

No. 2/4/1

الرقم : 104/ 1/4/2

<p>To: Jordan Securities Commission Amman Stock Exchange Date: 29/03/2018 Subject: Audited Financial Statements for the fiscal year ended 31/12/2017</p>	<p>السادة هيئة الأوراق المالية السادة بورصة عمان التاريخ: 2018/03/29 الموضوع: البيانات المالية السنوية المدققة للسنة المنتهية في 2017/12/31</p>
<p>Attached the Audited Financial Statements of Deera Investment and Real Estate Development for the fiscal year ended 31/12/2017</p>	<p>مرفق طيه نسخة من البيانات المالية المدققة لشركة الديرة للإستثمار والتطوير العقاري عن السنة المالية المنتهية في 2017/12/31</p>
<p>Kindly accept our high appreciation and respect Deera Investment and Real Estate Development Chief Executive Officer Mohammad Ahmad Alawi</p>	<p>وتفضلوا بقبول فائق الاحترام ... شركة الديرة للإستثمار والتطوير العقاري الرئيس التنفيذي محمد أحمد العلوي</p>





**DEERA INVESTMENT AND REAL ESTATE DEVELOPMENT GROUP**  
**PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**

**DEERA INVESTMENT AND REAL ESTATE DEVELOPMENT GROUP**  
**PUBLIC SHAREHOLDING COMPANY**  
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## **INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS  
DEERA INVESTMENT AND REAL ESTATE DEVELOPMENT GROUP  
PUBLIC SHAREHOLDING COMPANY  
AMMAN, JORDAN**

### **Opinion**

We have audited the consolidated financial statements of the Deera Investment and Real Estate Development Group, which comprise the consolidated statement of the financial position as of 31 December 2017, the consolidated statement of income and the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of Amman Development for Tourism and Industrial Investment (Subsidiary Company), were audited by other auditor, expressed an unqualified opinion on those statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Deera Investment and Real Estate Development Group as of 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing. 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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements in Jordan that are relevant to our audit of the Group financial statements, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **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:

### **Evaluating Investment Properties**

Investment Properties represents 53 % of the Groups' assets. Moreover, the Group should re-evaluate its properties when preparing the financial statements to determine their fair value and reflect the impact of any impairment in value in the statement of income, in line with the requirements of the International Financial Reporting Standards. Accordingly, the Group relies on independent real estate experts to determine the fair value of those investments and reflect any impairment in their value in the statement of income for that period. Consequently, fair value estimation of these assets was significant to our audit.

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### Scope of Audit to Address Risks

The followed audit procedures Included understanding the procedures applied by the Group in evaluating investment property, testing the implemented internal control procedures, evaluating the reasonableness of the judgments based on the evaluation of the real estate experts, calculating the average fair value of those evaluations, recording any impairment in their value in the statement of Income, if any, and reviewing the appropriateness of the disclosure on the fair value of investment property, and average fair value.

### Group's Share of Associates' Result

The Group accounts for its share of result from associates at the Group level in accordance with the equity method as stated in Note (5). The Group's Investment in associates, and the Group's share of the associates' results forms a significant element of the consolidated statement of financial position, and the consolidated statement of income. As a result of financial statements for these associates have been audited by other auditors, moreover have Investment Properties, the associates should re-evaluate its properties when preparing the financial statements to determine their fair value and reflect the impact of any impairment in value in the statement of income, in line with the requirements of the International Financial Reporting Standards. Accordingly, the Group relies on independent real estate experts to determine the fair value of those investments and reflect any impairments in their value in the statement of income for that period the Group's share of associates'. Consequently, Investment in associates, and Group's Share of Associates' Result was significant to our audit.

### Scope of Audit to Address the Risk

The Group's share of associates' results, which is considered a key audit matter to the financial statements, has been audited through our review of the documents available to management that support the calculated amounts. We have also evaluated the reasonableness and adequacy of the preliminary disclosures issued by these companies and discussed the matter with the Group's financial management. Furthermore, our audit procedures included obtaining appropriate audit evidence through communication with the independent auditors of the key associates companies as well as, conducting additional financial and analytical studies on the other associates' results.

### Projects under Construction

The consolidated financial statements include payments on account of acquiring plots of land and projects under construction, totaling JD 31 417 851 as of 31 December 2017. These projects include the value of work in progress and related costs. Moreover, direct costs of these projects are deferred until their completion. According to International Financial Reporting Standards, the Group should determine the recoverability of these amounts.

### Scope of Audit to Address Risk

The audit procedures Included obtaining the contracts of those plots of land; reviewing payments on account of their acquisition; and discussing with management recoverability of the related payments and completion of the projects in the future or recoverability of the related payments.

### Other matter

The accompanying consolidated financial statements are a translation of the statutory consolidated financial statements which are in the Arabic language to which reference should be made.

### Other Information

Management is responsible for the other information. The other information comprises of the information stated in the Annual Report and does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will 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 when it becomes available to us 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



## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the 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 Group 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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group financial reporting process.

## **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 International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if they, individually or in the aggregate, 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 International Standards on Auditing, 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 risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 Group 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 evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group 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 Group 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 consolidated 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 and 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 material 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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude 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 Group maintains proper accounting records, duly organized and in line with the accompanying consolidated financial statements, and we recommend that they be approved by the General Assembly shareholders.

**Amman – Jordan**

**12 March 2018**





DEERA INVESTMENT AND REAL ESTATE DEVELOPMENT GROUP  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2017

		2017 JD	2016 JD
<b>Assets</b>	<b>Notes</b>		
<b>Non - Current Assets</b>			
Property, plant and equipment	3	120 318	91 074
Intangible assets		82 500	-
Projects under construction	4	31 417 851	13 552 478
Investment in associates	5	15 343 315	15 184 172
Investment properties	6	28 842 531	20 393 412
Assets held under capital lease	7	4 809 368	4 804 868
Financial assets at fair value through other comprehensive Income	8	1 945 025	2 401 531
Long-term notes receivable	9	987 902	-
Checks under collection Long-term	10	146 424	35 740
<b>Total Non - Current Assets</b>		<b>83 695 234</b>	<b>56 463 275</b>
<b>Current Assets</b>			
Assets held for sale	11	2 689 554	4 712 609
Other debit balances	12	980 091	303 011
Due from related parties	30	-	139 293
Accounts receivable		42 766	178 262
Notes receivable short-term	9	305 794	-
Short-term checks under collection	10	115 374	141 759
Cash and cash equivalents	13	150 157	1 323 153
<b>Total Current Assets</b>		<b>4 283 736</b>	<b>6 798 087</b>
<b>Total Assets</b>		<b>87 978 970</b>	<b>63 261 362</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>	14		
Share capital		40 000 000	40 000 000
Share premium		16 400 000	16 400 000
Statutory reserve		2 713 643	2 713 643
Voluntary reserve		175 157	175 157
Fair value reserve		(3 521 016)	(3 719 319)
Retained earning		4 786 714	5 616 637
<b>Company shareholders Total</b>		<b>60 554 498</b>	<b>61 186 118</b>
Non-controlling interest		5 523	-
<b>Total Equity</b>		<b>60 560 021</b>	<b>61 186 118</b>
<b>Non - Current Liabilities</b>			
Long-term loan	15	14 559 761	-
Long-term Murabaha financing facility	16	2 009 798	1 077 867
Long-term due to related parties	30	4 693 069	-
<b>Total Non - Current Liabilities</b>		<b>21 262 628</b>	<b>1 077 867</b>
<b>Current Liabilities</b>			
Short-term loan	15	1 740 239	-
Short-term Murabaha financing facility	16	369 548	689 555
Capital lease obligations	17	71 500	67 000
Short-term due to related parties	30	2 826 517	-
Provision for income tax	18	39 382	20 358
Other credit balances	19	297 329	177 418
Advance payments in assets held for sale	20	209 233	7 056
Accounts payable		517 481	35 990
Postdated checks		5 170	-
Bank overdraft	21	79 922	-
<b>Total Current Liabilities</b>		<b>6 156 321</b>	<b>997 377</b>
<b>Total Liabilities</b>		<b>27 418 949</b>	<b>2 075 244</b>
<b>Total Equity and Liabilities</b>		<b>87 978 970</b>	<b>63 261 362</b>

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements



DEERA INVESTMENT AND REAL ESTATE DEVELOPMENT GROUP  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED STATEMENT OF INCOME  
31 DECEMBER 2017

	Notes	2017 JD	2016 JD
Operating revenue	22	3 906 166	1 318 190
Operating expenses	22	(3 415 968)	(1 097 455)
<b>Gross profit</b>	22	<b>490 198</b>	<b>220 735</b>
Administrative expenses	23	(758 338)	(656 853)
Group's share of associates	5	159 143	220 659
Other revenue	24	36 835	57 971
<b>Loss for the year before tax</b>		<b>(72 162)</b>	<b>(157 488)</b>
Income tax expense	18	(35 744)	(16 720)
<b>Loss for the year</b>		<b>(107 906)</b>	<b>(174 208)</b>
<b>Attributable to:</b>			
Company shareholders		(101 429)	(174 208)
Non-controlling interest		(6 477)	-
		<b>(107 906)</b>	<b>(174 208)</b>
 <b>Basic and diluted loss per share</b>	25	 <b>(0.003) JD</b>	 <b>(0.004) JD</b>

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements

DEERA INVESTMENT AND REAL ESTATE DEVELOPMENT GROUP  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
31 DECEMBER 2017

	2017 JD	2016 JD
Loss for the year	(107 906)	(174 208)
Other comprehensive income items:		
Change in fair value of financial assets	(291 267)	215 595
Loss from sale of financial assets at fair value through other comprehensive income	(238 924)	(1 749 872)
<b>Total comprehensive income for the year</b>	<b>(638 097)</b>	<b>(1 708 485)</b>
Attributable to:		
Company shareholders	(631 620)	(1 708 485)
Non-controlling interest	(6 477)	-
	<b>(638 097)</b>	<b>(1 708 485)</b>

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements

**DEERA INVESTMENT AND REAL ESTATE DEVELOPMENT GROUP**  
**PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**31 DECEMBER 2017**

	Share capital JD	Share premium JD	Statutory reserve JD	Voluntary reserve JD	Fair value reserve JD	Retained earnings JD	Company shareholders JD	Non-controlling interest JD	Total JD
<b>31 DECEMBER 2015</b>	<b>40 000 000</b>	<b>16 400 000</b>	<b>2 702 084</b>	<b>175 157</b>	<b>(4 007 859)</b>	<b>9 625 221</b>	<b>64 894 603</b>	<b>-</b>	<b>64 894 603</b>
Dividends	-	-	-	-	-	(2 000 000)	(2 000 000)	-	(2 000 000)
Loss from sale of financial assets	-	-	-	-	1 749 872	(1 749 872)	-	-	-
Transferred to reserves	-	-	11 559	-	72 945	(84 504)	-	-	-
Total comprehensive income for the year	-	-	-	-	(1 534 277)	(174 208)	(1 708 485)	-	(1 708 485)
<b>31 DECEMBER 2016</b>	<b>40 000 000</b>	<b>16 400 000</b>	<b>2 713 643</b>	<b>175 157</b>	<b>(3 719 319)</b>	<b>5 616 637</b>	<b>61 186 118</b>	<b>-</b>	<b>61 186 118</b>
Non-controlling interest	-	-	-	-	-	-	-	12 000	12 000
Loss for the year	-	-	-	-	-	(101 429)	(101 429)	(6 477)	(107 906)
Change in fair value reserve	-	-	-	-	(291 267)	-	(291 267)	-	(291 267)
Loss from sale of financial assets	-	-	-	-	489 570	(728 494)	(238 924)	-	(238 924)
<b>31 DECEMBER 2017</b>	<b>40 000 000</b>	<b>16 400 000</b>	<b>2 713 643</b>	<b>175 157</b>	<b>(3 521 016)</b>	<b>4 786 714</b>	<b>60 554 498</b>	<b>5 523</b>	<b>60 560 021</b>

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements

DEERA INVESTMENT AND REAL ESTATE DEVELOPMENT GROUP  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
31 DECEMBER 2017

	Notes	2017 JD	2016 JD
<b>Operating activities</b>			
Loss for the year before tax		(72 162)	(157 488)
<b>Adjustments for:</b>			
Depreciation	3	22 713	13 130
Gain from sale of property, plant and equipment		(6 749)	-
Group's share of associates	5	(159 143)	(220 659)
Gain from sale assets held for sale	22	(490 198)	(220 735)
Interest revenue	24	(8 819)	(21 538)
<b>Changes in operating assets and liabilities</b>			
Assets held for sale	11	(56 388)	(144 074)
Received from sale assets held for sale	22	3 906 166	1 318 190
Other debit balances		(677 080)	41 088
Due from related parties		139 293	(124 631)
Accounts receivable		135 496	(129 881)
Checks under collection		(84 299)	251 501
Notes receivable		(1 293 696)	-
Paid income tax	18	(16 720)	(612)
Other credit balances		119 911	58 200
Advance payments in assets held for sale		202 177	(326 007)
Accounts payable		481 491	(52 718)
<b>Net cash from operating activities</b>		<b>2 141 993</b>	<b>283 766</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	3	(51 958)	(74 423)
Sale of property, plant and equipment		6 750	409
Intangible assets		(82 500)	-
Projects under constructions	4	(19 201 898)	(858 310)
Investment properties		(8 449 119)	(66 522)
Assets held under capital lease		-	(5 050)
Financial assets at fair value through comprehensive Income		272 979	53 321
Purchase of property, plant and equipment		(346 664)	-
Proceeds from interest revenue	24	8 819	21 538
<b>Net cash used in investing activities</b>		<b>(27 843 591)</b>	<b>(929 037)</b>
<b>Financing activities</b>			
Bank overdraft		79 922	(496 136)
Loan		16 300 000	-
Murabaha financing facility		611 924	-
Due to related parties		7 519 586	-
Dividends paid		-	(2 000 000)
Non-controlling interest		12 000	-
Postdated checks		5 170	(269 479)
<b>Net cash from (used in) financing activities</b>		<b>24 528 602</b>	<b>(2 765 615)</b>
<b>Net change in cash and cash equivalents</b>		<b>(1 172 996)</b>	<b>(3 410 886)</b>
Cash and cash equivalents at 1 January	13	1 323 153	4 734 039
<b>Cash and cash equivalents at 31 December</b>	13	<b>150 157</b>	<b>1 323 153</b>

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements



DEERA INVESTMENT AND REAL ESTATE DEVELOPMENT GROUP  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT  
31 DECEMBER 2017

**1) General**

The Company was registered at the Ministry of Industry and Trade as a Jordanian public shareholding company under No. (410) on 8 June 2006. The company's share capital is JD 40 000 000.

The Group main activities are acquired and sell properties, Land development, construction of commercial and residential buildings, and other related activities.

The accompanying consolidated financial statement was approved by the Board of Directors in its meeting on 12 March 2018.

**2) Basis of preparation**

The accompanying consolidated financial statements of the Group have been prepared in Accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and their related interpretations issued by IASB.

The consolidated financial statements are prepared in accordance with the historical cost principle, except for certain financial assets and financial liabilities which are stated at fair value as of the date of the consolidated financial information.

The accounting policies adopted in the preparation of the consolidated financial information are consistent with those adopted for the year ended 31 December 2016.

**Principles of consolidation**

The consolidated financial statements comprise of the consolidated financial statements of the Group and its subsidiaries where the Company has the power to govern the financial and operating policies of the subsidiaries 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 income statements 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 income statement to the disposal date, which is the date on which the Company loses control over the subsidiaries

The following subsidiaries have been consolidated:

	Share capital JD	Nature of Activity	Percentage of Ownership ownership percentage	
			2017	2016
Al Deera Tower Investment and Real Estate Development	5 348 238	Real estate	%100	%100
Al Itlalah Investment and Real Estate Development	5 340 384	Real estate	%100	%100
Awtad For Contracting Construction	150 000	Constructions	%100	%100
Al Qaws Electronics and Real Estate Investment	100 000	Real estate	%100	%100
Amman Development for Tourism and Industrial Investment	50 000	Tourism & industrial	%76	-
Al Zambq Investment and Real Estate Development	10 000	Real estate	%100	%100
Al Samq Investment and Real Estate Development	10 000	Real estate	%100	%100
Al Saqi Investment and Real Estate Development	10 000	Real estate	%100	%100
Al Nasaem Investment and Real Estate Development	10 000	Real estate	%100	%100
Al Tmaem Investment and Real Estate Development	10 000	Real estate	%100	%100

**Segment reporting**

Business segments represent distinguishable components of the Group that are engaged in providing products or services which are subject to risks and rewards that are different from those of other segments and are measured based on the reports sent to the chief operating decision maker.

Geographical segments are associated to products and services provided within a particular economic environment, which are subject to risks and rewards that are different from those of other economic environments.

#### **Property, plant and equipment**

Property and equipment are stated at cost net of accumulated depreciation and any impairment loss in its value. Moreover Property and Equipment (except for land) are depreciated according to the straight- line method over the estimated useful lives when ready for use of these assets using the following annual rates.

	%
Machinery and equipment	15
Furniture	15
Vehicles	15
Caravans	10

When the carrying amount of property and equipment exceeds their recoverable value, assets are written down and impairment loss is recorded in the consolidated statement of income.

- The useful lives of property and equipment are reviewed at the end of each year, in case the expected useful life is different from what was determined before the change in estimate is recorded in the following years being a change in estimates.
- Property and equipment are derecognized when disposed or when there is no expected future benefit from their use.

#### **Projects under construction**

Projects in progress are stated at cost, which represents cost of constructions, equipment and direct costs. Projects in progress are not depreciated until they become ready for use where it is transferred to property and equipment or investment properties.

#### **Construction contracts**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the statement of financial position date, measured based on the proportion of contract costs incurred for work performed to date including the project office expenses relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed on with the employer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately, in the consolidated statement of income.

#### **Investment in Associate**

Associate is those in which the Group exerts significant influence over the financial and operating policy decisions, and in which the Group holds between 20% and 50% of the voting rights.

Investment in associated Group is accounted for according to the equity method.

Transactions and balances between the Group up and the associate is eliminated to the extent of the Group's ownership in the associate.

#### **Investment properties**

Investment properties are stated at cost net of accumulated depreciation and any impairment in their value and are disclosed their fair value. Furthermore, these Investments are depreciated based on their useful lives at an annual rate of 2%. Any Impairment In their value is taken to the consolidated statement of Income and other comprehensive Income, while operating revenues and expenses relating to this investment are recognized in he Consolidated statement of Income and other comprehensive Income.

If the fair value of the Investments for which an Impairment provision has been taken in the previous periods increases, the previously recorded are recovered impairment losses at no more than their cost.



**Financial assets at fair value through other comprehensive Income**

These financial assets represent the investments in equity instruments held for the long term.

These financial assets are recognized at fair value plus transaction costs at purchase date and are subsequently measured at fair value in the consolidated statement of comprehensive income and within owner's equity including the changes in fair value resulting from translation of non-monetary assets stated in foreign currency. Gain or loss from the sale of these investments or part of them should be recognized in the consolidated statement of comprehensive income and within owner's equity and the balance of the revaluation reserve for these assets should be transferred directly to the retained earnings not to the consolidated statement of income.

Dividends are recorded in the consolidated statement of income.

**Assets held for sale**

Assets held for sale are measured at the lower of cost and net realizable value.

Assets held for sale costs comprise all costs of conversion and other costs incurred to acquire the assets by the Group.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Accounts receivable**

Accounts receivable are stated at net realizable value after deducting a provision for doubtful debts.

A provision for doubtful debts is booked when there is objective evidence that the Group will not be able to recover whole or part of the due amounts at the end of the year. When the Group collects previously written-off debts, it recognizes the collected amounts in other revenues in the consolidated statement of income and comprehensive income. Furthermore, revenue and commission from doubtful debts are suspended and recognized as revenue upon collection.

Moreover, debts are written-off when they become uncollectible or are derecognized

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, and balances at banks and deposits at banks maturing within three months, less bank overdrafts and restricted balances.

**Related parties**

Transactions with related parties represent transfer of resources, services, or obligations between related parties. Terms and conditions relating to related party transactions are approved by management

**Loans**

All term loans are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and bonds are subsequently measured at amortized cost using the effective interest method.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Capital leases**

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized directly in the consolidated income statement.

#### **Income Taxes**

Income tax expenses represent current and deferred taxes for the year.

Income tax expense is measured based on taxable income. Taxable income differs from income reported in the financial statements, as the latter includes non-taxable revenue, tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses approved by tax authorities and items not accepted for tax purposes or subject to tax.

Taxes are calculated based on the enacted tax rates according to the prevailing laws, regulations and instructions of The Hashemite Kingdom of Jordan.

Deferred taxes are Taxes expected to be incurred or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and their respective tax basis. Deferred taxes are calculated based on the liability method, and according to the rates expected to be enacted when it is anticipated that the liability will be settled or when tax assets are recognized.

#### **Accounts Payable and Accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

#### **Offsetting**

Financial assets and financial liabilities are offset, the net amount is presented in the consolidated statement of financial position only when there is a legal right to offset the recognized amounts, and the Group intends to either settle them on a net basis or to realize the assets and settle the liabilities simultaneously.

#### **Provisions**

Provisions are recognized when the Group has an obligation as of the date of the consolidated financial statements as a result of past events, the obligation is likely to be settled, and a reliable estimate can be made of the amount of the obligation.

#### **Provision for employees' end-of-service indemnity**

The required provision for end-of-service indemnity for the year is recorded in the consolidated statement of income while payments to departing employees are deducted from the provision amount, Indemnities paid in excess of the provision is taken to the consolidated statement of income upon payment while the required provision for end-of-service indemnities for the year is recorded in the consolidated statement of income.

#### **Employees Benefits**

The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds.

The Group records the accrued benefits which mature during the year after the date of the consolidated financial statements within current liabilities and records the accrued benefits which mature after one year of the date of the consolidated financial statements within non-current liabilities.

#### **Recognition of Financial Assets Date**

Purchases and sales of financial assets are recognized on the trading date (which is the date on which the Group commits itself to purchase or sell the asset ).

#### **Impairment in Financial Assets**

The Group reviews the value of financial assets on the date of the consolidated statement of financial position in order to determine if there are any indications of impairment in their value individually or in the form of a portfolio, in case such indications exist the recoverable value is estimated so as to determine the impairment loss. Impairment is determined as follows:

- The impairment in the financial assets recorded at amortized cost is determined on the basis of the present value of the expected cash flows discounted at the original interest rate.
- The impairment in the financial assets at cost is determined by the difference between book value and the present value of the expected future cash flows discounted in effective market price on any other similar financial assets.
- Impairment is recorded in the consolidated statement of income as does any surplus that occurs in subsequent years that is due to a previous impairment of the financial assets in the consolidated statement of income.



#### **Fair Value**

Fair value represents the closing market price (Assets Purchasing / Liabilities Selling) of financial assets and derivatives on the date of the consolidated financial statements.

In case declared market, prices do not exist active trading of some financial assets and derivatives is not available or the market is inactive fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Adoption of the option pricing models.
- Evaluation of long-term assets and liabilities that bear no interest through discounting cash flows and amortizing premium / discount using the effective interest rate method within interest revenue / expense in the consolidated statement of income.

The valuation methods aim to provide a fair value reflecting the market's expectations taking into consideration the market expected risks and expected benefits when the value of the financial assets. When the financial assets fair value can't be reliably measured, they are stated at cost less any impairment.

#### **Revenue Recognition and Expenses Realization**

Revenue is recognized when contracts are signed and handing over the lands and apartments to the buyer and all the following conditions are satisfied:

The entity has transferred to the buyer the significant risks and rewards of ownership of the Goods, the entity retains regardless continuing administrative involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, and It is probable that the economic benefits associated with the transaction will flow to the entity.

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Project income is recognized on a percentage-of-completion basis Moreover plus a percentage of cost, in particular with respect to the timing of recognition of profit and the amount of recognized profit.

Dividend revenue from investments is recognized when the shareholder's right to receive payment is established.

Expenses are recognized on an accrual basis.

#### **Foreign Currency**

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.

Financial assets and financial liabilities denominated in foreign currencies are translated at the average exchange rates prevailing on the balance sheet date and declared by the Central Bank of Jordan

#### **Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

#### **Accounting estimates**

Preparation of the consolidated financial statements and the application of the accounting policies requires the management to perform assessments and assumptions that affect the amounts of financial assets, financial liabilities, and fair value reserve and to disclose contingent liabilities. Moreover, these assessments and assumptions affect revenues, expenses, provisions, and changes in the fair value shown in the consolidated statement of other comprehensive income and owners' equity. In particular, this requires the Group management to issue significant judgments and assumptions to assess future cash flow amounts and their timing. Moreover, the said assessments are necessarily based on assumptions and factors with varying degrees of consideration and uncertainty. In addition, actual results may differ from assessments due to the changes resulting from the conditions and circumstances of those assessments in the future.

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3) Property, plant and equipment

	Machinery & Equipment JD	Furniture JD	Vehicles JD	Caravans JD	Total JD
<b>Cost</b>					
31 DECEMBER 2016	61 503	143 059	86 350	6 900	297 812
Additions	20 454	11 265	20 239	-	51 958
Disposal	(1 079)	-	(12 000)	-	(13 079)
<b>31 DECEMBER 2017</b>	<b>80 878</b>	<b>154 324</b>	<b>94 589</b>	<b>6 900</b>	<b>336 691</b>
<b>Accumulated depreciation</b>					
31 DECEMBER 2016	41 464	138 539	21 171	5 564	206 738
Depreciation	6 144	3 349	12 722	498	22 713
Disposal	(1 078)	-	(12 000)	-	(13 078)
<b>31 DECEMBER 2017</b>	<b>46 530</b>	<b>141 888</b>	<b>21 893</b>	<b>6 062</b>	<b>216 373</b>
<b>Net book value</b>					
31 DECEMBER 2016	20 039	4 520	65 179	1 336	91 074
<b>31 DECEMBER 2017</b>	<b>34 348</b>	<b>12 436</b>	<b>72 696</b>	<b>838</b>	<b>120 318</b>

4) Projects under construction

	2017 JD	2016 JD
Lands	13 930 349	4 242 309
Construction costs	17 487 502	9 310 169
	<b>31 417 851</b>	<b>13 552 478</b>

The details of movement on Projects under construction as follows:

	2017 JD	2016 JD
Beginning balance	13 552 478	12 694 168
Additions	19 201 898	858 310
Transferred to assets held for sale	(1 336 525)	-
<b>Ending balance</b>	<b>31 417 851</b>	<b>13 552 478</b>

This item represents the cost of land and the design of construction work on land has been leased by financial lease contract with Al Deere Real Estate Development Company (Parent company).

On 4 September 2008 Al Deere Tower Investment and Real Estate Development signed land financial leasing contracts with the Al Deere Real Estate Development (Parent company)

This item represents the cost of land, the design of work construction, and other direct expenses to execution the commercial tower project of the Al Deera Tower Investment And Real Estate Development under a financing lease contract for a plot of land with Al Deera Investment And Real Estate Development Company on 4 September 2008, And the Dunes Club project, where Al Deera Investment And Real Estate Development Company established Amman Development For Tourism and Industrial Investment Company on June 13, 2017.

The total cost to complete the projects are JD 2 850 000 and it is expected to be completed in year 2018.

The fair value of the investment properties has been assessed by two real state evaluators equivalents an average amount of JD 16 561 266 as of 31 December 2017 (2016: JD 5 289 565).



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5) Investment in associates

	Nature of Activity	Percentage of ownership		2017	2016
		2017	2016	JD	JD
Al Deera Pearl	Real state	%49	%49	9 149 088	8 958 006
Rawabi Deera	Real state	%49	%49	6 194 227	6 226 166
				<b>15 343 315</b>	<b>15 184 172</b>

The following table illustrates the movement on the investments in associates:

	Beginning Balance JD	Group's share of associates JD	Ending Balance JD
<b>31 DECEMBER 2016</b>			
Al Deera Pearl Investment and Real Estate Development	8 714 744	243 262	8 958 006
Rawabi Deera Investment and Real Estate Development	6 248 769	(22 603)	6 226 166
	<b>14 963 513</b>	<b>220 659</b>	<b>15 184 172</b>
<b>31 DECEMBER 2017</b>			
Al Deera Pearl Investment and Real Estate Development	8 958 006	191 082	9 149 088
Rawabi Deera Investment and Real Estate Development	6 226 166	(31 939)	6 194 227
	<b>15 184 172</b>	<b>159 143</b>	<b>15 343 315</b>

Associates' companies assets and liabilities:

	AI DEERA PEARL JD	RAWABI AI DEERA JD
<b>2016</b>		
Current Assets	4 337 782	51 216
Non - Current Assets	14 898 571	13 774 204
Non - Current Liabilities	(146 279)	(62 133)
<b>Equity</b>	<b>19 090 074</b>	<b>13 763 287</b>
<b>2017</b>		
Current Assets	4 044 488	13 174 204
Non - Current Assets	14 898 549	654 247
Non - Current Liabilities	(9 634)	(130 345)
<b>Equity</b>	<b>18 933 403</b>	<b>13 698 106</b>

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Associates' companies result of the operations:

	AI DEERA PEARL JD	RAWABI AI DEERA JD
<b>2016</b>		
Operating revenue	2 040 000	-
Cost revenue	(1 892 075)	-
Administrative expenses	(193 256)	(46 128)
Provision for impairments	(26 188)	-
Other revenue	3 288	-
<b>Loss for the year</b>	<b>(68 231)</b>	<b>(46 128)</b>
<b>2017</b>		
Operating revenue	1 740 000	-
Cost revenue	(1 797 199)	-
Administrative expenses	(119 957)	(65 181)
Other revenue	20 485	-
<b>Loss for the year</b>	<b>(156 671)</b>	<b>(65 181)</b>

6) Investment properties

	2017 JD	2016 JD
Investment properties	28 816 949	20 393 412
Concrete building	25 582	-
	<b>28 842 531</b>	<b>20 393 412</b>

The fair value of the investment properties has been assessed by two real state evaluators equivalents an average amount of JD 43 452 945 as of 31 December 2017 (2016: JD 33 643 441).

7) Assets held under capital lease

	2017 JD	2016 JD
Lands	3 600 000	3 600 000
Capitalized financing expenses	882 660	878 160
Capitalized expenses	326 708	326 708
	<b>4 809 368</b>	<b>4 804 868</b>

On 15 November 2011, Al Nasaem for Investment and Real Estate Development signed land financial leasing contract with the Specialized Leasing Company for an amount of JD 3 600 000 with down payment an amount of JD 850 000 on the date of signing the agreement, the installment was due on 14 May 2014.

During year 2014, the Group was paid an amount of 3 000 000, and the contract was rescheduled to installment where the value of installment is JD 540 000 due on 15 May 2015.

During year 2015, the Group was paid an amount of 547 000, and the contract was rescheduled to installment where the value of installment is JD 60 500 due on 15 May 2016. On 19 July 2016, the contract was rescheduled to installment where the value of installment is JD 67 000 due on 15 May 2017.

The contract was rescheduled to installment where the value of installment is JD 71 500 due on 15 May 2018.

The fair value of the rented lands has been assessed by two real state evaluators equivalents an average amount of JD 6 254 925 as of 31 December 2017 (2016: JD 6 561 600).



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8) Financial assets at fair value through other comprehensive Income

	2017 JD	2016 JD
Quoted financial assets	1 819 462	2 150 968
Unquoted financial assets	125 563	250 563
	<u>1 945 025</u>	<u>2 401 531</u>

9) Notes receivable

	2017 JD	2016 JD
Past due impaired	9 716	-
1 – 3 months	67 138	-
4 – 6 months	76 614	-
7 – 9 months	76 114	-
10 – 12 months	76 212	-
2019	286 388	-
2020	259 604	-
2021	234 824	-
2022	172 471	-
2023	30 180	-
2024	4 435	-
	<u>1 293 696</u>	<u>-</u>

10) Checks under collection

	2017 JD	2016 JD
1 – 3 months	27 309	45 915
4 – 6 months	22 587	34 916
7 – 9 months	38 850	34 916
10 – 12 months	26 628	26 012
2019	105 612	35 740
2020	23 508	-
2021	14 064	-
2022	3 240	-
	<u>261 798</u>	<u>177 499</u>

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**11) Assets held for sale**

	2017 JD	2016 JD
Apartments *	2 689 554	4 712 609

The details of movement on assets held for sale as follows:

	2017 JD	2016 JD
Beginning balance	4 712 609	5 665 990
Additions	56 388	144 074
Transferred from Projects under construction	1 336 525	-
Transferred to cost of sales	(3 415 968)	(1 097 455)
Ending balance	2 689 554	4 712 609

\*This item represents the apartment project for the Al itlalah investment and real estate development less elimination entries.

The fair value of the investment properties has been assessed by two real state evaluators equivalents an average amount of JD 3 225 780 as of 31 December 2017, moreover apartments are stated at cost which is equivalents the fair value based on management opinion.

**12) Other debit balances**

	2017 JD	2016 JD
Cash margins	461 550	-
Advance payment to supplier	353 234	135 890
Refundable deposits	117 981	120 021
Commercial apartments	44 569	44 569
Income tax deposits	14 410	13 381
Staff receivable	11 140	24 604
Sales tax deposits	8 385	-
Advance payments on investment	7 573	-
Prepaid expenses	3 622	9 115
Accrued revenue	2 196	-
	1 024 660	347 580
Provision for impairment	(44 569)	(44 569)
	980 091	303 011

**13) Cash and cash equivalents**

	2017 JD	2016 JD
Cash on hands	11 731	97 340
Deposits account*	161	747 461
Currents account	137 466	477 500
Saving accounts	799	852
	150 157	1 323 153

\* The term deposit is made for varying periods between 1-6 months within an annual average interest rate from 2.9% to 3.1%

#### 14) Equity

##### Share capital

The authorized and share capital of the Company is JD 40 000 000 divided into 40 000 000 shares at JD 1 per share.

##### Share premium

This amount JD 16 400 000 represents the difference between the par value of the shares issued and their issue price at the date of issuance.

##### Statutory reserve

Statutory reserve is allocated according to the Jordanian Companies Law by deducting 10% of the annual net profit until the reserve equals one quarter of the subscribed capital. However, the Company may, with the approval of the General Assembly, continue to deduct this annual ratio until this reserve equals the subscribed in full. Such reserve is not available for dividends distribution.

##### Voluntary reserve

This account represents cumulative appropriations not exceeding 20% of the annual profit before taxation per year. This reserve is available for distribution to shareholders.

#### 15) Loan

	2017		2016	
	Maturing during the year JD	Maturing during more than a year JD	Maturing during the year JD	Maturing during more than a year JD
Capital bank of Jordan	1 740 239	14 559 761	-	-

During the year 2017, Amman Development For Tourism and Industrial Investment Company granted loan by Capital Bank with an amount of JD 16 300 000, bearing an annual average interest rate between 6.5% to 7% per annum, without commission rate, to finance the purchase of the land plot No. (1200) in Al Ghabasha from the territory of southern Amman village of Al Yadouda along with the buildings constructed on it, as well as a Deera Investment And Real Estate Development guarantee, the loan contracts are repayable over 90 equal monthly installments each of JD 230 050, The first installment was due on 31 January 2018.

#### 16) Murabaha financing facility

	2017		2016	
	Maturing during the year JD	Maturing during more than a year JD	Maturing during the year JD	Maturing during more than a year JD
Jordan Islamic Bank	369 548	1 351 833	689 555	1 077 867
Safwa Islamic Bank	-	657 965	-	-
	369 548	2 009 798	689 555	1 077 867

Al Deere Tower Investment and Real Estate Development was granted a Murabaha credit facilities JD 8 850 000 from Jordan Islamic Bank with a Murabaha rate of 6.8% per annual, the facilities term was 7 years including 2 years' grace period the land is mortgaged into favor of Jordan Islamic Bank. During the year 2017 the credit facilities was rescheduled to installment where the value of installment over 48 equal monthly installments each of JD 39 000, The first installment was due on 28 February 2018 and the last installment due in 29 January 2022.

During the year 2017, Amman Development For Tourism and Industrial Investment Company granted Facilities by Safwa Islamic bank to finance the goods importation on the basis of open account, or Letter of credit, and or check under collection with an amount of JD 2 000 000, In order to carry out the maintenance, operation and development of the Dunes Club project, each financing is due within the ceiling granted within 5 years, the Facilities are repayable over 10 equal semi-annual installments, these facilities are guaranteed by first-class mortgage amounted to 2 000 000 on the land plot No. (36) Abu Rukba Basin No. (23) of the territory of Al Salt, in addition to personal guarantee by the Chairman of the Board of Directors Mr. Mohammed Yousuf Al Tarawneh, and Deera Investment And Real Estate Development Company guarantee.



**17) Capital lease obligations**

	2017 JD	2016 JD
Capital lease obligations	50 000	50 000
Accrued interest	21 500	17 000
	<b>71 500</b>	<b>67 000</b>

This item represents the Group capital lease obligation as of 31 December 2017

**18) Income tax**

**Al Deera Investment and Real Estate Development**

No income tax provision has been calculated for the year ended 31 December 2017 due to increase in the deductible expenses on the taxable income.

The tax returns for the year 2016 have been submitted, however, the returns have not been reviewed by the Income and Sales Tax Department until the date of these consolidated financial statements

The Company has reached final settlement with the Income and Sales Tax Department up to the end of the year 2015

**Al Itlalah Investment and Real Estate Development, Awtad For Contracting Construction**

The income tax was calculated for the year ended 31 December 2017 accordance with Jordanian Income Tax Law No. (34) of 2014.

The tax returns for the year 2016, 2015 have been submitted, however, the returns have not been reviewed by the Income and Sales Tax Department until the date of these consolidated financial statements

The Company has reached final settlement with the Income and Sales Tax Department up to the end of the year 2014

**Al Deera Tower Investment and Real Estate Development**

No income tax provision has been calculated for the year ended 31 December 2017 due to accumulated losses.

The tax returns for the year 2016, 2015 have been submitted, however, the returns have not been reviewed by the Income and Sales Tax Department until the date of these consolidated financial statements

The Company has reached final settlement with the Income and Sales Tax Department up to the end of the year 2014

**Al Zانبq Investment and Real Estate Development, Al Samq Investment and Real Estate Development, Al Saqi Investment and Real Estate Development, Al Qaws Electronics and Real Estate Investment**

No income tax provision has been calculated for the year ended 31 December 2017 due to accumulated losses.

The Company has reached final settlement with the Income and Sales Tax Department up to the end of the year 2016

**Al Nasaem For Investment and Real Estate Development, Al Tmaem Investment and Real Estate Development**

No income tax provision has been calculated for the year ended 31 December 2017 due to accumulated losses.

The tax return for the year 2016 has been submitted, However, the return has not been reviewed by the Income and Sales Tax Department until the date of these consolidated financial statements.

The Company has reached final settlement with the Income and Sales Tax Department up to the end of the year 2015.

**Amman Development for Tourism and Industrial Investment**

No income tax provision has been calculated for the year ended 31 December 2017 due to accumulated losses.

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The movement of the income tax provision was as follow:

	2017 JD	2016 JD
Balance at beginning of the year	20 358	4 250
Accrual income tax	35 744	16 720
Paid income tax	(16 720)	(612)
<b>Balance at ending of the year</b>	<b>39 382</b>	<b>20 358</b>

Accounting profit Settlement with Income tax profit was as follow:

	2017 JD	2016 JD
Accounting (loss) profit	(72 162)	(157 488)
Net losses and tax-deductible income	250 882	241 086
<b>Taxable profit (loss)</b>	<b>178 720</b>	<b>83 598</b>

**19) Other credit balances**

	2017 JD	2016 JD
Accrued expenses	119 679	41 083
Shareholders' deposits	92 329	103 784
Social security payable	41 912	4 279
Contractor retentions	29 694	21 045
Income tax payable	8 944	1 916
legal claims provision	4 704	4 704
Others	67	607
	<b>297 329</b>	<b>177 418</b>

**20) Advance payments in assets held for sale**

This item represents advance payment in assets held for sale favor of Al Itlalah Investment and Real Estate Development as of 31 December 2017

**21) Bank overdraft**

	2017		2016	
	Maturing during the year JD	Maturing during more than a year JD	Maturing during the year JD	Maturing during more than a year JD
Safwa Islamic Bank	<b>79 922</b>	-	-	-

**22) Operating revenue**

	Operating revenue JD	Operating expenses JD	Gross profit (loss) JD
<b>31 DECEMBER 2017</b>			
Al Itlalah Investment and Real Estate Development	3 472 516	(3 087 750)	384 766
Al Deera Pearl Investment and Real Estate Development	433 650	(328 218)	105 432
	<b>3 906 166</b>	<b>(3 415 968)</b>	<b>490 198</b>
<b>31 DECEMBER 2016</b>			
Al Itlalah Investment and Real Estate Development	<b>1 318 190</b>	<b>(1 097 455)</b>	<b>220 735</b>

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**23) Administrative expenses**

	2017 JD	2016 JD
Salaries, wages, and other benefits	347 240	230 819
Board of Directors' transportation allowances	64 800	61 626
Professional fees	57 164	55 416
Government fees	44 589	38 918
Lawyer fees	37 530	19 273
Group contribution in Social security	34 492	23 475
Rent	30 912	33 400
Advertising	26 097	27 446
Depreciation	22 713	13 130
Electricity and Water	12 793	12 848
Others	11 827	20 060
Commissions	10 200	-
Traveling	9 370	2 531
Maintenance	9 285	12 641
Donations	9 250	9 250
Prior year tax expenses	8 246	7 654
Stationary, and printing	8 009	5 436
Postage, telecommunication, and internet	4 812	3 155
Hospitality	4 619	5 937
Banks commissions	3 448	782
Prior year expenses	942	30 504
Securities fees	-	14 024
Foreign currency losses	-	3 528
legal claims	-	25 000
	<b>758 338</b>	<b>656 853</b>

**24) Other revenues**

	2017 JD	2016 JD
Interest revenue	8 819	21 538
Dividends on financial assets	3 985	21 314
Gain from sale of property, plant and equipment	6 749	-
Others	17 282	15 119
	<b>36 835</b>	<b>57 971</b>

**25) Basic and diluted loss per share**

	2017 JD	2016 JD
Loss for the year	(101 429)	(174 208)
Weighted average number of outstanding shares	40 000 000	40 000 000
	<b>(0.003) JD</b>	<b>(0.004) JD</b>



## 26) Risk management

### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Moreover, the Group manages interest rate risks through applying the sensitivity analysis of interest rate instruments in a manner that does not negatively affect net interest income.

The Group also manages its Interest rate risk regularly by evaluating the different alternatives such as funding and renewing current positions and alternative funding.

### Currency risks

The Group's main operations are in Jordanian Dinar. Moreover, currency risk relates to the risk of changes in currency rates that relate to payments denominated in foreign currencies. As for transactions in US Dollars, management believes that the foreign currency risk relating to the US Dollar is immaterial as the Jordanian Dinar (the functional currency) is pegged to the US Dollar.

### Credit risk

Credit risk relates to the other party's inability to meet its contractual obligations leading to the incurrence of losses by the Group. Moreover, the Group adopts a policy of dealing with creditworthy parties in order to mitigate the financial losses arising from the Group's default on its liabilities.

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2017 JD	2016 JD
Cash at banks	138 426	1 225 813
Checks under collection	261 798	177 499
Notes receivable	1 293 696	-
Accounts receivable	42 766	178 262
Due from related parties	-	139 293
Other debit balances	976 469	293 896
	<b>2 713 155</b>	<b>2 014 763</b>

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group reputation.

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The following are the contracted maturities of financial liabilities:

	Maturing during the year	Maturing during more than a year	Total
<b>31 DECEMBER 2016</b>			
Accounts payable	35 990	-	35 990
Advance payments in assets held for sale	7 056	-	7 056
Capital lease obligations	67 000	-	67 000
Other credit balances	177 418	-	177 418
Provision for income tax	20 358	-	20 358
Murabaha financing facility	689 555	1 077 867	1 767 422
	<b>997 377</b>	<b>1 077 867</b>	<b>2 075 244</b>
<b>31 DECEMBER 2017</b>			
Postdated checks	5 170	-	5 170
Accounts payable	517 481	-	517 481
Advance payments in assets held for sale	209 233	-	209 233
Other credit balances	297 329	-	297 329
Provision for income tax	39 382	-	39 382
Due to related parties	2 826 517	4 693 069	7 519 586
Bank overdraft	79 922	-	79 922
Capital lease obligations	71 500	-	71 500
Murabaha financing facility	369 548	2 009 798	2 379 346
Loan	1 740 239	14 559 761	16 300 000
	<b>6 156 321</b>	<b>21 262 628</b>	<b>27 418 949</b>

## 27) Fair Value of Financial Instruments

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash on hand and banks, checks under collection, accounts receivable, and Due from related parties, some other debit balances and financial assets at fair value through other comprehensive income.

Financial liabilities consist of Postdate checks, accounts payable, and Advance payments in assets held for sale, and Provision for income tax, and some other credit balances, Capital lease obligations, and Murabaha financing facility

The fair values of financial instruments are not materially different from their carrying values.

## 28) Fair Value Levels

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

### Level 1

Quoted (unadjusted) market prices in active markets for identical assets or liabilities

### Level 2

Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

### Level 3

Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

	Level 1 JD	Level 2 JD	Level 3 JD	Total JD
<b>31 DECEMBER 2016</b>				
Financial assets at fair value	2 150 968	250 563	-	2 401 531
<b>31 DECEMBER 2017</b>				
Financial assets at fair value	1 819 462	125 563	-	1 945 025

## 29) Segmental Information

### A. Information on the Group's Operating Segments

#### Segmental information for the basic sectors:

For management purposes, the Group is organized into one major business segment:

Investment properties: Principally trading and renting properties and land owned by the Group.

### B. Information on Geographical Distribution:

This note represents the geographical distribution of the Group operations. Moreover, the Group conducts its operations mainly in the Kingdom, representing local operations.

	Investment Properties JD	Constructions JD	Financial Investments JD	Total JD
<b>31 DECEMBER 2016</b>				
Foreign segment revenues	225 220	704	21 314	247 238
Internal segment revenues	-	9 930	-	9 930
<b>Total segment revenues</b>	<b>225 220</b>	<b>10 634</b>	<b>21 314</b>	<b>257 168</b>
Administrative expenses	(580 920)	(75 933)	-	(656 853)
Group's share of associates	220 659	-	-	220 659
Interest revenue	21 538	-	-	21 538
<b>(loss) Profit before income tax</b>	<b>(113 503)</b>	<b>(65 299)</b>	<b>21 314</b>	<b>(157 488)</b>
Total Segment assets	60 601 713	258 117	2 401 531	63 261 361
Investment in associates	15 184 172	-	-	15 184 172
Total segment liabilities	2 047 481	27 762	-	2 075 243
Capital expenditures	74 373	750	-	75 123
	Investment Properties JD	Constructions JD	Financial Investments JD	Total JD
<b>31 DECEMBER 2017</b>				
Foreign segment revenues	511 214	-	7 000	518 214
<b>Total segment revenues</b>	<b>511 214</b>	<b>-</b>	<b>7 000</b>	<b>518 214</b>
Administrative expenses	(697 966)	(26 385)	(33 987)	(758 338)
Group's share of associates	159 143	-	-	159 143
Interest revenue	8 819	-	-	8 819
<b>(loss) Profit before income tax</b>	<b>(18 790)</b>	<b>(26 385)</b>	<b>(26 987)</b>	<b>(72 162)</b>
Total Segment assets	61 326 678	235 988	26 416 304	87 978 970
Investment in associates	15 343 315	-	-	15 343 315
Total segment liabilities	10 275 549	25 265	17 118 135	27 418 949
Capital expenditures	32 049	19 909	-	51 958



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**30) Related party transactions**

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties.

Pricing policies and terms of these transactions are approved by the Group's management. Balances with related parties included in the consolidated financial statements are as follows:

**Due from related parties**

	Nature of the relationship	2017 JD	2016 JD
Al Deera Pearl Investment and Real Estate Development	Associate	-	86 665
Al Rawabi Deera Investment and Real Estate Development	Associate	-	52 628
		-	<b>139 293</b>

**Long-term due to related parties**

	Nature of the relationship	2017 JD	2016 JD
Antarketeka General Trading Company*	Sister	<b>4 693 069</b>	-

**Short-term due to related parties**

	Nature of the relationship	2017 JD	2016 JD
Al Deera Pearl Investment and Real Estate Development **	Associate	1 666 551	-
Al Rawabi Deera Investment and Real Estate Development	Associate	599 035	-
Antarketeka General Trading Company	Sister	560 931	-
		<b>2 826 517</b>	-

The net amount payments to the Group's accounts amounted to JD 5 254 000, in addition these payments are non-interest bearing until the end of 2017.

Al Deera Pearl Investment and Real Estate Development Board of Directors has recommended held on 28 February 2018 to decrease the Company capital by JD 3 054 936, resolved to write off of accumulated losses by JD 354 936, and decrease amount JD 2 700 000 from excess liquidity that recognized in shareholders' accounts since exceeds the needs of the Company to become JD 16 219 747 subject to the approval of the General Assembly of Shareholders.

**Compensation of key management personnel of the Group is as follows:**

	2017 JD	2016 JD
Salaries and other benefits	<b>188 149</b>	<b>147 529</b>

**31) Contingent liabilities**

	2017 JD	2016 JD
Letters of credit	450 000	-
Letters of guarantee	10 500	-
	<b>460 500</b>	-

**32) Capital management**

The primary objective of the Group's capital management is to ensure that it maintains capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016.

Capital comprises share capital, share premium, statutory reserve, voluntary reserve, fair value reserve, and retained earnings, and is measured at JD 60 560 021 as at 31 December 2017 (2016: JD 61 186 118)

### **33) Adoption of New and Revised International Consolidated Financial Reporting Standards (IFRSs)**

#### **A. New standards, interpretations and amendments adopted by the Group**

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016 except for the followings:

##### **Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative**

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments has no impact on the Group's consolidated financial statements.

##### **Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for un-recognised Losses**

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Group's consolidated financial statements.

#### **B. New and revised IFRSs in issue but not yet effective and not early adopted**

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

##### **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The Bank has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011.

The new version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required; however, the entities are exempted from restating their comparative information.

The Bank plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Bank has performed a detailed impact assessment of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank in 2018 when the Bank adopts IFRS 9. The Bank expects based on preliminary figures an increase in the loss allowance for an amount of USD 90 million resulting in an equal negative impact on equity, as well as it might affect the deferred taxes. In addition, the Bank will implement changes in classification of certain financial instruments.

##### **Classification and measurement**

The Bank does not expect a significant impact on its balance sheet or equity on applying the new classification and measurement category of IFRS 9. It expects to continue being measured at amortised cost and to use the new category starting from 1 January 2018 for classifying part of the debt securities portfolio to be measured at fair value through OCI.

Credit facilities are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Bank analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

##### **Impairment**

The new impairment guidance sets out an expected credit loss (ECL) model applicable to all debt instrument financial assets classified as amortized cost or FVTOCI. In addition, the ECL model applies to loan commitments and financial guarantees that are not measured at FVTPL.



**For impaired financial instruments:**

Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the current requirements under IAS 39 for impaired financial instruments.

For the business and government portfolios, the individually assessed allowances for impaired instruments recognized under IAS 39 will generally be replaced by stage 3 allowances under IFRS 9, while the collective allowances for non-impaired financial instruments will generally be replaced by either stage 1 or stage 2 allowances under IFRS 9. For the retail portfolios, the portion of the collective allowances that relate to impaired financial instruments under IAS 39 will generally be replaced by stage 3 allowances, while the non-impaired portion of the collective allowances will generally be replaced by either stage 1 or stage 2 allowances under IFRS 9.

**Key Drivers of Expected Credit Loss**

The following concepts are subject to a high level of judgment, will have a significant impact on the level of ECL allowances and will be the cause of increased volatility of allowances:

- Determining when a SICR of a financial asset has occurred,
- Measuring both 12-month and lifetime credit losses,
- Incorporating forward-looking information using multiple probability-weighted scenarios.
- Collateral and quality.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue-Barter Transactions Involving Advertising Services

The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted

**Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The standard is effective for annual periods beginning on or after 1 January 2019, and early adoption is permitted

**IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2**

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.



#### **IFRS 16 Leases**

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

#### **IFRS 17 Insurance Contracts**

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

#### **Transfers of Investment Property (Amendments to IAS 40)**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

#### **Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts**

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

The amendment is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted

#### **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration**

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis.

The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.

**IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2019.

The application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its leases.

**34) Comparative figures**

Some of the comparative figures for the year 2016 have been reclassified to correspond with the year ended 31 December 2017 presentation and it did not result in any change to the last year's operating results or equity.