

ARAB INTERNATIONAL HOTELS COMPANY

PUBLIC SHAREHOLDING COMPANY

FINANCIAL STATEMENTS

31 DECEMBER 2022

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 2022, and the statement of profit or loss, 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 2022, 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 Code of Ethics for Professional Accountants (including International Independence Standards) (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 current year. 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.

Key audit matter: Revenue recognition	
<p>Key Audit Matter</p> <p>We have considered revenue recognition as a key audit matter as there is a risk of misstatement when recording and recognizing revenue due to high the volume of revenues resulted from low value transactions. In addition, there is a risk represented in recording service invoices for guests and customers for services that were not rendered, or services rendered but not recorded, hence it may result in an overstatement or understatement of revenues. In addition, the Company focuses on revenue as a key performance indicator, which may create an incentive for revenue to be recognized before rendering the service.</p>	<p>How the key audit matter was addressed</p> <p>Our audit procedures included assessing the Company's revenue recognition accounting policies in accordance with International Financial Reporting Standards. We tested the Company's internal control system over revenue recognition and key controls in the revenue recognition cycle. We performed analytical procedures for rooms and food and beverages departments gross margin.</p> <p>We also performed objective analytical procedures that were based on building expectations about the revenue figures for the year using financial and non-financial information. We selected and tested a sample of journal entries on revenue accounts.</p> <p>The revenue related disclosures are disclosed in note (26) to the financial statements in addition to the significant accounting policies related to revenue recognition are disclosed in note (6) to the financial statements.</p>

Other information included in the Company's 2022 annual report.

Other information consists of the information included in the Company's annual report for the year 2022, 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 calculated 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 exist, 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, actions taken to eliminate threats or 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.

The partner in charge of the audit resulting in this auditor's report was Ali Samara; license number 503.

ARAB INTERNATIONAL HOTELS COMPANY - PUBLIC SHAREHOLDING COMPANY
STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2022

	Notes	2022 JD	2021 JD
<u>ASSETS</u>			
Non-current assets -			
Property and equipment	7	12,006,307	12,799,270
Financial assets at fair value through other comprehensive income	9	5,938,017	5,618,391
Investments in associates	8	42,338,180	42,562,411
Deferred tax assets		418,409	418,409
		<u>60,700,913</u>	<u>61,398,481</u>
Current assets -			
Inventories		431,753	372,497
Accounts receivable and other debit balances	14	633,195	500,435
Financial assets at amortized cost	10	-	1,500,000
Cash and short-term deposits	11	3,096,459	9,783,618
		<u>4,161,407</u>	<u>12,156,550</u>
Total Assets		<u><u>64,862,320</u></u>	<u><u>73,555,031</u></u>
<u>EQUITY AND LIABILITIES</u>			
Equity-			
Paid-in capital	1 & 15	32,728,881	32,728,881
Share premium	15	3,644,693	3,644,693
Statutory reserve	15	8,026,338	8,000,000
Voluntary reserve	15	4,000,000	8,000,000
Special reserve	15	-	1,600,562
Fair value reserve	9	(3,584,080)	(3,557,826)
Company's share of the fair value reserve from investments in associates		(2,888,568)	(2,903,414)
Retained earnings		7,252,080	2,723,635
Total Equity		<u>49,179,344</u>	<u>50,236,531</u>
Non-current liabilities -			
Long-term loans	12	6,082,519	8,544,365
Bonds payable	13	4,680,000	-
		<u>10,762,519</u>	<u>8,544,365</u>
Current liabilities -			
Current portion of long-term loans	12	2,842,934	3,170,846
Accounts payable		893,690	546,199
Bonds payable	13	-	10,000,000
Provisions and other credit balances	17	1,183,833	1,057,090
		<u>4,920,457</u>	<u>14,774,135</u>
Total Liabilities		<u>15,682,976</u>	<u>23,318,500</u>
Total Equity and Liabilities		<u><u>64,862,320</u></u>	<u><u>73,555,031</u></u>

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

ARAB INTERNATIONAL HOTELS COMPANY - PUBLIC SHAREHOLDING COMPANY
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 JD	2021 JD
Operational revenues from Amman Marriott Hotel	26	8,543,206	5,447,070
Operational costs from Amman Marriott Hotel		(6,646,007)	(4,332,039)
Depreciation of property and equipment	7	(1,056,159)	(1,072,907)
Operational profit from the hotel		841,040	42,124
Company's share of profit (losses) from associates and effect of prior years' losses, net	8	607,982	(248,236)
Investment impairment losses	8	-	(41,542)
Bank interest income		135,402	230,398
Finance costs		(723,339)	(979,912)
Dividends income	21	291,981	231,037
Other income		11,685	13,972
Depreciation of property and equipment	7	(29,444)	(37,112)
Administrative expenses	18	(871,931)	(817,972)
Profit (loss) before income tax and non-recurring revenue		263,376	(1,607,243)
Non-recurring investment income	3	-	1,764,116
Profit before income tax		263,376	156,873
Income tax for the year	19	-	-
Profit for the year		263,376	156,873
		Fils / JD	Fils / JD
Basic and diluted earnings per share	20	0/008	0/005

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

ARAB INTERNATIONAL HOTELS COMPANY - PUBLIC SHAREHOLDING COMPANY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	<u>Notes</u>	<u>2022</u> JD	<u>2021</u> JD
Profit for the year		263,376	156,873
Add: Other comprehensive income items not to be reclassified to profit or loss in subsequent periods:			
Net change in fair value reserve	9	(26,254)	756,439
Company's share of the net change in fair value reserve from the investments in associates	8	<u>14,846</u>	<u>775,243</u>
Total comprehensive income for the year		<u><u>251,968</u></u>	<u><u>1,688,555</u></u>

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

ARAB INTERNATIONAL HOTELS COMPANY - PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Paid-in capital	Share premium	Statutory reserve	Voluntary reserve	Special reserve	Fair value reserve*	Company's share from the fair value reserve /of the investment in associates*	Retained earnings	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
2022 -									
Balance at 1 January 2022	32,728,881	3,644,693	8,000,000	8,000,000	1,600,562	(3,557,826)	(2,903,414)	2,723,635	50,236,531
Total comprehensive income for the year	-	-	-	-	-	(26,254)	14,846	263,376	251,968
Transferred to statutory reserve	-	-	26,338	-	-	-	-	(26,338)	-
Transferred to retained earnings	-	-	-	(4,000,000)	(1,600,562)	-	-	5,600,562	-
Dividends distribution (note 16)	-	-	-	-	-	-	-	(1,309,155)	(1,309,155)
Balance at 31 December 2022	<u>32,728,881</u>	<u>3,644,693</u>	<u>8,026,338</u>	<u>4,000,000</u>	<u>-</u>	<u>(3,584,080)</u>	<u>(2,888,568)</u>	<u>7,252,080</u>	<u>49,179,344</u>
2021 -									
Balance at 1 January 2021	32,000,000	3,644,693	8,000,000	8,000,000	-	(4,314,265)	(3,678,657)	2,566,762	46,218,533
Total comprehensive income for the year	-	-	-	-	-	756,439	775,243	156,873	1,688,555
Capital increase (note 1)	728,881	-	-	-	-	-	-	-	728,881
Reserve resulted from the merger with an associate (note 3)	-	-	-	-	1,600,562	-	-	-	1,600,562
Balance at 31 December 2021	<u>32,728,881</u>	<u>3,644,693</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>1,600,562</u>	<u>(3,557,826)</u>	<u>(2,903,414)</u>	<u>2,723,635</u>	<u>50,236,531</u>

* It is restricted to use an amount of JD 6,472,648 from retained earnings as at 31 December 2022 (JD 6,461,240 as at 31 December 2021), which represents the total negative balance of the fair value reserve and Company's share of fair value reserve from investment in associates.

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

ARAB INTERNATIONAL HOTELS COMPANY - PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 JD	2021 JD
<u>OPERATING ACTIVITIES</u>			
Profit before income tax		263,376	156,873
Adjustments:			
Depreciation on property and equipment	7	1,085,603	1,110,019
Expected credit losses provision	14	425	(2,676)
Loss on sale of property and equipment		11,160	-
Finance costs		723,339	979,912
Bank interest income		(135,402)	(230,398)
Company's share of profit (losses) from associates and effect of prior years' losses, net	8	(607,982)	248,236
Investment impairment losses	8	-	41,542
Dividends income		(291,981)	(231,037)
Non-recurring investment income	3	-	(1,764,116)
Changes in working capital:			
Inventories		(59,256)	(12,711)
Accounts receivable and other debit balances		(133,185)	559,242
Accounts payable		347,491	98,032
Provisions and other credit balances		47,143	214,046
		<u>1,250,731</u>	<u>1,166,964</u>
Income tax paid		-	-
Net cash flows from operating activities		<u>1,250,731</u>	<u>1,166,964</u>
<u>INVESTING ACTIVITIES</u>			
Purchase of property and equipment	7	(336,736)	(325,388)
Purchase of financial assets at fair value through other comprehensive income	9	(345,880)	(502,885)
Decrease in an associate's capital	8	847,059	-
Profit returns on financial assets at fair value through other comprehensive income and investment in associated received	21	291,981	231,037
Interest income received		135,402	230,398
Proceeds from financial assets at amortized cost		1,500,000	-
Proceeds from sale of property and equipment		32,936	-
Investing in an associate Company	8	-	(35,000)
Cash received from the merger	3	-	4,776,457
Net cash flows from investing activities		<u>2,124,762</u>	<u>4,374,619</u>
<u>FINANCING ACTIVITIES</u>			
Dividends paid	16	(1,257,820)	-
Repayments of loans	12	(4,314,108)	(425,400)
Proceeds from loans	12	1,524,350	1,261,199
Finance costs paid		(695,074)	(959,480)
Repayments of bonds payable		(10,000,000)	-
Proceeds from bonds payable		4,680,000	-
Net cash flows used in financing activities		<u>(10,062,652)</u>	<u>(123,681)</u>
Net (decrease) increase in cash and cash equivalents		(6,687,159)	5,417,902
Cash and cash equivalents on 1 January		9,783,618	4,365,716
Cash and cash equivalents on 31 December	11	<u>3,096,459</u>	<u>9,783,618</u>

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 throughout the years to become JD 32,000,000 with par value of JD 1 per share. During 2021, the Company was merged with Beaches Company for Hotels and Resorts, and 728,811 shares were issued with a nominal par of JD 1 per share, bringing the capital to JD 32,728,881 as at 31 December 2022 and 31 December 2021.

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 2023, and these financial statements require the approval of the General Assembly of the shareholders of the Company.

(2) BASIS OF FINANCIAL STATEMENTS PREPARATION

(2-1) BASIS OF PREPARATION

The 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 at 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) BUSINESS COMBINATION

The General Assembly decided on their extraordinary meeting held on 28 June 2020 to merge the Company with its associate Beaches Company for Hotels and Resorts. The final approval by the General Assembly was on 9 June 2021 based on the financial position of both Companies as at 30 June 2021. The merger legal procedures were completed at the Ministry of Trade and Finance on 23 June 2021 and on 2 August 2021 at the Securities Depository Centre (SEC) and Jordan Securities Commission (JSC). The Company resulting from the merger shall be considered a legal successor to the merging Company and shall replace it in all its rights and obligations.

Below is a summary of the merger committee decisions:

- Approving the Company's assets and liabilities revaluation results and the opening statement of financial position of the Company resulting from the merger, where it was unanimously approved.
- The conversion factor rate amounted to 0.7598 shares in the Arab International Hotels Company, meaning that each share of Beaches Company for Hotels and Resorts is equivalent to 0.7598 shares in the Arab International Hotels Company.
- Approving the capital of the merging company at 32,728,881 shares, with a par value of 1 JD per share

ARAB INTERNATIONAL HOTELS COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

Below are the details of the statement of financial position as at 30 June 2021:

	Arab International Hotels Company	Beaches Company for Hotels and Resorts	Transactions between the two companies		Total
	JD	JD	Credit JD	Debit JD	JD
<u>ASSETS</u>					
Non-current assets -					
Property and equipment	13,331,467	-	-	-	13,331,467
Financial assets at fair value through other comprehensive income	5,369,542	-	-	-	5,369,542
Investments in associates	43,620,624	35,000	783,645	-	42,871,979
Deferred tax assets	418,409	-	110,205	-	308,204
	<u>62,740,042</u>	<u>35,000</u>			<u>61,881,192</u>
Current assets -					
Inventories	372,113	-	-	-	372,113
Accounts receivable and other current assets	899,950	47,153	-	-	947,103
Financial assets at amortized cost	1,500,000	-	-	-	1,500,000
Cash and short-term deposits	3,989,622	4,776,457	-	-	8,766,079
	<u>6,761,685</u>	<u>4,823,610</u>			<u>11,585,295</u>
Total Assets	<u>69,501,727</u>	<u>4,858,610</u>			<u>73,466,487</u>
<u>EQUITY AND LIABILITIES</u>					
EQUITY-					
Paid-in capital	32,000,000	2,000,000	728,881	2,000,000	32,728,881
Share premium	3,644,693	-	-	-	3,644,693
Statutory reserve	8,000,000	2,823,729	-	2,823,729	8,000,000
Voluntary reserve	8,000,000	1,247,280	-	1,247,280	8,000,000
Special reserve	-	-	1,600,562	-	1,600,562
Fair value reserve	(3,606,676)	-	-	-	(3,606,676)
Company's share of the fair value reserve / from investments in associates	(2,947,454)	-	-	20,454	(2,967,908)
Retained earnings*	1,584,994	(1,214,259)	2,868,170	-	3,238,905
Total Equity	<u>46,675,557</u>	<u>4,856,750</u>			<u>50,638,457</u>
Non-current liabilities -					
Long-term loans	8,973,326	-	-	-	8,973,326
Current liabilities -					
Bonds payable	10,000,000	-	-	-	10,000,000
Current portion of long- term loans	2,418,498	-	-	-	2,418,498
Accounts payable	524,196	-	-	-	524,196
Provisions and other credit balances	910,150	1,860	-	-	912,010
Total Liabilities	<u>22,826,170</u>	<u>1,860</u>			<u>22,828,030</u>
Total Equity and Liabilities	<u>69,501,727</u>	<u>4,858,610</u>			<u>73,466,487</u>

* The merger process resulted in a non-recurring investment income of JD 1,764,116, which was recorded in the statement of profit or loss for the year ended on 31 December 2021.

(4) 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 2021 except for the adoption of new standards effective as of 1 January 2022 shown below:

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

These amendments had no impact on the financial statements of the Company.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the financial statements of the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the financial statements of the Company.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the financial statements of the Company.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

These amendments had no impact on the financial statements of the Company.

(5) 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.

The Company's management believes that its estimates in the financial statements are reasonable and detailed as follows:

- Provision for expected credit losses on receivables: Provision for expected credit losses on receivables is reviewed and under the principles and assumptions approved by the Company's management to estimate the allowance amount and in accordance with IFRS requirements.
- Income tax provision: The fiscal year shall be charged in respect of the income tax expense in accordance with the regulations, laws and accounting standards. The needed income tax provision is calculated accordingly.
- Useful life of properties and equipment: The Company's management estimates the useful life for its tangible assets for the purpose of calculating depreciation by depending on the general condition and expected useful life of these assets. Impairment loss is recorded in the statement of profit or loss (if any).
- Legal provision: To meet any legal obligations, provisions are made for these obligations based on the opinion of the Company's legal advisor.

(6) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses (except lands).

Property and equipment depreciation is calculated using the straight-line method over their estimated useful lives using the following annual depreciation rates:

	<u>%</u>
Hotel's building, renovations, and improvements	2-20
Furniture and fixtures	8-12
Machinery and equipment	6-20
Vehicles	15
Fire extinguishing system	4
Solar System	5

The assets carrying values of property and equipment are reviewed whenever indications arise or events incur that indicates that the carrying value is not recoverable. 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.

The assets useful life and depreciation methods are reviewed on a periodic basis to ensure that the depreciation methods and periods are proportionate to the future economic benefits from property and equipment.

Financial assets at fair value through other comprehensive income

These assets represent investments in equity instruments for the purpose of maintaining them over the long term.

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 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 gains or losses is recorded at the statement of profit or loss resulted of the statement of comprehensive income and in the statement of equity and the valuation reserve balance for sold assets will be transferred directly to retained earnings and not through statement of profit or loss.

- These assets are not subject to impairment testing.
- Dividends received are recognized in the statement of profit or loss when declared.

Financial assets at amortized cost

Financial assets at amortized cost are the financial assets that the Company's management, in accordance with its business model, intends to maintain in order to collect contractual cash flows which consist of payments of principal and interest on the outstanding debt balance.

These assets are recognized at cost, plus acquisition costs, and the allowance / discount is amortized using the effective interest method, restricted or credited to the interest, and any impairment charge is removed and the original or part of the asset cannot be recovered. Their value in the statement of profit or loss.

The amount of impairment in value of these assets represents the difference between the carrying value of the records and the present value of the expected cash flows discounted at the original effective interest rate.

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.

Under the equity method, investments in associates are stated at cost. The book value of the investments in the associate company is adjusted to record the Group's share in the changes in the net assets of the associate company on the date of acquisition. The goodwill generated by the associate company is recorded as part of the investment account and is not amortized nor is an impairment test conducted for it individually.

The profit or loss statement reflects the company's share of the results of the affiliate company's business. Any changes in the other comprehensive income of this investment are classified within the statement of comprehensive income. In the event that there is a change in the equity of the affiliate company. If any changes occurs it will be shown in the statement of changes in equity. Profit and losses resulting from transactions between the Company and its affiliates are excluded of the Company's share in the affiliate company.

The group's share of the profits and losses of the affiliate company is shown in the consolidated statement of profit or loss outside the operating activities, which the profit or loss net of tax and non-controlling interest in the subsidiary of the affiliate company.

The financial statement of the associate company are prepared for the same financial period and same accounting policies.

After applying the equity method, the Company determines whether there is a need to calculate an impairment loss on its investment in the affiliate company. At the end of each fiscal year, the company determines whether there is objective evidence of impairment in investment in the affiliate company. By calculating the value of that impairment as the difference between the recoverable amount of the associated and its book value, which the loss is recognised in the statement of profit or loss.

When the loss of significant influence over the associate, the Group measures and recognize the return on investment at fair value. Any differences between the book value of the investment and the fair value are recorded in the profit or loss statement.

Accounts receivable

Accounts receivable are stated at original invoice amount less provision expected credit losses. The Company applies the simplified approach in calculating the expected credit loss in accordance with the International Financial Reporting Standard number (9).

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 on hand and at banks and short-term deposits with maturities of three months or less.

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 in the principal market for the asset or liability.

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.

Loans

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.

The Company's activity consists of three economic sectors the revenues and expenses of the Marriott Amman Hotel, investments in financial assets through other comprehensive income and investments in associates.

Revenue and expenses recognition

Revenue is recognized based on the five-step model framework derived from the international financial reporting standard number (15) which includes the identification of the contract, price, allocating the contract price to the performance obligation in the contract and recognizing revenue when the company satisfies the performance obligation. Whereby revenue is recognized when selling goods to the customers and issuing the invoice to the customer at a point in time.

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

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

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 is accounted for in accordance with the Income Tax Law No. (34) of 2014 and its amendments 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.

Deferred Tax Assets

Deferred tax assets are recognized for all deductible temporary differences such as unused tax expenses and losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits.

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(7) PROPERTY AND EQUIPMENT

	Lands	Hotel's building renovations and improvements	Furniture and fixtures	Machinery and equipment	Vehicles	Fire extinguishing system	Project in progress	Solar System	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
2022 -									
Cost -									
At 1 January 2022	2,094,168	19,018,372	8,921,143	7,848,732	359,675	424,782	-	2,859,386	41,526,258
Additions	-	70,107	41,128	142,383	74,000	-	-	9,118	336,736
Disposals	-	-	-	-	(80,235)	-	-	-	(80,235)
At 31 December 2022	2,094,168	19,088,479	8,962,271	7,991,115	353,440	424,782	-	2,868,504	41,782,759
Accumulated depreciation -									
At 1 January 2022	-	12,740,421	8,153,110	6,655,570	284,478	424,782	-	468,627	28,726,988
Depreciation for the year	-	380,949	179,075	345,730	36,689	-	-	143,160	1,085,603
Disposals	-	-	-	-	(36,139)	-	-	-	(36,139)
At 31 December 2022	-	13,121,370	8,332,185	7,001,300	285,028	424,782	-	611,787	29,776,452
Net book value as at 31 December 2022	2,094,168	5,967,109	630,086	989,815	68,412	-	-	2,256,717	12,006,307
2021 -									
Cost -									
At 1 January 2021	2,094,168	19,010,113	8,889,694	7,769,130	352,175	424,782	20,179	2,640,629	41,200,870
Additions	-	840	18,574	79,602	7,500	-	115	218,757	325,388
Disposals	-	7,419	12,875	-	-	-	(20,294)	-	-
At 31 December 2021	2,094,168	19,018,372	8,921,143	7,848,732	359,675	424,782	-	2,859,386	41,526,258
Accumulated depreciation -									
At 1 January 2021	-	12,360,314	7,950,083	6,300,752	250,914	424,782	-	330,124	27,616,969
Depreciation for the year	-	380,107	203,027	354,818	33,564	-	-	138,503	1,110,019
At 31 December 2021	-	12,740,421	8,153,110	6,655,570	284,478	424,782	-	468,627	28,726,988
Net book value									
as at 31 December 2021	2,094,168	6,277,951	768,033	1,193,162	75,197	-	-	2,390,759	12,799,270

* The total cost of fully depreciated assets as at 31 December 2022 is JD 13,631,630 (31 December 2021: JD 12,739,221).

** The depreciation expense at 31 December 2022 is divided between depreciation of operating property and equipment of JD 1,056,159 (JD 1,072,907 for the year ended 31 December 2021) and depreciation of general and administrative property and equipment of JD 29,444 (JD 37,112 for the year ended 31 December 2021).

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(8) INVESTMENT IN ASSOCIATES

	Percentage of ownership		Value	
	2022	2021	2022	2021
	%	%	JD	JD
Business Tourism Company	35.516	35.516	16,557,087	16,388,356
Al Dawliyah for Hotels and Malls Company	26.91	26.91	12,486,914	12,426,320
Interior Design Studio Company	25	25	-	28,458
Jordan Investor Center Company	49.34	49.34	12,650,844	12,203,858
Arab International Real Estate Company	42.35	42.35	643,335	1,515,419
			<u>42,338,180</u>	<u>42,562,411</u>

The schedule below includes a summary of the associates main operations:

<u>Company</u>	<u>Company's operation</u>
Business Tourism Company – private shareholding	Owning Company of Jordan Valley Marriot and Petra Marriott Hotel
Al Dawliyah for Hotels and Malls Company - PLC	Owning company of Sheraton Amman Hotel
Interior Design Studio Company LLC.	Hotels decorations and interior designs
Jordan Investor Center Company – private shareholding	Investments in stocks and companies
Arab International Real Estate Company – private shareholding	Investments in lands and real estate

Movement on investment in associates is as follows:

	2022	2021
	JD	JD
Balance at 1 January	42,562,411	42,770,137
Decrease in an associate's capital	(847,059)	-
Disposal of investment in Beaches Company for Hotels and Resorts resulting from merger (note 3)	-	(763,191)
Share of profit (loss) from associates, net	648,191	(238,991)
Effect of prior years' losses	(40,209)	(9,245)
Investment impairment - Interior Design Studio Company LLC.	-	(41,542)
Company's share of fair value reserve from investment in associates	14,846	775,243
Purchase of additional shares in associate*	-	35,000
Acquisition of shares in associate resulting from the merger*(note 3)	-	35,000
Balance at 31 December	<u>42,338,180</u>	<u>42,562,411</u>

* During 2021 the Company purchased 35,000 shares from Interior Design Studio Company LLC, and acquired additional 35,000 shares as a result of the merger with Beaches Company for Hotels and Resorts.

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Movement on investment in associates is as follows:

	Al Dawliyah for Hotels and Malls Company	Business Tourism Company	Jordan Investor Center Company	Interior Design Studio Company	Arab International Real Estate Company	Total
	JD	JD	JD	JD	JD	JD
2022 -						
Investment in associates						
Current assets	1,876,779	5,011,783	1,489,189	331,281	98,037	8,807,069
Non-current assets	57,764,861	51,924,640	25,802,969	6,137	1,362,399	136,861,006
Current liabilities	(6,636,057)	(4,588,050)	(5,764,523)	(270,760)	(1,882)	(17,261,272)
Non-current liabilities	(3,138,193)	(1,949,760)	-	(29,562)	-	(5,117,515)
Equity	49,867,390	50,398,613	21,527,635	37,096	1,458,554	123,289,288
Ownership %	26.91	35.516	49.34	25	42.35	
Investments carrying amount	12,486,914	16,597,174	12,650,844	-	1,490,516	43,225,448
Effect of prior years' losses	-	(40,087)	-	-	(122)	(40,209)
Capital decrease in an associate	-	-	-	-	(847,059)	(847,059)
Investment's net carrying amount	12,486,914	16,557,087	12,650,844	-	643,335	42,338,180
Revenues						
Operating revenues	1,314,275	1,345,032	1,854,090	(16,953)	1,049	4,497,493
Administrative expenses	(711,124)	(448,245)	(399,760)	(121,091)	(59,853)	(1,740,073)
Finance costs	(271,199)	(268,733)	(665,590)	(12,420)	-	(1,217,942)
Profit (loss) for the year	331,952	628,054	788,740	(150,464)	(58,804)	1,539,478
The Company's share of profit (loss) for the year	89,328	223,060	389,164	(28,458)	(24,903)	648,191

ARAB INTERNATIONAL HOTELS COMPANY - PUBLIC SHAREHOLDING COMPANY
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	Al Dawliyah for Hotels and Malls Company	Business Tourism Company	Jordan Investor Center Company	Interior Design Studio Company	Arab International Real Estate Company	Total
	JD	JD	JD	JD	JD	JD
2021 -						
Investment in associates						
Current assets	2,605,871	3,829,952	6,520,852	406,131	94,486	13,457,292
Non-current assets	58,473,165	53,954,459	24,033,259	4,693	3,482,598	139,948,174
Current liabilities	(6,057,489)	(5,149,068)	(9,082,407)	(253,991)	(2,523)	(20,545,478)
Non-current liabilities	(5,371,525)	(2,818,130)	(850,000)	(43,000)	-	(9,082,655)
Equity	49,650,022	49,817,213	20,621,704	113,833	3,574,561	123,777,333
Ownership %	26.91	35.516	49.34	25	42.35	
Investments carrying amount	12,426,320	16,388,356	12,203,858	79,245	1,515,419	42,613,198
Effect of prior years' losses	-	-	-	(9,245)	-	(9,245)
Investment impairment losses	-	-	-	(41,542)	-	(41,542)
Investment's net carrying amount	12,426,320	16,388,356	12,203,858	28,458	1,515,419	42,562,411
Revenues						
Operating (losses) revenues	(363,307)	77,918	1,924,431	149,000	1,095	1,789,137
Administrative expenses	(700,434)	(598,505)	(438,979)	(100,473)	(1,464)	(1,839,855)
Finance costs	(272,951)	(256,342)	(699,968)	(11,546)	-	(1,240,807)
(Loss) profit for the year	(1,336,692)	(776,929)	785,484	36,981	(369)	(1,291,525)
The Company's share of (loss) profit for the year	(359,704)	(275,934)	387,558	9,245	(156)	(238,991)

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

	<u>2022</u>	<u>2021</u>
	JD	JD
Investment in companies' shares – quoted in Amman Stock Exchange	5,861,597	5,441,391
Investment in companies' shares– unquoted in Amman Stock Exchange	<u>76,420</u>	<u>177,000</u>
	<u>5,938,017</u>	<u>5,618,391</u>

Movement on the financial assets at fair value is as follows:

	<u>2022</u>	<u>2021</u>
	JD	JD
Balance at 1 January	5,618,391	4,359,067
Investment during the year	345,880	502,885
Change in fair value	<u>(26,254)</u>	<u>756,439</u>
Balance at 31 December	<u>5,938,017</u>	<u>5,618,391</u>

Movement on fair value reserve is as follows:

	<u>2022</u>	<u>2021</u>
	JD	JD
Balance at 1 January	(3,557,826)	(4,314,265)
Change in fair value	<u>(26,254)</u>	<u>756,439</u>
Balance at 31 December	<u>(3,584,080)</u>	<u>(3,557,826)</u>

(10) FINANCIAL ASSETS AT AMORTIZED COST

On 12 October 2017, Arab International Hotels Company purchased 15 bonds from Jordan Ahli Bank (sister company) with a variable interest rate where the interest rate at the beginning of each period equals to the discount rate of the Central Bank of Jordan plus 2% margin which amounted to 6.75% at issuance date. The interest at year end was 5.5% and the interest is paid semi-annually. The Bond is due in one instalment on 12 October 2027. In October 2018 the Board of Directors decided to sell Jordan Ahli Bank bonds, thus the bonds were classified as current assets. Ahli Bank of Jordan (investor) repaid and settled the outstanding loan bond balance in full including the interests to Arab International Hotels Company in 12 October 2022.

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(11) CASH AND SHORT-TERM DEPOSITS

	<u>2022</u> JD	<u>2021</u> JD
Short-term deposits* (note 21)	1,848,600	8,578,889
Cash on hands and at banks	<u>1,247,859</u>	<u>1,204,729</u>
	<u>3,096,459</u>	<u>9,783,618</u>

* Short term deposits as at 31 December 2022 represent deposits held with local banks in Jordanian Dinar with maturities not exceeding three months, bearing an average interest rate of 4% (31 December 2021: 4%).

(12) Loans

Loans are categorized according to their maturity date as follows:

	<u>2022</u>		<u>2021</u>	
	Current portion of long- term loans JD	Long term loans JD	Current portion of long- term loans JD	Long term loans JD
Jordan Ahli Bank – USD (1)	-	-	709,000	-
Jordan Ahli Bank – USD (2)	385,696	1,544,678	385,696	1,930,374
Jordan Ahli Bank – JD (3)	744,000	373,541	744,000	1,117,541
Jordan Ahli Bank – USD (4)	957,150	1,914,300	957,150	2,871,450
Jordan Ahli Bank – JD (5)	375,000	2,250,000	375,000	2,625,000
Jordan Ahli Bank – USD (6)	<u>381,088</u>	-	-	-
	<u>2,842,934</u>	<u>6,082,519</u>	<u>3,170,846</u>	<u>8,544,365</u>

Jordan Ahli Bank – USD (1)

This 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 for a loan which was granted against the Company's guarantee and with an interest rate of 4.1%. The loan will be repaid in 10 equal semi-annual instalments. The first instalment was due on 30 September 2015, and the interest will be paid every 6 months. During 2021 the Company rescheduled the loan, the instalment due on 31 March 2021 amounting to JD 709,000 was postponed to 31 March 2022. The full balance of this loan was paid in full at 31 March 2022.

Jordan Ahli Bank – USD (2)

This balance represents Jordan Ahli Bank loan amounting to USD 4,200,000 (JD 2,977,800). The Company signed the loan agreement with Jordan Ahli Bank on 15 April 2015, this loan was granted against the Company's guarantee and with an interest rate of 4%. The loan will be paid in 18 equal semi-annual instalments. The first instalment was due on 30 September 2017. The loan instalments for the years 2018 and 2017 were rescheduled to 2025 and 2026 while the interest will be paid every 6 months. During 2021 the Company rescheduled the loan, in which those instalments that were due in 2021 were postponed until the end of the loan life. The utilized loan balance amounted to JD 1,930,374 as at 31 December 2022 (31 December 2021: JD 2,316,070).

Jordan Ahli Bank – JD (3)

On 4 November 2015 the Company signed an energy loan agreement with Jordan Ahli Bank with a ceiling of JD 4,000,000 with an annual interest rate of 4% on daily utilized balance. The loan will be paid in 18 semi-annual instalments, the first instalment was due on 1 November 2017. The last instalment will be due on 1 May 2025. During 2021, the Company rescheduled the loan, in which those instalments that were due in 2021 were postponed until the end of the loan life. The utilized loan balance amounted to JD1,711,541 as at 31 December 2022 (31 December 2021: JD 1,861,541).

Jordan Ahli Bank – USD (4)

This balance 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 2019 for a loan which was granted against the Company's guarantee and with an interest equivalent to LIBOR 2.5% and minimum 5%. The loan will be paid in 10 equal semi-annual instalments. During 2021, the Company rescheduled the loan, in which those instalments that were due in 2021 were postponed until the end of the loan life. The interest rate has increased during 2022 to be 4.5%, according to Central Bank of Jordan latest instructions. The utilized loan balance amounted to JD 2,871,450 as at 31 December 2022 (31 December 2021: JD 3,828,600).

Jordan Ahli Bank – JD (5)

On 15 June 2020 the Company signed a funding operating expenses and salaries agreement with Jordan Ahli Bank with a ceiling of JD 3,000,000 with an annual interest rate of 3% on daily utilized balance. The loan will be paid in 16 semi-annual instalments, the first instalment will be due on 30 June 2022. The last instalment will be due on 31 December 2029. The utilized loan balance amounted to JD 2,625,000 as at 31 December 2022 (31 December 2021: JD 3,000,000).

Jordan Ahli Bank – USD (6)

On 4 May 2016 the Company signed a revolving loan agreement with Jordan Ahli Bank for the purpose of funding operating expenses with a ceiling of JD 2,127,000 with an interest rate (LIBOR 3 months plus 1.5% with a minimum of 4.1%) on the daily utilized balance. The loan balance was utilized on 24 January 2022. The loan will be paid in 4 quarterly instalments. The first instalment was due on 24 April 2022, and last instalment will be paid on 24 January 2023. The interest rate has increased during 2022 to be 4.5%, according to Central Bank of Jordan latest instructions. The utilized loan balance amounted to 381,088 JD as at 31 December 2022 (31 December 2021: nil).

Movement on the loans is as follows:

	2022 JD	2021 JD
Balance at beginning of the year	11,715,211	10,879,412
Proceeds from loans	1,524,350	1,261,199
Loans repayments	(4,314,108)	(425,400)
	<u>8,925,453</u>	<u>11,715,211</u>

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

Year	JD
2023	2,842,934
2024	2,090,881
2025	1,717,846
2026	760,696
2027 and thereafter	1,513,096
	<u>8,925,453</u>

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(13) BONDS PAYABLE

On 6 February 2022, Arab International Hotels Company Public Shareholding Company issued 7,000 bonds through Jordan Ahli Bank with a par value of JD 1,000 and a total value of JD 7,000,000 for five years at a fixed interest rate of 5.5%. paid semi-annually. The subscribed bond balance reached to JD 4,680,000 at 31 December 2022.

On 22 January 2017, Arab International Hotels Company Public Shareholding Company 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%. paid semi-annually. The bond has matured and was paid in full on 29 January 2022.

(14) ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	2022 JD	2021 JD
Trade receivables	521,217	383,073
Provision for expected credit losses*	<u>(31,037)</u>	<u>(30,612)</u>
	490,180	352,461
Amounts due from related parties (note 21)	23,299	23,299
Other debit balances	<u>119,716</u>	<u>124,675</u>
	<u>633,195</u>	<u>500,435</u>

* Movement on expected credit losses provision is as follows:

	2022 JD	2021 JD
Balance as at 1 January	30,612	33,288
Recovered from expected credit losses	425	(2,676)
Balance as at 31 December	<u>31,037</u>	<u>30,612</u>

As at 31 December, the ageing of unimpaired receivables net of expected credit losses provision is as follows:

	1 - 30 days JD	31 – 60 days JD	61 – 90 days JD	91 – 120 days JD	More than 121 days JD	Total JD
2022	490,180	-	-	-	-	490,180
2021	344,946	6,609	906	-	-	352,461

The management expects to collect all unimpaired receivables balances. It is not the practice of the Company to obtain collateral against the receivables, therefore they are unsecured.

(15) EQUITY

Paid-in capital

The Company authorized and paid-in capital amounted to JD 32,728,881 divided to 32,728,881 shares with par value of JD 1 per share as at 31 December 2022 and 2021.

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 transfer to this account when the reserve amount reaches 25% of the share capital. In reference to that the Company decided not to transfer any additional amounts to the statutory reserve.

Voluntary reserve

The accumulated amounts in this account represent cumulative appropriations of 20% of the profit before income tax. The statutory reserve is available for distribution to the shareholders. The general assembly approved in its meeting held on 12 April 2022 to transfer an amount of JD 4,000,000 from statutory reserve to retained earnings.

Special reserve

This item represents the special reserve due from the merge of the Company during 2021 with the associate company - Beaches Company for Hotels and Resorts by an amount of JD 1,600,562 (note 3). The general assembly approved in its meeting held on 12 April 2022 to transfer the full balance from the special reserve to retained earnings.

(16) Dividends

The General Assembly approved in its meeting held on 12 April 2022, the distribution of cash dividends amounted to JD 1,309,155 from the retained earnings as profit for investors representing 4% of the paid in capital as a result of 2021 operations.

(17) PROVISIONS AND OTHER CREDIT BALANCES

	<u>2022</u>	<u>2021</u>
	JD	JD
Due to shareholders and dividends payable	352,979	340,372
Accrued expenses	<u>830,854</u>	<u>716,718</u>
	<u>1,183,833</u>	<u>1,057,090</u>

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(18) ADMINISTRATIVE EXPENSES

	<u>2022</u>	<u>2021</u>
	JD	JD
Salaries, wages and other benefits	432,804	358,274
Social security	17,704	17,704
Board of Directors travel and transportation expenses	86,400	93,600
Chairman office expenses	3,473	3,576
Insurance expenses	50,020	55,482
Governmental fees	36,127	83,081
Donations	39,092	1,000
Rent	19,350	19,350
Professional fees	13,822	58,032
Advertisement expenses	11,377	5,203
Vehicles expenses	14,693	14,481
Bank expenses	5,181	5,075
Property tax expenses	34,776	28,883
Stationery and publications	4,539	1,130
Hospitality expenses	2,502	5,746
Solar System	91,535	55,092
Others	8,536	12,263
	<u>871,931</u>	<u>817,972</u>

(19) INCOME TAX

No income tax expense has been calculated for the years ended 31 December 2022 and 2021 has not been calculated due to the excess of deductible expenses over taxable income in accordance with income tax law no (34) of 2014 and its amendments.

The Company submitted its tax declarations to the Income and Sales Tax Department for the years 2019, 2020 and 2021. The submitted tax declarations have not been audited up to the date of these financial statements.

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

A- The reconciliation between the accounting profit and taxable income is as follows:

	<u>2022</u>	<u>2021</u>
	JD	JD
Accounting profit	263,376	156,873
Non-taxable income	(899,963)	(1,995,153)
Non-deductible expenses	72,995	805,066
Taxable loss	<u>(563,592)</u>	<u>(1,033,214)</u>
Income tax expense for the year	-	-
Statutory income tax rate	<u>20%</u>	<u>20%</u>
National contribution tax	<u>1%</u>	<u>1%</u>
Effective income tax rate	<u>-</u>	<u>-</u>

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(20) BASIC AND DILUTED EARNINGS PER SHARE

	2022	2021
Profit for the year (JD)	263,376	156,873
Weighted average number of shares at end of year (share)	32,728,881	32,728,881
	Fils / JD	Fils / JD
Basic earnings per share	0/008	0/005

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

(21) RELATED PARTIES

Related parties represent Shareholders, sister companies, directors and key management personnel of the Company, companies in which they have major shareholders, and affiliate companies. 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:

	2022 JD	2021 JD
Assets		
Bank deposit - Jordan Ahli Bank (shareholder) – (note 11)	1,848,600	8,578,889
Current accounts at Jordan Ahli Bank (shareholder)	1,226,359	1,183,229
Financial assets at amortized cost (shareholder) - (note 10)	-	1,500,000
Liabilities		
Loans granted by Jordan Ahli Bank (shareholder) – (note 12)	8,925,453	11,715,211
Bonds portion owned from related parties (sister companies) - (note 13)	4,650,000	7,300,000

The other debit balances include due from related parties broken down as follows:

Due from Interior Design Studio Company (note 14)	23,299	23,299
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Financial assets at fair value through other comprehensive income:

The Jordan Worsteds Mills Company – Public Shareholding Company	2,258,616	2,311,387
El-Zay for Ready Wear Manufacturing Company	386,098	482,622
Jordan Ahli Bank	2,054,400	1,532,869

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

	<u>2022</u> JD	<u>2021</u> JD
Interest income on deposits - Jordan Ahli Bank	69,330	147,672
Dividends income	291,981	231,037
Interest income on financial assets at amortized cost	66,072	82,726
Key management salaries and benefits and Board of Directors remuneration	375,290	372,566
Finance costs – Jordan Ahli Bank	454,071	429,912
Bonds finance costs – related parties	269,268	401,500

(22) RISK MANAGEMENT

Interest rate risk

The Company is exposed to interest rate risk on its interest-bearing assets and liabilities such as bank deposit and term loans. There is no interest rate risk associated with interest rate on bonds as it bears 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.

2022- Currency	<u>Increase in interest rate Basis point</u>	<u>Effect on profit for the year JD</u>
JD	100	(18,939)
USD	100	(51,829)
	<u>Decrease in interest rate Basis point</u>	<u>Effect on profit for the year JD</u>
Currency		
JD	100	18,939
USD	100	51,829

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2021- Currency	<u>Increase in interest rate Basis point</u>	<u>Effect on profit for the year JD</u>
JD	100	(37,173)
USD	100	(68,537)

Currency	<u>Decrease in interest rate Basis point</u>	<u>Effect on profit for the year JD</u>
JD	100	37,173
USD	100	68,537

Stock price risk

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

2022- Index	<u>Change in index %</u>	<u>Effect on equity JD</u>
Amman Stock Exchange	5 (5)	296,901 (296,901)

2021 - Index	<u>Change in index %</u>	<u>Effect on equity JD</u>
Amman Stock Exchange	5 (5)	280,920 (280,920)

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.

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
As at 31 December 2022	JD	JD	JD	JD	JD
Bonds payable	-	-	4,937,400	-	4,937,400
Accounts payable and other credit balances	2,077,523	-	-	-	2,077,523
Loans	902,646	2,082,435	5,992,364	394,281	9,371,726
Total	<u>2,980,169</u>	<u>2,082,435</u>	<u>10,929,764</u>	<u>394,281</u>	<u>16,386,649</u>
As at 31 December 2021					
Bonds payable	10,275,000	-	-	-	10,275,000
Accounts payable and other credit balances	1,603,289	-	-	-	1,603,289
Loans	1,232,703	2,058,635	8,090,551	778,500	12,160,389
Total	<u>13,110,992</u>	<u>2,058,635</u>	<u>8,090,551</u>	<u>778,500</u>	<u>24,038,678</u>

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 consist of cash on hand and at banks, account receivable, financial assets at fair value and some other debit balances. Financial liabilities consist of accounts payable, due to banks, loans, and some other credit balances.

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

Level 1: Quoted 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.

The following table shows the analysis of financial instruments at fair value, according to the above-mentioned hierarchy:

	Level 1	Level 2	Level 3	Total
	JD	JD	JD	JD
2022 -				
Financial assets at fair value through other comprehensive income	<u>5,861,597</u>	<u>-</u>	<u>76,420</u>	<u>5,938,017</u>
2021 -				
Financial assets at fair value through other comprehensive income	<u>5,441,391</u>	<u>-</u>	<u>177,000</u>	<u>5,618,391</u>

(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, retained earnings, statutory reserve, voluntary reserve, special reserve, share premium, change in fair value reserve, Company's share from change in fair value reserve from investment in associates, and is measured at JD 49,179,344 as at 31 December 2022 (31 December 2021: JD 50,236,531).

(25) CONTINGENCIES AND COMMITMENTS

Lawsuits -

The Company is a defendant in a number of lawsuits amounting JD 14,562 representing legal claims related to its activities (2021: JD 4,069).

The Company filed a number of lawsuits amounting JD 32,264 representing legal claims related to its activities (2021: JD 29,459).

(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:

The following table represent Marriott Amman operating revenues:

	<u>2022</u> JD	<u>2021</u> JD
Rooms Revenues	4,778,814	2,958,624
Food and Beverage Revenues	3,486,052	2,249,803
Other Revenues	<u>278,340</u>	<u>238,643</u>
	<u>8,543,206</u>	<u>5,447,070</u>

The following table summarizes the Segment results:

	<u>Hotel sector</u> JD	<u>Investment in financial assets</u> JD	<u>Total</u> JD
31 December 2022 -			
Revenues	8,543,206	1,047,050	9,590,256
Segment results -			
Profit before income tax	(783,674)	1,047,050	263,376
Profit for the year	(783,674)	1,047,050	263,376
<u>Other Segment Information</u>			
Capital expenditures	336,736	-	336,736
Depreciation	1,085,603	-	1,085,603
31 December 2021 -			
Revenues	5,447,070	185,629	5,632,699
Segment results -			
Profit before income tax	42,124	114,749	156,873
Profit for the year	42,124	114,749	156,873
<u>Other Segment Information</u>			
Capital expenditures	325,388	-	325,388
Depreciation	1,110,019	-	1,110,019
<u>Assets and liabilities</u>			
31 December 2022 -			
Sector assets	45,630,124	19,232,196	64,862,320
Sector liabilities	15,682,976	-	15,682,976
31 December 2021 -			
Sector assets	52,717,364	20,837,667	73,555,031
Sector liabilities	23,318,500	-	23,318,500

The Company's net share from associates' profit amounted to JD 607,982 for the year ended 31 December 2022 (2021: Losses in the amount of JD 289,778).

(27) STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach),
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not applicable to the Company.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement,
- That a right to defer must exist at the end of the reporting period,
- That classification is unaffected by the likelihood that an entity will exercise its deferral right,
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

The amendments are not expected to have a material impact on the Company.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.