

العربية الدولية للفنادق م.ع.م

Arab International Hotels PLC.

Date: 23/4/2017

Ref: 13/76/7610

Messrs Stock Exchange

Subject: Audited Financial Statements for the
year ended 31/12/2016

Please find attached the audited financial statements of Arab international hotels company for the year ended 31/12/2016.

Yours faithfully,

Arab International Hotels

Bassam F. Maayeh

Managing Director

بورصة عمان
الدائرة الإدارية والمالية
الديوان
٢٤ نيسان ٢٠١٧
2343
الرقم المتسلسل:
31005
رقم الملف:
الجهة المختصة: ١١١٩٤

ARAB INTERNATIONAL HOTELS COMPANY

FINANCIAL STATEMENTS

31 DECEMBER 2016

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Arab International Hotels Company Public Shareholding Company
Amman – Jordan**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Arab International Hotels Company Public Shareholding Company (the Company), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition

We have considered revenue recognition as key audit matter as there is a risk of misstatement of revenue due to high volume of revenues with low value transactions. In addition, We focus on this area because there is a risk that billing to guests and customers may be done for services that are not rendered or services rendered but not billed or recorded and hence may result in an overstatement or understatement of revenue. The Company focuses on revenue as a key performance measure, which may create an incentive for revenue to be recognized before rendering the service.

We considered the appropriateness of the Company's revenue recognition accounting policies and assessed compliance with the policies in terms of applicable International Financial Reporting Standards. We tested the Company's controls around revenue recognition and key controls in the revenue cycle. We performed analytical procedures for the gross margin for rooms and food and beverages departments.

Having built expectations about revenue figures for the year we performed substantive analytical procedures using financial and non-financial information. We selected and tested a sample of journal entries on revenue accounts.

Refer to Note 26 to the financial statements for more details about revenues and note 5 for significant accounting policies and significant judgements and estimates applicable to revenue account

Other information included in the Company's 2016 annual report.

Other information consists of the information included in the annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts which are in agreement with the financial statements.

Ernst & Young / Jordan

Waddah Isam Barkawi
Registration No. 591

Amman – Jordan
1 March 2017

Ernst & Young

ARAB INTERNATIONAL HOTELS COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	<u>Notes</u>	<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
ASSETS			
Non-current assets -			
Property and equipment	6	11,606,565	10,869,554
Projects in progress	7	2,312,347	497,854
Financial assets at fair value through other comprehensive income	8	6,584,036	6,891,216
Investment in associates	9	52,284,392	51,782,110
		<u>72,787,340</u>	<u>70,040,734</u>
Current assets -			
Inventories		577,709	703,773
Accounts receivable and other current assets	10	756,048	978,457
Cash and deposits at banks	11	2,488,340	3,435,352
		<u>3,822,097</u>	<u>5,117,582</u>
Total Assets		<u>76,609,437</u>	<u>75,158,316</u>
EQUITY AND LIABILITIES			
EQUITY			
Paid-in capital	12	32,000,000	32,000,000
Share premium		3,644,693	3,644,693
Statutory reserve	12	8,000,000	8,000,000
Voluntary reserve	12	14,000,000	16,000,000
Fair value reserve	8	(1,532,681)	(1,224,345)
Company's share from fair value reserve //from investment in associates		(294,556)	26,280
Retained earnings		5,299,249	2,927,521
Total Equity		<u>61,116,705</u>	<u>61,374,149</u>
LIABILITIES			
Non-current liabilities -			
Long-term loans	14	8,030,570	8,438,183
Current liabilities -			
Due to banks	11	886,579	-
Current portion of long- term loans	14	3,900,324	2,648,386
Accounts payable		1,039,082	1,192,631
Provisions and other current liabilities	15	1,636,177	1,504,967
		<u>7,462,162</u>	<u>5,345,984</u>
Total Liabilities		<u>15,492,732</u>	<u>13,784,167</u>
Total Equity and Liabilities		<u>76,609,437</u>	<u>75,158,316</u>

The accompanying notes from 1 to 27 form part of these financial statements

ARAB INTERNATIONAL HOTELS COMPANY
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Notes</u>	<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
Operating revenues from Amman Marriott Hotel		12,498,249	10,916,644
Operating expenses from Amman Marriott Hotel		(9,129,699)	(7,918,586)
Depreciation on property and equipment		(1,142,921)	(1,083,645)
Net operating revenues from the hotel		2,225,629	1,914,413
Share of profit of associates	9	1,891,888	1,136,242
Interest income		7,231	140,550
Finance costs		(459,698)	(595,590)
Other income	16	419,576	415,945
Depreciation on property and equipment		(37,063)	(27,981)
Administrative expenses	17	(773,178)	(718,073)
Board of Directors remuneration		(65,000)	(65,000)
Profit before income tax		3,209,385	2,200,506
Income tax expense	18	(277,657)	(239,793)
Profit for the year		2,931,728	1,960,713
		<u>JD / Fils</u>	<u>JD / Fils</u>
Basic and diluted earnings per share	20	0/092	0/061

The accompanying notes from 1 to 27 form part of these financial statements

ARAB INTERNATIONAL HOTELS COMPANY
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Note</u>	<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
Profit for the year		2,931,728	1,960,713
Add: Other comprehensive income items not to be reclassified to profit or loss in subsequent periods:			
Change in fair value of financial assets at fair value through other comprehensive income	8	(308,336)	14,748
Company's share of net change in fair value reserve from investments in associates	9	<u>(320,836)</u>	<u>(395,356)</u>
Total comprehensive income for the year		<u>2,302,556</u>	<u>1,580,105</u>

The accompanying notes from 1 to 27 form part of these financial statements

ARAB INTERNATIONAL HOTELS COMPANY
STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Paid-in capital JD	Share premium JD	Statutory reserve JD	Voluntary reserve JD	Fair value reserve JD	Company's share from fair value reserve /from investment in associates JD	Retained earnings* JD	Total JD
2016 -								
Balance at 1 January 2016	32,000,000	3,644,693	8,000,000	16,000,000	(1,224,345)	26,280	2,927,521	61,374,149
Total comprehensive income for the year	-	-	-	-	(308,336)	(320,836)	2,931,728	2,302,556
Dividends (note 13)	-	-	-	-	-	-	(2,560,000)	(2,560,000)
Transfers (note 12)	-	-	-	(2,000,000)	-	-	2,000,000	-
Balance at 31 December 2016	32,000,000	3,644,693	8,000,000	14,000,000	(1,532,681)	(294,556)	5,299,249	61,116,705
2015 -								
Balance at 1 January 2015	32,000,000	3,644,693	7,788,445	16,000,000	(1,239,093)	429,077	3,730,922	62,354,044
Total comprehensive income for the year	-	-	-	-	14,748	(395,356)	1,960,713	1,580,105
Dividends	-	-	-	-	-	-	(2,560,000)	(2,560,000)
Transfers	-	-	211,555	-	-	-	(211,555)	-
Company's share of investments in associates gain from sale of financial assets through other comprehensive income	-	-	-	-	-	(7,441)	7,441	-
Balance at 31 December 2015	32,000,000	3,644,693	8,000,000	16,000,000	(1,224,345)	26,280	2,927,521	61,374,149

* It is restricted to use an amount of JD 1,827,237 from retained earnings which represents the total negative balance of the fair value reserve and Company's share from fair value reserve /from investment in associates.

The accompanying notes from 1 to 27 form part of these financial statements

ARAB INTERNATIONAL HOTELS COMPANY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 JD	2015 JD
<u>OPERATING ACTIVITIES</u>			
Profit before income tax		3,209,385	2,200,506
Adjustments for:			
Depreciation on property and equipment		1,179,984	1,111,626
(Loss) gain on sale of property and equipment		14,372	(13,721)
Finance costs		459,698	595,590
Interest income		(7,231)	(140,550)
Share of profit of associates		(1,891,888)	(1,136,242)
Provision for doubtful accounts		-	27
Dividend income		(391,576)	(402,224)
Changes in working capital:			
Inventories		126,064	(36,466)
Accounts receivable and other current assets		222,409	(111,259)
Accounts payable		(153,549)	78,979
Provisions and other current liabilities		118,890	(128,481)
Income tax paid		(265,337)	(156,748)
Net cash flows from operating activities		2,621,221	1,861,037
<u>INVESTING ACTIVITIES</u>			
Purchase of property and equipment		(1,931,367)	(1,542,231)
Purchase of financial assets at fair value through other comprehensive income		(1,156)	-
Proceeds from sale of property and equipment		-	13,721
Reduction of associate share capital		-	5,257,407
Dividends received from associates		1,068,770	1,499,793
Interest income received		7,231	140,550
Dividends income received		391,576	402,224
Projects in progress		(1,814,493)	(497,854)
Increase in associate share capital		-	(267,431)
Net cash flows (used in) from investing activities		(2,279,439)	5,006,179
<u>FINANCING ACTIVITIES</u>			
Dividends paid		(2,560,000)	(2,560,000)
Repayments of loans		(2,954,404)	(1,559,800)
Proceeds from loans		3,798,729	3,854,769
Repayment of bonds		-	(4,000,000)
Finance costs paid		(459,698)	(595,590)
Net cash flows used in financing activities		(2,175,373)	(4,860,621)
Net (decrease) increase in cash and cash equivalents		(1,833,591)	2,006,595
Cash and cash equivalents on 1Januray		3,435,352	1,428,757
Cash and cash equivalents on 31 December	11	1,601,761	3,435,352

The accompanying notes from 1 to 27 form part of these financial statements

(1) GENERAL

The Arab International Hotels Company (the "Company") was registered as a Public Shareholding Company in 1975 with a paid-in capital of JD 3,000,000. The paid in capital was increased several times through out the years to become JD 32,000,000 with par value of JD 1 per share.

The Company owns Amman Marriott Hotel which commenced its operations during 1982. The Hotel is managed by Marriott International Corporation in accordance with a management agreement signed during 1976 and its subsequent amendments the latest of which was in 2014 and is valid until 2041.

The financial statements were approved by the Company's Board of Directors on 9 February 2017. These financial statements require the approval of the General Assembly of the shareholders of the Company.

(2) BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention except for the financial assets at fair value which are presented at fair value as of the date of the financial statements.

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been presented in Jordanian Dinar, which is the functional currency of the Company.

(3) CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015 except for the followings:

Equity Method in Separate Financial Statements (Amendments to IAS 27 and IFRS 1)

In August 2014, the IASB amended IAS 27 Separate Financial Statements which restore the option for entities, in the separate financial statements, to account for investments in subsidiaries, associates and joint ventures using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

IAS 1 *Presentation of Financial Statements – Amendments to IAS 1*

The amendments to IAS 1 include narrow-focus improvements related to :

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments

Investment entities (Amendments to IFRS 10 and IAS 28)

The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

- The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity: The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

The implementation of the new amendments did not have impact on the Company's financial position or performance and became effective for annual periods which started from 1 January 2016.

(4) USE OF ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

(5) SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses.

Property and equipment (except for lands) is depreciated using the straight-line method over their estimated useful lives using the following annual depreciation rates:

	<u>%</u>
Hotel's building and renovations and improvements	2-20
Furniture and fixture	8-12
Machinery and equipment	6-20
Vehicles	15
Fire extinguishing system	4

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. The asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Loss is recognized in the statement of profit or loss.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the related item of property and equipment. All other expenditures are recognised in the statement of profit or loss as the expense is incurred.

Projects in progress

Projects in progress are stated at cost, which represents cost of constructions, equipment and the direct costs.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are recorded at fair value plus acquisition costs at the date of acquisition and subsequently measured at fair value. Changes in fair value are reported as a separate component in the statement of other comprehensive income and in the statement of equity including the change in fair value resulting from conversion differences of non-cash items of assets at foreign currencies. In case of sale of such assets or part of it, the gain or loss is recorded at the statement of profit and loss and in the statement of equity and the valuation reserve balance for sold assets will be transferred directly to retained earnings.

These assets are not subject to impairment testing and dividends received are recognised in the statement of profit and loss when declared.

Investments in associates

An associate is an entity in which the Company has significant influence on the financial and operating decision making (the Company does not control) which the company owns 20% to 50% from the voting rights. The Company's investments in its associates are accounted for using the equity method.

Income and expenses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

Accounts receivable

Accounts receivable are stated at original invoice amount less any provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full or part of the amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Inventories

Inventories are valued at cost (weighted average costing) or net realizable value whichever is lower.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Fair value

The Company measures financial instruments such as financial assets at fair value through other comprehensive income at fair value on the date of the financial statements as disclosed in note 23.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Loans and borrowings

After initial recognition, interest bearing loans are subsequently measured at amortized cost using the effective interest rate method.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) arising from a past event and the cost to settle the obligation is both probable and able to be reliably measured.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments which are measured based on the reporting to management and the decision makers in the Company.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Revenue recognition

Revenue is recognized when the sale transaction is completed and the risk and rewards are transferred to the customer and the revenue can be reliably measured. Revenue from services is recognized when service is rendered.

Profits of associates is recognised by using the equity method when the associates declare their results.

Interest revenue is recognised on accrual basis using effective interest rate.

Other income is recognised on accrual basis.

Expenses are recognised on accrual basis.

Foreign currency

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

Income Taxes

Income tax for the years ended 31 December 2016 and 31 December 2015 is accounted for in accordance with the Income Tax Law No. (34) of 2014 and International Accounting Standard No. 12 which states that deferred tax is provided for temporary differences, at each reporting date, between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Current tax is calculated based on taxable profits, which may differ from accounting profits appearing in the statement of profit or loss. Accounting profits may include non-taxable profits or expenses which may not be tax deductible in the current but in subsequent applicable years.

ARAB INTERNATIONAL HOTELS COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(6) PROPERTY AND EQUIPMENT

	Lands	Hotel's building and renovations and improvements	Furniture and fixtures	Machinery and equipment	Vehicles	Fire extinguishing system	Work in progress*	Total
2016- Cost	JD	JD	JD	JD	JD	JD	JD	JD
At 1 January 2016	1,117,008	16,311,352	8,096,504	5,823,410	278,550	418,462	932,243	32,977,529
Additions	977,160	14,917	45,127	124,585	131,000	-	638,578	1,931,367
Transferred from projects in progress	-	-	-	615,093	-	-	(615,093)	-
Disposals	-	-	(65,702)	-	-	-	-	(65,702)
At 31 December 2016	2,094,168	16,326,269	8,075,929	6,563,088	409,550	418,462	955,728	34,843,194
Accumulated depreciation								
At 1 January 2016	-	10,651,624	6,059,484	4,758,085	235,273	403,509	-	22,107,975
Additions	-	328,154	405,218	403,602	28,600	14,410	-	1,179,984
Disposals	-	-	(51,330)	-	-	-	-	(51,330)
At 31 December 2016	-	10,979,778	6,413,372	5,161,687	263,873	417,919	-	23,236,629
Net book value								
At 31 December 2016	2,094,168	5,346,491	1,662,557	1,401,401	145,677	543	955,728	11,606,565
Cost								
At 1 January 2015	706,531	16,248,001	8,104,878	6,214,119	360,000	418,462	58,482	32,110,473
Additions	410,477	63,351	81,030	113,612	-	-	873,761	1,542,231
Disposals	-	-	(89,404)	(504,321)	(81,450)	-	-	(675,175)
At 31 December 2015	1,117,008	16,311,352	8,096,504	5,823,410	278,550	418,462	932,243	32,977,529
Accumulated depreciation								
At 1 January 2015	-	10,328,471	5,743,251	4,918,168	296,000	387,634	-	21,671,524
Depreciation for the year	-	325,153	405,637	344,238	20,723	15,875	-	1,111,626
Disposals	-	-	(89,404)	(504,321)	(81,450)	-	-	(675,175)
At 31 December 2015	-	10,651,624	6,059,484	4,758,085	235,273	403,509	-	22,107,975
Net book value								
At 31 December 2015	1,117,008	5,659,728	2,037,020	1,065,325	43,277	14,953	932,243	10,869,554

The cost of fully depreciated property and equipment as at 31 December 2016 is JD 8,380,450 (2015: JD 7,830,702).

*Total cost to complete the work in progress is expected to be JD 250,000 and expected to be completed in 2017.

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(7) PROJECTS IN PROGRESS

This item represents the cost of work executed on the solar system plant project as follows:

	<u>2016</u>	<u>2015</u>
	JD	JD
Development	2,134,409	438,628
Studies and consultations	83,626	48,912
Bank interest	77,270	-
Others	17,042	10,314
	<u>2,312,347</u>	<u>497,854</u>

The total cost to complete the project is JD 550,000 and it is expected to be completed in the first quarter of 2017.

(8) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>2016</u>	<u>2015</u>
	JD	JD
Investment in companies' shares - quoted	6,407,036	6,714,216
Investment in companies' shares- unquoted*	177,000	177,000
	<u>6,584,036</u>	<u>6,891,216</u>

- * Investments in unquoted shares are stated at cost as it is practically difficult to reliably measure its fair value based on management opinion.

Movement on fair value reserve is as follows:

	<u>2016</u>	<u>2015</u>
	JD	JD
Beginning balance	(1,224,345)	(1,239,093)
Change in fair value	(308,336)	14,748
Ending balance	<u>(1,532,681)</u>	<u>(1,224,345)</u>

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(9) INVESTMENT IN ASSOCIATES

	% of ownership		Value	
	2016	2015	2016	2015
	%	%	JD	JD
Business Tourism Company	34.51	34.51	17,274,105	17,218,852
Al Dawliyah for Hotels and Malls Company	26.62	26.62	15,281,980	14,458,160
Interior Design Studio Company	25	25	74,638	58,156
Beaches Company for Hotels and Resorts	30.93	30.93	2,898,487	3,040,250
Jordan Investor Center Company	49.34	49.34	15,242,180	15,493,193
Arab International Real Estate Company	42.35	42.35	1,513,002	1,513,499
			<u>52,284,392</u>	<u>51,782,110</u>

Company

Main operation

Business Tourism Company	Owning Company of J Valley Marriot and Petra Marriott Hotels
Al Dawliyah for Hotels and Malls Company	Owning Company of Sheraton Amman Hotel
Interior Design Studio Company	Interior Designs for hotels
Beaches Company for Hotels and Resorts	Owning Company of Marriot Aqaba Hotel under construction
Jordan Investor Center Company	Investments in stocks and companies
Arab International Real Estate Company	Investments in lands and real estate

Movement on investment in associates is as follows:

	2016	2015
	JD	JD
Balance at 1 January	51,782,110	52,273,586
Dividends received	(1,068,770)	(1,499,793)
Share of profit of associates	1,891,888	1,136,242
Share of change in fair value reserve	(320,836)	(395,356)
Share of financial assets at fair value through other comprehensive income	-	-
Gain from sale increase in associate*	-	267,431
	<u>52,284,392</u>	<u>51,782,110</u>

* This represents the Company's share from the capital increase of its associate Arab International Real Estate Company. The general assembly of Arab International Real Estate Company resolved in its extraordinary meeting held on 28 May 2015 to increase its subscribed and paid in capital from JD 3,145,000 to JD 3,600,000 as of 31 December 2015.

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	Al Dawiyah for Hotels and Malls Company		Business Tourism Company		Jordan Investor Center Company		Interior Design Studio Company		Beaches Company for Hotels and Resorts		Arab International Real Estate Company	
	JD		JD		JD		JD		JD		JD	
2016 -												
Investment in associates												
Current assets	7,956,737		4,936,749		9,905,595		347,329		368,872		90,347	
Non-current assets	59,398,226		55,825,168		27,305,777		41,973		13,939,939		3,482,599	
Current liabilities	(5,178,232)		(4,052,324)		(8,612,949)		(93,933)		(1,163)		(2,992)	
Non-current liabilities	(2,748,927)		(2,915,226)		-		-		-		-	
Equity	59,427,804		53,794,367		28,598,423		295,369		14,307,648		3,569,954	
Ownership %	26,622		34,516		49,342		25		30,926		42,353	
Investment carrying amount	15,281,980		17,274,105		15,242,180		74,638		2,898,487		1,513,002	
Revenues	17,494,817		14,083,528		1,741,544		713,399		16,767		2,271	
Administrative expenses	(11,506,536)		(13,833,525)		(502,539)		(644,315)		(75,150)		(3,444)	
Finance costs	(124,175)		(79,924)		(382,817)		(1,500)		(13)		-	
Income before tax	5,960,106		170,079		856,188		67,584		(58,396)		(1,173)	
Income tax expense	(534,918)		(10,000)		-		(1,655)		-		-	
Profit for the year	5,230,188		160,079		856,188		65,929		(58,396)		(1,173)	
The Company's share of profit for the year	1,416,246		55,253		422,462		16,482		(18,060)		(496)	

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	AI Dawliyah for Hotels and Malls Company	Business Tourism Company	Jordan Investor Center Company	Interior Design Studio Company	Beaches Company for Hotels and Resorts	Arab International Real Estate Company
	JD	JD	JD	JD	JD	JD
2015 -						
Investment in associates						
Current assets	3,410,418	4,480,697	9,513,857	391,784	843,726	92,389
Non-current assets	58,578,490	53,941,794	25,928,892	44,152	13,938,854	3,482,599
Current liabilities	(2,488,913)	(3,046,942)	(6,299,518)	(204,746)	(7,536)	(3,861)
Non-current liabilities	(3,166,888)	(1,806,413)	-	-	-	-
Equity	56,333,107	53,569,136	29,143,231	231,190	14,775,044	3,571,127
Ownership %	26,620	34,516	49,341	25	30,926	42,353
Investment carrying amount	14,458,160	17,218,852	15,493,193	58,156	3,040,250	1,513,499
Revenues	15,246,206	12,960,596	1,564,701	847,262	215,848	11,037
Administrative expenses	(12,268,672)	(12,487,496)	(445,615)	(741,487)	(74,808)	(415)
Finance costs	(169,144)	(103,391)	(384,379)	(10,103)	(2,811)	(40,579)
Income before tax	2,808,390	369,709	734,707	95,672	138,229	(29,957)
Income tax expense	(537,338)	(25,961)	-	(5,176)	(7,000)	-
Profit for the year	2,271,052	343,748	734,707	90,496	131,229	(29,957)
The Company's share of profit for the year	604,562	118,648	362,512	22,624	40,584	(12,688)

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(10) ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

	2016	2015
	JD	JD
Trade receivables	517,510	824,382
Allowance for doubtful debts	(40,384)	(45,007)
	477,126	779,375
Amounts due from related parties	83,448	121,305
Other receivables	195,474	77,777
	756,048	978,457

Impaired trade receivables amounted to JD 40,384 as at 31 December 2016 (2015: JD 45,007).

Movement on allowance for doubtful debts is as follows:

	2016	2015
	JD	JD
Balance as of 1 January	45,007	49,537
Charge for the year	-	27
Amounts written off during the year	(4,623)	(4,557)
Balance as of 31 December	40,384	45,007

As at 31 December, the ageing of unimpaired receivables is as follows:

	Past due but not impaired						
	1 - 30 days	31 - 60 days	61 - 90 day	91 - 120 day	121 - 150 day	>150 days	Total
	JD	JD	JD	JD	JD	JD	JD
2016	325,944	90,597	36,291	5,221	654	18,419	477,126
2015	563,065	117,237	82,414	5,882	3,277	7,500	779,375

The Company's management determines impaired trade receivables in detailed basis at the individual customers' balances level. A general provision is established based on the receivables aging.

The management expects to collect all unimpaired receivables balances. It is not the practice of the Company to obtain collateral over receivable and the vast majorities are, therefore, unsecured.

(11) CASH ON HAND AND AT BANKS

	2016	2015
	JD	JD
Short-term deposits*	-	820,617
Cash on hands and at banks	2,488,340	2,614,735
	2,488,340	3,435,352
Less: Due to banks **	886,579	-
	1,601,761	3,435,352

*Short term deposits represent deposits held with local banks in Jordanian Dinars with maturities of three months and less, with an interest rate of 2.75% for the year 2015.

**The Company has been granted bank facilities from the Jordan Ahli Bank with a ceilings of JD 1,000,000 at an annual interest rate of 7.5%.

(12) EQUITY

Paid-in capital

The Company authorized paid-in capital amounted to JD 32,000,000 divided to 32,000,000 shares with par value of JD 1 per share as at 31 December 2016.

Share premium

The amount accumulated in this account represents the difference between the proceeds of share issuances and the par value of the issued shares.

Statutory reserve

The accumulated amounts in this account represent cumulative appropriations of 10% of the profit before income tax. The statutory reserve is not available for distribution to the shareholders. The Company is allowed to stop the yearly transfer when the reserve amount reaches 25% of the share capital. Hence, the Company did not transfer any additional amount to statutory reserve for the year 2016.

Voluntary reserve

The accumulated amounts in this account represent cumulative appropriations not exceeding 20% of the annual profit before tax. This reserve is available for distribution to the shareholders.

The general assembly approved in its meeting held on 31 March 2016 to transfer an amount of JD 2,000,000 from the voluntary reserve account to retained earnings account.

(13) Dividends

The general assembly approved in its meeting held on 31 March 2016, the distribution of cash dividends amounted to JD 2,560,000 representing 8% of the paid in capital as of 31 December 2016 (2015: JD 2,560,000).

The Board of Directors will recommend to the general assembly in their meeting to be held on 11 April 2017 to distribute 8% cash dividends of 2016 results.

(14) Loans

	2016		Total	
	Current portion of long- term loans	Long term loans	2016	2015
	JD	JD	JD	JD
Jordan Ahli Bank – USD (1)	-	-	-	850,800
Jordan Ahli Bank – USD (2)	1,418,000	3,545,000	4,963,000	6,381,000
Jordan Ahli Bank – USD (3)	330,869	2,316,067	2,646,936	2,977,800
Jordan Ahli Bank – JD (4)	289,266	2,169,503	2,458,769	876,969
Jordan Ahli Bank – USD (5)	1,862,189	-	1,862,189	-
	<u>3,900,324</u>	<u>8,030,570</u>	<u>11,930,894</u>	<u>11,086,569</u>

Jordan Ahli Bank – USD (1)

This represents Jordan Ahli Bank loan amounting to USD 6,000,000 (JD 4,254,000). The Company signed an agreement with Jordan Ahli Bank on 21 December 2010 to consolidate loans granted to the Company by the Bank to become one loan and rescheduling of repayments to repay the loan in semi- annual instalments of USD 600,000 (JD 425,000) and bears an interest of LIBOR plus 1,25% the first instalment was due on 30 June 2009. The entire loan balance was paid as at 31 December 2016 (2015: JD 850,000).

Jordan Ahli Bank – USD (2)

This represents Jordan Ahli Bank loan amounting to USD 10,000,000 (JD 7,090,000). The Arab International Hotels Company has signed an agreement with Jordan Ahli Bank on 6 August 2015 for a loan which was granted against the Company's guarantee and with an interest rate of 4.10% to be paid in 10 equal in semi-annual instalments. The first instalment was due on 30 September 2015, and the interest will be paid every 6 months.

Jordan Ahli Bank – USD (3)

This represents Jordan Ahli Bank loan amounting to USD 4,200,000 (JD 2,977,800). The Arab International Hotels Company has signed an agreement with Jordan Ahli Bank on 15 April 2015 for a loan which was granted against the Company's guarantee and with an interest rate of 4.10% to be paid in 18 equal in semi-annual instalments. The first instalment was due on 30 September 2016, and the interest will be paid every 6 months.

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Jordan Ahli Bank – JD (4)

This represents Jordan Ahli Bank loan amounting to JD 4,000,000. The Arab International Hotels Company has signed an agreement with Jordan Ahli Bank on 4 November 2015 for a loan granted against the Company's guarantee and with an interest rate of 4% to be paid in 18 equal in semi- annual instalments. The first instalment was due on 1 November 2016, and the interest will be paid monthly.

Jordan Ahli Bank – USD (5)

This represents Jordan Ahli Bank loan amounting to USD 3,000,000 (JD 2,127,000). The Arab International Hotels Company has signed an agreement with Jordan Ahli Bank on 8 May 2016 for a revolving loan which was granted against the Company's guarantee and with an interest rate of LIBOR plus 1,5% with minimum interest rate of 4.1%, and is repayable on 4 quarterly instalments, and the first instalment was due on 8 August 2016, and the loan is automatically renewed.

The amount of annual payments and maturities of the loans are as follows:

<u>Year</u>	<u>JD</u>
2017	3,900,324
2018	2,038,132
2019	2,038,132
2020	1,329,132
2021 - 2025	2,625,174
	<u>11,930,894</u>

(15) PROVISIONS AND OTHER CURRENT LIABILITIES

	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Dividends payable	413,832	404,749
Board of Directors' benefits	65,000	65,000
Accrued expenses	622,559	531,887
Income tax provision (note 18)	287,689	275,369
Others	247,097	227,962
	<u>1,636,177</u>	<u>1,504,967</u>

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(16) OTHER INCOME

	<u>2016</u>	<u>2015</u>
	JD	JD
Dividends income	391,576	402,224
Others	28,000	13,721
	<u>419,576</u>	<u>415,945</u>

(17) ADMINISTRATIVE EXPENSES

	<u>2016</u>	<u>2015</u>
	JD	JD
Salaries, wages and other benefits	372,477	348,492
Social security	12,025	8,317
Board of Directors Travel and transportation expenses	91,962	74,409
Chairman office expenses	9,757	11,108
Insurance expenses	70,705	69,371
Governmental fees	34,653	26,677
Donations	25,600	25,600
Rent	19,350	19,350
Professional fees	10,435	19,351
Advertisement expenses	6,790	7,432
Vehicles expenses	11,880	13,793
Bank expenses	25,737	25,765
Property tax expenses	45,724	45,724
Stationery and publications	11,726	8,549
Loss on disposal of property and equipment	14,372	-
Others	9,985	14,135
	<u>773,178</u>	<u>718,073</u>

(18) INCOME TAX

The income tax for the years ended 31 December 2016 and 31 December 2015 is calculated in accordance with the Income Tax Law No. (34) of 2014.

The Company reached a final settlement with the Income Tax Department for the years 2012, 2013 and 2014.

The Income Tax Department has not reviewed the income tax declaration for the year 2015 up to the date of these financial statements.

As indicated in note (19), Income and Sales Tax Department, as detailed in contingent liabilities note.

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Movement on income tax provision is as follow:

	<u>2016</u>	<u>2015</u>
	JD	JD
Balance as of 1 January	275,369	192,324
Income tax expense	277,657	239,793
Income tax paid	(265,337)	(156,748)
Balance as of 31 December	<u>287,689</u>	<u>275,369</u>

The Company does not account for deferred tax due to the insignificant effect it has on the financial statements at the discretion of management.

The reconciliation between the accounting profit before income tax and taxable income is as follows:

	<u>2016</u>	<u>2015</u>
	JD	JD
Accounting (loss) profit before tax	3,209,385	2,200,506
Non-taxable income	(2,283,464)	(1,542,174)
Non-deductible expenses	462,365	540,633
Taxable income	<u>1,388,286</u>	<u>1,198,965</u>
Income tax expense for the year	277,657	239,793
Statutory income tax rate	20%	20%
Effective income tax rate	8,7%	10,9%

(19) CONTINGENT LIABILITIES

The Income Tax Department has reviewed the accounting records of the International Company for Industrial Commercial and Tourism Investments Public Shareholding Company (The Company merged with Arab International Hotels Company) for the years 1995 and 1996 and assessed an income tax liability of JD 231,154 and 130,001 respectively. The Company appealed the assessment and the case is still pending in the court. The Income Tax Department did not review the tax filings for The International Company for Industrial Commercial and Tourism Investments for the years 1996, 1998 and 1999 up to the date of these financial statements.

(20) BASIC AND DILUTED EARNINGS PER SHARE

	<u>2016</u>	<u>2015</u>
Profit for the year (JD)	2,931,728	1,960,713
Weighted average number of shares (share)	<u>32,000,000</u>	<u>32,000,000</u>
	<u>JD/ Fils</u>	<u>JD/ Fils</u>
Basic earnings per share	<u>0/092</u>	<u>0/061</u>

The diluted earnings per share of the profit for the year to shareholders of the Company is equal to the basic earning per share of profit for the year.

(21) TRANSACTION WITH RELATED PARTIES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Related parties balances included in the statement of financial position is as follow:

	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Loans from Jordan Ahli Bank	11,930,894	11,086,569
Deposits at Jordan Ahli Bank	-	820,617
Current account at Jordan Ahli Bank	2,466,840	2,593,235
Overdraft account at Jordan Ahli Bank	886,579	-
Amounts due from related parties:		
	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Due from Interior Design Studio Company Partner	36,299	50,799
Interior Design Studio Company	-	4,847
Petra Marriott Hotel	12,428	33,101
Jordan Valley Marriott Hotel	34,721	32,558
	<u>83,448</u>	<u>121,305</u>

Transactions with related parties included in the statement of profit or loss are as follows:

	<u>2016</u> JD	<u>2015</u> JD
Key management salaries and benefits and Board of Directors remuneration	393,911	384,832
Interest income on deposits - Jordan Ahli Bank	7,231	140,550
Finance costs – Jordan Ahli Bank	459,698	432,111
Interest on bonds from related parties	-	52,771

(22) RISK MANAGEMENT

Interest rate risk

The Company is exposed to interest rate risk on its interest bearing assets and liabilities such as bank deposits and bank overdraft and term loans. There is no interest rate risk associated with interest rate on bonds as its fixed interest rates.

The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December.

The following table demonstrates the sensitivity of the statement of profit or loss to reasonably possible changes in interest rates as 31 December, with all other variables held constant.

2016-	<u>Increase</u> <u>in basis points</u>	<u>Effect on</u> <u>profit</u> <u>for the year</u> JD
Currency		
JD-deposits	100	-
USD-loan	100	(94,721)
JD-loan	100	(24,588)
	<u>Decrease</u> <u>in basis points</u>	<u>Effect on</u> <u>profit for the</u> <u>year</u> JD
Currency		
JD-deposits	100	-
USD-loan	100	94,721
JD-loan	100	24,588

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2015- Currency	<u>Increase in basis points</u>	<u>Effect on profit for the year JD</u>
JD - deposits	100	8,206
USD - loan	100	(102,096)
JD - loan	100	(8,770)

Currency	<u>Decrease in basis points</u>	<u>Effect on profit for the year JD</u>
JD - deposits	100	(8,206)
USD - loan	100	102,096
JD - loan	100	8,770

Equity price risk

The following table demonstrates the sensitivity of the fair value reserve to reasonably possible changes in equity prices, with all other variables held constant.

2016- Equity price	<u>Change in equity price %</u>	<u>Effect on equity JD</u>
Amman Stock Market	5 (5)	320,352 (320,352)

2015 - Equity price	<u>Change in equity price %</u>	<u>Effect on equity JD</u>
Amman Stock Market	5 (5)	335,711 (335,711)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The Company seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

Liquidity risk

The Company limits its liquidity risk by ensuring bank facilities are available.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

31 December 2016	<u>Less than 3 months</u> JD	<u>3 to 12 months</u> JD	<u>1 to 5 years</u> JD	<u>Total</u> JD
Due to banks	903,202	-	-	903,202
Accounts payable and other current liabilities	2,675,259	-	-	2,675,259
Long-term loans	2,793,988	1,444,304	8,726,435	12,964,727
Total	6,372,449	1,444,304	8,726,435	16,543,188

31 December 2015	<u>Less than 3 months</u> JD	<u>3 to 12 months</u> JD	<u>1 to 5 years</u> JD	<u>Total</u> JD
Accounts payable and other current liabilities	2,697,598	-	-	2,697,598
Long-term loans	776,585	1,852,283	9,418,372	12,047,240
Total	3,474,183	1,852,283	9,418,372	14,744,838

Currency risk

Most of the Company's transactions are in Jordanian Dinars and US Dollar. The Jordanian Dinar is fixed against US Dollar (1.41 USD / 1JD). Accordingly, the effect of currency risk is not material to the financial statements.

(23) FAIR VALUE FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities.

Financial assets consists of cash on hand and at banks, account receivable, and other debit balances. Financial liabilities consist of accounts payable, due to banks, long-term loans, and other current liabilities.

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

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value

2016-	Level 1 JD	Level 2 JD	Level 3 JD	Total JD
Financial assets at fair value through other comprehensive income	6,407,036	-	177,000	6,584,036
2015-	Level 1 JD	Level 2 JD	Level 3 JD	Total JD
Financial assets at fair value through other comprehensive income	6,714,216	-	177,000	6,891,216

(24) CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy 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 for the current year and previous year. Capital comprises of paid-in capital, share premium, statutory reserve, voluntary reserve, change in fair value reserve, company's share from change in fair value reserve /from investment in associates, and retained earnings and is measured at JD 61,116,705 as at 31 December 2016 (2015: JD 61,374,149).

(25) CONTINGENCIES AND COMMITMENTS

Lawsuits

The Company is a defendant in a number of lawsuits amounting JD 28,593 representing legal claims related to its activities (2015: JD 64,873).

Capital expenditure -

	2016 JD	2015 JD
Project on progress	800,000	2,899,516

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(26) SEGMENT INFORMATION

A business segment is the Company's assets and operations engaged in providing products together or are subject to risks and returns services differ from those of other business segments.

Geographical segment is associated in providing products or services in a particular economic environment subject to risks and rewards that are different from those in other segments operating in other economic environments. Segment results are as follows:

	Hotel sector	Investment in associates	Investment in financial assets	Total
31 December 2016 -	JD	JD	JD	JD
Revenues	3,368,550	1,891,888	391,576	5,652,014
Segment results -				
Profit before Income tax	925,921	1,891,888	391,576	3,209,385
Income tax expense	(204,639)	(53,439)	(19,579)	(277,657)
Profit for the year	721,282	1,838,449	371,997	2,931,728
Other Segment Information				
Capital expenditure	3,745,860	-	-	3,745,860
Depreciation	1,179,984	-	-	1,179,984

	Hotel sector	Investment in associates	Investment in financial assets	Total
31 December 2015 -	JD	JD	JD	JD
Revenues	2,998,058	1,136,242	402,224	4,536,524
Segment results -				
Profit before Income tax	662,040	1,136,242	402,224	2,200,506
Income tax expense	(162,870)	(56,812)	(20,111)	(239,793)
Profit for the year	499,170	1,079,430	382,113	1,960,713
Other Segment Information				
Capital expenditure	2,040,085	-	-	2,040,085
Depreciation	1,111,626	-	-	1,111,626

Assets and Liabilities

31 December 2016

Assets	17,741,009	52,284,392	6,584,036	76,609,437
Liabilities	15,492,732	-	-	15,492,732

31 December 2015

Assets	16,484,990	51,782,110	6,891,216	75,158,316
Liabilities	13,784,167	-	-	13,784,167

(27) STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 9 Financial Instruments

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". The Company 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 will be implemented at the mandatory date on 1 January 2018, which will have an impact on the recognition and measurement of financial assets.

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 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.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendments will be effective for annual periods beginning on or after 1 January 2017, with early application permitted. The application of amendments will result in adding limited amount of disclosure information.

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.

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.

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.

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.