



Zara Investment Holding Co. Ltd.

May 10, 2017
HH/M/309/2017

**Messrs, Amman Stock Exchange
Amman, Jordan**

Subject: Interim Condensed Consolidated Financial Statements

Enclosed herewith, please find the interim condensed consolidated financial statements for the three months ended 31 March 2017.

Regards,

Zara Investment (Holding) Company

بورصة عمان
الدائرة الإدارية والمالية
الديوان
١٠ أيار ٢٠١٧
الرقم المتسلسل: 2984
رقم الملف: 31067
الجهة المختصة: 2111/11

ZARA INVESTMENT HOLDING COMPANY

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF
ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
AMMAN - JORDAN**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Zara Investment Holding Company Public Shareholding Company (the "Company") and its subsidiaries (the "Group") as at 31 March 2017, comprising of the interim consolidated statement of financial position as at 31 March 2017 and the related interim consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 ("Interim Financial Reporting"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of Interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Amman – Jordan
26 April 2017



ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Notes	31 March 2017 (Unaudited) JD	31 December 2016 (Audited) JD
<u>ASSETS</u>			
Non-current assets -			
Property and equipment	3	162,014,240	163,850,641
Investment properties		5,805,162	5,841,749
Projects in progress	4	1,345,086	1,082,910
Financial assets at fair value through other comprehensive income		13,350,436	13,273,958
Advance payments for land purchases	5	34,185	-
Other non-current assets		4,001,857	4,001,857
		<u>186,550,966</u>	<u>188,051,115</u>
Current Assets -			
Inventories		1,828,274	1,836,743
Accounts receivable		4,800,282	5,062,310
Other current assets		5,342,565	4,256,123
Cash on hand and at banks	6	14,483,289	15,224,907
		<u>26,454,410</u>	<u>26,380,083</u>
Total Assets		<u>213,005,376</u>	<u>214,431,198</u>
<u>EQUITY AND LIABILITIES</u>			
Equity -			
Paid-in capital	1	150,000,000	150,000,000
Statutory reserve	7	3,988,776	3,988,776
Voluntary reserve	7	689,496	689,496
Cumulative change in fair value		8,658,531	8,585,878
Accumulated losses		(3,348,274)	(1,669,665)
		<u>159,988,529</u>	<u>161,594,485</u>
Non-controlling interests		21,037,571	20,981,408
Total Equity		<u>181,026,100</u>	<u>182,575,893</u>
Liabilities -			
Non-current liabilities -			
Long-term loans		6,671,700	6,671,700
Deferred tax liabilities		119,006	115,181
		<u>6,790,706</u>	<u>6,786,881</u>
Current liabilities -			
Current portion of long-term loans		10,549,149	10,549,149
Due to banks		3,053,104	2,896,613
Accounts payable		5,409,360	5,849,689
Other current liabilities		4,960,565	4,356,602
Other provisions		666,606	697,439
Provision for income tax	8	549,786	718,932
		<u>25,188,570</u>	<u>25,068,424</u>
Total Liabilities		<u>31,979,276</u>	<u>31,855,305</u>
Total Equity and Liabilities		<u>213,005,376</u>	<u>214,431,198</u>

The accompanying notes from 1 to 13 form part of these interim condensed consolidated financial statements

ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTHS ENDED 31 MARCH 2017 (UNAUDITED)

	Notes	For the Three Months Ended 31 March	
		2017 JD	2016 JD
Operating revenues		12,344,950	13,107,370
Operating expenses		(10,453,228)	(10,765,198)
Net operating revenues	9	1,891,722	2,342,172
Interest income		64,876	43,411
Other income		216,512	283,412
Finance costs		(226,259)	(368,330)
Depreciation		(2,633,010)	(3,323,577)
Administrative expenses		(808,079)	(890,656)
Other provisions		(38,912)	(42,475)
Loss before income tax		(1,533,150)	(1,956,043)
Income tax expense	8	(89,296)	(81,747)
Loss for the period		(1,622,446)	(2,037,790)
Attributable to:			
Equity holders of the parent		(1,678,609)	(1,969,231)
Non-controlling interests		56,163	(68,559)
		(1,622,446)	(2,037,790)
		JD / Fils	JD / Fils
Basic and diluted loss per share attributable to the equity holders of the parent	10	(0/011)	(0/013)

The accompanying notes from 1 to 13 form part of these interim condensed consolidated financial statements

ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2017 (UNAUDITED)

	For the Three Months Ended 31 March	
	2017	2016
	JD	JD
Loss for the period	(1,622,446)	(2,037,790)
Other comprehensive income items after tax not to be reclassified to profit or loss subsequently:		
Change in fair value, net of deferred tax liabilities	72,653	(13,839)
Total comprehensive income for the period	(1,549,793)	(2,051,629)
Attributable to:		
Shareholders of the parent	(1,605,956)	(1,983,070)
Non-controlling interests	56,163	(68,559)
	(1,549,793)	(2,051,629)

The accompanying notes from 1 to 13 form part of these interim condensed consolidated financial statements

ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2017 (UNAUDITED)

	Attributable to the equity holders of the parent							
	Paid-in capital		Reserves		Cumulative change in fair value	Accumulated losses	Total	
	JD	JD	Statutory	Voluntary				
					JD	JD	JD	JD
Balance at 1 January 2017	150,000,000	3,988,776	689,496	8,585,878	(1,669,665)	161,594,485	20,981,408	182,575,893
Total comprehensive income for the period	-	-	-	72,653	(1,678,609)	(1,605,956)	56,163	(1,549,793)
Balance at 31 March 2017	150,000,000	3,988,776	689,496	8,658,531	(3,348,274)	159,988,529	21,037,571	181,026,100
Balance at 1 January 2016	150,000,000	3,819,642	689,496	8,530,523	(3,191,867)	159,847,794	20,714,857	180,562,651
Total comprehensive income for the period	-	-	-	(13,839)	(1,969,231)	(1,983,070)	(68,559)	(2,051,629)
Balance at 31 March 2016	150,000,000	3,819,642	689,496	8,516,684	(5,161,098)	157,864,724	20,646,298	178,511,022

The accompanying notes from 1 to 13 form part of these interim condensed consolidated financial statements

ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2017 (UNAUDITED)

	Notes	For the Three Months Ended 31 March	
		2017	2016
		JD	JD
<u>OPERATING ACTIVITIES</u>			
Loss before income tax		(1,533,150)	(1,956,043)
Adjustments for:			
Interest income		(64,876)	(43,411)
Gain on sale of property and equipment		(10,763)	-
Finance costs		226,259	368,330
Depreciation		2,633,010	3,323,577
Provision for doubtful accounts, net		(37,438)	(60,803)
Other provisions		38,912	42,475
Changes in working capital:			
Inventories		8,469	71,100
Accounts receivable		299,466	179,073
Other current assets		(1,086,442)	(692,564)
Accounts payable		(440,329)	261,247
Other current liabilities		408,114	151,187
Other provisions paid		(69,745)	(96,502)
Income tax paid		(258,442)	(331,499)
Net cash flows from operating activities		113,045	1,216,167
<u>INVESTING ACTIVITIES</u>			
Purchase of property and equipment	3	(819,821)	(612,109)
Purchase of investment properties		-	(200)
Advance payments for land purchases	5	(34,185)	-
Proceeds from sale of property and equipment		70,562	-
Projects in progress	4	(262,176)	(32,508)
Interest income received		64,876	43,411
Net cash flows used in investing activities		(980,744)	(601,406)
<u>FINANCING ACTIVITIES</u>			
Loan received		-	265,500
Interest paid		(30,410)	(34,395)
Net cash flows (used in) from financing activities		(30,410)	231,105
Net (decrease) increase in cash and cash equivalents		(898,109)	845,866
Cash and cash equivalents at the beginning of the period		12,328,294	11,983,699
Cash and cash equivalents at the end of the period	6	11,430,185	12,829,565

The accompanying notes from 1 to 13 form part of these interim condensed consolidated financial statements

ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2017 (UNAUDITED)

(1) GENERAL

Zara Investment Holding Company (the "Company") was established on 10 May 1994 as a Public Shareholding Company. The Company's paid-in capital is JD 150,000,000 consisting of 150,000,000 shares of JD 1 par value each.

The principal activities of the Company are to manage its subsidiaries (together, the "Group"), participate in other companies' management in which it is a principal owner, invest in stocks, bonds and financial instruments, and grant loans, guarantees and finance to its subsidiaries. The Company owns, through its subsidiaries, hotels and resorts located in several places in Jordan (Amman, Dead Sea, Petra, Himmeh and Aqaba).

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors in its meeting held on 26 April 2017.

(2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the three-month period ended 31 March 2017 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements as of 31 December 2016. In addition, the results for the three-month period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Group's consolidated interim condensed financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognised Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Group's consolidated interim condensed financial statements.

ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2017 (UNAUDITED)

(3) PROPERTY AND EQUIPMENT

Additions to property and equipment were amounted to JD 819,821 during the three months ended 31 March 2017 (2016: JD 612,109).

(4) PROJECTS IN PROGRESS

Additions to projects in progress were amounted to JD 262,176 during the three months ended 31 March 2017 (2016: JD 32,508).

The estimated cost to complete the projects in progress is approximately JD 3,000,000 as of 31 March 2017. Management expects to complete these projects during the coming two years.

(5) ADVANCE PAYMENTS FOR LAND PURCHASES

This item represents the amount paid by Jordan Himmeh Mineral Company (a subsidiary) to Jordan Valley Authority to acquire the remaining land lots. The subsidiary has not completed the transfer of ownership until the date of these interim condensed consolidated financial statements.

(6) CASH ON HAND AND AT BANKS

	31 March 2017 (Unaudited) JD	31 December 2016 (Audited) JD
Cash on hand	117,940	112,712
Current accounts	4,615,708	5,636,781
Term deposits*	9,749,641	9,475,414
	<u>14,483,289</u>	<u>15,224,907</u>

* Term deposits are fixed for 1 to 3 months and earn annual interest rate ranging from 1% to 2.75%.

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

	31 March 2017 JD	31 March 2016 JD
Cash on hand and at banks	14,483,289	14,477,183
Due to banks	(3,053,104)	(1,647,618)
	<u>11,430,185</u>	<u>12,829,565</u>

ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2017 (UNAUDITED)

(7) LEGAL RESERVES

The Group has made no transfers to statutory and voluntary reserves as per the Companies Law as these financial statements are interim condensed consolidated financial statements.

(8) INCOME TAX

Income tax -

The income tax expense appears in the interim consolidated statement of profit or loss represents the following:

	For the Three Months Ended 31 March	
	2017	2016
	JD	JD
Current period income tax	56,839	81,747
Prior years income tax	32,457	-
	<u>89,296</u>	<u>81,747</u>

Provision for income tax -

Movement on the provision for income tax is as follows:

	31 March 2017 (Unaudited) JD	31 December 2016 (Audited) JD
Beginning balance for the period / year	718,932	677,905
Income tax for the period / year	56,839	791,542
Prior years' income tax	32,457	-
Income tax paid	(258,442)	(750,515)
Ending balance for the period / year	<u>549,786</u>	<u>718,932</u>

The income tax provision was calculated in accordance with the Income Tax Law no. (34) of 2014.

The Company has obtained a final clearance from the Income Tax Department up to 2013.

The Income Tax Department has not reviewed the accounting records of the Company for 2016 and 2015 up to the date of these interim condensed consolidated financial statements.

The Income Tax Department has reviewed the accounting records of Company for 2014 but has not issued their report yet up to the date of these interim condensed consolidated financial statements.

ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2017 (UNAUDITED)

(9) SEGMENT INFORMATION

This item represents the following:

	Hotels Segment *	Other Segments	Total
For the three months ended 31 March 2017 -	JD	JD	JD
Operating revenues	12,222,126	122,824	12,344,950
Operating expenses	(10,253,433)	(199,795)	(10,453,228)
Net operating revenues (losses)*	1,968,693	(76,971)	1,891,722
Other information –			
Interest income	64,396	480	64,876
Finance costs	147,831	78,428	226,259
Depreciation	2,617,379	15,631	2,633,010

* Hotels' net operating revenues consist of the following:

	Hotel Intercontinental Jordan	Grand Hyatt Amman	Dead Sea Movenpick Hotel	Aqaba Movenpick Hotel	Petra Movenpick Hotel	Nabatean Castle Hotel	Tala Bay Movenpick Hotel	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Operating revenues	4,399,764	2,455,093	1,642,034	1,205,856	1,094,782	95,915	1,328,662	12,222,126
Operating expenses	(3,115,308)	(1,997,203)	(1,703,252)	(1,155,649)	(753,787)	(110,007)	(1,418,227)	(10,253,433)
Net operating revenues (losses)	1,284,456	457,890	(61,218)	50,207	340,995	(14,092)	(89,545)	1,968,693

	Hotels Segment *	Other Segments	Total
For the three months ended 31 March 2016 -	JD	JD	JD
Operating revenues	12,980,313	127,057	13,107,370
Operating expenses	(10,552,630)	(212,568)	(10,765,198)
Net operating revenues (losses)*	2,427,683	(85,511)	2,342,172
Other information –			
Interest income	43,247	164	43,411
Finance costs	278,801	89,529	368,330
Depreciation	3,312,339	11,238	3,323,577

ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2017 (UNAUDITED)

* Hotels' net operating revenues consist of the following:

	Hotel		Dead Sea	Aqaba	Petra	Tala Bay		
	Intercontinental	Grand	Movenpick	Movenpick	Movenpick	Nabatean	Movenpick	
	Jordan	Hyatt Amman	Hotel	Hotel	Hotel	Castle Hotel	Hotel	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Operating revenues	4,665,157	2,721,078	2,086,620	1,155,475	1,036,508	-	1,315,475	12,980,313
Operating expenses	(3,297,227)	(2,098,545)	(1,890,766)	(1,125,756)	(713,369)	(32,224)	(1,396,743)	(10,552,630)
Net operating revenues (losses)	1,367,930	624,533	195,854	29,719	323,139	(32,224)	(81,268)	2,427,683

Hotels	Other		
Segment *	Segments	Eliminations	Total
JD	JD	JD	JD

Assets and Liabilities

As of 31 March 2017 (Unaudited)

Segment assets	204,504,280	52,300,289	(43,799,193)	213,005,376
Segment liabilities	56,705,317	19,073,152	(43,799,193)	31,979,276

As of 31 December 2016 (Audited)

Segment assets	206,605,150	54,978,657	(47,152,609)	214,431,198
Segment liabilities	60,220,823	18,787,091	(47,152,609)	31,855,305

(10) BASIC AND DILUTED LOSS PER SHARE

	For the Three Months Ended 31 March	
	2017	2016
Loss attributable to equity holders of the parent (JD)	(1,678,609)	(1,969,231)
Weighted average number of shares (Share)	150,000,000	150,000,000
	JD / Fils	JD / Fils
Basic loss per share (JD/ Fils)	(0/011)	(0/013)

Basic and diluted loss per share for the period are equal.

ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2017 (UNAUDITED)

(11) RELATED PARTY TRANSACTIONS

Following are the consolidated subsidiaries and they are all incorporated in Jordan:

	Paid-in Capital JD	Principal Activities	Ownership %
Jordan Hotels and Tourism Co. PSC	10,000,000	Hotel InterContinental Jordan	51.6
Jordan Himmeh Mineral Co. PSC	500,000	Himmeh Resort	55.8
Nabatean Hotels Co. LLC	3,300,000	Nabatean Castle Hotel and Petra Movenpick Hotel	100
Amman Tourism Investment Co. LLC	16,500,000	Grand Hyatt Amman Hotel, Hyatt Tower and Zara Center	100
Rum Hotels and Tourism Co. LLC	500,000	Tourism Project - Wadi Mousa	75
Oasis Hotels Co. LLC	1,600,000	Tourism Project - Dead Sea	92.2
National Hotels and Tourism Co. LLC	15,000,000	Dead Sea Movenpick Hotel	100
Jordan Hotel Supplies Trading Co. LLC	110,000	Gift Shops	100
Red Sea Hotels Co. LLC	17,000,000	Aqaba Movenpick Hotel	100
Zara Agricultural Co. LLC	100,000	Plants	54.3
South Coast Real Estate Development Co. LLC	10,050,000	Tourism Project - Aqaba	82
South Coast Hotels Co. LLC	4,800,000	Tourism Project - Aqaba	82
Zara South Coast Development Co. LLC	39,425,503	Tala Bay Movenpick Hotel - Aqaba	84.8
Himmeh Solar Power Co. LLC	1,000	Solar Energy	93.6

Related parties represent subsidiaries, major shareholders, and key management personnel of the Group.

Pricing policies and terms of transactions with related parties are approved by the Group's management.

Balances of related parties included in the interim consolidated statement of financial position:

	31 March 2017 (Unaudited) JD	31 December 2016 (Audited) JD
Bank balances – Arab Bank, Etihad Bank, and Cairo Amman Bank	14,365,349	15,112,195
Long-term loans – Arab Bank, Etihad Bank, and Cairo Amman Bank	12,738,500	12,738,500
Due to banks – Arab Bank, Etihad Bank, and Cairo Amman Bank	3,053,104	2,896,613
Amounts due to Astra Investment Company	50,000	100,000
Amounts due from Cairo Amman Bank	1,769	12,891

ZARA INVESTMENT HOLDING COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2017 (UNAUDITED)

Transactions with related parties included in the interim consolidated statement of profit or loss:

	For the three months ended 31	
	March	
	2017	2016
	JD	JD
Salaries, compensation and other benefits of key management personnel of the Company	46,969	81,506
Finance costs – Arab Bank, Etihad Bank and Cairo Amman Bank	167,146	252,904
Rent expense – Astra Investment Company	36,822	36,612
Interest income – Cairo Amman Bank and Etihad Bank	64,876	43,411
Rent income – Cairo Amman Bank	55,087	49,161

(12) CONTINGENT LIABILITIES

The Group has outstanding bank guarantees of JD 103,000 as at 31 March 2017 (2016: JD 103,000).

(13) LITIGATIONS AGAINST THE GROUP

In the normal course of business, the Group appears as a defendant in a number of lawsuits amounting to JD 134,166 as of 31 March 2017 (31 December 2016: JD 165,632). Management and the legal advisor believe that the Group's position holds strong against these lawsuits and no need for any provision except for what has been recorded.