

العربية الدولية للفنادق م.ع.م

Arab International Hotels PLC.

Date: Mar 26 2019	التاريخ: ٢٠١٩/٣/٢٦ الإشارة: ٧٧٣١/ب/٧/١٣
To: Amman Stock Exchange	السادة بورصة عمان المحترمين
Subject: Audited Financial Statements for the fiscal year ended 31/12/2018	الموضوع: البيانات المالية السنوية المدققة للسنة المنتهية في ٢٠١٨/١٢/٣١
Attached the Audited Financial Statements of Arab International Hotels Co in English for the fiscal year ended 31/12/2018	مرفق طيه نسخة من البيانات المالية المدققة بالانجليزية للشركة العربية الدولية للفنادق عن السنة المالية المنتهية في ٢٠١٨/١٢/٣١
Kindly accept our high appreciation and respect	وتفضلوا بقبول فائق الاحترام،،،
Arab International Hotels Bassam F Maayah Managing Director	 الشركة العربية الدولية للفنادق بسام فرح معاينة المدير العام

بورصة عمان الدائرة الإدارية والمالية الديوان
٢٧ آذار ٢٠١٩
الرقم المتسلسل: ١٤٧٥
رقم الملف: ٢١٠٠٩
الجهة المختصة: الإدارة

ARAB INTERNATIONAL HOTELS COMPANY

(PUBLIC SHAREHOLDING COMPANY)

FINANCIAL STATEMENTS

31 DECEMBER 2018

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 2018, 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 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

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

Revenue recognition	
Key Audit Matter	How the key audit matter was addressed
<p>We have considered revenue recognition as key audit matter as there is a risk of misstatement of revenue due to high volume of revenues with low value transactions. In addition, We focus on this area because there is a risk that billing to guests and customers may be done for services that are not rendered or services rendered but not billed or recorded and hence may result in an overstatement or understatement of revenue. The Company focuses on revenue as a key performance measure, which may create an incentive for revenue to be recognized before rendering the service.</p>	<p>We considered the appropriateness of the Company's revenue recognition accounting policies and assessed compliance with the policies in terms of applicable International Financial Reporting Standards. We tested the Company's controls around revenue recognition and key controls in the revenue cycle. We performed analytical procedures for the gross margin for rooms and food and beverages departments.</p> <p>Having built expectations about revenue figures for the year we performed substantive analytical procedures using financial and non-financial information. We selected and tested a sample of journal entries on revenue accounts.</p> <p>Refer to Note 25 to the financial statements for more details about revenues and note 5 for significant accounting policies and significant judgements and estimates applicable to revenue account.</p>

Other information included in the Company's 2018 annual report.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty 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, 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 Mohammad Ibrahim Al-Karakji; license number 882.

Amman – Jordan
3 March 2019

Ernst + Young

ARAB INTERNATIONAL HOTELS COMPANY PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 JD	2017 JD
ASSETS			
Non-current assets -			
Property and equipment	6	15,291,333	14,003,563
Financial assets at fair value through other comprehensive income	7	5,962,071	6,096,516
Investment in associates	8	49,918,942	51,113,379
Financial assets at amortized cost	9	-	1,500,000
		<u>71,172,346</u>	<u>72,713,458</u>
Current assets -			
Inventories		397,667	452,354
Accounts receivable and other current assets	11	1,071,470	800,803
Financial assets amortized cost	9	1,500,000	-
Cash and short-term deposits at banks	12	1,953,726	6,394,962
		<u>4,922,863</u>	<u>7,648,119</u>
Total Assets		<u><u>76,095,209</u></u>	<u><u>80,361,577</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Paid-in capital	13	32,000,000	32,000,000
Share premium	13	3,644,693	3,644,693
Statutory reserve	13	8,000,000	8,000,000
Voluntary reserve	13	13,000,000	14,000,000
Fair value reserve	7	(2,707,922)	(2,104,318)
Company's share from fair value reserve / from investment in associates		(1,433,085)	(782,716)
Retained earnings		3,361,947	3,975,957
Total Equity		<u><u>55,865,633</u></u>	<u><u>58,733,616</u></u>
LIABILITIES			
Non-current liabilities -			
Long-term loans	15	4,886,611	6,813,527
Bonds payable	10	10,000,000	10,000,000
		<u>14,886,611</u>	<u>16,813,527</u>
Current liabilities -			
Due to banks	12	124,575	-
Current portion of long-term loans	15	2,193,310	1,862,444
Accounts payable		883,743	809,504
Provisions and other current liabilities	16	2,141,337	2,142,486
		<u>5,342,965</u>	<u>4,814,434</u>
Total Liabilities		<u><u>20,229,576</u></u>	<u><u>21,627,961</u></u>
Total Equity and Liabilities		<u><u>76,095,209</u></u>	<u><u>80,361,577</u></u>

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

ARAB INTERNATIONAL HOTELS COMPANY PLC
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>Notes</u>	<u>2018</u> JD	<u>2017</u> JD
Operating revenues from Amman Marriott Hotel		11,143,794	11,077,223
Operating expenses from Amman Marriott Hotel		(8,307,211)	(8,068,771)
Depreciation on property and equipment	6	(1,210,623)	(1,134,800)
Net operating revenues from the hotel		1,625,960	1,873,652
Share of profit from associates	8	121,790	722,282
Interest income		168,880	139,749
Finance costs		(918,859)	(791,780)
Dividends income		363,056	369,342
Other income		13,278	6,070
Depreciation on property and equipment	6	(8,201)	(7,859)
Administrative expenses	17	(776,697)	(866,070)
Board of Directors remuneration		(44,200)	(65,000)
Profit before income tax		545,007	1,380,386
Income tax expense	18	(79,017)	(143,678)
Profit for the year		465,990	1,236,708
		<u>JD / Fils</u>	<u>JD / Fils</u>
Basic and diluted earnings per share	19	0/015	0/039

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

ARAB INTERNATIONAL HOTELS COMPANY PLC
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>Notes</u>	<u>2018</u> JD	<u>2017</u> JD
Profit for the year		465,990	1,236,708
Add: Other comprehensive income items not to be reclassified to profit or loss in subsequent periods:			
Change in fair value of financial assets at fair value through other comprehensive income	7	(603,604)	(571,637)
Company's share of net change in fair value reserve from investments in associates	8	<u>(650,369)</u>	<u>(488,160)</u>
Total comprehensive income for the year		<u>(787,983)</u>	<u>176,911</u>

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

ARAB INTERNATIONAL HOTELS COMPANY PLC
STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Paid-in capital	Share premium	Statutory reserve	Voluntary reserve	Fair value reserve	Company's share from fair value reserve /from investment in associates	Retained earnings*	Total
	JD	JD	JD	JD	JD	JD	JD	JD
2018 -								
Balance at 1 January 2018	32,000,000	3,644,693	8,000,000	14,000,000	(2,104,318)	(782,716)	3,975,957	58,733,616
Total comprehensive income for the year	-	-	-	-	(603,604)	(650,369)	465,990	(787,983)
Transfers	-	-	-	(1,000,000)	-	-	1,000,000	-
Dividends (note 14)	-	-	-	-	-	-	(2,080,000)	(2,080,000)
Balance at 31 December 2018	<u>32,000,000</u>	<u>3,644,693</u>	<u>8,000,000</u>	<u>13,000,000</u>	<u>(2,707,922)</u>	<u>(1,433,085)</u>	<u>3,361,947</u>	<u>55,865,633</u>
2017 -								
Balance at 1 January 2017	32,000,000	3,644,693	8,000,000	14,000,000	(1,532,681)	(294,556)	5,299,249	61,116,705
Total comprehensive income for the year	-	-	-	-	(571,637)	(488,160)	1,236,708	176,911
Dividends	-	-	-	-	-	-	(2,560,000)	(2,560,000)
Balance at 31 December 2017	<u>32,000,000</u>	<u>3,644,693</u>	<u>8,000,000</u>	<u>14,000,000</u>	<u>(2,104,318)</u>	<u>(782,716)</u>	<u>3,975,957</u>	<u>58,733,616</u>

* It is restricted to use an amount of JD 4,141,007 from retained earnings, which represents the total negative balance of the fair value reserve and Company's share from fair value reserve / from investment in associates.

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

ARAB INTERNATIONAL HOTELS COMPANY PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 JD	2017 JD
<u>OPERATING ACTIVITIES</u>			
Profit before income tax		545,007	1,380,386
Adjustments for:			
Depreciation on property and equipment		1,218,824	1,142,659
Gain on sale of property and equipment		(9,249)	-
Finance costs		918,859	791,780
Interest income		(168,880)	(139,749)
Share of profit of associates		(121,790)	(722,282)
Dividends income		(363,056)	(369,342)
Changes in working capital:			
Inventories		54,687	125,355
Accounts receivable and other current assets		(270,667)	(44,755)
Accounts payable		74,239	(149,292)
Provisions and other current liabilities		55,344	531,051
Income tax paid		(135,510)	(248,706)
Net cash flows from operating activities		1,797,808	2,297,105
<u>INVESTING ACTIVITIES</u>			
Purchase of property and equipment		(2,506,596)	(1,101,942)
Purchase of financial assets at fair value through other comprehensive income		(469,159)	(84,117)
Dividends received from associates		1,094,338	1,405,135
Interest income received		168,880	139,749
Dividends income received		363,056	369,342
Projects in progress		-	(125,368)
Financial assets at amortized cost		-	(1,500,000)
Purchase of associate shares		(428,480)	-
Sale of property and equipment		9,251	-
Net cash flows used in investing activities		(1,768,710)	(897,201)
<u>FINANCING ACTIVITIES</u>			
Dividends paid		(2,080,000)	(2,560,000)
Repayments of loans		(1,596,050)	(3,254,923)
Bonds payable		-	10,000,000
Finance costs paid		(918,859)	(791,780)
Net cash flows (used in) from financing activities		(4,594,909)	3,393,297
Net (decrease) increase in cash and cash equivalents		(4,565,811)	4,793,201
Cash and cash equivalents on 1 Januray		6,394,962	1,601,761
Cash and cash equivalents on 31 December	12	1,829,151	6,394,962

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

(1) GENERAL

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

The Company owns Amman Marriott Hotel which commenced its operations during 1982. 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 13 February 2019. These financial statements require the approval of the General Assembly of the shareholders of the Company.

(2) BASIS OF PREPARATION

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

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

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

(3) CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2017 except for the followings:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 using the modified retrospective approach. The effect of adopting IFRS 15 is as follows :

(a) Sale of goods

The Company contracts with customers for the sale of equipment/goods generally include performance obligation(s). The Company has concluded that revenue from sale of equipment/goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment/goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

Variable consideration

Some contracts for the sale of equipment/goods provide customers with a right of return and volume rebates. Prior to the adoption of IFRS 15, the Company recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and volume rebates. If revenue could not be reliably measured, the Company/Group deferred revenue recognition until the uncertainty was resolved.

Under IFRS 15, rights of return and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

Rights of return

When a contract provides a customer with a right to return the goods within a specified period, the Company previously estimated expected returns using a probability-weighted average amount approach similar to the expected value method under IFRS 15.

Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Company applies the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price.

(b) Advances received from customers

Generally, the Company receives short-term advances from its customers. However, from time to time, the Company also receives long-term advances from customers. Prior to the adoption of IFRS 15, the Company presented these advances as deferred revenue in the statement of financial position.

Upon the adoption of IFRS 15, for short-term advances, the Company used the practical expedient. As such, the Company will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Company expects, at contract inception, that the period between the time the customer pays for the good or service and when the Company transfers that promised good or service to the customer will be one year or less. If the period between the time the customer pays for the good or service and when the Company transfers that promised good or service to the customer is more than one year, the Company shall adjust the promised amount of consideration for the effects of the time value of money.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company had previously implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated.

IFRS 9 requires the Company to record an allowance for ECL for all debt instruments measured at amortized cost.

For all debt instruments, the Company has applied the standard's simplified approach and has calculated ECL based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For all debt instruments, the Company has applied the simplified approach and has calculated ECL based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

This implementation of expected credit loss approach does not have any material impact on the Company's financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Company's financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

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

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

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

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instrument standard, IFRS 9, before implementing IFRS 17 *insurance contracts*, which replaces IFRS 4. The amendments introduce two options for entities issuing contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments do not have any impact on the Company's financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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

(4) USE OF ESTIMATES

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

Allowance for expected credit loss:

Allowance for expected credit loss on receivables is reviewed in accordance with the simplified approach and under the principles and assumptions approved by the Company's management to estimate the allowance amount 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 tax provision shall be calculated

Useful life of properties and equipment:

The Company's management estimates the useful life for its tangible and intangible assets for the purpose of calculating depreciation by depending on the expected useful life of these assets. Management reviews the remaining book value and useful life annually impairment is recorded in the consolidation 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.

(5) SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

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

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

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

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

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

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 other comprehensive income and in the statement of equity including the change in fair value resulting from conversion differences of non-cash items of assets at foreign currencies. In case of sale of such assets or part of it, the gain or loss is recorded at the statement of profit and loss and in the statement of equity and the valuation reserve balance for sold assets will be transferred directly to retained earnings.

These assets are not subject to impairment testing and dividends received are recognized in the statement of profit and 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 consolidated statement of income.

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.

Accounts receivable

Accounts receivable are stated at original invoice amount less any expected credit loss. The Company applies the simplified approach in calculating the expected credit loss in accordance with the international financial accounting 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 and short-term deposits with maturities of three months or less, net of outstanding bank overdrafts.

Fair value

The Company measures financial instruments such as financial assets at fair value through other comprehensive income at fair value on the date of the financial statements as disclosed in note 25.

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

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

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

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

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Loans and borrowings

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

Provisions

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

Segment reporting

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

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

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 for the years ended 31 December 2018 and 31 December 2017 is accounted for in accordance with the Income Tax Law No. (34) of 2014 and International Accounting Standard No. 12 which states that deferred tax is provided for temporary differences, at each reporting date, between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

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

ARAB INTERNATIONAL HOTELS COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(6) PROPERTY AND EQUIPMENT

	Lands	Hotel's building and renovations and improvements	Furniture and fixtures	Machinery and equipment	Vehicles	Fire extinguishing system	Work in progress*	Solar System	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
2018- Cost									
At 1 January 2018	2,094,168	16,770,691	8,551,910	7,079,429	409,550	418,462	620,926	2,437,715	38,382,851
Additions	-	104,558	42,399	585,045	-	-	1,774,594	-	2,506,596
Transfer	-	51,537	127,024	76,049	-	6,320	(260,930)	-	-
Disposal	-	-	-	(137,314)	-	-	-	-	(137,314)
At 31 December 2018	2,094,168	16,926,786	8,721,333	7,603,209	409,550	424,782	2,134,590	2,437,715	40,752,133
Accumulated depreciation									
At 1 January 2018	-	11,311,067	6,822,703	5,535,856	291,623	418,039	-	-	24,379,288
Additions	-	335,621	425,566	372,154	27,750	2,905	-	54,828	1,218,824
Disposal	-	-	-	(137,312)	-	-	-	-	(137,312)
At 31 December 2018	-	11,646,688	7,248,269	5,770,698	319,373	420,944	-	54,828	25,460,800
Net book value									
At 31 December 2018	2,094,168	5,280,098	1,473,064	1,832,511	90,177	3,838	2,134,590	2,382,887	15,291,333
Cost									
At 1 January 2017	2,094,168	16,326,269	8,075,929	6,563,088	409,550	418,462	955,728	-	34,843,194
Additions	-	32,578	50,278	317,879	-	-	701,207	-	1,101,942
Transfer	-	411,844	425,703	198,462	-	-	(1,036,009)	-	-
Transferred from projects in progress	-	-	-	-	-	-	-	2,437,715	2,437,715
At 31 December 2017	2,094,168	16,770,691	8,551,910	7,079,429	409,550	418,462	620,926	2,437,715	38,382,851
Accumulated depreciation									
At 1 January 2017	-	10,979,778	6,413,372	5,161,687	263,873	417,919	-	-	23,236,629
Additions	-	331,289	409,331	374,169	27,750	120	-	-	1,142,659
At 31 December 2017	-	11,311,067	6,822,703	5,535,856	291,623	418,039	-	-	24,379,288
Net book value									
At 31 December 2017	2,094,168	5,459,624	1,729,207	1,543,573	117,927	423	620,926	2,437,715	14,003,563

*The estimated cost to complete the projects as of 31 December 2018 is approximately JD 3,000,000, and it is expected to complete these projects during 2019.

ARAB INTERNATIONAL HOTELS COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	2018	2017
	JD	JD
Investment in companies' shares - quoted	5,785,071	5,919,516
Investment in companies' shares— unquoted	177,000	177,000
	<u>5,962,071</u>	<u>6,096,516</u>

Movement on fair value reserve is as follows:

	2018	2017
	JD	JD
Beginning balance	(2,104,318)	(1,532,681)
Change in fair value	(603,604)	(571,637)
Ending balance	<u>(2,707,922)</u>	<u>(2,104,318)</u>

(8) INVESTMENT IN ASSOCIATES

	% of ownership		Value	
	2018	2017	2018	2017
	%	%	JD	JD
Business Tourism Company	35.516	35.516	17,878,566	17,877,954
Al Dawliyah for Hotels and Malls Company	26.91	25.72	14,017,448	14,087,797
Interior Design Studio Company	25	25	40,970	66,714
Beaches Company for Hotels and Resorts	30.93	30.93	2,855,248	2,873,688
Jordan Investor Center Company	49.34	49.34	13,612,419	14,693,657
Arab International Real Estate Company	42.35	42.35	1,514,291	1,513,569
			<u>49,918,942</u>	<u>51,113,379</u>

The following is a summary of the activities of the associated companies:

Company

Main operation

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

ARAB INTERNATIONAL HOTELS COMPANY PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Movement on investment in associates is as follows:

	2018	2017
	JD	JD
Balance at 1 January	51,113,379	52,284,392
Dividends received	(1,094,338)	(1,405,135)
Share of profit of associates	121,790	722,282
Share of change in fair value reserve	(650,369)	(488,160)
Sale of shares in associate**	-	(537,298)
Purchase of shares in associate*	428,480	537,298
	<u>49,918,942</u>	<u>51,113,379</u>

* During the year the Company purchased 514,512 shares from al Dawliyah for Hotels and Mall Company shares.

** During 2017 the Company sold 389,346 shares from Al Dawliyah for Hotels and Malls Company and bought 419,812 shares from Business tourism company under the share swap agreement signed with Jordan Ahli bank (related party) on 24 May 2017 with a total value of JD 537,298 no gain or loss resulted from this transaction.

ARAB INTERNATIONAL HOTELS COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

	Al Dawliyah for Hotels and Malls Company		Business Tourism Company		Jordan Investor Center Company		Interior Design Studio Company		Beaches Company for Hotels and Resorts		Arab International Real Estate Company	
	JD		JD		JD		JD		JD		JD	
2018 -												
Investment in associates												
Current assets	1,406,462		4,583,088		9,461,285		415,054		66,001		92,465	
Non-current assets	61,626,017		55,903,606		26,756,162		27,582		14,103,674		3,482,598	
Current liabilities	(5,442,799)		(4,312,437)		(10,967,012)		(280,182)		-		-	
Non-current liabilities	(2,464,083)		(2,434,133)		-		-		(2,357)		(2,074)	
Equity	55,125,597		53,740,124		25,250,435		162,454		14,167,318		3,572,989	
Ownership %	26.91		35.516		49.342		25		30.926		42.353	
Investment carrying amount	14,017,448		17,878,566		13,612,419		40,970		2,855,248		1,514,291	
Revenues												
Revenues	3,003,463		1,546,063		867,622		449,385		1,019		2,750	
Administrative expenses	(2,325,467)		(654,422)		(640,967)		(548,052)		(60,644)		(1,045)	
Finance costs	(202,546)		(172,878)		(577,832)		(4,309)		-		-	
Income (loss) before tax	475,460		718,763		(351,177)		(102,976)		(59,625)		1,705	
Income tax expense	(119,871)		(35,000)		-		-		-		-	
Profit (loss) for the year	355,579		683,763		(351,177)		(102,976)		(59,625)		1,705	
The Company's share of profit for the year	95,686		242,845		(173,278)		(25,744)		(18,441)		722	

ARAB INTERNATIONAL HOTELS COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

	Al Dawliyah for Hotels and Malls Company	Business Tourism Company	Jordan Investor Center Company	Interior Design Studio Company	Beaches Company for Hotels and Resorts	Arab International Real Estate Company
	JD	JD	JD	JD	JD	JD
2017 -						
Investment in associates						
Current assets	1,276,933	6,523,482	1,154,448	39,463	124,445	91,215
Non-current assets	62,248,437	54,893,096	32,999,276	336,706	14,103,803	3,482,598
Current liabilities	(6,538,149)	(4,646,183)	(6,712,129)	(102,832)	(1,305)	(2,530)
Non-current liabilities	-	(2,878,077)	-	-	-	-
Equity	56,987,221	53,892,318	27,441,595	273,337	14,226,943	3,571,283
Ownership %	25.72	35.516	49.342	25	30.926	42.353
Investment carrying amount	14,087,797	17,877,954	14,693,657	66,714	2,873,688	1,513,569
Revenues						
Revenues	3,547,464	14,577,024	1,465,126	614,304	5,326	2,235
Administrative expenses	(2,213,023)	(13,717,271)	(388,121)	(645,600)	(85,514)	-
Finance costs	(44,715)	(152,150)	(570,462)	(412)	-	(901)
Income before tax	1,289,726	707,603	506,543	(31,708)	(80,188)	1,334
Income tax expense	(257,945)	(34,298)	-	-	-	-
Profit for the year	1,031,782	673,305	506,543	(31,708)	(80,188)	1,334
The Company's share of profit for the year	265,374	239,131	249,938	(7,927)	(24,799)	565

(9) 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. 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 is paid semi-annually. The Bond is due in one instalment on 12 October 2023. During October 2018 The Board of Directors decided to sell Jordan Ahli Bank bonds , thus the bonds were classified as current assets.

(10) BONDS PAYABLE

On 22 January 2017, Arab International Hotels Company issued a 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 principal is due in one instalment on 22 January 2022. The bond issuance letter contains covenant regarding financial ratios in addition to some other covenants. The Company did not comply with the current ratio of one to one and in the opinion of the issuing bank the Company have until the end of the first quarter of 2019 to comply with this ratio.

(11) ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

	2018 JD	2017 JD
Trade receivables	510,874	466,819
Expected credit loss	(38,977)	(37,652)
	471,897	429,167
Amounts due from related parties	162,655	75,218
Other receivables	436,918	296,418
	1,071,470	800,803

Expected credit loss provision amounted to JD 38,977 at 31 December 2018 (2017: JD 37,652).

Movement on expected credit loss provision is as follows:

	2018 JD	2017 JD
Balance as of 1 January	37,652	40,384
Provision of the year	1,325	-
Amounts written off during the year	-	(2,732)
Balance as of 31 December	38,977	37,652

ARAB INTERNATIONAL HOTELS COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

	Past due but not impaired						Total
	1 - 30	31 - 60	61 - 90	91 - 120	121- 150	>151	
	days	days	days	days	days	days	
	JD	JD	JD	JD	JD	JD	JD
2018	299,053	106,990	6,794	5,697	-	53,363	471,897
2017	300,909	81,667	15,351	9,128	3,829	18,283	429,167

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

(12) CASH ON HAND AND AT BANKS

	2018	2017
	JD	JD
Short-term deposits*	-	3,617,280
Cash on hands and at banks	1,953,726	2,777,682
	1,953,726	6,394,962
Less: Due to banks**	124,575	-
	1,829,151	6,394,962

*Short term deposits represent deposits held with local banks in Jordanian Dinar with maturities of three months or less, bearing an interest rate which ranges from 3.75% to 4%.

** This balance represents the utilized amount from the facilities granted from Jordan Ahli Bank with a ceiling of JD 1,000,000 with annual interest of 8%.

(13) EQUITY

Paid-in capital

The Company authorized paid-in capital amounted to JD 32,000,000 divided to 32,000,000 shares with par value of JD 1 per share as at 31 December 2018.

Share premium

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

Statutory reserve

The accumulated amounts in this account represent cumulative appropriations of 10% of the profit before income tax. The statutory reserve is not available for distribution to the shareholders. The Company is allowed to stop the yearly transfer when the reserve amount reaches 25% of the share capital. Hence, the Company did not transfer any additional amount to statutory reserve for the year 2018.

Voluntary reserve

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

(14) Dividends

The General Assembly approved in its meeting held on 24 March 2018, the distribution of cash dividends amounted to JD 2,080,000 representing 6.5% of the paid in capital as of 31 December 2018.

(15) Loans

	2018		Total	
	Current portion of long- term loans	Long term loans	2018	2017
	JD	JD	JD	JD
Jordan Ahli Bank – USD (1)	1,418,000	709,000	2,127,000	3,545,000
Jordan Ahli Bank – USD (2)	330,866	2,316,070	2,646,936	2,646,936
Jordan Ahli Bank – JD (3)	444,444	1,861,541	2,305,985	2,484,035
	<u>2,193,310</u>	<u>4,886,611</u>	<u>7,079,921</u>	<u>8,675,971</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 paid in 10 equal in semi- annual instalments. The first instalment was due on 30 September 2015, and the interest will be paid every 6 months.

Jordan Ahli Bank – USD (2)

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

Jordan Ahli Bank – JD (3)

On 4 November 2015 the Company signed a loan agreement with Jordan Ahli Bank with a ceiling of JD 4,000,000 with an annual interest rate of 4%. The loan will be paid in 18 semi annual instalments, the first instalment was due on 1 November 2017. and the last instalment will be due on 1 May 2025.

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

Year	JD
2019	2,193,310
2020	1,484,310
2021	775,310
2022 - 2026	2,626,991
	<u>7,079,921</u>

(16) PROVISIONS AND OTHER CURRENT LIABILITIES

	2018	2017
	JD	JD
Dividends payable	325,165	431,501
Board of Directors' benefits	44,200	65,000
Accrued expenses	685,484	626,280
Income tax provision (note 18)	126,168	182,661
Others	960,320	837,044
	<u>2,141,337</u>	<u>2,142,486</u>

ARAB INTERNATIONAL HOTELS COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

(17) ADMINISTRATIVE EXPENSES

	2018	2017
	JD	JD
Salaries, wages and other benefits	374,279	361,397
Social security	11,517	12,820
Board of Directors travel and transportation expenses	98,924	100,487
Chairman office expenses	6,786	7,098
Insurance expenses	65,345	69,213
Governmental fees	26,537	63,985
Donations	22,800	75,800
Rent	19,350	19,350
Professional fees	47,086	27,283
Advertisement expenses	5,600	22,379
Vehicles expenses	14,669	11,749
Bank expenses	2,911	14,394
Property tax expenses	46,368	45,724
Stationery and publications	16,363	10,957
Loss on disposal of property and equipment	-	-
Hospitality expenses	7,622	14,335
Others	10,540	9,099
	<u>776,697</u>	<u>866,070</u>

(18) INCOME TAX

The income tax for the years ended 31 December 2018 and 31 December 2017 is calculated in accordance with the Income Tax Law No. (34) of 2014.

The Company reached a final settlement with the Income Tax Department up to the year 2015.

The Company submitted its self-tax assessment for the years 2016 and 2017, the Income Tax Department has not reviewed the income tax declaration until the year 2016, 2017 up to the date of these financial statements.

A- Movement on income tax provision is as follow:

	2018	2017
	JD	JD
Balance as at 1 January	182,661	287,689
Income tax expense	79,017	143,678
Income tax paid	(135,510)	(248,706)
Balance as at 31 December	<u>126,168</u>	<u>182,661</u>

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

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

	2018	2017
	JD	JD
Accounting profit	545,007	1,380,386
Non-taxable income	(484,846)	(1,100,637)
Non-deductible expenses	334,924	438,643
Taxable income	395,085	718,392
Income tax expense for the year	79,017	143,678
Statutory income tax rate	20%	20%
Effective income tax rate	14.5%	10.4%

(19) BASIC AND DILUTED EARNINGS PER SHARE

	2018	2017
Profit for the year (JD)	465,990	1,236,708
Weighted average number of shares (share)	32,000,00	32,000,000
	JD/ Fils	JD/ Fils
Basic earnings per share	0/015	0/039

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

(20) TRANSACTION WITH RELATED PARTIES

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

ARAB INTERNATIONAL HOTELS COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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

Amounts due from related parties:

	2018	2017
	JD	JD
Bank deposit - Jordan Ahli Bank	-	3,617,280
Current account at Jordan Ahli Bank	1,700,507	2,756,182
Financial assets at amortized cost (note 9)	1,500,000	1,500,000
Due from Interior Design Studio Company Partner – included in receivables and other debit balances	24,299	30,299
Petra Marriott Hotel Partner – included in receivables and other debit balances	31,831	14,560
Jordan Valley Marriott Hotel Partner – included in receivables and other debit balances	105,759	30,359
Due from Business Tourism Company	766	-
	<u>162,655</u>	<u>75,218</u>

Amounts due to related parties:

	2018	2017
	JD	JD
Loans granted by Jordan Ahli Bank	7,079,921	8,675,971
Due to banks - Jordan Ahli Bank	124,575	-
Bonds payable (note 10)	<u>7,300,000</u>	<u>7,750,000</u>

Financial assets at fair value through other comprehensive income:

	2018	2017
	JD	JD
The Jordanian Worsted Mills Company	2,710,272	2,852,966
El Zay Ready Wear Manufacturing Company	122,439	40,704
Jordan Ahli Bank	<u>1,641,058</u>	<u>1,702,906</u>

Accounts Receivable

Accounts receivable – Board of Directors	<u>178,750</u>	<u>-</u>
--	----------------	----------

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

	2018	2017
	JD	JD
Interest income on deposits - Jordan Ahli Bank	61,373	117,280
Dividends income from investments in financial assets at fair value	343,208	303,952
Interest income on financial assets at amortized cost	107,507	22,469
Key management salaries and benefits and Board of Directors remuneration	388,220	403,947
Finance costs – Jordan Ahli Bank	368,859	390,500
Finance costs bonds – related parties	401,500	319,687

(21) RISK MANAGEMENT

Interest rate risk

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

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

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

	Increase in basis points	Effect on profit for the year JD
2018- Currency		
JD - loan	100	23,059
USD - loan	100	(47,739)
	Decrease in basis points	Effect on profit for the year JD
Currency		
JD - loan	100	(23,059)
USD - loan	100	47,739

2017- Currency	Increase in basis points	Effect on profit for the year JD
JD - loan	100	26,332
USD - loan	100	(61,916)
	Decrease in basis points	Effect on profit for the year JD
Currency		
JD - loan	100	(26,332)
USD - loan	100	61,916

Equity price risk

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

2018- Equity price	Change in equity price %	Effect on equity JD
	5	289,253
Amman Stock Market	(5)	(289,253)
2017 - Equity price	Change in equity price %	Effect on equity JD
	5	295,976
Amman Stock Market	(5)	(295,976)

Credit risk

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

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

Liquidity risk

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

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

31 December 2018	Less than 3 months JD	3 to 12 months JD	1 to 5 years JD	Total JD
Bonds payable	-	550,000	11,100,000	11,650,000
Accounts payable and other current liabilities	3,025,080	-	-	3,025,080
Due to banks	127,222	-	-	127,222
Loans	814,315	1,651,776	5,144,308	7,610,399
Total	3,966,617	2,201,776	16,244,308	22,412,701

31 December 2017	Less than 3 months JD	3 to 12 months JD	1 to 5 years JD	Total JD
Bonds payable	-	550,000	11,650,000	12,200,000
Accounts payable and other current liabilities	2,951,990	-	-	2,951,990
Loans	716,090	1,186,565	7,086,068	8,988,723
Total	3,668,080	1,736,565	18,736,068	24,140,713

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.

(22) FAIR VALUE FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities.

Financial assets consists of cash on hand and at banks, account receivable, and other debit balances. Financial liabilities consist of accounts payable, due to banks, loans, and other current liabilities. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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

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

Assets measured at fair value

2018-	Level 1 JD	Level 2 JD	Level 3 JD	Total JD
Financial assets at fair value through other comprehensive income	5,785,071	-	177,000	5,962,071
2017-	Level 1 JD	Level 2 JD	Level 3 JD	Total JD
Financial assets at fair value through other comprehensive income	5,919,516	-	177,000	6,096,516

(23) CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies, or processes for the current year and previous year.

Capital comprises of paid-in capital, share premium, statutory reserve, voluntary reserve, change in fair value reserve, company's share from change in fair value reserve /from investment in associates, and retained earnings and is measured at JD 55,843,184 as of 31 December 2018 (2017: JD 58,733,616).

(24) CONTINGENCIES AND COMMITMENTS

Lawsuits

The Company is a defendant in a number of lawsuits amounting JD 47,201 representing legal claims related to its activities (2017: JD 28,593).

The Company filed a number of lawsuits amounting JD 29,459 representing legal claims related to its activities.

(25) 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 operating revenues:

	2018	2017
	JD	JD
Rooms Revenues	6,886,730	6,835,763
F&B Revenues	4,020,463	3,981,821
Other Revenues	236,601	259,639
	<u>11,143,794</u>	<u>11,077,223</u>

	Hotel sector	Investment in financial assets	Total
	JD	JD	JD
31 December 2018 -			
Revenues	11,538,535	272,263	11,810,798
Segment results -			
Profit before income tax	272,744	272,263	545,007
Income tax expense	(39,542)	(39,475)	(79,017)
Profit for the year	233,202	232,788	465,990

Other Segment Information

Capital expenditure	2,506,596	-	2,506,596
Depreciation	1,218,824	-	1,218,824

ARAB INTERNATIONAL HOTELS COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

	Hotel sector	Investment in financial assets	Total
	JD	JD	JD
31 December 2017 -			
Revenues	11,680,279	634,387	12,314,666
Segment results -			
Profit before income tax	745,999	634,387	1,380,386
Income tax expense	(77,647)	(66,031)	(143,678)
Profit for the year	668,352	568,356	1,236,708
<u>Other Segment Information</u>			
Capital expenditure	1,227,310	-	1,227,310
Depreciation	1,142,659	-	1,142,659
<u>Assets and Liabilities</u>			
31 December 2018			
Assets	53,465,458	22,629,751	76,095,209
Liabilities	20,229,576	-	20,229,576
31 December 2017			
Assets	56,491,121	23,870,456	80,361,577
Liabilities	21,627,961	-	21,627,961

The Company share in associates profit amounted to 121,790 JOD as of 31 December 2018 (2017: JD 722,282).

(26) 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 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

Transition to IFRS 16

The Company has the option to adopt IFRS 16 retrospectively and restate each prior reporting period presented or using the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Company will adopt IFRS 16 using the modified retrospective approach. During 2018, the Company has performed a detailed impact assessment of IFRS 16. The Company does not expect a material impact on its balance sheet or equity on applying the requirements of IFRS 16.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard 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. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted.

(27) COMPARATIVE FIGURES

Some of 2017 comparative figures were reclassified to correspond with 31 December 2018 presentation. The reclassification has no effect on the profit and equity of the year 2017.