

**ALIA -THE ROYAL JORDANIAN AIRLINES COMPANY  
(ROYAL JORDANIAN)**

**A PUBLIC SHAREHOLDING COMPANY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2021**



Building a better  
working world

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**INDEPENDENT AUDITOR'S REPORT**  
**To the Shareholders of Alia - The Royal Jordanian Airlines (Royal Jordanian)**  
**Amman - Jordan**

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of **Alia - The Royal Jordanian Airlines (Royal Jordanian)** (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, consolidated income statement, consolidated comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2021, 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 consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated 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.

## **Material Uncertainty Related to Going Concern**

As disclosed in note (2-1) to the consolidated financial statements, the Group's accumulated losses of JD 321 million as of 31 December 2021 represents 99% of the Group's capital. Also, the Group's current liabilities exceeded its current assets by an amount of JD 128.5 million as of 31 December 2021. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern. According to Article (266) of the Jordanian Company's Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the public shareholding company exceed 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company issues a decision in its extraordinary meeting to increase the Company's capital or to deal with the Company's losses.

The Prime Ministry of Jordan resolved to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 50 million over two phases. The first phase was received during the fourth quarter of 2020 and the second phase was received during the second quarter of 2021.

The Company's General Assembly resolved in its extraordinary meeting held on 30 August 2021 to increase the Company's capital by JD 50 million. Capital increase procedures were completed during December 2021. The Company received a comfort letter from the Ministry of Finance (the Jordanian Government's representative), stating that the Government is in favor of continuing to support the Company's operations in the future. Also, the Company's management is in the process of performing a restructuring business plan that supports the Company's business continuity and its ability to recover its assets and generate future cash flows to settle its liabilities. Our opinion is not modified in this regard.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2021. In addition to the matter described in the Material Uncertainty Related to Going Concern section. These matters were addressed in the context of our audit of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

**1. Passenger and cargo revenue recognition**

Refer to the note (23) to the consolidated financial statements

**Key Audit matter**

Passengers' tickets and cargo airway bills sales are reflected in the consolidated statement of financial position as deferred revenue and recognized as revenue when the transportation service is provided.

We focus on revenue recognition because:

- Travel restrictions imposed due to COVID-19 outbreak have significant impact on passengers and cargo revenues for the year ended 31 December 2021.
- Passengers and Cargo revenues are material to the financial statements, and recognition of these revenues upon fulfillment of the performance obligation requires a process that is highly automated.
- In respect of customer loyalty program, the Group provides a frequent flyer program; Royal Club, in a form of free travel awards to its members on accumulated mileage earned from flights. A portion of the fair value of the consideration received is allocated to the award credits and deferred, this is then recognized as revenue over the period that the award credits are redeemed.

**How the key audit matter was addressed in the audit**

Our audit procedures included:

- Considering the appropriateness of the Group's revenue recognition policies in accordance with IFRS (15).
- Testing the Group's controls around revenue recognition and key controls in the revenue cycle including those controls that requires the involvement of our IT specialists.
- Testing refunds of passengers' tickets and cargo airwaybills resulted from travel restrictions during the COVID-19 outbreak.
- Selecting a sample before and after the cutoff period to assess whether the revenue was recognized in the correct period.
- Performing substantive analytical procedures using financial and non-financial information about the revenue figures for the year.
- Selecting and testing a representative sample of journal entries.
- Obtaining an understanding of management's process related to scoping and identifying the revenue streams.

<p>The fair value of the award credits is estimated by reference to the fair value of the awards for which the points could be redeemed and is reduced to take into account the proportion of award credits that are not expected to be redeemed by customers. The Group exercises its judgment in determining the assumptions to be adopted in respect of the number of points not expected to be redeemed through the use of statistical modelling and historical trends and in determining the mix and fair value of the award credits.</p>	
<p><b>2. Lease contracts</b> Refer to the note (18) to the consolidated financial statements</p>	
<p><b>Key Audit matter</b></p> <p>IFRS (16) specifies how to recognize, measure, present and disclose leases. The standard requires the lessee to recognize assets and liabilities for all leases unless the lease term is short-term lease (i.e. 12 months or less) or the underlying asset has a low value.</p> <p>We focus on lease contracts because:</p> <ul style="list-style-type: none"> <li>- There is a high level of judgment needed in establishing the underlying key assumptions that include identifying which contracts are in scope of IFRS (16), the lease term and the discount rate used in the calculation.</li> <li>- We need to determine whether amendments to lease contracts resulted from COVID-19 are properly accounted for as either a modification of the lease contract or as COVID-19 rent</li> </ul>	<p><b>How the key audit matter was addressed in the audit</b></p> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>- Evaluating the application of IFRS (16) for new contracts and testing the resulted impact on the Group's consolidated financial statements.</li> <li>- Testing management's assumptions used in preparation of assessments related to new contracts, including if whether exemptions are acceptable and in accordance with IFRS (16) (short term leases and leases for low value assets).</li> <li>- Assessing whether the accounting treatment regarding leases is consistent with the definitions of IFRS (16) including factors such as lease term, discount rate and measurement principles.</li> </ul>

<p>concessions arrangements under IFRS (16).</p> <ul style="list-style-type: none"> <li>- The recoverability of Right of Use Assets "ROUA" is considered a complex area that requires the use of models, assumptions and forecasts of future cash flows to determine the recoverable amount of ROUA's.</li> </ul>	<ul style="list-style-type: none"> <li>- Reviewing management's assumptions in determining the interest rate to be used in calculating the net present value of future lease payments, and that there are no implicit interest rate within the lease contracts. Hence, ensuring that management rationale of calculation of the average incremental borrowing rate is appropriate.</li> <li>- Recalculating the incremental borrowing rate used in discounting the future lease payments.</li> <li>- Obtaining and reviewing lease contracts' amendments and determining if such amendments are within the scope of COVID-19 rent concessions arrangements identified by IFRS 16.</li> <li>- Assessment of the valuation models and inputs used in the calculation of the recoverable amounts of the ROUA's and impairment losses including assessment of reasonableness of key inputs used in the valuation such as the expected future cash flows and involving our specialists to support our conclusions.</li> </ul>
<p><b>3. Obsolete and slow-moving spare parts and other supplies</b> Refer to the note (13) to the consolidated financial statements</p>	
<p><b>Key Audit matter</b></p> <p>Spare parts and other supplies are valued at the lower of cost or net realizable value. We focus on this area as there is a risk of inventory obsolescence, any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken at each reporting date to determine the extent of any provision for obsolescence.</p>	<p><b>How the key audit matter was addressed in the audit</b></p> <p>We critically tested the basis for inventory obsolescence in line with management estimates. In doing so, we tested the ageing profile of inventory, the process for identifying obsolete and slow-moving items in inventory and historical loss rates.</p>

### **Other information included in the Group's 2021 annual report**

Other information consists of the information included in the Group's 2021 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

In preparing the consolidated 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 Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 consolidated financial statements considering what has been mentioned in the material uncertainty related to going concern paragraph.

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

Amman - Jordan  
20 March 2022



**ERNST & YOUNG**  
Amman - Jordan

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Consolidated Statement of Financial Position**  
**At 31 December 2021**  
**(In Thousands of Jordanian Dinars)**

	Notes	2021	2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	18	420,933	433,676
Property and equipment	8	59,961	73,896
Advances on purchase and modification of aircraft	9	3,218	4,813
Financial assets at fair value through other comprehensive income	10	2,250	2,265
Investments in associates	11	17,482	16,755
Restricted cash against lease contracts		26,050	22,959
Deferred tax assets	31	12,322	12,322
		<b>542,216</b>	<b>566,686</b>
<b>Current assets</b>			
Other current assets	12	17,799	12,745
Spare parts and supplies, net	13	7,539	8,210
Accounts receivable, net	14	23,253	56,231
Cash and bank balances	15	121,598	53,508
		<b>170,189</b>	<b>130,694</b>
<b>TOTAL ASSETS</b>		<b>712,405</b>	<b>697,380</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Paid-in capital	16	324,610	274,610
Share discount	16	(78,205)	(78,205)
Payments in respect of capital increase	16	-	25,000
Statutory reserve	16	14,808	14,808
Fair value reserve	10	133	133
Cash flow hedges		297	158
Accumulated losses		(321,024)	(246,406)
		<b>(59,381)</b>	<b>(9,902)</b>
Non-controlling interests		281	223
<b>Deficit in shareholders' equity</b>		<b>(59,100)</b>	<b>(9,679)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term loans	17-a	89,960	91,425
Long-term lease obligations	18	378,230	336,683
Long-term grants	17-b	4,213	2,584
Other long-term liabilities	19	379	413
		<b>472,782</b>	<b>431,105</b>
<b>Current liabilities</b>			
Current portion of long-term loans	17-a	38,307	26,380
Accrued expenses	20	107,695	66,965
Accounts payable and other current liabilities	21	64,189	74,295
Deferred revenues	22	55,168	36,418
Short-term lease obligations	18	30,655	70,477
Short-term grants	17-b	2,709	1,419
		<b>298,723</b>	<b>275,954</b>
<b>Total liabilities</b>		<b>771,505</b>	<b>707,059</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>712,405</b>	<b>697,380</b>

The attached notes from 1 to 41 form part of these consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Consolidated Income Statement**  
**For the Year Ended 31 December 2021**  
**(In Thousands of Jordanian Dinars)**

	Notes	2021	2020
Revenues from contracts with customers	23	357,063	212,608
Cost of revenues	24	(369,758)	(279,053)
<b>Gross loss</b>		<b>(12,695)</b>	<b>(66,445)</b>
Administrative expenses	26	(9,613)	(11,700)
Selling and marketing expenses	27	(27,086)	(26,108)
Impairment loss on aircrafts	8	-	(20,750)
Other provisions	13,14	(244)	(451)
<b>Net operating loss</b>		<b>(49,638)</b>	<b>(125,454)</b>
Group's share of profits (losses) of associates, net	11	884	(867)
Other income (expense), net	25	917	(1,544)
Gain on disposal of property and equipment		43	-
Provision for voluntary termination	29	(1,582)	(5,173)
Loss on foreign currency exchange	36	(490)	(1,634)
Finance costs	28	(25,736)	(27,353)
Interest income		1,343	965
<b>Loss for the year before income tax</b>		<b>(74,259)</b>	<b>(161,060)</b>
Income tax expense	31	-	-
<b>Loss for the year</b>		<b>(74,259)</b>	<b>(161,060)</b>
<b>Attributable to:</b>			
Equity holders' of the parent		(74,317)	(161,017)
Non-controlling interests		58	(43)
		<b>(74,259)</b>	<b>(161,060)</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share attributable to equity holders' of the parent	30	<b>JD (0.270)</b>	<b>JD (0.586)</b>

The attached notes from 1 to 41 form part of these consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Consolidated Statement of Comprehensive Income**  
**For the Year Ended 31 December 2021**  
**(In Thousands of Jordanian Dinars)**

	<u>Note</u>	<u>2021</u>	<u>2020</u>
<b>Loss for the year</b>		<b>(74,259)</b>	<b>(161,060)</b>
<b>Other comprehensive income</b>			
Other comprehensive income items that will be reclassified to profit or loss in subsequent periods (net of tax):			
Net gain on cash flow hedges		139	39
Other comprehensive income items that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Change in fair value reserve of financial assets at fair value through other comprehensive income	10	-	(390)
<b>Total comprehensive income for the year</b>		<b>(74,120)</b>	<b>(161,411)</b>
<b>Attributable to:</b>			
Equity holders' of the parent		(74,178)	(161,368)
Non-controlling interests		58	(43)
		<b>(74,120)</b>	<b>(161,411)</b>

The attached notes from 1 to 41 form part of these consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Consolidated Statement of Changes in Equity**  
**For the Year Ended 31 December 2021**  
**(In Thousands of Jordanian Dinars)**

	<i>Attributable to equity holders' of the parent</i>									
	Paid-in capital	Share discount	Payments in respect of capital increase	Statutory reserve	Fair value reserve	Cash flow hedges	Accumulated losses	Total	Non-controlling interests	Total equity
<b>2021-</b>										
Balance as of 1 January 2021	274,610	(78,205)	25,000	14,808	133	158	(246,406)	(9,902)	223	(9,679)
Loss for the year	-	-	-	-	-	-	(74,317)	(74,317)	58	(74,259)
Other comprehensive income items	-	-	-	-	-	139	-	139	-	139
Total comprehensive income for the year	-	-	-	-	-	139	(74,317)	(74,178)	58	(74,120)
Payments in respect of capital increase (Note 16)	-	-	25,000	-	-	-	-	25,000	-	25,000
Capital increase (Note 16)	50,000	-	(50,000)	-	-	-	-	-	-	-
Capital increase costs	-	-	-	-	-	-	(301)	(301)	-	(301)
<b>Balance as of 31 December 2021</b>	<b>324,610</b>	<b>(78,205)</b>	<b>-</b>	<b>14,808</b>	<b>133</b>	<b>297</b>	<b>(321,024)</b>	<b>(59,381)</b>	<b>281</b>	<b>(59,100)</b>
<b>2020-</b>										
Balance as of 1 January 2020	274,610	(78,205)	-	14,808	523	119	(85,389)	126,466	266	126,732
Loss for the year	-	-	-	-	-	-	(161,017)	(161,017)	(43)	(161,060)
Other comprehensive income items	-	-	-	-	(390)	39	-	(351)	-	(351)
Total comprehensive income for the year	-	-	-	-	(390)	39	(161,017)	(161,368)	(43)	(161,411)
Payments in respect of capital increase (Note 16)	-	-	25,000	-	-	-	-	25,000	-	25,000
<b>Balance as of 31 December 2020</b>	<b>274,610</b>	<b>(78,205)</b>	<b>25,000</b>	<b>14,808</b>	<b>133</b>	<b>158</b>	<b>(246,406)</b>	<b>(9,902)</b>	<b>223</b>	<b>(9,679)</b>

The attached notes from 1 to 41 form part of these consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended 31 December 2021**  
**(In Thousands of Jordanian Dinars)**

	Notes	2021	2020
<b>OPERATING ACTIVITIES</b>			
Loss for the year before income tax		(74,259)	(161,060)
<b>Adjustments for:</b>			
Depreciation of property and equipment	8	21,443	23,997
Depreciation of right-of-use assets	18	56,744	68,734
Share of (profits) losses of associates	11	(884)	867
Finance costs	28	25,736	27,353
Other income – Amortization of government grants		(2,565)	(394)
Impairment loss on aircraft	8	-	20,750
Provision for expected credit losses	14	-	343
Provision for slow moving inventory	13	244	108
Gain from sale of property and equipment		(43)	-
Provision for voluntary termination	29	1,582	5,173
(Reversal of) Provision for end of service indemnity	19	(34)	21
Amortization of deferred revenue – Jordan Flight Catering Ltd.		(125)	(300)
Interest income		(1,343)	(965)
<b>Working capital changes:</b>			
Accounts receivable		32,978	11,437
Spare parts and supplies		427	(909)
Other current assets		(3,506)	8,752
Deferred revenues		18,114	(13,553)
Accounts payable and other current liabilities		(6,677)	16,054
Accrued expenses		40,139	(8,174)
End of service indemnity payments	19	-	(1)
Voluntary termination program payments		(3,183)	(3,339)
<b>Net cash flows from (used in) operating activities</b>		<b>104,788</b>	<b>(5,106)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	8	(6,791)	(11,798)
Financial assets at fair value through OCI		15	42
Proceeds from sale of property and equipment		87	-
Interest income received		626	1,198
Change in restricted cash against lease contracts		(3,091)	14,170
Short-term deposits		(47,821)	18,919
<b>Net cash flows (used in) from investing activities</b>		<b>(56,975)</b>	<b>22,531</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of term loans		(18,211)	(9,189)
Proceeds from loans		31,057	35,000
Capital increase costs		(301)	-
Payments in respect of capital increase	16	25,000	25,000
Payments of lease obligations	18	(59,040)	(66,307)
Interest paid		(6,049)	(6,069)
<b>Net cash flows used in financing activities</b>		<b>(27,544)</b>	<b>(21,565)</b>
Net increase (decrease) in cash and cash equivalents		20,269	(4,140)
Cash and cash equivalents at the beginning of the year		48,143	52,283
<b>Cash and cash equivalents at the end of the year</b>	15	<b>68,412</b>	<b>48,143</b>

The attached notes from 1 to 41 form part of these consolidated financial statements

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)  
Public Shareholding Company  
Notes to The Consolidated Financial Statements  
31 December 2021  
(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)**

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**(1) GENERAL**

Alia - The Royal Jordanian Airlines Company (Royal Jordanian), the “Company”, was registered as a Jordanian public shareholding Company on 5 February 2001. The Company's head office is located in Amman - Jordan.

The Company’s objectives are to undertake scheduled air-transport activities from and to the Kingdom and to carry out the handling for aircrafts that land in and take off from the airports of the Kingdom.

The consolidated financial statements were authorized for issue by the Board of Directors in their meeting held on 15 March 2022.

**(2) BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial assets at fair value through other comprehensive income that have been measured at fair value at the date of the consolidated financial statements.

The consolidated financial statements have been presented in Jordanian Dinar which is the functional currency of the Group. All values are rounded to the nearest thousands (JD 000) except when otherwise indicated.

**(2-1) Fundamental Accounting Concepts**

The consolidated financial statements have been prepared on the assumption of going concern. However, as disclosed in note (3) to the consolidated financial statements which shows the negative impact of COVID-19 pandemic, the Group’s accumulated losses of JD 321 million represents 99% of the Group’s capital as of 31 December 2021. Also, the Group’s current liabilities exceeded its current assets by an amount of JD 128.5 million as of 31 December 2021. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the entity’s ability to continue as a going concern. According to Article (266) of the Jordanian Company’s Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the Public Shareholding Company exceeded 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company issues a decision on its extraordinary meeting to increase the Company’s capital or to deal with the Company’s losses.

The Prime Ministry of Jordan resolved to authorize the Ministry of Finance to proceed with further procedures to increase the Company’s capital by JD 50 million over two phases, subject to a comprehensive turnaround and rightsizing plan across all key operational and financial pillars. An amount of JD 25 million was received during the fourth quarter of 2020 and the second phase of JD 25 million was received during the second quarter of 2021. The Company’s General Assembly resolved in its extraordinary meeting held on 30 August 2021 to increase the Company’s capital by JD 50 million. Capital increase procedures were completed during December 2021. The Company received a comfort letter from the Ministry of Finance (the Jordanian Government’s representative), stating that the Government is in favor of continuing to support the Company’s operations in the future. Also, the Company’s management is in the process of performing the restructuring business plan that supports the Company’s business continuity and its ability to recover its assets and generate future cash flows to settle its liabilities.

**(3) Coronavirus (Covid-19) Outbreak and Its Impact on Royal Jordanian Airlines**

Coronavirus (COVID-19) pandemic have affected businesses amongst others with a suspension of travel and closure of boundaries with other countries. The COVID-19 pandemic along with the measures necessary to contain the virus have triggered an economic downturn and caused an unprecedented economic crisis.

During 2020, the Company initiated a reshape project to adapt to the new operational and financial challenges and ensure that it can sustain its operations in the coming future.

The Company's operations, liquidity and cash flows impact as a result of the outbreak is summarized as follows:

- As part of the Company's action plan to manage cash flows along with the ongoing reshape project, management entered into discussions with the aircrafts' lessors and lenders to reschedule the leases and loan payments.
- Negotiations were initiated with the Company's major suppliers to defer the payments and reduce the costs where possible.
- During 2020, the Company signed an amendment letter to the syndication loan agreement, in which loan installments for the period from March 2020 to September 2020 were rescheduled and allocated to the installments after September 2020 on a proportional basis. On 1 April 2021, the Company signed second amendment letter in which 50% of the loan installments for the period from April 2021 to June 2021 were rescheduled and allocated to the installments after June 2021 on a proportional basis. During July 2021, the Company has signed third amendment letter in which 50% of the loan installments for the period from July 2021 to September 2021 were rescheduled and allocated to the installments after September 2021 on a proportional basis. On 21 November 2021, the Company signed fourth amendment letter in which 50% of the loan installments for the period from November 2021 to April 2022 were rescheduled and allocated to the installments after April 2022 on a proportional basis. The Company met all rescheduled installment as they became due.
- During 2019, the Company has obtained a credit facility granted from Arab Bank with a ceiling of JD 20 million at an annual interest rate of 5.625%. On 18 March 2020, the Company signed an amendment agreement with Arab Bank to increase the ceiling of the credit facility to JD 40 million with the same existing terms and conditions. The Company did not utilize any amount of the credit facility as of 31 December 2021 and 31 December 2020.
- The board of directors resolved in their meeting held on 27 April 2020 to approve a new loan facility of JD 50 million to finance the Company's cash flows and to meet un-avoidable cash obligations when becoming due during the lockdown period. The Company has utilized an amount of JD 50 million of this facility as of 31 December 2021. (31 December 2020: JD 35 million) (Note 17).
- On 25 October 2020, the Prime Ministry of Jordan resolved in its resolution number (126) to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 50 million over two phases, subject to a comprehensive turnaround and rightsizing plan across all key operational and financial pillars. An amount of JD 25 million was received during the fourth quarter of 2020 and the second phase of 25 million was received during the second quarter of 2021. The Company's General Assembly resolved in its extraordinary meeting held on 30 August 2021 to increase the Company's capital by JD 50 million. Capital increase procedures were completed during December 2021.

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- The Company implemented Defense Order No. (1) - Suspension of old age and early retirement insurance for March, April, May and December 2020 until the end of December 2021. The social security percentage paid by the Company became 4.25% instead of 14.25%.
- The Company Implemented Defense Order No. (24) “Estidama Program” effective from December 2020 until August 2021. Employees’ salaries were reduced by 25%. The Social Security Corporation contributed 37.5% of employees’ monthly salary with a ceiling of JD 500.
- The Company Implemented Defense Order No. (45) “Estidama Program Amendment” effective from September 2021 until the end of December 2021. The Company contributed 40% of the employees’ salaries while the Social Security Corporation contributed 60% of employees’ monthly salary with a ceiling of JD 500 and a floor of JD 260 per month.
- The Company implemented Defense Order No. (14) and No. (24) “Himaya” program where the Social Security Corporation supported the most affected companies due to the pandemic through granting loans that cover part of August through November 2020 salaries and January 2021 through December 2021 salaries.

The Social Security Corporation contributed 40% of employees’ salaries with a ceiling of JD 1000 (note 17).

The Company’s management is going through an ongoing discussion with the stakeholders and the Government to obtain the needed support.

**(4) BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of Alia - The Royal Jordanian Airlines Company (the “Company”) and the following subsidiaries (collectively referred to as the “Group”) as at 31 December 2021:

	<u>Ownership Interest</u>	<u>Country</u>
Royal Wings Company	100%	Jordan
Royal Tours for Travel and Tourism Company	80%	Jordan
Al Mashriq for Aviation Services	100%	Jordan

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee, if and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

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Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

#### **Shareholders who have a significant influence over the Group**

The Government of the Hashemite Kingdom of Jordan presented by Government Investments Management Company, Mint Trading Middle East Ltd. and Social Security Corporation own 84.80%, 4.22% and 4.51%, respectively from the Company's shares as at 31 December 2021 (31 December 2020: 82.03%, 4.99% and 5.33%, respectively).

## **(5) CHANGES IN ACCOUNTING POLICIES**

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020 except for the adoption of new amendments on the standards effective as of 1 January 2021 shown below:

### **Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- To require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest,
- To permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued,
- To provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group.

### **Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16**

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

## **(6) USE OF ESTIMATES**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, the accompanying disclosure, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

**Significant estimates are as follows:**

#### **Useful lives of property and equipment**

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation based on expected usage of the asset or physical wear and tear, management reviews the residual value and useful lives annually and future depreciation charge would be adjusted prospectively where the management believes the useful lives differ from previous estimates.

#### **Provision for expected credit losses**

The Group uses a provision matrix to calculate the expected credit losses (ECL) for trade receivables. The provision rates are based on days past due for groupings of various customers segments that have similar loss patterns.

The provision matrix is initially based on the Groups historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information with regard to COVID-19. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increase number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Groups' historical credit loss experience and forecast of economic conditions may also not be representative of the customers actual default in the future.

#### **Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

#### **Provision for aircraft return conditions**

The measurement of the provision for aircraft return conditions includes assumptions relating to expected costs, escalation rates, discount rates commensurate with the expected obligation maturity and long-term maintenance schedules. An estimate is therefore made at each reporting date to ensure that the provision corresponds to the present value of the expected costs to be borne by the Company. A significant level of judgement is exercised by management given the long-term nature and diversity of assumptions that go into the determination of the provision. A reasonably possible change in any single assumption will not result in a material change to the provision.

### **Revenue recognition – Frequent Flyer points for customer loyalty program**

The Group estimates the fair value of points awarded under the Frequent Flyer Program by applying statistical techniques. Inputs to the models include making assumptions about expected redemption rates and customer preferences. Such estimates are subject to varying degrees of uncertainty. As at 31 December 2021, the estimated liability for unredeemed points was approximately JD 8,582 (2020: JD 7,638).

### **Significant Judgments and estimates related to the application of IFRS 16**

The application of IFRS 16 requires the Group to make judgments and estimates that affect the measurement of right-of-use assets and liabilities. In determining the lease term, the group consider all facts and circumstances that create an economic incentive to exercise renewal options. Assessing whether a contract includes a lease also requires judgment. Estimates are required to determine the appropriate discount rate used to measure lease liability.

## **(7) SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are as follows:

### **Business combinations and Goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the consolidated statement of income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

### **Impairment of Goodwill**

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairments is determined for goodwill by assessing the recoverable amount of each cash generating unit (or group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognized.

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**Property and equipment**

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Property and equipment are depreciated to their estimated residual values on a straight-line basis over their estimated useful lives. The depreciation rates and periods used are summarized as follows:

	<u>Depreciation Rate (%)</u>
Owned passenger and cargo aircrafts, aircraft engines and aircraft components	5 - 5.5
Machinery and equipment	10 - 15
Computers	25
Furniture and fixtures	10
Vehicles	15 - 20
Buildings	2.5 - 10
	<u>Period</u>
Capitalized maintenance	24 - 120 months

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amounts. The recoverable amount is the higher of asset's fair value less cost to sell or value in use. Impairment losses are recognized in the consolidated income statement.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognized.

Useful lives and depreciation method are reviewed on regular basis to ensure that the depreciation method and the period of depreciation are selected based on the economic benefits expected from assets.

**Right-of-use assets**

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease obligations.

The cost of right-of-use assets includes the amount of lease obligations recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right-of-use assets are subject to impairment.

### **Lease obligations**

At the commencement date of the lease, the Group recognizes lease obligations measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease obligations is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to some of its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (less than 5,000 US dollars annually). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

### **Significant judgement in determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of property and equipment due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

### **Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are recorded at fair value plus acquisition costs at the date of acquisition and subsequently measured at fair value. Changes in fair value are reported as a separate component in the consolidated statement of other comprehensive income and in the consolidated statement of changes in 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 in the consolidated statement of other comprehensive income and in the consolidated statement of changes in 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 consolidated income statement when declared.

### **Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associates since the acquisition date. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income (OCI). In addition, when there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated income statement within operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period and using the same accounting policies as the Group.

### **Spare parts and other supplies**

Spare parts and other supplies are valued at the lower of cost, using the weighted average method, or net realizable value.

### **Accounts receivable**

Accounts receivables are stated at original invoice amount less any provision for expected credit losses. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, bank balances and short-term deposits with an original maturity of three months or less after deducting bank overdraft balances.

### **Impairment and uncollectibility of financial assets**

The adoption of IFRS (9) has fundamentally 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.

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

For all debt instruments, the Group 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.

### **Fair value measurement**

Fair values of financial instruments are disclosed in notes 34 and 35.

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 Group.

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.

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

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted available for sales financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### **End of service indemnity provision**

The Group provides end of service indemnity benefits to its local employees in certain outstations. Provision represents amounts payable to local employees in outstations based on the rules and regulations of those countries.

#### **Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

#### **Provisions**

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

### **Provision for aircraft return conditions**

Provision for aircraft return conditions represents the estimate of the cost to meet the contractual lease end obligations on certain aircraft and engines held under lease contracts. The present value of the expected cost is recognized over the lease term considering the existing fleet plan and long-term maintenance schedules.

### **Loans**

All loans are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, loans are subsequently measured at amortized cost using the effective interest method.

Interests on loans are recognized in the consolidated income statement in the period they occur including the grace period, if any.

### **Government grants**

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

loans received from a government at a rate that appears to be below-market are considered government grants. The benefit of a below-market rate loan which is the excess of the consideration received from loan's proceeds over the initial carrying amount of the loan calculated as the net present value of the future cash flows at prevailing market interest rates is recorded as a government grant in the consolidated statement of financial position in accordance with International Accounting Standard IAS 20 - Government Grants.

Subsequently, interest will be imputed to the loan using the effective interest method. The grant is amortized in the consolidated income statement on a systematic basis that matches the related costs incurred (interest).

### **Revenue recognition**

Revenue is recognized under IFRS (15) five step model approach which include determining the contract, price, performance obligation and revenue recognition based on satisfaction of performance obligation.

Passenger and cargo revenues are recognized when the transportation is provided. Passenger tickets and airway bills sales are reflected in the consolidated statement of financial position as deferred revenue until recognized as revenue.

Other revenues are recognized at the time the service is provided.

The Company operates a frequent flyer program, (Royal club), which allows frequent travelers to accumulate mileage credits which entitle them to a choice of upgrade to business class or free travel. A portion of the fair value of the consideration received is allocated to the award credits and deferred, this is then recognized as revenue over the period that the award credits are redeemed.

Group's revenue falls under IFRS (15) "revenue from contracts with customers". The Group provides services to its customers through passenger tickets. Revenues are recognized after deduction of taxes collected on behalf of Governments.

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**Maintenance and repair costs**

Routine maintenance and repair costs for leased and owned aircraft and flight equipment are charged to the consolidated income statement as incurred.

Aircraft, engines, and components heavy maintenance expenses are capitalized on property and equipment and are being depreciated over the period until the next scheduled heavy maintenance is due or upon the redelivery of the aircraft to the lessor which is shorter.

**Finance costs**

Finance costs are recognized as an expense when incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized.

**Income tax**

Tax expense comprises current tax and deferred taxes.

Current tax is based on taxable profits, which may differ from accounting profits published in the consolidated financial statements. Accounting profits may include non-taxable profits or expenses which may not be tax deductible in the current but in subsequent financial years.

Current income tax is calculated in accordance with the Income Tax law applicable in the Hashemite Kingdom of Jordan.

Deferred income tax is provided using the liability method on temporary differences at the consolidated financial statements date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is measured at the tax rates that are expected to apply to the year when the tax liability is settled, or the tax asset is realized.

The balance of deferred income tax assets is reviewed at each consolidated financial statement date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

**Foreign currencies**

1) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency at rates of exchange at the reporting date. All foreign exchange differences arising on non-trading activities are taken to other operating income/expense in the consolidated income statement.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

2) Group companies

On consolidation, the assets and liabilities in foreign operations are translated into Jordanian Dinar at the spot rate of exchange prevailing at the reporting date and their income statements are translated at spot exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI.

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**(8) PROPERTY AND EQUIPMENT**

2021	Aircraft	Spare engines	Capitalized maintenance on aircrafts' engines, and components	Aircrafts' main components	Machinery and equipment	Computers	Furniture and fixtures	Vehicles	Land and buildings	Total
Cost:										
Balance as of 1 January 2021	155,335	1,091	46,440	50,387	73,429	20,355	9,426	10,606	44,302	411,371
Additions *	722	-	4,367	818	1,448	96	29	17	55	7,552
Disposals	-	-	(1,306)	(7)	(15,733)	(262)	(11)	(124)	-	(17,443)
Balance as of 31 December 2021	156,057	1,091	49,501	51,198	59,144	20,189	9,444	10,499	44,357	401,480
Accumulated depreciation:										
Balance as of 1 January 2021	141,011	928	32,011	46,518	63,565	18,431	8,737	9,910	16,364	337,475
Depreciation expense for the year	5,116	-	10,110	439	2,925	485	275	199	1,894	21,443
Disposals	-	-	(1,306)	-	(15,731)	(261)	(10)	(91)	-	(17,399)
Balance as of 31 December 2021	146,127	928	40,815	46,957	50,759	18,655	9,002	10,018	18,258	341,519
Net book value as of 31 December 2021	9,930	163	8,686	4,241	8,385	1,534	442	481	26,099	59,961

\* During the year ended 31 December 2021, the Group acquired property and equipment with a cost of JD 7,552 of which an amount of JD 6,791 represents cash additions (31 December 2020: cash additions of JD 11,798).

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<b>2020</b>	<b>Aircraft</b>	<b>Spare engines</b>	<b>Capitalized maintenance on aircrafts' engines, and components</b>	<b>Aircrafts' main components</b>	<b>Machinery and Equipment</b>	<b>Computers</b>	<b>Furniture and Fixtures</b>	<b>Vehicles</b>	<b>Land and buildings</b>	<b>Total</b>
<b>Cost:</b>										
Balance as of 1 January 2020	154,161	1,091	46,905	49,972	72,612	20,043	9,389	10,382	43,922	408,477
Additions	1,174	-	8,423	415	831	314	37	224	380	11,798
Disposals	-	-	(8,888)	-	(14)	(2)	-	-	-	(8,904)
Balance as of 31 December 2020	155,335	1,091	46,440	50,387	73,429	20,355	9,426	10,606	44,302	411,371
<b>Accumulated depreciation:</b>										
Balance as of 1 January 2020	115,577	928	28,305	46,091	60,405	17,696	8,464	9,691	14,475	301,632
Depreciation expense for the year	4,684	-	12,594	427	3,174	737	273	219	1,889	23,997
Impairment loss *	20,750	-	-	-	-	-	-	-	-	20,750
Disposals	-	-	(8,888)	-	(14)	(2)	-	-	-	(8,904)
Balance as of 31 December 2020	141,011	928	32,011	46,518	63,565	18,431	8,737	9,910	16,364	337,475
<b>Net book value as of 31 December 2020</b>	<b>14,324</b>	<b>163</b>	<b>14,429</b>	<b>3,869</b>	<b>9,864</b>	<b>1,924</b>	<b>689</b>	<b>696</b>	<b>27,938</b>	<b>73,896</b>

\* The Group calculated and recorded an impairment loss of JD 20,750. The recoverable amount of the aircraft was calculated based on its fair value less costs of disposal (FVLCD).

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The depreciation charge has been allocated in the consolidated income statement as follows:

	<u>2021</u>	<u>2020</u>
Cost of revenues (note 24)	19,539	21,977
Administrative expenses (note 26)	1,670	1,791
Selling and marketing expenses (note 27)	234	229
	<u>21,443</u>	<u>23,997</u>

**(9) ADVANCES ON PURCHASE AND MODIFICATION OF AIRCRAFT**

	<u>2021</u>	<u>2020</u>
Advances for the purchase of Boeing 787 aircraft	<u>3,218</u>	<u>4,813</u>

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

This item includes investments in equity shares of non-listed Companies. The Group holds non-controlling interests in these Companies. These investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

	<u>2021</u>	<u>2020</u>
Royal Jordanian Air Academy, net	1,748	1,748
SITA Investment Certificates	480	495
Others	22	22
	<u>2,250</u>	<u>2,265</u>

Movement on fair value reserve was as follows:

	<u>2021</u>	<u>2020</u>
Balance as at 1 January	133	523
Loss during the year	-	(390)
Balance as at 31 December	<u>133</u>	<u>133</u>

**(11) INVESTMENTS IN ASSOCIATES**

	Country of incorporation	Ownership		Balance	
		2021	2020	2021	2020
Jordan Flight Catering Company Ltd.	Jordan	30%	30%	4,080	3,706
Jordan Aircraft Maintenance Company (Joramco)	Jordan	20%	20%	10,631	10,076
Jordan Aircraft Training and Simulation Company (JATS)	Jordan	20%	20%	2,771	2,973
				<u>17,482</u>	<u>16,755</u>

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Movement on investments in associates was as follows:

	2021	2020
Balance as at 1 January	16,755	18,760
Group's share of profits (losses) for the year	959	(867)
Group's share from prior year results *	(75)	-
Dividends received	(157)	(1,138)
Balance as at 31 December	<u>17,482</u>	<u>16,755</u>

\* Group's share from prior year results represent the difference between Group's share of one of the associates' losses as per the issued audited financial statements and the draft financial statements of that associate.

The following table represents the summary of the financial statements for the Groups' investments in associates:

	Jordan Flight Catering Company Ltd.		Jordan Aircraft Maintenance Company (Joramco)		Jordan Aircraft Training and Simulation Company (JATS)		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Statement of financial position</b>								
Current assets	6,464	2,993	32,700	40,506	1,567	1,685	40,731	45,184
Non-current assets	4,012	4,517	25,274	35,637	8,819	14,212	38,105	54,366
Current liabilities	(4,939)	(3,035)	(15,525)	(25,663)	(330)	(1,500)	(20,794)	(30,198)
Non-current liabilities	(3,650)	(3,836)	(16,306)	(18,639)	(5,159)	(4,930)	(25,115)	(27,405)
Net assets	1,887	639	26,143	31,841	4,897	9,467	32,927	41,947
Group's ownership percentage	30%	30%	20%	20%	20%	20%		
Investment in associates	566	192	5,229	6,368	979	1,893	6,774	8,453

	Jordan Flight Catering Company Ltd.		Jordan Aircraft Maintenance Company (Joramco)		Jordan Aircraft Training and Simulation Company (JATS)		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Statement of comprehensive income</b>								
Revenues	8,636	4,396	62,771	45,252	2,428	1,607	73,835	51,255
Cost of revenues	(6,620)	(5,685)	(41,614)	(40,641)	(3,064)	(2,927)	(51,298)	(49,253)
Other income and expenses	(770)	(820)	(17,597)	(4,461)	-	-	(18,367)	(5,281)
Profit (Loss) before income tax	1,246	(2,109)	3,560	150	(636)	(1,320)	4,170	(3,279)
Income tax	-	-	-	-	-	-	-	-
Profit (Loss) for the year	1,246	(2,109)	3,560	150	(636)	(1,320)	4,170	(3,279)
Group's Share of profits (losses) for the year	374	(633)	712	30	(127)	(264)	959	(867)

As of 31 December 2021, the associate Companies have contingent liabilities of JD 610 (2020: JD 578) in respect of guarantees and letter of credits.

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**(12) OTHER CURRENT ASSETS**

	<u>2021</u>	<u>2020</u>
Prepaid expenses	3,104	2,428
Receivables from lessors - maintenance claims	1,230	2,115
Advances to suppliers	5,888	3,708
Refundable deposits	1,878	1,163
Employees' receivables	595	-
Derivatives*	453	435
Accrued revenues	3,341	1,769
Others	1,310	1,127
	<u>17,799</u>	<u>12,745</u>

\* The Company signed aircraft fuel purchase options contracts for the purpose of limiting the risk of fluctuations in fuel prices.

**(13) SPARE PARTS AND SUPPLIES, NET**

	<u>2021</u>	<u>2020</u>
Spare parts and supplies	18,124	18,551
Provision for slow moving inventory	(10,585)	(10,341)
	<u>7,539</u>	<u>8,210</u>

Movement on provision for slow moving inventory was as follows:

	<u>2021</u>	<u>2020</u>
Balance as at 1 January	10,341	10,233
Provision for the year	244	108
Balance as at 31 December	<u>10,585</u>	<u>10,341</u>

**(14) ACCOUNTS RECEIVABLE, NET**

	<u>2021</u>	<u>2020</u>
Accounts receivable	40,114	73,092
Provision for expected credit losses	(16,861)	(16,861)
	<u>23,253</u>	<u>56,231</u>

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Movement on provision for expected credit losses was as follows:

	<u>2021</u>	<u>2020</u>
Balance as at 1 January	16,861	16,518
Provision for the year	-	343
Balance as at 31 December	<u>16,861</u>	<u>16,861</u>

As at 31 December, the aging of unimpaired trade receivables was as follows:

	Neither past due nor impaired	Past due but not impaired					Total
		1-30 days	31-60 days	61-90 days	91-180 days	181-360 days	
<b>2021</b>	<b>2,537</b>	<b>11,214</b>	<b>2,427</b>	<b>1,064</b>	<b>619</b>	<b>5,392</b>	<b>23,253</b>
2020	1,623	2,284	3,071	2,193	2,349	44,711	56,231

Based on the Group's management estimates, the unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. The Group obtains bank guarantees as collateral from the majority of its general sales agents and cargo receivables. The Group does not obtain collateral over other receivables; therefore, they are unsecured.

**(15) CASH AND BANK BALANCES**

	<u>2021</u>	<u>2020</u>
Cash and bank balances	49,261	39,948
Short-term deposits *	16,140	4,597
Cash in transit **	3,011	3,598
Cash and cash equivalents	68,412	48,143
Short-term deposits mature after 3 months ***	53,186	5,365
Cash and bank balances	<u>121,598</u>	<u>53,508</u>

\* This item represents deposits in Jordanian Dinars in Jordanian Banks as of 31 December 2021 with an interest rate ranging between 3% and 4% (2020: 2.75% - 3%) and are due within three months.

\*\* This item includes cash received on tickets sales and airwaybills sales through IATA accredited agents during December that were deposited in the Group's bank accounts during January of next year.

\*\*\* This item represents deposit in Banks in Jordanian Dinar (JD 52,289) with an interest rate ranging between 3.25% and 4.1%, in addition to Libyan Dinar and Syrian Lira equivalent to JD 87 and a deposit of 150,000 Thousand Algerian Dinar equivalent to JD 810 with an average interest rate of 3.25% as of 31 December 2021 and are due after more than three months. (31 December 2020: JD 4,000 Jordanian Dinar with an average interest rate of 3.25% and 238,465 Thousand Sudanese Pounds which is equivalent to JD 340, in addition to Libyan Dinar and Syrian Lira equivalent to JD 215 and a deposit of 150,000 Thousand Algerian Dinar equivalent to JD 810 with an average interest rate ranging between 1.14% and 3.25% and are due after more than three months.

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**(16) SHAREHOLDERS' EQUITY**

<b>- Paid-in capital</b>	<b>2021</b>	<b>2020</b>
Authorized capital (Par value of one Jordanian Dinar per share)	<b>324,610</b>	274,610
Paid-in capital	<b>324,610</b>	274,610

**- Share discount**

Share discount amounted to JD 78.2 million as at 31 December 2021 and 31 December 2020. The accumulated balance in this account represents the difference between the issuing price and the par value of the shares issued.

**- Payments in respect of capital increase**

On 25 October 2020, the Prime Ministry of Jordan resolved in its resolution number (126) to authorize the Ministry of Finance to proceed with further procedures to increase the Company's paid-in capital by JD 50 million over two phases, subject to a comprehensive turnaround and rightsizing plan across all key operational and financial pillars. An amount of JD 25 million was received during the fourth quarter of 2020. Accordingly, the Company has recorded an amount of JD 25 million as payments in respect of capital increase as of 31 December 2020. The second phase of JD 25 million was received during the second quarter of 2021. The Company's General Assembly resolved in its extraordinary meeting held on 30 August 2021 to increase the Company's capital by JD 50 million. Capital increase procedures were completed during December 2021.

**- Statutory Reserve**

As required by Jordanian Company Law, 10% of the profit before income tax is transferred to statutory reserve. This reserve is not available for distribution to the shareholders.

**(17) BANK LOANS AND GOVERNMENT GRANTS**

**(17 - a) Bank Loans**

	<b>2021</b>		<b>2020</b>	
	<b>Loans' Installments</b>		<b>Loans' Installments</b>	
	<b>Short-term</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Long-term</b>
Syndicated loan *	38,842	31,404	26,915	61,542
Capital Bank loan **	-	46,308	-	30,997
Social Security- "Himaya" program ***	-	12,827	-	-
Less: directly attributable transaction costs	(535)	(579)	(535)	(1,114)
	<b>38,307</b>	<b>89,960</b>	<b>26,380</b>	<b>91,425</b>

\* On 20 December 2015, the Company signed a syndicated loan agreement amounted to USD 275 million which is equivalent to JD 195 million. The loan bears annual interest rate of one-month LIBOR plus 3%. The loan is repayable in 49 installments. The first installment amounting to JD 3 million fell due on 20 January 2017 and the last installment was planned to fall due on 20 December 2021.

On 5 February 2020, the Company signed a loan restructuring agreement for the syndicated loan. The loan installments were extended until 2024. The first installment amounting to JD 1.9 million fell due on 5 March 2020 with an annual interest rate of one-month LIBOR plus 2.65% (minimum 4.5%).

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As part of the Company's action plan to manage its cashflows during COVID-19 outbreak, the Company signed an amendment letter to the loan agreement, in which the loan installments for the period from March 2020 to September 2020 were rescheduled and allocated to the remaining installments after September 2020 on a proportional basis.

On 1 April 2021, the Company has signed second amendment letter in which 50% of the loan installments for the period from April 2021 to June 2021 were rescheduled and allocated to the installments after June 2021 on a proportional basis. During July 2021, the Company has signed third amendment letter in which 50% of the loan installments for the period from July 2021 to September 2021 were rescheduled and allocated to the installments after September 2021 on a proportional basis. On 21 November 2021, the Company signed fourth amendment letter in which 50% of the loan installments for the period from November 2021 to April 2022 were rescheduled and allocated to the installments after April 2022 on a proportional basis. The Company met all rescheduled installment as they became due.

The loan agreement contains loan covenants which require the Company to meet certain financial ratios. As per the amendment letter signed during April 2020, the Company was not required to comply with those covenants during the period from 1 January 2020 to 31 March 2021. During March 2021, the Company has amended the agreement whereas the Company was not required to meet those financial ratios until the end of 2021. During June 2021, the Company has amended the agreement whereas the Company was not required to meet those financial ratios until 30 September 2022. On 21 November 2021, The Company has amended the agreement whereas the Company is not required to meet those financial ratios until 31 December 2022.

According to the loan agreement, the Company is obliged to transfer the proceeds from its sales from travel agents in 22 stations that are collected through IATA to the Company's account at Al-Mashreq Bank as a collateral.

- \*\* On 18 May 2020, the Company signed a loan agreement with Capital Bank which amounted to JD 50 million bearing an annual interest rate of 1%. The Company has utilized the full loan balance of JD 50 million as of 31 December 2021 (31 December 2020: JD 35 million). The loan is repayable through one payment on 18 September 2023. Interest is payable on a quarterly basis.

The loan was granted from Capital bank through the Central Bank of Jordan's program to support companies that have been affected by COVID-19 at a below-market interest rate. The benefit of a below-market rate loan has been recognized as a government grant in accordance with International Accounting Standard IAS 20 - Government Grants (Note 17- b).

- \*\*\* The Company implemented Defense Orders number (14) and number (24) "Himaya" program where the Social Security Corporation supported the most affected Companies due to the COVID-19 pandemic through granting loans at a below-market interest rate that cover part of August through November 2020 salaries and January through December 2021 salaries.

The Social Security Corporation contributed 40% of employees' salaries with a ceiling of JD 1000 per employee.

The loan is payable by December 2026. The loan bears an annual interest rate of 4%. The Company will bear an interest rate of 1%, and the Government of Jordan will bear 3% up until December 2024. If the loan was not settled by December 2026, the Company will bear an annual interest rate of 3% starting from January 2027 and onwards.

The benefit of a below-market rate loan has been recognized as a government grant in accordance with International Accounting Standard IAS 20 - Government Grants (Note 17- b).

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Principal installments payable during the year 2022 and after are as follows:

<u>Year</u>	<u>JD</u>
2022	38,842
2023	73,202
2024	17,337
	<u>129,381</u>

**Changes in liabilities arising from financing activities:**

	<u>1 January 2021</u>	<u>Proceeds from loans *</u>	<u>Repayments of loans</u>	<u>Interest accreted</u>	<u>31 December 2021</u>
Loans	<u>119,454</u>	<u>25,573</u>	<u>(18,211)</u>	<u>2,565</u>	<u>129,381</u>

**(17 - b) Government Grants**

	<u>2021</u>			<u>2020</u>		
	<u>Related to</u>			<u>Related to</u>		
	<u>Capital Bank's loan</u>	<u>Social security "Himaya" program's loan</u>	<u>Total</u>	<u>Capital Bank's loan</u>	<u>Social security "Himaya" program's loan</u>	<u>Total</u>
Balance as at 1 January	4,003	-	4,003	-	-	-
Recognized during the year *	1,737	3,747	5,484	4,397	-	4,397
Released to the consolidated income statement	(2,048)	(517)	(2,565)	(394)	-	(394)
Balance as at 31 December	<u>3,692</u>	<u>3,230</u>	<u>6,922</u>	<u>4,003</u>	<u>-</u>	<u>4,003</u>
Non-current	1,572	2,641	4,213	2,584	-	2,584
Current	2,120	589	2,709	1,419	-	1,419
	<u>3,692</u>	<u>3,230</u>	<u>6,922</u>	<u>4,003</u>	<u>-</u>	<u>4,003</u>

\* Proceeds from loans amounted to JD 31,057 during the year ended 31 December 2021 (2020: JD 35,000).

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**(18) Leases**

The Group has lease contracts for various items including aircraft, aircraft's engines and offices.

Lease terms are as follows:

	Years
Aircraft	3 – 7
Aircrafts' engines	8
Offices rent	2 – 13

There are several lease contracts that include extension and termination options and variable lease payments.

The Group also has certain leases of offices and other assets with lease terms of 12 months or less and leases for assets of low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets and lease obligations recognized and the movement during the years 2021 and 2020:

	Right-of-use assets				Lease obligations*
	Aircraft	Aircraft's engines	Offices	Total	
<b>Balance as at 1 January 2021</b>	374,672	37,167	21,837	433,676	407,160
Lease-term modifications	43,832	-	340	44,172	44,172
Terminated contracts	-	-	(171)	(171)	(171)
Depreciation	(50,606)	(2,601)	(3,537)	(56,744)	-
Finance costs (Note 28)	-	-	-	-	16,764
Payments	-	-	-	-	(59,040)
<b>Balance as at 31 December 2021</b>	<b>367,898</b>	<b>34,566</b>	<b>18,469</b>	<b>420,933</b>	<b>408,885</b>
<b>Balance as at 1 January 2020</b>	436,632	39,768	25,486	501,886	452,455
Lease-term modifications	537	-	-	537	537
Terminated contracts	-	-	(13)	(13)	(13)
Covid-19 concession arrangements	-	-	-	-	(464)
Depreciation	(62,497)	(2,601)	(3,636)	(68,734)	-
Finance costs (Note 28)	-	-	-	-	20,488
Payments	-	-	-	-	(65,843)
<b>Balance as at 31 December 2020</b>	<b>374,672</b>	<b>37,167</b>	<b>21,837</b>	<b>433,676</b>	<b>407,160</b>

\* Lease obligations details are as follows:

31 December 2021			31 December 2020		
Short-term	Long-term	Total	Short-term	Long-term	Total
30,655	378,230	408,885	70,477	336,683	407,160

The Company has mortgaged two Boeing 787 against the lease agreements of those aircrafts.

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**(19) OTHER LONG-TERM LIABILITIES**

	<u>2021</u>	<u>2020</u>
Provision for end of service indemnity	379	413

Movement on provision for employees' end of service indemnity was as follows:

	<u>2021</u>	<u>2020</u>
Balance as at 1 January	413	393
(Reversal of) Provision for the year	(34)	21
Payments during the year	-	(1)
Balance as at 31 December	379	413

**(20) ACCRUED EXPENSES**

	<u>2021</u>	<u>2020</u>
Accrual for flying operations expenses	54,477	38,966
Accrued expenses related to lease contracts	53,218	27,999
	<u>107,695</u>	<u>66,965</u>

**(21) ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES**

	<u>2021</u>	<u>2020</u>
Spare parts suppliers and accounts payable	15,219	33,866
Fuel suppliers	1,194	5,459
Ministry of Finance	249	1,318
Employees Provident fund (Note 32)	4,209	5,853
Others*	43,318	27,799
	<u>64,189</u>	<u>74,295</u>

\* Included in this item international taxes, departure and airports usage taxes of JD 37,492 that are payable to international tax authorities and airports (2020: JD 24,449).

**(22) DEFERRED REVENUES**

	<u>2021</u>	<u>2020</u>
Unutilized passenger tickets, air waybills and other service sales	55,168	36,293
Deferred revenue – Jordan Flight Catering Company Ltd. *	-	125
	<u>55,168</u>	<u>36,418</u>

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- \* Alia - The Royal Jordanian Airlines Company signed an 11 year and six month catering contract with Jordan Flight Catering Ltd. Company during January 2010, and in return the Company was granted an additional share of 10% in Jordan Flight Catering Company Ltd. The grant was recorded as deferred revenues to be amortized over the catering contract period of 11 years and six months, which has been expired during 2021. The Company signed an extension agreement with Jordan Flight Catering Company Ltd. which will expire on 31 July 2022.

**(23) REVENUES FROM CONTRACTS WITH CUSTOMERS**

	<u>2021</u>	<u>2020</u>
<b>Scheduled Services</b>		
Passengers	250,988	133,518
Cargo	31,001	19,848
Excess baggage	5,855	3,163
Airmail	6,650	7,735
<b>Total scheduled services (Note 33)</b>	<u>294,494</u>	<u>164,264</u>
Chartered flights (Note 33)	12,634	18,182
Cargo warehouse revenues	14,512	13,372
Commercial revenues from arriving and departing aircraft of other Companies	11,571	5,875
Change and cancelation of reservation revenues	3,483	1,621
Royal tours revenues (Tours operating revenues)	5,734	1,877
First class services revenues	3,036	1,284
Frequent flyer revenues	2,128	1,749
Ancillary revenue	3,021	1,220
Revenues from technical and maintenance services provided to other Companies	2,864	1,888
Revenues from NDC (Galileo)	1,686	637
Other revenues	1,900	639
	<u>357,063</u>	<u>212,608</u>

**(24) COST OF REVENUES**

	<u>2021</u>	<u>2020</u>
<b>Flying operations costs</b>		
Aircraft Fuel	85,110	41,793
Other flying operations costs	39,602	37,948
<b>Total flying operations costs</b>	<u>124,712</u>	<u>79,741</u>
Repair and maintenance	67,322	45,774
Aircraft rental expenses	6,533	1,655
Depreciation of aircraft and engines and capitalized maintenance	70,643	84,874
Stations and ground services	42,502	25,419
Ground handling unit	13,534	16,292
Passenger services	44,512	25,298
	<u>369,758</u>	<u>279,053</u>

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Employees benefits expenses included in cost of revenues are as follows:

	<u>2021</u>	<u>2020</u>
Salaries and wages	20,018	37,085
Provident fund contribution	2,341	2,887
Medical expenses	2,324	2,318
Social Security contribution	1,662	3,478
Overtime	563	678
End of service indemnity	164	153
Other benefits	1,341	1,486
	<u>28,413</u>	<u>48,085</u>

**(25) OTHER INCOME (EXPENSE), NET**

	<u>2021</u>	<u>2020</u>
Other income – Amortization of government grants	2,565	394
Legal cases provision	(1,300)	(1,860)
Other expenses	(348)	(78)
	<u>917</u>	<u>(1,544)</u>

**(26) ADMINISTRATIVE EXPENSES**

	<u>2021</u>	<u>2020</u>
Salaries and wages	2,341	4,081
Depreciation	1,789	1,939
Computer expenses	1,496	1,528
Professional and consultation expenses	855	476
Water, electricity and heating	422	380
Medical expenses	331	462
Provident fund contribution	235	276
Maintenance and cleaning expenses	215	156
Social security contribution	194	392
Legal expenses	185	534
Employees benefits	165	224
Life insurance	135	123
End of service indemnity	52	29
Communication expense	26	83
Rent	15	28
Overtime	5	34
Others	1,152	955
	<u>9,613</u>	<u>11,700</u>

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**(27) SELLING AND MARKETING EXPENSES**

	<u>2021</u>	<u>2020</u>
Commissions	8,775	5,738
Salaries and wages	6,217	8,103
Computer expenses	1,469	1,654
Other employee benefits	1,334	1,323
Social security contribution	1,083	1,331
Depreciation	993	1,019
Marketing and advertisement	881	698
Medical expenses	688	701
Rent	681	749
Communication expenses	516	646
End of service indemnity	312	299
Provident fund contribution	234	266
Legal expenses	184	232
Life insurance	143	110
Maintenance and cleaning expenses	135	131
Water, electricity and heating	128	135
Consulting expenses	97	66
Overtime	51	66
Others	3,165	2,841
	<u>27,086</u>	<u>26,108</u>

**(28) FINANCE COSTS**

	<u>2021</u>	<u>2020</u>
Interest on loans	7,571	5,539
Leases contracts – finance cost (Note 18)	16,764	20,488
Other interest and bank charges	1,401	1,326
	<u>25,736</u>	<u>27,353</u>

**(29) PROVISION FOR VOLUNTARY TERMINATION**

	<u>2021</u>	<u>2020</u>
Voluntary termination program (1)	1,358	-
Voluntary termination program (2)	-	851
Voluntary termination program (3)	-	4,234
Outstations' termination program	224	88
	<u>1,582</u>	<u>5,173</u>

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**Voluntary termination program (1):**

On 22 March 2021, the Company signed a labor collective contract with the General Trade Union of Workers in Air Transport and Tourism. The agreement covered the period from 1 April 2021 to 31 May 2021, giving the Company's staff the choice to obtain a voluntary release from their jobs. Accordingly, the Company has provided a provision of JD 1,358 which represents the accrued amounts for the employees who applied for the plan and for whom the management approved their applications.

**Voluntary termination program (2):**

On 9 February 2020, the Company signed a labor collective contract with the General Trade Union of Workers in Air Transport and Tourism. The agreement covered the period from 9 February 2020 to 29 February 2020, giving the Company's staff the choice to obtain a voluntary release from their jobs. Accordingly, the Company has recorded a provision that amounted to JD 851 which represents the accrued amounts for employees who applied to the plan and management approved their applications.

**Voluntary termination program (3):**

On 17 August 2020, the Company signed another labor collective contract with the General Trade Union of Workers in Air Transport and Tourism. The agreement covered the period from 19 August 2020 to 18 September 2020, giving the Company's staff the choice to obtain a voluntary release from their jobs. Accordingly, the Company has recorded a provision that amounted to JD 4,234 which represents the accrued amounts for employees who applied to the plan and management approved their applications.

**Outstations' termination program**

During 2020, the Company started a termination process of contracts for local employees in some outstations according to the business needs and based on the rules and regulations of those countries. Accordingly, the Company has recorded a provision amounted to JD 224 (2020: JD 88).

**(30) EARNINGS PER SHARE**

	<u>2021</u>	<u>2020</u>
Loss for the year attributed to the equity holders' of the parent ('000)	<b>(74,317)</b>	(161,017)
Weighted average number of shares ('000)	<b>274,884</b>	274,610
Basic and diluted earnings per share (JD)	<b>(0.270)</b>	(0.586)

**(31) INCOME TAX**

No provision for income tax was calculated by the Company for the year ended 31 December 2021 due to the excess of deductible expenses over taxable income in accordance with the Income Tax Law No. (34) of 2014 and its amendments.

The Company filed its tax return for the years 2019 and 2020 within the statutory period. The Company has reached a final settlement with the Income and Sales Tax Department up to the year ended 31 December 2018 whereas the years 2019 and 2020 are yet to reviewed.

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The Income and Sales Tax Department raised claims to RJ by an amount of JD 2,103 which represents sales tax differences for the years from 2012 to 2014. The Court of Cassation determined tax differences in respect to the year 2012 through the year 2014 amounting to JD 701, in addition to penalties of JD 1,402.

The Income and Sales Tax Department raised claims to RJ by an amount of JD 2,271 which represents sales tax differences for the year 2016. The Company appealed the cases at the Tax Court. The cases are still outstanding up to date of the consolidated financial statement.

Royal Wings Company filed its tax return for the years from 2017 until 2020 within the statutory period. The tax returns for the years 2017 and 2018 are being reviewed by the Court of First Instance. The Income and Sales Tax Department is yet to review the Company's accounting records up to the date of the consolidated financial statements in respect to the years 2019 and 2020. Royal Wings Company reached a final settlement with the Income and Sales Tax Department up to the year 2016.

Royal Tours Company filed its tax return for the years of 2017, 2019 and 2020 within the statutory period. The Income and Sales Tax Department did not review the Company's accounting records for the years 2017, 2019 and 2020 up to the date of the consolidated financial statements. Royal Tours for Travel and Tourism Company reached a final settlement with the Income and Sales Tax Department up to the year 2016 in addition to the year 2018.

Al-Mashriq for Aviation Services Company filed its tax returns for the years 2019 and 2020. The Income and Sales Tax Department has not reviewed the Company's accounting records up to the date of the consolidated financial statements. Al-Mashriq for Aviation Services Company reached a final settlement with the Income and Sales Tax Department up to the year 2018.

**Reconciliation between accounting profit and taxable profit is as follows:**

	<u>2021</u>	<u>2020</u>
Accounting loss	(74,259)	(161,060)
Non-taxable profits	(1,029)	-
Non-deductible expenses	16,502	27,462
Prior years' tax losses	<u>(242,504)</u>	<u>(108,906)</u>
Accumulated tax losses	<u>(301,290)</u>	<u>(242,504)</u>
Relates to:		
Total loss – Parent Company	(300,367)	(232,911)
Total loss – Subsidiaries	(923)	(9,593)
Effective income tax rate for subsidiaries	20%	20%
Statutory income tax rate	20%	20%
Income tax expense	<u>-</u>	<u>-</u>

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**(32) RELATED PARTY TRANSACTIONS**

Related party transactions represent transactions with associated Companies, employees' Provident fund, and the Government of the Hashemite Kingdom of Jordan. Pricing policies and terms of these transactions are approved by the Group's management.

Following is a summary of balances due to / from related parties included in the consolidated statement of financial position:

	2021		2020	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Government of Jordan	5,176	884	43,778	1,318
Employees' Provident Fund (Note 21)	-	4,209	-	5,853
Jordan Aircraft Maintenance Company (JORAMCO)	1,717	-	882	-
Jordan Flight Catering Company Ltd.	-	2,729	-	527
Jordan Aircraft Training and Simulation Company (JATS)	-	4	-	31
	<u>6,893</u>	<u>7,826</u>	<u>44,660</u>	<u>7,729</u>

**Payments in respect of capital increase – included in shareholders' equity:**

	2021	2020
Government Investments Management Company (Note 16)	<u>-</u>	<u>25,000</u>

- Following is a summary of the transactions with associated Companies included in the consolidated income statement:

	2021	2020
<b>Jordan Aircraft Maintenance Company (JORAMCO):</b>		
Scheduled services revenues	<u>187</u>	<u>131</u>
Repair and maintenance expenses	<u>(4,602)</u>	<u>(2,510)</u>
<b>Jordan Flight Catering Company Ltd.:</b>		
Passenger services expenses	<u>(8,372)</u>	<u>(3,396)</u>
<b>Jordan Aircraft Training and Simulation Company (JATS):</b>		
Scheduled services revenues	<u>50</u>	<u>14</u>
Pilots training expenses	<u>(578)</u>	<u>(608)</u>

The Company signed a 4 year maintenance contract with Jordan Aircraft Maintenance Company (JORAMCO) during January 2005, and in return the Company was granted a 20% share in Jordan Aircraft Maintenance Company. The contract was extended for 7 years up to the end of October 2016. The contract was extended for a period up to December 2021, and then it was renewed for unlimited period with three months' notice of termination.

The Company signed a 4 year training contract with Jordan Aircraft Training and Simulation Company (JATS) during July 2006 and in return the Company was granted a share of 20% in Jordan Aircraft Training and Simulation Company which has been extended until the end of January 2023.

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Alia – The Royal Jordanian Airlines Company signed a 11 years and six months catering contract with Jordan Flight Catering Company during 2010, and in return the Company was granted an additional share of 10% in Jordan Flight Catering Company to reach a total share of 30%. The Company signed an extension agreement with Jordan Flight Catering Company Ltd. which will expire on 31 July 2022.

- Following is a summary of the transactions with the Government of the Hashemite Kingdom of Jordan included in the consolidated income statement:

	<u>2021</u>	<u>2020</u>
Scheduled services revenues – passengers	2,385	2,992
Scheduled services revenues – cargo	1,388	937
Chartered flights	1,277	285
	<u>5,050</u>	<u>4,214</u>

- The Company’s contribution to the employees’ saving fund amounted to JD 2,810 and JD 3,429 for the years 2021 and 2020, respectively.

**Compensation of key management personnel**

The remuneration of members of key management during the year was as follows:

	<u>2021</u>	<u>2020</u>
Salaries and other benefits *	710	1,048
Board of Directors remuneration	35	42

- \* Included in this amount, a one-time payment of JD 223 which represents the end of contract remuneration for the Company’s CEO paid in 2020.

**(33) GEOGRAPHICAL DISTRIBUTION OF REVENUES**

All operations are integrated under the airline business. The Group does not have any segment information other than the geographical distribution of revenues, which is used by the management executives to measure the Group’s performance:

	<u>2021</u>				<u>2020</u>			
	<u>Scheduled services</u>	<u>Chartered Flights</u>		<u>Total</u>	<u>Scheduled services</u>	<u>Chartered Flights</u>		<u>Total</u>
		<u>Passengers</u>	<u>Cargo</u>			<u>Passengers</u>	<u>Cargo</u>	
Levant	40,952	234	1,206	42,392	17,670	-	1,400	19,070
Europe	66,434	809	2,114	69,357	41,916	224	2,841	44,981
Arab Gulf	84,727	888	-	85,615	48,161	114	421	48,696
America	97,003	-	1,153	98,156	44,422	-	1,727	46,149
Asia	2,100	99	5,899	8,098	9,081	525	10,778	20,384
Africa	3,278	93	139	3,510	3,014	152	-	3,166
<b>Total Revenues</b>	<u>294,494</u>	<u>2,123</u>	<u>10,511</u>	<u>307,128</u>	<u>164,264</u>	<u>1,015</u>	<u>17,167</u>	<u>182,446</u>

**(34) FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, accounts receivable, financial assets at fair value through other comprehensive income, and some other current assets. Financial liabilities consist of accounts payable, bank loans, lease obligation and some other current liabilities.

The fair values of financial instruments are not materially different from their carrying values.

**(35) Fair Value Hierarchy**

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

Level 1 – 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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>31 December 2021</b>				
Financial assets:				
Financial assets at fair value through other comprehensive income	-	-	2,250	2,250
Derivative financial instruments (within other current assets)	453	-	-	453
	<u>453</u>	<u>-</u>	<u>2,250</u>	<u>2,703</u>
<b>31 December 2020</b>				
Financial assets:				
Financial assets at fair value through other comprehensive income	-	-	2,265	2,265
Derivative financial instruments (within other current assets)	435	-	-	435
	<u>435</u>	<u>-</u>	<u>2,265</u>	<u>2,700</u>

**(36) RISK MANAGEMENT**

**Interest rate risk**

The Group is exposed to interest rate risk on its interest-bearing financial assets and liabilities (bank deposits, obligation under leases and bank loans).

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2021 and 31 December 2020.

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The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates as of 31 December 2021 and 2020, with all other variables held constant.

	<u>Increase in interest rate (points)</u>	<u>Effect on loss</u>
<b>2021-</b>		
Currency		
USD	50	773
JD	50	54
	<u>Decrease in interest rate (points)</u>	<u>Effect on loss</u>
Currency		
USD	(25)	(387)
JD	(25)	(27)
	<u>Increase in interest rate (points)</u>	<u>Effect on loss</u>
<b>2020-</b>		
Currency		
USD	50	927
JD	50	(137)
	<u>Decrease in interest rate (points)</u>	<u>Effect on loss</u>
Currency		
USD	(25)	(464)
JD	(25)	69

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

The Group provides its services to a large number of customers. No single customer accounts for more than 10% of outstanding accounts receivable at 31 December 2021 and 2020.

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**Liquidity risk**

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

The table below summarises the maturities of the Group's (undiscounted) financial liabilities at 31 December 2021 and 2020, based on contractual payment dates and current market interest rates.

<b>31 December 2021</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Accounts payables and other current liabilities	64,189	-	-	-	64,189
Bank loans	3,621	38,312	99,012	-	140,945
Lease obligations	13,145	41,812	294,912	105,623	455,492
Other long-term liabilities	-	-	-	379	379
<b>Total</b>	<b>80,955</b>	<b>80,124</b>	<b>393,924</b>	<b>106,002</b>	<b>661,005</b>

**31 December 2020**

Accounts payables and other current liabilities	74,295	-	-	-	74,295
Bank loans	4,388	24,408	100,569	-	129,365
Lease obligations	23,604	67,755	259,843	79,410	430,612
Other long-term liabilities	-	-	-	413	413
<b>Total</b>	<b>102,287</b>	<b>92,163</b>	<b>360,412</b>	<b>79,823</b>	<b>634,685</b>

**Currency risk**

The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the JD currency rate against the foreign currencies, with all other variables held constant, on the consolidated statement of income.

2021 -

<b>Currency</b>	<b>Increase in foreign currency rate to the JD currency (%)</b>	<b>Effect on loss</b>
<b>Euro</b>	1	(80)
<b>GBP</b>	1	(26)
<b>SDG</b>	1	-

  

<b>Currency</b>	<b>Decrease in foreign currency rate to the JD currency (%)</b>	<b>Effect on loss</b>
<b>Euro</b>	(1)	80
<b>GBP</b>	(1)	26
<b>SDG</b>	(1)	-

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2020 -

Currency	<i>Increase in foreign currency rate to the JD currency</i> (%)	<i>Effect on loss</i>
Euro	1	33
GBP	1	(3)
SDG	1	(3)

  

Currency	<i>Decrease in foreign currency rate to the JD currency</i> (%)	<i>Effect on loss</i>
Euro	(1)	(33)
GBP	(1)	3
SDG	(1)	3

The Jordanian Dinar exchange rate is fixed against the U.S. Dollars (USD 1.41 for JD 1).

Losses on foreign exchange rates amounted to JD 490 for the year ended 31 December 2021 (31 December 2020: loss of JD 1,634 of which JD 940 resulted from the fluctuation in the Sudanese Pound).

**(37) CAPITAL MANAGEMENT**

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

Capital comprises of share capital, share discount, payments in respect of capital increase, statutory reserve and accumulated losses and is measured at a deficit of JD 59,811 as at 31 December 2021 (31 December 2020: Deficit of JD 10,193).

The Group's accumulated losses of JD 321 million as of 31 December 2021 represents 99% of the Group's capital. Also, the Group's current liabilities exceeded its current assets by an amount of JD 128.5 million as of 31 December 2021. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern. According to Article (266) of the Jordanian Company's Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the public shareholding Company exceed 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company issues a decision on its extraordinary meeting to increase the Company's capital or to deal with the Company's losses. The Prime Ministry of Jordan resolved to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 50 million over two phases, subject to a comprehensive turnaround and rightsizing plan across all key operational and financial pillars. The first phase fell during the fourth quarter of 2020 and the second phase fell during 2021. Capital increase procedures were completed during December 2021. Furthermore, the Company received a comfort letter from the Ministry of Finance (the Jordanian Government's representative), stating that the Government is in favor of continuing to support the Company's operations in the future.

The Company's management is in the process of performing the restructuring business plan that supports the Company's business continuity and its ability to recover its assets and generate future cash flows to settle its liabilities.

## **(38) CONTINGENCIES AND COMMITMENTS**

### *Letters of credit and guarantees*

As of 31 December 2021, the Group had letters of credit amounted to JD 23,493 and letters of guarantees amounted to JD 331 (31 December 2020: letters of credit: JD 19,721 and letters of guarantees: JD 476).

### *Claims against the Group*

The Group is a defendant in a number of lawsuits amounting to JD 14,661 (2020: JD 14,821) representing legal actions and claims related to its ordinary course of business. Related risks have been analyzed as to the likelihood of occurrence, although the outcome of these matters cannot always be ascertained with precision. In the opinion of the Group and their legal counsels, the provision recognized as of 31 December 2021 is sufficient to cover any contingent liabilities and claims that may arise from these lawsuits.

### *Capital commitments*

As of 31 December 2021, the Group had capital commitments of USD 303,051,349 (31 December 2020: USD 453,013,157), equivalent to JD 214,930 (31 December 2020: JD 321,286) relating to finance lease agreements signed for two new aircraft (31 December 2020: three new aircraft).

The Group has the option not to purchase these aircrafts given that it informs the aircrafts manufacturer during a maximum period of thirty-seven months prior to the date of delivery of these aircraft.

During January 2021, the Company exercised its right to cancel without any liability the first aircraft which was scheduled to be delivered by the first quarter of 2024. The amount of the advances paid for the related aircraft amounted to USD 2,249,060 was deducted from the Company's payables.

## **(39) 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 Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

### **IFRS 17 Insurance Contracts**

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

The core of IFRS 17 is the general model, supplemented by:

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

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

This standard is not applicable to the Group.

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

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

**Reference to the Conceptual Framework – Amendments to IFRS 3**

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

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

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

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

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not applicable to the Group.

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

**Definition of Accounting Estimates - Amendments to IAS 8**

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

**Alia - The Royal Jordanian Airlines Company (Royal Jordanian)**  
**Public Shareholding Company**  
**Notes to The Consolidated Financial Statements**  
**31 December 2021**  
**(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)**

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

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

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

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

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

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

**(40) COMPARATIVE FIGURES**

Some of 2020 balances were reclassified to correspond with the consolidated financial statements figures for the year 2021 presentation, with no effect on profit and equity for the year 2020.

**(41) SUBSEQUENT EVENTS**

On 21 February 2022, Russia recognized two Ukrainian regions, Donetsk and Luhansk, as independent states. In a further escalation of the conflict, Russia invaded Ukraine on 24 February 2022. The western world has made clear it disapproves of Russia's actions, and, amongst others, the US, EU and UK have decided on severe sanctions for Russia and Russian Companies and individuals, with potential consequences for businesses throughout the world.

The intensification of the conflict between Russia and Ukraine which led to armed conflicts in Ukraine on 24 February 2022, has created uncertainty regarding the development of the world economy including the airline industry which is presented in the uncertainty of fluctuations of oil prices that represent major part of the Group's costs of flying operations.

As the conflict is evolving, the Group's management will continue monitoring the impact of oil prices' fluctuation on their operations and going concern assessment in order to take the necessary actions and properly address the situation.