2015
Annual Report

الملكية الأردنية
ROYAL JORDANIAN

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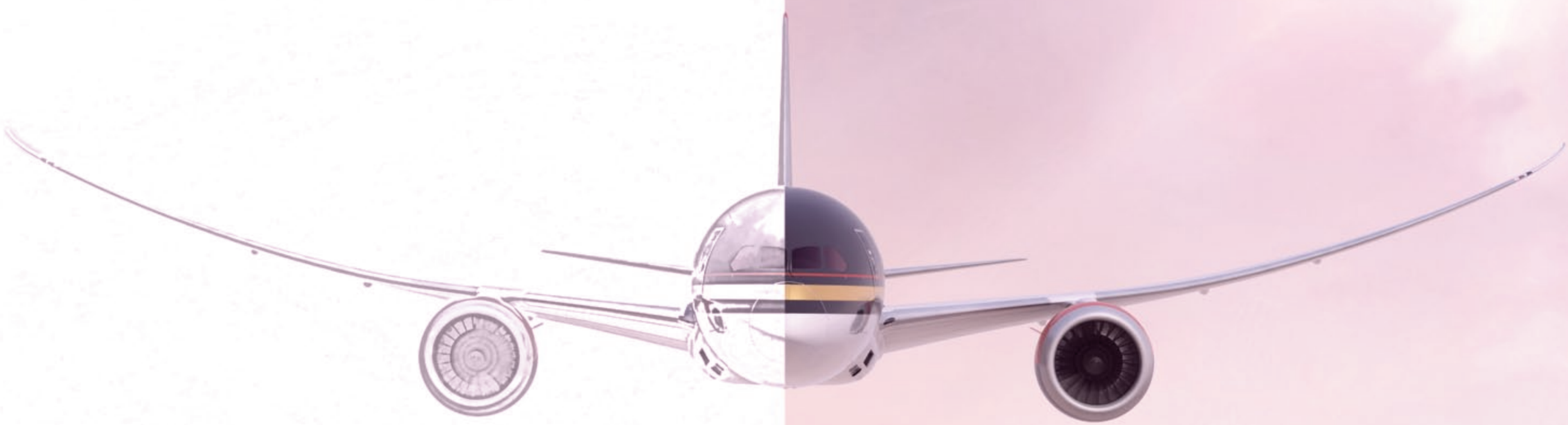
Applying Corporate Governance Guidelines for Companies Enlisted in the Amman Stock Exchange

His Majesty
King Abdullah Bin Al Hussein

His Royal Highness
Prince Hussein bin Abdullah



Sketching our Dreams

Our Vision, Mission and Values

partners and employees.
• We nurture trust and respect in our working environments, and promote an atmosphere of open communication.

Vision:
To be the airline of choice, connecting Jordan and the Levant with the world.
Mission:
To ensure our customers always recommend our airline because we consistently provide:
• The highest level of safety, security and reliability.
• A seamless travel experience with exceptional customer care.
• Value for money through maintaining cost efficiency.
To ensure our people are motivated and work productively as a team, because we offer:
• A healthy and stimulating work environment with open dialogue and participation.
• Competitive employment benefits and rewards.
• Opportunities for training and career development.
• Energetic and decisive leadership.
To ensure our shareholders invest in the Company because we deliver:
• An attractive return on investment.
• Sustainable profitable growth.
• The highest levels of corporate integrity and responsibility.
To ensure Jordan will be proud of us because we:
• Represent the best of Jordanian hospitality and culture.
• Promote Jordan as a destination and a gateway to the Middle East, to both business and leisure travelers.
• Support local communities and charities.
Values:
• We strive for excellence and those who succeed in our Company will be team players.
• We enjoy working and succeeding through effective communication and believe we can achieve more by working together as one team.
• We respect people's opinions and learn from our differences.
Objective:
• We make decisions based on hard facts and robust business cases, not on emotions or opinions.
• We always provide data to make our point and convince our colleagues.
Reliable:
• We constantly endeavor to provide customers with their needs.
• We guarantee strict compliance with the Company's internal policies and external regulatory requirements.
Committed:
• We are dedicated to deliver the best to our stakeholders.
• We set and achieve high performance standards.
• We take responsibility for our actions and our work.
• We listen and respond to both our external and internal customer needs.

Caring:
• We are always understanding and helpful to our customers.
• We always try to be supportive and accommodating to our colleagues.
• We aim to deliver standards to others that we wish for ourselves.
Trustworthy:
• We are always honest and transparent with our customers,

Board of Directors

Chairman
H. E. Suleiman Al Hafez
Representing Government of Jordan
Vice Chairman
H.E. Marwan M.H. Awad
Members
H.E. Alaa A. Al-Bataynah
Representing Government of Jordan
H.E. Maher Mikati
Representing Mint Trading Middle East Ltd.
H.E. Imad Al-Qudah
Representing social Security Corporation
(As from 28.12.2015)
H. E. Abdul Rahman Al-Khatib
Representing Social Security Corporation
(Up till 27.12.2015)
H.E. Captain Suleiman Obaidat
Board member elected to act as GM/CEO
(As from 27.10.2015)
H.E. Samer Muasher
H.E. Amr Bilbeisi
(Up till 15.3.2015)
H.E." Mohammad Sharif" Al-Zu'bi
H.E. "Mohammad Ali" Bdair
H.E. Captain Suleiman Obaidat
President/CEO (As from 27.10.2015)
H.E. Captain Haytham Misto
President/CEO (Up till 26.10.2015)
Auditors
Ernst & Young
Legal Advisor
Ahmad Abu Arkoub & Partners – Law Office
Hani Al-Kordi – Law Office

Chairman's Letter

Dear Distinguished Shareholders,

Greetings and respects from myself and on behalf of my fellow directors. We appreciate your keenness to be shareholders in Royal Jordanian of which we all are proud of its role as the national carrier of the Hashemite Kingdom of Jordan, a task it has been doing efficiently since its inception 52 years ago, to connect the Hashemite kingdom of Jordan with the entire world.

Dear Shareholders

In my letter to the 2014 Annual Report I assured you that I can see a prosperous future for RJ despite all the challenges. Today we can see that 2015 has been the start of an actual transformation operation in its march from the point of view of financial results and the start of recording profit.

Since the beginning of 2015, the Company started to execute its business plan for the years 2015 – 2019. This plan came after doing detailed and analytical study of revenues, expenditure, network and the fleet in addition to studying the company's overheads and its financial structure. The study concluded that two basic factors constitute the main levers for uplifting the Company. These are increasing revenues and reducing expenses without affecting safely criterion, a top priority of the Company, and without affecting the high standard of services that the Company provides for its passengers. As such priority has been given to the recommendations of the study and the procedures that constitute the biggest and fastest benefit in achieving fruitful results.

Dear Shareholders,

The said Business Plan rests on six basic axes. To start there will be a review of the destination network and of the fleet. Already the company decided to stop operations to eight destinations because of poor economic feasibility. At the same time, the Company is still forced to suspend operations to eight other destinations for safety reasons. As a result of that a number of aircraft were put out of service and five new Boeing 787s aircraft were introduced. RJ continues to look for new markets. Recently it opened five new stations: Tabuk, Al-Najaf, Ankara, Jakarta and Guangzhou in China.

The second axis of the Plan is the necessity to increase RJ's market share, both in Jordan and worldwide, through looking for available opportunities to increase passenger numbers to and from Jordan or increase indirect operations through Jordan. Managing revenue efficiently is the third axis of the Plan. The Company is working on procedures that aim at increasing its revenues. Concentrating on new sources of additional supporting revenues in the fourth axis of the Plan. The fifth axis rests on analyzing fuel cost whether through applying fuel saving initiatives like continued modernization of the fleet, or through continued negotiations with fuel suppliers in order to get better prices.

The sixth and last axis of the Business Plan rests on analyzing the cost of leasing or acquiring aircraft. The company is studying the best alternatives to meet its present and future interests in the matter of either operating lease of aircraft or Financial leasing that ends in ownership. The merits of the two options are being analyzed.

Dear Shareholders,

The other achievement that we would like you to know about is raising the Company Capital. In light of a resolution by the Company's General Assembly in its extraordinary meeting held on 2.5.2015, the Company capital was restructured through reducing it to become 46,405,342 Share/JD then raising the declared Company capital by JD 200m to become 246,405,342 Share/JD. This indicates the Government appreciation of the importance of Jordan's national carrier. In its session on 17.1.2015 the council of Ministers decided to cover 50% of the first slice of the capital increase. In case the other shareholders do not approve, the government will cover the whole slice. As such the Company board of Directors and Executive Management acted on executing the resolution of the General Assembly.

Procedures of reducing and then raising the Company Capital have been completed.

Minister of Industry and Trade issued his consent on 27.6.2015. The Company Board of Directors dcided to execute the capital increase in two equal stages.

The First stage involves covering the first slice of the increase to the value of 100m JD/Share.

Covering the second slice, of the same value, shall begin in light of the Company business results.

Shares of the first slice have been offered to the major Company shareholders. I am pleased to tell you that all procedures have been done and the whole first slice of one hundred million shares at the rate of JD per share, have been subscribed. The Company is looking forward to start procedures for subscription in the second slice of the capital increase.

Dear Shareholder,

RJ's management will continue to work hard in order to put the Company on the right track as an important pillar in the national economy, and its contribution to gross national product of Jordan comes to about 3%. In addition to the above, the Business Plan included a rescheduling operation of the Company debts. This was well received by the banks. Towards the end of 2015, the Company signed a loan agreement for US$ 275 m with a bank consortium. This deal succeeded in finding common structure between traditional and Islamic finance.

The loan agreement was signed with seven banks in Jordan, UAE and Qatar. It included Al-Mashreq Bank, Arab Bank, Gulf commercial Bank, Dubai Islamic Bank and Qatar Commercial Bank which acted as organizer, Arab Jordan Investment Bank which acted as organizer, and Union Bank as organizer. Al-Mashreq Bank acted as the loan coordinator.

The proceeds of this five year loan shall be used to refinance the Company current debts, and to provide more support for the continuous strategic growth and short and medium plans, in particular for the modernization of the fleet. The Company shall introduce three new Boeing 787s by the end of 2016 one more in early 2017 and a third in 2018. Five of these types of aircraft were introduced in 2014.

I wish to mention at this point that the amount provided by the said banks exceeded the amount requested initially. This reflects the confidence of banks and financial institutions in RJ, being the national carrier of Jordan.

Dear Shareholders,

2015 was positive by all standards. The business Plan started to yield fruitful results. The Company achieved a net after tax profit of JD 16 m, compared to a loss of JD 39.6m in 2014. Operating cost dropped from JD 715 in 2014 to JD 559m in 2015, which represent a drop of 22%. Let no one think that the drop in fuel prices was behind the profits recorded by the Company last year. Indeed fuel prices have an important effect on airline budgets, but I would like to emphasize that the drop in fuel prices was not the only reason for recording profit. The Company reduced ticket prices as a result of that and because of competition. The drop in fuel prices compensated for part of the reduction in ticket prices. In early 2015 RJ closed two important stations, Sanaa and Aden as a result of which the Company lost JD 12.3m. This was covered by the drop in fuel prices. The keenness of all the Company staff to carry out the aforementioned Business Plan efficiently also contributed to achieving the said profits.

It is worth mentioning that the net profits achieved by RJ in the first nine months of 2015, amounted to JD 27 m before tax. The drop to JD 21m which happened during the last quarter of the year was due to the seasonal nature of travel, Airlines usually record better results during the second and third quarters, i.e. the summer, of each year. Travel drops notably during the first and last quarters of the year. RJ lost the sum of JD 6 m in the last quarter of 2015, while it expected the loss to be JD 14.8 m. The result was much better than expected.

Dear Shareholders,

I assure you that RJ in pressing with its ambitious plan for the coming years. It is confident that its vision and target are clear and that it is going in the right direction which will guarantee its ability to control variables that affect the air transport industry. The Company is still facing challenges in the region due to the continuing state of political instability in many states where it used to operate whether in Syria, Iraq, Libya or Yemen and where the Company suspended operations, despite the importance of these stations in contributing to the revenues and with supply of passengers to the international network.

Once again, for myself and on behalf of my fellow Directors and the Executive Management, we thank you and we appreciate your support and your understanding of the situation that the Company went through during the past few years, we look forward to more prosperous future for RJ. I take this opportunity to express to His Majesty King Abdullah Bin Al-Hussein my deepest respect and gratitude for His relevant directions.

I also wish to thank the Government of Jordan; we appreciate its big support and keenness to enable this national company to occupy its distinguished place as Jordan's national carrier.

We thank all those who contributed and still contribute to the march of RJ, in particular the Company staff and loyal passengers whose confidence we highly appreciate. We ask the Almighty to guide our march and to preserve RJ to remain a national symbol and a basic pillar in the economy under the patronage of the wise Hashemite leadership.

Suleiman Al-Hafez
Chairman of the Board

Present and Future

Board of Directors Report

Company's Objectives and Main Activities

RJ works towards achieving the objectives for which it was founded, important among which are: carrying out regular and chartered air transportation of passengers, mail and freight within the Kingdom and abroad, in addition to providing aircraft handling services.

RJ's Geographical Locations and Number of Employees:

Royal Jordanian headquarters (General Administration) is in Amman. Operations and flights take off from QAIA. There are sales offices in 35 cities around the world and general sales agents in 46 other cities.
The Company operates through its employees who numbered 4394 as recorded on 31.12.2015. 322 of these employees work in stations abroad and 103 in Royal Wings and 16 in the subsidiary company Royal Tours.

Capital:

RJ's capital is JD 46,405,342 divided into 46,405,342 shares with a par value of JD 1 per share. In January 2016, the capital was increased by JD 60.1 m to become JD 106.5 m. In March 2016 the amount of JD 13.7m was received as part of the first slice. The rest of the first slice, the sum of JD 26.2m will be received during the first half of 2016. The capital will be increased by the amount of the second slice, which is JD 100m during the years 2017 and 2018.

Subsidiaries:

Royal Wings and its subsidiary Royal Tours
Royal wings was established in Jordan in 1975 as a limited liability company without any subsidiaries. It is wholly owned by RJ. As a result of applying the company's new strategy in November 2005, the regional services operated by Royal Wings, were transferred to RJ, the mother company. Royal Wings became the main operator of chartered flights. It also acts as agent for chartered flights (i.e. it arranges alternative chartered aircraft when its aircraft is not available). It also acts as a lessor of its aircraft to the mother company when necessary. Moreover Royal Wings operates new routes to destinations not currently served by RJ.

Royal wings head office is in the first floor of the Passenger Terminal, 7th Circle. Currently it employs a staff of 103. The capital of Royal Wings is JD 5m. It owns one airbus A320 aircraft. In October 2009 royal Wings acquired 80% share in Royal Tours. RJ was founded in 1979 to provide services complementary to RJ's services, to help it market its tours in tourist attractive place worldwide to book tickets and send tourist to the more attractive tourist resorts in the region and worldwide and always to look for what is new in order to provide more options for tourists.

Board of Directors

The following table contains names of the board of directors and a brief resumes for each one of them:

Director	Position	Board Member Since	Date of Birth	Qualifications	Graduation
Mr. Suleiman Al-Hafez	Chairman	2.10.2014	1.1.1941	BA Commerce	1968
Mr. Marwan M. Awad	Vice Chairman	26.4.2012	11.3.1951	MA Economics	1980
Eng. Alaa A. Al-Bataynah	Rep. Gov. of Jordan	9.10.2013	6.6.1969	MA Information 'systems BA \Civil Eng.	1993
Mr. Maher N. Mikati	Rep. Mint Trading M.E. Ltd.	27.3.2008	11.6.1980	MA Business Administration	2006
Mr. Imad Al-Qudah	Member	29.12.2015	3.5.1961	MA Business Administration	2006
Eng. Abdul Rahman Al-Khatib	Rep. Social Security corporation	27.3.2008 27.12.2015	5.9.1947	MA Strategic Studies/ Telecommunications Engineering	1980
Capt. Suleiman Obaidat	President/CEO	27.10.2015	6.6.1947	BA Military Sciences	1978
Mr. Samer A. Muasher	Member	5.9.2006	19.7.1971	BA Political Science	1992
Eng. Amr F. Bilbeisi	Member	15.3.2015	25.1.1961	BA Engineering	1982
Mr."Mohammad Sharif" A.Zu'bi	Member	27.3.2008	16.5.1963	MA Commercial Law	1985
Mr. Mohammad Ali I. Bdair	Member	27.3.2008	18.10.1976	MA Engineering Management	2001

Following is biographical information on the Directors' business experiences

H.E. Suleiman Al-Hafez:

- Mr. Suleiman Al-Hafez was elected by the Board of Directors as Chairman on 2.11.2014. He represented the Government on the Board.
- Has more than 45 years of experience in business, both government and private.
- Held the position of Undersecretary of the Ministry of finance when the Government started to apply the Economic correction Program in 1990.
- Held the positions of Minister of Finance and Minster of Communications respectively. Afterwards he became Minister of Energy and later Minister of Finance again he was Chairman of the Ministerial Development Committee in three governments.
- Was Chairman of the board of several companies and official bodies, such as Chief Commissioner of the Electricity Regulating board, Chairman of Jordan Telecommunications Company. Arab Potash Company, Chemabco for production of fertilizers, Jordan Bromine, Free Zones Board and Jordan Investment Board.
- Was board member of many boards; RJ for 8 years, Jordan Electricity Authority, Social Security Corporation, Orphans Fund Development Corporation, Arab African Bank, Arab Council for Agricultural Development, Governor International Monetary Fund, Deputy Governor, Arab Monetary fund, and Head of Jordan's Delegation to Paris Club.
- Held the position of Head of Costs Division in Jordan Tanning Company, also the position of Financial Director and Assistant GM in Jordan Cement Co. Telecommunications Board and Advisor to Petra Bank Committee (Under Liquidation).
- Held the position of Member of the Ministerial Development Committee and Member of the Royal committee on Modernization and Development.
- Currently Mr. Al-Hafez is the Chairman of Social Security Corporation Investment Fund.

Mr. Marwan A. Awad

- Mr. Awad was appointed Vice Chairman in April 2012.
- Currently he is the General Manager of First International for Consultations and Arbitration.
- Held the position of Minister of Finance.
- Held the position of Undersecretary of the Ministry of Industry and Trade.

• Held positions in Islamic, Commercial, investment development and Islamic banks as well as in Jordan's Central Bank.
• Held the position of CEO of Al-Ahli Bank, Industrial Development Bank, Qatar Islamic Bank and Middle East Investment Bank (Now Societe Generale).
• Was the Chairman and board member of several boards in national and regional companies and institutions.
• Author of a number of books and articles on banking and finance.
• Held a BSc. In Business Administration from the university of Jordan (1973), Higher Diploma in economic Development, MA in Economics from Vanderbilt University, USA (1980).

H.E. Ala'a Batayneh

• On 26.10.2013 he was nominated a member of the Senate by a Royal Decree.
• Held the position of Minister of Energy and Mineral Resources.
• Held the position of Minister of Transport.
• Held the position of Minister of Public Works and Housing.
• Held the position of GM of Jordan's Customs between 2005 and 2007.
• Held the position of Undersecretary of the Ministry of Transport between 2000 and 2005.
• Was active in the private sector for eight years in the USA, Britain and Jordan.
• He was decorated with the Jordanian Order of Independence First Class, and with the Grand Cross from the Kingdom of Holland. Eng. Al Bataynah was awarded King Abdullah II Award for Government Excellence and Transparency three times.
• Holds MA degree in Information Systems Management from George Washington University, USA.
• Holds BA degree in Electrical Engineering from George Washington University, USA.

Mr. Maher Mikati

• Was appointed Director in March 2008.
• Currently he is the CEO of M1 Holding Group, CEO of M1 Travel, and a member in the Investment Committee of M1 Holding Group.
• Former general manager of ARIBA Communications, Cyprus, from 2003 until 2005, and general manager of Investcom Holding Co. – Lebanon, for the period 2002 – 2003.
• Holds a BA Degree and an MA Degree in Business Administration from insead France.

Mr. Imad Al-Qudah

• Was appointed director in December 2015.
• Currently he heads the Shares Investment Department/Social Security Investment Fund.
• Held the position of Head of Treasury/social Security Investment Fund (2002-2008).
• Held the position of Acting Head of Social Security Investment Fund (2005-2006).
• Was head of Portfolio/External Investment Department/Jordan's Central Bank (2000-2002).
• Was Chief Dealer/Jordan's Central Bank (1996 – 2000).
• Was Dealer/External Investment Dept/Jordan's Central Bank (1991-1996).
• Was Assistant Head of Central Accounts Division/Jordan's Central Bank (1989 – 1991).
• Did military service/General Security Government (1988-1989).
• Holds an MA degree in Business Management/Saul Ross State University, USA 1985.

Eng. AbdulRahman Al-Khatib

• Was appointed Director in March 2008.
• Was member of the team that carried out the privatization of Jordan Telecom.
• He headed the technical team that carried out the restructuring and privatization of RJ and the companies that were formed by the restructuring program.
• He headed the technical team which executed the restructuring program of Civil Aviation Authority, and the formation of the Civil Aviation Regulatory Commission.
• He headed the Privatization Executive commission 2008 – 2011.
• Former director of Orange, Chairman of the technical committee on the privatization of RJ, and Orang, Chairman of Jordan Aircraft Engines Maintenance Co., Chairman of Wanadoo Internet Services, Chairman of Dimensions for Building and Developing Electronic Data, chairman of Miyahuna-Jordan Water Company.
• Holds a BA degree in Electronic Engineering from the Royal Greek Air Academy, an MA in Electronic Engineering and an MA in Defense and Strategic Studies.

Captain Suleiman Obaidat

• Appointed President/CEO in RJ in October 2015.
• Appointed Head of Civil Aviation Commission in 2007.
• Was deputy head of air Operations and head of the technical section in RJ.
• Was commander of the Royal Squadrom and the Air Transport wing in the RAF.

Mr. Samer A. Muasher

• Was appointed Board Member in September 2006, he was also a Board Member during the period August 2003 until August 2005.
• He is a Director of a number of Jordanian and international institutions including Royal Wings, Scientific Society for the Conservation of Nature, Medical and Scientific Supplies Co., Saraya Holdings Inc., Saraya Aqaba, mega Teck, Royal Film Commission, Amman Drug Co., and Exploration for Tourism and Travel Co.
• Holds a BA Degree in Politics and Economics from Northwestern University, Illinois, USA.

Eng. Amr F. Bilbeisi

• Was appointed Director in September 2006.
• He is a partner and CEO of Associated Services Agencies (ASA).
• He is a Director of a number of Jordanian and international companies and bodies, including Ru'ya Modern Electronics, LG Electrical Appliances, and Al-Mutarabeta Wood Industries Co.
• Holds a BSc. In Engineering from Northeastern University, USA.

Mr. "Mohammad Sharif "Zu'bi:

• He was appointed a Board member in March 2008, he was also a Board member from August 2003 until April 2005.
• Currently he is the General Manager of Ali Sharif Al-Zu'bi Law Firm.
• Former Minister of Justice during the period 2006 – 2007, and Minister of Industry and Trade during the period 2005 – 2006.
• Board Member in a number of Jordanian companies and commissions: Al-Hussein Cancer Centre, International Academy and Jordan Micro Financing Company.
• Currently he is a member of Jordanian Lawyers Union, the International Lawyers Union, and the Jordan's Senate.
• Former Director of a number of commissions and institutions such as Jordan's Central Bank, Regional Arab Forum, and the Economic Social Council.
• Holds a BA Degree in Law and MA in Commercial Law from Bristol University, Great Britain.

Mr. "Mohammad Ali" Bdair

• Was appointed Director in March 2008.
• Currently he is the General Manager of Perfect Dimension Investment Co., and a board member of Arab Mining Co.
• Former General Manager of International Telecommunications Technology (2000 – 2005) and a member of Investment Promotion Council.
• Holds a BA Degree in Industrial Engineering from Perdue University, USA in 1997, and an MA in Engineering Management from the AUB in 2001.

Senior Executive Management

The following table contains names of the senior executive management team and a brief resumes for each one of them:

Name	Position	Date Appointed	Date of Birth	Qualifications	Specialty	Graduation
Capt. Suleiman Obaidat	President/CEO	27.10.2015	6.6.1947	BA	President/ CEO	1978
Capt. Haytham Misto	President/CEO	26.10.2014 26.10.2015	7.5.1963	MA	President/ CEO	2008
Mr. Firas Al-Qaraeen	Chief financial officer	18.10.2015	14.11.1969	BA	Chief financial officer	1991
Mr. Ziad Jarrar	Acting CFO	29.1.2015 17.10.2015	29.2.1956	BA	Acting CFO	1993
Mr. Omar S. Al-Said	Chief financial officer	1.7.2012 14.2.2015	20.5.1964	MA	Chief financial officer	1988
Mr. Richard Nuttal	President Commercial Section	1.12.2013 1.10.2015	20.1.1966	MA	President Commercial Section	2002
Mr. Maath A. Majali	VP Sales, Cargo, airrport Services	24.10.2014 9.1.2015	1.5.1954	BA	VP Sales, Cargo, airrport Services	1976

Biographical Information on the Senior Executives Business Experiences:

Capt. Suleiman Obaidat
- Capt. Suleiman Obaidat was appointed President/CEO of RJ in October 2015.
- Was appointed Chief Commissioner of Civil Aviation Regulatory commission in 2007.
- Was head of Air Operations and head of the technical section in RJ.
- Was Commander of the Royal Squadron and the Air Transport Wing in the RAF.

Capt. Haytham Misto
- Was president/CEO of RJ from October 2014 until October 2015.
- Appointed Head of Air Operations
- Was Commander of the A320 fleet.
- Was in charge of technical training in the Air Operations Department.
- Holder of many licenses: Full Check Airman, Line Instructor.
- Holds an MA in Aviation Management.
- Hold a Diploma in commercial Aviation.

Mr. Firas Qaraeen
- Appointed Chief financial officer in October 2015.
- Former GM in Al-Rajihi Cement Co.
- Former Deputy GM for finance and business support in Al-Rajihi Cement Co.
- Former Chief Consultant in Karma Consultation and Development Company for three years.
- Former Chief Auditor in Ernst & Young and in Arthur Anderson.
- Former Finance Manager in Zara Holding Co., and held the same position in Arab Jordanian Engineering Co (2k).
- Holds a BA degree in Accounting from the University of Jordan.
- Holds CPA Certificate.

Mr. Ziad Jarrar
- Worked in the Company from October 1977 until February 2016.
- Held the position of Acting CFO from January 2015 until October 2015.
- Was head of Finance Department in January 2011.
- Former accountant in Karachi station, and accounts manager of Spain.
- Holds a BA degree in literature & Economics.

Mr. Omar Al-Said
- Held the position of CFO in RJ from July 2012 until February 2015.
- Was Executive Director of Frendy Communications in Jordan and Saudi Arabia.
- Held the position of Executive Financial Directors in Zain telecom.
- Held the position of Executive Financial Director in Jordan Telecom Group-French Telecom "Orange"
- Worked in Repsol Oil Drilling Co.
- Worked in Arthur Anderson.
- Has wide experience in the fields of telecommunications, oil, gas, auditing and tourism.
- Holds a BSc. in Accounting from the University of Jordan.
- Holds an MA degree with honors in Accounting from Oklahoma City University, USA.
- Participated in an advanced course on management development at Harvard University, USA.

Mr. Richard Nuttall
- Mr. Nuttall was appointed head of the Commercial Section on January 2013 until October 2015.
- Former GM of Bahrain Aviation.
- Former Executive Director of Commercial Operations of Kenya Airways.
- Former Regional VP of American Cargo Operations of Atlas Aviation, the largest among 747 freight companies in the world,
- Worked as commercial advisor to the team that rescued Philippine Airlines from bankruptcy.
- Began his professional life with Cathay Pacific where he spent 12 years in various roles which included, planning, revenues, management, internal and state consultations.
- Holds a BA in Mathematics from Oxford University, and an MA in Business Management from London School of Business.

Mr. Maath A. Majali
- Started work in the Company in June 1976 until January 2015, he held the position of VP/Sales, Freight and Airport Services.
- Became VP Cargo in August 2011.
- Held the positions of VP/Cargo in August 2011.
- Held the position of Head of Cargo Dept. Deputy Air Services Manager. Executive Director of Sales in Jordan, Manager of several of stations abroad.
- Holds a BA degree In English and Sociology from the University of Jordan.

Major Shareholders

No	Shareholder	No. of Shares at 31.12.2015	%	No. of shares at 31.12.2014	%
1	The Government of the Hashemite Kingdom of Jordan	12,065,388	26	21,937,070	26
2	Mint Trading Middle East Ltd.	8,817,015	19	16,030,937	19
3	Social Security Corporation	4,673,534	10.07	8,497,335	10.07

The first slice of 100 million JD/Share was fully subscribed as follows:
- Government of Jordan 76,177,729, its share in the Company becomes 60.3%.
- Mint Trading Middle East Ltd. 13,701,823, its share in the Company becomes 15.4%.
- Social Security Corporation 9,967,000, its share in the Company becomes 10%.
- Other Shareholders 153,448

Part of the increase in the capital was paid in January and March 2016. It is expected that the balance of the subscription of the Government of Jordan, which amounts to JD 26.2 million, will be paid during 2016.
It is worth noting that the Government of Jordan share in RJ has been transferred on 16-3-2016 to the "Government Shareholdings Management Company", a company recently formed with the purpose of owning and managing all Government shareholdings.

Company Competitive status

RJ is the national carrier of Jordan. It operates regular flights from Jordan to 55 cities around the world in 2015 as follows:
- Levant: Beirut, Cairo, Aqaba, Suleimaniya, Baghdad, Basra, Erbil, Tel Aviv, and Al-Najaf. The Company is committed to restart operating to Damascus, Aleppo and Mosul when safety conditions allow.
- Arabian Gulf: Abu Dhabi, Dammam, Doha, Dubai, Jeddah, Kuwait, Riyadh, Medina and Tabuk. The Company will restart operating to Sanaa and Aden when safety conditions allow.
- Africa: Khartoum, Tunis, Algiers. The Company is committed to resume operating to Maserata, Tripoli, and Benghazi when safety conditions allow.
- Europe: Amsterdam, Athens, Barcelona, Frankfurt, Istanbul, Geneva, Kiev, Larnaka, London, Madrid, Moscow, Munich, Paris, Vienna, Zurich, Rome, Berlin and Ankara.
- Far East and Indian Peninsula: Bangkok, Hong Kong, Kuala Lampur and Jakarta.
- North America: New York, Chicago, Detroit and Montreal.

Out of 55 destinations, RJ faces direct competition from other airlines in 26 destinations only. The Company is continuing with its studies to add destinations or amend the number of weekly departures according to need, or close some routes following economic feasibility.
RJ has joined "Oneworld" alliance on 1.4.2007 which include a group of the finest and largest airlines in the world, this came as a result of the remarkable international reputation RJ has as it considered to be the first Arabic airlines that joins an international aviation alliance, which provide RJ's passengers the easiness to reach almost 1000 cities in the world.
In 2011 the American authorities approved a request made by five of the Alliance Companies – Royal Jordanian, British Airways, American Airlines, Iberia Airlines, Finnish Airlines - to obtain immunity from the American Antimonopoly Law. This has improved the competitive merits of the company and enabled it to coordinate its operations with the aforementioned companies.

Members of "Oneworld" Alliance in addition to RJ are: Air Berlin, American Airlines, British Airways, Cathay Pacific, Spanish Airways (Iberia), Finnish Airlines, Japan airlines, QANTAS, Malaysian Airlines, Siberia Airlines, Qatar Airlines, LAN Airlines in South America, Sri Lanak Airlines and the Brazilian TAM Airlines.
Moreover, RJ has entered into marketing alliances with international airlines through a number of commercial agreements to operate on the basis of code sharing, where RJ's code appears on other airlines flights where RJ does not operate directly. As such it acts as marketing carrier. This includes direct flights that serve RJ's passengers from Amman to Bucharest direct, in addition to direct fights between Amman and Bahrain and Between Amman and Muscat.

Government Protection or Privileges enjoyed by the Company or any of its products in accordance with laws and regulations

- There are no Government protections or privileges enjoyed by the Company or any of its products in accordance with laws and regulations.
- There are no patents or privileges earned by the Company.

Reliance degree on major and main suppliers and customers

The Company deals with a wide group of local and foreign suppliers who provide various goods and services. The Company does not depend on particular suppliers, whether local or foreign, who provide 10% or more of the company's purchases, with the exception of aircraft fuel supply from Jordan Petroleum Refinery.
On the other hand the Company deals with a wide range of clients, local and foreign, and provides them with flight services. RJ does not depend on particular clients whether local or foreign, who constitute 10% or more of its total sales.

Effect of Decisions taken by the Government or the International Organizations or others which have Material Effect on the Work or the products of the Company or its Competitive Power

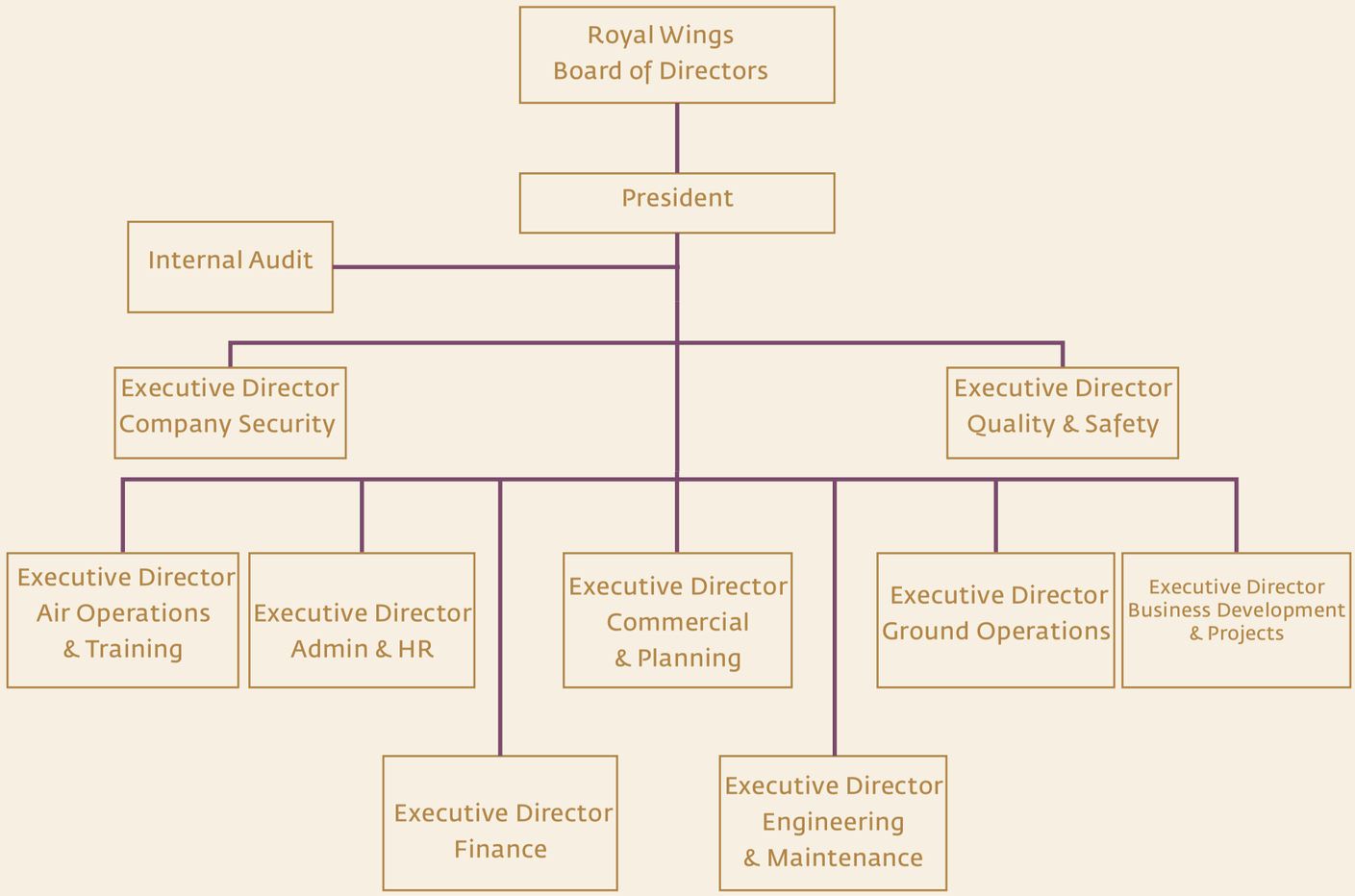
Comprehensive Agreement with the EU

Jordanian Government has signed a Comprehensive Agreement with the EU on 15.12.2010. It includes mainly unlimited opening of skies between the Kingdom and the EU pursuant to the Third and Fourth Freedoms. The Kingdom also adopted legislations similar to the European legislation in the field of civil aviation and air freight. This Agreement shall expose RJ to unbalanced competition with European airlines that enjoy flexibility in operating from any point in Europe to Jordan. RJ cannot do this since there are no suitable time slots in the major European cities most important of which in London's Heathrow Airport.
In its session held on 10.1.2012, the Council of Ministers approved the extension of exempting contracts of buying, selling, leasing and financing aircraft, their engines and the contracts related to them, which are contracted by RJ, from general sales tax, income tax and stamp duty (Prime Minister's Letter No. 12/11/4/1096 dated 11.1.2012).

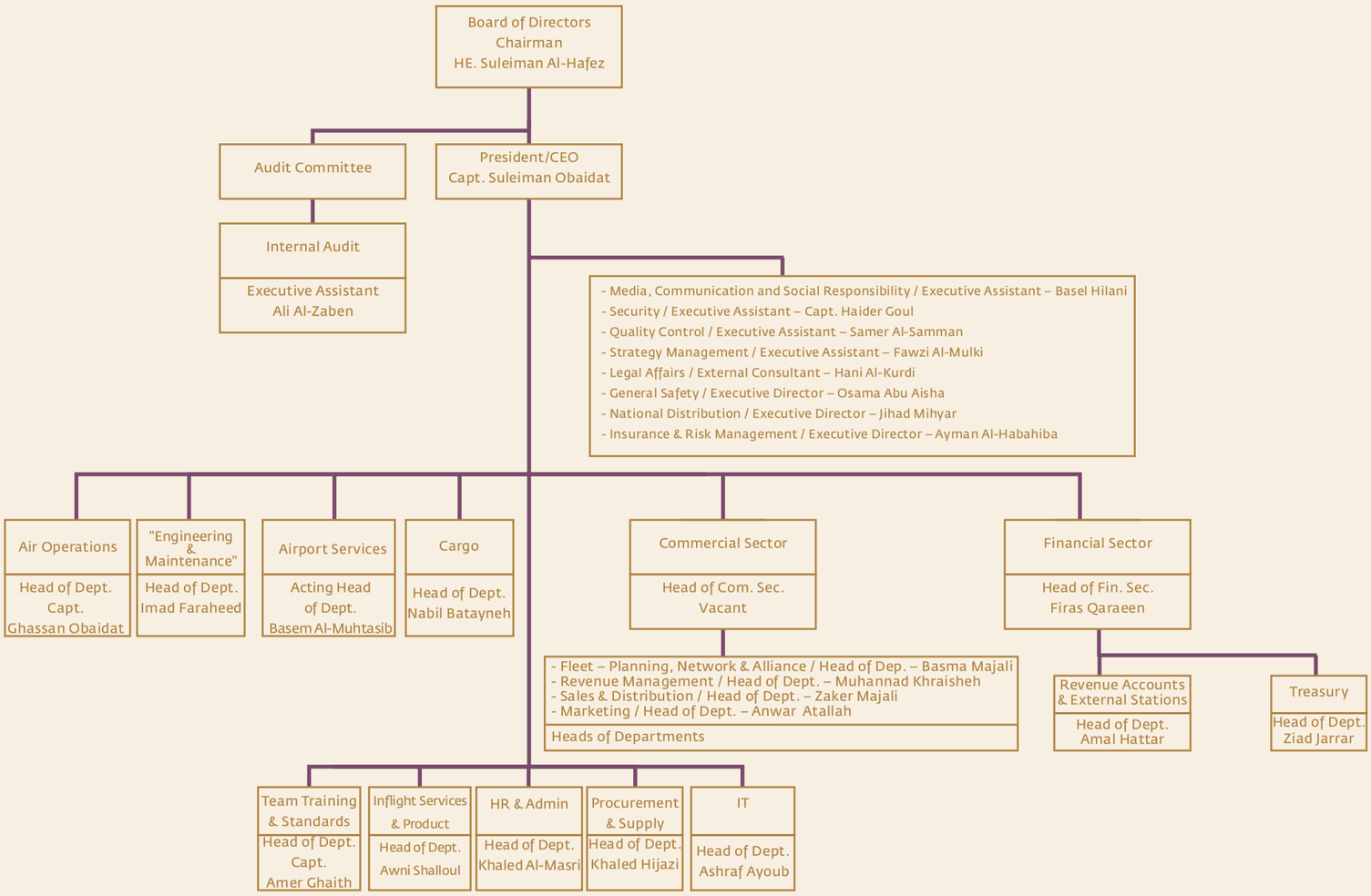
Application of International Quality Standards

RJ implements International Quality Standards through applying the IOSA Certificate (IATA Operational Safety Audit) requirements. Obtaining this international certificate depends upon the implementation of the principles of auditing practiced worldwide at all times in accordance with international rules and regulations. This audit has become an international requirement for an airline to maintain its IATA membership and it "oneworld" alliance membership. The Company also implements the requirements of ISAGO (IOSA Safety Audit for Ground Operations). This audit covers the main divisions of airport services and the necessary documentation operations, making sure of their practical application and taking into account the presence of public safety and security requirements, including the performance of equipment and machinery and those who operate them, as well as implementing the conditions and requirements of ground safety while adhering to local and international regulations laid down by the relevant bodies. This is in addition to implementing the standards and requirements of European Aviation Safety Agency (EASA) which applies the highest standards of air safety and continues supervision to ensure the safety of air operations. RJ also applies the standards of ISO (International Standards Organization). Air Operations Department and Freight Department obtained ISO 9001 certificates without any violations. In order to ensure that the Company's performance is at this high standard of quality, the Company carries out auditing on the implementation of national and international safety and security criteria, in addition to inspection operations and a continues control of problems in ground and air location. A team of company staff carries out auditing on various Company departments and on its stations around the world.

RW ORGANIZATION STRUCTURE



RJ ORGANIZATION STRUCTURE AT THE END OF 2015



Senior Executive Management

In 2015 the Company achieved a net profit after tax of JD 16m, compared to a net loss of JD 39.6m in 2014. The Company managed to achieve these positive results despite the challenges that it faced during 2014 and 2015. Foremost among these challenges was the atmosphere of competition and instability that the states of the region are witnessing and which has a direct effect on the movement of tourist groups to Jordan and the Middle East. This is in addition to the suspension of flights to several destinations for safety reasons. Moreover the company had to suspend flights to Sanaa and Aden in early 2015 also for safety reasons.

The positive results were the result of implementing the five years Business Plan (2015 – 2019) in addition to the positive effect of the drop in fuel prices. This contributed to covering for the losses incurred as a result of suspending flights to Sanaa and Adan.

In its plan to restructure its network, the Company opened new stations these are: Al-Najaf, Tabuk, Ankara, Jakarta and finally Guangzhou.

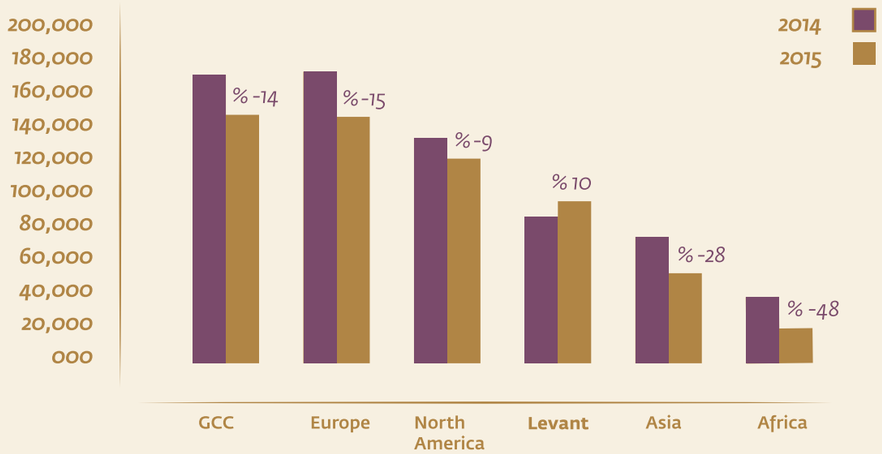
The 9% drop in the number of passengers compared to 2014, is due to closing some destinations for commercial reasons, in addition to suspending other destinations for safety reasons.

Revenues dropped by 13% due to the aforementioned reasons in addition to reducing ticket prices because of the drop in fuel prices also as a result of competition.

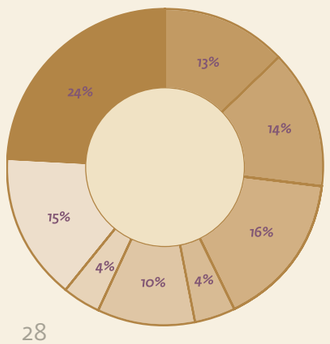
As for geographical distribution of revenue, we find that the Company revenues dropped in all areas in varying proportion, compared to 2014 with the exception of revenues from the Arab East, where they went up by 12%.

The largest drop was in revenues from Africa, 48%, and from Asia 28%.

This was the result of suspending flights to a number of destinations for safety or commercial reasons.

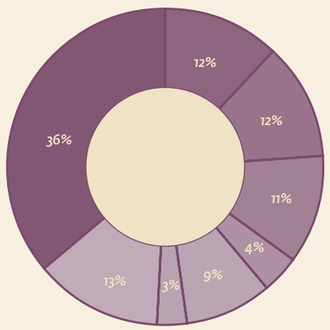


Operating cost in 2015 went down by 21% compared to 2014 as a result of an 11% drop in flying hours due to the above reasons. The ratio of operating cost to total revenues was 86% in 2015, an improvement of 8% from 2014 when it was 94%. The continued drop in fuel prices in world markets, in addition to the efficient operation of the Boeing 787, contributed to reducing the proportion of fuel cost from the total operating cost, to 25% in 2015, compared to 36.5% in 2014.



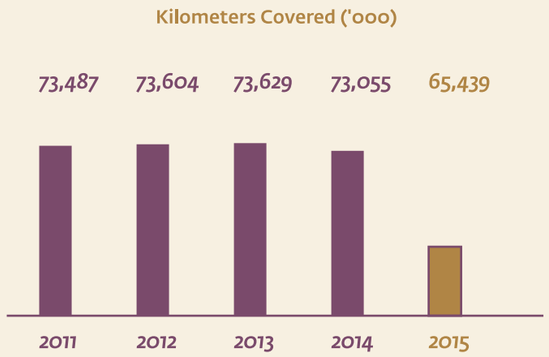
2015

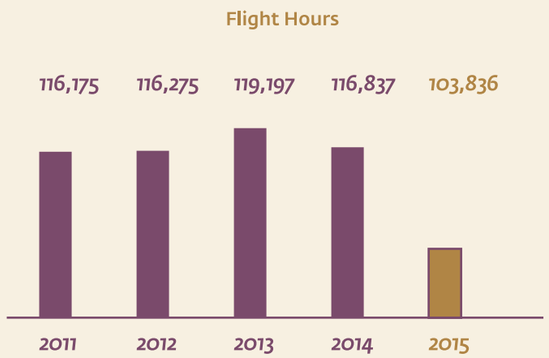
14% Maintenance and repair
16% aircraft leasing
4% aircraft depreciation
10% station and ground services
4% ground handling services
15% passenger services
24% cost of fuel
13% other flying operation

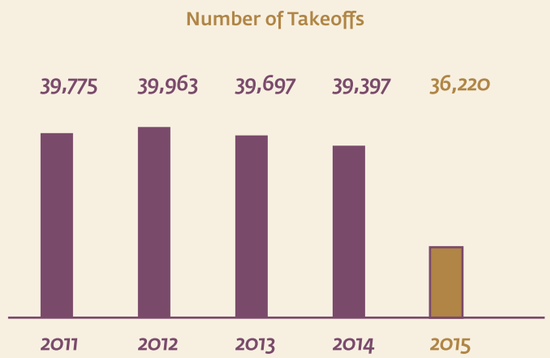


12% Maintenance and repair
11% aircraft leasing
4% aircraft depreciation
9% station and ground services
3% ground handling services
13% passenger services
36% cost of fuel
12% other flying operation

The positive results of 2015 resulted in a 2.4% profit margin, compared to a 5.2% loss in 2014. Following are the more important operational and financial indicators for the period 2011 – 2015.







Financial Indicators	2015	2014	2013	2012	2011
Revenues	658,055	757,415	759,940	802,062	736,004
EBITDA	29,274	(5,685)	(10,193)	34,013	(16,799)
Profit (loss)	16,033	(39,638)	(38,858)	1,114	(57,936)
Non-Current Assets	231,163	217,031	239,608	245,442	232,305
Current Assets	216,983	156,864	179,963	145,250	121,110
Shareholders Equity	49,708	(15,835)	19,566	59,424	58,124
Pad in Capital	46,405	84,373	84,373	84,373	84,373
Net cash Flow from operating activities	113,510	32,305	11,849	9,035	(30,528)

Financial Ratios	2015	2014	2013	2012	2011
Profitability Ratios:					
EBITDA %	% 4.4	(% 0.8)	(% 1.3)	% 4.2	(% 2.3)
Return on Capital %	% 34.6	(% 47.0)	(% 46.1)	% 1.3	(% 68.7)
Return on Assets %	% 3.6	(% 10.6)	(% 9.3)	% 0.3	(% 16.4)
Liquidity Ratios:					
Current ratio %	% 57.8	% 50.2	% 66.9	% 63.1	% 54.8
Debt Ratio					
Liabilities/Assets	% 88.9	% 104.2	% 95.3	% 84.8	% 83.6
Share Performance					
Share Price (JD):	1.14	0.68	0.58	0.63	0.66
Earnings per Share	0.35	(0.85)	(0.46)	0.01	(0.69)
Number of Shares '000	46,405	84,373	84,373	84,373	84,373

Staff Numbers and Academic Qualifications

Below is a table of staff numbers and qualifications in the mother and subsidiary companies at end of 2015:

Academic Qualifications	RJ	RW & Subsidiary	Total
PhD	4	2	6
MA	88	1	89
BA	1,670	49	1,719
Diploma	770	17	787
High School	655	13	668
Below High School	1,088	37	1,125
Total	4,275	119	4,394

322 of the above work in outstations

Staff Training Programs

The Company is committed to various training programs required by different aviation bodies, in addition to courses held for pilots, flight attendants and engineering and maintenance staff. These courses aim at improving staff level of efficiency and maintain standards of safety for RJ's passengers and aircraft. In 2015 the Company provided training for the staff through 203 courses in which 8,614 staff members from different departments took part to improve their managerial, technical, computer skills. There were also courses in marketing, sales and passenger services. Details of Courses and numbers of staff who attended

Course Title	No. of Courses	No. of Participants
Marketing, Sales, passenger Services	43	919
Technical Courses	81	7,245
Managerial Courses	49	288
Computer, IT Courses	30	162
Total	203	8,614

Risks

The Company deals with various types of risks within comprehensive framework of risk management in accordance with the best international standards, traditions and practices. Risk management is carried out in cooperation between the Board of Directors and the Executive Management. The Board of Directors makes sure that the Executive Management implements an efficient and effective system for internal control. The CEO, being at the top of the executive management, is responsible for risk management and the practices related thereto. The Chief Financial Officer is responsible for identifying financial risk, controlling, maintaining the quality of financial information, and making sure that accurate financial statements are being disclosed. The rest of the Executive Management shall identify risks in their departments and work on managing these risks within an institutional framework that defines duties and authorities of each one of them.

Risks which could have a substantial effect on the company during the coming year may be summarized as follows:

External Risks:

Geographical Location Risks
Most RJ's operations take place within the borders of Jordan. All of its flights depart from Amman. As such the geographical location of the Kingdom constitutes a big challenge to the Company especially in these days when political and economic tension is happening in some neighboring Arab countries. The Company has to adapt in its operations within these difficult data which give the Company extra burdens the effect of which on the work of the Company cannot be ignored.

Market Risks
Competition among airlines has intensified in the Arab region lately particularly with the emergence of low cost airlines which constituted a big challenge for most airlines, large and small. In order to meet this type of competition, the Company prepared short and long term strategies to limit the effect of this type of airlines on the Company's share of the market, through improving the standard of services provided, rising to the level of passengers ambitions and wishes, simplifying travel procedures, providing more travel choices and benefiting from its membership in the "oneworld" alliance.

The world still suffers from the effect of the global economic crisis which has affected directly the performance of the air transport industry and reduced the volume of air traffic. In this context, the Company initiated certain procedures such as opening new and promising markets, intensifying marketing activities on various routes, in addition to controlling expenses without affecting the quality of services provided for passengers.

Credit Risks
The Company follows a clear credit policy in dealing with its sales agents around the globe. This policy entails providing bank guarantees by the agents in favor of the Company. At present and in light of the existing economic circumstances, the Company is following up on the agents' performance to protect its rights and avoid unforeseen situations that could adversely affect the Company's operations.

Fluctuation of Fuel Prices
The cost of fuel constitutes a large and escalating part of the company's operations expenses. It amounted to 24% of the total operational expenses for the year ended 31.12.2015. As such any material change in the price of crude oil and subsequently the price of jet fuel, could affect the operational results of the Company substantially. In this field, RJ has taken big steps to deal with the rising fuel prices through imposing fuel surcharge on tickets, focusing on increasing passenger numbers and manage revenue and maximize the yield. This is in addition to entering into fuel hedging contracts benefiting from the experience of international airlines in this field.

Fluctuations of Interest Rates
The Company is exposed to fluctuations in interest rates through entering into lease contracts and medium and long term loans to finance expansion projects. Prior to inviting bids for facilities from banks, the Company examines the risks of interest rate fluctuations and their effect on its operations. The company then determines the interest rates that suit its objectives and future aspirations. The international interest rate in London and New York banks (LIBOR) was adopted as the basis for pricing all the Company's existing loans.
As part of the risk policy, the Company examines interest rates of major currencies and their future expectations, in addition to the possibility of entering into interest rates swaps to reduce the risk of fluctuations and subsequently the cost of borrowing.

Fluctuations of Exchange Rate
The Company is exposed to changes in the rates of exchange between the Jordan Dinar and various other currencies. Most of the Company's revenue comes from the sale of tickets abroad in the local currency of each country. In order to reduce the effect of fluctuation of exchange rates of foreign currencies on the Company's operations, the company reconciles the revenues and the expenditure of each currency separately. Any surplus will be converted to JD or USD depending on the needs of the Company, within a clear policy based on market study and trends. Next to the USD, Euro and Sterling form the major part of the Company's revenue, in addition to the JD which does not constitute any risk since its rate of exchange is tied to the USD.

Internal Risks

Electronic Systems Risks
In light of the great and accelerating development in the field of electronic systems, we face a new kind of risk which could adversely affect the electronic systems used in the Company's operations. These systems should be continuously updated to ensure their efficiency and ability to keep up with new requirements especially in the field of aviation. The Company has done a lot in this direction through the introduction of advanced and efficient electronic systems. A special team in the Company follows up on the performance of these systems to ensure their continuous safety, efficiency and quality of output.

Purchasing Risks
In its daily operations, the Company purchases several types of raw materials and spare parts which are necessary for the work of the Company. Any delay in supplying the Company with these materials or spare parts might lead to interruption in the flow of operations and expose it to big losses. To avoid such situations, the Company updates the purchasing mechanism continuously and maintains good relations with all suppliers in Jordan and abroad. As a result of the above, the Company entered into a number of insurance contracts to limit the risks that could affect its performance.

Links You with 55 Destinations around the world

RJ: Achievements in 2015

2015 witnessed the implementation of the strategic plan laid down by the Board of Directors for the years 2015 – 2019.
The plan focused on taking several measures for restructuring the Company, maximizing revenues, reducing operating cost, raising the standard of services provided to passengers and maintaining the distinguished standing it occupies as a pioneering airline in the Arab East and an efficient national carrier of Jordan since 52 years.
It is clear that this strategy has carried fruit in its first year, and positive results on more than one level are there to be seen. The Company came out of 2015 achieving a net profit, as a result of concerted efforts by all the staff and because of the Government understanding of the importance of the national carrier, as it is the largest shareholder in the Company capital. It plays a fundamental role in backing RJ and enabling it to continue in doing its role in connecting Jordan with the world. It is a major contributor to the national economy, a large employer and a pioneer in the service of Jordanian community.

Following are the more salient achievements in 2015:

Modernization of the Fleet

2015 was a positive turning point in the march of RJ and its fleet. Five Boeing 787 (Dreamliner) started operating on company long and medium hauls, in particular on the routes to North America, East Asia and London. The introduction of these aircraft coincided with taking four Airbus 340 and one Airbus 330 out of service.
RJ will resume the introduction of two Boeing 787 (Dreamliner) towards the end of 2016 and in early 2017. A third plane will be introduced in 2018 and by the end of 2016, two Airbus 330 planes will be taken out of service.
The Company chose this type of aircraft as it meets the company's operational requirements and serves its network and passengers, Boeing 787 is known for high operational efficiency and low consumption of fuel – 20% less than aircraft of the same size. The aircraft has 20% - 30% more capacity to carry freight compared to other aircraft of the same size. This makes it economically efficient and environment friendly at the same time.
This quality addition to the fleet led to a reduction in the average ages of RJ's aircraft to five years, which constitutes on advantage in comparison with other airlines.

Network

In light of RJ's current strategy which concentrates on operations in the Middle East and Gulf regions, the company added Tabuk in Saudi Arabia to be the Company's fifth station in Saudi Arabia. Al-Najaf in Iraq was added to become the sixth station there. More destinations were added in the second half of 2015. Ankara in Turkey, Jakarta in Indonesia and finally Guanzhou in China. Feasibility studies on these stations showed clear opportunities for increasing commercial cooperation, improving tourism and serving businessmen and students. There is also the transportation of pilgrims from all these cities to the Holy Places via Amman.
On the other hand, the company discontinued flights to Alexandria, Colombo, Milano, Mumbai, Lagos and Accra in light of poor economic feasibility. Some flights remain suspended for safety reasons – Tripoli, Benghazi, Maserata, Mosul, Damascus, Aleppo, Sanaa and Aden.

Commercial Agreements

As for code sharing, RJ signed two commercial agreements in 2015 with Turkish Airlines and Qatar Airways with the purpose of providing passengers with more options. The Agreement with Turkish Airlines added several destinations to the two companies in addition to Aqaba/Istanbul/Aqaba.
As for the code sharing agreement with Qatar Airways, and since both companies are members of "oneworld" alliance, passengers can now unlimited options of flights around the world. Moreover, Frequent Traveler can get points when travelling on any of the flights of both companies.
In the same context, RJ signed a commercial agreement with the Spanish Fouling on the basis of "interline" to enable RJ passengers from reaching hundreds of destinations via Barcelona and Rome, in addition to the possibility of booking two flights as if they are one flight with one ticket. Luggage will arrive directly at the final destination.

Safety First

RJ is committed to apply all general safety standards through caring to follow air and ground safety procedures in its various sections and departments in order to preserve the safety of its operations, staff, passengers and aircraft. Professional injuries average in RJ is estimated at 3%. The international average is around 10%. This shows the high degree of awareness of the staff. It also shows advanced technical and educational capabilities that the Company provides by way of training, protective clothing and safety equipment.

In the field of Human Resources

• Partnership with Oasis 500 for the promotion of creativity

RJ cooperated with Oasis 500 for the sponsorship of original ideas, research and development of business in Jordan through investment in creative talents and transforming theoretical ideas into tangible reality and innovated projects with positive return.
This should reflect on developing work methods and on finding suitable solutions for the challenges that face the air transport industry in various fields through studies carried out by Oasis on projects submitted by Company staff and the adoption of such projects in early stages, also to look for the necessary investment which can guarantee transforming them into real pioneering companies.

• Leaders Qualifying Program

RJ started an ambitious program for qualifying leaders in the Company with the aim of developing staff skills and investing in specialized experiences, also to propose recommendations that could change work environment of the institution. This program will continue in 2016.

Engineering and Maintenance

The Company renewed its maintenance agreement with Air France KLM Group, according to which the Group provides maintenance and technical support for spare parts of airbus 330 aircraft of the fleet, also provides spare parts when needed. An agreement with German MTU Company for the maintenance of Airbus 320 engines was also renewed.
On the other hand several technical workshops have been opened with the aim of reducing the cost of aircraft maintenance. One of these workshops is for the maintenance of tires and brakes and to carry out the necessary maintenance for the tires of various aircraft including Boeing 787. Other workshops are being equipped, and shall be opened during 2016; a workshop for filling and maintaining gas cylinders, a workshop for aircraft Kitchen equipment and others.

Information Technology

RJ obtained certificate of observing the implementation of the standards of information security and the data of electronic payment cards which are compatible with Payment Card Industry Data Security Standards (PCIDSS). These standards reduce the risk of penetration of payment cards through instructing users on how to deal safely with data at the highest level of world professional quality and efficiency. The adoption of continuous development helps in the preservation of the secrecy of payment card data used by passengers. On another level, RJ chose ARINC systems from Rockwell Collins, a company specialized in developing communications and aviation systems to cover the requirements of digital communications with RJ's aircraft. By using high frequency waves, this system will make it possible to exchange messages and data between the captain of the aircraft and an operations center in Jordan and the world. There is also the possibility for tracking the Company aircraft in skies around the world.

I Phone Application

In early 2015, RJ provided its passengers with electronic travel services on their I phones with the aim of enabling them to carry out their own travel procedures, like inquiring about reservation, information about the flight and viewing flights program in general, in addition to obtaining the boarding pass. Frequent Traveler shall be able follow their accounts in the program through their I Phones.

In the Field of Quality

RJ puts great emphasis on the culture of quality. This aspect is being developed in all its procedures and services it provides for passengers. The Company passengers can trust through following modern scientific methods. In appreciation of the commitment, RJ wins the IOSA certificate year after year. IATA has renewed this certificate for the sixth time in a row in appreciation of the Company efficient operations and for complying with international laws. The first time RJ was granted this certificate by IATA was in 2004. It was renewed once every two years.

Strategic Plans
In 2015 the Company prepared an ambitious plan for the coming five years. This includes a number of strategic plans which aim at enhancing the value of the Company and giving it more chances to develop and grow. Foremost among these is the intention of the Company to raise its capital and support it with financial revenues other than the revenue from transporting passengers and freight. This comes from concentrating on new methods that will benefit the Company and strengthen its competitiveness like providing ground handling services in Arab airports in addition to QAIA. Also to provide aircraft maintenance service for aircraft of other airlines. At the same time RJ will continue to look for new methods for raising share price and the return on the share, causing the rating of the Company to go up during the coming years.

Financial Effect of Non Recurring Operations
RJ's operations are recurring operations. There is no financial effect to operations of non recurring nature which happened during the financial year and is not included in the Company's main activity.

Timetable of Realized Profit or Loss

Description	YEAR				
	2015	2014	2013	2012	2011
Realized Profit/Loss (JD'000)	16,033	(39,638)	(38,858)	1,114	(57,936)
Dividends	-	-	-	-	-
Shareholders' Equity (JD'000)	49,708	(15,835)	19,566	59,424	58,124
Share Price	1.14	0.68	0.58	0.63	0.66

Important Future Developments in 2016

Future Plans: Important Developments
In its policy to review its networks depending on economic feasibility studies and what agrees with its aims of providing the best service for its passengers, RJ concluded that some routes should be added like Al-Najaf in Iraq, Tabouk in Saudi Arabia, Ankara in Turkey and Jakarta in Indonesia, finally Guangzhau in China which was added in the first quarter of 2016. Some routes were suspended for safety reasons these are Maserata, Tripoli and Benghazi in Libya, Mosul in Iraq, Sanaa and Aden in Yemen. Suspension continued on flights to Damuscus, Aleppo in Syria because of political circumstances. Economic feasibility studies are ongoing all the year round and their results are published.
In this direction, RJ will continue with Plans to amend the number of departure, to stations on its present network. RJ will try to increase the efficiency of interconnection through its flights to and from Amman based on the actual needs of transit passengers.
RJ will continue to operate its present routs in 2016. The routes cover 55 destinations worldwide served by 358 weekly departures: 87 weekly departures to Europe, 20 weekly departures to Asia, 118 weekly departures to the Arabian Gulf region, 106 weekly departures to the Middle East region, 15 weekly departures to North America and 12 weekly departures, to Africa.

Fleet Future Plans
In its policy and strategic plans for the continuous modernization of the fleet over the years, the Company has added a number of aircraft of Airbus and Embraer types. It witnessed during 2014 the arrival of the new Boeing 787 to start operating on RJ's long and medium haul routes. Most important of which is North America, East Asia and London. Five aircraft have arrived by the end of 2015.
With the arrival of the new Boeings, the company took the Airbus A340 planes out of service. This addition led to a reduction in the average age of RJs fleet, which makes the Company more competitive.
The company acts continuously on introducing new aircraft in keeping with its policy in maintaining the adequacy and efficiency of fleet operations through continuous modernization which keeps young average age of the fleet aircraft. This will reduce maintenance cost. The company took an Embraer 195 plane from service in 2015.
As such the Company fleet in 2016 will consist of:

Type of Aircraft	No. of Aircraft in December 2015
Boeing 787	6
Airbus A330	2
Airbus A320*	7
Airbus A321	2
Airbus A319	4
Embraer EMJ 195	2
Embraer EMJ 175	3
Airbus A310 (cargo)	1
Total	27

* One of these aircraft is for the use of Royal Wings.

Future Plans: Oneworld Alliance and Code Sharing

Since joining oneworld alliance in 2007, RJ has been working to strengthen its relations with companies in this alliance. RJ will also cooperate and coordinate with companies who are alliance members and who have code sharing agreements with RJ. The Company will also contribute to the success of joint projects with the aim of reducing cost and exchanging experiences among the companies of the alliance which provides more than 1000 extra destinations that RJ passengers can have access to.

At the same time, RJ will work during 2016 to enhance the benefits derived from some code sharing agreements with a number of companies through increasing the number of destinations included in the agreements with a number of companies through increasing the number of destinations included in the agreements with: American Airlines, US airways, Iberia, Siberian airlines, Air Berlin, Malysian Airlines.

During 2015 a code sharing agreement was signed with Qatar Airways. As for code sharing agreements with companies outside the alliance, RJ added during 2015, an agreement with Turkish airlines to join previous agreements with Rumanian Airlines and Syrian airways (currently not operating), Gulf airlines, Italian Meridiana Fly and the Lebanese Middle East Airlines.

Again in 2015 the company increased the number of stations included in the code sharing agreements. In 2016 the Company will continue to increase these stations through amending the agreements with oneworld alliance members and other companies to increase its umbrella cover around the world.

Future Developments

The introduction of the Boeing aircraft, the most modern in the world of aviation, to the fleet of the Company is an important landmark in the future of the Company. This addition will reflect on long haul routes and on the Company operational plans. Because of its competitive capabilities and the services it provides for passengers, this plane shall give competitive power to RJ in the region. Moreover, this plane is a fuel saver.

In 2016 the Company plans to apply new technical systems and solutions to improve the quality and accuracy of the general performance of the company, such as management of strategic planning and the development of the network in an endeavor to develop the company performance in medium and long terms.

Audit Fees

Audit fees for RJ and its subsidiary Royal Wings for 2015 were as follows:

- Royal Jordanian audit fee JD 81,200 inclusive of tax.
- Royal wings and subsidiary audit fee JD 15,080 inclusive of tax.

Shares Owned by the Board of Directors

Below is a table of natural Board of Directors and their relatives with the ownership of each of them, compared to last year:

Name	Title	Nationality	Number of shares as on	
			2015/12/31	2014/12/31
HE Suleiman Al-Hafez	Chairman	Jordanian	-	-
Mr. Marwan Awad	Vice Chairman	Jordanian	5,499	10,000
Eng. Alaa Bataynah	Member	Jordanian	-	-
Mr. Maher Mikati	Member	Lebanese	-	-
Mr. Imad Ql-Qudah (As from 28.12.2015)	Member	Jordanian	-	-
Eng. Abdul Rahman Khatib (Until 27.12.2015)	Member	Jordanian	-	-
Capt. Suleiman Obaidat (As from 27.12.2015)	Member	Jordanian	3,406	-
Mr. Samer Muasher	Member	Jordanian	3,649	3,000
Mr. Amr Bilbeisi (Until 15.3.2015)	Member	Jordanian	3,850	7,001
Mr."Mohammad Sharif" Zu'bi	Member	Jordanian	4,149	5,000
Mr."Mohammad Ali" Bdair	Member	Jordanian	7,699	14,000

There are no securities owned by relatives of members of the Board of Directors by the end of 2015.

Shares Owned by Senior Executive Management

Below is a table of Senior Executive Management and their relatives, with the ownership of each of them in the Company shares compared to last year:

Shares owned by Senior Executive Management:

Name	Title	Nationality	Number of Shares	
			2015/12/31	2014/12/31
Capt. Suleiman Obaidat (As from 27.10.2015)	President/CEO	Jordanian	3,406	-
Capt. Haytham Misto (Until 26.10.2015)	President/CEO	Jordanian	12,966	23,575
Mr. Firas Qaraeen (As from 18.10.2015)	CFO	Jordanian	-	-
Mr. Ziad Jarrar (1.1.2015 – 17.10.2015)	Acting CFO	Jordanian	2,923	5,316
Mr. Omar Al-Said (Until 14.2.2015)	CFO	Jordanian	-	-
Mr. Richard Nuttall (Until 1.10.2015)	Head-Commercial Affairs & Strategies	British	-	-
Mr. Maath Majali (Until 9.1.2015)	VP Cargo	Jordanian	7,662	13,931

There are no securities owned by relatives of members of the Senior Executive Management during 2015.

Board of Directors Remunerations and Benefits

Below is a table of remunerations and benefits received by the Chairman and Board members in 2015 in JD:

Name	Title	Date (new Members)	Rep. Allowance Transport Allowance (Annual)	Annual Remun-erations	Travel Allowance	Total Annual Benefits
H.E. Sueiman Al-Hafez	Chairman	-	6,000	54,000	-	60,000
H.E. Marwan Awad	Vice Chairman	-	6,000	-	-	6,000
Eng. Alaa Barayneh	Member	-	6,000	-	-	6,000
Mr. Maher Mikati	Member	-	6,000	-	-	6,000
Mr. Imad Al-Qudah	Member	From 28.12.2015	-	-	-	-
Eng. Abdul Rahman Khatib	Member	till 27.12.2015	6,000	-	-	6,000
Capt. Suleiman Obaidat	Member	From 27.10.2015	-	-	-	-
Mr. Samer Muasher	Member	-	6,000	-	-	6,000
Eng. Amr Bilbeisi	Member	Till 15.3.2015	1,500	-	-	1,500
Mr."Mohammad Sharif" Zubi	Member	-	6,000	-	-	6,000
Mr."Mohammad Ali' Bdair	Member	-	6,000	-	-	6,000

Senior Executive Management Benefits and Remunerations
Below is a table of remunerations and benefits received by Senior Executive management during 2015 in JD, excluding productivity and incentive bonuses:

Name	Title	Date of Start/End Memberships (Changes)	Annual Salaries	Annual Remuneration	Travel Allowance (JD)	Total Annual Benefits
Capt. Suleiman Obaidat	President/CEO	From 27.10.2015	35,669	-	2,063	37,732
Capt. Haytham Misto	President/CEO	Until 26.10.2015	178,295	-	5,124	183,419
Mr. Firas Qaraeen	CFO	From 18.10.2015	23,866	-	-	23,866
Mr. Ziad Jarrar	Acting CFO	Till 17.10.2015	32,785	-	-	32,785
Mr. Omar Al-Said	CFO	Till 14.2.2015	30,355	-	-	30,355
Mr. Richard Nattal	Head, Commercial Affairs & Strategies	Till 1.10.2015	235,775	-	2,528	238,303
Mr. Maath Majali	VP Cargo	Till 9.1.2015	4,108	-	-	4,108

Donations and Grants made by the Company in 2015

Recipient	Amount (JD)
Royal Jordanian Staff Club	10,000
Charitites – Donations in Ramadan	21,841
Scholarships	133,725
Others	11,727
Total	177,293

Contracts, projects and commitments concluded by the Company with its subsidiary, sister or allied companies or with the Chairman or Board members of the Chief Executive or any employee of the Company or their relatives:

- Consultation Service Agreement with Royal Wings
- Staff Commissioning Agreement with RW
- Pilots Commissioning Agreement with RW
- Maintenance Agreement with RW
- Fit to Fly Agreement with RW
- Engine Leasing Agreement with RW
- Aircraft Check in at QAIA with RW
- Agreement with RW to include it in the maintenance agreement between RJ and Air France.
- Leasing Aircraft Capacity with RW
- Agreement to supply RW with fuel and include it in fuel buying agreements concluded by RJ.
- Service Agreement with Royal Jordanian Tours.
- Agreement to lease Royal Wings aircraft (A320 JYAYI) to RJ on ACMI basis.
- Memorandum of Understanding regarding the provision of ground handling service to Royal wings aircraft at QAIA.
- To supply with fuel in stations abroad since RJ operates using RJ call.

RJ Contribution to the protection of environment
By introducing new aircraft to the fleet, the company contributes directly to limiting pollutions harmful emissions and noise resulting from operating old aircraft. In 2015 the Company took several measures to reduce pollution caused by burning fuel in its operations through following the European Program which it joined in 2009 – for reducing the emission of carbon dioxide. The program aims at improving environmental performance of the Company operations, and controlling the negative environmental effects to fit with international legislation.
The Company modernized its fleet through the introduction of five Boeing 787 aircraft, the best fuel saver. This led to a clear rationalization in fuel consumption. Moreover, these aircraft have been fitted with technology that reduces greatly the noise of their engines.
The average age of RJ's aircraft is low by international standards. It does not exceed five years, while the international aircraft average age reaches 11 years. This makes RJ fleet environment friendly.
RJ was among the first local companies who banned smoking in all its offices and places of work. It allocated places for smokers. Smoking has been banned on its aircraft since 2001.

RJ Contribution to the Service of Local Community
RJ considers community responsibility as an integral part of the national institution and a basic role that it should play towards the society in which it operates. Over the years the Company has adopted programs and plans that agree with its mission in supporting local community and providing sponsorship for various activities and charities through active contribution in boosting various pillars of the community, which take care of vital sectors like education, youth, environment and the less fortunate strata. Starting from this vision, the Company endeavors to fulfill the needs of these sectors of Jordan's society.
RJ executes its various programs by holding partnerships with some charities through the Information, Communication and Social Responsibility Department. The programs concentrate on initiatives and projects that have a positive effect on the community. Their results reflect on providing better life for the less fortunate and the needy. Among the more salient initiatives that the Company executed in 2015 are the following:

Supporting Clothes Bank
RJ and its staff continued their support for the charitable Clothes Bank, a project of the Hashemite Charitable Commission. This was done through donating ten thousand pieces of clothes men's, women's, shoes, suitcases which were gathered in the Company warehouses, like returned staff uniforms, special donation boxes were put in Administration Offices and in QAIA to enable members of staff to donate clothes, shoes, and toys for families who benefit from Clothes Bank. Company staff always express their happiness when they fill the Bank's boxes in various seasons. During 2015 more than 2200 pieces of clothing, enough for 550 needy persons, were collected.

Ramadan Charity Campaign
A social activity that the Company performs every year. It includes distributing food parcels, donating medical equipment and apparatus, holding Iftar banquets for orphans, giving Id clothes for poor families and donating gifts and toys for poor children.
In doing this the Company relies upon statistics and studies it does every year in cooperation with the Ministry of Social Development in order to determine poverty ratios and identify the more needy pockets. Every year it selects different areas and governorates to guarantee fairness in distribution. Following are the more salient aspects of this campaign:-

1- Food for the Poor
During the month of Ramadan, RJ distributed food parcels in six governorates. The first was Al-Jeeza Area. The Company distribution team distributed parcels containing basic materials that families need in Ramada, to families in the villages of Al-Areen, Al-Zameela and Salia, a village of old Um Al-Rasas area. These are considered poverty pockets in Jordan.
Parcels were also distributed in the villages of Al-Manshia, Irhab and Balaama in Mafraq Governorate. Parcels were also distributed to needy families in Ghour Al-Safi and Ghour Al-Mazraa in South Aghwar region. Special needs persons in the village of Ayy in Kerak Governorates also received donations.

Food parcels were also sent to the needy in Hittin Camp in Al-Ruseifa, to Bireen in Zarqa Governorate, Al-Masharea village in North Aghwar and to a number of poor persons in Maan.

2- Iftar Banquets for Orphans
The Company organized Ramadan Iftar Banquets for more than 400 children who are sponsored by orphan's centers in Jabal Al-Nazeef, Islamic Centre Charitable Society, Ain Al-Basha Charitable Society, country Women Society in Abu Alanda and Orphan's Dream society in Hittin Camp, with the presence of a number of senior staff members and a number of pilots and Company staff. The banquet was held in Children's Museum/Jordan, one of the nonprofit institutions of HM Queen Rania Al-Abdullah.

Support for Al-Hussein Cancer Centre
RJ has been a supporter of Al-Hussein Cancer Institution Centre since its establishment. It is committed to give continuous aid to help the Centre fight cancer and enable it to give care to patients. Support comes in the following forms:

1- Donation Boxes
RJ granted its passengers and staff the chance to participate in the fight against cancer through donating even one Dinar to save the life of many of the less fortunate patients who receive treatment in Al-Hussein Cancer Centre. We have put collection boxes in all the Company sales offices. These donations are allocated for the new extension of the Centre.

2- Hope Gala
In this ceremony Al-Hussein Cancer Institution honored Royal Jordanian being one of the supporters and a sponsor of the Gala during which the sum of USD 5.5m of donations was collected. The Institution will use this amount for the extension of the Centre. RJ has supported the Gala with travel tickets worth JD 17,000 for persons who contributed to its success.

3- Participation in the Campaign for the Awareness of Breast Cancer
RJ participated in the October campaign for awareness of cancer through organizing a lecture aiming at spreading awareness among the female staff of RJ of breast cancer, showing at the same time material to promote "Think Rosy" campaign. Staff and passengers bought those materials, the proceeds of which go to support tests for early detection of the disease in less fortunate women.

4- Spreading Awareness through Publications
RJ granted Al-Hussein Cancer Institutions 6 free pages in Royal Wings Magazine which is distributed free to passengers on board the aircraft. These included various educational subjects on cancer, the Institutions programs in the field of treatment and the process of donating travel miles within the Frequent Traveler Program of RJ in favor Al-Hussein Cancer Centre.

5-Participating in "Goal for Life" Championship
Team of royal Jordanian Club took part in a football championship organized by Al-Hussein Cancer Institution under the title Goal for Life" which aims at increasing awareness of cancer and motivating society to participate in the fight against this disease.

Participation in Independence day Celebrations
In celebration of Jordan of this national occasion, an Airbus 319 flew at low altitude with a squadron of royal Jordan Falcons for a whole hour all over Amman. The Company also initiated many activities with its staff and passengers through websites of social media on this occasion.

Celebrating Mothers' Day with 100 Mothers
Within the framework of the keenness of the Company to interact with different sectors of the local community in various social occasions, drawing a smile on the faces of the elderly on Mothers' Day in expression of great appreciation of Mothers' sole which they play towards their families and the community, staff members of the company shared more than one hundred mothers who live close to Queen Alia International Airport their celebration of Mothers' Day.
In this occasion, RJ presented to the mothers who are members of Middle Badya Societies in the Village of Natel, Ijmil Society in the Village of Um Al-Rasas and a charity in Al-Basiliya area, token presents and sweets.
Toys were given to children in these villages who also participated in celebrations.

Safety Instruction in Braille for Blind Passengers

In cooperation with Friendship Society for the Blind, RJ provided safety instructions on board its aircraft in Braille for the benefit of blind passengers. This makes it one of the first airlines in the world to provide its passengers with such service.

Collective Stand by RJ Staff against Terrorism
Hundreds of RJ staff participated in a collective solidarity stand which carried the title "No to terrorism ... All of Us for Jordan ... with you our King", which was organized by Jordan TV in cooperation with Retaj Media Institution. It aimed at giving the highest support for HM King Abdullah II through a video in which thousands of Jordanians from all walks of life took part.

Donating a Day's Work to Gaza
A number of RJ staff donated the wage of a day's work for the people of Gaza. This was done within the humanitarian campaigns carried out by the Hashemite Charitable Society. It included convoys of food stuff transported by Armed Forces trucks and delivered to the Palestinian Red Crescent who distributed them to the poor.

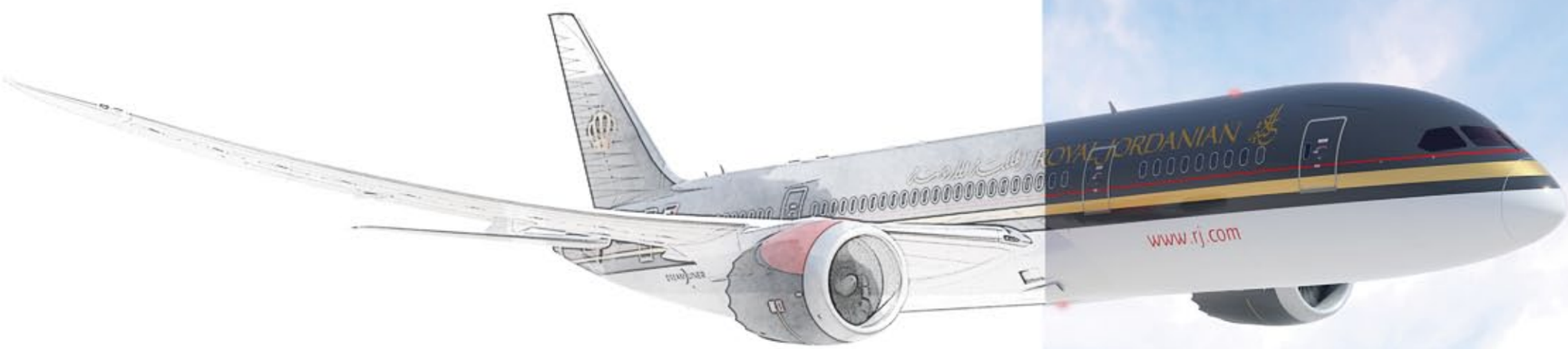
Sponsorship of Various Social Activities
During 2015 RJ sponsored a number of local charitable activities which aimed at enhancing sustainable development and participating in public affairs as a national duty toward the community. RJ provided free and reduced travel tickets and facilities in reservations. Following are the more salient of these activities:
- RJ staff took part in the Al Goy East Charity Rally through equipping two cars which were sold and the proceeds donated to the hard of hearing children by buying cochleas and doing surgical operations. The Rally started from the city of Oberstaufen in Germany passing through ten countries and ending in Jordan.
- In a humanitarian gesture, the Company offered special discount on tickets for a group of Gaza children who sustained injuries in one of their limbs – to travel from Amman to Kuala Lumpur to be treated, rehabilitated and returned to Amman then to Gaza with TESCO Company who organized that initiatives.
- Sponsorship of the social activity organized by Friends of Liver Patients' Society, with the aim of collecting donations to help in the treatment of patients. Two air tickets Amman/Istanbul/Amman were donated as prizes for those who participated in the activity.
- The Company donated two free tickets Amman/Chicago/Amman to an Iraqi child and her mother to enable the girl to have a heart operation in cooperation with Gift of Life Association (GOLA).
- The Company donated two free tickets to support Jordan's participation in the Annual Spring Show held in London and organized by the International Commission of Social Services in the UK, which performs charitable work for children in more than one hundred countries around the world.
- RJ donated two hundred face masks – usually given to air passengers to Loyak Institution to be used in training young men on communication skills.

Support of Conferences on Community Responsibility
RJ sponsored and contributed to the success of several conferences and meetings in the field of community responsibility which aim at establishing policies and methodology for the work of companies and institutions in the field of community responsibility, such as:
- Sponsoring the Regional Forum on community Responsibility, organized by the Arab Women Council under the title "Road map Towards a Better Society".
- Sponsoring the Regional Forum on community Responsibility in the Arab World, hosted by Jordan in cooperation with the Arab Organization for Community Responsibility and the Ministry of Social Development, under the title: "Preservation of Gains and Facing Challenges"

RJ: Official Carrier of Many Activities
RJ continued in its role as a main partner and air carrier of many festivals and conferences, local and international, as the Company carries the civilization, educational, and tourism message to the world, such as:
World Economic Forum for the ninth time, Jerash Festival for Education and Arts for the thirtieth time, Sucrax 2015, "Jordanian Expatriates Conference" in 2015, Al Goya East Rally, Jordan Festivals, Dead Sea Voice, Jordan Second Festival of Arab Media, Young Media Assembly, Spring Festival, etc.

Board of Directors and Audit Committee Meetings during 2015
- During 2015 the Board of Directors, held eighteen meetings.

CONSOLIDATED FINANCIAL STATEMENTS



Building a better working world

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
ALIA – THE ROYAL JORDANIAN AIRLINES COMPANY (ROYAL JORDANIAN)
AMMAN - JORDAN

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of ALIA – THE ROYAL JORDANIAN AIRLINES COMPANY (ROYAL JORDANIAN) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Building a better working world

Emphasis of a Matter

- Without qualifying our opinion, the Group's accumulated losses of JD 64 million as at 31 December 2015 exceeded the Company's capital. According to article No. 266 of the Jordanian Company's Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the public shareholding company exceeds 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company decides in its extraordinary meeting to increase the paid up capital of the Company to cover the accumulated losses. Furthermore Group's current liabilities exceeded its current assets by an amount of JD 158 million as at 31 December 2015. The Group prepared a business plan for the years 2015 to 2019, according to this plan, the Group shall restructure its capital where part of the accumulated losses shall be written off against the paid in capital then the paid in capital shall be increased by JD 200 million over multiple phases. Also, the Group's operating fleet and destinations shall be also restructured and the Group shall work on increasing its operating revenues and decreasing operating costs. The Council of Ministers approved in its meeting held on 17 January 2015 the Group's capital increase procedures according to the business plan for the years 2015 to 2019. The Council also approved the Government's private and / or general subscription in 50% of the first tranche of the suggested capital increase of JD 100 million. The Company's paid in capital was increased during January 2016 by JD 60.1 million to become JD 106.5 million, an amount of JD 13.7 million has been collected during March 2016 as part of the first tranche. The remaining balance of the first tranche of JD 26.2 million will be collected during the first quarter of 2016. The Company's capital will be increased by the second tranche of JD 100 million during 2017 and 2018.

Report on Other Legal and Regulatory Requirements

The Group maintains proper books of accounts and the accompanying consolidated financial statements and financial information contained in the Board of Director's report are in agreement therewith.

Amman – Jordan
13 March 2016

Ernst & Young

Consolidated Statement of Financial Position

At 31 December 2015 (In Thousands of Dinars)

	Notes	2015	2014
ASSETS			
Non- current assets			
Property and equipment	7	122,689	141,425
Projects under construction	8	256	200
Advances on purchase and modification of aircrafts	9	49,948	14,104
Financial assets at fair value through other comprehensive income	10	6,020	6,034
Investments in associates	11	16,849	16,475
Restricted cash against operating lease contracts		20,321	18,993
Deferred tax assets	32	15,080	19,800
		231,163	217,031
Current assets			
Derivative financial assets – Fuel options contracts		-	6
Restricted cash	16	50,000	-
Other current assets	12	46,904	29,021
Spare parts and other supplies, net	13	11,474	12,808
Accounts receivable, net	14	36,620	47,203
Cash and bank balances	15	71,985	67,826
		216,983	156,864
TOTAL ASSETS		448,146	373,895
EQUITY AND LIABILITIES			
Shareholders' equity			
Paid in capital	16	46,405	84,373
Payments in respect of capital increase	16	50,154	-
Statutory reserve	16	13,455	11,380
Fair value reserve		3,771	3,771
Cash flow hedges	17	(178)	(534)
Accumulated losses		(64,094)	(114,995)
		49,513	(16,005)
Non-controlling interests		195	170
Total (deficit in) shareholders' equity		49,708	(15,835)
LIABILITIES			
Non- current liabilities			
Long term loans	17	12,672	58,931
Long term obligations under finance leases	19	9,403	16,887
Other long term liabilities	20	1,065	1,324
		23,140	77,142
Current liabilities			
Bank overdrafts	18	17,896	17,799
Current portion of long term loans	17	46,233	47,425
Accrued expenses	21	68,418	80,567
Accounts payable and other current liabilities	22	206,707	123,289
Income tax provision	32	232	224
Deferred revenues	23	28,328	36,256
Short term obligations under finance leases	19	7,484	7,028
		375,298	312,588
Total liabilities		398,438	389,730
TOTAL EQUITY AND LIABILITIES		448,146	373,895

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

Consolidated Income Statement

For the Year Ended 31 December 2015 (In Thousands of Dinars)

	Notes	2015	2014
Revenues	24	658,055	757,415
Cost of revenues	25	(559,146)	(715,282)
Gross Profit		98,909	42,133
Share of profit of associates	11	2,438	2,263
Other income , net	26	3,007	6,801
Ineffective portion of fuel options contracts		(3)	(1,113)
Ineffective portion of interest rate swaps	17	(161)	17
General and administrative expenses	27	(21,119)	(21,852)
Selling and marketing expenses	28	(46,881)	(49,584)
Loss on disposal of property and equipment		(385)	(1,575)
Other provisions		(1,277)	(10,442)
Loss on foreign exchange differences		(4,552)	(7,176)
Finance costs	29	(8,949)	(8,964)
Profit (loss) for the year before income tax		21,027	(49,492)
Income tax expense	32	(4,994)	9,854
Profit (loss) for the year		16,033	(39,638)
Attributable to:			
Equity holders of the parent		16,008	(39,701)
Non-controlling interests		25	63
		16,033	(39,638)
Basic and diluted earnings (losses) per share attributable to equity holders of the parent	31	0.345 JOD	(0.855) JOD

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

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2015 (In Thousands of Dinars)

	2015	2014
PROFIT (LOSS) FOR THE YEAR	16,033	(39,638)
Add: Other comprehensive income items after tax Other comprehensive income items that will be transferred to profit and loss in subsequent periods: Net gain on cash flow hedges	356	466
Other comprehensive income items that will not be transferred to profit and loss in subsequent periods: Net gain from financial assets at fair value through other comprehensive income	-	3,771
Total comprehensive income for the year	16,389	(35,401)
Attributable to:		
Equity holders of the parent	16,364	(35,464)
Non controlling interests	25	63
	16,389	(35,401)

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

Consolidated Statement of Changes In Equity

For the Year Ended 31 December 2015 (In Thousands of Dinars)

	Attributable to equity holders of the parent								
	Paid in Capital	Payments in respect of capital increase	Statutory reserve	Fair value reserve	Cash flow hedges	Accumulated losses	Total	Non – controlling interests	Total equity
2015									
Balance as of 1 January 2015	84,373	-	11,380	3,771	(534)	(114,995)	(16,005)	170	(15,835)
Total comprehensive incomefortheyear	-	-	-	-	356	16,008	16,364	25	16,389
Capital reduction (note 16)	(37,968)	-	-	-	-	37,968	-	-	-
Transfers	-	-	2,075	-	-	(2,075)	-	-	-
Paymentsinrespect of capital increase (note 16)	-	50,154	-	-	-	-	50,154	-	50,154
Capital increase costs	-	-	-	-	-	(1,000)	(1,000)	-	(1,000)
Balance as of 31 December 2015	*46,405*	*50,154*	*13,455*	*3,771*	*(178)*	*(64,094)*	*49,513*	*195*	*49,708*
2014									
Balance as of 1 January 2014	84,373	-	11,380	-	(1.000)	(75,294)	19,459	107	19,566
Total comprehensive incomefortheyear	-	-	-	3,771	466	(39,701)	(35,464)	63	(35,401)
Balance as of 31 December 2014	*84,373*	*-*	*11,380*	*3,771*	*(534)*	*(114,995)*	*(16,005)*	*170*	*(15,835)*

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

Consolidated Statement of Cash flow

For the Year Ended 31 December 2015 (In Thousands of Dinars)

	Notes	2015	2014
OPERATING ACTIVITIES			
Profit (loss) for the year before income tax		**21,027**	(49,492)
Adjustments for:			
Depreciation of property and equipment	7	**28,375**	34,843
Share of profit of associates	11	**(2,438)**	(2,263)
Finance costs		**8,949**	8,964
Provision for doubtful debts	14	**1,276**	2,838
Provision for spare parts and other supplies	13	**-**	2,590
Impairment of property and equipment	7	**-**	5,014
Losses from sale of property and equipment		**385**	1,575
Provision for end of service indemnity	20	**2**	287
Amortization of deferred revenue – Jordan Flight Catering		**(300)**	(300)
Ineffective portion of fuel option contracts		**3**	1,113
Ineffective portion of interest rate swap		**161**	(17)
Working capital changes			
Accounts receivable		**9,307**	(9,725)
Spare parts and other supplies		**1,334**	(2,172)
Other current assets		**(18,149)**	(2,667)
Derivative financial assets		**3**	1,517
Deferred revenues		**(7,628)**	6,075
Accounts payable and other current liabilities		**83,347**	22,726
Accrued expenses		**(12,149)**	11,768
End of service indemnity paid	20	**(261)**	(326)
Income tax paid	32	**266**	(43)
Net cash flows from operating activities		**113,510**	32,305
INVESTING ACTIVITIES			
Investments in associates	11	**-**	(49)
Dividends received from associates	11	**2,064**	1,767
Sale (purchase) of financial assets at fair value through OCI		**14**	(312)
Purchase of property and equipment	7	**(9,946)**	(9,290)
Projects under construction		**(134)**	(175)
Change in restricted cash against lease contracts		**(1,328)**	(2,314)
Restricted bank accounts		**(2,742)**	(16,776)
Advances on purchase and modification of aircrafts		**(35,844)**	7,645
Net cash flows used in investing activities		**(47,916)**	(19,504)
FINANCING ACTIVITIES			
Payments in respect of capital increase		**154**	-
Capital increase costs		**(1,000)**	-
Repayments of term loans		**(47,451)**	(47,471)
Finance lease obligations		**(7,028)**	(6,599)
Interest paid		**(8,949)**	(8,964)
Net cash flows used in financing activities		**(64,274)**	(63,034)
Net increase (decrease) in cash and cash equivalents		**1,320**	(50,233)
Cash and cash equivalents, beginning of the year		**33,251**	83,484
Cash and cash equivalents, end of the year	15	**34,571**	33,251

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

"Notes to the Consolidated Financial Statements
31 December 2015
(In Thousands of Dinars, except for amounts in US Dollars)"

1 GENERAL
Alia - The Royal Jordanian Airlines Company (Royal Jordanian), the "Company", was registered as a Jordanian public shareholding company on 5 February 2001. The Company's head office is located in Amman – Jordan.
The Company's objectives are to undertake scheduled air-transport activities from and to the Kingdom and to carry out the handling for aircrafts that land in and take off from the airports of the Kingdom.
The Jordanian Civil Aviation Authority granted the Company the exclusive right to utilise the Jordanian Traffic Rights for International Routes, from Amman, for the operation of scheduled flights. The initial contract started on 5 February 2002 for the term of four years, which was renewed for another 4 years on 5 February 2006 which ended on 2 February 2010.
The consolidated financial statements were authorized for issue by the Board of Directors during their meeting held on 13 March 2016.

2 BASIS OF PREPARATION
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.
The consolidated financial statements are prepared under the historical cost convention, except for derivative financial instruments and financial assets at fair value through other comprehensive income that have been measured at fair value at the date of consolidated financial statement.
The consolidated financial statements have been presented in Jordanian Dinar which is the functional currency of the Group.

3 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 2015:

Interest	Ownership	Country
Royal Wings Company	100%	Jordan
Royal Tours for Travel and Tourism Company	80%	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, and
• The ability to use its power over the investee to affect its returns

When 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 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 and circumstances indicate that there are changes to one or more of the three elements of control.
The financial statements of the subsidiaries company are consolidated from the control date until stop this control. Revenue and expenses of the subsidiaries are consolidated in the consolidated statement of comprehensive income from the date of control until stop this control.
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 into 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 assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non- controlling interests.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes the gain or loss resulted from loss of control.
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss.

Shareholders who have a significant influence over the Group
The Government of the Hashemite Kingdom of Jordan, Mint Trading Middle East Ltd. and Social Security Corporation own 26%, 19% and 10% respectively of the Company's shares.

4. 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 financial statements for the year ended 31 December 2014.

5. USE OF ESTIMATES
The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

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.
Fair Value of Derivative Financial Instruments
Fair values of derivative financial instruments are determined using valuation techniques including the discounted cash flow models. The inputs to these models are taken from observable markets, where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of derivatives.
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 2014, the estimated liability for unredeemed points was approximately 6,326 JD (2014: JD 6,274).

6 SIGNIFICANT ACCOUNTING POLICIES
The significant accounting policies adopted are as follows:
Business combinations and Goodwill
. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.
. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the consolidated statement of income.
. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised 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.

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 when they are ready for use 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 under finance lease, Aircraft engines and aircraft components	4 - 5.5
Machinery and equipment	10-15
Computers	25
Furniture and fixtures	10
Vehicles	15-20
Building	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. Impairment losses are recognised in the consolidated statement of income.

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

Projects under construction
Projects under construction are stated at cost. This includes the cost of construction and other direct costs.
Projects under construction, that will be used as owner occupied properties when completed, are not depreciated until such time as the relevant assets are completed and put into operational use.

Financial assets at fair value through other comprehensive income
These financial assets are initially recognized at fair value plus attributable transaction costs and subsequently measured at fair value. The change in fair value of those assets is presented in the consolidated statement of comprehensive income within equity, including the change in fair value resulting from the foreign exchange differences of non-monetary assets. In case those assets – or part of them – were sold, the resultant gain or loss is recorded in the statement of comprehensive income within equity and the fair value reserve for the sold assets is directly transferred to the retained earnings and not through the consolidated income statement.
These financial assets are no longer subject to impairment testing and any distributions of profit are recorded in the consolidated income statement.

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 associates initially recognised at cost, the carrying amount of the investment is adjusted to recognise 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 amortised 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 recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised 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 as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Derivative financial instruments
Initial recognition and subsequent measurement
The Company uses derivative financial instruments (fuel options contracts) to hedge its fuel price risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the consolidated statement of income.
The fair value of fuel options contracts is determined by reference to market values for similar instruments.
For the purpose of hedge accounting, the Company's fuel options contracts are classified as cash flow hedges, as the Company is hedging exposure to variability in cash flows that is attributable to the fuel interest price fluctuations risk associated with a highly probable forecast transaction.
At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.
Hedges which meet the strict criteria for hedge accounting are accounted for as follows:
Cash flow hedges:
The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while any ineffective portion is recognized immediately in the consolidated income statement.
Amounts taken to equity are transferred to the consolidated income statement when the hedged transaction affects profit or loss, such as when the fuel cost is recognized.
If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to the consolidated statement of income. If the hedging instrument expired or sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs.
Current versus non-current classification of dervative istrument:
Derivative instruments that are not a designated and effective hedging instrument are classified as

current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).
Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

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 receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

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

Impairment and uncollectibility of financial assets
An assessment is made at each consolidated statement of financial position date to determine whether there is objective evidence that a financial asset may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying amount. Impairment losses are recognised in the consolidated statement of income.
The amount of impairment are determined as follows:
Impairment loss over financial assets which appears at amortized cost: is the difference between the amounts recorded in books and the current value for future cash flow discounted using the effective interest rate.
With regard to account receivable, an impairment loss test is done when there is any evidence that the Group will not be able to collect all the due balances according to the condition of the invoices.

Fair value measurement
Fair values of financial instruments measured at amortised cost are disclosed in Note 35.
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.

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 recognised in the 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.
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.
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.

Finance leases
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability. Finance charges are charged directly against income.
Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

End of service indemnity provision
The Group provides end of service indemnity benefits to its employees. Provision is made at the consolidated financial statements date for amounts payable to employees based upon the employees' final salary and length of service prior to the date on which the employees not joined the social security scheme.

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.

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 statement of income in the period they occur including the grace period, if any.

Revenue recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.
Passenger and cargo revenues are recognized when the transportation is provided, revenues from fuel fees are recognized when the ticket is sold. 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 programme, Royal Plus, which allows frequent travelers to accumulate mileage credits which entitle them to a choice of upgrade to Crown 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.

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 amortized over the period until the next scheduled heavy maintenance is due.

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 income statement. 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 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 financial statements 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.

Operating leases
Leases of aircraft under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under an operating lease are recognized as an expense over the lease term on a straight line basis.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the consolidated statement of financial position date. All differences are taken to the consolidated income statement.

7 PROPERTY AND EQUIPMENT

2015	Aircrafts under finance leases	Aircrafts	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 2015	81,284	126,344	2,490	45,881	44,484	55,650	16,880	9,218	10,851	42,563	435,645
Additions during the year	-	-	-	6,578	2,214	596	269	48	240	1	9,946
Disposals during the year	-	-	-	(24,692)	(79)	(55)	(91)	(31)	(483)	-	(25,431)
Transfers	-	-	-	-	-	-	61	-	-	17	78
Balance as of 31 December 2015	81,284	126,344	2,490	27,767	46,619	56,191	17,119	9,235	10,608	42,581	420,238
Accumulated depreciation:											
Balance as of 1 January 2015	24,286	113,367	742	31,613	39,577	47,362	13,702	7,019	9,343	7,209	294,220
Depreciation for the year	3,899	4,605	1,748	10,779	1,706	2,186	1,130	372	591	1,359	28,375
Disposals during the year	-	-	-	(24,692)	(21)	(1)	(7)	-	(325)	-	(25,046)
Balance as of 31 December 2015	28,185	117,972	2,490	17,700	41,262	49,547	14,825	7,391	9,609	8,568	297,549
Net book value as of 31 December 2015	53,099	8,372	-	10,067	5,357	6,644	2,294	1,844	999	34,013	122,689

2014	Aircrafts under finance leases	Aircrafts	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 2014	81,284	126,344	9,802	45,818	44,384	55,340	16,420	9,183	10,885	39,860	439,320
Additions during the year	-	-	-	5,427	353	372	622	108	13	2,395	9,290
Disposals during the year	-	-	(7.312)	(5,364)	(253)	(62)	(162)	(73)	(47)	-	(13,273)
Transfers	-	-	-	-	-	-	-	-	-	308	308
Balance as of 31 December 2014	81,284	126,344	2,490	45,881	44,484	55,650	16,880	9,218	10,851	42,563	435,645
Accumulated depreciation:											
Balance as of 1 January 2014	20,447	108,703	7,936	19,257	32,601	43,466	12,755	6,701	8,423	5,772	266,061
Depreciation for the year	3,839	4,664	118	16,333	2,079	3,952	1,085	386	950	1,437	34,843
Disposals during the year	-	-	(7,312)	(3,977)	(117)	(56)	(138)	(68)	(30)	-	(11,698)
Impairment Losses *	-	-	-	-	5,014	-	-	-	-	-	5,014
Balance as of 31 December 2014	24,286	113,367	742	31,613	39,577	47,362	13,702	7,019	9,343	7,209	220,294
Net book value											
as of 31 December 2014	***56,998***	***12,977***	***1,748***	***14,268***	***4,907***	***8,288***	***3,178***	***2,199***	***1,508***	***35,354***	***141,425***

* This item represents impairment losses on aircrafts' main components.

8 PROJECTS UNDER CONSTRUCTION

	2015	2014
Various projects under construction	256	200

9 ADVANCES ON PURCHASE AND MODIFICATION OF AIRCRAFTS

	2015	2014
Advance for the purchase of Boeing 787	49,948	14,104

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2015	2014
Royal Jordanian Air Academy	5,386	5,386
SITA Investment Certificates	611	624
Others	23	24
	6,020	6,034

11 INVESTMENTS IN ASSOCIATES

	Country of incorporation	Ownership		Balance	
		2015	2014	2015	2014
Jordan Flight Catering Company	Jordan	%30	%30	4,799	5,208
Jordan Aircraft Maintenance Company (JORAMCO)	Jordan	%20	%20	8,640	7,954
Jordan Aircraft Training and Simulation Company (JATS)	Jordan	%20	%20	3,410	3,313
Al Mashriq Aviation Services	Jordan	%49	%49	-	-
				16,849	16,475

Movement on investments in associates were as follows:

	2015	2014
Beginning balance	16,475	15,930
Investments during the year:		
Al Mashriq Aviation Services	-	49
Company's Share of profit received for the year:	2,438	2,263
Dividends	(2,064)	(1,767)
	16,849	16,475

The following table represents the summary of the financial statements for the Group investments in the associates

Statement of financial position

	Jordan Flight Catering Company		Jordan Aircraft Maintenance Company (JORAMCO)		Jordan Aircraft Training & Simulation Company JATS		Al Mashriq Aviation Services		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Current assets	7,132	7,134	19,185	14,791	2,167	1,673	739	1,069	29,223	24,667
Non-current assets	1,896	2,336	19,769	20,289	21,835	23,017	166	72	43,666	45,714
Current Liabilities	(3,688)	(4,805)	(8,440)	(7,032)	(2,644)	(3,142)	(242)	(1,408)	(15,014)	(16,387)
Non-current liabilities	-	-	(15,105)	(15,605)	(7,742)	(8,543)	(1,551)	-	(24,398)	(24,148)
Net assets	5,340	4,665	15,409	12,443	13,616	13,005	(888)	(267)	33,477	29,846
Group's ownerships percentage	%30	%30	%20	%20	%20	%20	%49	%49		
Book value of the investment	1,602	1,400	3,081	2,489	2,723	2,601	-	-	7,406	6,490

Statement of comprehensive income

	Jordan Flight Catering Company		Jordan Aircraft Maintenance Company (JORAMCO)		Jordan Aircraft Training & Simulation Company JATS		Al Mashriq Aviation Services		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenues	319,21	23,118	36,321	32,808	4,980	5,190	1,377	242	63,997	61,358
Cost of sales	(15,230)	(16,669)	(23,016)	(20,804)	(3,184)	(3,356)	(1,590)	(304)	(43,020)	(41,133)
Other income and expenses	(627)	(585)	(9,870)	(9,678)	(1,291)	(1,321)	(368)	(267)	(12,156)	(11,851)
Income before tax	5,462	5,864	3,435	2,326	505	513	(581)	(329)	8,821	8,374
Income tax	39	(50)	-	-	-	-	-	-	39	(50)
Profit (loss) for the year	5,501	5,814	3,435	2,326	505	513	(581)	(329)	8,860	8,324
Group's Share of profit (loss) for the year	1,650	1,744	687	465	101	103	-	(49)	2,438	2,263

12 OTHER CURRENT ASSETS

	2015	2014
Prepaid expenses	13,901	8,035
Refundable deposits	1,026	1,013
Receivable from lessors – maintenance claims	21,055	16,665
Employees' receivables	1,557	1,191
Advances to suppliers	8,682	1,670
Others	683	447
	46,904	29,021

13 SPARE PARTS AND OTHER SUPPLIES

	2015	2014
Spare parts and supplies	15,455	16,789
Provision for decrease in inventory prices	(3,981)	(3,981)
	11,474	12,808

Movement on provision for decrease in inventory prices were as follows:

	2015	2014
Beginning balance	3,981	1,391
Provision for the year	-	2,590
Ending balance	3,981	3,981

14 ACCOUNTS RECEIVABLE

	2015	2014
Accounts receivable	51,896	61,327
Provision for doubtful debts	(15,276)	(14,124)
	36,620	47,203

As of 31 December 2015, trade receivables at nominal value of JD 15,276 (2014: JD 14,124) were impaired and fully provided for.
Movement on provision for doubtful debts were as follows:

	2015	2014
Beginning balance	14,124	11,286
Provision for the year	1,276	2,838
Bad debts written off	(124)	-
Ending balance	15,276	14,124

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

	Neither past due nor impaired	Past due but not impaired					Total
		1- 30 days	31 – 60 days	61 – 90 days	91 – 180 days	181-360 days	
2015	3,141	22,097	3,062	2,706	2,846	2,768	36,620
2014	1,002	30,301	3,089	1,445	8,465	2,901	47,203

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

15 CASH AND BANK BALANCES

	2015	2014
Cash and bank balances *	53,017	40,547
Cash in transit **	18,968	27,279
Less: bank overdrafts	(17,896)	(17,799)
Restricted bank accounts	(19,518)	(16,776)
	34,571	33,251

* This item includes deposits in banks amounting to JD 22,208 (2014: JD 17,181) with an annual interest rate that ranges between 3.5% - 5% (2014: 3.5% - 5%) and are due within a period of one to six months from the date of the consolidated financial statements.

** This item represents cash received on tickets sales and other sales during December that were deposited in the Company's bank accounts during January of next year.

16 SHAREHOLDERS' EQUITY

	2015	2014
Paid in capital		
Authorized capital (246,405 shares of JD 1 each)	246,405	84,373
Paid in capital	46,405	84,373

Payments in respect of capital increase

The General Assembly approved in its extraordinary meeting held on 2 May 2015 to reduce the Company's capital in an amount of JD 37,968 to become JD 46,405 through writing off part of the accumulated losses. Those procedures were completed at the Ministry of Industry and Trade on 26 July 2015.

The General assembly also approved the Government's private and / or general subscriptions in 50% of the first tranche of the suggested capital increase of JD 100 million (JD 50 million). The Government shall subscribe in 100% of the amount of capital increase (JD 100 million) in the event that the other shareholders do not subscribe in the remaining 50%.

On 4 August 2015, the Ministry of Finance (MOF) requested the Central Bank of Jordan (CBJ) to open an escrow account and transfer an amount of JD 50 million to this account from the MOF account. On 22 October 2015, the amount was deposited by the CBJ in a special account "The Government's share of Royal Jordanian capital increase". This amount was recorded as restricted cash within the current assets and the corresponding amount was recorded as payments in respect of capital increase within the equity. This amount will be released once there is a notification from the Securities Depository Center that the 50 million shares are registered in the name of the Government. The Group's paid in capital has increased during January 2016 by JD 60,120 to become JD 106,525, an amount of JD 13,701 has been collected during March 2016 as part of the first tranche, the remaining balance of the first tranche amounted to JD 26,177 will be collected during the first quarter of 2016. The Group's capital will be increased by the second tranche of JD 100 million during 2017 and 2018.

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.

17 BANK LOANS

	2015 Loan's Installments		2014 Loan's Installments	
	Short term	Long term	Short term	Long term
Arab Bank loan	8,247	-	9,896	8,247
Jordan Kuwait Bank Loan	5,109	7,095	5,109	11,270
Arab Jordan Investment Bank loan	1,773	1,041	1,773	2,807
Standard Chartered Bank loan	31,300	5,217	31,300	37,414
Less: direct attributable transaction costs	(196)	(681)	(653)	(807)
	46,233	12,672	47,425	58,931

Arab Bank Loan

On 19 October 2011, the Company was granted a loan amounting to USD 50 million (JD: 35,461). The loan bears annual interest rate of LIBOR plus 2.75%. The loan is repayable in 43 monthly installments; the first installment amounting to USD 1,162,790 fell due on 19 April 2013. As of 31 December 2015, the outstanding balance of the loan was JD 8,247 (2014: JD 18,143).

Jordan Kuwait Bank Loan

On 8 September 2009, the Company was granted a loan amounting to USD 35 million (JD: 24,823). The loan bears annual interest rate of LIBOR plus 2.25% and at a minimum rate of 4.25%. The loan is repayable in 78 monthly installments of USD 448,718, the first of which fell due on 31 August 2011. During October 2012, the loan was increased by USD 10 million (JD: 7,092), with annual interest rate of LIBOR plus 3% and at a minimum rate of 5%. The monthly installments will remain the same with

no adjustment USD 448,718 until July 2013, after then it will become USD 630,536. The Company mortgaged the land of the head quarter to the bank as collateral.

As at 31 December 2015, the outstanding balance of the loan was JD 12,204 (2014: JD 16,379).

Arab Jordan Investment Bank loan

On 20 February 2013, the Company was granted a loan amounting to USD 10 million (JD: 7,092). The loan bears annual interest rate of LIBOR plus 2.4% and at a minimum rate of 5%. The loan is repayable in 48 monthly installments of USD 208,333, the first of which fell due on 31 August 2013. As at 31 December 2015, the outstanding balance of the loan was JD 2,814 (2014: JD 4,580).

Standard Chartered Bank loan

On 22 December 2011, the Company was granted a loan amounting to USD 48 million (JD: 34,043). The loan bears annual interest rate of LIBOR plus 2.62%. The loan is repayable in 42 monthly installments of USD 1,142,857 each, the first of which fell due on 31 July 2012. During 2012 and 2013 the loan was amended and increased to reach USD 163 million (JD 115.603). The loan is repayable in 42 monthly installments, the first installment amounting to USD 3,895,470 fell due on 30 September 2013, with annual interest rate of LIBOR plus 3% and at a minimum rate of 4.25%. As of 31 December 2015, the outstanding balance of the loan was JD 36,517 (31 December 2014: JD 68,714). On 20 December 2015, a new syndicated loan agreement amounted to USD 275 million (JD 195 million) was signed with AL-mashreq bank as a loan coordinator. On 28 January 2016, the Group has settled all loans and overdrafts balances outstanding as of 31 December 2015 with total amount of JD 76,8 million.

Derivative financial instruments- interest rate swaps

The Company's loan with Standard Chartered Bank is in the form of variable interest rate loan. To mitigate its exposure to fluctuations in market interest rates, the Company entered into three interest rate swap contracts that effectively fix the interest rate on its available facilities with Standard Charted Bank. Under the terms of these contracts, the Company pays a pre - determined fixed rate of interest on a notional principal balance equal to amounts expected to be drawn down and receives from the counter party a floating rate of interest on the same notional principal balance equals to USD 1 month LIBOR.

For the purpose of hedge accounting, the Company's interest rate swap contract is classified as cash flow hedge, as the Company is hedging its exposure to variability in cash flows that is attributable to the interest rate risk associated with a highly probable forecast transaction.

The details of the interest rate swap contracts outstanding at 31 December 2015 are as follows:

	Trade date	Maturity date	Initial notional principal balance USD	Fixed interest rate	Variable interest rate at 31 December 2015
				%	%
Swap contract # 1	March 2013	February 2017	88,857,143	1.25	0.42
Swap contract # 2	May 2013	February 2017	40,000,000	1.25	0.42
Swap contract # 3	January 2014	February 2017	22,560,976	1.15	0.42

The negative fair value of the interest rate swap amounted to JD 146 as of 31 December 2015 and was recorded as a liability in the consolidated statement of financial position (2014: JD 545).

The cash flow hedges were assessed to be highly effective and a cumulative unrealized profit of JD 356 has been included in equity (2014: JD 466). The ineffective portion relating to these swaps of JD 161 was recorded as an unrealized profit in the consolidated income statement (2014: unrealized profit of JD 17).
Principal installments payable during the year 2016 and after are as follows:

Year	
2016	46,429
2017	11,359
2018	1,994
	59,782

18 BANK OVERDRAFTS
his item represents the utilized amount of the credit facilities granted to the Company as follows:

- Overdraft facility with a ceiling of USD 10,000,000 (JD: 7,092) from Union Bank.
- Overdraft facility with a ceiling of USD 15,000,000 (JD: 10,638) from Arab Jordan Investment Bank.

19 OBLIGATIONS UNDER FINANCE LEASES

	2015			2014		
	E -195	E -175	Total	E -195	E -175	Total
Long term obligations	3,659	5,744	9,403	7,603	9,284	16,887
Current obligations	3,944	3,540	7,484	3,704	3,324	7,028
	7,603	9,284	16,887	11,307	12,608	23,915

E-195 Lease Agreement - Aircraft Number 107
The lease agreement was signed on 17 September 2007 with a total amount of USD 22,500,000 (JD 15,957). The term of the agreement is for 10 years. Interest on the lease was computed based on LIBOR plus 0.75%. The lease provides for 40 quarterly installments commencing on 20 December 2007. As of 31 December 2015, the outstanding balance is JD 3,563 (2014: JD 5,429).

E-195 Lease Agreement - Aircraft Number 131
The lease agreement was signed on 17 September 2007 with a total amount of USD 22,500,000 (JD 15,957). The term of the agreement is for 10 years. Interest on the lease was computed based on LIBOR plus 0.75%. The lease provides for 40 quarterly installments commencing on 20 February 2008. As of 31 December 2015, the outstanding balance was JD 4,040 (2014: JD 5,878).

E-175 Lease Agreement - Aircraft Number 223
The lease agreement was signed on 17 September 2007 with a total amount of USD 21,000,000 (JD 14,894). The term of the agreement is for 10 years. Interest on the lease was computed based on LIBOR plus 0.75%. The lease provides for 40 quarterly installments commencing on 15 August 2008. As of 31 December 2015, the outstanding balance has JD 4,642 (2014: JD 6,304).

E-175 Lease Agreement - Aircraft Number 232
The lease agreement was signed on 17 September 2007 with a total amount of USD 21,000,000 (JD 14,894). The term of the agreement is for 10 years. Interest on the lease was computed based on LIBOR plus 0.75%. The lease provides for 40 quarterly installments commencing on 15 August 2008. As of 31 December 2015, the outstanding balance is JD 4,642 (2014: JD 6,304).

Obligations under finance leases are secured by mortgage over the Embrear aircrafts E195 and E175. Principal installments payable during 2016 and after relating to aircraft delivered up to 31 December 2015 are as follows:

Year	
2016	7,484
2017	7,428
2018	1,975
	16,887

Minimum lease payments under all finance leases are as follows:

	2015	2014
Total minimum lease payments	17,307	24,591
Interest	(420)	(676)
	16,887	23,915

20 OTHER LONG TERM LIABILITIES

	2015	2014
Provision for end of service indemnity	1,065	1,324

Movements on provision for employee's end of service indemnity were as follows:

	2015	2014
Beginning balance	1,324	1,363
Provision for the year	2	287
Payments during the year	(261)	(326)
	1,065	1,324

21 ACCRUED EXPENSES

	2015	2014
Accrual for flying operations expenses	54,634	71,755
Royalty accrual on transportation agreements with other airline companies	135	228
Accrued operating lease payments	13,649	8,584
	68,418	80,567

22 ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	2015	2014
Fuel suppliers	93,176	48,892
Spare parts suppliers and accounts payables	79,885	39,167
Amounts due to related parties	5,826	5,219
Ministry of Finance / VAT	2,207	2,495
Employees Provident fund	6,626	7,275
Others	18,987	20,241
	206,707	123,289

23 DEFERRED REVENUES

	2015	2014
Unutilized passenger tickets, air way bills and other service sales	26,009	33,050
Amount received on Boeing 787*	694	1,256
Deferred revenue – Jordan Flight Catering Company**	1,625	1,950
	28,328	36,256

* This item represents amounts received from Boeing Company during 2010 due to postponing the delivery date of the Boeing 787 aircraft. This amount was recorded as deferred revenue and will be amortized for the period until receiving these aircrafts.
** Alia – The Royal Jordanian Airlines Company signed an 11.5 years catering contract with Jordan Flight Catering Company during January 2010, and in return the Company was granted an additional share of 10% in Jordan Flight Catering Company. The grant was recorded as deferred revenues to be amortized over the catering contract period of 11.5 years, which will expire during 2021.

24 REVENUES

	2015	2014
Scheduled Services		
Passengers	523,351	611,270
Cargo	42,891	46,759
Excess baggage	4,889	5,705
Airmail	5,826	5,927
Total scheduled services (note 34)	576,957	669,661
Chartered flights (note 34)	16,879	20,748
Commercial revenues from arriving and departing aircrafts of other companies	11,687	12,784
Revenues from technical and maintenance services provided to other companies	5,141	4,187
Cargo warehouse revenues	10,862	10,397
First class services revenues	4,850	4,503
Revenues from services provided to other aviation companies	1,886	1,932
Revenues from NDC (Galileo)	4,716	5,688
Change reservation revenues	7,432	7,301
Other revenues	17,645	20,214
	658,055	757,415

25 COST OF REVENUES

	2015	2014
Flying operations cost		
Aircraft Fuel	136,700	261,079
Other flying operations cost	72,246	84,747
Total flying operations cost	208,946	345,826
Repair and maintenance	76,299	87,328
Aircraft rental expenses	89,415	76,492
Depreciation of aircraft and engines and capitalized maintenance	20,656	29,141
Stations and ground services	59,046	61,944
Ground handling unit	21,015	21,257
Passenger services	83,769	93,294
	559,146	715,282

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

	2015	2014
Salaries and wages	46,086	48,483
Overtime	2,786	2,363
End of service indemnity	1,436	710
Social Security contribution	5,526	5,087
Provident fund contribution	3,348	3,297
Medical expenses	1,455	1,732
Other benefits	5,965	8,615
	66,602	70,287

26 OTHER INCOME - NET

	2015	2014
Interest income	1,829	2,126
Others	1,178	4,675
	3,007	6,801

27 GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Salaries and wages	7,208	6,962
Employees benefits	822	775
Overtime	289	286
Medical expenses	637	698
End of service indemnity	611	662
Social security contribution	823	801
Provident fund contribution	554	548
Life insurance	269	292
Rent	278	341
Maintenance and cleaning expenses	137	149
Water, electricity and heating	486	500
Computer expenses	2,636	2,434
Depreciation	1,803	1,716
Others	4,566	5,688
	21,119	21,852

28 SELLING AND MARKETING EXPENSES

	2015	2014
Commission	18,466	19,532
Salaries and wages	11,247	12,297
Marketing and advertisement	4,036	3,049
Other employee benefits	2,439	2,942
Overtime	202	179
Medical expenses	663	669
End of service indemnity	453	556
Social security contribution	1,707	1,989
Provident fund contribution	311	308
Life insurance	34	120
Rent	2,044	2,112
Maintenance and cleaning expenses	241	211
Water, electricity and heating	196	223
Computer expenses	330	277
Depreciation	247	308
Others	4,265	4,812
	46,881	49,584

29 FINANCE COSTS

	2015	2014
Interest on finance leases	197	292
Interest on loans	6,356	7,731
Other interest and bank charges	2,396	941
	8,949	8,964

30 OPERATING LEASE COMMITMENTS

As of the date of these consolidated financial statements, Alia – The Royal Jordanian Airlines Company has future commitments which represent operating lease agreements in respect of six Airbus A-320 aircraft, two Airbus A-321 aircraft, four Airbus A–319 aircraft, two Airbus A–330 aircraft, two to Airbus Embraer E-195 aircraft, and one Embraer E-175 aircraft , and five Boeing B-787 aircraft.

Payments under the operating leases are detailed as follows:

Year	
2016	80,985
2017	69,441
2018	63,718
2019	51,005
2020 and after	287,207

31 EARNINGS PER SHARE

	2015	2014
Profit (loss) for the year attributed to the equity holders of the parent ('000)	16,008	(39,701)
Weighted average number of shares ('000)	46,405	46,405
Basic and diluted earnings (loss) per share (JD)	0.345	(0.855)

32 INCOME TAX

The income tax appearing in the consolidated income statement represents the following:

	2015	2014
Current year's income tax charge	274	146
Deferred Tax Assets		
Temporary differences additions (deductions) (Tax losses expected to be carried forward)	4,720	(10,000)
Income tax expense (Surplus)	4,994	(9,854)

Provision for income tax charge on 2015 and 2014 with an amount of JD 247 and JD 146 represent the income tax expense incurred over Royal Wings Company – Limited Liability Company (Subsidiary) for the year ended 31 December 2015 and 2014, respetively.

The Company filed its tax return for the years 2014 and 2013, the Income Tax Department has not reviewed the Company's accounting records up to the date of the consolidated financial statements.

The Company reached a final settlement with the Income Tax Department up to the year 2012.

Royal Wings Company reached a final settlement with the Income Tax Department up to the year 2012.

Movement on provision for income tax were as follows:

	2015	2014
Beginning balance	224	121
Current year's income tax charge	274	146
Income tax paid	(266)	(43)
Ending balance	232	224

Movement on deferred tax assets were as follows:

	2015	2014
Beginning balance	19,800	9,800
Deferred tax assets for the year	(4,720)	10,000
Ending balance	15,080	19,800

Reconciliation between accounting profit and taxable profit

	2015	2014
Accounting profit (losses)	21,027	(49,492)
Non-taxable profits	(2,433)	(2,263)
Non-deductible expenses	5,004	7,500
Prior years tax losses	(104,294)	(75,294)
Accumulated tax losses	(80,696)	(119,549)
Relates to:		
Total loss – Parent Company	(81,621)	(120,592)
Total profit - subsidiary	925	1.043
Effective income tax rate for subsidiary	%20	%14
Statutory income tax rate	%20	%14
Current year income tax – Subsidiary company	274	146
Income tax expense	4,994	146

33 RELATED PARTY TRANSACTIONS

Related party transactions represent transactions with associated companies، employees' Provident fund، and the Government of the Hashemite Kingdom of Jordan. Pricing polices 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:

	2015		2014	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Government of Jordan	3,749	2,207	2,981	2,495
Employees' Provident Fund	-	6,626	-	7,275
Jordan Aircraft Maintenance Company	10	1,179	-	545
Jordan Flight Catering Company	-	4,204	-	4,447
Jordan Aircraft Training and Simulation Company	2	443	89	227
Al Mashriq Aviation Services	733	-	-	-
	4,494	14,659	3,070	14,989

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

	2015	2014
Jordan Aircraft Maintenance Company (JORAMCO):		
Scheduled services revenues	422	202
Other income	-	61
Repair and maintenance expenses	(5,880)	(12,622)
Jordan Flight Catering Company:		
Passenger services expenses	(15,651)	(17,470)

Jordan Aircraft Training and Simulation Company:		
Scheduled services revenues	80	106
Other income	-	12
Pilots training expenses	1,289	1,507

The Company signed a 4 years maintenance contract with Jordan Aircraft Maintenance Company (JORAMCO) during January 2005 which has been extended for extra seven years until the end of October 2016, and in return the Company was granted a 20% share in Jordan Aircraft Maintenance Company.

The Company signed a 4 year training contract with Jordan Aircraft Training and Simulation Company during July 2006 and in return the Company was granted a share of 20% in Jordan Aircraft Training and Simulation Company which has been extended until the end of December 2015.

Alia – The Royal Jordanian Airlines Company signed a 11.5 years catering contract with Jordan Flight Catering Company during 2010, and in return the Company was granted an additional share of 10% in Jordan Flight Catering Company to reach a total share of 30%.

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

	2015	2014
Scheduled services revenues – passengers	6,693	6,615
Scheduled services revenues – cargo	1,700	466
	8,393	7,081
Chartered flights		
	1,428	433

- The amount accrued to the Ministry of Finance disclosed in note (22) represents the additional tax over the travelling tickets which has been collected by the Group and will be repaid to the Ministry of Finance. Effective December 2010, the International Airport Group has been appointed to collect this amount instead of Ministry of Finance.

- The Company's contribution to the employees' saving fund amounted to JD 4,213 and JD 4,153 for the years 2015 and 2014, respectively.

Compensation of key management personnel

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

	2015	2014
Salaries and other benefits	541	696
Board of Directors remuneration	103	113

34 GEOGRAPHICAL DISTRIBUTION OF REVENUES

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

	2015				2014			
	Chartered Flights				Chartered Flights			
	Scheduled services	Passengers	Cargo	Total	Scheduled services	Passengers	Cargo	Total
Levant	88,134	7,062	2,023	97,219	78,708	6,744	2,724	88,176
Europe	146,674	1,009	1,025	148,708	172,285	2,213	1,040	175,538
Arab Gulf	146,944	2,191	122	149,257	171,467	2,833	-	174,300
America	120,098	948	2,234	123,280	131,047	-	4,640	135,687
Asia	54,391	28	-	54,419	75,626	308	170	76,104
Africa	20,716	237	-	20,953	40,528	20	56	40,604
Total Revenue	576,957	11,475	5,404	593,836	669,661	12,118	8,630	690,409

35 Fair value of Financial instruments

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, accounts receivable, financial assets at fair value through other comprehensive income, derivative financial assets and some other current assets.

Financial liabilities consist of accounts payable, bank overdraft, bank loans, obligations under finance leases and some other current liabilities.

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

36 Fair Value Hierarchy

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

Level 1 - market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

	Level 1	Level 2	Level 3	Total
31 December 2015				
Financial assets:				
Financial assets at fair value through other comprehensive income	-	6,020	-	6,020
Total	-	6,020	-	6,020
31 December 2014				
Financial assets:				
Derivatives financial assets	6	-	-	6
Financial assets at fair value through other comprehensive income	-	6,034	-	6,034
Total	6	6,034	-	6,040

37 RISK MANAGEMENT

Interest rate risk

The Group is exposed to interest rate risk on its interest bearing financial assets and liabilities (bank deposits, obligation under finance leases, bank loans and bank overdraft).
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 2015.
The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates as of 31 December 2015, with all other variables held constant.

2015		
Currency	Increase in interest rate	Effect on profit
USD	50	(357)
Currency	Decrease in interest rate	Effect on profit
USD	25	179

2014		
Currency	Increase in interest rate	Effect on loss
USD	50	(655)
Currency	Decrease in interest rate	Effect on loss
USD	25	328

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 2015 and 2014.

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 2015 and 2014, based on contractual payment dates and current market interest rates.

31 December 2015	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Accounts payables and other current liabilities	63,066	143,641	-	-	206,707
Bank overdraft	18,432	-	-	-	18,432
Bank loans	12,594	35,416	12,938	-	60,948
Obligations under finance leases	1,869	5,754	9,684	-	17,307
Other long term liabilities	-	-	479	586	1,065
Total	95,961	184,811	23,101	586	304,459

31 December 2014	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Accounts payables and other current liabilities	37,610	85,679	-	-	123,289
Bank overdraft	18,538	-	-	-	18,538
Bank loans	12,894	38,067	62,928	-	113,889
Obligations under finance leases	1,818	5,614	17,159	-	24,591
Other long term liabilities	-	-	595	729	1,324
Total	70,860	129,360	80,682	729	281,631

Currency risk

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

2015		
Currency	Increase in foreign currency rate to the JD currency (%)	Effect on profit
Euro	1	(11,984)
GBP	1	6,812

Currency	Decrease in foreign currency rate to the JD currency (%)	Effect on profit
Euro	1	11,984
GBP	1	(6,812)

2014		
Currency	Increase in foreign currency rate to the JD currency (%)	Effect on loss
Euro	1	398
GBP	1	288

Currency	Decrease in foreign currency rate to the JD currency (%)	Effect on loss
Euro	1	(398)
GBP	1	(288)

The Jordanian Dinar exchange rate is fixed against the U.S. Dollars (USD 1.41 for JD 1), and accordingly, the Group is not exposed to significant currency risk with respect to balances in U.S. Dollars.

38 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions.

The Group's accumulated losses of JD 64 million as at 31 December 2015 exceeded the Company's capital. According to article No. 266 of the Jordanian Company's Law No. 22 for the year 1997 and its amendments, if the accumulated losses of the public shareholding company exceeds 75% of its capital, the Company shall be liquidated unless the General Assembly of the Company decides in its extraordinary meeting to increase the paid up capital of the Company to cover the accumulated losses. Furthermore, the Group's current liabilities exceeded its current assets by an amount of JD 158 million as at 31 December 2015. The Group prepared a business plan for the years 2015 to 2019, according to this plan, the Group shall restructure its capital where part of the accumulated losses shall be written off against the paid in capital then the paid in capital shall be increased by JD 200 million over multiple phases. Also, the Group's operating fleet and destinations shall be also restructured and the Group shall work on increasing its operating revenues and decreasing operating costs. The Council of Ministers approved in its meeting held on 17 January 2015 the Group's capital increase procedures according to the business plan for the years 2015 to 2019. The Council also approved the Government's private and / or general subscription in 50% of the first tranche of the suggested capital increase of JD 100 million. The Company's paid in capital was increased during January 2016 by JD 60.1 million to become JD 106.5 million, an amount of JD 13.7 million has been collected during March 2016 as part of the first tranche, the remaining balance of the first tranche of JD 26.2 million will be collected during the first quarter of 2016. The Company's capital will be increased by the second tranche of JD 100 million during 2017 and 2018.

Capital comprises of share capital, advance payments over capital increase, statutory reserve and accumulated losses and is measured at JD 45,920 as at 31 December 2015 (2014: JD 19,242).

39 CONTINGENCIES AND COMMITMENTS

Bank guarantees

As of 31 December 2015, the Group had letters of guarantee amounting to JD 22,647 (2014: JD 22,106).

Claims against the Group

The Group is a defendant in a number of lawsuits amounting to JD 13,522 (2014: JD 14,585) 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. The management and their legal advisors believe that no material liabilities are likely to result.

Capital commitments

As of 31 December 2015, the Group had capital commitments of USD 737,190,170 (2014: USD 786,257,452), equivalent to JD 522,668 (2014: JD 557,457) relating to finance lease agreements signed for new aircrafts.

40 STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 15 Revenue from Contracts with Customers

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

IFRS 9 Financial Instruments

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

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

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

The amendments are effective for annual periods beginning on or after 1 January 2016, must be applied retrospectively and earlier adoption is permitted.

IAS 1 Presentation of Financial Statements – Amendments to IAS 1

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

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

These amendments are not expected to impact the Group's financial position or performance. The application of the amendments are not expected to have a significant impact on the Group's disclosures.

The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Investment entities (Amendments to IFRS 10 and IAS 28)

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

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

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

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

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

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group's financial statements.

IFRS 16 Leases

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

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

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

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

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

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

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

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

(41) COMPARATIVE FIGURES

Some of 2014 balances were reclassified to correspond with 2015 presentation; the reclassification has no effect on the profit for the year.

The Board of Directors acknowledges that there are no outstanding issues that might affect the company's continuation in the financial year following 2015.

سليمان الحافظ رئيس مجلس الإدارة	**مروان عوض** نائب رئيس مجلس الإدارة	**سليمان عبيدات** عضو
سامر المعشر عضو	**علاء البطاينة** عضو	**ماهر ميقاتي** عضو
عماد القضاة عضو	**"محمد علي" بدير** عضو	**"محمد شريف".الزعبي** عضو

The Board of Directors acknowledges its responsibility in the preparation of financial statements and in providing an effective supervisory system in the company.

سليمان الحافظ رئيس مجلس الإدارة	**مروان عوض** نائب رئيس مجلس الإدارة	**سليمان عبيدات** عضو
سامر المعشر عضو	**علاء البطاينة** عضو	**ماهر ميقاتي** عضو

فراس القراعين رئيس القطاع المالي	**سليمان عبيدات** المدير العام/الرئيس التنفيذي	**سليمان الحافظ** رئيس مجلس الإدارة