

العربية الدولية للفنادق م.ع.م

Arab International Hotels PLC.

Date: 08/05/2017

Ref: 13/7B/7648

Messrs. Stock Exchange

Subject: Audited Financial Statements

for the Period ending 31/03/2017

Please find attached the audited financial statements of Arab international hotels company for the period ending 31/03/2017.

Yours faithfully,

Arab International Hotels

Bassam F. Maayeh

Managing Director

بورصة عمان
الداشرة الإدارية والمالية
الديسكوان

٩٠٩ أيار ٢٠١٧

الرقم التسلسلي ٢٩٥٦

رقم الملف ٥٥٥٥

الجهة المختصة: إدارة السجلات والمحفوظات

ARAB INTERNATIONAL HOTELS COMPANY

INTERIM CONDENSED FINANCIAL
STATEMENTS (UNAUDITED)

31 MARCH 2017

**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 31 March 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 three 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
25 April 2017



ARAB INTERNATIONAL HOTELS COMPANY PSC
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Notes	31 March 2017 JD (Unaudited)	31 December 2016 JD (Audited)
<u>ASSETS</u>			
Non-current assets -			
Property and equipment	4	14,062,463	11,606,565
Projects in progress		-	2,312,347
Financial assets at fair value through other comprehensive income		6,880,684	6,584,036
Investment in associates	5	52,963,520	52,284,392
		<u>73,906,667</u>	<u>72,787,340</u>
Current assets -			
Inventories		532,008	577,709
Accounts receivable and other current assets		1,526,572	756,048
Cash and deposits at banks		7,836,894	2,488,340
		<u>9,895,474</u>	<u>3,822,097</u>
Total Assets		<u>83,802,141</u>	<u>76,609,437</u>
<u>EQUITY AND LIABILITIES</u>			
<u>EQUITY</u>			
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		(1,310,865)	(1,532,681)
Company's share from fair value reserve /from investment in associates		123,500	(294,556)
Retained earnings		5,824,662	5,299,249
Total Equity		<u>62,281,990</u>	<u>61,116,705</u>
<u>LIABILITIES</u>			
Non-current liabilities -			
Long-term loans		7,747,657	8,030,570
Bonds payable	6	10,000,000	-
Total non-current liabilities		<u>17,747,657</u>	<u>8,030,570</u>
Current liabilities -			
Due to banks		-	886,579
Current portion of long- term loans		1,153,444	3,900,324
Accounts payable		1,132,092	1,039,082
Provisions and other current liabilities		1,486,958	1,636,177
		<u>3,772,494</u>	<u>7,462,162</u>
Total Liabilities		<u>21,520,151</u>	<u>15,492,732</u>
Total Equity and Liabilities		<u>83,802,141</u>	<u>76,609,437</u>

The accompanying notes from 1 to 11 form part of these interim condensed financial statements

ARAB INTERNATIONAL HOTELS COMPANY PSC
INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017 (UNAUDITED)

	For the three months ended 31 March	
	2017	2016
	JD	JD
Operating revenues from Amman Marriott Hotel	2,654,248	2,941,642
Operating expenses from Amman Marriott Hotel	(1,944,199)	(2,152,343)
Depreciation on property and equipment	(271,507)	(286,751)
Net operating revenues from the hotel	438,542	502,548
Share of profit of associates	261,072	106,246
Dividends income	262,128	253,727
Other income	2,415	1,183
Depreciation on property and equipment	(8,930)	(4,595)
Interest income	6,632	2,932
Finance costs	(173,821)	(112,988)
Administrative expenses	(245,687)	(199,616)
Profit before income tax	542,351	549,437
Income tax expense	(16,938)	(50,297)
Profit for the period	525,413	499,140
	JD / Fils	JD / Fils
Basic and diluted earnings per share	0/016	0/016

The accompanying notes from 1 to 11 form part of these interim condensed financial statements

ARAB INTERNATIONAL HOTELS COMPANY PSC
INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017 (UNAUDITED)

	For the three months ended 31 March	
	2017	2016
	JD	JD
Profit for the year	525,413	499,140
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	221,816	(98,382)
Company's share of net change in fair value reserve from investments in associates	418,056	(20,405)
Total comprehensive income for the period	<u>1,165,285</u>	<u>380,353</u>

The accompanying notes from 1 to 11 form part of these interim condensed financial statements

ARAB INTERNATIONAL HOTELS COMPANY PSC
INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017 (UNAUDITED)

	Paid-in capital JD	Share premium JD	Statutory reserve JD	Voluntary reserve JD	Fair value reserve* JD	Company's share from fair value reserve /from investment in associates* JD	Retained earnings JD	Total 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	-	-	-	-	221,816	418,056	525,413	1,165,285
Balance at 31 March 2017	32,000,000	3,644,693	8,000,000	14,000,000	(1,310,865)	123,500	5,824,662	62,281,990
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	-	-	-	-	(98,382)	(20,405)	499,140	380,353
Transfers	-	-	-	(2,000,000)	-	-	2,000,000	-
Dividends paid	-	-	-	-	-	-	(2,560,000)	(2,560,000)
Balance at 31 December 2016	32,000,000	3,644,693	8,000,000	14,000,000	(1,322,727)	5,875	2,866,661	59,194,502

* It is restricted to use an amount of JD 1,187,365 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 11 form part of these interim condensed financial statements

ARAB INTERNATIONAL HOTELS COMPANY PSC
INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017 (UNAUDITED)

		For the three months ended 31 March	
	Note	2017 JD	2016 JD
<u>OPERATING ACTIVITIES</u>			
Profit before income tax		542,351	549,437
Adjustments for:			
Depreciation on property and equipment		280,437	291,346
Finance costs		173,821	112,988
Interest income		(6,632)	(2,932)
Share of profit of associates		(261,072)	(106,246)
Dividend income		(262,128)	(253,727)
Changes in working capital:			
Inventories		45,701	55,558
Accounts receivable and other current assets		(770,524)	(536,701)
Accounts payable		93,010	(115,026)
Provisions and other current liabilities		(135,585)	37,089
Income tax paid		(30,572)	(54,993)
Net cash flows used in operating activities		(331,193)	(23,207)
<u>INVESTING ACTIVITIES</u>			
Interest income received		6,632	2,932
Purchase of financial assets at fair value through other comprehensive income		(74,832)	-
Purchase of property and equipment		(326,100)	(309,023)
Projects under construction		(97,888)	(152,738)
Dividends income received		262,128	253,727
Net cash flows used in investing activities		(230,060)	(205,102)
<u>FINANCING ACTIVITIES</u>			
Repayments of loans		(3,280,189)	(425,400)
Proceeds from loans		250,396	425,036
Repayment of bonds		10,000,000	-
Finance costs paid		(173,821)	(112,988)
Net cash flows from (used in) financing activities		6,796,386	(113,352)
Net increase (decrease) in cash and cash equivalents		6,235,133	(341,661)
Cash and cash equivalents on 1 January	10	1,601,761	3,435,352
Cash and cash equivalents on 31 March	10	7,836,894	3,093,691

The accompanying notes from 1 to 11 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 three months period ended 31 March 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 three months period ended 31 March 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.

(3) LEGAL RESERVES

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

(4) PROPERTY AND EQUIPMENT

The Company purchased property and equipment at a cost of JD 326,100 during the three months period ended 31 March 2017 (31 March 2016: JD 309,023).

(5) INVESTMENT IN ASSOCIATES

	% of ownership		Value	
	31 March 2017 %	31 December 2016 %	31 March 2017 JD	31 December 2016 JD
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Business Tourism Company	34,51	34,51	17,178,492	17,274,105
Al Dawliyah for Hotels and Malls Company	26,62	26,62	15,307,780	15,281,980
Interior Design Studio Company	25	25	76,514	74,638
Beaches Company for Hotels and Resorts	30,93	30,93	2,894,891	2,898,487
Jordan Investor Center Company	49,34	49,34	15,992,618	15,242,180
Arab International Real Estate Company	42,35	42,35	1,513,225	1,513,002
			<u>52,963,520</u>	<u>52,284,392</u>

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

Movement on investment in associates is as follows:

	31 March 2017 JD	31 March 2016 JD
Balance at 1 January	52,284,392	51,782,110
Dividends received	-	(1,068,770)
Share of profit of associates	261,072	1,891,888
Share of change in fair value reserve	418,056	(320,836)
	<u>52,963,520</u>	<u>52,284,392</u>

(6) 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.

(7) 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 of 2016 results.

(8) INCOME TAX

The income tax for the period ended 31 March 2017 is calculated in accordance with the Income Tax Law No. (34) of 2014.

The Company reached a final settlement with the Income Tax Department 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 231,154 and 130,001 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.

(9) TRANSACTION WITH RELATED PARTIES

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

ARAB INTERNATIONAL HOTELS COMPANY PSC
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2017 (UNAUDITED)

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

	31 March 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Loans from Jordan Ahli Bank	8,901,101	11,930,894
Deposits at Jordan Ahli Bank	5,006,632	-
Current account at Jordan Ahli Bank	2,808,726	2,466,840
Overdraft account at Jordan Ahli Bank	-	886,579
Bonds payables issued to related parties	7,750,000	-
	31 March 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Accounts receivable and other current assets includes amounts due from related parties as follows:		
Due from Interior Design Studio Company Partner	35,299	36,299
Petra Marriott Hotel	35,660	12,428
Jordan Valley Marriott Hotel	55,965	34,721
	<u>126,924</u>	<u>83,448</u>

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

	31 March 2017	31 March 2016
	JD	JD
Key management salaries and benefits and Board of Directors remuneration	97,540	96,449
Interest income on deposits - Jordan Ahli Bank	6,632	2,932
Finance costs – Jordan Ahli Bank	69,848	112,988
Interest on bonds issued to related parties	72,404	-

(10) CASH ON HAND AND AT BANKS

	31 March 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Cash on hand and short-term deposits	7,836,894	2,488,340
Less: Due to banks	-	886,579
	<u>7,836,894</u>	<u>1,601,761</u>

ARAB INTERNATIONAL HOTELS COMPANY PSC
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2017 (UNAUDITED)

(11) 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 three months period ended 31 March 2017 -				
Revenues	2,654,248	261,072	262,128	3,177,448
Segment results -				
Profit before income tax	19,151	261,072	262,128	542,351
Income tax expense	(3,830)	-	(13,108)	(16,938)
Profit for the period	15,321	261,072	249,020	525,413
<u>Other Segment Information</u>				
Capital expenditure	423,988	-	-	423,988
Depreciation	280,437	-	-	280,437
31 For the three months period ended 31 March 2016 -				
Revenues	2,941,642	106,246	253,727	3,301,615
Segment results -				
Profit before income tax	189,464	106,246	253,727	549,437
Income tax expense	(37,611)	-	(12,686)	(50,297)
Profit for the period	151,853	106,246	241,041	499,140
<u>Other Segment Information</u>				
Capital expenditure	461,761	-	-	461,761
Depreciation	291,346	-	-	291,346
<u>Assets and Liabilities</u>				
As of 31 March 2017				
Assets	23,957,937	52,963,520	6,880,684	83,802,141
Liabilities	21,520,151	-	-	21,520,151
31 December 2016				
Assets	17,741,009	52,284,392	6,584,036	76,609,437
Liabilities	15,492,732	-	-	15,492,732