

ZARA INVESTMENT (HOLDING) COMPANY

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 SEPTEMBER 2022

**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 30 September 2022 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months 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
31 October 2022

ERNST & YOUNG
Amman - Jordan

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

	Notes	30 September 2022 JD (Unaudited)	31 December 2021 JD (Audited)
<u>ASSETS</u>			
Non-current assets -			
Property and equipment	3	151,343,835	155,057,026
Investment properties		2,620,125	2,727,428
Right-of-use assets	4	6,075,692	6,383,581
Projects in progress	5	4,033,257	2,485,140
Financial assets at fair value through other comprehensive income		3,428,997	4,320,041
Advance payments for land purchases		111,200	111,200
Deferred tax assets	11	4,836,437	5,048,749
Advance payments to suppliers & contractors		939,438	521,875
		<u>173,388,981</u>	<u>176,655,040</u>
Current assets -			
Inventories		1,849,948	1,448,571
Accounts receivable		3,368,963	2,075,711
Other current assets	6	3,355,902	2,880,468
Cash on hand and at banks	7	18,763,273	15,268,533
		<u>27,338,086</u>	<u>21,673,283</u>
TOTAL ASSETS		<u><u>200,727,067</u></u>	<u><u>198,328,323</u></u>
<u>EQUITY AND LIABILITIES</u>			
Equity-			
Paid-in capital	1	150,000,000	150,000,000
Statutory reserve	8	5,998,858	5,998,858
Voluntary reserve	8	689,496	689,496
Cumulative change in fair value	9	(1,139,242)	(264,978)
Accumulated losses		(15,104,399)	(15,163,139)
Attributable to the equity owners of the Company		<u>140,444,713</u>	<u>141,260,237</u>
Non-controlling interests		18,320,086	18,373,398
TOTAL EQUITY		<u><u>158,764,799</u></u>	<u><u>159,633,635</u></u>
Liabilities-			
Non-current liabilities -			
Long-term loans	10	11,930,318	7,601,864
Long-term lease obligations	4	4,821,956	5,284,883
Deferred tax liabilities	11	250,559	308,973
Other non-current liabilities	12	8,768,369	7,711,024
		<u>25,771,202</u>	<u>20,906,744</u>
Current liabilities -			
Current portion of long-term loans	10	678,926	926,776
Short-term lease obligations	4	1,277,613	1,215,437
Due to banks	7	1,138,199	5,394,281
Accounts payable		6,226,956	5,243,097
Other credit balances	12	6,135,821	4,157,426
Other provisions		652,708	767,115
Provision for income tax	11	80,843	83,812
		<u>16,191,066</u>	<u>17,787,944</u>
TOTAL LIABILITIES		<u><u>41,962,268</u></u>	<u><u>38,694,688</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>200,727,067</u></u>	<u><u>198,328,323</u></u>

The accompanying notes from 1 to 19 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 AND NINE MONTHS ENDED 30 SEPTEMBER 2022 (UNAUDITED)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2022	2021	2022	2021
		JD	JD	JD	JD
Operating revenues		18,193,681	11,877,280	44,410,762	21,406,171
Operating expenses		(13,687,934)	(9,434,260)	(35,763,061)	(21,240,031)
Net operating revenues	13	4,505,747	2,443,020	8,647,701	166,140
Interest income		64,036	25,718	117,199	83,469
Other income		140,590	145,894	594,174	483,689
Finance costs		(220,728)	(225,677)	(729,995)	(556,694)
Depreciation of property and equipment and investment properties		(1,985,067)	(1,999,451)	(5,908,148)	(5,864,863)
Depreciation of right-of-use assets	4	(102,629)	(102,629)	(307,889)	(248,313)
Administrative expenses		(670,943)	(563,041)	(2,209,539)	(1,797,824)
Other provisions		(1,350)	(23,915)	(4,181)	(81,815)
Profit (loss) for the period before income tax		1,729,656	(300,081)	199,322	(7,816,211)
Income tax (expense) benefit, net	11	(139,508)	133,624	(193,894)	1,186,555
Profit (loss) for the period		1,590,148	(166,457)	5,428	(6,629,656)
Attributable to:					
Equity holders of the Company		1,313,804	(200,994)	60,363	(5,907,850)
Non-controlling interests		276,344	34,537	(54,935)	(721,806)
		1,590,148	(166,457)	5,428	(6,629,656)
		JD / Fils	JD / Fils	JD / Fils	JD / Fils
Basic and diluted profit (loss) per share attributable to the equity holders of the Company	14	0/009	(0/001)	0/000	(0/039)

The accompanying notes from 1 to 19 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 AND NINE MONTHS ENDED 30 SEPTEMBER 2022 (UNAUDITED)

	For the three months ended 30 September		For the nine months ended 30 September	
	2022	2021	2022	2021
	JD	JD	JD	JD
Profit (loss) for the period	1,590,148	(166,457)	5,428	(6,629,656)
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	(224,605)	(79,362)	(874,264)	(103,517)
Total comprehensive income for the period	1,365,543	(245,819)	(868,836)	(6,733,173)
Attributable to:				
Equity holders of the Company	1,089,199	(280,356)	(813,901)	(6,011,367)
Non-controlling interests	276,344	34,537	(54,935)	(721,806)
	1,365,543	(245,819)	(868,836)	(6,733,173)

The accompanying notes from 1 to 19 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 NINE MONTHS ENDED 30 SEPTEMBER 2022 (UNAUDITED)

	Attributable to the equity holders of the Company							Total equity
	Paid-in capital	Reserves		Cumulative change in fair value	Accumulated losses	Total	Non-controlling interests	
		Statutory	Voluntary					
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	-	-	-	(874,264)	60,363	(813,901)	(54,935)	(868,836)
Change in non-controlling interests due to increase in the share capital of a subsidiary	-	-	-	-	(1,623)	(1,623)	1,623	-
Balance at 30 September	150,000,000	5,998,858	689,496	(1,139,242)	(15,104,399)	140,444,713	18,320,086	158,764,799
2021-								
Balance at 1 January	150,000,000	5,977,415	689,496	(286,661)	(9,012,432)	147,367,818	19,207,554	166,575,372
Total comprehensive income for the period	-	-	-	(103,517)	(5,907,850)	(6,011,367)	(721,806)	(6,733,173)
Change in non-controlling interests due to increase in the share capital of a subsidiary	-	-	-	-	(1,658)	(1,658)	1,658	-
Balance at 30 September	150,000,000	5,977,415	689,496	(390,178)	(14,921,940)	141,354,793	18,487,406	159,842,199

The accompanying notes from 1 to 19 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 NINE MONTHS ENDED 30 SEPTEMBER 2022 (UNAUDITED)

	Notes	For the nine months ended 30 September	
		2022	2021
		JD	JD
<u>OPERATING ACTIVITIES</u>			
Profit (loss) for the period before income tax		199,322	(7,816,211)
Adjustments:			
Interest income		(117,199)	(83,469)
Gains on sale of property and equipment, net	3	(48,297)	(12,912)
Finance costs		729,995	556,694
Depreciation of property and equipment and investment properties		5,908,148	5,864,863
Depreciation of right-use assets		307,889	248,313
Deferred grant income		(150,000)	(150,000)
Recovered from expected credit losses, net		-	(37,276)
Other provisions		4,181	81,815
Changes in working capital:			
Inventories		(401,377)	(111,436)
Accounts receivable		(1,293,252)	(1,200,048)
Other current assets		(475,434)	(594,468)
Accounts payable		983,859	462,091
Other current liabilities		1,957,685	1,334,993
Other provisions paid		(118,588)	(28,806)
Income tax paid	11	(26,186)	(4,150)
Net cash flows from (used in) operating activities		7,460,746	(1,490,007)
<u>INVESTING ACTIVITIES</u>			
Purchase of property and equipment	3	(1,632,257)	(991,291)
Proceeds from sale of property and equipment		52,763	15,982
Projects in progress	5	(2,007,980)	(1,832,936)
Advance payments to suppliers and contractors		(417,563)	(26,541)
Contractors accruals and retentions		(9,361)	(137,573)
Interest income received		117,199	83,469
Net cash flows used in investing activities		(3,897,199)	(2,888,890)
<u>FINANCING ACTIVITIES</u>			
Proceeds from loans		5,194,828	5,211,067
Other credit balances		(56,879)	3,397,463
Finance costs paid		(287,036)	(189,160)
Payments of lease obligations	4	(663,638)	(562,672)
Net cash flows from financing activities		4,187,275	7,856,698
Net increase in cash and cash equivalents		7,750,822	3,477,801
Cash and cash equivalents at the beginning of the period		9,874,252	4,395,291
Cash and cash equivalents at the end of the period	7	17,625,074	7,873,092

The accompanying notes from 1 to 19 form part of these interim condensed consolidated financial statements

(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 (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 issuance by the Board of Directors in its meeting held on 31 October 2022.

(2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

(2-1) BASIS OF PREPARATION

The interim condensed consolidated financial statements for the nine-months period ended 30 September 2022 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 JD 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 at 31 December 2021. In addition, the results for the nine-month period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

(2-2) BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statement of the Company and its subsidiaries (note 14) as at 30 September 2022.

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.

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

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

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

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

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

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

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

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

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

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

This amendment is not applicable to the Group.

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

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

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

IAS 41 Agriculture – Taxation in fair value measurements

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

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

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

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2022 (UNAUDITED)

(3) PROPERTY AND EQUIPMENT

Additions to property and equipment amounted to JD 1,632,257 during the nine months ended 30 September 2022 (2021: JD 991,291). The Group disposed of property and equipment during the nine months ended 30 September 2022 with NBV of JD 4,466 (2021: JD 3,070). The Group recognized gains on disposal in the amount of JD 48,297 during the nine months ended 30 September 2022 (2021: JD 12,912).

(4) RIGHT-OF-USE ASSETS AND LEASE CONTRACTS OBLIGATIONS

The schedule below illustrates the book value of the Group's right-of-use assets and lease obligations and the movements during the nine months ended 30 September 2022:

	Right-of-use assets			Lease obligations*
	Land	Photovoltaic stations	Total	
	JD	JD	JD	JD
At 1 January 2022	942,886	5,440,695	6,383,581	6,500,320
Depreciation	(88,962)	(218,927)	(307,889)	-
Finance costs	-	-	-	419,122
Payments	-	-	-	(663,638)
Transferred to accounts payable	-	-	-	(156,235)
At 30 September 2022 (Unaudited)	<u>853,924</u>	<u>5,221,768</u>	<u>6,075,692</u>	<u>6,099,569</u>
	Right-of-use assets			Lease obligations*
	Land	Photovoltaic stations	Total	
	JD	JD	JD	JD
At 1 January 2021	1,061,500	2,098,522	3,160,022	3,341,045
Additions	-	3,574,503	3,574,503	3,574,503
Depreciation	(118,614)	(232,330)	(350,944)	-
Finance costs	-	-	-	488,439
Payments	-	-	-	(777,654)
Transferred to accounts payable	-	-	-	(126,013)
At 31 December 2021 (Audited)	<u>942,886</u>	<u>5,440,695</u>	<u>6,383,581</u>	<u>6,500,320</u>

* Lease obligation details as at 30 September 2022 and 31 December 2021 are as follows:

2022 (Unaudited)			2021 (Audited)		
Short-term	Long-term	Total	Short-term	Long-term	Total
JD	JD	JD	JD	JD	JD
<u>1,277,613</u>	<u>4,821,956</u>	<u>6,099,569</u>	<u>1,215,437</u>	<u>5,284,883</u>	<u>6,500,320</u>

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2022 (UNAUDITED)

(5) PROJECTS IN PROGRESS

Additions to projects in progress amounted to JD 2,007,980 during the nine months ended 30 September 2022 (2021: JD 1,832,936).

Projects which were completed and transferred to property and equipment amounted to JD 459,863 for the nine months ended 30 September (2021: JD 5,204,267).

The estimated cost to complete the projects in progress is JD 5,000,000 as at 30 September 2022. Management expects to complete these projects during the upcoming two years.

(6) OTHER DEBIT BALANCES

	30 September 2022	31 December 2021
	JD	JD
	(Unaudited)	(Audited)
Aqaba Special Economic Zone Authority *	1,333,375	1,333,375
Refundable deposits	691,182	691,182
Prepaid expenses	1,013,799	371,051
Others	317,546	484,860
	<u>3,355,902</u>	<u>2,880,468</u>

During the year 2015, the Group's 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 2020. During 2020, the two subsidiaries agreed with ASEZA to postpone the last instalment due on 1 June 2020 for two years in light of the repercussions of COVID-19.

(7) CASH ON HAND AND AT BANKS

	30 September 2022	31 December 2021
	JD	JD
	(Unaudited)	(Audited)
Cash on hand	89,982	65,329
Current accounts at banks	9,179,884	11,075,122
Term deposits *	9,493,407	4,128,082
	<u>18,763,273</u>	<u>15,268,533</u>

* Term deposits are fixed for 1 to 3 months and earn annual interest rate ranging from 0.1% to 4.5% per annum (2021: 1% to 3% per annum).

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2022 (UNAUDITED)

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

	For the nine months ended 30 September	
	2022	2021
	JD	JD
Cash on hand and at banks	18,763,273	13,928,956
Less: Due to a bank	(1,138,199)	(6,055,864)
	<u>17,625,074</u>	<u>7,873,092</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 financial statements.

(9) CUMULATIVE CHANGE IN FAIR VALUE

	30 September 2022	31 December 2021
	JD	JD
	(Unaudited)	(Audited)
Beginning Balance	(264,978)	(286,661)
Change in the fair value of financial assets at fair value through other comprehensive income	(857,485)	25,492
Change in deferred tax liabilities (Note 11)	(16,779)	(3,809)
Balance at end of period/year	<u>(1,139,242)</u>	<u>(264,978)</u>

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2022 (UNAUDITED)

(10) LOANS

This item represents loans granted from the following parties:

	Currency	Unutilized Balance	Interest	Loan instalments			
				30 September 2022		31 December 2021	
				(Unaudited)		(Audited)	
				Short Term	Long Term	Short Term	Long Term
				JD	JD	JD	JD
Bank al Etihad – Jordan Hotels and Tourism Co.	JD	1,211,140	3.5%	133,333	655,527	-	425,188
Cairo Amman Bank – Jordan Hotels and Tourism Co.	JD	-	3%	-	2,000,000	166,664	833,336
Cairo Amman Bank – Jordan Himmeh Mineral Co.	JD	608,530	3%	230,769	2,160,701	-	1,408,049
Cairo Amman Bank – Nabatean Hotels Co. 1	JD	897,550	3.25%	153,847	948,603	-	1,029,335
Cairo Amman Bank – Nabatean Hotels Co. 2	JD	728,411	3%	-	1,271,589	166,664	765,395
Cairo Amman Bank – Amman Tourism Investment Co. 1	JD	-	3.5%	153,847	1,846,153	-	2,000,000
Cairo Amman Bank – Amman Tourism Investment Co. 2	JD	471,672	3%	-	1,528,328	166,664	833,336
Cairo Amman Bank – National Hotels and Tourism Co. 1	JD	378,608	3%	-	1,621,392	166,664	833,336
Cairo Amman Bank – National Hotels and Tourism Co. 2	JD	1,802,357	3%	-	197,643	-	-
Cairo Amman Bank – Red Sea Hotels Co. 1	JD	1,956,992	3.5%	43,008	-	-	43,008
Cairo Amman Bank – Red Sea Hotels Co. 2	JD	1,015,702	3%	-	684,298	141,664	121,306
Cairo Amman Bank – Zara South Coast Development Co.	JD	769,032	3%	-	930,968	141,664	122,905
				714,804	13,845,202	949,984	8,415,194
Less: Unearned governmental grants				(35,878)	(1,914,884)	(23,208)	(813,330)
				678,926	11,930,318	926,776	7,601,864

The annual repayments and maturities of the loans are as follows:

Period	JD
1 October 2022 – 30 September 2023	714,804
1 October 2023 – 30 September 2024	2,278,099
1 October 2024 – 30 September 2025	3,298,338
1 October 2025 – 30 September 2026	3,098,660
1 October 2026 and thereafter	5,170,105
Total	14,560,006

(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 no. (34) of 2014 and its amendments, the Investment Commission Law No. (30) of 2014, and the Aqaba Special Economic Zone Authority Law No. (32) of 2000 and its amendments.

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2022 (UNAUDITED)

Income tax, net -

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

	For the nine months ended 30 September	
	2022	2021
	JD	JD
Prior years' income tax	23,217	1,716
Deferred tax liabilities	591,244	9,943
Deferred tax benefits	(420,567)	(1,198,214)
Net income tax benefit	193,894	(1,186,555)

Provision for income tax –

Movements on the provision for income tax were as follows:

	30 September 2022	31 December 2021
	JD	JD
	(Unaudited)	(Audited)
Beginning balance for the period / year	83,812	83,348
Income tax for the period / year	-	2,898
Prior years' income tax	23,217	1,716
Income tax paid during the period / year	(26,186)	(4,150)
Ending balance for the period / year	80,843	83,812

Management believes that the recorded provision for income tax is sufficient to meet the tax obligations as at 30 September 2022.

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.

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2022 (UNAUDITED)

Year of last clearance (or sampling system acceptance) until the year:

Company	Income and Sales Tax Department	Aqaba Special Economic Authority
Jordan Hotels and Tourism Co. PSC	2018	-
Jordan Himmeh Mineral Co. PSC	2020	-
Nabatean Hotels Co. LLC	2018	-
Amman Tourism Investment Co. LLC	2019	-
Rum Hotels and Tourism Co. LLC	2020	-
Oasis Hotels Co. LLC	2020	-
National Hotels and Tourism Co. LLC	2018	-
Jordan Hotel Supplies Trading Co. LLC	2019	2019
Red Sea Hotels Co. LLC	-	2017
Zara Agricultural Co. LLC – Under liquidation	2019	-
South Coast Real Estate Development Co. LLC	-	2020
South Coast Hotels Co. LLC	-	2020
Zara South Coast Development Co. LLC	-	2017
Zara Agricultural Services and Marketing Co. LLC	2019	2018
Himmeh Solar Power Co. LLC	2020	-
Zara Investment (Holding) Co. PSC	2020	-

Deferred tax assets –

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

Movements on deferred tax assets were as follows:

	30 September 2022 JD (Unaudited)	31 December 2021 JD (Audited)
Beginning balance for the period / year	5,048,749	3,682,946
Tax effect of changing tax rate	-	134,834
Tax effect of accumulated tax losses carried forward	378,932	1,250,512
Tax effect of accumulated tax losses released	(591,244)	(19,543)
Ending balance for the period / year	4,836,437	5,048,749

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2022 (UNAUDITED)

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 within 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:

	30 September 2022	31 December 2021
	JD	JD
	(Unaudited)	(Audited)
Beginning balance for the period / year	308,973	301,522
Change in fair value of financial assets (Note 9)	(16,779)	3,809
Depreciation differences related to machinery and equipment and computer hardware and software, net	(41,635)	3,642
Ending balance for the period / year	250,559	308,973

(12) OTHER CREDIT BALANCES

	30 September 2022	31 December 2021
	JD	JD
	(Unaudited)	(Audited)
Accrued expenses	2,809,444	1,350,963
Deferred grants income*	1,249,981	1,399,981
Social security corporation deposits**	5,511,921	4,836,573
Unearned governmental grants***	2,811,472	1,703,637
Guest deposits	1,507,371	1,200,013
Contractors' accruals and retentions	364,119	373,480
Cooling units supplier	237,192	340,254
Sales tax deposits	22,675	37,696
Accrued finance cost on Social Security Corporation deposits	-	35,075
Others	390,015	590,778
	14,904,190	11,868,450
Non-current portion	8,768,369	7,711,024
Current portion	6,135,821	4,157,426
	14,904,190	11,868,450

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2022 (UNAUDITED)

- * This item represents a grant amounting to USD 2,824,859 (JD 2,000,000) which Amman Tourism Investment Company (subsidiary) received from Hyatt Hotels Corporation during January 2019 as an incentive to renew the Management Agreement. During the nine months ended 30 September 2022, an amount of JD 150,000 was recognized in the interim condensed consolidated statement of profit or loss (2021: JD 150,000).
- ** This item represents deposits from Social Security Corporation in order to benefit from “Hemayeh”, “Estidameh”, and “Ta’afi” programs which was implemented by the Group following the mandate of Defense Order No. (14) and (24).
- *** This item represents the discounted balance of deposits from Social Security Corporation and loan facilities backed by the Central Bank of Jordan to support tourism sector that was impacted by COVID-19 pandemic of an amount of JD 688,752 and JD 1,950,762, respectively. These facilities were granted with below-market interest rates. This balance will be amortized over the duration of the granted facilities.

(13) SEGMENT INFORMATION

This item represents the following:

	Hotels’ segment *	Other segments	Eliminations	Total
	JD	JD	JD	JD
For the nine months ended 30 September 2022 (Unaudited) -				
Operating revenues	43,653,846	1,503,125	(746,209)	44,410,762
Operating expenses	(35,409,847)	(1,099,423)	746,209	(35,763,061)
Net operating revenues	<u>8,243,999</u>	<u>403,702</u>	<u>-</u>	<u>8,647,701</u>
Other information –				
Interest income	114,476	2,723	-	117,199
Finance costs	571,924	158,071	-	729,995
Depreciation	6,193,617	22,420	-	6,216,037

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2022 (UNAUDITED)

* 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	4,810,010	3,608,175	4,574,939	3,729,800	3,440,809	217,433	4,683,694	25,064,860
Food and beverage revenue	4,566,252	2,943,650	3,079,896	1,897,666	1,451,273	98,716	2,133,074	16,170,527
Other departments revenue	554,670	520,081	896,727	104,633	92,146	823	249,379	2,418,459
	<u>9,930,932</u>	<u>7,071,906</u>	<u>8,551,562</u>	<u>5,732,099</u>	<u>4,984,228</u>	<u>316,972</u>	<u>7,066,147</u>	<u>43,653,846</u>
Operating expenses -								
Rooms expenses	1,055,568	809,498	877,477	539,150	638,173	91,063	725,843	4,736,772
Food and beverage expenses	3,189,999	2,037,446	1,892,453	1,178,393	1,094,671	138,176	1,363,160	10,894,298
Other departments expenses	414,024	140,952	552,760	40,028	171,003	44	297,682	1,616,493
Administrative and marketing expenses	3,568,163	3,241,346	3,294,620	1,802,467	2,292,883	329,899	2,680,149	17,209,527
Other expenses	119,719	100,734	160,008	99,005	172,792	17,999	282,500	952,757
	<u>8,347,473</u>	<u>6,329,976</u>	<u>6,777,318</u>	<u>3,659,043</u>	<u>4,369,522</u>	<u>577,181</u>	<u>5,349,334</u>	<u>35,409,847</u>
Net operating revenues	<u>1,583,459</u>	<u>741,930</u>	<u>1,774,244</u>	<u>2,073,056</u>	<u>614,706</u>	<u>(260,209)</u>	<u>1,716,813</u>	<u>8,243,999</u>

	Hotels Segment *	Other Segments	Eliminations	Total
	JD	JD	JD	JD
For the nine months ended 30 September 2021 (Unaudited) -				
Operating revenues	21,142,919	467,026	(203,774)	21,406,171
Operating expenses	<u>(21,176,814)</u>	<u>(266,991)</u>	<u>203,774</u>	<u>(21,240,031)</u>
Net operating revenues	<u>(33,895)</u>	<u>200,035</u>	<u>-</u>	<u>166,140</u>

Other information –

Interest income	80,960	2,509	-	83,469
Finance costs	401,948	154,746	-	556,694
Depreciation	6,089,710	23,466	-	6,113,176

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2022 (UNAUDITED)

* Hotels' net operating revenues consist of the following:

	Grand				Nabatean			
	Hotel	Hyatt	Dead Sea	Petra	Aqaba	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	2,164,010	1,639,644	2,496,536	149,884	2,425,468	140,055	3,457,780	12,473,377
Food and beverage revenue	2,278,932	1,392,228	1,534,148	113,045	800,251	69,424	1,392,790	7,580,818
Other departments revenue	263,876	153,967	401,098	56,942	69,665	26,589	116,587	1,088,724
	4,706,818	3,185,839	4,431,782	319,871	3,295,384	236,068	4,967,157	21,142,919
Operating expenses -								
Rooms expenses	580,051	377,966	518,132	148,846	483,108	61,790	516,682	2,686,575
Food and beverage expenses	1,762,341	971,815	1,078,412	236,780	692,343	94,742	952,250	5,788,683
Other departments expenses	220,721	69,903	308,855	8,512	136,810	70	205,938	950,809
Administrative and marketing expenses	2,152,695	2,017,218	2,265,584	711,946	1,811,203	230,078	2,087,753	11,276,477
Other expenses	98,137	81,595	24,068	11,084	82,289	6,906	170,191	474,270
	4,813,945	3,518,497	4,195,051	1,117,168	3,205,753	393,586	3,932,814	21,176,814
Net operating revenues	(107,127)	(332,658)	236,731	(797,297)	89,631	(157,518)	1,034,343	(33,895)

Hotels' segment	Other segments	Eliminations	Total
JD	JD	JD	JD

Assets and Liabilities

As at 30 September 2022 (Unaudited)

Segment assets	202,509,847	53,453,783	(55,236,563)	200,727,067
Segment liabilities	75,661,075	21,537,756	(55,236,563)	41,962,268

As at 31 December 2021 (Audited)

Segment assets	200,299,184	58,762,924	(60,733,785)	198,328,323
Segment liabilities	73,651,248	25,777,225	(60,733,785)	38,694,688

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2022 (UNAUDITED)

(14) BASIC AND DILUTED EARNINGS (LOSSES) PER SHARE

	For the three months ended 30 September		For the nine months ended 30 September	
	2022	2021	2022	2021
Profit (loss) attributable to equity holders of the Company (JD)	1,313,804	(200,994)	60,363	(5,907,850)
Weighted average number of shares (Share)	150,000,000	150,000,000	150,000,000	150,000,000
	JD / Fils	JD / Fils	JD / Fils	JD / Fils
Basic earnings (loss) per share attributable to the equity holders of the Company	0/009	(0/001)	0/000	(0/039)

Basic and diluted earnings (loss) per share attributable to the equity holders for the period are equal.

(15) RELATED PARTIES

The interim condensed consolidated financial statements comprise the financial statements of the Company and its following subsidiaries (all incorporated in Jordan):

	Paid-in Capital			Ownership	
	30 September 2022	31 December 2021		30 September 2022	31 December 2021
	JD	JD	Principal Activities	%	%
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	77.9	77.9
Nabatean Hotels LLC	3,300,000	3,300,000	Nabatean Castle Hotel and Petra Movenpick Hotel	100	100
Amman Tourism Investment LLC	16,500,000	16,500,000	Grand Hyatt Amman Hotel, Hyatt 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
Zara Agricultural LLC	100,000	100,000	Plants	54.3	54.3
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

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2022 (UNAUDITED)

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 condensed consolidated statement of financial position:

	Nature of the relationship	30 September 2022 JD (Unaudited)	31 December 2021 JD (Audited)
Non-current assets-			
Advance payments for land purchases	(Registered to Chairman of Board of Directors)	<u>111,200</u>	<u>111,200</u>
Current assets -			
Cash at banks - Arab Bank, Bank al Etihad, and Cairo Amman Bank	(Shareholders)	<u>18,668,307</u>	<u>15,202,368</u>
Accounts receivable - Amounts due from Cairo Amman Bank	(Shareholder)	<u>16,900</u>	<u>11,420</u>
Non-current liabilities -			
Long-term loans - Cairo Amman Bank and Bank al Etihad	(Shareholders)	<u>13,845,202</u>	<u>8,415,194</u>
Current liabilities -			
Current portion of long-term loans - Cairo Amman Bank and Bank al Etihad	(Shareholders)	<u>714,804</u>	<u>949,984</u>
Due to a bank - Cairo Amman Bank	(Shareholder)	<u>1,138,199</u>	<u>5,394,281</u>

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2022 (UNAUDITED)

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

	Nature of the relationship	For the nine months ended 30 September	
		2022	2021
		JD	JD
Finance costs – Arab Bank, Bank al Etihad and Cairo Amman Bank	(Shareholders)	<u>287,036</u>	<u>189,160</u>
Interest income – Cairo Amman Bank	(Shareholder) (Company owned by	<u>117,199</u>	<u>83,469</u>
Rent expense – Astra Investment Company	Chairman of the Group)	<u>111,726</u>	<u>111,726</u>
Rent income – Cairo Amman Bank	(Shareholder)	<u>76,657</u>	<u>218,299</u>

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

	For the nine months ended 30 September	
	2022	2021
	JD	JD
Salaries, compensations and other benefits of key management personnel of the Group	<u>146,025</u>	<u>137,025</u>

(16) CONTINGENT LIABILITIES

The Group has outstanding bank guarantees in the amount of JD 135,201 as at 30 September 2022 (31 December 2021: JD 135,201).

(17) LITIGATIONS

In the normal course of business, the Group appears as a defendant in a number of lawsuits in the amount of JD 151,683 as at 30 September 2022 (31 December 2021: JD 130,713). Management and the Group's legal advisor believe that there is no need for any provision except for what has been recorded. The Group is plaintiff in lawsuits against others in the amount of JD 805,767 as at 30 September 2022 (31 December 2021: JD 667,611).

(18) COMPARATIVE FIGURES

Some of the comparative figures for the year 2021 have been reclassified in order to correspond with 30 September 2022 presentation with no effect on loss or equity for the year 2021.

(19) THE OUTBREAK OF CORONAVIRUS (COVID-19) AND ITS IMPACT ON THE GROUP

The Coronavirus had an impact on the global economy and caused disruption in global markets. This led to a negative impact on the tourism and hospitality sector as a result of the restrictions put in place, also resulting in cancellations of conferences and reservations for guests.

During the previous period, the Jordanian Prime Minister issued the following defense orders under which have directly or indirectly affected the Resort's operations and performance:

1. Defense Order No. (14) on 14 June 2020 under Defense Law No. (13) for the year 1992, to introduce Hemayeh and Tamkeen programs (1) and Tamkeen (2) to protect the national economy and help it withstand its burdens, especially with regard to the sectors and economic activities most adversely affected and to support the recovery phase.
2. Defense Order No. (24) on 13 December 2020 under Defense Law No. (13) for the year 1992, to introduce Istidameh program in order to preserve job opportunities in the private sector through a collaboration between the Government of Jordan and the Social Security Corporation.

Other decisions were also issued by various Government agencies to assist in the continuity of various sectors of the Jordanian economy by reducing the financial burden to these sectors. Examples include the following:

1. The Central Bank of Jordan's resolution to compel all operating Jordanian banks to postpone loan installments payable by companies and individuals without imposing any penalties or additional financial burdens.
2. The Central Bank of Jordan's resolution to reduce the interest rates on credit facilities.
3. The Central Bank of Jordan's resolution to provide the financing needs for the public and private sectors at low interest rates to finance its operations.
4. The Central Bank of Jordan's resolution to reduce the costs associated with its sponsored programs to support the economic sectors.

The group benefited from loans backed by the Central Bank of Jordan. The utilized balance of loans was JD 14,560,006 as at 30 September 2022 and against unearned governmental in the amount of JD 1,950,762 within other credit balances.

The Group implemented some programs offered by the Social Security Corporation, such as Estidameh, Hemayeh, Tamkeen and Ta'afi enabling the Group to realize operational savings during the period. The Group also benefited from the financing programs available through the Social Security Corporation which resulted in an increase in the other credit balances in the amount of 728,580 resulting in a total balance of JD 6,432,253 as at 30 September 2022 and against unearned governmental grant amounting to JD 920,332.

Management continues to monitor the impact that the Covid-19 pandemic on the Group's operating activities and its financial performance regularly in order to take appropriate measures to enable it to carry out its activities given the current circumstances.