



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

Date : 10/05/2017

Reference: 132

To \ Amman Stock Exchange

Subject: Quarterly Report as of 31/03/2017

Attached the Quarterly Financial Statements of (Arab East Investment Ltd.) as of 31/03/2017 .

Kindly accept our appreciation and respect

Arab East Investment Ltd.

Financial manager \ Mazen Qudeimat

بورصة عمان	
الدائرة الإدارية والمالية	
الديوان	
١٠ أيار ٢٠١٧	
الرقم المتسلسل:	2992
رقم الملف:	31008
الجهة المختصة:	2119/611

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**Arab East Investment Company
Public Shareholding Company**

Condensed Interim Consolidated Financial Statements (Not Audited)

31 March 2017

Arab Professionals

(Member firm within of Grant Thornton International Ltd)

**Arab East Investment Company
Public Shareholding Company**

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Report on Review of the Interim Consolidated Financial Statements

**To The Board of Directors
Arab East Investment Company PLC
Public Shareholding Company
Amman - Jordan**

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Arab East Investment Company PLC, comprising the interim consolidated statement of financial position as at 31 March 2017 and the related interim consolidated statement of profit loss, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three months period then ended. Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Financial Reporting Standard (IAS 34) Interim Financial Reporting. Our responsibility is to express a conclusion on this interim consolidated financial statement based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standard (IAS 34) Interim Financial Reporting.

Emphasis of Matter

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

24 April 2017
Amman - Jordan


Arab Professionals

**Ibrahim Hammoudeh
(License No. 606)**

 **Arab Professionals
Grant Thornton**

Arab East Investment Company
Public Shareholding Company
Interim consolidated statement of financial position as at 31 March 2017

(In Jordanian Dinar)

	31 March 2017	31 December 2016
Assets		
Non - Current Assets		
Investment properties	31,091,616	31,251,197
Projects under construction	2,075,927	1,762,246
Property and equipment	13,058	15,520
Amounts due from related parties	6,186,283	6,186,248
Investment in associate companies	12,519,526	12,385,471
Financial assets at fair value through other comprehensive income	2,371,639	2,350,726
Total Non - Current Assets	54,258,049	53,951,408
Current Assets		
Lands held for sale	6,549,400	6,549,971
Properties held for sale	648,933	647,849
Receivables and other assets	1,832,039	1,830,996
Financial assets held for sale	1,164,212	966,048
Financial assets at fair value through statement of profit or loss	347,588	346,665
Cash and cash equivalents	3,099,810	3,380,074
Total Current Assets	13,641,982	13,721,603
Total Assets	67,900,031	67,673,011
Equity and Liabilities		
Shareholder's Equity		
Paid - in capital	47,000,000	47,000,000
Statutory reserve	7,598,646	7,598,646
Voluntary reserve	4,498,152	4,498,152
Cumulative change in fair value of financial assets	(464,192)	(557,848)
Parent's shares owned by subsidiary companies	(5,008,733)	(5,008,733)
Retained earnings	691,886	591,511
Total Shareholder's Equity	54,315,759	54,121,728
Non-controlling interest	183,987	182,860
Total Equity	54,499,746	54,304,588
Liabilities		
Non - Current Liabilities		
Deferred revenues	71,400	71,400
Amounts due to related parties	6,967,539	6,968,371
Bank facilities - long term	4,479,332	4,479,332
Total Non - Current Liabilities	11,518,271	11,519,103
Current Liabilities		
Payables and other liabilities	1,201,559	1,186,390
Bank facilities - short term	680,455	662,930
Total Current Liabilities	1,882,014	1,849,320
Total Liabilities	13,400,285	13,368,423
Total Equity and Liabilities	67,900,031	67,673,011

"The accompanying notes from (1) to (5) are an integral part of these interim consolidated financial statements and read with review report"

Arab East Investment Company
Public Shareholding Company
Interim consolidated statement of profit or loss for the three months ended at 31 March 2017

(In Jordanian Dinar)

	31 March 2017	31 March 2016
Properties sales	190,827	-
Properties cost of sales	(165,595)	-
Gross Profit	25,232	-
Company's share from associate companies operations	59,186	(146,529)
Changes in fair value of financial assets held for sale	198,164	(24,770)
Changes in fair value of financial assets at fair value through profit or loss	923	(7,624)
Administrative expenses	(147,066)	(141,425)
Finance costs	(77,707)	(116,889)
Other revenues	40,645	32,465
Profit (loss) for the period	99,377	(404,772)
Attributable :		
Owners of the parent	100,375	(403,520)
Non-controlling interest	(998)	(1,252)
	99,377	(404,772)
Basic and diluted earnings (losses) per share	0.002	(0.009)

"The accompanying notes from (1) to (5) are an integral part of these interim consolidated financial statements and read with review report"

Arab East Investment Company
Public Shareholding Company
Interim consolidated statement of comprehensive income for the three months ended
at 31 March 2017

(In Jordanian Dinar)

	<u>31 March 2017</u>	<u>31 March 2016</u>
Profit (loss) for the period	99,377	(404,772)
Other comprehensive income:		
Changes in fair value of financial assets through other comprehensive income	20,912	(57,688)
Company's share from other comprehensive income of associate companies	<u>74,869</u>	<u>(2,360)</u>
Total comprehensive income for the period	<u>195,158</u>	<u>(464,820)</u>
 Attributable :		
Owners of the parent	194,031	(463,449)
Non-controlling interest	<u>1,127</u>	<u>(1,371)</u>
Total	<u>195,158</u>	<u>(464,820)</u>

"The accompanying notes from (1) to (5) are an integral part of these interim consolidated financial statements and read with review report"

Arab East Investment Company
Public Shareholding Company
Interim consolidated statement of changes in equity for the three months ended at 31 March 2017
(In Jordanian Dinar)

	Paid - in capital	Additional Paid - in capital	Reserves	Fair value adjustments	Treasury stocks	Retained* Earnings (losses)	Total shareholder's equity	Non-controlling interest	Total Equity
			Statutory	Voluntary					
Balance at 1 January 2017	47,000,000	-	7,598,646	4,498,152	(557,848)	(5,008,733)	54,121,728	182,860	54,304,588
Total comprehensive income for the period	-	-	-	-	93,656	100,375	194,031	1,127	195,158
Balance at 31 March 2017	47,000,000	-	7,598,646	4,498,152	(464,192)	(5,008,733)	54,315,759	183,987	54,499,746
Balance at 1 January 2016	47,000,000	16,322,822	7,532,923	14,846,063	(49,298)	(5,008,733)	53,973,044	(3,524,167)	50,448,877
Total comprehensive income for the period	-	-	-	-	(59,929)	(403,520)	(463,449)	(1,371)	(464,820)
Balance at 31 March 2016	47,000,000	16,322,822	7,532,923	14,846,063	(109,227)	(5,008,733)	53,509,595	(3,525,538)	49,984,057

* The above retained earnings balance includes unrealized securities valuation profits amounting to JOD (199,087) as at 31 March 2017.

"The accompanying notes from (1) to (5) are an integral part of these interim consolidated financial statements and read with review report"

Arab East Investment Company
Public Shareholding Company
Interim consolidated statement of cash flows for the three months ended at 31 March 2017

(In Jordanian Dinar)

	31 March 2017	31 March 2016
Operating Activities		
Profit (loss) for the period	99,377	(404,772)
Depreciation	2,462	2,455
Properties sales gains	(25,232)	-
Changes in fair value of financial assets at fair value through profit or loss	(923)	7,624
Changes in fair value of financial assets held for sale	(198,164)	24,770
Company's share from associate companies operations	(59,186)	146,529
Changes in working capital		
Lands and properties held for sale	(513)	-
Receivables and other assets	(1,043)	(44,974)
Payables and other liabilities	15,169	13,866
Net cash flows used in operating activities	<u>(168,053)</u>	<u>(254,502)</u>
Investing Activities		
Investment properties and projects under construction	<u>(128,869)</u>	<u>(152,693)</u>
Financing Activities		
Bank facilities	17,525	36,141
Amounts due from/ to related parties	<u>(867)</u>	<u>(2,282)</u>
Net cash flows from financing activities	<u>16,658</u>	<u>33,859</u>
Changes in cash and cash equivalents	<u>(280,264)</u>	<u>(373,336)</u>
Cash and cash equivalents, beginning of year	<u>3,380,074</u>	<u>4,081,077</u>
Cash and cash equivalents, end of period	<u>3,099,810</u>	<u>3,707,741</u>

"The accompanying notes from (1) to (5) are an integral part of these interim consolidated financial statements and read with review report"

Arab East Investment Company
Public Shareholding Company
Notes to the condensed interim consolidated financial statements (Not Audited)
31 March 2017

(In Jordanian Dinar)

1. General

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

The company stocks are listed in Amman Stock Exchange - Jordan.

The condensed interim consolidated financial statements have been approved for issue by the company's Board of Directors on 24 April 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation

The condensed interim consolidated financial statements of the company have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2017.

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for the financial assets, which have been measured at fair value.

The condensed interim 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 period.

Principles of Consolidation

The condensed interim consolidated financial statements comprise of the interim 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 consolidated statement of profit or loss 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 condensed interim consolidated financial statements (Not Audited)
31 March 2017

The following subsidiaries have been consolidated:

Company	Ownership	Paid - in capital	Activity
Arab East for Development and Investment PLC	80%	500,000	Investment
Al Monbathaqa for Training and Consulting LLC	75%	18,000	Training and Consulting
Elaf for Real Estate Investment LLC	100%	10,000	Real estate development
Ajhara for Real Estate Investment LLC	100%	10,000	Real estate development
Al Wajah Al Aqari for Investment LLC	100%	10,000	Real estate development
Al Badyia for Real Estate LLC	100%	10,000	Real estate development
Wajht Amman for Projects Investment LLC	50%	10,000	Real estate development
Panorama Amman for Projects Investment LLC	65.5%	10,000	Real estate development
Al Taleh for Projects Investment LLC	50%	10,000	Real estate development
Al Tallah for Projects Investment LLC	50%	10,000	Real estate development
Al 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.

Use of Estimates

The Preparation of the condensed interim consolidated financial statements and the application of accounting polices require the company's management to estimate and assess some items affecting financial assets and liabilities and to disclose contingent liabilities. These estimates and assumptions also affect certain elements of the company's assets, liabilities and provisions, and revenue and expenses, and require estimating and assessing the amounts and timing of future cash flows. The mentioned estimates and assumptions are based on multiple factors with varying degrees of assessment and uncertainty. Moreover, the actual results may differ from the estimates due to the changes resulting from the conditions and circumstances of those estimates in the future.

Management believes that the estimates are reasonable and are as follows:

- Management reviews periodically the tangible assets in order to assess the depreciation for the year based on the useful life and future economic benefits. Any impairment is taken to the consolidated statement of profit or loss.
- Management reviews periodically it's financial assets, which presented at cost to estimate any impairment in it's value, and an impairment of loss (it founded) is accrued in the consolidated statement of profit or loss.
- A provision for doubtful debts is taken on the basis and estimates approved by management in conformity with International Financial Reporting Standards.

Investment Properties

Property held to earn rentals or for capital appreciation purposes as well as those held for undetermined future use are classified as investment property. Investment property is measured at cost less any accumulated depreciation and any accumulated impairment losses. The cost of constructed property includes the cost of material and any other costs directly attributed to bringing the property to a working condition for its intended use. Borrowing costs that are directly attributed to acquisition and construction of a property are included in the cost of that property.

Lands Held for Sale

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

Projects under Construction, Lands and Properties Held for Sale

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

Financial Assets at Fair Value through Statement of Profit or Loss

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

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

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

Financial Assets at Fair Value through Other Comprehensive Income

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

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

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

These assets are not subject to impairment testing.

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

Property and Equipment

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

Furniture and fixtures	20%
Office equipment	20-35%

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

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

Investment in Associates

Investments in associates are accounted for using the equity method.

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

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

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

Financial Assets Held for Sale

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

Trading and Settlement Date Accounting

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

Fair Value

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

Accounts Receivable

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

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments.

Accounts Payables and Accruals

Accounts payable and accrued payments are recognized upon receiving goods or performance of services.

Provisions

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

Offsetting

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

Borrowing Costs

Borrowing costs are generally expensed as incurred.

Foreign Currencies

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

Revenue Recognition

Lands and properties sales revenue is recognized when risk and reward related to the lands or properties ownership transfers to the buyer.

Interest income is recognized on time proportion basis that reflects the effective yield on the assets.

Dividends income is recognized when it is declared by the General Assembly of the investee company.

Other revenues are recognized on the accrual basis.

Income Tax

Income tax expenses are accounted for on the basis of taxable income. Taxable income differs from income declared in the financial statements because the latter includes non-taxable revenues or disallowed taxable expenses in the current year but deductible in subsequent years, accumulated losses acceptable by the tax law, and items not accepted for tax purposes or subject to tax.

3. Tax Status

- The company has settled its tax liability with Income Tax Department up to the year ended 2014.
- The income tax returns for the years 2015 and 2016 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 tax provision have been taken on the company's results of operations for the three months ended at 31 March 2017 as the company's expenses exceeded it's taxable revenues.

4. Financial Instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets of the company include cash and cash equivalents, accounts receivables, and securities. Financial liabilities of the company include bank facilities and accounts payable.

Fair Value

The fair values of the financial assets and liabilities are not materially different from their carrying values as most of these items are either short-term in nature or re-priced frequently.

Financial assets and financial liabilities measured at fair value in the 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.

31 March 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through statement of profit or loss	347,588	-	-	347,588
Financial assets held for sale at fair value	1,164,212	-	-	1,164,212
Financial assets at fair value through other comprehensive income	2,014,148	-	357,491	2,371,639
	<u>3,525,948</u>	<u>-</u>	<u>357,491</u>	<u>3,883,439</u>

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through statement of profit or loss	346,665	-	-	346,665
Financial assets held for sale at fair value	966,048	-	-	966,048
Financial assets at fair value through other comprehensive income	1,993,235	-	357,491	2,350,726
	<u>3,305,948</u>	<u>-</u>	<u>357,491</u>	<u>3,663,439</u>

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

Credit Risk

Credit risks are those risks resulting from the default of counterparties to the financial instrument to repay their commitment to the company. The company limits its credit risk by only dealing with reputable banks and by setting credit limits for individual customers and monitoring outstanding receivables. The maximum exposure to credit risk is represented by the carrying value of each financial asset.

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.

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.

31 March 2017	Less than one year	More than one year	Total
Bank facilities	680,455	4,479,332	5,159,787
Amounts due to related parties	-	6,967,539	6,967,539
Deferred revenues	-	71,400	71,400
Payables and other liabilities	1,201,559	-	1,201,559
	<u>1,882,014</u>	<u>11,518,271</u>	<u>13,400,285</u>

31 December 2016	Less than one year	More than one year	Total
Bank facilities	662,930	4,479,332	5,142,262
Amounts due to related parties	-	6,968,371	6,968,371
Deferred revenues	-	71,400	71,400
Payables and other liabilities	1,186,390	-	1,186,390
	<u>1,849,320</u>	<u>11,519,103</u>	<u>13,368,423</u>

Equity Price Risk

Equity price risk results from the change in the fair value of equity securities. The company manages these risks through the diversification of investments in several geographical areas and economic sectors. If the quoted market price of listed equity securities had increased or decreased by 10%, the comprehensive income for the period would have been reduced / increased by JOD (352,595) for the three months ended at 31 March 2017 (JOD 330,595 for 2016).

5. 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.

	31 March 2017	31 December 2016
Total Debt	5,159,787	5,142,262
Total Equity	54,499,746	54,304,588
Debt to Equity ratio	<u>9.5%</u>	<u>9.5%</u>