

التاريخ : 2017/05/15
الرقم : د م / 2017 / 61

السادة بورصة عمان المحترمين

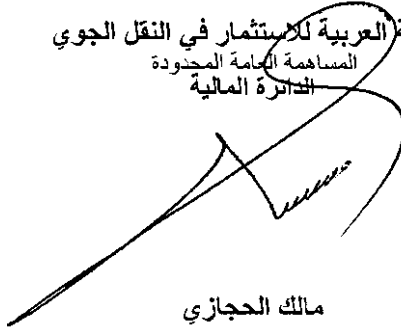
الموضوع : إيداع القوائم المالية السنوية

تحية طيبة وبعد،

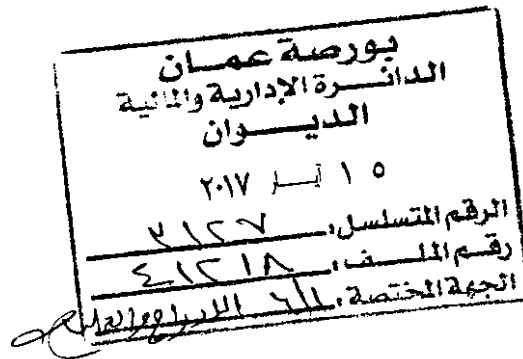
نرفق لكم طياً القوائم المالية الموحدة السنوية للفترة المالية من 2016/01/01 ولغاية 2016/12/31 باللغة الانجليزية الخاصة بالشركة العربية للاستثمار في النقل الجوي المساهمة العامة المحدودة شاكرين لكم حسن تعاونكم.

وتفضلوا بقبول فائق الاحترام ...

الشركة العربية للاستثمار في النقل الجوي
المساهمة العامة المحدودة
الدائرة المالية



مالك الحجاري



*مرفق/القوائم المالية

Arabian Aviation Investment Company
“ Limited public shareholding Co “
Amman – The Hashemite Kingdom of Jordan

Consolidated Financial Statements & The Independent Auditor's Report
as at 31 December 2016

Arabian Aviation Investment Company
“ Limited public shareholding Co “
Amman – The Hashemite Kingdom of Jordan

<u>Index</u>	<u>Page</u>
Independent auditor's report	3-8
Consolidated financial position as at 31 December 2016	9
Consolidated Comprehensive income statement of the financial year ended on 31 December 2016	10
Statement of consolidated changes in shareholders equity	11
Statement of consolidated cash flows of the year ended on 31 December 2016	12
Accounting policies	13-17
Notes on the consolidated financial statements	18-29

No: 125/2017/60006

To the Board of DirectorsArabian Aviation Investment Company“ Limited public shareholding Co “Amman – The Hashemite Kingdom of JordanOpinion:

We have audited the consolidated financial statements of the Arabian Aviation Investment Company PLC. which consist of the consolidated financial position as at 31 December 2016 , the consolidated comprehensive income statement, statement of changes in shareholders' equity, consolidated cash flows statement of the year ended on that date, notes on the consolidated financial statements , and a summary of the significant adopted accounting policies.

In our opinion, the consolidated financial statements, fairly and from all significant aspects, present the Company's financial standing as on 31 December 2016, financial performance and consolidated cash flows of the year ended on that date in accordance with the International Financial Reporting Standards.

Basis of opinion:

We have carried out our audit in accordance with the international auditing standards. Our responsibility in accordance with these standards is set out hereinafter in the "Auditor responsibility in relation to the financial statements auditing".

In our opinion, the auditing evidences in our possession are adequate to have a basis for expressing our opinion.

Independence:

We are independent from the Company in accordance with the requirements of the international ethics standards board for accountants; "ethical standards and guidance for professional accountants"; and the ethical requirements relevant to our auditing of the financial statements. We have complied with our other ethical responsibilities in accordance with the said requirements.

Auditing significant matters:

Auditing significant matters are, in accordance with our professional judgment, those the most important ones in our auditing of the consolidated financial statements of the current year. These matters are taken into consideration in auditing the Company's financial statements and to form our opinion thereof, not for the purpose of separately expressing our opinion in these matters.

1. Financial assets in the fair value through the comprehensive income statement:

In reference to Note 4, financial assets in the fair value through the comprehensive income statement set forth in the Company's consolidated financial statements.

The value of those assets in the end of 2016 is 2.387.852 JD comparing to 1.368.047 JD in the end of 2015.

The Company retained these investments to use them for trade and gain profits through the short-term alternations in market rates.

Therefore, we think that the Financial Assets in Fair Value Item through the Comprehensive Income Statement; the trade outcome and profit retention; and the reassessment differences at the end of the current year present the main auditing matter due to their volume and significance.

Procedures we made:

During the process of auditing the Financial Assets in Fair Value Item through the Income Statement, we made the following procedures:

- To make sure the Company have the said assets through the sale and purchase invoices and obtainment of an ownership certificate from Securities Depository Center.
- To make sure if there are any seizures or pledges preventing the Company from using such assets.
- To make sure the Company has registered these assets in the fair value on the purchasing date to make sure of the subsequent assessment correctness; and to present these differences in the Income Statement.
- We assessed the extent of completion and correctness of the disclosures in relation to the Financial Assets in Fair Value through the Income Statement, and we assessed the compliance with the disclosure requirements stipulated in the International Financial Reporting Standards.

2. Investments in subsidiaries and capitalization of accounts payable by increasing the Company's capital:

In reference to Note 10, Investments in subsidiaries;

In reference to Note 9, Financial Assets in Fair Value through the other Comprehensive Income Statement;

In reference to Note 9, Accounts payable against investments; and

In reference to Note 13, shareholders' equity.

(4 / 29)

mgeworldwide
Scientific Office
For Auditing, Accounting
& Consulting
Public Accountants

In the consolidated financial statements of the Arabian Aviation Investment Company:

In 2015, investment in the financial assets in fair value through the other comprehensive income items includes the investment in Rum Aviation Investment Co. of 6.000.000 JD under an agreement on acquiring the shares from the owner (Rum Group for Transportation & Tourism Investment Company). These assets were not designated as an investment in a subsidiary since the acquisition process is subject to the approval of the General Assembly of both Companies. There was also a restriction on the Companies profit dividend in the invested company if the acquisition agreement comes into effect. In pursuance of the shares acquisition agreement, the price shall be paid within six months; and if the Company failed to pay within the said period, the seller would be given shares in the Arabian Aviation Investment Company through increasing its capital upon obtaining the approval from the General Assembly.

In 2016, the approval was obtained from the General Assembly of both Companies. Arabian Aviation Investment Company obtained an approval from the Companies Control Department of capitalizing the debts incurred by the process of investment in the subsidiary by increasing its capital by three million JD / shares and share premium of three million JD. The Company is still waiting for the approval of Jordan Securities Commission, and these investments were re-designated as assets in fair value to investments in a subsidiary.

The Company's dividend in the subsidiary operations at the end of 2016 was a loss of (80.695) JD.

Therefore, we think the acquisition of shares in subsidiaries and the capitalization of the accounts payable by increasing the Company's capital, re-designating the investments and share evidence are among the auditing important matters due to their volume and significance.

Procedures we made:

During the process of auditing the Items in the Notes mentioned above, we did the following:

- Examining the agreement signed by the partners.
- Verifying the correctness of the accounting guidance and evidence of purchasing investments and registering them in the fair value in pursuance of the agreement on the purchase date; and verifying the correctness the subsequent assessment of the investments and the calculation of the Company's dividend of the subsidiary's operations.
- Verifying the correctness of the investment de-designation from financial assets in fair value through the other comprehensive income statement) to (investments in a subsidiary).
- Examining the extraordinary meeting minutes of the General Assembly of both Companies (seller and purchaser) in which the decision of the agreement details was made; and viewing the correspondences between the Company, Jordan Securities Commission and Ministry of Industry & Trade.

(5 / 29)

- Having an external support for the correctness of the accounts payable registered for the Rum Group for Transportation & Tourism Investment Company PLC.
- In the Notes, assessing the completion and correctness of the disclosures, and assessing the compliance with the disclosure requirements stipulated in the International Financial Reporting Standards:
 - Investment in subsidiaries (10).
 - Financial Assets in Fair Value through the other Comprehensive Income Statement (9).
 - Accounts payable against investments (9).
 - Shareholders' equity (13).

Other information:

The Management is responsible for the other information. The other information includes all information contained in the Company's annual report of 2016 except the financial statements and the auditor's report. We have not been provided with the other information until the date of our report, and it is expected to be provided following that date.

Our opinion on the consolidated financial statements does not cover the other information; and we have not given any confirmation about it, and we will not do.

In the course of auditing the financial statements, we are responsible for reading the other information and to determine if the other information do not materially conform the financial statements or the knowledge we have had during the audit process, and to check if they seem to contain material misstatements.

When we examine the other information that have yet to be provided to us, and if we suspected a containment of material misstatements, we must inform the persons in charge of corporate governance.

Responsibility of the Management and the persons in charge of corporate governance of financial statements:

The Management is responsible for preparing and presenting the consolidated financial statements fairly and in accordance with the International Financial Reporting Standards, and it is responsible for the internal control it deems necessary to enable it to prepare financial statements free of material misstatements, whether they result from fraud or error.

Upon preparing the consolidated financial statements, the Management's responsibility includes assessing the going concern and, *ex necessitate rei*, the matters in relation to the Company's going concern and using the going concern principle unless the Management intends to liquidate the Company, suspend its business or has no logical alternation.

The persons in charge of corporate governance are responsible for supervising the Company's financial statements preparation process.

Other matters:

The Company's financial statements of the fiscal year ended on 31.12.2015 were audited by another auditor who issued his unqualified opinion on 23.02.2016.

Auditor's responsibility for the financial statements:

Our objective is to have a reasonable certainty if the overall financial statements are free of material misstatements, whether arising out of fraud or error; and to issue the audit report containing our opinion thereof.

The reasonable certainty is a high-level certainty, but it is not a guarantee that the audit made in accordance with the International Financial Reporting Standards will always uncover any material misstatement, if any.

Misstatements may arise out of fraud or error, and they are material if they may individually or severally reasonably influence the users of the economic financial statements.

As a part of the audit process in accordance with the international auditing standards, we make the professional judgement and maintain the professional uncertainty principle application in all aspects of auditing; in addition to:

- Identifying and assessing the material misstatements risks, whether arising out of fraud or error; and designing and implementing the auditing procedures that respond to such risks; having auditing evidences adequate to be basis for our opinion. The risk of failure to uncover any material misstatements arising out of fraud is higher than the one arising out of error, and fraud may include collusion, forgery, intentional omissions, distortion or breaking the internal control rules.
- Understanding the internal control rules relevant to auditing processes for the purpose of designing adequate auditing procedures as per circumstances, not for the purpose of expressing an opinion about the efficiency of the Company's internal control rules.
- Assessing the adequacy of the acceptable accounting policies and the extent of reasonability of the accounting estimations and relevant notes prepared by the Management.
- Concluding the extent of adequacy of using the going concern principle by the Management based on the auditing evidences we have had, to check if there is a material uncertainty in relation to events or circumstances that may cause serious doubts in connection to the Company's ability to continue being a going business. If we find out a material uncertainty, we are required to bring the attention in our report to the relevant notes contained in the financial statements. If disclosing such information is not enough, we will amend our opinion. Our conclusions depend on the auditing evidences we have had until our auditing date. Nonetheless, subsequent events or circumstances may stop the Company from continuing as a going business.

- Assessing the general presentation, form and content of the financial statements, including the notes and whether the financial statements constitute the transactions and events in a way that realize the fair presentation.
- Obtaining adequate auditing evidences in relation to the financial information of the establishments or business activities within the Group to express an opinion about the financial statements. We are responsible for the direction, supervision and completion of the Group's auditing. We are completely responsible for the auditing report.
- We have communicated with the persons in charge of corporate governance about our compliance with the professional ethics requirements in relation to independence, and we have informed them of all relationships and other matters that may influence our independence and about the preventive procedures, if any.
- We have also provided the persons in charge of corporate governance with a statement of our compliance with the professional ethics requirements in relation to independence, and we have informed them of all relationships and other matters that may influence our independence and about the preventive procedures, if any.
- Among the matters of which the persons in charge of corporate governance were informed is that we identified the most important matters in auditing the financial statements of the current fiscal year, which are the essential auditing matters. We clarify such matters in our report unless there is a law or regulation against the disclosure thereof, or in rare cases, in which we decide to not disclose such matter in our report, due to negative effects expected to exceed the public benefit from such disclosures.

Report of legal requirements:

The Company maintains duly organized accounting records and registries. The consolidated financial statements conform the same in terms of the material matters, and we recommend them the approval thereof.

Amman, Hashemite Kingdom of Jordan
01/03/2017

The Scientific Office for Auditing,
Accounting and Consulting
Jamal M. Falah
License No. "285"

المكتب العلمي للتدقيق والمحاسبة والاستشارات
Scientific Office For Auditing, Accounting & Consulting
محاسبون قانونيون
Certified Accountants

Arabian Aviation Investment Company

“ Limited public shareholding Co “

Amman – The Hashemite Kingdom of Jordan

Consolidated Financial Position Statement as on 31 December 2016

	<u>Note</u>	<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
<u>Assets</u>			
<u>Current assets</u>			
Cash on hand and at banks	3	243.935	453.070
Checks under collection		117.100	44.292
Financial assets in fair value through income statement	4	2.387.852	1.368.047
Other current assets	5	36.313	36.052
Accounts receivable	6	17.841	118.598
Inventory		-	4.004
Total current assets		2.803.041	2.024.063
<u>Noncurrent assets</u>			
Properties and equipment	7	5.756	13.592
Real estate investments	8	50.621	50.621
Financial assets in fair value through other comprehensive income statement	9	116.801	6.010.600
Investments in associate company	10	5.955.389	-
Total noncurrent assets		6.128.567	6.074.813
Total assets		8.931.608	8.098.876
<u>Liabilities and shareholders' equity</u>			
<u>Current liabilities</u>			
Shareholders' refunds	11	200.633	203.552
Accounts payable and other current liabilities	12	58.697	49.294
Associated accounts	10	100.000	-
Payable for investments	9	6.000.000	6.000.000
Total current liabilities		6.359.330	6.252.846
<u>Shareholders' equity</u>			
Authorized capital		6.000.000	3.000.000
Subscribed and paid capital		3.000.000	3.000.000
Compulsory reserve		63.947	39.862
Fair value reserve		(4.271)	(10.472)
Returned losses		(487.398)	(1.183.360)
Net shareholders' equity	13	2.572.278	1.846.030
Total liabilities and shareholders' equity		8.931.608	8.098.876

The enclosed explanatory notes constitute an integral part hereof.

Arabian Aviation Investment Company

“ Limited public shareholding Co “

Amman – The Hashemite Kingdom of Jordan

Consolidated Comprehensive income statement of the financial year ended

on 31 December 2016

	<u>Note</u>	<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
<u>Comprehensive income items</u>			
Transportation revenues	20	-	173.651
Interest revenues		4.812	6.136
Realized gain from financial assets in fair value through income statement		583.187	122.409
Unrealized gain from financial assets in fair value through income statement		480.541	(247.440)
Share from associated Co.	10	(80.695)	-
Net revenues		987.845	54.756
Financial assets sale and purchase commissions		(62.877)	(81.910)
Operation expenses	14	-	(234.777)
Gross profit (loss)		924.968	(261.931)
Administrative expenses	15	(195.625)	(213.642)
Banking expenses		(773)	(1.037)
Properties and equipment sale profits		10.424	81.558
Other revenues		1.680	18.670
Profit (loss) of the year before income tax		740.674	(376.382)
Income tax		-	-
Profit (loss) of the year after income tax		740.674	(376.382)
<u>Other comprehensive income items</u>			
Unrealized gain from financial assets in fair value through other comprehensive income		6.201	423.098
Losses of sale of financial assets in fair value through other comprehensive income		-	(511.522)
Total of other comprehensive income		6.201	(88.424)
Total comprehensive income of the period		746.875	(464.806)
	16	<u>JD / share</u>	<u>JD / share</u>
Earnings per share		0.177	(0.155)
Weighted average of shares number		4.208.218	3.000.000

The enclosed explanatory notes constitute an integral part hereof.

Arabian Aviation Investment Company
“ Limited public shareholding Co “

Amman – The Hashemite Kingdom of Jordan

Statement of Consolidated Changes in Equity

<u>Description</u>	<u>Capital</u>	<u>Compulsory reserve</u>	<u>Fair value reserve</u>	<u>Retained (losses) earnings</u>			<u>Total retained earning (losses) profits</u>	<u>Total</u>
				<u>Realized profit</u>	<u>Unrealized profit</u>	<u>JD</u>		
Balance on 31 December 2015	3.000.000	39.862	(10.472)	(1.183.360)	-	(1.183.360)	1.846.030	
Annual profit	-	-	-	260.133	480.541	740.674	740.674	
Previous years adjustments	-	-	-	(20.627)	-	(20.627)	(20.627)	
Compulsory reserve	-	24.085	-	(24.085)	-	(24.085)	-	
Fair value reserve	-	-	6.201	-	-	-	6.201	
Balance on 31 December 2016	3.000.000	63.947	(4.271)	(967.939)	480.541	(487.398)	2.572.278	
Balance on 31 December 2014	3.000.000	39.862	(433.570)	(502.418)	206.962	(295.456)	2.310.836	
Annual profit	-	-	-	(169.420)	(206.962)	(376.382)	(376.382)	
losses of sale of financial assets in fair value through other comprehensive income	-	-	-	(511.522)	-	(511.522)	(511.522)	
Differences in assessment of financial assets in fair value through other comprehensive income items	-	-	423.098	-	-	-	423.098	
Balance on 31 December 2015	3.000.000	39.862	(10.472)	(1.183.360)	-	(1.183.360)	1.846.030	

Arabian Aviation Investment Company

“ Limited public shareholding Co “

Amman – The Hashemite Kingdom of Jordan

Statement of consolidated cash flows of the year ended on 31 December 2016

	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
<u>Cash flows from operations activities</u>		
Comprehensive income of the year	746.875	(464.806)
Depreciations	5.001	49.075
Unrealized gain from financial assets	(486.742)	(175.658)
Share from associated	80.695	-
Properties and equipment sale profits	(10.424)	(81.558)
Profit (loss) of operation before change in working capital	335.405	(672.947)
Accounts receivable and other current assets	100.496	30.347
Accounts payable and other current liabilities	9.403	5.571.616
Checks under collection	(72.808)	-
Inventory	4.004	18.188
Financial assets in fair value through comprehensive income items	(539.264)	(911.868)
Net cash from operations activities	(162.764)	4.035.336
<u>Cash flow from investment activities</u>		
Properties and equipment	(945)	-
Properties and equipment sale	14.204	523.160
Financial assets in fair value through other comprehensive income items	-	(4.967.502)
Investments in associated	(36.084)	-
Net cash flow from investment activities	(22.825)	(4.444.342)
<u>Cash flow from financing activities</u>		
Shareholders refunds	(2.919)	(343)
Previous years adjustment	(20.627)	-
Net cash flow from financing activities	(23.546)	(343)
Net cash from activities	(209.135)	(409.349)
Cash and cash equivalents at the beginning of the year	453.070	862.419
Cash and cash equivalents at the end of the year	243.935	453.070

The enclosed explanatory notes constitute an integral part hereof.

Arabian Aviation Investment Company
“ Limited public shareholding Co “
Amman – The Hashemite Kingdom of Jordan
Accounting policies

Consolidated financial statements preparation principles:

- The consolidated financial statements were prepared in accordance with the historical cost principle except the Financial Assets in Fair Value through Other Comprehensive Income and the Financial Assets in Fair Value through the Income Statement, which appear in the fair value on the consolidated financial statements date.
- The financial statements were prepared in accordance with International Accounting Standard 34 (Financial Reporting) and under the applicable laws and instructions of the historical cost principle.
- Jordan Dinar is the currency in which the consolidated financial statements are presented, and it constitutes the main currency for the Company.

Financial statements consolidation principles:

The attached brief consolidated financial statements include the assets, liabilities and operations of Arabian Aviation Investment Company PLC; Ithmar Transportation Company JSC, which is 100% owned by the parent Company; and Al-Azamia Real Estate Investment Company, which is 100% owned by Ithmar Transportation Company JSC.

Use of estimations:

The financial statements preparation and accounting policies application require the Company's Management to make some estimations and assumptions that affect the financial statements and notes thereof. Such estimations are based on suppositions subject to various degrees of accuracy and certainty. Therefore, the actual results in future may be different from the Management's estimations as a result of the change in the situations and circumstances of the suppositions on which those estimations were based.

Arabian Aviation Investment Company
“ Limited public shareholding Co “
Amman – The Hashemite Kingdom of Jordan
Accounting policies

Below are the most important estimations used in preparing the financial statements:

- The Management re-estimates the useful life of the tangible assets on a regular basis to calculate the annual depreciations depending on the general status of those assets and the expected useful life estimations, and the impairment (if any) is calculated in the income statement.
- The Management regularly review the financial assets presented in cost to estimate any impairment, and such impairment is presented in the income statement.
- The Company Management estimates the provision for doubtful account after taking into consideration the collectability of the same.

Cash and cash equivalents:

This Item constitutes the cash and cash equivalents in hand, at bank current accounts of the Company and the short-term investments due within three months and can be turned in a known amount of cash with no change in value risks.

Financial assets in fair value through the income statement:

This Item includes the investment in the corporate shares and bonds maintained for trade purposes and making profits from the short-term market prices variations.

These assets are recognized when purchasing in fair value (possession expenses are registered in the income statement upon purchase) and they are subsequently reevaluated in fair value. The change in their fair value is presented in the briefed consolidated income statement, including the change in the fair value resulting from the differences in the nonfinancial assets conversion in foreign currency. If these assets are sold, in whole or in part, the profits or losses resulting from the sale are registered in the income statement.

The distributed dividends or acquired benefits from these assets are recognized in the income statement.

Arabian Aviation Investment Company
“ Limited public shareholding Co “
Amman – The Hashemite Kingdom of Jordan
Accounting policies

Checks under collection:

Checks under collection are presented in fair value upon receipt.

Financial assets recognition date:

The financial assets sale and purchase are recognized on the trade date (the date on which the Company complies with selling or purchasing the financial assets).

Fair value:

The closing prices in active markets constitute the fair value of the financial assets. In case of no declared prices available or no active trade available for some financial assets, their value are estimated through a comparison with the fair value of a similar financial instrument or through calculating the current fair value of the future cash flow in relation thereto. If the fair value of the financial assets could not be reliably measured, they are presented in cost less any impairment thereof.

Accounts receivable:

Accounts receivable are presented in the invoice original amount less the amounts unexpected to be collected, and the doubtful accounts are estimated when the collection of the amount, in whole or in part, is unlikely. The bad debts are omitted when there is no possibility to be collected.

Spare part warehouses:

The materials at warehouses are priced in the cost price or realized net value, whichever less, and the cost is determined on the defined cost basis for each of the items in the inventory alone. When the inventory is less than the cost amount, the gap is recognized as stock price reduction, and it is recognized in the income statement.

Arabian Aviation Investment Company
“ Limited public shareholding Co “
Amman – The Hashemite Kingdom of Jordan
Accounting policies

Investment in the subsidiaries:

Investments in the subsidiaries in which the Company owns an influential percentage of the voting rights and exercises an influence on their financial and operational policies under the equity method are presented in the cost plus the Company's dividend from any changes in the net assets of the subsidiary, and the comprehensive income statement reflects the Company's dividend from the subsidiary operations. If there are changes in the subsidiary's equity, they are directly recognized in the equity. The Company recognizes its divided from such changes directly within the equity. No losses exceeding the Company's share in the subsidiary capital are recognized except its share in the subsidiary liabilities.

Properties and equipment:

Properties, equipment and machines are presented in cost less accumulated depreciation. Except lands, they are depreciated when they are ready to be used at a fixed rate throughout their expected useful life in percentages (2-20%).

Financial assets in fair value through other comprehensive income statement:

The financial assets in fair value through other comprehensive income statement are presented upon purchase in fair value plus the possession expenses, and they are subsequently reevaluated in fair value. The change in fair value is presented in the comprehensive income statement and within the equity, including the change in fair value resulting from the variations of the nonfinancial assets conversion in the foreign currencies. In case of selling such assets in whole or in part, profits or losses resulting from the sale are registered in the comprehensive income statement and within the equity; and the sold assets evaluation reserve is directly converted into carried forward profits or losses, not through income statement.

These assets are not subject to this impairment, and the distributed dividends are registered in the income statement.

Arabian Aviation Investment Company
“ Limited public shareholding Co “
Amman – The Hashemite Kingdom of Jordan
Accounting policies

Other accounts payable:

The future accounts payable for the received goods and services are recognized whether or not a claim was made by the supplier.

Provisions:

Provisions are recognized when the Company has a liability (legal or expected) resulting from a previous event; the settlement of the liabilities is probably; and their value are reliably measurable.

Clearing:

Clearing is made between the financial assets and financial liabilities, and the net amount is presented in the financial statements when the binding legal rights are settled on the clearing basis or when the assets are realized and liabilities are settled at the same time.

Revenues:

Revenues are recognized in accordance with the accrual accounting.

Foreign currencies:

Transactions made in foreign currencies throughout the year are recognized in the exchange rates current on the date of those transactions. The financial assets and financial liabilities accounts in foreign currency are converted using the exchange rates current on the date of the financial statements and declared by Central Bank of Jordan. The profits and losses resulting from the foreign currencies conversion are recognized in the income statement.

Income tax:

Taxes are calculated on the taxable profits basis. Taxable profits are different from the profits presented in the financial statements because the presented profits include untaxable revenues; expenses that cannot be registered in the fiscal year, but sometimes in subsequent years; accumulated losses acceptable for the Taxes Authority; or items nondeductible or acceptable for Taxes Authority.

Arabian Aviation Investment Company
“ Limited public shareholding Co “
Amman – The Hashemite Kingdom of Jordan
Accounting policies

2. General note:

Establishment :

- Arabian Aviation Investment Company was established as a public liability company and registered in the public liability companies registry at the Companies Control Department under No. 446 on 15.11.2007. It was registered under its former name Al-Fatihoun Al-Arab for Investment, and the name was changed upon a request made by the General Assembly in its extraordinary meeting held on 03.10.2015. The name was changed from "Al-Fatihoun Al-Arab for Investment" to " Arabian Aviation Investment Company."
- On 26.03.2016, the extraordinary General Assembly decided to increase the subscribed capital to become 6.000.000 JD instead of 3.000.000, and the Company is still finalizing the legal procedures required by Jordan Securities Commission.

Company's objectives:

To carry and ship all kinds of goods inside and outside the Hashemite Kingdom of Jordan; import, export, trade and invest in lands, building, apartments and stocks, as the goods carrying and shipping activity was stopped as of 2016. The Company's objectives are now limited to portfolio management.

Arabian Aviation Investment Company

“ Limited public shareholding Co “

Amman – The Hashemite Kingdom of Jordan

Notes on the Consolidated Financial Statements

3. Cash on hand and at banks:

<u>Description</u>	<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
Cash on hand	306	36.306
Cash at banks	243.629	416.764
Total	243.935	453.070

4. Financial assets in fair value through income statement:

<u>Description</u>	<u>Shares</u> <u>2016</u>	<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
Century Investment Group Co.	651.200	2.031.744	953.716
Arab Union International insurance Co.	124.750	157.185	93.312
Rum Financial Brokerage Co.	81.250	190.125	81.162
United Financial Investments Co.	8.300	8.798	21.080
Rum Group for Transportation & Tourism Investment Co.	-	-	190.650
International Co For Medical Investments Co.	-	-	28.127
Total		2.387.852	1.368.047

5. Other current assets :

<u>Description</u>	<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
Guarantee insurance	18.507	18.200
Sales tax acc.	13.627	13.627
Income tax acc.	4.179	3.894
Accrued interest	-	331
Total	36.313	36.052

6. Accounts receivable:

<u>Description</u>	<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
Clients accounts	128.583	141.538
Checks under collection / for account receivable	10.560	114.060
Non-sufficient funds receivables	15.698	-
Total	154.841	255.598
Provisions for doubtful debts	(137.000)	(137.000)
Total	17.841	118.598

Arabian Aviation Investment Company

“ Limited public shareholding Co “

Amman – The Hashemite Kingdom of Jordan

Notes on the Consolidated Financial Statements

7. Properties and equipment:

<u>Statement:</u>	<u>Vehicles</u>	<u>Leased property improvements</u>	<u>Vans</u>	<u>Computers and programs</u>	<u>Furniture</u>	<u>Total</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
<u>Cost</u>						
Balance on 31 December 2015	28.749	12.589	9.610	12.391	10.505	73.844
Additions	-	945	-	-	-	945
Removals	26.136	-	9.610	879	700	37.325
Balance on December 2016	2.613	13.534	-	11.512	9.805	37.464
Accumulated depreciation						
Balance on 31 December 2015	28.686	5.266	5.740	11.748	8.812	60.252
Annual depreciation	63	2.644	503	351	1.440	5.001
Removals	26.136	-	6.243	587	579	33.545
Balance on December 2016	2.613	7.910	-	11.512	9.673	31.708
Net book value on 31 December 2016	-	5.624	-	-	132	5.756
Net book value on 31 December 2015	63	7.323	3.870	643	1.693	13.592

(20 / 29)

Arabian Aviation Investment Company

“Limited public shareholding Co “

Amman – The Hashemite Kingdom of Jordan

Notes on the Consolidated Financial Statements

8. Real estate investments:

This Item constitutes the cost of the Lot of Land No. 347, Block 59, Al Zawayed Al Rastani / Al Ramtha, acquired upon an approval of Ithmar Transportation Company JSC initially obtained as a settlement of a part of non-sufficient funds of a client of Ithmar Transportation Company JSC. The average fair value of the Lot of Land is 50823 JD according to an assessment made by three experts.

9. Financial assets in fair value through other comprehensive income items:

This Item constitutes the Company's investments in other companies by no more than 20% of the voting rights, and it does not have any control over it.

<u>Description</u>	<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
Cost of equity	121.072	6.021.072
Fair value settlement	(4.271)	(10.472)
Total	116.801	6.010.600

Below is the most important information about the companies in which the Company invests:

<u>Description</u>	<u>Legal capacity</u>	<u>Main objectives</u>	<u>Capital</u>	<u>Incorporation date</u>
Arkan Financial Investments Co.	Private joint-stock	Financial investments	700.000	20-12-2016
Arab Electrical Industries	Public joint-stock	Electrical industries	6.000.000	18-05-1993

In 2015, investment in financial assets in fair value through other comprehensive income items includes the investment in Rum Aviation Investment Co.'s shares at a cost of 6.000.000 JD under an agreement of the acquisition of those shares from their owners (Rum Group for Transportation & Tourism Investment Company). Those assets were not designated as investment in a fellow undertaking since the acquisition process is subject to the approval of the Company's General Assembly. The Company's dividend from the due profits of the company in which the Company invests is restricted if the acquisition agreement did not come into force, even though its value will be paid within six months in pursuance of the shares acquisition agreement terms and conditions. If the Company fails to pay within the said period, shares in Arabian Aviation Investment Co. will be given through increasing its capital after obtaining the General Assembly's approval. During 2016, an approval was obtained from the Company's General Assembly, and Arabian Aviation Investment Co. obtained an approval from the Companies Control Department to capitalize the debt incurred by the investment in the fellow undertaking by increasing its capital by 3.000.000 JD / shares and share premium of three million JD. The Company is still waiting for the approval of Jordan Securities Commission, and these investments were re-designated as assets in fair value to investments in a fellow undertaking.

Arabian Aviation Investment Company
“ Limited public shareholding Co “
Amman – The Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

10. Investment in associated :

- This Item constitutes the Company's investments in other companies by no less than 20% and no more than 50% of the total voting rights of these companies.

- This investment was re-designated as an investment in fellow undertakings instead of financial investments in fair value through other comprehensive income because the conditions for this designation were met and the approval of the general assemblies of both companies was obtained to activate the acquisition agreement as set forth in Note 9.

<u>Description</u>	<u>Ownership percentage</u>	<u>2016 JD</u>	<u>2015 JD</u>
Rum Aviation Investment Co.	21.4%	5.955.389	-
Total		<u>5.955.389</u>	<u>-</u>

- Below is the most important information about the fellow undertakings:

<u>Capital – JD / share</u>	<u>Legal capacity</u>	<u>Incorporation date</u>	<u>Main purpose</u>
14.000.000	Private joint-stock	23.05.2010	Investment in the aviation companies

- Below is a summary of the investment transactions during the year:

	<u>Opening balance</u>	<u>The share of business results</u>	<u>Dividends of the operation results</u>	<u>Closing balance</u>
Rum Aviation Investment Co.	6.000.000	36.084	(80.695)	5.955.389
Total	<u>6.000.000</u>	<u>36.084</u>	<u>(80.695)</u>	<u>5.955.389</u>

Arabian Aviation Investment Company
“ Limited public shareholding Co “
Amman – The Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

11. Shareholders refunds:

The shareholders refunds are the shareholders' balance of decreasing the number of shares resulting from decreasing the capital, as well as the subscription refunds:

12. Accounts payable and other credit :

<u>Description:</u>	2016	2015
	JD	JD
Provision for end of service compensation	5.000	5.000
Accrual expenses	2.796	4.471
Third party's trusts	2.296	2.696
Income tax acc.	2.110	2.378
Social security acc.	189	587
Provision for employee vacations	-	120
Stock fractions	48	48
Other accounts payable	23.258	33.994
Board of Director's reward	23.000	-
Total	58.697	49.294

13. Capital and reserves:

a. Authorized capital:

The Company's capital was amended and the authorized capital became 6.000.000 JD instead of 3.000.000 JD, and the Company is still finalizing the capital increase procedures at Jordan Securities Commission.

b. Subscribed and paid in capital:

the subscribed capital is 3.000.000 JD divided into 3.000.000 shares with a nominal value of 1 JD per share.

c. Mandatory reserve:

This constitutes the amounts transferred from the annual profits before taxes and provisions, which are 10% of the profits, and they are not distributable to shareholders.

Arabian Aviation Investment Company
“ Limited public shareholding Co “
Amman – The Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

14. Operation expenses:

<u>Description</u>	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Saudi trips dedications	-	47.202
Salaries and wages	-	46.465
Property and equipment depreciation exp.	-	42.912
Maintenance expenses	-	21.109
License and insurance expenses	-	16.766
Amortizations and losses of replacement parts and supplies	-	15.503
End of service compensation	-	10.062
Sumotumo Project expenses	-	9.180
Social security	-	6.737
Trips deduction	-	5.400
Drivers' visas	-	4.751
Rentals	-	4.000
Miscellaneous expenses	-	2.987
Fuels	-	1.105
Insurance	-	598
Total	-	234.777

Arabian Aviation Investment Company
“ Limited public shareholding Co “
Amman – The Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

15. Administrative expenses:

<u>Description</u>	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Salaries and wages	48.976	72.594
Professional fees	17.187	28.078
Board of Directors' remunerations and travels	23.000	22.500
Legal fees and courts exp.	18.233	-
Capital increase fees	15.125	-
End of service compensation	15.000	7.837
Bad debts	13.963	-
Rentals	10.789	8.000
Governmental fees	6.876	12.289
Medical insurance	4.507	3.180
Social security	4.327	3.662
Hospitality and cleaning	2.506	2.835
Companies monitoring exp.	2.400	1.800
General Assembly meetings expenses	2.051	1.005
Phone, post, and internet	1.408	3.070
Paid leaves	1.288	6.620
Electricity and water	1.114	1.234
Others	797	4.179
Stationary	760	1.339
Travels	198	3.645
Maintenance	119	344
Feasibility study	-	22.500
Computer expenses	-	768
Depreciations	5.001	6.163
Total	<u>195.625</u>	<u>213.642</u>

Arabian Aviation Investment Company
“ Limited public shareholding Co “
Amman – The Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

16. Earning per share:

First : Basic earning per share:

<u>Description</u>	<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
Annual profit (loss)	746.875	(464.806)
Average probable number of shares	3.000.000	3.000.000
Basic earning per share	<u>0.249</u>	<u>(0.155)</u>

Second: diluted earning per share:

In accordance with the General Assembly's resolution, the Company increased the authorized capital by three million JD with a share premium of three million JD. These procedures were completed at the Ministry of Industry & Trade on 08.07.2016 and the authorized capital became six million JD. The Company is finalizing these procedures now at Jordan Securities Commission.

Therefore, the reduced earning per share is calculated as follows:

<u>Description</u>	<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
Profit (loss) of period	746.875	(464.806)
Weighted average of shares	4.208.218	3.000.000
diluted earning per share	<u>0.177</u>	<u>(0.155)</u>

Arabian Aviation Investment Company
“ Limited public shareholding Co “
Amman – The Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

Contingent liabilities:

- a. On the financial statements date, the subsidiary, Ithmar Transportation Company JSC, has contingent liabilities for bank guarantees of 8.800 JD after reducing the insurance value.
- b. On the financial statements date, there are labor proceedings filed against the subsidiary, Ithmar Transportation Company JSC, of 18.956 JD.
- c. On the financial statements date, there are labor proceedings filed against the Parent Company of 10.436 JD.
- d. On the financial statements date, there are labor proceedings filed against Al-Azamia Real Estate Investment Company (Ithmar Company's affiliate) of 6.269 JD.

17. Income tax:

a. **Arabian Aviation Investment Company:**

- The Company's operation results were discussed and settled with the Income Taxes Department until the end of 2011, as well as 2014.
- The self-assessment of the Company's operation results of 2012, 2013 and 2015 was submitted, and the Income & Sales Taxes Department did not review the Company's records of those years until this date.
- Provision for income tax was not recorded in the Company's financial statements as on 31.12.2016 because there are revenues relieved from the income tax and due to increase in expenses for the revenues.

b. **Ithmar Transportation Company (subsidiary):**

- The Company's operation results were discussed and settled with the Income & Sales Taxes Department until the end of 2013.
- The self-assessment of the Company's operation results of 2014 and 2015 was submitted, and the Income & Sales Taxes Department did not review the Company's records of those years until this date.
- Provision for income tax of 2016 was not calculated because the expenses exceeded the revenues.

Arabian Aviation Investment Company
“ Limited public shareholding Co “
Amman – The Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

c. Al-Azamia Real Estate Investment Company:

- The Company's operation results were discussed and settled with the Income & Sales Taxes Department until the end of 2014.
- The self-assessment of the Company's operation results of 2015 and was submitted, and the Income & Sales Taxes Department did not review the Company's records of those years until this date.
- Provision for income tax of this year was not calculated because there are revenues.

18. Related parties :

Details of transactions with related parties :

- During the past year, the Subsidiary (Ithmar Transportation Company) entered into transactions with a corporation owned by a Board member within the Company's ordinary operational investment activities.
- Prices and conditions policy in relation to such transactions are determined by the Company's Management.
- Below is a summary of the most important balances of transactions with stakeholders at the end of th year:
-

<u>Related parties</u>	<u>Description</u>	<u>2016</u> <u>JD</u>
	<u>Financial position</u> <u>items</u>	
United Financial Investments Co UFICO (Board Member)	Account receivable	89.848

Arabian Aviation Investment Company

“ Limited public shareholding Co “

Amman – The Hashemite Kingdom of Jordan

Notes on the Consolidated Financial Statements

19. Financial Instruments:

a. Fair value:

The book value of the financial instruments of cash, accounts receivable, accounts payable and loans are around their fair value.

The Notes on these financial statements show the fair values of these financial instruments, and some accounting policies show the methods used in assessing these instruments.

b. Credit risks:

The Company keeps the balances and deposits with appropriate credit banks.

- **Market price risks:**

It is the risk of the variation in the financial instruments value due to change in the market price. The financial instruments presented in the consolidated financial position statement is not at market price risk.

- **Foreign exchange risk:**

Foreign exchange risk is the risk resulting from the inconsistency of the financial instruments value due to change in the currency exchange rate. The risk related to the financial instruments in USD\$ is low due to consistency of JD exchange rate USD\$. As for the risks of the other foreign currencies, they are handled in the financial statements.

- **Interest rate risks:**

The financial instruments in the consolidated financial position statement are not at interest rate risks except the facilitations and bank facilitations subject to the instructions of the relevant controlling departments.

20. General:

a. The effects of the Jordan Securities Commission instructions and Companies Law of Jordan shall be taken into consideration regarding the calculation of the reserves and provisions for the realized profits only and the restriction of using the unrealized profits.

b. In 2014, the Board of Directors decided to sell the subsidiary's (Ithmar Transportation Company) all properties, trucks and trailers, and to stop the goods carriage and shipping. In 2015, Company's all properties of trucks and trailers were sold.

c. Some comparison numbers of the previous year were re-designated to go in conformity with the current year.