 2021
(In Jordanian Dinar)

	<u>2021</u>	<u>2020</u>
Operating Activities		
Profit (loss) for the year before tax	748,398	(374,684)
Investment properties sales gains	(37,955)	(20,854)
Company's share from associate companies operations	(464,220)	(223,070)
Changes in fair value of financial assets held for sale	(842,196)	(99,082)
Changes in fair value of financial assets at fair value through profit or loss	(20,434)	3,168
Depreciation	84,435	81,317
Changes in Working Capital		
Financial assets at fair value through profit or loss	-	2,781
Lands and properties held for sale	(58,639)	116,112
Projects under construction	(30,678)	-
Checks under collection	8,408	5,592
Receivables and other assets	110,405	13,114
Payables and other liabilities	(51,308)	30,874
Income tax paid	(51)	(70,277)
Net cash flows used in operating activities	<u>(553,835)</u>	<u>(535,009)</u>
Investing Activities		
Investment properties	155,594	(3,911)
Financial assets at fair value through other comprehensive income	8,698	127,584
Property and equipment	(205)	(27,629)
Net cash flows from investing activities	<u>164,087</u>	<u>96,044</u>
Financing Activities		
Bank facilities	(188,527)	(77,932)
Amounts due from/to related parties	321,233	105,459
Net cash flows from financing activities	<u>132,706</u>	<u>27,527</u>
Changes in cash and cash equivalents	(257,042)	(411,438)
Cash and cash equivalents, beginning of year	<u>1,469,803</u>	<u>1,881,241</u>
Cash and cash equivalents, end of year	<u><u>1,212,761</u></u>	<u><u>1,469,803</u></u>

"The accompanying notes from (1) to (23) are integral part of these consolidated financial statements"

Arab East Investment Company
Public Shareholding Company
Notes to the consolidated Financial Statements
31 December 2021

(In Jordanian Dinar)

1 . General

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

The Company shares 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 2022 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, 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 subsidiaries so as to obtain benefits from their activities. The financial statements of the subsidiaries are prepared for the same reporting year as the Company using consistent accounting policies. All balances, transactions, income, and expenses between the Company and its subsidiaries are eliminated.

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

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

Arab East Investment Company PLC
Notes to the consolidated Financial Statements (continued)
31 December 2021

The following subsidiaries have been consolidated:

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

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

Adoption of new IFRS standards

The following standard have been published that are mandatory for accounting periods after 31 December 2021. Management anticipates that the adoption of new 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

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 5%. 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

Lands and Properties Held for Sale

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

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

Financial Assets at Fair Value through Other Comprehensive Income

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

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

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

These assets are not subject to impairment testing.

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

Property and Equipment

Property and Equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives using an annual depreciation rates from 15% - 50%.

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

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

Investment in Associates

Investments in associates are accounted for using the equity method.

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

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

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

Projects under construction

Projects under construction are recorded at cost which represents the contractual obligations of the Company for the construction. Allocated costs directly attributable to the construction of the asset are capitalized. The Projects under construction is transferred to the appropriate asset category and depreciated in accordance with the Company's policies when construction of the asset is completed and commissioned.

Financial Assets Held for Sale

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

Trading and Settlement Date Accounting

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

Fair Value

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

Accounts Receivable

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

Cash and Cash Equivalents

Cash and cash equivalents comprise 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 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.

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.

Offsetting

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

Borrowing Costs

Borrowing costs are generally expensed as incurred.

Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinar using the prevailing exchange rates at year end. Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of the transactions. Foreign exchange gains or losses are reflected in the consolidated statement of profit or loss.

Revenue Recognition

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.

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.

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	Building of Anbar Market	Residential Apartments	Total
Cost :				
Balance at 1/1/2021	30,947,371	1,037,953	474,746	32,460,070
Additions	125	-	1,340	1,465
Cost of sold properties	(8,766)	-	(111,861)	(120,627)
Balance at 31/12/2021	30,938,730	1,037,953	364,225	32,340,908
Accumulated depreciation :				
Balance at 1/1/2021	-	69,197	9,605	78,802
Depreciation	-	51,898	9,037	60,935
Sold properties depreciation reversal	-	-	(2,361)	(2,361)
Balance at 31/12/2021	-	121,095	16,281	137,376
Net book value at 31/12/2021	30,938,730	916,858	347,944	32,203,532
Cost :				
Balance at 1/1/2020	30,943,460	1,037,953	164,279	32,145,692
Additions	3,911	-	-	3,911
Transfers from properties held for sale	-	-	310,467	310,467
Balance at 31/12/2020	30,947,371	1,037,953	474,746	32,460,070
Accumulated depreciation :				
Balance at 1/1/2020	-	17,299	2,716	20,015
Depreciation	-	51,898	6,889	58,787
Balance at 31/12/2020	-	69,197	9,605	78,802
Net book value at 31/12/2020	30,947,371	968,756	465,141	32,381,268

- The above properties are stated at cost. The fair value of the above investment properties is not disclosed because it cannot be measured reliably as there is no active market available for it.
- The Company maintains written confirmation in its favor in return for the land amounted to JOD (1,706,813) registered in the name of Arab East for Real Estate Investment Company (Sister Company).
- The law requires the approval of the Minister of Finance before selling the real estate investments that have not been owned for five years or less.
- One of the Company's subsidiaries has filed a lawsuit against the Greater Amman Municipality Board to compensate the expropriation of parts of the land owned by the Company. The court order was issued to obliging the Greater Amman Municipality to pay the Company JOD (1,060,140) but the decision not yet gained decisive degree.
- One of the Company's subsidiaries has filed a lawsuit against the Water Authority in the year 2019 to compensate the expropriation of parts of the land owned by the Company. The court order was issued to obliging the Water Authority to pay the Company JOD (54,624) but the decision not yet gained decisive degree.

4 . Projects Under Construction

Cost of land :

Balance at 1/1/2021	-
Transfer from properties and land held for sale	500,268
Balance at 31/12/2021	500,268

Capitalized expenses:

Balance at 1/1/2021	-
Additions	30,678
Balance at 31/12/2021	30,678
	530,946

- The land shown above is registered in the name of AL-Etihad Leasing Company against the financial lease contract concluded between the Company and the mentioned entity.
- This item represents the actual cost for the construction of a residential apartment project in Abdoun. The remaining cost to complete the project according to the Company management's estimates is approximately JOD (1.2) million, at the end of 2021 and it is expected to be completed within the year 2023.

5 . Investment in Associates

The following table summarizes key financial information of the associates:

Company	Activity	Ownership	Assets	Liabilities	Revenues	Net Profit
Real Estate Development PLC	Real estate development	40.524%	47,091,057	9,612,976	1,597,749	868,945
Al Fanneyyah Lelmantojat Al Kharasaneyah LLC	Real estate development	50%	654,447	309,852	252,617	176,150
Noor Al Sharq for Real Estate Investments LLC	Real estate development	38.61%	1,554,216	1,511,220	-	-
Al - Ifsah for Real Estate Investments LLC	Real estate development	50%	6,321,690	6,253,681	187,826	48,027
Al - Molheq for Real Estate Investments LLC	Real estate development	25.66%	5,448,083	5,438,083	-	-
			61,069,493	23,125,812	2,038,192	1,093,122

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

Company	Beginning Balance	Share of Income	Share in excess of loss	Share in amortization of losses	Ending Balance
Real Estate Development PLC *	11,262,994	352,131	118,285	-	11,733,410
Al Fanneyyah Lelmantojat Al Kharasaneyah LLC	54,060	88,075	-	30,162	172,297
Noor Al Sharq for Real Estate Investments LLC.	16,598	-	-	-	16,598
Al - Molheq for Real Estate Investments LLC	2,568	-	-	-	2,568
Al - Ifsah for Real Estate Investments LLC	9,992	24,014	-	-	34,006
	11,346,212	464,220	118,285	30,162	11,958,879

* The investment in Real Estate Development Company includes pledged stocks against bank facilities granted to the Company amounting to JOD (7,718,962) as at 31 December 2021.

- All of the above Associates are not listed in the financial markets and they have no fair value, except for the Investment in Real Estate Development Company which has fair value amounting to JOD (14,278,256) as at 31 December 2021.

6 . Financial Assets at Fair Value through Other Comprehensive Income

	2021	2020
Investment in quoted companies shares (Inside Jordan)	1,646,334	1,453,093
Investment in unquoted companies shares (Inside Jordan)	274,495	274,197
	1,920,829	1,727,290

- The above financial assets include pledged shares against credit facilities granted to the Company with a fair value amounting to JOD (273,600) as at 31 December 2021.
- The Company's investment in the unquoted companies shares presented in their purchase cost as their fair value cannot be reliably measured.

7 . Properties and Lands Held for Sale

	Lands held for sale	Tallet Abdoun Apartments (1)	Tallet Abdoun Apartments (2)	Total
Balance at 1/1/2021	6,557,678	214,562	883,030	7,655,270
Additions	48,344	-	10,295	58,639
Transfers to projects under construction	(500,268)	-	-	(500,268)
Balance at 31/12/2021	<u>6,105,754</u>	<u>214,562</u>	<u>893,325</u>	<u>7,213,641</u>
Balance at 1/1/2020	6,556,868	437,281	1,066,845	8,060,994
Additions	810	4,610	7,169	12,589
Transfers to investment properties	-	(227,329)	(83,138)	(310,467)
Cost of sold properties	-	-	(107,846)	(107,846)
Balance at 31/12/2020	<u>6,557,678</u>	<u>214,562</u>	<u>883,030</u>	<u>7,655,270</u>

8 . Receivables and Other Assets

	2021	2020
Accounts receivable related to selling of lands	1,774,599	1,774,599
Advance payments against land purchase	-	100,000
Others	61,601	72,006
	<u>1,836,200</u>	<u>1,946,605</u>

9 . Financial Assets Held for Sale

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

10 . Financial Assets at Fair Value through Profit or Loss

This presents the Company's investment in quoted companies shares (inside Jordan) at fair value.

11 . Cash and Cash Equivalents

	2021	2020
Bank deposits	1,061,054	1,412,176
Current bank accounts	150,998	50,596
Cash on hand	709	7,031
	<u>1,212,761</u>	<u>1,469,803</u>

- Bank deposits mature within one month with annual interest rate 3%.

12 . Equity

Paid-in capital

The Company's authorized, subscribed and paid in capital is JOD (47) million divided equally into (47) million share with par value of JOD (1) per share as at 31 December 2021 and 2020.

Statutory Reserve

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

Voluntary Reserve

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

Parent's Shares Owned By Subsidiary Companies

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

Non-Controlling Interest

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

13 . Bank Facilities

Credit Type	Currency	Interest Rate	Maturity date	Facility Limit	Outstanding Balance	
					Short term	Long term
Finance lease	JOD	8%	2023 - 2025	1,100,000	-	209,060
Overdraft	JOD	8%	2022	400,000	305,686	-
Loan	JOD	8%	2022 - 2024	3,025,000	100,000	2,625,000
Loan	JOD	8%	2022 - 2024	905,601	200,000	505,601
					605,686	3,339,661

- The above facilities are granted to the Company against pledging financial assets with fair value of JOD (7,992,562) as at 31 December 2021.
- The Company registered a piece of land which its book value is JOD (500,268) to the favor of AL-Etihad Leasing Company according to the financial leasing contract concluded with the Company.

14 . Payables and Other Liabilities

	2021	2020
Shareholders deposits	339,712	375,174
Other provisions	411,076	431,373
Accounts payable	220,478	201,337
Unearned revenues	36,750	51,440
Income and National Contribution tax provision (Note 19)	24,414	51
	1,032,430	1,059,375

15 . Administrative Expenses

	2021	2020
Salaries and benefits	195,446	211,283
Professional and consulting fees	70,755	82,697
Board of Directors transportations and other benefits	60,600	81,000
Licenses and subscriptions	30,384	30,641
Depreciation	23,500	22,530
Rents	15,977	9,587
Vehicles expenses	2,853	4,245
Post, telephone and internet	2,994	2,487
Companies Controller fees	1,200	1,200
General Assembly expenses	295	2,001
Miscellaneous	17,051	18,256
	421,055	465,927

16 . Other Revenues

	2021	2020
Bank deposits interest income	37,129	50,734
Rent revenues	82,690	57,750
Dividends income	1,229	7,147
Others	13,440	8,118
	134,488	123,749

17 . Segments Reporting

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

	2021	2020
Gains generated from securities investments	863,859	103,061
Revenues generated from real estate investments	156,221	128,700
Securities investment segment assets	3,823,465	2,767,296
Real estate investment segment assets	39,948,119	40,036,538

18 . Related Parties Transactions

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

Party's Name	Relationship Nature	Balance at year end	
		Debit	Credit
AL Ifsah for Real Estate Investment LLC	Associate company	2,812,268	-
AL Molhaq for Real Estate Investment LLC	Associate company	1,394,778	-
Noor AL Sharq for Real Estate Investment LLC	Associate company	582,406	-
AL Fanneyyah Lelmantojat Al Kharasaneyah LLC	Associate company	49,677	-
Real Estate Development PLC	Associate company	275,650	-
Jannah for Investments LLC	Sister company	356,645	-
Arab East for Real Estate PLC	Sister company	-	7,249,716
Artal for Investments and Real Estate Development LLC	Sister company	-	1,796
		5,471,424	7,251,512

- The Company did not conduct any transactions with the related parties mentioned above during the year 2021.
- The remuneration of the executive management during the years 2021 and 2020 amounted to JOD (80,098) and JOD (82,248) respectively.

19 . Tax Status

The movement on provision for the Income and National Contribution tax during the year is as follows:

	2021	2020
Balance at beginning of the year	51	96,661
Income and National Contribution tax for the year	1,414	51
Prior years income tax expense (saving)	23,000	(26,384)
Income tax paid	(51)	(70,277)
Balance at end of the year (Note 14)	24,414	51

Income and National Contribution tax expense for the year in the statement of profit or loss consists of the following:

	2021	2020
Income tax expense for the year	1,346	48
National Contribution tax for the year	68	3
Prior years income tax expense (saving)	23,000	(26,384)
	24,414	(26,333)

- The Company has settled its tax liability with Income Tax Department up to the year ended 2019.
- The income tax returns for the year 2020 have 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 2021 as the Company's expenses exceeded its taxable revenues.
- The Income and National Contribution tax provision on the Subsidiary's results of operations for the year 2021 has been calculated in accordance with the Jordanian Income Tax Law.

20 . Basic and Diluted Earnings (Losses) per Share for the year

	2021	2020
Profit (loss) for the year attributable to shareholders	724,041	(348,484)
Weighted average number of shares	44,931,310	44,931,310
	<u>0.016</u>	<u>(0.008)</u>

21 . Fair Value of Financial instruments

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

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.

2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	143,933	-	-	143,933
Financial assets held for sale	1,758,703	-	-	1,758,703
Financial assets at fair value through other comprehensive income	1,646,334	-	274,495	1,920,829
	<u>3,548,970</u>	<u>-</u>	<u>274,495</u>	<u>3,823,465</u>
2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	123,499	-	-	123,499
Financial assets held for sale	916,507	-	-	916,507
Financial assets at fair value through other comprehensive income	1,453,093	-	274,197	1,727,290
	<u>2,493,099</u>	<u>-</u>	<u>274,197</u>	<u>2,767,296</u>

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

22 . 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.

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.

2021	Less than one year	More than one year	Total
Bank facilities	605,686	3,339,661	3,945,347
Amounts due to related parties	-	7,251,512	7,251,512
Deferred revenues	-	71,400	71,400
Payables and other liabilities	1,032,430	-	1,032,430
	1,638,116	10,662,573	12,300,689

2020	Less than one year	More than one year	Total
Bank facilities	703,273	3,430,601	4,133,874
Amounts due to related parties	-	7,235,780	7,235,780
Deferred revenues	-	71,400	71,400
Payables and other liabilities	1,059,375	-	1,059,375
	1,762,648	10,737,781	12,500,429

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.

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 consolidated comprehensive income for the year 2021 would have been reduced / increased by JOD (354,897) (2020: JOD 249,310).

23. 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:

	2021	2020
Total Debt	3,945,347	4,133,874
Total Equity	51,968,587	50,924,378
Debt to Equity ratio	7.6%	8.1%