ALIA - THE ROYAL JORDANIAN AIRLINES COMPANY (ROYAL JORDANIAN)

A PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

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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 2023, consolidated income statement, consolidated statement of 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 material 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 2023, 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.

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 2023. 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.

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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.

<table>
<tr><td colspan="2">1. Passenger and cargo revenue recognition
Refer to the note (24) to the consolidated financial statements</td></tr>
<tr><td>Key Audit matter</td><td>How the key audit matter was addressed in the audit</td></tr>
<tr><td>Passengers' and cargo revenues are reflected in the consolidated statement of financial position as deferred revenue and recognized as revenue in the consolidated income statement when the services are 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 frequent flyer program, the Group provides a frequent flyer program in a form of free travel awards to its members on accumulated mileage earned from flights. A portion 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 fair value of the award credits.</td><td>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.</td></tr>
</table>

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2. **Lease contracts** Refer to the note (19 - a) 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 (12 months or less) or the underlying asset has a low value. We consider the application of IFRS (16) as a key audit matter due to the following: - 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. - 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.

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Other information included in the Group's 2023 annual report

Other information consists of the information included in the Group's 2023 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2023 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 Group'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 Group 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.

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

Amman - Jordan
24 March 2024

ERNST & YOUNG
Amman - Jordan

Alia - The Royal Jordanian Airlines Company (Royal Jordanian)
Public Shareholding Company
Consolidated Statement of Financial Position
At 31 December 2023
(In Thousands of Jordanian Dinars)

	Notes	2023	2022
ASSETS			
Non-current assets			
Property and equipment	8	**71,074**	51,169
Investment properties	11	**164,307**	-
Right-of-use assets	19-a	**339,809**	371,377
Advances on purchase and modification of aircraft	9	**9,715**	3,697
Financial assets at fair value through other comprehensive income	10	**2,087**	2,087
Investments in associates	12	**20,305**	18,603
Restricted cash against lease contracts	19-b	**42,289**	30,155
Long-term loan granted to an associate	11	**5,626**	-
Deferred tax assets		**12,322**	12,322
		667,534	489,410
Current assets			
Other current assets	13	**35,276**	28,854
Spare parts and supplies	14	**8,441**	6,008
Current portion of long-term loan granted to an associate	11	**1,922**	-
Accounts receivable	15	**40,803**	36,212
Cash and bank balances	16	**139,115**	161,308
		225,557	232,382
Assets held for sale	33	**79**	103
TOTAL ASSETS		**893,170**	721,895
EQUITY AND LIABILITIES			
Shareholders' equity			
Paid-in capital	17	**363,627**	324,610
Share discount	17	**(78,205)**	(78,205)
Payments in respect of capital increase	17	-	70,000
Statutory reserve	17	-	14,808
Fair value reserve		**133**	133
Cash flow hedges		**(61)**	-
Accumulated losses		**(195,178)**	(399,965)
		90,316	(68,619)
Non-controlling interests		**19,970**	362
Surplus (deficit) in shareholders' equity		**110,286**	(68,257)
LIABILITIES			
Non-current liabilities			
Long-term loans	18-a	**87,785**	100,733
Long-term lease obligations	19-a	**255,494**	306,770
Long-term grants	18-b	**2,558**	4,874
Other long-term liabilities	20	**54,230**	36,912
		400,067	449,289
Current liabilities			
Current portion of long-term loans	18-a	**25,082**	19,262
Accrued expenses	21	**90,199**	89,762
Accounts payable and other current liabilities	22	**86,947**	78,007
Deferred revenues	23	**106,441**	86,199
Short-term lease obligations	19-a	**70,548**	64,594
Short-term grants	18-b	**3,401**	2,874
		382,618	340,698
Liabilities directly associated with the assets held for sale	33	**199**	165
Total liabilities		**782,884**	790,152
TOTAL EQUITY AND LIABILITIES		**893,170**	721,895

The attached notes from 1 to 42 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 2023
(In Thousands of Jordanian Dinars)

	Notes	2023	2022
Continuing Operations:			
Revenues from contracts with customers	24	**733,283**	612,821
Cost of revenues	25	**(665,853)**	(616,918)
Gross profit (loss)		**67,430**	(4,097)
General and administrative expenses	27	**(15,517)**	(11,644)
Selling and marketing expenses	28	**(47,561)**	(40,969)
Other provisions	14,15	**(1,139)**	(1,257)
Net operating profit (loss)		**3,213**	(57,967)
Group's share of profits of associates, net	12	**5,118**	2,992
Other income (expense), net	26	**6,801**	(29)
Loss on disposal of property and equipment		**(157)**	(435)
Provision for voluntary termination	30	**(109)**	(526)
Loss on foreign currency exchange	38	**(1,447)**	(1,235)
Finance costs	29	**(29,649)**	(26,028)
Interest income		**7,601**	3,923
Loss for the year from continuing operations before income tax		**(8,629)**	(79,305)
Income tax expense	32	**(49)**	-
Loss for the year from continuing operations		**(8,678)**	(79,305)
Discontinued operations:			
(Loss) profit for the year from discontinued operations after income tax	33	**(15)**	445
Loss for the year		**(8,693)**	(78,860)
Attributable to:			
Equity holders of the parent		**(8,735)**	(78,941)
Non-controlling interests		**42**	81
		(8,693)	(78,860)
Earnings per share			
Basic and diluted earnings per share attributable to equity holders of the parent	31	**JD (0,028)**	JD (0,243)

The attached notes from 1 to 42 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 2023
(In Thousands of Jordanian Dinars)

	2023	2022
Loss for the year	**(8,693)**	(78,860)
Other comprehensive income items		
Other comprehensive income items that will be reclassified to profit or loss in subsequent periods (net of tax):		
Net loss on cash flow hedges	**(61)**	(297)
Total comprehensive income for the year	**(8,754)**	(79,157)
Attributable to:		
Equity holders of the parent	**(8,796)**	(79,238)
Non-controlling interests	**42**	81
	(8,754)	(79,157)

The attached notes from 1 to 42 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 2023
(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
2023 -										
Balance as of 1 January	**324,610**	**(78,205)**	**70,000**	**14,808**	**133**	-	**(399,965)**	**(68,619)**	**362**	**(68,257)**
Loss for the year	-	-	-	-	-	-	**(8,735)**	**(8,735)**	**42**	**(8,693)**
Other comprehensive income items	-	-	-	-	-	**(61)**	-	**(61)**	-	**(61)**
Total comprehensive income for the year	-	-	-	-	-	**(61)**	**(8,735)**	**(8,796)**	**42**	**(8,754)**
Accumulated losses write off (Note 17)	**(200,983)**	-	-	**(14,808)**	-	-	**215,791**	-	-	-
Capital increase (Note 17)	**240,000**	-	**(70,000)**	-	-	-	-	**170,000**	-	**170,000**
Capital restructuring costs	-	-	-	-	-	-	**(2,269)**	**(2,269)**	-	**(2,269)**
Acquisition of subsidiaries (Note 11)	-	-	-	-	-	-	-	-	**19,566**	**19,566**
Balance as of 31 December	**363,627**	**(78,205)**	-	-	**133**	**(61)**	**(195,178)**	**90,316**	**19,970**	**110,286**
2022 -										
Balance as of 1 January	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 17)	-	-	70,000	-	-	-	-	70,000	-	70,000
Balance as of 31 December	324,610	(78,205)	70,000	14,808	133	-	(399,965)	(68,619)	362	(68,257)

The attached notes from 1 to 42 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 2023
(In Thousands of Jordanian Dinars)

	Notes	2023	2022
OPERATING ACTIVITIES			
Loss for the year from continuing operations before income tax		**(8,629)**	(79,305)
Loss (profit) for the year from discontinued operations before income tax		**(15)**	445
		(8,644)	(78,860)
Adjustments:			
Depreciation of property and equipment	8	**17,709**	17,324
Depreciation of right-of-use assets	19-a	**58,095**	56,362
Share of profits of associate	12	**(5,118)**	(2,992)
Finance costs	29	**29,649**	26,028
Other income – amortization of grants	26	**(3,183)**	(2,769)
Gain on terminated lease contracts		**-**	(11)
Impairment loss on associates		**-**	800
Provision for expected credit losses	15	**586**	1,209
Provision for slow moving inventory	14	**553**	48
Loss from disposal of property and equipment		**157**	435
Provision for voluntary termination	30	**109**	526
Provision for end of service indemnity		**121**	48
Interest income		**(7,601)**	(3,923)
Legal cases provision		**(3,000)**	1,860
Working capital changes:			
Accounts receivable		**(757)**	(10,525)
Spare parts and supplies		**(2,665)**	(166)
Other current assets		**(4,805)**	(7,990)
Deferred revenues		**19,732**	30,939
Accounts payable and other current liabilities		**7,385**	14,429
Accrued expenses and other long-term liabilities		**19,933**	19,529
End of service indemnity payments	20	**(83)**	(74)
Voluntary termination payments		**-**	(627)
Legal cases payments		**(68)**	(569)
Net cash flows from operating activities		**118,105**	61,031
INVESTING ACTIVITIES			
Purchase of property and equipment	8	**(12,645)**	(9,174)
Proceeds from disposal of property and equipment		**285**	207
Interest income received		**6,123**	2,985
Change in restricted cash against lease contracts		**(12,134)**	(4,584)
Change in advances on purchase and modification of aircraft		**(6,018)**	-
Short-term deposits		**18,073**	(51,887)
Cash proceeds from acquisition of subsidiaries	11	**3,817**	-
Net cash flows used in investing activities		**(2,499)**	(62,453)
FINANCING ACTIVITIES			
Repayment of loans		**(22,125)**	(13,251)
Proceeds from loans		**2,836**	5,271
Capital increase costs		**(2,269)**	-
Advance payments in respect of capital increase	17	**-**	70,000
Payments of lease obligations	19-a	**(92,165)**	(61,638)
Interest paid		**(5,984)**	(5,238)
Net cash flows used in financing activities		**(119,707)**	(4,856)
Net decrease in cash and cash equivalents		**(4,101)**	(6,278)
Cash and cash equivalents at the beginning of the year		**56,308**	62,586
Cash and cash equivalents at the end of the year	16	**52,207**	56,308

The attached notes from 1 to 42 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 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 2024.

(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.

(3) Fundamental Accounting Concepts

The Group's accumulated losses of JD 195,200 represents 54% of the Group's paid-in capital as of 31 December 2023. Also, the Group's current liabilities exceeded its current assets by JD 157,100 as of 31 December 2023.The Group's ability to continue depends on its ability to achieve operational and financial results in accordance with its business plan and to comply with the provisions of article (266) of the Jordanian Company's law no. (22) for the year 1997 and its amendments, which requires that the accumulated losses of a public shareholding company should not exceed 75% of its capital. otherwise, the Company shall be liquidated unless the General Assembly of the Company issues a decision on its extraordinary meeting to increase the Company's capital or to deal with the Company's losses.

The Company and its main shareholder, the Government Investment Management Company increased and restructured RJ's capital. The Council of Ministers resolved in their meeting no. (11944) held on 4 June 2023 that RJ acquires 90% of the capital of Jordan Airports Company through the issuance of new shares in RJ's capital in favor of the Government Investment Management Company. Capital increase procedures were completed during December 2023.

(In Thousands of Jordanian Dinars)

The General assembly resolved in their meeting held on 3 October 2023 to restructure RJ's capital. The restructuring plan is summarized as follows:

To write off the accumulated losses and the statutory reserve through the following:

- JD 14,8 million against the Company's statutory reserve.

- JD 201 million against the Company's paid-in capital.

Capital increase of JD 240 million shares (Par value of one Jordanian Dinar per share), through the following:

- Capitalization of payments in respect of capital increase of JD 70 million in favor of the Government Investment Company as authorized by the Prime Ministry of Jordan as per the resolution number (7056) which was resolved in their meeting held on 18 May 2022.

- Acquisition of 90% of the capital of Jordan Airports Company for JD 170 million through the issuance of new shares in RJ's capital in favor of the Government Investment Management Company.

Accordingly, paid-in capital became JD 364 million as of 31 December 2023 (note 17).

Moreover, the Company received a comfort letter on 8 June 2020 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.

(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 2023:

Company name	Ownership percentage		Country
	2023	2022	
Royal Tours for Travel and Tourism Company	80%	80%	Jordan
Al Mashriq for Aviation Services "Tikram"	100%	100%	Jordan
Royal Wings Company – under liquidation (Note 33)	100%	100%	Jordan
Jordan Airports Company (Note 11)	90%	-	Jordan
Jordan Airline Training and Simulator Company (Note 11)	100%	20%	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 95.32% from the Company's shares as at 31 December 2023 (31 December 2022: 86.23%).

(5) CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022 except for the adoption of new amendments on the standards effective as of 1 January 2023 shown below:

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.

This standard is not applicable to 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 from 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 consolidated financial statements of 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 are effective from 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 consolidated financial statements of the Group.

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 recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are effective from 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 consolidated financial statements of the Group.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12
The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and

- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023. The Group is currently evaluating the impact of the amendments on the consolidated financial statements.

(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. 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.

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 2023, the estimated liability for unredeemed points was approximately JD 9,793 (2022: JD 8,406).

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.

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.

(7) MATERIAL ACCOUNTING POLICIES

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.

(In Thousands of Jordanian Dinars)

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
Simulators	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.

Investment property

Investment property represent investments in land and buildings held for the purpose of earning rentals or for capital appreciation. Real estate investments do not include land and buildings used in ordinary course of business activities or for administrative purposes.

The book value of investment properties is reviewed for impairment when events or changes in circumstances indicate that the book value may not be recoverable. When such indicators exist and when the book value exceeds the recoverable value, the value of real estate investments is reduced to their recoverable value and the impairment provision is recorded in the consolidated income statement.

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.

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 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 (36) and (37).

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 (finance cost).

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 (33). 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

2023	*Aircraft*	*Spare engines*	*Capitalized maintenance on aircrafts' engines, and components*	*Aircrafts' main components*	*Machinery and equipment*	*Simulators*	*Computers*	*Furniture and fixtures*	*Vehicles*	*Land and buildings*	*Total*
Cost:											
Balance as of 1 January	151,556	1,091	28,484	51,808	59,368	-	20,406	9,392	10,463	44,357	376,925
Additions	-	-	7,002	1,601	1,442	47	1,587	43	626	297	12,645
Disposals	-	-	(21,309)	(387)	(546)	-	(69)	(69)	(389)	(50)	(22,819)
Acquisition of a subsidiary – Jordan Airports Company (Note 11)	-	-	-	-	3,767	-	2,011	353	2,894	22,390	31,415
Acquisition of a subsidiary – Jordan Airline Training and Simulator Company (Note 11)	-	-	-	-	2,649	-	-	243	130	3,677	6,699
Transferred from right of use assets – Jordan Airline Training and Simulator (Note 19-a)	-	-	-	-	-	4,648	-	-	-	-	4,648
Balance as of 31 December	151,556	1,091	14,177	53,022	66,680	4,695	23,935	9,962	13,724	70,671	409,513
Accumulated depreciation:											
Balance as of 1 January	147,854	928	18,254	47,420	52,995	-	18,915	9,125	10,122	20,143	325,756
Depreciation expense for the year	3,003	-	6,995	1,754	2,573	369	606	106	156	2,147	17,709
Disposals	-	-	(21,299)	(36)	(508)	-	(69)	(67)	(388)	(10)	(22,377)
Acquisition of a subsidiary – Jordan Airports Company (Note 11)	-	-	-	-	2,602	-	1,756	332	2,316	6,258	13,264
Acquisition of a subsidiary – Jordan Airline Training and Simulator Company (Note 11)	-	-	-	-	1,556	-	-	223	113	1,326	3,218
Transferred from right of use assets – Jordan Airline Training and Simulator (Note 19-a)	-	-	-	-	-	869	-	-	-	-	869
Balance as of 31 December	150,857	928	3,950	49,138	59,218	1,238	21,208	9,719	12,319	29,864	338,439
Net book value as of 31 December	**699**	**163**	**10,227**	**3,884**	**7,462**	**3,457**	**2,727**	**243**	**1,405**	**40,807**	**71,074**

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

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	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 33)	(3,998)	-	(5,473)	-	-	-	-	-	-	(9,471)
Balance as of 31 December	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	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 33)	(3,998)	-	(5,473)	-	-	-	-	-	-	(9,471)
Balance as of 31 December	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	**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)

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

	2023	2022
Cost of revenues (note 25)	**15,589**	15,543
General and administrative expenses (note 27)	**1,898**	1,615
Selling and marketing expenses (note 28)	**222**	166
	17,709	17,324

(9) ADVANCES ON PURCHASE AND MODIFICATION OF AIRCRAFT

	2023	2022
Advances for the purchase of Boeing 787 aircraft	**9,236**	3,218
Advances for the purchase of Embraer 195 aircraft	**479**	479
	9,715	3,697

(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.

	2023	2022
Royal Jordanian Air Academy	**1,748**	1,748
SITA depositary certificates	**317**	317
Others	**22**	22
	2,087	2,087

(11) ACQUISITION OF SUBSIDIARIES

A) Jordan Airports Company

On 11 December 2023, the Government Investment Management Company approved the transfer of 90% of the shares of Jordan Airports Company to Royal Jordanian through the issuance of new shares in favor of the Government Investment Management Company. The ownership transfer procedures were completed on 27 December 2023. Accordingly, the Group became the owner of 90% of Jordan Airports Company shares and thus, the investment was classified as an investment in a subsidiary.

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

Since both companies are under the joint control of the Government Investment Management Company on the date of the transfer of ownership, the requirements of IFRS 3 did not apply to this transaction. Therefore, the Company recorded the assets acquired and the liabilities assumed at their net book value at the date of transfer.

The book value of the assets and liabilities of Jordan Airports Company as of the date of acquisition are as follows:

	2023
	JD
Assets	
Non-current assets	
Property and equipment	18,151
Investment properties *	164,307
Long-term granted loan	5,626
	188,084
Current assets	
Accounts receivable	31
Other debit balances	2,791
Short-term granted loan	1,922
Cash and bank balances	6,523
Due from related parties	87
	11,354
Total Assets	199,438
Liabilities	
Non-current liabilities	
Long-term loan	5,626
Current liabilities	
Current portion of long-term loan	1,922
Accounts payable and other credit balances	1,814
Deferred revenues	510
Total liabilities	9,872
Total equity	189,566
Cash flow on acquisition:	
Net cash acquired with the subsidiary	**6,523**
Cash paid	-
Net cash received	**6,523**

* Investment properties include buildings and plots of land around Queen Alia International Airport valued at JD 83,870 and buildings and plots of land at Amman International Airport valued at JD 80,437 as of the acquisition date.

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

B) Jordan Airline Training and Simulator Company

During April 2023, the Company signed an agreement to acquire the remaining 80% of the shares of its associate Jordan Airline Training and Simulator Company, a limited liability Company for USD 5,400,000 which is equivalent to JD 3,829. Accordingly, RJ became the sole owner of the whole shares of Jordan Airline Training and Simulator Company. Accordingly, the investment was classified as an investment in a subsidiary. The fair value of the identifiable assets and liabilities of Jordan Airline Training and Simulator Company as of the date of acquisition are as follows:

	Fair Value *	Carrying value
ASSETS		
Property and equipment	3,481	3,100
Right-of-use assets	4,480	6,200
Accounts receivable	451	451
Cash and bank balances	200	200
TOTAL ASSETS	8,612	9,951
LIABILITIES		
Loans	2,388	2,388
Lease obligation	1,380	1,380
Accounts payable and other current liabilities	597	597
TOTAL LIABILITIES	4,365	4,365
Net assets acquired	4,247	5,586
Goodwill resulted from acquisition (note 13)	392	

The investment in JATS held by the Company directly before achieving control was remeasured at the acquisition date at fair value and, accordingly, a loss of JD 64 was recognized in the consolidated income statement.

* The initial accounting for this business combination was determined provisionally, as the fair values to be assigned to the acquirees' identifiable assets and liabilities could be determined only provisionally by the end of the period in which the combination was affected. The Group will recognize any adjustment to those provisional values as a result of completing the initial accounting within twelve months from the date of acquisition.

	2023
Cash flow on acquisition:	
Net cash acquired with the subsidiary	**200**
Cash paid	**(2,906)**
Net cash paid	**(2,706)**

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

(12) INVESTMENTS IN ASSOCIATES

	Country of incorporation	Ownership		Balance	
		2023	2022	**2023**	2022
Jordan Flight Catering Company Ltd.	Jordan	**30%**	30%	**4,355**	4,300
Jordan Aircraft Maintenance Company (JORAMCO)	Jordan	**20%**	20%	**15,950**	12,426
Jordan Airline Training and Simulator Company (JATS) (Note 11)	Jordan	**20%**	20%	**-**	1,877
				20,305	18,603

Movement on investments in associates was as follows:

	2023	2022
Balance as at 1 January	**18,603**	17,482
Group's share of profits for the year	**5,118**	2,992
Impairment loss – Jordan Airline Training and Simulator Company (JATS)	**-**	(800)
Acquisition of a subsidiary – Jordan Airline Training and Simulator Company (JATS)	**(1,843)**	-
Dividends received	**(1,573)**	(1,071)
Balance as at 31 December	**20,305**	18,603

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 Airline Training and Simulator Company (JATS)		Total	
Statement of financial position	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Current assets	**7,929**	7,865	**64,766**	45,546	-	1,663	**72,695**	55,074
Non-current assets	**3,188**	3,601	**24,867**	29,374	-	7,694	**28,055**	40,669
Current liabilities	**(5,409)**	(5,658)	**(23,258)**	(19,343)	-	(1,438)	**(28,667)**	(26,439)
Non-current liabilities	**(2,905)**	(3,185)	**(13,635)**	(18,905)	-	(4,615)	**(16,540)**	(26,705)
Net assets	**2,803**	2,623	**52,740**	36,672	-	3,304	**55,543**	42,599
Group's ownership percentage	**%30**	%30	**%20**	%20	**%20**	%20		
Investment in associates	**841**	787	**10,548**	7,334	-	661	**11,389**	8,782

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

	Jordan Flight Catering Company Ltd.		Jordan Aircraft Maintenance Company (JORAMCO)		Jordan Airline Training and Simulator Company (JATS)		Total	
Income statement	**2023**	2022	**2023**	2022	**2023***	2022	**2023**	2022
Revenues	**22,989**	18,269	**103,394**	78,172	**886**	2,178	**127,269**	98,619
Cost of revenues	**(16,788)**	(13,201)	**(61,952)**	(48,863)	**(630)**	(1,259)	**(79,370)**	(63,323)
Other income and expenses	**(768)**	(755)	**(23,820)**	(20,332)	**(419)**	(1,391)	**(25,007)**	(22,478)
Profit (loss) before income tax	**5,433**	4,313	**17,622**	8,977	**(163)**	(472)	**22,892**	12,818
Income tax	**(8)**	(9)	-	-	-	-	**(8)**	(9)
Profit (loss) for the year	**5,425**	4,304	**17,622**	8,977	**(163)**	(472)	**22,884**	12,809
Group's Share of profits (losses) for the year	**1,628**	1,291	**3,523**	1,795	**(33)**	(94)	**5,118**	2,992

* These amounts represent the statement of comprehensive income of Jordan Airline Training and Simulator Company for the first four months of the year 2023 prior to the date the acquisition of JATS shares (note 11).

As of 31 December 2023, the associate Companies have contingent liabilities of JD 964 (2022: JD 711) in respect of guarantees and letter of credits.

(13) OTHER CURRENT ASSETS

	2023	2022
Receivables from lessors - maintenance claims	**9,537**	10,164
Advances to suppliers	**8,082**	5,619
Accrued revenues	**5,562**	4,848
Refundable deposits	**4,335**	3,990
Prepaid expenses	**2,582**	2,808
Credit notes from aircraft manufacturers	**2,045**	-
Goodwill	**392**	-
Employees' receivables	**146**	269
Financial derivatives (note 37)	**61**	-
Others	**2,534**	1,156
	35,276	28,854

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

(14) SPARE PARTS AND SUPPLIES

	2023	2022
Spare parts and supplies	**19,627**	16,641
Provision for slow moving inventory	**(11,186)**	(10,633)
	8,441	6,008

Movement on provision for slow moving inventory was as follows:

	2023	2022
Balance as at 1 January	**10,633**	10,585
Provision for the year	**553**	48
Balance as at 31 December	**11,186**	10,633

(15) ACCOUNTS RECEIVABLE

	2023	2022
Accounts receivable	**56,759**	50,996
Provision for expected credit losses	**(15,956)**	(14,784)
	40,803	36,212

Movement on provision for expected credit losses was as follows:

	2023	2022
Balance as at 1 January	**14,784**	16,861
Provision for the year	**586**	1,209
Reversal of provision during the year	**(233)**	-
Assets held for sale	-	(3,286)
Acquisition of subsidiaries	**819**	-
Balance as at 31 December	**15,956**	14,784

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
2023	**5,249**	**18,148**	**5,795**	**3,579**	**4,442**	**3,590**	**40,803**
2022	1,270	18,162	1,255	2,125	6,168	7,232	36,212

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

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.

(16) CASH AND BANK BALANCES

	2023	2022
Cash and bank balances	**38,680**	25,804
Short-term deposits *	**1,080**	13,667
Cash in transit **	**12,368**	16,777
Cash and cash equivalents	**52,128**	56,248
Short-term deposits mature after 3 months ***	**86,987**	105,060
Total cash and bank balances	**139,115**	161,308

* This item represents deposits in Jordanian Dinars in Jordanian Banks as of 31 December 2023 with an interest rate of 6,1% (2022: 4% - 5,63%) 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 2024.

*** This item represents deposit in Banks in Jordanian Dinar of JD 86,192 with an interest rate ranging between 6,05% and 6,75%, in addition to a deposit of 150,000 thousand Algerian Dinar equivalent to JD 795 with an interest rate of 3,18% as of 31 December 2023 and are due after more than three months. (31 December 2022: 104,811 Jordanian Dinar with an average interest rate ranging between 3,23 % and 5,6%, in addition to Libyan Dinar equivalent to JD 249 and are due after more than three months).

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

	2023	2022
Cash and cash equivalents	**52,128**	56,248
Add: discontinued operations (Note 33)	**79**	60
	52,207	56,308

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

(17) SHAREHOLDERS' EQUITY

	2023	2022
Paid-in capital		
Authorized capital (Par value of one Jordanian Dinar per share)	**363,627**	324,610
Paid-in capital	**363,627**	324,610

The General assembly resolved in their meeting held on 3 October 2023 to restructure RJ's capital. The restructuring plan is summarized as follows:

To write off the accumulated losses and the statutory reserve through the following:

- JD 14,8 million against the Company's statutory reserve.

- JD 201 million against the Company's paid-in capital.

Capital increase of JD 240 million shares (Par value of one Jordanian Dinar per share), through the following:

- Capitalization of payments in respect of capital increase of JD 70 million as authorized by the Prime Ministry of Jordan as per the resolution number (7056) which was resolved in their meeting held on 18 May 2022.

- Acquisition of 90% of the capital of Jordan Airports Company for JD 170 million through the issuance of new shares in RJ's capital in favor of the Government Investment Management Company.

Accordingly, paid-in capital became JD 364 million as of 31 December 2023 (note 17).

Share discount

Share discount amounted to JD 78,2 million as at 31 December 2023 and 31 December 2022. 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 2023 and the remaining amount was received during August 2023. Capital increase procedures were completed on 27 December 2023.

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

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. The entire balance of the statutory reserve was written-off against the Company's accumulated losses and the procedures were completed on 28 November 2023.

(18) BANK LOANS AND GOVERNMENT GRANTS

(18 - a) Bank Loans

	2023		2022	
	Loans' Installments		Loans' Installments	
	Short-term	Long-term	Short-term	Long-term
Syndicated loan	16,681	23,632	16,682	40,313
Capital Bank loan	-	45,146	-	44,282
Social Security- "Himaya" program	5,626	10,946	3,115	16,183
Jordan Airline Training and Simulator Company – Arab Bank	708	2,128	-	-
Jordan Airline Training and Simulator Company – Ahli Bank	289	307	-	-
Rawabi Jordan Investment Company (a subsidiary of Jordan Airports Company) – Jordan Kuwait Bank	1,922	5,626	-	-
Less: directly attributable transaction costs	(144)	-	(535)	(45)
	25,082	87,785	19,262	100,733

Syndicated loan

On 20 December 2015, the Company signed a syndicated loan agreement amounted to USD 275 million which is equivalent to JD 195,000. 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 cash flows 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 30 September 2020 on a proportional basis.

On 1 April 2021, the Company signed second amendment letter in which 50% of the loan installments for the period from April 2021 to June 2021 were rescheduled and allocated to the installments after 30 June 2021 on a proportional basis. During July 2021, the Company 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 30 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 31 December 2023. In April 2023, the Company signed an amendment letter, whereas the Company is not required to meet the financial ratios until 31 December 2024.

On 13 June 2023 the Company signed an amendment to the agreement, whereby the interest calculation was modified from the lending rate in the London markets (SOFR) to risk-free interest rates (one-month CME Term SOFR).

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.

Capital Bank loan

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 2023 and 31 December 2022. On 9 April 2023, the Company signed an amendment agreement whereby the loan will be repaid in one payment on 13 July 2025, at an interest rate of 2.5% starting from 13 July 2023. Interest is payable on a quarterly basis.

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

The benefit of a below-market rate loan has been recognized as a government grant in accordance with International Accounting Standard IAS 20 - Government Grants (Note 18 - b).

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

Social Security - "Himaya" program

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 is repayable 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.

Jordan Airline Training and Simulator Company – Arab Bank

On 30 July 2023, Jordan Airline Training and Simulator Company signed a loan agreement with Arab Bank amounting to USD 4 million which is equivalent to JD 2,836. The loan bears an annual interest rate of one-month Term SORF plus 2.5%. The loan is repayable in 48 monthly instalments amounting to JD 59 (USD 83,300) except for the last settlement amounting to JD 60 (USD 84,900). The first installment was due during February 2024.

Jordan Airline Training and Simulator Company - Ahli Bank

On 1 January 2017, Jordan Airline Training and Simulator Company signed a loan agreement with Ahli Bank amounting to JD 1.5 million. The loan bears an annual interest of 4.5%. The loan is repayable in 114 monthly instalments amounting to JD 13 per each.

On 6 July 2021, JATS signed an amendment for the loan adjusting the monthly payments to JD 18. In addition, the interest rate has been modified to become 4%. The loan is repayable in 52 monthly instalments starting from 1 January 2023.

Rawabi Jordan Investment Company (A subsidiary of Jordan Airports Company) – Jordan Kuwait Bank

Rawabi Jordan Investment Company (a subsidiary of Jordan Airports Company) obtained a loan of JD 13,475 (USD 19 million) at an annual interest rate of 8% from Jordan Kuwait Bank, with the full loan installments and accrued interest to be paid by the Jordan Aircraft Maintenance Company.

On 1 March 2023, Rawabi Jordan Investment Company amended the loan agreement and increased the interest rate to be 9,2%.

Principal instalments payable during the year 2024 and after are as follows:

Year	JD
2024	25,226
2025	69,450
2026	13,905
2027	1,614
2028 and after	2,816
	113,011

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

(18 - b) Government Grants

	2023			2022		
	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	**5,719**	**2,029**	**7,748**	3,692	3,230	6,922
Recognized during the year	**1,468**	**(74)**	**1,394**	3,965	(370)	3,595
Released to the consolidated income statement (note 26)	**(2,335)**	**(848)**	**(3,183)**	(1,938)	(831)	(2,769)
Balance as at 31 December	**4,852**	**1,107**	**5,959**	5,719	2,029	7,748
Non-current	**2,082**	**476**	**2,558**	3,692	1,182	4,874
Current	**2,770**	**631**	**3,401**	2,027	847	2,874
	4,852	**1,107**	**5,959**	5,719	2,029	7,748

(19) Leases

(19 – 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 – 12
Aircraft's engines	8
Offices rent	2 – 13
Buildings	8

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 2023 and 2022:

	Right-of-use assets					
	Aircraft	Aircraft's engines	Flight simulation equipment	Offices	Total	Lease obligations*
2023-						
At 1 January	**323,312**	**31,967**	-	**16,098**	**371,377**	**371,364**
Additions	**23,287**	-	-	**7,041**	**30,328**	**30,328**
Lease-term modifications	**(4,480)**	-	-	**(22)**	**(4,502)**	**(4,502)**
Acquisition of a subsidiary (note 11)	-	-	**4,480**	-	**4,480**	**1,380**
Transferred to property and equipment - Jordan Airline Training and Simulator Company (note 8)	-	-	**(3,779)**	-	**(3,779)**	-
Depreciation	**(51,937)**	**(2,601)**	**(66)**	**(3,491)**	**(58,095)**	-
Finance costs (note 29)	-	-	-	-	-	**19,637**
Payments	-	-	-	-	-	**(92,165)**
At 31 December	**290,182**	**29,366**	**635**	**19,626**	**339,809**	**326,042**
2022-						
At 1 January	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 29)	-	-	-	-	-	17,322
Payments	-	-	-	-	-	(61,638)
At 31 December	323,312	31,967	-	16,098	371,377	371,364

* Lease obligations details are as follows:

31 December 2023			31 December 2022		
Short-term	**Long-term**	**Total**	Short-term	Long-term	Total
70,548	**255,494**	**326,042**	64,594	306,770	371,364

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

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

(19 – 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 condition and as per the agreed conditions.

(20) OTHER LONG-TERM LIABILITIES

	2023	2022
Long-term accrued expenses related to lease contracts	**53,732**	36,559
Provision for end of service indemnity	**498**	353
	54,230	36,912

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

	2023	2022
Balance as at 1 January	**353**	379
Provision for the year	**121**	48
Payments during the year	**(83)**	(74)
Acquisition of a subsidiary	**107**	-
Balance as at 31 December	**498**	353

(21) ACCRUED EXPENSES

	2023	2022
Accrued expenses related to flying operations	**55,418**	53,915
Accrued expenses related to lease contracts	**34,781**	35,847
	90,199	89,762

(22) ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	2023	2022
Spare parts suppliers and accounts payable	**17,788**	15,751
Ministry of Finance	**2,864**	2,707
Employees Provident fund (note 34)	**2,502**	5,327
Fuel suppliers	**2,261**	1,700
Others*	**61,532**	52,522
	86,947	78,007

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

* Included in this item international taxes, departure and airports usage taxes of JD 52,935 that are payable to international tax authorities and airports (2022: JD 46,550).

(23) DEFERRED REVENUES

	2023	2022
Unutilized passenger tickets, air waybills and other service sales	**106,441**	86,199

(24) REVENUES FROM CONTRACTS WITH CUSTOMERS

	2023	2022
Scheduled Services		
Passengers	**622,900**	495,949
Cargo	**23,813**	36,240
Excess baggage	**7,046**	5,912
Airmail	**5,622**	6,808
Total scheduled services (Note 35)	**659,381**	544,909
Chartered flights (Note 35)	**5,304**	7,788
Cargo warehouse revenues	**17,175**	14,720
Commercial revenues from arriving and departing aircraft of other Companies	**17,578**	14,787
Royal tours revenues (Tours operating revenues)	**9,800**	8,990
First class services revenues	**6,495**	5,300
Simulation training revenue	**153**	-
Frequent flyer revenues	**3,235**	3,170
Ancillary revenue	**4,916**	4,636
Revenues from technical and maintenance services provided to other Companies	**3,947**	3,341
Revenues from NDC (Galileo)	**2,792**	2,785
Other revenues	**2,507**	2,395
	733,283	612,821

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

(25) COST OF REVENUES

	2023	2022
Flying operations costs		
Aircraft Fuel	**215,062**	228,390
Other flying operations costs	**73,682**	59,063
Total flying operations costs	**288,744**	287,453
Repair and maintenance	**109,681**	96,327
Aircraft rental expenses	**7,329**	11,879
Depreciation of property and equipment and Right-of-use assets (Aircraft and engines and capitalized maintenance)	**67,462**	65,924
Stations and ground services	**76,378**	60,883
Ground handling unit	**24,005**	20,126
Passenger services	**92,254**	74,326
	665,853	616,918

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

	2023	2022
Salaries and wages	**45,703**	29,833
Social Security contribution	**5,837**	4,499
Provident Fund contribution	**2,993**	2,863
Overtime	**2,463**	1,162
Medical expenses	**2,168**	1,894
End of service indemnity	**273**	381
Other benefits	**1,981**	1,667
	61,418	42,299

(26) OTHER INCOME (EXPENSE), NET

	2023	2022
Other income – Amortization of government grants (note 18-b)	**3,183**	2,769
Reversal from (provision) of legal cases	**3,000**	(1,860)
Other income (expense)	**618**	(938)
	6,801	(29)

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

(27) GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Salaries and wages	**5,215**	3,384
Depreciation	**2,487**	1,733
Computer expenses	**2,161**	1,765
Professional and consultation expenses	**814**	1,150
Social Security contribution	**782**	471
Legal expenses	**430**	215
Water, electricity and heating	**379**	440
Medical expenses	**347**	336
Employees benefits	**344**	195
Provident Fund contribution	**306**	292
Maintenance and cleaning expenses	**304**	232
Life insurance	**219**	131
Governmental Fees	**68**	-
Communication expense	**64**	28
Overtime	**49**	24
Rent	**15**	15
Others	**1,533**	1,233
	15,517	11,644

(28) SELLING AND MARKETING EXPENSES

	2023	2022
Commissions	**22,510**	17,826
Salaries and wages	**9,469**	7,792
Marketing and advertisement	**2,640**	3,623
Computer expenses	**1,664**	1,321
Social Security contribution	**1,518**	1,325
Other employee benefits	**1,343**	1,385
Depreciation	**892**	890
Rent	**839**	546
Medical expenses	**624**	581
Communication expenses	**589**	713
Provident Fund contribution	**307**	298
End of service indemnity	**307**	230
Legal expenses	**239**	225
Maintenance and cleaning expenses	**178**	176
Water, electricity and heating	**149**	122
Overtime	**147**	108
Life insurance	**128**	93
Consulting expenses	**97**	88
Others	**3,921**	3,627
	47,561	40,969

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

(29) FINANCE COSTS

	2023	2022
Leases contracts – finance cost (Note 19-a)	**19,637**	17,322
Interest on loans	**8,696**	7,254
Other interest and bank charges	**1,316**	1,452
	29,649	26,028

(30) PROVISION FOR VOLUNTARY TERMINATION

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 109 (2022: JD 526).

(31) EARNINGS PER SHARE

	2023	2022
Loss for the year attributed to the equity holders of the parent ('000)	**(8,735)**	(78,941)
Weighted average number of shares ('000)	**309,727**	324,610
Basic and diluted earnings per share (JD)	**(0,028)**	(0,243)

(32) INCOME TAX

No provision for income tax was calculated by the Company for the year ended 31 December 2023 and 2022 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 2022 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 2022 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 decision of the Tax Court of Appeal, in its capacity, was issued to annul the decision of the Court of First Instance and claim the Company for the tax according to the court's decision. The decision of the Court of Cassation overturned the decision of the Court of Appeal, and the case was returned to the Court of Appeal again.

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

The Court of Appeal's decision was issued by cassation, and the Company dismissed the decision for another controversial point, for which there is no specific value. The Criminal Court of Appeal issued a decision not to follow the cassation, and the Company has appealed this decision, and in the opinion of the tax consultant, the probability of winning both cases is very high.

Royal Wings Company filed its tax return for the years from 2019 until 2022 within the statutory period. The Income and Sales Tax Department is currently reviewing the Company's tax returns at the first instance court. Royal Wings Company reached a final settlement with the Income and Sales Tax Department up to the year 2018 whereas the years from 2019 to 2022 are yet to be reviewed.

Royal Tours for Travel and Tourism Company filed its tax return for the years from 2019 to 2022 within the statutory period. The Income and Sales Tax Department did not review the Company's accounting records for the years from 2019 to 2022 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 2020 to 2022. 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 2021.

Jordan Airline Training and Simulator Company filed its tax return for the years from 2020 until 2022 within the statutory period. Jordan Airline Training and Simulator Company reached a final settlement with the Income and Sales Tax Department up to the year 2019 whereas the years from 2020 to 2022 are yet to be reviewed.

Jordan Airports Company filed its tax return for the years from 2020 until 2022 within the statutory period. Jordan Airports Company reached a final settlement with the Income and Sales Tax Department up to the year 2019 whereas the years from 2020 to 2022 are yet to be reviewed.

Reconciliation between accounting profit and taxable profit is as follows:

	2023	2022
Accounting loss	**(8,693)**	(78,860)
Non-taxable profits	**(22,551)**	(2,992)
Non-deductible expenses	**40,785**	16,397
Prior years' tax losses	**(366,744)**	(301,290)
Accumulated tax losses	**(357,203)**	(366,745)
Relates to:		
Total loss – Parent Company	**(356,652)**	(367,868)
Total (loss) profit – Subsidiaries	**(551)**	1,123
Effective income tax rate for subsidiaries	**20%**	20%
Statutory income tax rate	**20%**	20%
Income tax expense	**49**	-

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

(33) 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 2023 in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations.

The results of Royal Wings Company for the years 2023 and 2022 are presented as follow:

	2023	2022
Revenues	-	-
Cost of revenues	-	(350)
Gross loss	-	(350)
General and administrative expenses	**(16)**	(56)
Other income (expenses), net	**1**	851
(loss) profit before tax from discontinued operations	**(15)**	445
Income tax	-	-
(loss) profit from discontinued operations	**(15)**	445

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

	2023	**2022**
ASSETS		
Accounts receivable and other debit balances	-	43
Cash and bank balances	**79**	60
Assets classified as held for sale	**79**	103
LIABILITIES		
Accounts payable and other credit balances	**149**	148
Accrued expenses	**50**	17
Liabilities associated with assets classified as held for sale	**199**	165
Net liabilities associated with assets classified as held for sale	**(120)**	(62)

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

(34) 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:

	2023		2022	
	Accounts receivable	**Accounts payable**	Accounts receivable	Accounts payable
Government of Jordan	**6,255**	**506**	4,687	850
Employees' Provident Fund (Note 22)	-	**2,502**	-	5,327
Social Security Corporation	**7**	**19,262**	-	-
Jordan Aircraft Maintenance Company (JORAMCO)	**154**	-	298	-
Jordan Flight Catering Company Ltd.	-	**4,717**	-	3,458
Jordan Airline Training and Simulator Company (JATS)	-	-	-	244
	6,416	**26,987**	4,985	9,879

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

	2023	2022
Government Investments Management Company (Note 17)	-	70,000

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

	2023	2022
Jordan Aircraft Maintenance Company (JORAMCO):		
Scheduled services revenues	**423**	223
Repair and maintenance expenses	**(3,304)**	(3,032)
Jordan Flight Catering Company Ltd.:		
Passenger services expenses	**(20,426)**	(16,582)
Jordan Aircraft Training and Simulation Company (JATS):		
Scheduled services revenues	-	6
Pilots training expenses	**(552)**	(976)

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

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. On 1 February 2021, the contract was renewed for unlimited period with three months' notice of termination.

The Company signed a 4 year training contract with Jordan Airline Training and Simulator Company (JATS) starting from July 2006 and in return the Company was granted a share of 20% in Jordan Airline Training and Simulator Company. On 31 January 2023, the contract was extended until the end of April 2023.

During the year 2010 the Company signed a 11 years and six months catering contract with Jordan Flight Catering Company, and in return the Company was granted an additional share of 10% in Jordan Flight Catering Company to reach a total share of 30%. On 1 March 2024, the Company signed an extension agreement with Jordan Flight Catering Company Ltd. which will expire on 30 April 2024.

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

	2023	2022
Scheduled services revenues – passengers	**9,929**	4,463
Scheduled services revenues – cargo	**782**	1,032
Chartered flights	-	213
	10,711	5,708

The Company's contribution to the employees' saving fund amounted to JD 3,606 and JD 3,453 for the years 2023 and 2022, respectively.

Compensation of key management personnel

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

	2023	2022
Salaries and other benefits	**1,028**	929
Board of Directors remuneration	**48**	29

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

(35) 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:

	2023				2022			
	Scheduled services	**Chartered Flights Passengers**	**Chartered Flights Cargo**	**Total**	Scheduled services	Chartered Flights Passengers	Chartered Flights Cargo	Total
Levant	**80,353**	**62**	**328**	**80,743**	63,109	43	884	64,036
Europe	**183,424**	**339**	**1,770**	**185,533**	162,546	471	1,978	164,995
Arab Gulf	**137,258**	**864**	**34**	**138,156**	125,483	1,196	-	126,679
America	**221,968**	-	**1,907**	**223,875**	176,667	-	1,943	178,610
Asia	**25,121**	-	-	**25,121**	9,067	-	1,114	10,181
Africa	**11,257**	-	-	**11,257**	8,037	43	116	8,196
Total Revenues	**659,381**	**1,265**	**4,039**	**664,685**	544,909	1,753	6,035	552,697

(36) 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, granted loan to an associate 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.

(37) 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.

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

31 December 2023	**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 13)	61	-	-	61
	61	-	2,087	2,148

31 December 2022				
Financial assets:				
Financial assets at fair value through other comprehensive income	-	-	2,087	2,087
	-	-	2,087	2,087

(38) 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 2023 and 31 December 2022.

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates as of 31 December 2023 and 2022, with all other variables held constant.

2023-	**Increase in interest rate (points)**	**Effect on loss**
Currency		
USD	**50**	**(537)**
JD	**50**	**94**

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

If the interest rate decreases by 50 basis points, it will have the same financial impact as outlined above but in the opposite direction.

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

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 2023 and 2022.

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 2023 and 2022, based on contractual payment dates and current market interest rates.

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
31 December 2023					
Accounts payables and other current liabilities	**87,130**	**-**	**-**	**-**	**87,130**
Loans	**5,091**	**24,796**	**94,519**	**2,357**	**126,763**
Lease obligations	**14,464**	**73,859**	**266,123**	**31,218**	**385,664**
Other long-term liabilities	**-**	**-**	**42,766**	**30,242**	**73,008**
Total	**106,685**	**98,655**	**403,408**	**63,817**	**672,565**
31 December 2022					
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	-	-	49,643	17,277	66,920
Total	90,979	79,486	422,956	77,478	670,899

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

Currency risk

The table below indicates the Group's foreign currency exposure at 31 December 2023 and 2022, 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.

2023 -	***Increase in foreign currency rate to the JD currency***	***Effect on loss***
Currency	**(%)**	
Euro	**5**	**(1,077)**
GBP	**5**	**(212)**

2022 -	***Increase in foreign currency rate to the JD currency***	***Effect on loss***
Currency	**(%)**	
Euro	5	(771)
GBP	5	126

If the currency price decreases by 5%, it will have the same financial impact as stated above but in the opposite direction.

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 1,447 for the year ended 31 December 2023 (31 December 2022: JD 1,235).

(39) 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 JD 90,244 as at 31 December 2023 (31 December 2022: Deficit of JD 68,752).

The Company and its main shareholder, the Government Investment Management Company increased and restructured RJ's capital. The Council of Ministers resolved in their meeting no. (11944) held on 4 June 2023 that RJ acquires 90% of the capital of Jordan Airports Company through the issuance of new shares in RJ's capital in favor of the Government Investment Management Company. Capital increase procedures were completed during December 2023.

The General assembly resolved in their meeting held on 3 October 2023 to restructure RJ's capital. The restructuring plan is summarized as follows:

To write off the accumulated losses and the statutory reserve through the following:

- JD 14,8 million against the Company's statutory reserve.

- JD 201 million against the Company's paid-in capital.

Capital increase of JD 240 million shares (Par value of one Jordanian Dinar per share), through the following:

- Capitalization of payments in respect of capital increase of JD 70 million as authorized by the Prime Ministry of Jordan as per the resolution number (7056) which was resolved in their meeting held on 18 May 2022.

- Acquisition of 90% of the capital of Jordan Airports Company for JD 170 million through the issuance of new shares in RJ's capital in favor of the Government Investment Management Company.

Accordingly, paid-in capital became JD 364 million as of 31 December 2023.

Moreover, the Company received a comfort letter on 8 June 2020 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.

(40) CONTINGENCIES AND COMMITMENTS

Letters of credit and guarantees

As of 31 December 2023, the Group had letters of credit amounted to JD 24,372 and letters of guarantees amounted to JD 963 (31 December 2022: letters of credit: JD 22,789 and letters of guarantees: JD 1,086).

Claims against the Group

The Group is a defendant in a number of lawsuits amounting to JD 10,958 (2022: JD 10,774) 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 2023 is sufficient to cover any contingent liabilities and claims that may arise from these lawsuits.

Capital commitments

As of 31 December 2023, the Group had capital commitments of USD 1,180,147,957 (31 December 2022: USD 303,051,349), equivalent to JD 836,984 (31 December 2022: JD 214,930) relating to finance lease agreements signed for eight new aircraft (31 December 2022: two new aircraft).

(41) STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

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

In January 2020 and October 2022, 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

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

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

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

(42) COMPARATIVE FIGURES

Some of 2022 balances were reclassified to correspond with the consolidated financial statements figures for the year 2023 presentation, with no effect on loss and equity for the year 2022.