

ZARA INVESTMENT (HOLDING) COMPANY - PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

31 MARCH 2023



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**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”) comprising of the interim condensed consolidated statement of financial position as at 31 March 2023 and the related interim condensed consolidated statements of profit or loss, 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 Accounting 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
20 April 2023

ERNST & YOUNG
Amman - Jordan

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Notes	31 March 2023 JD (Unaudited)	31 December 2022 JD (Audited)
<u>ASSETS</u>			
Non-current assets -			
Property and equipment	3	149,617,398	150,777,574
Investment properties		2,550,852	2,585,348
Right-of-use assets	4	5,870,434	5,973,064
Projects in progress	5	4,434,533	4,371,496
Financial assets at fair value through other comprehensive income		3,295,694	3,313,903
Advance payments for land purchases		111,200	111,200
Deferred tax assets	11	4,260,611	4,145,777
Advance payments to suppliers and contractors		960,481	780,113
Other non-current assets	6	1,333,375	1,333,375
		<u>172,434,578</u>	<u>173,391,850</u>
Current assets -			
Inventories		2,081,695	1,894,622
Accounts receivable		4,343,365	3,389,094
Other current assets	6	2,727,627	1,480,688
Cash on hand and at banks	7	25,936,872	25,985,774
		<u>35,089,559</u>	<u>32,750,178</u>
TOTAL ASSETS		<u>207,524,137</u>	<u>206,142,028</u>
<u>EQUITY AND LIABILITIES</u>			
Equity			
Attributable to the equity owners of the Company -			
Paid-in capital	1	150,000,000	150,000,000
Statutory reserve	8	6,638,512	6,638,512
Voluntary reserve	8	689,496	689,496
Cumulative change in fair value	9	(1,272,594)	(1,255,341)
Accumulated losses		(11,918,818)	(12,173,704)
		<u>144,136,596</u>	<u>143,898,963</u>
Non-controlling interests		18,127,781	18,309,667
Total equity		<u>162,264,377</u>	<u>162,208,630</u>
Liabilities -			
Non-current liabilities -			
Long-term loans	10	14,556,109	14,192,644
Long-term lease obligations	4	4,571,036	4,713,129
Deferred tax liabilities	11	238,658	237,056
Other non-current liabilities	12	8,315,718	8,861,420
		<u>27,681,521</u>	<u>28,004,249</u>
Current liabilities -			
Current portion of long-term loans	10	1,451,839	1,095,057
Short-term lease obligations	4	1,324,816	1,295,085
Accounts payable		6,940,261	6,218,153
Other current liabilities	12	7,509,512	6,913,773
Other provisions		196,749	338,428
Provision for income tax	11	155,062	68,653
		<u>17,578,239</u>	<u>15,929,149</u>
Total liabilities		<u>45,259,760</u>	<u>43,933,398</u>
TOTAL EQUITY AND LIABILITIES		<u>207,524,137</u>	<u>206,142,028</u>

The accompanying notes from 1 to 17 form part of these interim condensed consolidated financial statements

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Notes	For the three months ended	
		31 March	
		2023	2022
		JD	JD
Operating revenues		15,432,276	8,858,976
Operating expenses		(12,731,848)	(9,283,426)
Net operating revenues (losses)	13	2,700,428	(424,450)
Interest income		155,622	27,113
Other income		241,331	163,539
Finance costs		(238,996)	(244,540)
Depreciation of property and equipment and investment properties		(1,989,534)	(1,963,902)
Depreciation of right-of-use assets	4	(102,630)	(102,630)
Administrative expenses		(712,416)	(694,481)
Other provisions		-	(1,376)
Profit (loss) for the period before income tax		53,805	(3,240,727)
Income tax benefit, net	11	19,195	431,158
Profit (loss) for the period		73,000	(2,809,569)
Attributable to:			
Equity holder's of the Company		192,017	(2,476,958)
Non-controlling interests		(119,017)	(332,611)
		73,000	(2,809,569)
		JD / Fils	JD / Fils
Basic and diluted profit (loss) for the period per share attributable to the equity holders of the Company	14	0/001	(0/017)

The accompanying notes from 1 to 17 form part of these interim condensed consolidated financial statements

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	For the three months ended 31 March	
	2023	2022
	JD	JD
Profit (loss) for the period	73,000	(2,809,569)
Other comprehensive income items that will not be reclassified to profit or loss in subsequent periods, net of tax:		
Change in fair value, net of deferred tax liabilities	(17,253)	(120,770)
Total comprehensive income for the period	<u>55,747</u>	<u>(2,930,339)</u>
Attributable to:		
Equity holder's of the Company	174,764	(2,597,728)
Non-controlling interests	(119,017)	(332,611)
	<u>55,747</u>	<u>(2,930,339)</u>

The accompanying notes from 1 to 17 form part of these interim condensed consolidated financial statements

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Attributable to the equity holder's of the Company							Total equity
	Paid-in capital	Reserves		Cumulative change in fair value	Accumulated losses	Total	Non-controlling interests	
		Statutory	Voluntary					
	JD	JD	JD	JD	JD	JD	JD	
2023 -								
Balance at 1 January	150,000,000	6,638,512	689,496	(1,255,341)	(12,173,704)	143,898,963	18,309,667	162,208,630
Total comprehensive income for the period	-	-	-	(17,253)	192,017	174,764	(119,017)	55,747
Change in non-controlling interests due to increase in the share capital of a subsidiary	-	-	-	-	62,869	62,869	(62,869)	-
Balance at 31 March	<u>150,000,000</u>	<u>6,638,512</u>	<u>689,496</u>	<u>(1,272,594)</u>	<u>(11,918,818)</u>	<u>144,136,596</u>	<u>18,127,781</u>	<u>162,264,377</u>
2022 -								
Balance at 1 January	150,000,000	5,998,858	689,496	(264,978)	(15,163,139)	141,260,237	18,373,398	159,633,635
Total comprehensive income for the period	-	-	-	(120,770)	(2,476,958)	(2,597,728)	(332,611)	(2,930,339)
Balance at 31 March	<u>150,000,000</u>	<u>5,998,858</u>	<u>689,496</u>	<u>(385,748)</u>	<u>(17,640,097)</u>	<u>138,662,509</u>	<u>18,040,787</u>	<u>156,703,296</u>

The accompanying notes from 1 to 17 form part of these interim condensed consolidated financial statements

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2023 (UNAUDITED)

	Notes	For the three months ended	
		31 March	
		2023	2022
		JD	JD
<u>OPERATING ACTIVITIES</u>			
Profit (loss) for the period before income tax		53,805	(3,240,727)
Adjustments:			
Interest income		(155,622)	(27,113)
Finance costs		238,996	244,540
Depreciation of property and equipment and investment properties		1,989,534	1,963,902
Depreciation of right-of-use assets		102,630	102,630
Deferred grant income		(50,000)	(50,000)
Other provisions		-	1,376
Changes in working capital -			
Inventories		(187,073)	(144,972)
Accounts receivable		(954,271)	(542,224)
Other current assets		(1,246,939)	(957,538)
Accounts payable		722,108	885,783
Other current liabilities		(676,892)	527,094
Other provisions paid		(141,679)	(25,796)
Income tax paid		(4,524)	(2,035)
Net cash flows used in operating activities		(309,927)	(1,265,080)
<u>INVESTING ACTIVITIES</u>			
Purchase of property and equipment	3	(794,472)	(202,361)
Investment properties		(390)	-
Projects in progress	5	(63,037)	(605,239)
Advance payments to suppliers and contractors		(180,368)	(312,030)
Contractors' accruals and retentions		(518,732)	25,669
Interest income received		155,622	27,113
Net cash flows used in investing activities		(1,401,377)	(1,066,848)
<u>FINANCING ACTIVITIES</u>			
Proceeds from loans		815,021	473,849
Other non-current liabilities		1,025,353	492,553
Finance costs paid		(100,394)	(91,393)
Payment of lease obligations	4	(77,578)	(106,252)
Net cash flows from financing activities		1,662,402	768,757
Net decrease in cash and cash equivalents		(48,902)	(1,563,171)
Cash and cash equivalents at the beginning of the period		25,985,774	9,874,252
Cash and cash equivalents at the end of the period	7	25,936,872	8,311,081

The accompanying notes from 1 to 17 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 2023 (UNAUDITED)

(1) GENERAL

Zara Investment (Holding) – Public Shareholding Company (the “Company”) was established on 10 May 1994. 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 (collectively referred to as 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 18 April 2023.

(2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

(2-1) BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three-month period ended 31 March 2023 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income, which have been measured at fair value as of the date of the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements have been presented in Jordanian Dinar which represents the functional currency of the Group.

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 2022. In addition, the results for the three-month period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

(2-2) BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries (note 15) as of 31 March 2023.

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

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

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.

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

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

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2023 (UNAUDITED)

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 any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss.

(2-3) CHANGES IN ACCOUNTING POLICIES

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

IFRS 17 Insurance Contracts

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

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

IFRS 17 has been applied retrospectively on 1 January 2023. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not applicable to the Group.

Definition of Accounting Estimates - Amendments to IAS 8

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

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

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

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

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

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

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

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

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

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
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31 MARCH 2023 (UNAUDITED)

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

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

(3) PROPERTY AND EQUIPMENT

Additions to property and equipment amounted to JD 794,472 during the three months ended 31 March 2023 (31 March 2022: JD 202,361).

(4) RIGHT OF USE ASSETS

The schedule below illustrates the book value of the Group's right-of-use assets and lease obligations and the movements during the periods ended 31 March 2023 and 31 December 2022:

	Right-of-use assets			Lease obligations*
	Land	Photovoltaic systems	Total	
	JD	JD	JD	
For the period ended 31 March 2023				
(Unaudited) -				
As at 1 January	824,272	5,148,792	5,973,064	6,008,214
Depreciation	(29,654)	(72,976)	(102,630)	-
Finance costs	-	-	-	133,272
Payments	-	-	-	(77,578)
Transferred to accounts payable	-	-	-	(168,056)
As at 31 March	794,618	5,075,816	5,870,434	5,895,852
For the year ended 31 December 2022				
(Audited) -				
As at 1 January	942,886	5,440,695	6,383,581	6,500,320
Depreciation	(118,614)	(291,903)	(410,517)	-
Finance costs	-	-	-	555,020
Payments	-	-	-	(861,522)
Transferred to accounts payable	-	-	-	(185,604)
As at 31 December	824,272	5,148,792	5,973,064	6,008,214

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
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31 MARCH 2023 (UNAUDITED)

* Lease obligation details are as follows:

31 March 2023 (Unaudited)			31 December 2022 (Audited)		
Short-term	Long-term	Total	Short-term	Long-term	Total
JD	JD	JD	JD	JD	JD
1,324,816	4,571,036	5,895,852	1,295,085	4,713,129	6,008,214

(5) PROJECTS IN PROGRESS

Additions to projects in progress amounted to JD 63,037 during the three months ended 31 March 2023 (31 March 2022: JD 605,239).

There were no projects which were completed and transferred to property and equipment for the three months ended 31 March 2023 and 31 March 2022.

The estimated cost to complete the projects in progress is JD 14,000,000 as at 31 March 2023 (31 December 2022: JD 6,000,000). Management of the Group expects to complete these projects during the year 2025.

(6) OTHER CURRENT ASSETS

	31 March 2023	31 December 2022
	JD	JD
Aqaba Special Economic Zone Authority *	1,333,375	1,333,375
Prepaid expenses	1,719,206	310,285
Refundable deposits	691,182	691,182
Others	317,239	479,221
	<u>4,061,002</u>	<u>2,814,063</u>
Non-current portion	1,333,375	1,333,375
Current portion	<u>2,727,627</u>	<u>1,480,688</u>
	<u>4,061,002</u>	<u>2,814,063</u>

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
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- * In 2015, the two subsidiaries (South Coast Real Estate Development Company and South Coast Hotels Company) collectively signed an agreement with Aqaba Special Economic Zone Authority (“ASEZA”) to cancel the sale and development agreement made in 2007 with ASEZA for the purchase of a number of land lots. In the agreement signed in 2015, ASEZA promised to repay the advances to the two subsidiaries in five equal annual instalments amounting to JD 1.3 million each over a period of 5 years starting in 2016 and ending in 2021. In 2020, the two subsidiaries agreed with ASEZA to postpone last instalment due on 1 June 2020 for two years in light of repercussions of COVID-19. On 20 November 2022, the Group has agreed with the Authority to postpone last instalment. Accordingly, the final instalment would be due at the latest by 30 June 2024.

(7) CASH ON HAND AND AT BANKS

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Cash on hand	92,642	83,714
Current accounts at banks	9,543,960	12,820,249
Term deposits *	16,300,270	13,081,811
	<u>25,936,872</u>	<u>25,985,774</u>

- * Term deposits are fixed for 1 to 3 months and earn annual interest rate ranging from 4% to 5% per annum (2022: from 4% to 5% per annum)

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

	For the three months ended 31 March	
	2023	2022
	JD (Unaudited)	JD (Unaudited)
Cash on hand and at banks	25,936,872	14,236,888
Less: Due to a bank	-	(5,925,807)
	<u>25,936,872</u>	<u>8,311,081</u>

(8) 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.

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
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31 MARCH 2023 (UNAUDITED)

The aggregate amounts and maturities of the loans are as follows:

Year	JD
1 April 2023 – 31 March 2024	1,540,446
1 April 2024 – 31 March 2025	3,489,443
1 April 2025 – 31 March 2026	3,397,398
1 April 2026 – 31 March 2027	3,232,115
1 April 2027 and thereafter	7,124,426
	<u>18,783,828</u>

(11) INCOME TAX

The income tax provision represents income tax due on the results of operations of some of the Company's subsidiaries in accordance with the Income Tax Law (34) of 2014 and its amendments, the Investment Law (30) of 2014, and Aqaba Special Economic Zone Law (32) of 2000 and its amendments.

Income tax -

The income tax benefit stated on the interim condensed consolidated statement of profit or loss represents the following:

	For the three months ended 31 March	
	2023 JD	2022 JD
Period income tax	92,286	-
Prior years' income tax	799	2,036
Deferred income tax	80,865	-
Income tax benefit	(193,145)	(433,194)
	<u>(19,195)</u>	<u>(431,158)</u>

Provision for income tax -

Movements on the provision for income tax were as follows:

	31 March 2023 JD (Unaudited)	31 December 2022 JD (Audited)
	Beginning balance for the period / year	68,653
Income tax for the period / year	92,286	18,439
Prior years' income tax	799	55,292
Recovered from provision during the period / year	(2,152)	-
Income tax paid	(4,524)	(88,890)
Ending balance for the period / year	<u>155,062</u>	<u>68,653</u>

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2023 (UNAUDITED)

The Company and its subsidiaries submitted their tax declarations to the Income Tax Department and Aqaba Special Economic Zone Authority (ASEZA) up to the year 2021.

Company	Year of last clearance (or sampling system acceptance):	
	Income and Sales Tax Department	Aqaba Special Economic Zone Authority
Jordan Hotels and Tourism PSC	2018	-
Jordan Himmeh Mineral PSC	2020	-
Nabatean Hotels LLC	2018	-
Amman Tourism Investment LLC	2019	-
Rum Hotels and Tourism LLC	2020	-
Oasis Hotels LLC	2020	-
National Hotels and Tourism LLC	2020	-
Jordan Hotel Supplies Trading LLC	2019	2019
Red Sea Hotels LLC	-	2019
South Coast Real Estate Development LLC	-	2020
South Coast Hotels LLC	-	2020
Zara South Coast Development LLC	-	2020
Zara Agricultural Services and Marketing LLC	2019	2018
Himmeh Solar Power LLC	2020	-
Zara Investment (Holding) PSC	2020	-

Deferred tax assets –

Deferred tax assets represent the estimated tax effect of accumulated tax losses carried forward pertaining to several subsidiaries, which are expected to result in future tax benefits.

Movements on deferred tax assets were as follows:

	31 March 2023 JD (Unaudited)	31 December 2022 JD (Audited)
Beginning balance	4,145,777	5,048,749
Tax effect of accumulated tax losses carried forward	193,145	232,559
Tax effect of accumulated tax losses released	(78,311)	(1,135,531)
Ending balance	<u>4,260,611</u>	<u>4,145,777</u>

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Deferred tax liabilities –

Deferred tax liabilities comprise the estimated income tax on unrealized gains from financial assets at fair value through other comprehensive income, which appear in the cumulative change in fair value in equity, as well as on depreciation differences related to machinery and equipment and computer hardware and software, which are depreciated for financial reporting purposes at rates lower than those used in the computation of income tax.

Movements on deferred tax liabilities were as follows:

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Beginning balance for the period / year	237,056	308,973
Change in fair value of financial assets (note 9)	(956)	(15,775)
Depreciation differences related to machinery and equipment and computer hardware and software, net	2,558	(56,142)
Ending balance for the period / year	<u>238,658</u>	<u>237,056</u>

(12) OTHER CURRENT LIABILITIES

	31 March 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Social Security Corporation deposits	5,511,915	5,511,915
Unearned government grants	3,696,212	3,601,438
Accrued expenses	2,528,656	2,644,044
Guest deposits	1,651,093	1,382,260
Deferred grant income	1,149,985	1,199,984
Cooling units	164,118	201,089
Contractors' accruals and retentions	135,191	653,923
Sales tax deposits	56,586	37,192
Others	931,474	543,348
	<u>15,825,230</u>	<u>15,775,193</u>
Non-current portion	8,315,718	8,861,420
Current portion	<u>7,509,512</u>	<u>6,913,773</u>
	<u>15,825,230</u>	<u>15,775,193</u>

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(13) SEGMENT INFORMATION

This item represents the following:

	Hotel segment *	Other segments	Eliminations	Total
For the period ended 31 March 2023 (Unaudited)	JD	JD	JD	JD
Operating revenues	15,136,355	409,524	(113,603)	15,432,276
Operating expenses	<u>(12,598,488)</u>	<u>(246,963)</u>	<u>113,603</u>	<u>(12,731,848)</u>
Net operating revenues	<u>2,537,867</u>	<u>162,561</u>	<u>-</u>	<u>2,700,428</u>
Other information –				
Interest income	154,409	1,213	-	155,622
Finance costs	238,996	-	-	238,996
Depreciation	2,085,492	6,672	-	2,092,164

* Hotels' net operating revenues consist of the following:

	Hotel	Grand Hyatt	Dead Sea	Petra	Aqaba	Nabatean Castle	Tala Bay	
	InterContinental	Amman	Movenpick	Movenpick	Movenpick	Movenpick	Movenpick	
	Jordan	Hotel	Resort	Resort	Resort	Hotel	Resort	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Operating revenues -								
Rooms revenue	1,748,035	1,341,320	1,507,505	2,014,785	1,043,576	434,923	801,816	8,891,960
Food and beverage revenue	1,389,934	768,950	1,083,786	935,198	619,332	183,978	443,154	5,424,332
Other departments revenue	<u>189,203</u>	<u>179,547</u>	<u>291,087</u>	<u>68,391</u>	<u>18,486</u>	<u>1,926</u>	<u>71,423</u>	<u>820,063</u>
	<u>3,327,172</u>	<u>2,289,817</u>	<u>2,882,378</u>	<u>3,018,374</u>	<u>1,681,394</u>	<u>620,827</u>	<u>1,316,393</u>	<u>15,136,355</u>
Operating expenses -								
Rooms expenses	348,461	294,137	321,098	238,229	225,051	70,745	205,536	1,703,257
Food and beverage expenses	1,054,422	642,386	658,648	572,681	383,487	137,449	369,707	3,818,780
Other departments expenses	125,283	36,987	170,639	19,506	56,028	130	88,391	496,964
Administrative and marketing expenses	<u>1,324,352</u>	<u>1,239,239</u>	<u>1,279,120</u>	<u>724,690</u>	<u>833,657</u>	<u>252,667</u>	<u>925,762</u>	<u>6,579,487</u>
	<u>2,852,518</u>	<u>2,212,749</u>	<u>2,429,505</u>	<u>1,555,106</u>	<u>1,498,223</u>	<u>460,991</u>	<u>1,589,396</u>	<u>12,598,488</u>
Net operating revenue	<u>474,654</u>	<u>77,068</u>	<u>452,873</u>	<u>1,463,268</u>	<u>183,171</u>	<u>159,836</u>	<u>(273,003)</u>	<u>2,537,867</u>

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	Hotel segment *	Other segments	Eliminations	Total
For the period ended 31 March 2022 - (Unaudited)	JD	JD	JD	JD
Operating revenues	8,706,234	202,634	(49,892)	8,858,976
Operating expenses	(9,209,209)	(124,109)	49,892	(9,283,426)
Net operating revenues	(502,975)	78,525	-	(424,450)

Other information –

Interest income	26,232	881	-	27,113
Finance costs	(192,726)	(51,814)	-	(244,540)
Depreciation	(2,059,060)	(7,472)	-	(2,066,532)

* Hotels' net operating revenues consist of the following:

	Grand					Nabatean		
	Hotel InterContinental Jordan	Hyatt Amman Hotel	Dead Sea Movenpick Resort	Petra Movenpick Resort	Aqaba Movenpick Resort	Castle Movenpick Hotel	Tala Bay Movenpick Resort	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Operating revenues -								
Rooms revenue	1,141,585	910,447	685,870	891,165	607,882	39,386	516,253	4,792,588
Food and beverage revenue	999,897	669,544	509,114	445,444	407,376	14,917	270,950	3,317,242
Other departments revenue	123,464	206,279	185,712	14,597	19,834	158	46,360	596,404
	<u>2,264,946</u>	<u>1,786,270</u>	<u>1,380,696</u>	<u>1,351,206</u>	<u>1,035,092</u>	<u>54,461</u>	<u>833,563</u>	<u>8,706,234</u>
Operating expenses -								
Rooms expenses	262,739	221,652	184,071	136,568	154,296	25,854	127,665	1,112,845
Food and beverage expenses	792,160	525,382	422,353	307,471	310,814	37,420	251,488	2,647,088
Other departments expenses	120,096	40,048	128,190	9,409	36,138	13	60,893	394,787
Administrative and marketing expenses	1,058,235	1,004,862	850,503	488,690	633,077	111,704	665,969	4,813,040
Other expenses	65,540	24,572	25,773	19,195	53,842	4,537	47,990	241,449
	<u>2,298,770</u>	<u>1,816,516</u>	<u>1,610,890</u>	<u>961,333</u>	<u>1,188,167</u>	<u>179,528</u>	<u>1,154,005</u>	<u>9,209,209</u>
Net operating revenue	<u>(33,824)</u>	<u>(30,246)</u>	<u>(230,194)</u>	<u>389,873</u>	<u>(153,075)</u>	<u>(125,067)</u>	<u>(320,442)</u>	<u>(502,975)</u>

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	Hotels segment	Other segments	Eliminations	Total
	JD	JD	JD	JD
<u>Assets and Liabilities</u>				
As at 31 March 2023 (Unaudited)				
Segment assets	213,461,854	57,883,244	(63,820,961)	207,524,137
Segment liabilities	83,996,377	25,084,344	(63,820,961)	45,259,760
As at 31 December 2022 (Audited)				
Segment assets	212,614,152	57,848,168	(64,320,292)	206,142,028
Segment liabilities	82,936,468	25,317,222	(64,320,292)	43,933,398

(14) BASIC AND DILUTED PROFIT (LOSS) PER SHARE

	For the three months ended 31 March	
	2023	2022
Profit (loss) attributable to equity holder's of the Company (JD)	192,017	(2,476,958)
Weighted average number of shares (Share)	150,000,000	150,000,000
	<u>JD / Fils</u>	<u>JD / Fils</u>
Basic profit (loss) per share attributable (JD/ Fils)	<u>0/001</u>	<u>(0/017)</u>

Basic and diluted profit (loss) per share attributable to equity holder's of the Company for the period are equal.

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(15) RELATED PARTY TRANSACTIONS

The interim condensed consolidated financial statements includes the Company's financial statements and the following subsidiaries (all incorporated in Jordan):

	Paid-in capital		Principal Activities	Ownership	
	31 March	31 December		31 March	31 December
	2023	2022		2023	2022
	JD	JD		%	%
Jordan Hotels and Tourism PSC	10,000,000	10,000,000	Hotel InterContinental Jordan	51.6	51.6
Jordan Himmeh Mineral PSC	2,000,000	2,000,000	Himmeh Resort	77.8	77.8
			Nabatean Castle Hotel and Petra		
Nabatean Hotels LLC	3,300,000	3,300,000	Movenpick Hotel	100	100
			Grand Hyatt Amman Hotel, Hyatt		
Amman Tourism Investment LLC	16,500,000	16,500,000	Tower and Zara Center	100	100
Rum Hotels and Tourism LLC	700,000	700,000	Tourism Project –Wadi Mousa	82.1	82.1
Oasis Hotels LLC	1,600,000	1,600,000	Tourism Project - Dead Sea	92.2	92.2
National Hotels and Tourism LLC	15,000,000	15,000,000	Dead Sea Movenpick Hotel	100	100
Jordan Hotel Supplies Trading LLC	330,000	330,000	Gift Shops	100	100
Red Sea Hotels LLC	17,000,000	17,000,000	Aqaba Movenpick Hotel	100	100
South Coast Real Estate Development LLC	10,050,000	10,050,000	Tourism Project - Aqaba	82	82
South Coast Hotels LLC	4,800,000	4,800,000	Tourism Project - Aqaba	82	82
Zara South Coast Development LLC	39,425,503	39,425,503	Tala Bay Movenpick Hotel - Aqaba	84.8	84.8
Zara Agricultural Services and Marketing LLC	61,000	61,000	Plant maintenance	100	100
Himmeh Solar Power LLC	14,000	14,000	Solar power electricity generation	93.6	93.6

Related parties represent major shareholders, and key management personnel of the Group. Pricing policies and terms of these transactions are approved by the Group's management.

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

	Nature of the relationship	31 March 2023 JD (Unaudited)	31 December 2022 JD (Audited)
Assets-			
Advance payments for land purchases	(Chairman of Board of Directors)	111,200	111,200
Cash at banks - Arab Bank, Bank al Etihad and Cairo Amman Bank	(Shareholders)	25,838,174	25,892,336
Accounts receivable - Amounts due from Cairo Amman Bank	(Shareholder)	9,225	16,765
Liabilities -			
Long term loans - Cairo Amman Bank and Bank al Etihad	(Shareholders)	18,783,828	17,968,807

Transactions with related parties included in the interim condensed consolidated statement of profit or loss are as follows:

	Nature of the relationship	For the three months ended 31 March	
		2023 JD	2022 JD
Interest income – Cairo Amman Bank and bank al Etihad	(Shareholders)	155,622	27,113
Rent income – Cairo Amman Bank	(Shareholder)	19,500	30,259
Finance costs – Arab Bank and Cairo Amman Bank	(Shareholders)	100,394	91,393
Rent expense – Astra Investment Company	(A Company Owned by Chairman of the Board of directors)	36,642	37,242

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Key management personnel compensation (salaries, compensation and other benefits) is as follows:

	For the three months ended 31 March	
	2023	2022
	JD	JD
Salaries, compensation and other benefits	<u>52,875</u>	<u>48,675</u>

(16) CONTINGENT LIABILITIES

The Group has outstanding bank guarantees in the amount of JD 149,096 as at 31 March 2023 (31 December 2022: JD 149,096).

(17) LITIGATIONS

The Group is defendant in a number of lawsuits in the amount of JD 172,939 as of 31 March 2023 (31 December 2022: JD 172,939) and within the Group's normal course of business. 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. The Group is plaintiff in lawsuits against others in the amount of JD 813,072 as of 31 March 2023 (31 December 2022: JD 807,835).