

ARAB INTERNATIONAL HOTELS COMPANY
(PUBLIC SHAREHOLDING COMPANY)

INTERIM CONDENSED FINANCIAL
STATEMENTS (UNAUDITED)

30 SEPTEMBER 2017



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

We have reviewed the accompanying interim condensed financial statements of Arab International Hotels Company (a Public Shareholding Company) comprising the interim statement of financial position as at 30 September 2017 and the related interim statement of profit or loss, interim statement of comprehensive income, interim statements of changes in equity and interim statement of cash flows for the nine months period then ended and explanatory information. Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Amman – Jordan
23 October 2017

ARAB INTERNATIONAL HOTELS COMPANY PLC
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	Notes	30 September 2017 JD (Unaudited)	31 December 2016 JD (Audited)
ASSETS			
Non-current assets -			
Property and equipment	3	11,416,373	11,606,565
Projects in progress	5	2,474,653	2,312,347
Financial assets at fair value through other comprehensive income		6,011,102	6,584,036
Investment in associates	6	51,623,518	52,284,392
		<u>71,525,646</u>	<u>72,787,340</u>
Current assets -			
Inventories		456,478	577,709
Accounts receivable and other current assets		929,066	756,048
Cash and deposits at banks		7,124,591	2,488,340
		<u>8,510,135</u>	<u>3,822,097</u>
Total Assets		<u>80,035,781</u>	<u>76,609,437</u>
EQUITY AND LIABILITIES			
EQUITY			
Paid-in capital		32,000,000	32,000,000
Share premium		3,644,693	3,644,693
Statutory reserve		8,000,000	8,000,000
Voluntary reserve		14,000,000	14,000,000
Fair value reserve		(2,181,803)	(1,532,681)
Company's share from fair value reserve /from investment in associates		(610,566)	(294,556)
Retained earnings		3,990,050	5,299,249
Total Equity		<u>58,842,374</u>	<u>61,116,705</u>
LIABILITIES			
Non-current liabilities -			
Long-term loans		6,816,435	8,030,570
Bonds payable	7	10,000,000	-
Total non-current liabilities		<u>16,816,435</u>	<u>8,030,570</u>
Current liabilities -			
Due to banks		-	886,579
Current portion of long- term loans		1,862,444	3,900,324
Accounts payable		1,049,456	1,039,082
Provisions and other current liabilities		1,456,072	1,636,177
		<u>4,376,972</u>	<u>7,462,162</u>
Total Liabilities		<u>21,193,407</u>	<u>15,492,732</u>
Total Equity and Liabilities		<u>80,035,781</u>	<u>76,609,437</u>

The accompanying notes from 1 to 13 form part of these interim condensed financial statements

ARAB INTERNATIONAL HOTELS COMPANY PLC
INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED)

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2017	2016	2017	2016
		JD	JD	JD	JD
Operating revenues from Amman Marriott Hotel		2,987,416	3,170,376	8,397,772	9,393,976
Operating expenses from Amman Marriott Hotel		(2,151,218)	(2,323,769)	(6,069,328)	(6,814,189)
Depreciation on property and equipment		(291,996)	(294,908)	(851,088)	(881,270)
Net operating revenues from the hotel		544,202	551,699	1,477,356	1,698,517
Share of profit from associates		(21,126)	443,328	690,216	935,128
Dividends income		-	-	369,342	391,576
Other income		2,774	-	4,621	28,000
Depreciation on property and equipment		(1,991)	(2,050)	(6,005)	(6,433)
Interest income		35,444	1,510	82,443	6,294
Finance costs		(208,866)	(149,508)	(560,274)	(383,711)
Administrative expenses		(231,424)	(161,256)	(671,311)	(558,235)
Profit before income tax		119,013	683,723	1,386,388	2,111,136
Income tax expense	9	(27,943)	(41,450)	(135,587)	(223,221)
Profit for the period		91,070	642,273	1,250,801	1,887,915
		JD / Fils	JD / Fils	JD / Fils	JD / Fils
Basic and diluted earnings per share		0/003	0/020	0/039	0/059

The accompanying notes from 1 to 13 form part of these interim condensed financial statements

ARAB INTERNATIONAL HOTELS COMPANY PLC
INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED)

	For the three months ended 30		For the nine months ended 30	
	September		September	
	2017	2016	2017	2016
	JD	JD	JD	JD
Profit for the period	91,070	642,273	1,250,801	1,887,915
Add: Other comprehensive income items not to be reclassified to profit or loss in subsequent periods:				
Change in fair value of financial assets at fair value through other comprehensive income	(441,554)	(105,510)	(649,122)	(498,755)
Company's share of net change in fair value reserve from investments in associates	(220,745)	(24,446)	(316,010)	(382,275)
Total comprehensive income for the period	(571,229)	512,317	285,669	1,006,885

The accompanying notes from 1 to 13 form part of these interim condensed financial statements

ARAB INTERNATIONAL HOTELS COMPANY PLC
INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED)

	Paid-in capital	Share premium	Statutory reserve	Voluntary reserve	Fair value reserve*	Company's share from fair value reserve /from investment in associates*	Retained earnings	Total
	JD	JD	JD	JD	JD	JD	JD	JD
2017 -								
Balance at 1 January 2017	32,000,000	3,644,693	8,000,000	14,000,000	(1,532,681)	(294,556)	5,299,249	61,116,705
Total comprehensive income for the period	-	-	-	-	(649,122)	(316,010)	1,250,801	285,669
Dividends paid (Note 8)	-	-	-	-	-	-	(2,560,000)	(2,560,000)
Balance at 30 September 2017	32,000,000	3,644,693	8,000,000	14,000,000	(2,181,803)	(610,566)	3,990,050	58,842,374
2016 -								
Balance at 1 January 2016	32,000,000	3,644,693	8,000,000	16,000,000	(1,224,345)	26,280	2,927,521	61,374,149
Total comprehensive income for the period	-	-	-	-	(498,755)	(382,275)	1,887,915	1,006,885
Transfers	-	-	-	(2,000,000)	-	-	2,000,000	-
Dividends paid	-	-	-	-	-	-	(2,560,000)	(2,560,000)
Balance at 30 September 2016	32,000,000	3,644,693	8,000,000	14,000,000	(1,723,100)	(355,995)	4,255,436	59,821,034

* It is restricted to use an amount of JD 2,792,369 from retained earnings which represents the total negative balance of the fair value reserve and Company's share from fair value reserve /from investment in associates.

The accompanying notes from 1 to 13 form part of these interim condensed financial statements

ARAB INTERNATIONAL HOTELS COMPANY PLC
INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED)

	For the nine months ended 30	
	September	
	Notes	2016
	2017	2016
	JD	JD
OPERATING ACTIVITIES		
Profit before income tax	1,386,388	2,111,136
Adjustments for:		
Depreciation on property and equipment	857,093	887,703
Loss of sale of property and equipment	-	14,372
Finance costs	560,274	383,711
Interest income	(82,443)	(6,294)
Share of profit from associates	(690,216)	(935,128)
Dividends income	(369,342)	(391,576)
Changes in working capital:		
Accounts receivable and other current assets	(173,018)	(273,912)
Inventories	121,231	129,202
Accounts payable	10,374	(98,995)
Provisions and other current liabilities	(74,475)	138,494
Income tax paid	(232,217)	(265,337)
Net cash flows from operating activities	1,313,649	1,693,376
INVESTING ACTIVITIES		
Interest income received	82,443	6,294
Purchase of financial assets at fair value through other comprehensive income	(76,188)	-
Purchase of property and equipment	(666,901)	(1,717,778)
Dividends income received	369,342	391,576
Dividends received from associates	1,035,080	1,068,770
Projects under construction	(162,306)	(1,537,690)
Net cash flows from (used in) investing activities	581,470	(1,788,828)
FINANCING ACTIVITIES		
Repayments of loans	(2,560,000)	(2,560,000)
Proceeds from loans	250,396	3,798,729
Bonds payable	(3,502,411)	(1,725,233)
Finance cost paid	(560,274)	(383,711)
Dividends paid	10,000,000	-
Net cash flows from (used in) financing activities	3,627,711	(870,215)
Net increase (decrease) in cash and cash equivalents	5,522,830	(965,667)
Cash and cash equivalents on 1 January	11 1,601,761	3,435,352
Cash and cash equivalents on 30 September	11 7,124,591	2,469,685

The accompanying notes from 1 to 13 form part of these interim condensed financial statements

(1) GENERAL

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

The Company owns Amman Marriott Hotel which commenced its operations during 1982. The Hotel is managed by Marriott International Corporation in accordance with a management agreement signed during 1976 and its subsequent amendments the latest of which was in 2014 and is valid until 2041.

(2) BASIS OF PREPARATION

The interim condensed financial statements for the nine months period ended 30 September 2017 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

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

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

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company annual financial statements as of 31 December 2016. In addition, results for the nine months period ended 30 September 2017 do not necessarily indicate the expected results for the financial year ending 31 December 2017.

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Company's interim condensed financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognised Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Company's interim condensed financial statements.

ARAB INTERNATIONAL HOTELS COMPANY PLC
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2017 (UNAUDITED)

(3) PROPERTY AND EQUIPMENT

The Company purchased property and equipment at a cost of JD 666,901 during the nine months period ended 30 September 2017 (30 September 2016: JD 1,717,778).

(4) LEGAL RESERVES

The Company did not transfer to the statutory reserve as required by the Jordanian Companies Law as those are interim financial statements.

(5) PROJECTS IN PROGRESS

This item represents the cost of work executed on the solar system plant project. The total cost to complete the project is JD 438,000 and it is expected to be completed during the last quarter of the year 2017.

(6) INVESTMENT IN ASSOCIATES

	% of ownership		Value	
	30 September 2017 %	31 December 2016 %	30 September 2017 JD	31 December 2016 JD
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Business Tourism Company*	35,52	34,51	17,851,130	17,274,105
Al Dawliyah for Hotels and Malls Company*	25,72	26,62	14,034,219	15,281,980
Interior Design Studio Company	25	25	75,724	74,638
Beaches Company for Hotels and Resorts	30,93	30,93	2,882,624	2,898,487
Jordan Investor Center Company	49,34	49,34	15,266,124	15,242,180
Arab International Real Estate Company	42,35	42,35	1,513,697	1,513,002
			<u>51,623,518</u>	<u>52,284,392</u>

*The Company sold 389,346 shares from its investment in Al Dawliyah for Hotels and Malls Company and purchased 419,812 shares in Business Tourism Company according to the share swap agreement signed with Jordan Ahli Bank (related party) on 24 May 2017 with a total amount of JD 537,298. No profit or loss resulted from this transaction.

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

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

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Movement on investment in associates is as follows:

	30 September 2017	30 September 2016
	JD	JD
Balance at 1 January	52,284,392	51,782,110
Dividends received	(1,035,080)	(1,068,770)
Share of profit from associates	690,216	1,891,888
Share of change in fair value reserve	(316,010)	(320,836)
Sale of shares in associate	537,298	-
Purchase of shares in associate	(537,298)	-
	51,623,518	52,284,392

(7) BONDS PAYABLE

On 22 January 2017, The Arab International Hotels Company PSC issued 10,000 bonds through Jordan Ahli Bank with a par value of JD1,000 and a total value of JD 10,000,000 for five years at a fixed interest rate of 5.5% payable semi-annually. The bonds are due in one instalment on 22 January 2022.

(8) PROPOSED DIVIDENDS

The General Assembly approved in its meeting held on 11 April 2017, the distribution of cash dividends amounted to JD 2,560,000 representing 8% of the paid in capital and related to 2016 results.

(9) INCOME TAX

The income tax for the periods ended 30 September 2017 and 30 September 2016 is calculated in accordance with the Income Tax Law No. (34) of 2014.

The Company reached a final settlement with the Income Tax Department until 2015.

The Income Tax Department has reviewed the accounting records of the International Company for Industrial Commercial and Tourism Investments Public Shareholding Company (The Company merged with Arab International Hotels Company) for the years 1995 and 1996 and assessed an income tax liability of JD 231,155 and 130,011 respectively. The Company appealed the assessment and the case is still pending in the court. The Income Tax Department did not review the tax filings for The International Company for Industrial Commercial and Tourism Investments for the years 1996, 1998 and 1999 up to the date of these financial statements.

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

ARAB INTERNATIONAL HOTELS COMPANY PLC
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30 SEPTEMBER 2017 (UNAUDITED)

(10) TRANSACTION WITH RELATED PARTIES

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

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

	30 September 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Loans from Jordan Ahli Bank	8,678,879	11,930,894
Deposits at Jordan Ahli Bank	4,382,443	-
Current account at Jordan Ahli Bank	2,742,148	2,466,840
Overdraft account at Jordan Ahli Bank	-	886,579
Bonds issued to related parties	7,750,000	-
	30 September 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Amounts due from related parties:		
Due from Interior Design Studio Company Partner	32,299	36,299
Petra Marriott Hotel	33,094	12,428
Jordan Valley Marriott Hotel	35,635	34,721
	<u>101,028</u>	<u>83,448</u>
	30 September 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Financial Assets at fair value through other comprehensive income		
Ajwakh Public Shareholding Company	2,752,415	3,362,181
El Zay Ready Wear Manufacturing Company	49,184	47,384
Jordan Ahli Bank	1,731,169	1,578,764

ARAB INTERNATIONAL HOTELS COMPANY PLC
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30 SEPTEMBER 2017 (UNAUDITED)

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

	For the nine months ended 30	
	September	
	2017	2016
	JD	JD
Key management salaries and benefits and Board of Directors remuneration	266,375	257,838
Interest income on deposits - Jordan Ahli Bank	85,472	6,294
Finance costs – Jordan Ahli Bank	211,077	235,323
Dividend income from investments in shareholding companies	280,366	348,908
Interest on bonds issued to related parties	269,500	-

The Company sold 389,346 shares from its investment in Al Dawliyah for Hotels and Malls Company and purchased 419,812 shares in Business Tourism Company according to the share swap agreement signed with Jordan Ahli Bank (related party) on 24 May 2017 with a total amount of JD 537,298. No profit or loss resulted from this transaction

(11) CASH ON HAND AND AT BANKS

	30 September	31 December
	2017	2016
	JD	JD
	(Unaudited)	(Audited)
Cash on hand and short-term deposits*	7,124,591	2,488,340
Less: Due to banks	-	886,579
	<u>7,124,591</u>	<u>1,601,761</u>

*This item includes deposits in Jordanian Dinars as of 30 September 2017 amounting to JD 4,382,443 with maturities of one month, with an interest rate of 4,25%.

ARAB INTERNATIONAL HOTELS COMPANY PLC
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2017 (UNAUDITED)

(12) SEGMENT INFORMATION

A business segment is the Company's assets and operations engaged in providing products together or are subject to risks and returns services differ from those of other business segments.

Geographical segment is associated in providing products or services in a particular economic environment subject to risks and rewards that are different from those in other segments operating in other economic environments. Segment results are as follows:

	Hotel sector	Investment in associates	Investment in financial assets	Total
	JD	JD	JD	JD
For the nine months period ended 30 September 2017 -				
Revenues	8,397,772	690,216	369,342	9,457,330
Segment results -				
Profit before income tax	326,830	690,216	369,342	1,386,388
Income tax expense	(65,366)	(51,754)	(18,467)	(135,587)
Profit for the period	261,464	638,462	350,875	1,250,801
<u>Other Segment Information</u>				
Capital expenditures	829,207	-	-	829,207
Depreciation	857,093	-	-	857,093
31 For the nine months period ended 30 September 2016 -				
Revenues	9,393,976	935,128	391,576	10,720,680
Segment results -				
Profit before income tax	784,432	935,128	391,576	2,111,136
Income tax expense	(156,886)	(46,756)	(19,579)	(223,221)
Profit for the period	627,546	888,372	371,997	1,887,915
<u>Other Segment Information</u>				
Capital expenditures	3,255,468	-	-	3,255,468
Depreciation	887,703	-	-	887,703
<u>Assets and Liabilities</u>				
As of 30 September 2017				
Assets	22,401,161	51,623,518	6,011,102	80,035,781
Liabilities	21,193,407	-	-	21,193,407
31 December 2016				
Assets	17,741,009	52,284,392	6,584,036	76,609,437
Liabilities	15,492,732	-	-	15,492,732

(13) FAIR VALUE FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities.

Financial assets consists of cash on hand and at banks, account receivable, and other debit balances. Financial liabilities consist of accounts payable, due to banks, long-term loans, and other current liabilities.

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

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

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

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

Assets measured at fair value

As of 30 September 2017 -	<u>Level 1</u> <i>JD</i>	<u>Level 2</u> <i>JD</i>	<u>Level 3</u> <i>JD</i>	<u>Total</u> <i>JD</i>
Financial assets at fair value through other comprehensive income	5,834,102	-	177,000	6,011,102
As of 31 December 2016 -	<u>Level 1</u> <i>JD</i>	<u>Level 2</u> <i>JD</i>	<u>Level 3</u> <i>JD</i>	<u>Total</u> <i>JD</i>
Financial assets at fair value through other comprehensive income	6,407,036	-	177,000	6,584,036