



Jordan Hotels & Tourism Co PLC

Thursday, March 30, 2017

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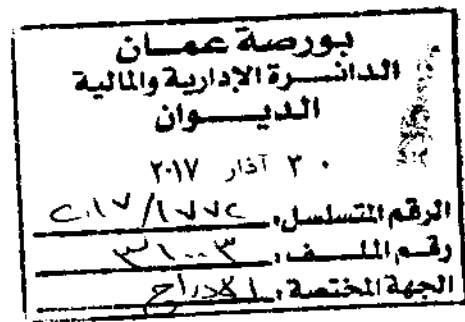
**Messrs. Amman Stock Exchange
Amman - Jordan**

**Sub: Audited Financial Statements for the fiscal year
ended 31/12/2016**

Attached is the Audited Financial Statements of (Jordan Hotels & Tourism Company) for the fiscal year ended 31/12/2016.

Kindly accept our appreciation and respect

**Yassin Khalil Talhouni
Vice Chairman of the Board of Directors**



CC.: Acc.

JORDAN HOTELS AND TOURISM COMPANY

PUBLIC SHAREHOLDING COMPANY

FINANCIAL STATEMENTS

31 DECEMBER 2016



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

Jordan Hotels and Tourism Company – Public Shareholding Company

Amman – Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jordan Hotels and Tourism Company (the "Company"), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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



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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

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

Revenue Recognition

We focus on this area as there is a risk of misstatement of revenue due to high volume of revenues with relatively low value transactions. Also, because there is a risk that billing to customers may be done for services that are not rendered or services rendered but not billed or recorded and hence may result in an overstatement or understatement of revenue. The Company focuses on revenue as a key performance measure, which may create an incentive for revenue to be recognized before rendering the service.

How the Key Audit Matter was addressed.

We tested the Company's controls around revenue recognition and key manual controls in the revenue cycle. We performed detailed analytical procedures for the gross margin on a monthly basis for all types of revenue (Rooms, Food and Beverages, and Other departments). Having built expectations about revenue figures for the year we performed substantive analytical procedures using financial and non-financial information. We selected and tested a sample of journal entries on revenue accounts.

Refer to Note (2) for significant accounting policies and significant judgements and estimates applicable to revenue account.



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Other information included in the Company's 2016 annual report.

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

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

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

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

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

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

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



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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts which are in agreement with the financial statements.

Ernst & Young/ Jordan

Bishr Ibrahim Baker
License No. 592

Amman – Jordan
23 March 2017

JORDAN HOTELS AND TOURISM COMPANY - PUBLIC SHAREHOLDING COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	<u>Notes</u>	<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
<u>ASSETS</u>			
Non-current assets -			
Lands		368,973	368,973
Property, plant and equipment	3	26,680,588	29,011,555
Projects in progress	4	-	1,803
Financial assets at fair value through other comprehensive Income	5	30,000	30,000
		<u>27,079,561</u>	<u>29,412,331</u>
Current assets -			
Inventories		113,220	112,999
Accounts receivable	6	914,617	1,312,415
Other current assets	7	906,421	469,033
Cash on hand and at banks	8	5,643,882	3,617,015
		<u>7,578,140</u>	<u>5,511,462</u>
TOTAL ASSETS		<u>34,657,701</u>	<u>34,923,793</u>
<u>EQUITY AND LIABILITIES</u>			
Equity -	9		
Paid in capital		10,000,000	10,000,000
Share premium		505,173	505,173
Statutory reserve		2,569,247	2,569,247
Voluntary reserve		3,800,824	3,800,824
Retained earnings		14,368,739	13,755,894
Total Equity		<u>31,243,983</u>	<u>30,631,138</u>
Liabilities -			
Current liabilities -			
Current portion of long term loans	11	-	1,683,334
Due to banks	12	7,829	3,656
Accounts payable		1,128,844	455,935
Due to related parties	13	150,152	90,776
Other current liabilities	14	1,750,272	1,545,560
Provision for income tax	16	376,621	513,394
Total Liabilities		<u>3,413,718</u>	<u>4,292,655</u>
TOTAL EQUITY AND LIABILITIES		<u>34,657,701</u>	<u>34,923,793</u>

The accompanying notes from 1 to 22 form part of these financial statements

JORDAN HOTELS AND TOURISM COMPANY - PUBLIC SHAREHOLDING COMPANY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 JD	2015 JD
Operating revenues - Intercontinental Hotel Jordan		21,664,859	23,504,147
Operating expenses - Intercontinental Hotel Jordan		(14,964,769)	(16,400,629)
Gross operating income from the hotel		6,700,090	7,103,518
Rent income		194,993	187,603
Interest income		79,778	39,171
Other income		15,862	25,681
Finance costs		(50,044)	(164,131)
Depreciation of property, plant and equipment	3	(3,649,699)	(3,664,016)
Administrative expenses	15	(691,021)	(664,267)
Board of Directors' remuneration		(45,000)	(45,000)
Profit before income tax		2,554,959	2,818,559
Income tax expense	16	(442,114)	(538,974)
Profit for the year		2,112,845	2,279,585
Other comprehensive income items		-	-
Total comprehensive income for the year		2,112,845	2,279,585
		JD / Fils	JD / Fils
Basic and diluted earnings per share	17	0/211	0/228

The accompanying notes from 1 to 22 form part of these financial statements

JORDAN HOTELS AND TOURISM COMPANY - PUBLIC SHAREHOLDING COMPANY

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Paid-in capital	Share premium	Statutory reserve	Voluntary reserve	Retained earnings	Total
	JD	JD	JD	JD	JD	JD
2016-						
Balance at 1 January 2016	10,000,000	505,173	2,569,247	3,800,824	13,755,894	30,631,138
Total comprehensive income for the year	-	-	-	-	2,112,845	2,112,845
Dividends paid (Note 10)	-	-	-	-	(1,500,000)	(1,500,000)
Balance at 31 December 2016	10,000,000	505,173	2,569,247	3,800,824	14,368,739	31,243,983
2015-						
Balance at 1 January 2015	10,000,000	505,173	2,569,247	3,800,824	12,976,309	29,851,553
Total comprehensive income for the year	-	-	-	-	2,279,585	2,279,585
Dividends paid (Note 10)	-	-	-	-	(1,500,000)	(1,500,000)
Balance at 31 December 2015	10,000,000	505,173	2,569,247	3,800,824	13,755,894	30,631,138

The accompanying notes from 1 to 22 form part of these financial statements

JORDAN HOTELS AND TOURISM COMPANY - PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Notes</u>	<u>2016</u> JD	<u>2015</u> JD
<u>Operating Activities</u>			
Profit before income tax		2,554,959	2,818,559
Adjustments for:			
Depreciation of property, plant and equipment	3	3,649,699	3,664,016
Finance costs		50,044	164,131
Interest income		(79,778)	(39,171)
(Reversal of) provision for doubtful accounts	6	(88,199)	162,327
Loss (gain) on sale of property, plant and equipment		6,362	(2,504)
Changes in working capital			
Inventories		(221)	(19,616)
Accounts receivable		485,997	390,655
Other current assets		(435,530)	271,525
Accounts payable		672,909	24,146
Due to related parties		59,376	(93,902)
Other current liabilities		225,385	(645,828)
Income tax paid	16	(578,887)	(342,840)
Net cash flows from operating activities		<u>6,522,116</u>	<u>6,351,498</u>
<u>Investing Activities</u>			
Purchase of property, plant and equipment	3	(1,365,780)	(383,976)
Proceeds from sale of property, plant and equipment		40,686	15,542
Project in progress		1,803	(1,803)
Interest received		77,920	36,903
Net cash flows used in investing activities		<u>(1,245,371)</u>	<u>(333,334)</u>
<u>Financing Activities</u>			
Dividends paid		(1,514,336)	(1,484,053)
Interest paid		(56,381)	(170,634)
Repayments of loans		(1,683,334)	(1,683,333)
Net cash flows used in financing activities		<u>(3,254,051)</u>	<u>(3,338,020)</u>
Net increase in cash and cash equivalents		<u>2,022,694</u>	<u>2,680,144</u>
Cash and cash equivalents at the beginning of the year		<u>3,613,359</u>	<u>933,215</u>
Cash and cash equivalents at the end of the year	8	<u>5,636,053</u>	<u>3,613,359</u>

The accompanying notes from 1 to 22 form part of these financial statements

1. GENERAL

Jordan Hotels and Tourism Company (the "Company") was registered in 1955 as a public shareholding company located in Amman. The Company increased its capital throughout the years to reach JD 10,000,000 divided into 10,000,000 shares with a par value of JD 1 per share. The Company's main objectives are to invest in real estate and tourism activities, specifically.

The Company owns Intercontinental Hotel Jordan (the "Hotel") which is operated and managed by the Intercontinental Hotel Corporation in accordance with the operating and management agreement signed in 1972 and its subsequent amendments. The Company signed a new agreement effective from 1 January 2008 to 31 December 2017.

The financial statements were approved by the Company's Board of Directors on 22 March 2017. These financial statements require the approval of the General Assembly of the shareholders of the Company.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The financial statements have been prepared on a historical cost convention except for the financial assets at fair value through other comprehensive income that appear at fair value on the date of these financial statements.

The financial statements are presented in Jordanian Dinar "JD", which is the functional currency of the Company.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015 except for the followings:

Equity Method in Separate Financial Statements (Amendments to IAS 27 and IFRS 1)

In August 2014, the IASB amended IAS 27 Separate Financial Statements which restore the option for entities, in the separate financial statements, to account for investments in subsidiaries, associates and joint ventures using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

IAS 1 Presentation of Financial Statements – Amendments to IAS 1

The amendments to IAS 1 include narrow-focus improvements related to:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments

Investment entities (Amendments to IFRS 10 and IAS 28)

The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

- The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity: The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation .

The implementation of the new amendments did not have impact on the Company's financial position or performance and became effective for annual periods which started from 1 January 2016.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Land

Land is stated at cost less any impairment losses, if any, and is not depreciated.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value, if any.

Depreciation is calculated on a straight line basis, the depreciation rates are estimated according to the estimated useful lives and using the following rates:

	<u>%</u>
Buildings	2
Electromechanical works	15
Elevators	10
Decorations	15
Equipment and machinery	15
Furniture and fixtures	15
Tools	15
Computers	20
Vehicles	15

The carrying values of property and equipment are reviewed periodically for impairment when events or changes in circumstances indicate that the assets are recorded at values exceed the estimated recoverable amount, consequently, the assets are written down to their recoverable amount, and impairment losses are recognized in the statement of comprehensive income.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income.

Projects in progress

Projects in progress are stated at cost, which represents cost of constructions, equipment and direct costs. Projects in progress are not depreciated until they became ready for use and transferred to property, plant and equipment.

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 statement of comprehensive income and in the statement of change 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 at the statement of comprehensive income and in the statement of change 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 statement of comprehensive income.

Fair value

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

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

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

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

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

JORDAN HOTELS AND TOURISM COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

All assets and liabilities for which fair value is measured or disclosed in the 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 financial statements on a recurring basis, the Company 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.

Inventories

Inventories are valued at the lower of cost (weighted average) and net realizable value. Costs incurred in bringing each product to its present location and its current status.

Accounts receivable

Accounts receivable are stated at original invoice amount less any provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full or part of the amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash on hand and at banks

Cash on hand and at banks in the statement of financial position comprise cash on hand and at banks and short term deposits with an original maturity date of three months or less.

For the purpose of statement of cash flows, cash and cash equivalents consist of cash on hand and at bank, short term deposits with an original maturity date of three months or less as defined above, net of outstanding bank overdrafts.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Loans and borrowings

Loans and borrowings are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Accounts payable and accruals

Liabilities are obligation to pay for goods or services that have been acquired in the ordinary course of business from supplier, whether billed or not.

Income taxes

The income tax for the years ended 31 December 2016 and 31 December 2015 is accounted for in accordance with the Income Tax Law No. (34) of 2014. Tax expenses comprises of current tax and deferred taxes.

Deferred tax is provided on temporary differences at each reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled. The carrying values of deferred income tax assets are reviewed at each reporting 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.

Revenue recognition

Revenue is recognized when it becomes possible economic benefits will flow to the Company as a result of reciprocal transaction that can be reliable measured.

Hotel operating revenue is recognized when services are performed or when food and beverages are sold and invoice is issued.

Other revenues are recognized in accordance with accrual basis.

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences resulting from the retranslation are taken to the statement of comprehensive income.

2.4 USE OF ESTIMATES

The preparation of financial statement and applying of accounting policies demand estimates from the management that impact on the assets and liabilities and disclosure of contingent liabilities. These estimates impact on revenue, expense and provisions and it impact specially on amount and time of future cash flow and resulting time of circumstances of these future estimates. Such estimates are based on assumptions and necessarily multiple factors with varying degrees of appreciation and uncertainty and that actual results may differ from estimates and as a result of changes in future conditions and circumstances of the provision.

Estimates and assumptions used in financial statements are detailed below:

- Provision is made for account receivable based on principles and assumptions developed by the Company's managed to value the provision that should be taken.
- The financial year is held analysis relates from income tax expense, per accounting statements, principles and regulations, deferred tax, tax expenses and tax provision is calculated.
- The Company's management reevaluate productivity of property, and equipment periodically to calculate annual depreciation, based on the general status of these assets and the perspective productive age.
- A provision on litigation, cases made against the Company is made based on a legal a made by the Company's attorney, by which the future possibility of risk, these analysis are periodically reassessed.

JORDAN HOTELS AND TOURISM COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

(3) PROPERTY, PLANT AND EQUIPMENT

	Buildings	Electro-Mechanical works	Elevators	Decorations	Equipment and machinery	Furniture and fixtures	Tools	Computers	Vehicles	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
2016-										
Cost -										
At 1 January 2016	30,269,923	19,047,673	1,438,000	788,863	6,123,458	14,396,273	1,771,401	1,735,017	209,129	75,779,737
Additions	147,660	16,952	-	-	692,224	321,040	-	134,604	53,300	1,365,780
Retirements	(53,603)	(348,665)	-	-	(21,535)	(85,691)	(14,002)	(10,095)	-	(533,591)
At 31 December 2016	30,363,980	18,715,960	1,438,000	788,863	6,794,147	14,631,622	1,757,399	1,859,526	262,429	76,611,926
Accumulated depreciation -										
At 1 January 2016	8,567,349	16,363,423	1,329,096	759,308	3,776,963	12,586,656	1,726,007	1,497,570	161,810	46,768,182
Depreciation for the year	606,648	1,299,234	21,341	15,029	593,450	945,116	30,859	126,309	11,713	3,649,699
Retirements	(10,110)	(348,142)	-	-	(21,535)	(82,662)	(13,999)	(10,095)	-	(486,543)
At 31 December 2016	9,163,887	17,314,515	1,350,437	774,337	4,348,878	13,449,110	1,742,867	1,613,784	173,523	49,931,338
Net book value-										
At 31 December 2016	21,200,093	1,401,445	87,563	14,526	2,445,269	1,182,512	14,532	245,742	88,906	26,680,588

Cost of fully depreciated property, plant and equipment as at 31 December 2016 is JD 26,176,699 (2015: JD 26,051,636).

JORDAN HOTELS AND TOURISM COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

	Buildings		Electro-Mechanical works		Elevators		Decorations		Equipment and machinery		Furniture and fixtures		Tools		Computers		Vehicles		Total	
	JD		JD		JD		JD		JD		JD		JD		JD		JD		JD	
2015-																				
Cost -																				
At 1 January 2015	30,219,897		19,044,976		1,438,000		788,863		6,015,613		14,286,393		1,772,721		1,686,182		302,214		75,554,959	
Additions	49,926		6,535		-		-		108,167		149,129		-		52,519		15,700		383,976	
Retirements	-		(5,838)		-		-		(322)		(39,249)		(1,320)		(3,684)		(108,785)		(159,198)	
At 31 December 2015	30,269,823		19,047,673		1,438,000		788,863		6,123,458		14,396,273		1,771,401		1,736,017		209,129		75,779,737	
Accumulated depreciation -																				
At 1 January 2015	7,961,953		15,040,120		1,307,755		739,279		3,200,706		11,683,748		1,693,207		1,358,440		265,116		43,250,326	
Depreciation for the year	605,398		1,327,334		21,341		20,029		576,473		931,030		34,120		142,814		5,479		3,664,016	
Retirements	-		(4,031)		-		-		(216)		(28,122)		(1,320)		(3,684)		(108,785)		(146,160)	
At 31 December 2015	8,567,349		16,363,423		1,328,096		759,308		3,776,963		12,586,656		1,726,007		1,497,570		161,810		46,768,182	
Net book value-																				
At 31 December 2015	21,702,574		2,684,250		106,904		29,555		2,346,495		1,809,617		45,394		237,447		47,319		29,011,555	

4. PROJECTS IN PROGRESS

This item represents the renovation works for the Company and the Hotel. Movement on projects in progress is as follows:

	Beginning balance	Additions	Transfers to property, plant and equipment	Ending balance
	JD	JD	JD	JD
2016 -				
Projects In progress	1,803	452,548	(454,351)	-
2015 -				
Projects in progress	-	1,803	-	1,803

During 2016, the Company completed the chillers replacement project for JD 454,351.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2016 JD	2015 JD
Jordanian Hospitality & Tourism Education Company (Not Listed)	30,000	30,000

6. ACCOUNTS RECEIVABLE

	2016 JD	2015 JD
Accounts receivable	1,214,935	1,700,932
Provision for doubtful accounts	(300,318)	(388,517)
	914,617	1,312,415

JORDAN HOTELS AND TOURISM COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

Movement on the provision for doubtful accounts is as follows:

	2016 JD	2015 JD
Beginning balance	388,517	226,190
(Reversal of) provision for doubtful accounts, net	(88,199)	162,327
Ending balance	300,318	388,517

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

	Neither past due nor impaired JD	Past due but not impaired				Total JD
		1-30 days JD	31 - 90 days JD	91 - 120 days JD	> 121 days JD	
2016	88,770	511,712	286,494	839	26,802	914,617
2015	154,352	547,570	565,629	609	44,255	1,312,415

The Company's management expects unimpaired receivables, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

7. OTHER CURRENT ASSETS

	2016 JD	2015 JD
Refundable deposits	15,662	68,532
Prepaid expenses	171,458	184,334
Advanced payments	338,838	141,589
Others	380,463	74,578
	906,421	469,033

8. CASH ON HAND AND AT BANKS

	2016 JD	2015 JD
Cash on hand and at banks	1,860,926	2,003,434
Term deposit*	3,782,956	1,613,581
	5,643,882	3,617,015

* Term deposit is made for varying period of between one day and 3 months, and bearing annual interest rate ranging from 1% to 4%.

JORDAN HOTELS AND TOURISM COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

For the purpose of preparing the statement of cash flows, cash and cash equivalents comprise of the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
Cash on hand and at banks	5,643,882	3,617,015
Due to banks (Note 12)	(7,829)	(3,656)
	<u>5,636,053</u>	<u>3,613,359</u>

9. EQUITY

Paid-in capital -

The Company's subscribed and paid in capital is JD 10,000,000 divided into 10,000,000 shares at JD 1 per share.

Share premium -

The accumulated amounts in this account represent the difference between the share issue price and its par value after writing-off the accumulated losses.

Statutory reserve -

As required by the Jordanian Companies' Law, 10% of the net income before tax is transferred to statutory reserve. This item represents the balance of what has been transferred over the past years. This reserve is not available for distribution to shareholders. The Company may stop this transfer to statutory reserve when its balance reaches 25% of its capital.

Voluntary reserve -

The accumulated amounts in this account represent the cumulative appropriations not exceeding 20% of net income throughout the years. This reserve is available for distribution to the shareholders.

10. DIVIDENDS

The General Assembly approved in its meeting held on 27 April 2016, the distribution of cash dividends amounted to JD 1,500,000 (15% of the paid in capital) as cash dividends to shareholders for 2015 results (2015: JD 1,500,000).

The Board of Directors resolved to recommend to the General Assembly meeting that will be held during 2017 to distribute an amount of JD 2,200,000 (22% of the paid in capital) as cash dividends to shareholders for 2016 results.

JORDAN HOTELS AND TOURISM COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

11. LOANS

	2016			2015		
	Current portion	Long term	Total	Current portion	Long term	Total
	JD	JD	JD	JD	JD	JD
Syndicated Loan - JD	-	-	-	500,000	-	500,000
Syndicated Loan - USD	-	-	-	1,183,334	-	1,183,334
	-	-	-	1,683,334	-	1,683,334

Dual Currency Syndicated Loan

On 8 June 2009 The Company was granted a dual currency syndicated and unsecured loan from three participants banks (Arab Bank, Bank Al Etihad and Cairo Amman Bank) to finance the renovation of blocks A & B of the Intercontinental Jordan Hotel. The Jordanian Dinar tranche amounting JD 3,000,000 bears a floating interest rate due every six months according to Arab Bank prime lending rate plus margin, both margin and interest rates 8.375%. The USD tranche amounting USD 10,000,000 bears a floating interest rate due every six months equal to LIBOR plus a margin of 2.25%, which should not decrease from 4.5%. During 2010, the loan was fully utilized for both JD and USD, and the first repayment was made on 8 June 2011.

The loan is repayable over 12 semi-annual equal installments; the first one is due after 24 months from the date of signing the agreement. On 7 August 2016, the last loan installment was paid earlier than the scheduled payments without any commissions or penalties.

12. DUE TO BANKS

This item represents the utilized overdraft facilities as follows:

	2016	2015
	JD	JD
Arab Bank	7,829	3,656
Bank Al Etihad	-	-

Arab Bank:

This item represents the used part from the given facilities from Arab Bank with a ceiling amounting, JD 1,000,000 bearing annual interest and commission of 8.375% starting from 16 February 2015. The utilised balance amounted to JD 7,829 as of 31 December 2016 (2015: JD 3,656).

Bank Al Etihad:

This item represents the utilised amount of Bank Al Etihad facilities with a ceiling of JD 2,000,000, bearing an annual interest rate of 8.375% and without commission starting from 1 February 2015.

13. RELATED PARTIES

Related parties represent major shareholders, Board of Directors, key management personnel of the Company and other related parties. The Company management sets the pricing and the trading transaction between the related parties

Balances with related parties included in the statement of financial position.

	2016 JD	2015 JD
<u>Due to related parties:</u>		
Zara Investment Holding Company (main shareholder)	150,152	60,862
Amman Tourism Investment Company (sister company)	-	30,114
	<u>150,152</u>	<u>90,776</u>
Other current assets – Jordan Hotels Supplies Trading Company	130,689	107,430
Due to banks – overdraft (Arab Bank)	<u>7,829</u>	<u>3,656</u>
Loans – Syndicated (Bank Al Etihad, Arab Bank and Cairo Amman Bank)	-	1,683,334
Bank balances (Bank Al Etihad, Arab bank and Cairo Amman Bank)	<u>5,622,252</u>	<u>3,603,215</u>

Transactions with related parties included in the statement of comprehensive income are as follow:

	2016 JD	2015 JD
Administrative expenses - Zara Investment Holding Company (main shareholder)	109,502	6,677
Rent expenses– Zara Investment Holding Company (main shareholder)	26,790	26,790
Board of Directors transportations Holding and remunerations	151,000	153,000
Financa costs – Bank Al Etihad and Arab Bank	50,044	164,131
Rent Income – Arab bank	5,500	5,500
Interest income – Bank Al Etihad, Arab bank and Cairo Amman Bank	79,778	39,171

Summary of key management salaries, remunerations and other benefits is as follows:

	2016 JD	2015 JD
Key management salaries and remunerations	<u>55,060</u>	<u>66,400</u>

JORDAN HOTELS AND TOURISM COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

14. OTHER CURRENT LIABILITIES

	<u>2016</u>	<u>2015</u>
	JD	JD
Accrued expenses	397,915	223,384
Dividends payable	162,466	176,802
Accrued interest	-	6,337
Advances from customers	244,774	239,117
Board of Directors' remunerations	45,000	45,000
Contractors' retentions	1,910	-
Due to sales tax	429,377	367,794
Unearned rent revenue	23,770	73,958
Others	445,060	413,168
	<u>1,750,272</u>	<u>1,545,560</u>

15. ADMINISTRATIVE EXPENSES

	<u>2016</u>	<u>2015</u>
	JD	JD
Salaries, wages and other benefits	129,577	118,236
Board of Directors' transportation	106,000	108,000
Professional and legal fees	40,474	74,729
Hotel insurance	76,714	123,792
Social security - Company share	16,430	14,466
Offices and warehouse rent	32,394	40,240
Property taxes	60,075	60,019
Subscriptions	10,630	10,012
Credit cards commissions	52,754	41,483
Parent company expenses	109,502	6,677
Other	56,471	66,613
	<u>691,021</u>	<u>664,267</u>

16. INCOME TAX

The income tax is calculated for the years ended 31 December 2016 and 2015 in accordance with the Income Tax Law No. (34) of 2014.

The income tax stated on the statement of comprehensive income represents the following:

	2016	2015
	JD	JD
Current year income tax	442,114	538,974

The Company reached a final settlement with the Income Tax Department up to the year 2014.

The Income and Sales Tax Department has not reviewed the Company's records for the year ended 31 December 2015 up to the date of these financial statements.

Movement in the provision for income tax provision is as follows:

	2016	2015
	JD	JD
Beginning balance	513,394	317,260
Current year income tax	442,114	538,974
Income tax paid	(578,887)	(342,840)
Ending balance	376,621	513,394

The reconciliation between accounting profit before income tax and taxable income is as follow:

	2016	2015
	JD	JD
Accounting profit before tax	2,554,959	2,818,559
Add: Non-deductible expenses	12,946	165,808
Less: Non-taxable profit	(140,129)	(17,410)
Depreciation temporary differences	(217,205)	(272,088)
Taxable profit	2,210,571	2,694,869
Income tax for the year	442,114	538,974
Statutory income tax rate	20%	20%
Effective income tax rate	17.3%	19.1%

17. BASIC AND DILUTED EARNINGS PER SHARE

	<u>2016</u>	<u>2015</u>
Profit (JD)	2,112,845	2,279,585
The weighted average for the number of shares (Share)	10,000,000	10,000,000
Earnings per share (JD / Fils)	<u>0/211</u>	<u>0/228</u>

Basic and diluted earnings per share for the year are equal.

18. CONTINGENT LIABILITIES

In the normal course of business, the Company appears as a defendant in a number of lawsuits amounting to JD 80,781 as at 31 December 2016. The Company and its legal advisor believe that the Company's position is strong against these lawsuits and there is no need for any provision against these lawsuits.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash on hand and banks, short term deposits, accounts receivable, some other current assets and financial assets at fair value through other comprehensive income. Financial liabilities consist of accounts payable, due to banks, loans and some other current liabilities.

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

20. RISK MANAGEMENT

Interest rate risk

The Company is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, due to banks and loans).

JORDAN HOTELS AND TOURISM COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates at 31 December, with all other variables held constant.

	<u>Increase in interest rate</u>	<u>Effect on profit for the year before tax</u>
	<u>%</u>	<u>JD</u>
<u>2016-</u>		
Currency		
JD	1	37,751
USD	1	-
<u>2015-</u>		
Currency		
JD	1	11,099
USD	1	(11,833)

The effect of decrease in interest rate is expected to be equal and opposite to the effect of the increase shown above.

Equity price risk

Equity price risk is the risk that may result from a change in Amman Exchange Market index, the Company does not believe this would have a material impact on the profit or its equity, since the financial assets at fair value through other comprehensive income of JD 30,000 are stated at cost and no market value is available.

Credit risk

Credit risk is the risks that may results from the failure or inability of debtors or other parties to fulfill their obligations.

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

No single customer account balance is more than 10% of the outstanding accounts receivable at 31 December 2016 and 2015.

JORDAN HOTELS AND TOURISM COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

Liquidity risk

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

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 December 2016 and 2015, based on contractual payment dates and current market interest rates.

	On demand	Less than 3 months	3 to 12 months	Total
	JD	JD	JD	JD
As at 31 December 2016				
Due to banks	7,829	-	-	7,829
Payables and other current liabilities	-	1,481,728	1,128,844	2,610,572
Due to related parties	-	-	150,152	150,152
Loans	-	-	-	-
Total	7,829	1,481,728	1,278,996	2,768,553
As at 31 December 2015				
Due to banks	3,656	-	-	3,656
Payables and other current liabilities	-	1,232,485	455,935	1,688,420
Due to related parties	-	-	90,776	90,776
Loans	-	-	1,758,307	1,758,307
Total	3,656	1,232,485	2,305,018	3,541,159

Currency risk

Most of the Company's transactions are in Jordanian Dinars and US Dollar. The Jordanian Dinar exchange rate is fixed against US Dollars (US\$ 1.41 for JD 1).

21. CAPITAL MANAGEMENT

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

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

Capital comprises paid in capital, share premium, statutory reserve, voluntary reserve and retained earnings, and is measured at JD 31,243,983 as at 31 December 2016 (2015: JD 30,631,138).

22. STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 9 Financial Instruments

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". The Company has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The new version of IFRS 9 will be implemented at the mandatory date on 1 January 2018, which will have an impact on the recognition and measurement of financial assets.

IFRS 16 Leases

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

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

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

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendments will be effective for annual periods beginning on or after 1 January 2017, with early application permitted. The application of amendments will result in adding limited amount of disclosure information.

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

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

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

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

Transfers of Investment Property (Amendments to IAS 40)

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

Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis. The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.