

**ARAB INTERNATIONAL HOTELS COMPANY**

**(PUBLIC SHAREHOLDING COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**30 SEPTEMBER 2020**



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**REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENT  
TO THE BOARD OF DIRECTOR OF ARAB INTERNATIONAL HOTELS COMPANY  
PUBLIC SHAREHOLDING COMPANY  
AMMAN - JORDAN**

**Introduction**

We have reviewed the accompanying interim condensed financial statements of Arab International Hotels Company (a public shareholding Company) comprising the interim condensed statement of financial position as at 30 September 2020 and the related interim condensed statement of profit or loss, interim condensed statement of comprehensive income, interim condensed statement of changes in equity and Interim condensed statement of cash flows for the nine months period then ended and explanatory information. Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements 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 condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Emphasis of a Matter**

Without qualifying our conclusion, we draw attention to note (16) to the interim condensed financial statements, which describes the potential effect of COVID-19 pandemic on the Company's operating environment.

Amman – Jordan  
28 October 2020

**ARAB INTERNATIONAL HOTELS COMPANY PSC**  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2020 (UNAUDITED)**

	Notes	30 September 2020 JD (Unaudited)	31 December 2019 JD (Audited)
<b>ASSETS</b>			
<b>Non-current assets -</b>			
Property and equipment	5	13,848,559	14,503,310
Financial assets at fair value through other comprehensive income	13	4,295,130	5,202,367
Investment in associates	6	43,556,209	49,038,537
		<u>61,699,898</u>	<u>68,744,214</u>
<b>Current assets -</b>			
Inventories		379,682	384,553
Accounts receivable and other current assets		1,392,522	4,584,180
Financial assets at amortized cost	10	1,500,000	1,500,000
Cash and short- term deposits	14	4,181,106	2,736,877
		<u>7,453,310</u>	<u>9,205,610</u>
<b>Total Assets</b>		<u>69,153,208</u>	<u>77,949,824</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Paid-in capital		32,000,000	32,000,000
Share premium		3,644,693	3,644,693
Statutory reserve		8,000,000	8,000,000
Voluntary reserve		8,000,000	8,000,000
Fair value reserve		(4,376,789)	(3,469,552)
Company's share from associates fair value reserve		(3,605,869)	(2,487,136)
Retained earnings		3,900,643	10,651,397
<b>Total Equity</b>		<u>47,562,678</u>	<u>56,339,402</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities -</b>			
Long-term Loans	9	8,526,736	7,656,301
Bonds payable	7	10,000,000	10,000,000
		<u>18,526,736</u>	<u>17,656,301</u>
<b>Current liabilities -</b>			
Current portion of long- term loans	9	1,565,767	1,484,310
Accounts payable		816,124	877,390
Provisions and other current liabilities		681,903	1,592,421
		<u>3,063,794</u>	<u>3,954,121</u>
<b>Total Liabilities</b>		<u>21,590,530</u>	<u>21,610,422</u>
<b>Total Equity and Liabilities</b>		<u>69,153,208</u>	<u>77,949,824</u>

The accompanying notes from 1 to 16 form part of these interim condensed financial statements

**ARAB INTERNATIONAL HOTELS COMPANY PSC**  
**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS**  
**FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED)**

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2020	2019	2020	2019
		JD	JD	JD	JD
Operating revenues from Amman Marriott Hotel		525,022	2,712,562	2,823,531	7,931,442
Operating expenses from Amman Marriott Hotel		(908,612)	(2,064,788)	(3,341,517)	(6,035,982)
Depreciation of property and equipment		(282,848)	(337,751)	(870,416)	(999,095)
<b>Net operating (loss) profit from the hotel</b>		<b>(666,438)</b>	<b>310,023</b>	<b>(1,388,402)</b>	<b>896,365</b>
Share of (loss) profit from associates		(693,593)	(201,299)	(2,602,130)	142,877
Dividends income		-	-	162,732	371,543
Other income		3,190	3,938	180,063	47,655
Depreciation of property and equipment		(9,709)	(6,879)	(29,120)	(20,637)
Interest income		45,854	44,313	184,871	118,603
Finance costs		(228,149)	(263,107)	(724,077)	(765,818)
Administrative expenses		(213,875)	(197,656)	(614,691)	(615,144)
<b>(Loss) profit before income tax</b>		<b>(1,762,720)</b>	<b>(310,667)</b>	<b>(4,830,754)</b>	<b>175,444</b>
Income tax expense	11	-	-	-	-
<b>(Loss) profit for the period</b>		<b>(1,762,720)</b>	<b>(310,667)</b>	<b>(4,830,754)</b>	<b>175,444</b>
		JD / Fils	JD / Fils	JD / Fils	JD / Fils
<b>Basic and diluted (loss) earnings per share</b>		<b>(0/055)</b>	<b>(0/010)</b>	<b>(0/151)</b>	<b>0/005</b>

The accompanying notes from 1 to 16 form part of these interim condensed financial statements

**ARAB INTERNATIONAL HOTELS COMPANY PSC**  
**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE AND THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED)**

	For the three months ended 30		For the nine months ended 30	
	September		September	
	2020	2019	2020	2019
	JD	JD	JD	JD
<b>(Loss) profit for the period</b>	(1,762,720)	(310,667)	(4,830,754)	175,444
<b>Add: Other comprehensive income items that will not be reclassified to profit or loss in subsequent periods:</b>				
Change in fair value of financial assets at fair value through other comprehensive income (note 13)	(296,812)	(206,086)	(907,237)	(722,763)
Company's share of net change in fair value reserve of associates'	120,409	(449,619)	(1,118,733)	(1,068,896)
<b>Total comprehensive income for the period</b>	<b>(1,939,123)</b>	<b>(966,372)</b>	<b>(6,856,724)</b>	<b>(1,616,215)</b>

The accompanying notes from 1 to 16 form part of these interim condensed financial statements

**ARAB INTERNATIONAL HOTELS COMPANY PSC**  
**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED)**

	Paid-in capital		Share premium		Statutory reserve		Voluntary reserve		Fair value reserve*		Company's share from associates' fair value reserve		Retained earnings		Total	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>2020 -</b>																
<b>Balance at 1 January 2020</b>	32,000,000	3,644,693	3,644,693	8,000,000	8,000,000	(3,469,552)	(2,487,136)	10,651,397	56,339,402							
Total comprehensive income for the period	-	-	-	-	(907,237)	(4,830,754)	(1,118,733)	(1,920,000)	(6,856,724)							
Dividends paid (Note 8)	-	-	-	-	-	-	-	(1,920,000)	(1,920,000)							
<b>Balance at 30 September 2020</b>	<u>32,000,000</u>	<u>3,644,693</u>	<u>3,644,693</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>(4,376,789)</u>	<u>(3,605,869)</u>	<u>3,900,643</u>	<u>47,562,678</u>							
<b>2019 -</b>																
<b>Balance at 1 January 2019</b>	32,000,000	3,644,693	3,644,693	8,000,000	13,000,000	(2,707,922)	(1,433,085)	3,361,947	55,865,633							
Total comprehensive income for the period	-	-	-	-	(722,763)	175,444	(1,068,896)	5,000,000	(1,616,215)							
Transfers (Note 4)	-	-	-	-	(5,000,000)	-	-	(1,920,000)	-							
Dividends paid (Note 8)	-	-	-	-	-	-	-	(1,920,000)	(1,920,000)							
<b>Balance at 30 September 2019</b>	<u>32,000,000</u>	<u>3,644,693</u>	<u>3,644,693</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>(3,430,685)</u>	<u>(2,501,981)</u>	<u>6,617,391</u>	<u>52,329,418</u>							

\* It is restricted to use an amount of JD 7,982,658 as of 30 September 2020 from retained earnings, which represents the total negative balance of the fair value reserve and Company's share from associates' fair value reserve.

The accompanying notes from 1 to 16 form part of these interim condensed financial statements

**ARAB INTERNATIONAL HOTELS COMPANY PSC**  
**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED)**

	Notes	For the nine months ended 30	
		September	
		2020	2019
		JD	JD
<b><u>OPERATING ACTIVITIES</u></b>			
(Loss) profit before income tax		(4,830,754)	175,444
<b>Adjustments for:</b>			
Depreciation of property and equipment		899,536	1,019,732
Finance costs		724,077	765,818
Interest income		(184,871)	(118,603)
Share of loss (profit) from associates		2,602,130	(142,877)
Dividends income		(162,732)	(371,543)
Gain from sale of property and equipment		-	(46,410)
<b>Changes in working capital:</b>			
Accounts receivable and other current assets		(519,454)	(34,210)
Inventories		4,871	24,054
Accounts payable		(61,266)	878
Provisions and other current liabilities		(910,518)	(152,180)
Income tax paid		(65,823)	(71,350)
<b>Net cash flows (used in) from operating activities</b>		<b>(2,504,804)</b>	<b>1,048,753</b>
<b><u>INVESTING ACTIVITIES</u></b>			
Decrease in associate capital		2,474,080	-
Purchase of shares in associate		(876,519)	-
Dividends received from associates		163,904	556,997
Accounts receivable and other current assets		3,711,112	-
Proceeds from the sale of property and equipment		-	54,721
Interest income received		184,871	118,603
Purchase of financial assets at fair value through other comprehensive income		-	(1,927)
Purchase of property and equipment		(244,785)	(807,874)
Dividends income		-	371,543
<b>Net cash flows from investing activities</b>		<b>5,412,663</b>	<b>292,063</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Dividends paid	8	(1,920,000)	(1,920,000)
Proceeds from loans	9	951,892	4,254,000
Repayments of loans		-	(1,805,655)
Finance cost paid		(495,522)	(765,818)
<b>Net cash flows used in financing activities</b>		<b>(1,463,630)</b>	<b>(237,473)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,444,229</b>	<b>1,103,343</b>
Cash and cash equivalents as of 1 January		2,736,877	1,829,151
<b>Cash and cash equivalents on 30 September</b>	14	<b>4,181,106</b>	<b>2,932,494</b>

The accompanying notes from 1 to 16 form part of these interim condensed financial statements

**ARAB INTERNATIONAL HOTELS COMPANY PSC**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2020 (UNAUDITED)**

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**(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 throughout 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. Marriott International Corporation manages the Hotel 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 Company's Board of Directors approved the interim condensed financial statements on 25 October 2020.

**(2) BASIS OF PREPARATION**

The interim condensed financial statements for the nine months period ended 30 September 2020 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

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

The interim condensed financial statements are prepared under the historical cost convention except for the financial assets at fair value through other comprehensive income, which are presented at fair value as of the date of the financial statements.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company's annual financial statements as of 31 December 2019. In addition, results for the nine months period ended 30 September 2020 do not necessarily indicate the expected results for the financial year ending 31 December 2020.



**(3) CHANGES IN ACCOUNTING POLICIES**

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019 except for the adoption of new standards effective as of 1 January 2020 shown below:

**Amendments to IFRS 3: Definition of a Business**

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, the Company did not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

These amendments do not have any impact on the Company's financial statements.

**Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7**

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an "RFR"). The effective date of the amendments was for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB's project.

These amendments do not have any impact on the Company's financial statements.

**Amendments to IAS 1 and IAS 8: Definition of “Material”**

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments must be applied prospectively. Early application is permitted and must be disclosed.

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements

**(4) LEGAL RESERVES**

**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 permitted to stop the yearly transfer when the reserve balance reaches 25% of the share capital. Hence, the Company decided not to transfer any additional amount to statutory reserve.

**Voluntary reserve**

The General Assembly approved on their meeting held on 22 April 2019 to transfer 5,000,000 JD from the voluntary reserve to the retained earnings.

**(5) PROPERTY AND EQUIPMENT**

The Company purchased property and equipment at a cost of JD 244,785 during the nine months period ended 30 September 2020 (30 September 2019: JD 807,874).

**ARAB INTERNATIONAL HOTELS COMPANY PSC**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2020 (UNAUDITED)**

**(6) INVESTMENT IN ASSOCIATES**

	% of ownership		Value	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
	%	%	JD (Unaudited)	JD (Audited)
Business Tourism Company	35.516	35.516	17,205,443	18,393,353
Al Dawliyah for Hotels and Malls Company*	26.91	26.91	13,053,014	13,790,409
Interior Design Studio Company	25	25	-	-
Beaches Company for Hotels and Resorts*	48.89	30.93	755,129	2,503,328
Jordan Investor Center Company	49.34	49.34	11,026,738	12,836,044
Arab International Real Estate Company	42.35	42.35	1,515,885	1,515,403
			<u>43,556,209</u>	<u>49,038,537</u>

\* The General Assembly approved on their extraordinary meeting held on 28 June 2020 the merging of the Company with the associate "Beaches Company for Hotels and Resorts". The legal procedures were not completed until the date of preparing these interim condensed financial statements.

The schedule below includes a summary of the associate's main operations:

<u>Company</u>	<u>Main operation</u>
Business Tourism Private Shareholding Company	Owning Company of J Valley Marriot and Petra Marriott Hotels
Al Dawliyah for Hotels and Malls Public Shareholding Company	Owning Company of Sheraton Amman Hotel
Interior Design Studio Limited Liability Company	Interior Designs for hotels
Beaches Company for Hotels and Resorts Private Shareholding Company	Owning Company of Marriot Aqaba Hotel under construction
Jordan Investor Center Private Shareholding Company	Investments in stocks and companies
Arab International Real Estate Private Shareholding Company	Investments in lands and real estate

Movement on investment in associates is as follows:

	30 September 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Balance at 1 January	49,038,537	49,918,942
Decrease in associate capital	(2,474,080)	-
Dividends received	(163,904)	(4,268,109)
Share of (loss) profit from associates	(2,602,130)	4,441,755
Share of change in fair value reserve	(1,118,733)	(1,054,051)
Purchase of shares in associate company*	876,519	-
	<u>43,556,209</u>	<u>49,038,537</u>

\*During 2020, the company purchased 422,223 shares of Beaches Company for Hotels and Resorts Private Shareholding Company shares.

**ARAB INTERNATIONAL HOTELS COMPANY PSC**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2020 (UNAUDITED)**

**(7) BONDS PAYABLE**

On 22 January 2017, The Arab International Hotels Company PSC issued 10,000 bonds through Jordan Ahli Bank with a par value of JD 1,000 and a total value of JD 10,000,000 for five years at a fixed interest rate of 5.5% payable semi-annually. The bonds are due in one instalment on 22 January 2022.

**(8) DIVIDENDS**

The General Assembly approved in its meeting held on 28 April 2020, the distribution of cash dividends amounted to JD 1,920,000 representing 6% of the paid in capital and related of 2019 results.

**(9) LOANS**

	30 September 2020		31 December 2019	
	Current portion of long-term loans	Long term loans	Current portion of long-term loans	Long term loans
	JD	JD	JD	JD
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Jordan Ahli Bank – USD (1)	709,000	-	709,000	-
Jordan Ahli Bank – USD (2)	165,433	2,150,637	330,866	1,985,204
Jordan Ahli Bank – JD (3)	265,934	1,595,607	444,444	1,417,097
Jordan Ahli Bank – USD (4)	425,400	3,828,600	-	4,254,000
Jordan Ahli Bank – USD (5)	-	951,892	-	-
	<u>1,565,767</u>	<u>8,526,736</u>	<u>1,484,310</u>	<u>7,656,301</u>

**Jordan Ahli Bank – USD (1)**

This item represents Jordan Ahli Bank loan amounting to USD 10,000,000 (JD 7,090,000). The Company signed an agreement with Jordan Ahli Bank on 6 August 2015. The loan was granted against the Company's guarantee and bearing an interest rate of 4.1%. The loan will be paid in 10 equal semi-annual instalments. The first instalment was due on 30 September 2015. The interest will be paid every 6 months. During the period ended 30 September 2020, the loan was rescheduled, where the instalment due on 31 March 2020 was postponed to 31 March 2021.

**ARAB INTERNATIONAL HOTELS COMPANY PSC**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**Jordan Ahli Bank – USD (2)**

This item represents Jordan Ahli Bank loan amounting to USD 4,200,000 (JD 2,977,800). The Company signed an agreement with Jordan Ahli Bank on 15 April 2015. The loan was granted against the Company's guarantee and bearing an interest rate of 4%. The loan will be paid in 18 equal in semi-annual instalments. The first instalment was due on 30 September 2017, and the interest will be paid every 6 months. The loan instalments for the years 2017 and 2018 were rescheduled to 2025 and 2026. During the period ended 30 September 2020, the loan was rescheduled, as the due dates for the instalments of the year 2020 were postponed until the end of the loan life.

**Jordan Ahli Bank – JD (3)**

On 4 November 2015 the Company signed a loan agreement with Jordan Ahli Bank with a ceiling of JD 4,000,000 and bearing an annual interest rate of 4% on the daily utilized balance. The loan will be paid in 18 semi-annual instalments; the first instalment was due on 1 November 2017 and the last instalment will be due on 1 May 2025. During the period ended 30 September 2020, the loan was rescheduled, as the due dates for the instalments of the year 2020 were postponed until the end of the loan life.

**Jordan Ahli Bank – USD (4)**

This item 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 26 March 2020. The loan was granted against the Company's guarantee bearing annual interest rate of 3 months LIBOR 2.5% at a minimum of 5%. The loan will be paid in 10 semi-annual instalments. The first instalment will be due on 28 February 2021, the interest will be paid on monthly basis.

**Jordan Ahli Bank – USD (5)**

On 15 June 2020 the Company signed a loan agreement with Jordan Ahli Bank to finance the Company's operations and salaries with a ceiling of JD 3,000,000 and bearing an annual interest rate of 3% based on the daily balance utilized. The loan will be paid in 16 semi-annual instalments; the first instalment will be due on 30 June 2022. and the last instalment will be due on 31 December 2028.

These loans were granted against the Company's guarantee.

**ARAB INTERNATIONAL HOTELS COMPANY PSC**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
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**(10) FINANCIAL ASSETS AT AMORTIZED COST**

On 12 October 2017 Arab International Hotels Company Limited purchased 15 Bonds from Jordan Ahli Bank (sister company) with a variable interest rate where the interest at the beginning of each period equal the re-discount interest rate with Central Bank of Jordan plus a margin of 2%, at the time of issuance the interest rate was 6.75% at the end of the period. The interest is due semi-annually. Bonds due in one instalment on 12 October 2023. During October 2018, the Board of Directors of the Company decided to sell the Jordan Ahli Bank Bonds, so that the balance of these bonds was classified as current assets.

**(11) INCOME TAX**

The income tax for the periods ended 30 September 2020 and 2019 has not been calculated due to the excess in expenses over taxable income in accordance with income tax law no. (34) of 2014 amended by tax law no. (38) of 2018.

The Company submitted its tax declarations to the Income Tax and Sales Tax departments up to the year 2019.

The Company obtained clearance from the Income Tax Department up to the year 2018.

**(12) 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:

	30 September 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
<b>Assets</b>		
Bank deposits - Jordan Ahli Bank (Shareholder)	3,304,286	689,458
Current accounts - Jordan Ahli Bank (Shareholder)	855,319	2,025,919
Financial assets at amortized cost (Note 10) (Shareholder)	1,500,000	1,500,000

**ARAB INTERNATIONAL HOTELS COMPANY PSC**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2020 (UNAUDITED)**

	30 September 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
<b>Liabilities</b>		
Loans from Jordan Ahli Bank (Shareholder)	10,092,503	9,140,611
Bonds payable owned from related parties (note 7) (Sister Companies)	7,300,000	7,300,000

	30 September 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
<b>Financial assets at fair value through other comprehensive Income</b>		
Jordan Worsted Mills (Shareholder)	1,808,128	2,079,347
El Zay for Ready Wear Manufacturing Company (Shareholder)	145,396	176,006
Jordan Ahli Bank (Shareholder)	1,201,011	1,501,263

Accounts receivable and other current assets include balances due from related parties as follow:

	30 September 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Marriott Dead Sea Hotel	68,879	40,195
Due from Interior Design Studio Company Partner	23,299	23,299
Marriott Petra Hotel	16,061	16,494
Beaches Company for Hotel and Resorts	-	3,711,112
Al Dawliyah for hotels and malls	-	4,582
Jordan investor company	-	3,225
Business Tourism Company	2,091	1,000
	110,330	3,799,907

\*During 2020, the company purchased 422,223 shares of Beaches Company for Hotels and Resorts Private Shareholding Company shares (related party).

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Transactions with related parties included in the interim condensed statement of profit or loss are as follow:

	For the nine months ended 30 September	
	2020	2019
	JD (Unaudited)	JD (Unaudited)
Key management salaries and benefits and Board of Directors remuneration	232,888	317,872
Interest income on deposits - Jordan Ahli Bank	115,532	33,011
Finance costs – Jordan Ahli Bank	311,187	354,448
Interest on bonds issued to related parties	301,400	301,125
Interest income on financial assets at amortised cost	69,339	85,592
Dividends income	162,732	294,584

**(13) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	30 September	31 December
	2020	2019
	JD (Unaudited)	JD (Audited)
Investment in companies shares - quoted	4,118,130	5,025,367
Investment in companies shares – unquoted	177,000	177,000
	<u>4,295,130</u>	<u>5,202,367</u>

Movement on fair value reserve for financial assets at fair value through other comprehensive income:

	30 September	31 December
	2020	2019
	JD (Unaudited)	JD (Audited)
Balance at 1 January	5,202,367	5,962,072
Company's share of associates' fair value reserve	(907,237)	(759,705)
	<u>4,295,130</u>	<u>5,202,367</u>



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**(14) CASH AND SHORT-TERM DEPOSITS**

	30 September 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Short-term deposits*	3,304,286	689,458
Cash on hand and at banks	876,820	2,047,419
	<u>4,181,106</u>	<u>2,736,877</u>

\* Short term deposits represent deposits with local banks in Jordanian Dinars maturing within a period not exceeding three months at an interest rate of 4%.

**(15) 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:

	For the nine months ended 30 September	
	2020	2019
	JD (Unaudited)	JD (Unaudited)
Rooms revenues	1,445,364	4,771,674
F & B Revenues	1,105,185	2,913,093
Other revenues	272,982	246,675
	<u>2,823,531</u>	<u>7,931,442</u>

	Hotel sector	Investment in financial assets	Total
	JD	JD	JD
<b>For the nine months period ended 30 September 2020 (unaudited)-</b>			
Revenues	1,588,848	(1,053,772)	535,076
<b>Segment results -</b>			
<b>loss before income tax</b>	(3,776,982)	(1,053,772)	(4,830,754)
Income tax expense	-	-	-
Loss for the period	(3,776,982)	(1,053,772)	(4,830,754)
<b>Other Segment Information</b>			
Capital expenditure	244,785	-	244,785
Depreciation	899,536	-	899,536

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	Hotel sector	Investment in financial assets	Total
	JD	JD	JD
<b>For the nine months period ended 30 September 2019</b>			
<b>(unaudited)-</b>			
Revenues	8,228,675	383,445	8,612,120
<b>Segment results -</b>			
<b>Profit before income tax</b>	(208,001)	383,445	175,444
Income tax expense	-	-	-
Profit for the period	(208,001)	383,445	175,444
<b><u>Other Segment Information</u></b>			
Capital expenditure	807,874	-	807,874
Depreciation	1,019,732	-	1,019,732
<b><u>Assets and Liabilities</u></b>			
<b>As of 30 September 2020 (unaudited)-</b>			
Assets	50,060,326	19,092,882	69,153,208
Liabilities	21,590,530	-	21,590,530
<b>31 December 2019 (audited)-</b>			
Assets	54,392,682	23,557,142	77,949,824
Liabilities	21,610,422	-	21,610,422

The Company's share from losses of associates amounted to JD 2,602,130 as of 30 September 2020 (30 September 2020 profit: JD 142,877).

**(16) THE OUTBREAK OF CORONAVIRUS (COVID-19) AND ITS IMPACT ON THE COMPANY**

The coronavirus has had an impact on the global economy and caused disruption in global markets together with travel restrictions which has adversely impacted the tourism and hospitality sector as a result of cancellations of conferences and hotel reservations. Further to the above, the Cabinet of Jordan decided to cease all commercial travel to and from the Kingdom effective 17 March 2020 until 4 September 2020 and tightened travel procedures, in addition to the quarantine of arrivals to the Kingdom.

The Jordanian Prime Minister issued the following defense orders under Defense Law No. 13 for the year 1992 which have directly or indirectly affected the Company's operations and performance:

1. Defense Order No. 1 which suspends certain provisions of Social Security Law No. 1 of 2014 and its amendments and the regulations applied by the Social Security Corporation. This including the suspension of the application of old-age insurance for the months of March, April and May 2020 for all those subject to the Jordanian Labor Law in the private sector.

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2. Defense Order No. 6 which sets the wages of workers in private sector and any other organization subject to the Jordanian Labor Law as follows:
- Workers who perform their work in the workplace are entitled to their full wages. It is permissible for the employer to agree with the employees to reduce wages up to 30% of the employees' wage granted that this policy is applied across the entire entity including the salaries of top management personnel.
  - Full time workers who perform their work remotely at the entities which are authorized to work remotely or those included in the suspension decision are entitled to receive their full wages.
  - Part time workers who perform their work remotely at the entities which are authorized to work remotely or those included in the suspension decision are entitled to receive their wages based on the actual hours worked granted that the wages received are no less than the minimum wage in place or as stated in the Defense Order.
  - Employers who are authorized to operate at a lower capacity or those who are included in the suspension decision may request from the Minister of Labor the authorization to pay employees wages equaling no less than 50% of the ordinary wages provided that the wages paid are no less than the minimum wage in place.

Defense Order No. 6 was further amended on 31 May 2020 as follows:

- In the most affected economic sectors and based on mutual agreement, the amendment allows the employer to deduct up to 30% of the worker's monthly wages for each of the months of May and June of the year 2020 for the worker present at the workplace or working remotely and without coercion or pressure by the employer under penalty of liability and the penalties stated in the Defense Order. This is provided that the worker receives no less than the minimum wage and that the reduction begins with the wages of the higher management employees in the institution.
- Reduction from workers' monthly wages without requiring the approval of the worker or the Ministry of Labor, due to the economic circumstances of the employer and at the same time the need to maintain the minimum wage of workers who are not required to work so that the rate of reduction does not exceed 50% for the months of May and June of the year 2020. This is provided that the worker's wage after the reduction is no less than the minimum wage, all of this in sectors in general, other than those classified as more adversely affected.
- In the most affected economic sectors, the employer can deduct up to 60% of the monthly wage of the worker. This is provided that the worker's wage after the reduction is no less than JD 150 per month without requiring the approval of the Ministry of Labor or the worker.

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- The employer can deduct 50% of the annual leave balance for the year 2020 for workers who are not assigned to work on the site of the institution or remotely for a period of thirty days or more during the period extending from the mandate of the Defense Law.

Other decisions were also issued by various Government agencies to assist in the continuity of various sectors of the Jordanian economy by reducing the financial burden to these sectors. Examples include the following:

1. The Central Bank of Jordan's resolution to compel all operating Jordanian banks to postpone loan installments payable by companies and individuals without imposing any penalties or additional financial burdens.
2. The Central Bank of Jordan's resolution to reduce the interest rates on credit facilities.
3. The Central Bank of Jordan's resolution to provide the financing needs for the public and private sectors at low interest rates to finance its operations.
4. The Central Bank of Jordan's resolution to reduce the costs associated with its sponsored programs to support the economic sectors.

During early September 2020, the Government stopped institutional quarantine procedures for travelers arriving from all destinations and replaced it with home-based quarantine procedures. This has further adversely impacted the operating environment of the Tourism and Hospitality sector.

Some of the Company's investments and operating activities were affected by the current conditions, which had a negative impact on the Company's operating results for the period compared to the same period of the previous year. Management has prepared a preliminary study to determine the impact of the coronavirus on the Company's activities and its financial performance in order to be able to take appropriate measures to carry out its activities under the current circumstances. Management is also preparing a detailed study to determine the impact of the coronavirus on the Company's operations, its ability to recover its assets and meeting its obligations for both the medium and long terms.