ALIA - THE ROYAL JORDANIAN AIRLINES COMPANY
(ROYAL JORDANIAN)

A PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Alia - The Royal Jordanian Airlines (Royal Jordanian)** (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, consolidated income statement, consolidated comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

As disclosed in note (2-1) to the consolidated financial statements, the Group's accumulated losses of JD 400 million exceeded of the Group's capital as of 31 December 2022. Also, the Group's current liabilities exceeded its current assets by an amount of JD 144.9 million as of 31 December 2022. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern. According to Article (266) of the Jordanian Company's Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the Public Shareholding Company exceeded 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company issues a decision on its extraordinary meeting to increase the Company's capital or to deal with the Company's losses.

On 18 May 2022, the Prime Ministry of Jordan resolved in its resolution number (7056) to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 70 million over two phases. An amount of JD 35 million was received during May 2022 and the remaining amount was received during August 2022. Capital increase procedures were not completed up to the date of the consolidated financial statements.

The Company received a comfort letter from the Ministry of Finance (the Jordanian Government's representative), stating that the Government is in favor of continuing to support the Company's operations in the future. Our opinion is not modified in this regard.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2022. In addition to the matter described in the Material Uncertainty Related to Going Concern section, these matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

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

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1. **Passenger and cargo revenue recognition** Refer to the note (23) to the consolidated financial statements	
Key Audit matter	**How the key audit matter was addressed in the audit**
Passengers' tickets and cargo airway bills sales are reflected in the consolidated statement of financial position as deferred revenue and recognized as revenue in the consolidated income statement when the transportation service is provided. We focus on revenue recognition because: - Passengers and Cargo revenues are material to the financial statements, and recognition of these revenues upon fulfillment of the performance obligation requires a process that is highly automated. - In respect of customer loyalty program, the Group provides a frequent flyer program; Royal Club, in a form of free travel awards to its members on accumulated mileage earned from flights. A portion of the fair value of the consideration received is allocated to the award credits and deferred, this is then recognized as revenue over the period that the award credits are redeemed. The fair value of the award credits is estimated by reference to the fair value of the awards for which the points could be redeemed and is reduced to take into account the proportion of award credits that are not expected to be redeemed by customers. The Group exercises its judgment in determining the assumptions to be adopted in respect of the number of points not expected to be redeemed through the use of statistical modelling and historical trends and in determining the mix and fair value of the award credits.	Our audit procedures included: - Obtaining an understanding of management's process related to scoping and identifying the revenue streams. - Considering the appropriateness of the Group's revenue recognition policies in accordance with IFRS (15). - Testing the Group's controls around revenue recognition and key controls in the revenue cycle including those controls that requires the involvement of our IT specialists. - Testing refunds of passengers' tickets and cargo airwaybills. - Selecting a sample before and after the cutoff period to assess whether the revenue was recognized in the correct period. - Performing substantive analytical procedures using financial and non-financial information about the revenue figures for the year. - Selecting and testing a representative sample of journal entries.

2. Lease contracts Refer to the note (18) to the consolidated financial statements	
Key Audit matter	**How the key audit matter was addressed in the audit**
IFRS (16) specifies how to recognize, measure, present and disclose leases. The standard requires the lessee to recognize assets and liabilities for all leases unless the lease term is short-term lease (i.e. 12 months or less) or the underlying asset has a low value. We focus on lease contracts because: - There is a high level of judgment needed in establishing the underlying key assumptions that include identifying which contracts are in scope of IFRS (16), the lease term and the discount rate used in the calculation. - The recoverability of Right of Use Assets "ROUA" is considered a complex area that requires the use of models, assumptions and forecasts of future cash flows to determine the recoverable amount of ROUA's.	Our procedures included: - Evaluating the application of IFRS (16) for new contracts and testing the resulted impact on the Group's consolidated financial statements. - Testing management's assumptions used in preparation of assessments related to new contracts, including if whether exemptions are acceptable and in accordance with IFRS (16) (short term leases and leases for low value assets). - Assessing whether the accounting treatment regarding leases is consistent with the definitions of IFRS (16) including factors such as lease term, discount rate and measurement principles. - Reviewing management's assumptions in determining the interest rate to be used in calculating the net present value of future lease payments, and that there is no implicit interest rate within the lease contracts. Hence, ensuring that management rationale of calculation of the average incremental borrowing rate is appropriate. - Recalculating the incremental borrowing rate used in discounting the future lease payments.

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	- Assessment of the valuation models and inputs used in the calculation of the recoverable amounts of the ROUA's and impairment losses including assessment of reasonableness of key inputs used in the valuation such as the expected future cash flows and involving our specialists to support our conclusions.

Other information included in the Group's 2022 annual report

Other information consists of the information included in the Group's 2022 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2022 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts which are in agreement with the consolidated financial statements considering what has been mentioned in the Material Uncertainty Related to Going Concern paragraph.

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

Amman - Jordan
30 March 2023

ERNST & YOUNG
Amman - Jordan

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Consolidated Statement of Financial Position
At 31 December 2022
(In Thousands of Jordanian Dinars)

	Notes	2022	2021
ASSETS			
Non-current assets			
Right-of-use assets	18-a	**371,377**	420,933
Property and equipment	8	**51,169**	59,961
Advances on purchase and modification of aircraft	9	**3,218**	3,218
Financial assets at fair value through other comprehensive income	10	**2,087**	2,087
Investments in associates	11	**18,603**	17,482
Restricted cash against lease contracts	18-b	**30,634**	26,050
Deferred tax assets		**12,322**	12,322
		489,410	542,053
Current assets			
Other current assets	12	**28,854**	19,640
Spare parts and supplies	13	**6,008**	5,890
Accounts receivable	14	**36,253**	26,966
Cash and bank balances	15	**161,308**	115,759
		232,423	168,255
Assets held for sale	32	**103**	-
TOTAL ASSETS		**721,936**	710,308
EQUITY AND LIABILITIES			
Shareholders' equity			
Paid-in capital	16	**324,610**	324,610
Share discount	16	**(78,205)**	(78,205)
Payments in respect of capital increase	16	**70,000**	-
Statutory reserve	16	**14,808**	14,808
Fair value reserve		**133**	133
Cash flow hedges		**-**	297
Accumulated losses		**(399,965)**	(321,024)
		(68,619)	(59,381)
Non-controlling interests		**362**	281
Deficit in shareholders' equity		**(68,257)**	(59,100)
LIABILITIES			
Non-current liabilities			
Long-term loans	17-a	**100,733**	89,960
Long-term lease obligations	18-a	**306,770**	367,424
Long-term grants	17-b	**4,874**	4,213
Other long-term liabilities	19	**353**	379
		412,730	461,976
Current liabilities			
Current portion of long-term loans	17-a	**19,262**	38,307
Accrued expenses	20	**127,356**	105,954
Accounts payable and other current liabilities	21	**77,013**	63,741
Deferred revenues	22	**86,199**	55,260
Short-term lease obligations	18-a	**64,594**	41,461
Short-term grants	17-b	**2,874**	2,709
		377,298	307,432
Liabilities directly associated with the assets held for sale	32	**165**	-
Total liabilities		**790,193**	769,408
TOTAL EQUITY AND LIABILITIES		**721,936**	710,308

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

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Consolidated Income Statement
For the Year Ended 31 December 2022
(In Thousands of Jordanian Dinars)

	Notes	2022	2021
Continuing Operations:			
Revenues from contracts with customers	23	**612,913**	357,063
Cost of revenues	24	**(616,941)**	(368,280)
Gross loss		**(4,028)**	(11,217)
General and administrative expenses	26	**(11,644)**	(9,608)
Selling and marketing expenses	27	**(41,038)**	(27,086)
Other provisions	13,14	**(1,257)**	(244)
Net operating loss		**(57,967)**	(48,155)
Group's share of profits of associates, net	11	**2,992**	884
Other (expense) income, net	25	**(29)**	918
(Loss) gain on disposal of property and equipment		**(435)**	43
Provision for voluntary termination	29	**(526)**	(1,582)
Loss on foreign currency exchange	37	**(1,235)**	(490)
Finance costs	28	**(26,028)**	(25,736)
Interest income		**3,923**	1,343
Loss for the year from continuing operations before income tax		**(79,305)**	(72,775)
Income tax expense	31	**-**	-
Loss for the year from continuing operations		**(79,305)**	(72,775)
Discontinued operations:			
Profit (loss) for the year from discontinued operations after income tax	32	**445**	(1,484)
Loss for the year		**(78,860)**	(74,259)
Attributable to:			
Equity holders of the parent		**(78,941)**	(74,317)
Non-controlling interests		**81**	58
		(78,860)	(74,259)
Earnings per share			
Basic and diluted earnings per share attributable to equity holders of the parent	30	JD (0.243)	JD (0.270)

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

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2022
(In Thousands of Jordanian Dinars)

	Note	2022	2021
Loss for the year		**(78,860)**	(74,259)
Other comprehensive income			
Other comprehensive income items that will be reclassified to profit or loss in subsequent periods (net of tax):			
Net (loss) gain on cash flow hedges		**(297)**	139
Total comprehensive income for the year		**(79,157)**	(74,120)
Attributable to:			
Equity holders of the parent		**(79,238)**	(74,178)
Non-controlling interests		**81**	58
		(79,157)	(74,120)

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

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2022
(In Thousands of Jordanian Dinars)

	Attributable to equity holders' of the parent									
	Paid-in capital	Share discount	Payments in respect of capital increase	Statutory reserve	Fair value reserve	Cash flow hedges	Accumulated losses	Total	Non-controlling interests	Total equity
2022 -										
Balance as of 1 January 2022	324,610	(78,205)	-	14,808	133	297	(321,024)	(59,381)	281	(59,100)
Loss for the year	-	-	-	-	-	-	(78,941)	(78,941)	81	(78,860)
Other comprehensive income items	-	-	-	-	-	(297)	-	(297)	-	(297)
Total comprehensive income for the year	-	-	-	-	-	(297)	(78,941)	(79,238)	81	(79,157)
Payments in respect of capital increase (Note 16)	-	-	70,000	-	-	-	-	70,000	-	70,000
Balance as of 31 December 2022	**324,610**	**(78,205)**	**70,000**	**14,808**	**133**	-	**(399,965)**	**(68,619)**	**362**	**(68,257)**
2021 -										
Balance as of 1 January 2021	274,610	(78,205)	25,000	14,808	133	158	(246,406)	(9,902)	223	(9,679)
Loss for the year	-	-	-	-	-	-	(74,317)	(74,317)	58	(74,259)
Other comprehensive income items	-	-	-	-	-	139	-	139	-	139
Total comprehensive income for the year	-	-	-	-	-	139	(74,317)	(74,178)	58	(74,120)
Payments in respect of capital increase (Note 16)	-	-	25,000	-	-	-	-	25,000	-	25,000
Capital increase (Note 16)	50,000	-	(50,000)	-	-	-	-	-	-	-
Capital increase costs	-	-	-	-	-	-	(301)	(301)	-	(301)
Balance as of 31 December 2021	**324,610**	**(78,205)**	-	**14,808**	**133**	**297**	**(321,024)**	**(59,381)**	**281**	**(59,100)**

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

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2022
(In Thousands of Jordanian Dinars)

	Notes	2022	2021
OPERATING ACTIVITIES			
Loss for the year from continuing operations before income tax		**(79,305)**	(72,775)
Profit (loss) for the year from discontinued operations before income tax		**445**	(1,484)
		(78,860)	(74,259)
Adjustments for:			
Depreciation of property and equipment	8	**17,324**	21,443
Depreciation of right-of-use assets	18-a	**56,362**	56,744
Share of profits of associate	11	**(2,992)**	(884)
Finance costs	28	**26,028**	25,736
Other income – amortization of government grants		**(2,769)**	(2,565)
Gain on terminated lease contracts		**(11)**	-
Impairment loss on associates		**800**	-
Provision for expected credit losses	14	**1,209**	-
Provision for slow moving inventory	13	**48**	244
Loss (gain) from sale of property and equipment		**435**	(43)
Provision for voluntary termination	29	**526**	1,582
Reversal of end of service indemnity provision	19	**-**	(34)
Amortization of deferred revenue – Jordan Flight Catering Ltd.		**-**	(125)
Interest income		**(3,923)**	(1,343)
Legal cases provision		**1,860**	1,300
Working capital changes:			
Accounts receivable		**(10,525)**	29,265
Spare parts and supplies		**(166)**	427
Other current assets		**(7,990)**	(5,631)
Deferred revenues		**30,939**	18,114
Accounts payable and other current liabilities		**14,429**	(6,677)
Accrued expenses		**19,529**	39,371
End of service indemnity payments	19	**(26)**	-
Voluntary termination program payments		**(627)**	(3,183)
Legal cases payments		**(569)**	(532)
Net cash flows from operating activities		**61,031**	98,950
INVESTING ACTIVITIES			
Purchase of property and equipment	8	**(9,174)**	(6,791)
Financial assets at fair value through other comprehensive income		**-**	15
Proceeds from sale of property and equipment		**207**	87
Interest income received		**2,985**	626
Change in restricted cash against lease contracts		**(4,584)**	(3,091)
Short-term deposits		**(51,887)**	(47,809)
Net cash flows used in investing activities		**(62,453)**	(56,963)
FINANCING ACTIVITIES			
Repayment of term loans		**(13,251)**	(18,211)
Proceeds from loans		**5,271**	31,057
Capital increase costs		**-**	(301)
Payments in respect of capital increase	16	**70,000**	25,000
Payments of lease obligations	18-a	**(61,638)**	(59,040)
Interest paid		**(5,238)**	(6,049)
Net cash flows used in financing activities		**(4,856)**	(27,544)
Net (decrease) increase in cash and cash equivalents		**(6,278)**	14,443
Cash and cash equivalents at the beginning of the year		**62,586**	48,143
Cash and cash equivalents at the end of the year	15	**56,308**	62,586

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

(1) GENERAL

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

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

The consolidated financial statements were authorized for issue by the Board of Directors in their meeting held on 20 March 2023.

(2) BASIS OF PREPARATION

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

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

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

(2-1) Fundamental Accounting Concepts

The consolidated financial statements have been prepared on the assumption of going concern. However, as disclosed in note (3) to the consolidated financial statements which shows how the Company's operations are recovering after the negative impact of Covid-19 and how it is still being negatively impacted by the effect of the Russian-Ukraine conflict on fuel prices, the Group's accumulated losses of JD 400 million exceeded of the Group's capital as of 31 December 2022. Also, the Group's current liabilities exceeded its current assets by an amount of JD 144.9 million as of 31 December 2022. These events and conditions indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern. According to Article (266) of the Jordanian Company's Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the Public Shareholding Company exceeded 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company issues a decision on its extraordinary meeting to increase the Company's capital or to deal with the Company's losses.

On 18 May 2022, the Prime Ministry of Jordan resolved in its resolution number (7056) to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 70 million over two phases. An amount of JD 35 million was received during May 2022 and the remaining amount was received during August 2022. Capital increase procedures were not completed up to the date of the consolidated financial statements.

The Company received a comfort letter from the Ministry of Finance (the Jordanian Government's representative), stating that the Government is in favor of continuing to support the Company's operations in the future.

(3) EFFECT OF COVID-19 AND RUSSIAN-UKRAINE CONFLICT ON THE GROUP

The COVID-19 pandemic looks to be over based on the volume of the travel demand, which has been recovering almost nonstop since the mass dissemination of COVID vaccines and the gradual relief of boarders restrictions. While daily passenger traffic at airports hasn't yet reached 2019 levels, it has come relatively close. However, the ongoing conflict between Russia and Ukraine has created uncertainty regarding the development of the world economy including the airline industry which is presented in the uncertainty of fluctuations of oil prices that represent major part of the Group's costs of flying operations.

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

(4) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Alia - The Royal Jordanian Airlines Company (the "Company") and the following subsidiaries (collectively referred to as the "Group") as at 31 December 2022:

	Ownership Interest	Country
Royal Wings Company – under liquidation (note 32)	100%	Jordan
Royal Tours for Travel and Tourism Company	80%	Jordan
Al Mashriq for Aviation Services "Tikram"	100%	Jordan

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

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

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

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

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

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

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

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

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

Shareholders who have a significant influence over the Company

The Government of the Hashemite Kingdom of Jordan presented by Government Investment Management Company owns 86.23% from the Company's shares as at 31 December 2022 (31 December 2021: 84.80%).

(5) CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2021 except for the adoption of new amendments on the standards effective as of 1 January 2022 shown below:

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

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

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

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

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

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

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

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

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

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

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

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

IAS 41 Agriculture – Taxation in fair value measurements
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

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

(6) USE OF ESTIMATES

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

Significant estimates are as follows:

Useful lives of property and equipment

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

Provision for expected credit losses

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

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

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

Impairment of non-financial assets

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

Provision for aircraft return conditions

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

Revenue recognition – Frequent Flyer points for customer loyalty program

The Group estimates the fair value of points awarded under the Frequent Flyer Program by applying statistical techniques. Inputs to the models include making assumptions about expected redemption rates and customer preferences. Such estimates are subject to varying degrees of uncertainty. As at 31 December 2022, the estimated liability for unredeemed points was approximately JD 8,406 (2021: JD 8,582).

Significant Judgments and estimates related to the application of IFRS 16

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

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

(7) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

Business combinations and Goodwill

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

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

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

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

Impairment of Goodwill

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

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

Property and equipment

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

	Depreciation Rate (%)
Owned passenger and cargo aircraft, aircraft engines and aircraft components	5 - 5.5
Machinery and equipment	10 - 15
Computers	25
Furniture and fixtures	10
Vehicles	15 - 20
Buildings	2.5 - 10

	Period
Capitalized maintenance	24 - 120 months

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

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

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

Right-of-use assets

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

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

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

Lease obligations

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

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

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

Short-term leases and leases of low-value assets

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

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

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

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

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

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

Restricted cash against lease contracts

The Company’s restricted cash against lease contracts represents amounts paid to the Company’s Aircraft and engines lessors as refundable amounts until the end of the lease contract by which the lessor’s technical team ensures the Aircraft or engines are redelivered in a good maintained condition.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are recorded at fair value plus acquisition costs at the date of acquisition and subsequently measured at fair value. Changes in fair value are reported as a separate component in the consolidated statement of other comprehensive income and in the consolidated statement of changes in equity, including the change in fair value resulting from conversion differences of non-cash items of assets at foreign currencies. In case of sale of such assets or part of it, the gain or loss is recorded in the consolidated statement of comprehensive income and in the consolidated statement of changes in equity, and the valuation reserve balance for sold assets will be transferred directly to retained earnings. These assets are not subject to impairment testing and dividends received are recognized in the consolidated income statement when declared.

Investments in associates

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

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

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

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

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

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

Spare parts and other supplies

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

Accounts receivable

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

Cash and cash equivalents

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

Impairment and uncollectibility of financial assets

The adoption of IFRS (9) has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS (9) requires the Company to record an allowance for ECL for all debt instruments measured at amortized cost.

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

Fair value measurement

Fair values of financial instruments are disclosed in notes 35 and 36.

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

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

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

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

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

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

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

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

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

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

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

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

End of service indemnity provision

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

Accounts payable and accruals

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

Provisions

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

Provision for aircraft return conditions

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

Loans

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

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

Government grants

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

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

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

Revenue recognition

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

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

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

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

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

Maintenance and repair costs

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

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

Finance costs

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

Income tax

Tax expense comprises current tax and deferred taxes.

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

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

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

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

Foreign currencies

1) Transactions and balances

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

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

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

2) Group companies

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

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated income statement.

Additional disclosures are provided in note (32). All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

(8) PROPERTY AND EQUIPMENT

2022	*Aircraft*	*Spare engines*	*Capitalized maintenance on aircrafts' engines, and components*	*Aircrafts' main components*	*Machinery and equipment*	*Computers*	*Furniture and fixtures*	*Vehicles*	*Land and buildings*	*Total*
Cost:										
Balance as of 1 January 2022	156,057	1,091	49,501	51,198	59,144	20,189	9,444	10,499	44,357	401,480
Additions	-	-	7,083	768	878	381	39	25	-	9,174
Disposals	(503)	-	(22,627)	(158)	(654)	(164)	(91)	(61)	-	(24,258)
Disposal of assets classified as held for sale (note 32)	(3,998)	-	(5,473)	-	-	-	-	-	-	(9,471)
Balance as of 31 December 2022	151,556	1,091	28,484	51,808	59,368	20,406	9,392	10,463	44,357	376,925
Accumulated depreciation:										
Balance as of 1 January 2022	146,127	928	40,815	46,957	50,759	18,655	9,002	10,018	18,258	341,519
Depreciation expense for the year	5,725	-	5,475	550	2,886	424	214	165	1,885	17,324
Disposals	-	-	(22,563)	(87)	(650)	(164)	(91)	(61)	-	(23,616)
Disposal of assets classified as held for sale (note 32)	(3,998)	-	(5,473)	-	-	-	-	-	-	(9,471)
Balance as of 31 December 2022	147,854	928	18,254	47,420	52,995	18,915	9,125	10,122	20,143	325,756
Net book value as of 31 December 2022	**3,702**	**163**	**10,230**	**4,388**	**6,373**	**1,491**	**267**	**341**	**24,214**	**51,169**

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

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

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

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

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

	2022	2021
Cost of revenues (note 24)	**15,543**	19,539
General and administrative expenses (note 26)	**1,615**	1,670
Selling and marketing expenses (note 27)	**166**	234
	17,324	21,443

(9) ADVANCES ON PURCHASE AND MODIFICATION OF AIRCRAFT

	2022	2021
Advances for the purchase of Boeing 787 aircraft	**3,218**	3,218

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

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

	2022	2021
Royal Jordanian Air Academy, net	**1,748**	1,748
SITA depositary certificates	**317**	317
Others	**22**	22
	2,087	2,087

(11) INVESTMENTS IN ASSOCIATES

	Country of incorporation	Ownership		Balance	
		2022	2021	**2022**	2021
Jordan Flight Catering Company Ltd.	Jordan	30%	30%	**4,300**	4,080
Jordan Aircraft Maintenance Company (JORAMCO)	Jordan	20%	20%	**12,426**	10,631
Jordan Aircraft Training and Simulation Company (JATS)	Jordan	20%	20%	**1,877**	2,771
				18,603	17,482

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

Movement on investments in associates was as follows:

	2022	2021
Balance as at 1 January	**17,482**	16,755
Group's share of profits for the year	**2,992**	959
Group's share from prior year results	**-**	(75)
Impairment loss – Jordan Aircraft Training and Simulation Company (JATS)	**(800)**	-
Dividends received	**(1,071)**	(157)
Balance as at 31 December	**18,603**	17,482

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

	Jordan Flight Catering Company Ltd.		Jordan Aircraft Maintenance Company (JORAMCO)		Jordan Aircraft Training and Simulation Company (JATS)		Total	
Statement of financial position	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Current assets	**7,865**	6,464	**45,546**	32,700	**1,663**	1,567	**55,074**	40,731
Non-current assets	**3,601**	4,012	**29,374**	25,274	**7,694**	8,819	**40,669**	38,105
Current liabilities	**(5,658)**	(4,939)	**(19,343)**	(15,525)	**(1,438)**	(330)	**(26,439)**	(20,794)
Non-current liabilities	**(3,185)**	(3,650)	**(18,905)**	(16,306)	**(4,615)**	(5,159)	**(26,705)**	(25,115)
Net assets	**2,623**	1,887	**36,672**	26,143	**3,304**	4,897	**42,599**	32,927
Group's ownership percentage	**30%**	30%	**20%**	20%	**20%**	20%		
Investment in associates	**787**	566	**7,334**	5,229	**661**	979	**8,782**	6,774

	Jordan Flight Catering Company Ltd.		Jordan Aircraft Maintenance Company (JORAMCO)		Jordan Aircraft Training and Simulation Company (JATS)		Total	
Income statement	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Revenues	**18,269**	8,636	**78,172**	62,771	**2,178**	2,428	**98,619**	73,835
Cost of revenues	**(13,201)**	(6,620)	**(48,863)**	(41,614)	**(1,259)**	(3,064)	**(63,323)**	(51,298)
Other income and expenses	**(755)**	(770)	**(20,332)**	(17,597)	**(1,391)**	-	**(22,478)**	(18,367)
Profit (Loss) before income tax	**4,313**	1,246	**8,977**	3,560	**(472)**	(636)	**12,818**	4,170
Income tax	**(9)**	-	-	-	-	-	**(9)**	-
Profit (Loss) for the year	**4,304**	1,246	**8,977**	3,560	**(472)**	(636)	**12,809**	4,170
Group's Share of profits (losses) for the year	**1,291**	374	**1,795**	712	**(94)**	(127)	**2,992**	959

As of 31 December 2022, the associate Companies have contingent liabilities of JD 711 (2021: JD 610) in respect of guarantees and letter of credits.

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

(12) OTHER CURRENT ASSETS

	2022	2021
Receivables from lessors - maintenance claims	**10,164**	1,230
Advances to suppliers	**5,619**	5,887
Prepaid expenses	**3,182**	3,104
Accrued revenues	**4,475**	3,342
Refundable deposits	**3,994**	4,003
Employees' receivables	**269**	147
Derivatives	**-**	453
Others	**1,151**	1,474
	28,854	19,640

(13) SPARE PARTS AND SUPPLIES

	2022	2021
Spare parts and supplies	**16,641**	16,475
Provision for slow moving inventory	**(10,633)**	(10,585)
	6,008	5,890

Movement on provision for slow moving inventory was as follows:

	2022	2021
Balance as at 1 January	**10,585**	10,341
Provision for the year	**48**	244
Balance as at 31 December	**10,633**	10,585

(14) ACCOUNTS RECEIVABLE

	2022	2021
Accounts receivable	**51,037**	43,827
Provision for expected credit losses	**(14,784)**	(16,861)
	36,253	26,966

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

Movement on provision for expected credit losses was as follows:

	2022	2021
Balance as at 1 January	**16,861**	16,861
Provision for the year	**1,209**	-
Assets held for sale (note 32)	**(3,286)**	-
Balance as at 31 December	**14,784**	16,861

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

		Past due but not impaired					
	Neither past due nor impaired	1-30 days	31-60 days	61-90 days	91-180 days	181-360 days	Total
2022	**1,270**	**18,162**	**1,255**	**2,125**	**6,168**	**7,273**	**36,253**
2021	2,537	14,927	2,427	1,064	619	5,392	26,966

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

(15) CASH AND BANK BALANCES

	2022	2021
Cash and bank balances	**25,804**	47,148
Short-term deposits *	**13,667**	3,011
Cash in transit **	**16,777**	12,427
Cash and cash equivalents	**56,248**	62,586
Short-term deposits mature after 3 months ***	**105,060**	53,173
Cash and bank balances	**161,308**	115,759

* This item represents deposits in Jordanian Dinars in Jordanian Banks as of 31 December 2022 with an interest rate ranging between 4% and 5.63% (2021: 3% and 4%) and are due within three months.

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

*** This item represents deposit in Banks in Jordanian Dinar (JD 104,811) with an interest rate ranging between 4.35% and 5.6%, in addition to Libyan Dinar equivalent to JD 249 as of 31 December 2022 and are due after more than three months. (31 December 2021: JD 52,289 Jordanian Dinar with an average interest rate ranging between 3.23% and 4.1%, in addition to Libyan Dinar equivalent to JD 74 and a deposit of 150,000 Thousand Algerian Dinar equivalent to JD 810 with an average interest rate of 3.25% and are due after more than three months).

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

For the purposes of the consolidated statement of cash flows, the following represents the details of the cash and cash equivalents:

	2022	2021
Cash and cash equivalents	**56,248**	62,586
Add: discontinued operations (Note 32)	**60**	-
	56,308	62,586

(16) SHAREHOLDERS' EQUITY

- Paid-in capital

	2022	2021
Authorized capital (Par value of one Jordanian Dinar per share)	**324,610**	324,610
Paid-in capital	**324,610**	324,610

- Share discount

Share discount amounted to JD 78.2 million as at 31 December 2022 and 31 December 2021. The accumulated balance in this account represents the difference between the issuing price and the par value of the shares issued.

- Payments in respect of capital increase

On 18 May 2022, the Prime Ministry of Jordan resolved in its resolution number (7056) to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 70 million over two phases. An amount of JD 35 million was received during May 2022 and the remaining amount was received during August 2022. Capital increase procedures were not completed up to the date of the consolidated financial statements.

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

- Statutory Reserve

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

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

(17) BANK LOANS AND GOVERNMENT GRANTS

(17 - a) Bank Loans

	2022		2021	
	Loans' Installments		Loans' Installments	
	Short-term	**Long-term**	Short-term	Long-term
Syndicated loan *	**16,682**	**40,313**	38,842	31,404
Capital Bank loan **	**-**	**44,282**	-	46,308
Social Security- "Himaya" program ***	**3,115**	**16,183**	-	12,827
Less: directly attributable transaction costs	**(535)**	**(45)**	(535)	(579)
	19,262	**100,733**	38,307	89,960

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

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

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

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

On 8 August 2022, the Company signed fifth amendment letter in which the Company was granted a grace period for the installments from June to November 2022 in return of extending the loan installment until 2026.

The loan agreement contains loan covenants which require the Company to meet certain financial ratios. During June 2021, the Company has amended the agreement whereas the Company was not required to meet those financial ratios until 30 September 2022. On 21 November 2021, The Company has amended the agreement whereas the Company is not required to meet those financial ratios until 31 December 2022. In April 2022, the Company signed an amendment letter, whereas the Company is not required to meet the financial ratios until the end of 2023.

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

According to the loan agreement, the Company is obliged to transfer the proceeds from its sales from travel agents in 21 stations that are collected through IATA to the Company's account at Al-Mashreq Bank - UAE as a collateral.

** On 18 May 2020, the Company signed a loan agreement with Capital Bank which amounted to JD 50 million bearing an annual interest rate of 1%. The Company has utilized the full loan balance of JD 50 million as of 31 December 2022 and 2021. The loan was repayable through one payment on 18 September 2023. On 29 December 2022, the Company got an initial approval to extend the loan settlement to be repayable through one payment on 13 July 2025 with an annual interest rate of 1.5%. On 29 March 2023, the Company obtained an approval from Capital Bank to extend the loan's term until 13 July 2025 and to increase the interest rate to become 2.5%. Interest is payable on a quarterly basis.

The loan was granted from Capital bank through the Central Bank of Jordan's program to support companies that have been affected by COVID-19 at a below-market interest rate.

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

*** The Company implemented Defense Order No. (14) and No. (24) "Himaya" program and its related announcements where the Social Security Corporation supported the most affected companies due to the pandemic through granting loans that cover part of August through November 2020 salaries and January 2021 through June 2022 salaries. The Social Security Corporation contributed 40% of employees' salaries with a ceiling ranging between JD 500 and JD 1,000 per employee per month.

The loan was repayable during 2026. On 2 December 2022, the Company got a confirmation from Social Security Corporation to repay the loan through 43 installments starting from June 2023. The loan bears an annual interest rate of 4%. The Company will bear an interest rate of 1%, and the Government of Jordan will bear 3% up until December 2026. If the loan was not settled by December 2026, the Company will bear an annual interest according to the social security law and its related regulations.

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

Principal installments payable during the year 2023 and after are as follows:

Year	JD
2023	19,797
2024	22,940
2025	67,222
2026	10,616
	120,575

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

(17 - b) Government Grants

	2022			2021		
	Related to			Related to		
	Capital Bank's loan	Social security "Himaya" program's loan	Total	Capital Bank's loan	Social security "Himaya" program's loan	Total
Balance as at 1 January	**3,692**	**3,230**	**6,922**	4,003	-	4,003
Recognized during the year	**3,965**	**(370)**	**3,595**	1,737	3,747	5,484
Released to the consolidated income statement (note 25)	**(1,938)**	**(831)**	**(2,769)**	(2,048)	(517)	(2,565)
Balance as at 31 December	**5,719**	**2,029**	**7,748**	3,692	3,230	6,922
Non-current	**3,692**	**1,182**	**4,874**	1,572	2,641	4,213
Current	**2,027**	**847**	**2,874**	2,120	589	2,709
	5,719	**2,029**	**7,748**	3,692	3,230	6,922

(18) Leases

(18 – a) Right of use assets and lease obligations

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

Lease terms are as follows:

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

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

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

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

Set out below are the carrying amounts of right-of-use assets and lease obligations recognized and the movement during the years 2022 and 2021:

	Right-of-use assets				
	Aircraft	**Aircraft's engines**	**Offices**	**Total**	**Lease obligations***
Balance as at 1 January 2022	**367,898**	**34,566**	**18,469**	**420,933**	**408,885**
Additions	**5,200**	**-**	**1,421**	**6,621**	**6,621**
Lease-term modifications	**513**	**-**	**-**	**513**	**513**
Terminated contracts	**-**	**-**	**(328)**	**(328)**	**(339)**
Depreciation	**(50,299)**	**(2,599)**	**(3,464)**	**(56,362)**	**-**
Finance costs (Note 28)	**-**	**-**	**-**	**-**	**17,322**
Payments	**-**	**-**	**-**	**-**	**(61,638)**
Balance as at 31 December 2022	**323,312**	**31,967**	**16,098**	**371,377**	**371,364**
Balance as at 1 January 2021	374,672	37,167	21,837	433,676	407,160
Lease-term modifications	43,832	-	340	44,172	44,172
Terminated contracts	-	-	(171)	(171)	(171)
Depreciation	(50,606)	(2,601)	(3,537)	(56,744)	-
Finance costs (Note 28)	-	-	-	-	16,764
Payments	-	-	-	-	(59,040)
Balance as at 31 December 2021	367,898	34,566	18,469	420,933	408,885

* Lease obligations details are as follows:

31 December 2022			31 December 2021		
Short-term	**Long-term**	**Total**	Short-term	Long-term	Total
64,594	**306,770**	**371,364**	41,461	367,424	408,885

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

(18 – b) Restricted cash against lease contracts

The Company's restricted cash against lease contracts represents amounts paid to the Company's Aircraft and engines lessors as refundable amounts until the end of the lease contract by which the lessor's technical team ensures the Aircraft or engines are redelivered in a good maintained condition.

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

(19) OTHER LONG-TERM LIABILITIES

	2022	2021
Provision for end of service indemnity	**353**	379

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

	2022	2021
Balance as at 1 January	**379**	413
(Reversal of) provision for the year	**-**	(34)
Payments during the year	**(26)**	-
Balance as at 31 December	**353**	379

(20) ACCRUED EXPENSES

	2022	2021
Accrued expenses related to flying operations expenses	**56,842**	52,736
Accrued expenses related to lease contracts	**70,514**	53,218
	127,356	105,954

(21) ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	2022	2021
Spare parts suppliers and accounts payable	**18,381**	15,219
Fuel suppliers	**547**	1,194
Ministry of Finance	**270**	249
Employees Provident fund (Note 33)	**5,327**	4,209
Others*	**52,488**	42,870
	77,013	63,741

* Included in this item international taxes, departure and airports usage taxes of JD 46,567 that are payable to international tax authorities and airports (2021: JD 37,492).

(22) DEFERRED REVENUES

	2022	2021
Unutilized passenger tickets, air waybills and other service sales	**86,199**	55,260

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

(23) REVENUES FROM CONTRACTS WITH CUSTOMERS

	2022	2021
Scheduled Services		
Passengers	**496,136**	254,471
Cargo	**36,240**	31,001
Excess baggage	**5,912**	5,855
Airmail	**6,808**	6,650
Total scheduled services (Note 34)	**545,096**	297,977
Chartered flights (Note 34)	**7,788**	12,634
Cargo warehouse revenues	**14,720**	14,512
Commercial revenues from arriving and departing aircraft of other Companies	**14,639**	11,571
Royal tours revenues (Tours operating revenues)	**8,990**	5,734
First class services revenues	**5,300**	3,036
Frequent flyer revenues	**3,170**	2,128
Ancillary revenue	**4,512**	3,021
Revenues from technical and maintenance services provided to other Companies	**3,341**	2,864
Revenues from NDC (Galileo)	**2,785**	1,686
Other revenues	**2,572**	1,900
	612,913	357,063

(24) COST OF REVENUES

	2022	2021
Flying operations costs		
Aircraft Fuel	**228,390**	85,110
Other flying operations costs	**59,062**	39,551
Total flying operations costs	**287,452**	124,661
Repair and maintenance	**96,336**	67,232
Aircraft rental expenses	**11,882**	6,533
Depreciation of property and equipment and Right-of-use assets (Aircraft and engines and capitalized maintenance)	**65,924**	69,391
Stations and ground services	**60,883**	42,418
Ground handling unit	**20,143**	13,534
Passenger services	**74,321**	44,511
	616,941	368,280

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

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

	2022	2021
Salaries and wages	**29,833**	20,018
Provident Fund contribution	**2,863**	2,341
Medical expenses	**1,894**	2,324
Social Security contribution	**4,499**	1,662
Overtime	**1,162**	563
End of service indemnity	**386**	164
Other benefits	**1,667**	1,341
	42,304	28,413

(25) OTHER (EXPENSE) INCOME, NET

	2022	2021
Other income – Amortization of government grants (note 17-b)	**2,769**	2,565
Legal cases provision	**(1,860)**	(1,300)
Other expenses	**(938)**	(347)
	(29)	918

(26) GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
Salaries and wages	**3,384**	2,341
Computer expenses	**1,765**	1,496
Depreciation	**1,719**	1,789
Professional and consultation expenses	**1,150**	855
Social Security contribution	**471**	194
Water, electricity and heating	**440**	422
Medical expenses	**336**	331
Provident Fund contribution	**292**	235
Maintenance and cleaning expenses	**232**	215
Legal expenses	**215**	181
Employees benefits	**195**	165
Life insurance	**131**	135
Communication expense	**28**	26
Overtime	**24**	5
Rent	**15**	15
End of service indemnity	**-**	52
Others	**1,247**	1,151
	11,644	9,608

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

(27) SELLING AND MARKETING EXPENSES

	2022	2021
Commissions	**17,889**	8,775
Salaries and wages	**7,792**	6,217
Marketing and advertisement	**3,623**	881
Other employee benefits	**1,385**	1,334
Social Security contribution	**1,325**	1,083
Computer expenses	**1,321**	1,469
Depreciation	**897**	993
Communication expenses	**713**	516
Medical expenses	**581**	688
Rent	**546**	681
Provident Fund contribution	**298**	234
End of service indemnity	**274**	312
Legal expenses	**225**	184
Maintenance and cleaning expenses	**176**	135
Water, electricity and heating	**122**	128
Overtime	**108**	51
Life insurance	**93**	143
Consulting expenses	**88**	97
Others	**3,582**	3,165
	41,038	27,086

(28) FINANCE COSTS

	2022	2021
Leases contracts – finance cost (Note 18-a)	**17,322**	16,764
Interest on loans	**7,253**	7,571
Other interest and bank charges	**1,453**	1,401
	26,028	25,736

(29) PROVISION FOR VOLUNTARY TERMINATION

	2022	2021
Voluntary termination program	**-**	1,358
Outstations' voluntary termination program	**526**	224
	526	1,582

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

Voluntary termination program:

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

Outstations' termination program

During 2020, the Company started a termination process of contracts for local employees in some outstations according to the business needs and based on the rules and regulations of those countries. Accordingly, the Company has recorded a provision amounted to JD 526 (2021: JD 224).

(30) EARNINGS PER SHARE

	2022	2021
Loss for the year attributed to the equity holders of the parent ('000)	**(78,941)**	(74,317)
Weighted average number of shares ('000)	**324,610**	274,884
Basic and diluted earnings per share (JD)	**(0.243)**	(0.270)

(31) INCOME TAX

No provision for income tax was calculated by the Company for the year ended 31 December 2022 and 2021 due to the excess of deductible expenses over taxable income in accordance with the Income Tax Law No. (34) of 2014 and its amendments.

The Company filed its tax return for the years from 2019 to 2021 within the statutory period. The Company has reached a final settlement with the Income and Sales Tax Department up to the year ended 31 December 2018 whereas the years from 2019 to 2021 are yet to be reviewed.

The Income and Sales Tax Department raised claims to RJ by an amount of JD 2,271 which represents sales tax differences for the year 2016. The Company appealed the cases at the Tax Court. The Tax Court of First Instance issued a decision to reject the claim, and the Tax General Attorney appealed the case and dismissed it. The cases are still outstanding up to date of the consolidated financial statement.

Royal Wings Company filed its tax return for the years from 2019 until 2021 within the statutory period. The Income and Sales Tax Department is yet to review the Company's accounting records up to the date of the consolidated financial statements in respect to the years 2019 until 2021. Royal Wings Company reached a final settlement with the Income and Sales Tax Department up to the year 2018.

Royal Tours for Travel and Tourism Company filed its tax return for the years from 2019 to 2021 within the statutory period. The Income and Sales Tax Department did not review the Company's accounting records for the years from 2019 to 2021 up to the date of the consolidated financial statements. Royal Tours for Travel and Tourism Company reached a final settlement with the Income and Sales Tax Department up to the year 2018.

Al-Mashriq for Aviation Services Company "Tikram" filed its tax returns for the years from 2019 to 2021. The Income and Sales Tax Department has not reviewed the Company's accounting records up to the date of the consolidated financial statements. Al-Mashriq for Aviation Services Company "Tikram" reached a final settlement with the Income and Sales Tax Department up to the year 2018.

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

Reconciliation between accounting profit and taxable profit is as follows:

	2022	2021
Accounting loss	**(78,860)**	(74,259)
Non-taxable profits	**(2,992)**	(1,029)
Non-deductible expenses	**16,397**	16,502
Prior years' tax losses	**(301,290)**	(242,504)
Accumulated tax losses	**(366,745)**	(301,290)
Relates to:		
Total loss – Parent Company	**(367,868)**	(300,367)
Total profit (loss) – Subsidiaries	**1,123**	(923)
Effective income tax rate for subsidiaries	20%	20%
Statutory income tax rate	20%	20%
Income tax expense	-	-

(32) DISCONTINUED OPERATIONS

The Company's Board of Directors resolved on 24 January 2023 to liquidate Royal Wings Company (a wholly owned subsidiary). Accordingly, Royal Wings Company's assets and liabilities were classified as held for sale in the consolidated financial statements as of 31 December 2022 in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations.

The results of Royal Wings Company for the years 2022 and 2021 are presented as follow:

	2022	2021
Revenues	-	-
Cost of revenues	**(350)**	(1,478)
Gross loss	**(350)**	(1,478)
General and administrative expenses	**(56)**	(5)
Other income (expenses), net	**851**	(1)
Profit (loss) before tax from discontinued operations	**445**	(1,484)
Income tax	-	-
Profit (loss) from discontinued operations	**445**	(1,484)

Major classes of Royal Wings Company's assets and liabilities classified as held for sale are as follows:

	31 December 2022
ASSETS	
Accounts receivable and other debit balances	**43**
Cash and bank balances	**60**
Assets classified as held for sale	**103**
LIABILITIES	
Accounts payable and other credit balances	**148**
Accrued expenses	**17**
Liabilities associated with assets classified as held for sale	**165**
Deficit in net assets classified as held for sale	**62**

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

(33) RELATED PARTY TRANSACTIONS

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

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

	2022		2021	
	Accounts receivable	**Accounts payable**	Accounts receivable	Accounts payable
Government of Jordan	**4,687**	**850**	5,176	884
Employees' Provident Fund (Note 21)	**-**	**5,327**	-	4,209
Jordan Aircraft Maintenance Company (JORAMCO)	**298**	**-**	1,717	-
Jordan Flight Catering Company Ltd.	**-**	**3,458**	-	2,729
Jordan Aircraft Training and Simulation Company (JATS)	**-**	**244**	-	4
	4,985	**9,879**	6,893	7,826

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

	2022	2021
Government Investments Management Company (Note 16)	**70,000**	-

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

	2022	2021
Jordan Aircraft Maintenance Company (JORAMCO):		
Scheduled services revenues	**223**	187
Repair and maintenance expenses	**(3,032)**	(4,602)
Jordan Flight Catering Company Ltd.:		
Passenger services expenses	**(16,582)**	(8,372)
Jordan Aircraft Training and Simulation Company (JATS):		
Scheduled services revenues	**6**	50
Pilots training expenses	**(976)**	(578)

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

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

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

Alia – The Royal Jordanian Airlines Company signed a 11 years and six months catering contract with Jordan Flight Catering Company during 2010, and in return the Company was granted an additional share of 10% in Jordan Flight Catering Company to reach a total share of 30%. The Company signed three extension agreements with Jordan Flight Catering Company Ltd. which will expire on 30 April 2023.

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

	2022	2021
Scheduled services revenues – passengers	**4,463**	2,385
Scheduled services revenues – cargo	**1,032**	1,388
Chartered flights	**213**	1,277
	5,708	5,050

- The Company's contribution to the employees' saving fund amounted to JD 3,453 and JD 2,810 for the years 2022 and 2021, respectively.

Compensation of key management personnel

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

	2022	2021
Salaries and other benefits	**929**	710
Board of Directors remuneration	**29**	35

(34) GEOGRAPHICAL DISTRIBUTION OF REVENUES

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

	2022				2021			
	Scheduled services	**Chartered Flights**			Scheduled services	Chartered Flights		
		Passengers	**Cargo**	**Total**		Passengers	Cargo	Total
Levant	**63,131**	**43**	**884**	**64,058**	41,436	234	1,206	42,876
Europe	**162,602**	**471**	**1,978**	**165,051**	67,220	809	2,114	70,143
Arab Gulf	**125,526**	**1,196**	**-**	**126,722**	85,729	888	-	86,617
America	**176,727**	**-**	**1,943**	**178,670**	98,150	-	1,153	99,303
Asia	**9,070**	**-**	**1,114**	**10,184**	2,125	99	5,899	8,123
Africa	**8,040**	**43**	**116**	**8,199**	3,317	93	139	3,549
Total Revenues	**545,096**	**1,753**	**6,035**	**552,884**	297,977	2,123	10,511	310,611

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

(35) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

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

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

(36) Fair Value Hierarchy

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

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

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at fair value through other comprehensive income	-	-	2,087	2,087
	-	-	2,087	2,087

31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at fair value through other comprehensive income	-	-	2,087	2,087
Derivative financial instruments (note 12)	453	-	-	453
	453	-	2,087	2,540

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

(37) RISK MANAGEMENT

Interest rate risk

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

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2022 and 31 December 2021.

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates as of 31 December 2022 and 2021, with all other variables held constant.

2022-	**Increase in interest rate (points)**	**Effect on loss**
Currency		
USD	50	(657)
JD	50	236

	Decrease in interest rate (points)	**Effect on loss**
Currency		
USD	(25)	(329)
JD	(25)	118

2021-	**Increase in interest rate (points)**	**Effect on loss**
Currency		
USD	50	773
JD	50	54

	Decrease in interest rate (points)	**Effect on loss**
Currency		
USD	(25)	(387)
JD	(25)	(27)

Credit risk

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

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

The Group provides its services to a large number of customers. No single customer accounts for more than 10% of outstanding accounts receivable at 31 December 2022 and 2021.

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

Liquidity risk

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

The table below summarises the maturities of the Group's (undiscounted) financial liabilities at 31 December 2022 and 2021, based on contractual payment dates and current market interest rates.

31 December 2022	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Accounts payables and other current liabilities	77,013	-	-	-	77,013
Bank loans	3,698	21,566	112,719	-	137,983
Lease obligations	10,268	57,920	260,594	60,201	388,983
Other long-term liabilities	-	-	-	353	353
Total	**90,979**	**79,486**	**373,313**	**60,554**	**604,332**
31 December 2021					
Accounts payables and other current liabilities	63,741	-	-	-	63,741
Bank loans	3,621	38,312	99,012	-	140,945
Lease obligations	13,145	41,812	294,912	105,623	455,492
Other long-term liabilities	-	-	-	379	379
Total	80,507	80,124	393,924	106,002	660,557

Currency risk

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

2022 -

Currency	*Increase in foreign currency rate to the JD currency*	*Effect on loss*
	(%)	
Euro	5	(771)
GBP	5	126

Currency	*Decrease in foreign currency rate to the JD currency*	*Effect on loss*
	(%)	
Euro	(5)	771
GBP	(5)	(126)

(In Thousands of Jordanian Dinars, except for amounts in foreign currencies)

2021 -

Currency	***Increase in foreign currency rate to the JD currency***	***Effect on loss***
	(%)	
Euro	5	(400)
GBP	5	(130)

Currency	***Decrease in foreign currency rate to the JD currency***	***Effect on loss***
	(%)	
Euro	(5)	400
GBP	(5)	130

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

Losses on foreign exchange rates amounted to JD 1,235 for the year ended 31 December 2022 (31 December 2021: JD 490).

(38) CAPITAL MANAGEMENT

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

Capital comprises of share capital, share discount, payments in respect of capital increase, statutory reserve and accumulated losses and is measured at a deficit of JD 68,752 as at 31 December 2022 (31 December 2021: Deficit of JD 59,811).

The Group's accumulated losses of JD 400 million exceeded of the Group's capital as of 31 December 2022. Also, the Group's current liabilities exceeded its current assets by an amount of JD 144.9 million as of 31 December 2022. These events and conditions indicate that a material uncertainty exists that may cast significant doubt about the entity's ability to continue as a going concern. According to Article (266) of the Jordanian Company's Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the Public Shareholding Company exceeded 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company issues a decision on its extraordinary meeting to increase the Company's capital or to deal with the Company's losses.

On 18 May 2022, the Prime Ministry of Jordan resolved in its resolution number (7056) to authorize the Ministry of Finance to proceed with further procedures to increase the Company's capital by JD 70 million over two phases. An amount of JD 35 million was received during May 2022 and the remaining amount was received during August 2022. Capital increase procedures were not completed up to the date of the consolidated financial statements.
The Company received a comfort letter from the Ministry of Finance (the Jordanian Government's representative), stating that the Government is in favor of continuing to support the Company's operations in the future.

(39) CONTINGENCIES AND COMMITMENTS

Letters of credit and guarantees

As of 31 December 2022, the Group had letters of credit amounted to JD 22,789 and letters of guarantees amounted to JD 1,086 (31 December 2021: letters of credit: JD 23,493 and letters of guarantees: JD 331).

Claims against the Group

The Group is a defendant in a number of lawsuits amounting to JD 10,774 (2021: JD 14,661) representing legal actions and claims related to its ordinary course of business. Related risks have been analyzed as to the likelihood of occurrence, although the outcome of these matters cannot always be ascertained with precision. In the opinion of the Group and their legal counsels, the provision recognized as of 31 December 2022 is sufficient to cover any contingent liabilities and claims that may arise from these lawsuits.

Capital commitments

As of 31 December 2022, the Group had capital commitments of USD 303,051,349 (31 December 2021: USD 303,051,349), equivalent to JD 214,930 (31 December 2021: JD 214,930) relating to finance lease agreements signed for two new aircraft (31 December 2021: two new aircraft).

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

(40) STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.
The amendments are not expected to have a material impact on the Group.

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

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

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

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

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

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

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

(41) COMPARATIVE FIGURES

Some of 2021 balances were reclassified to correspond with the consolidated financial statements figures for the year 2022 presentation, with no effect on profit and equity for the year 2021.