

ZARA INVESTMENT (HOLDING) COMPANY

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 SEPTEMBER 2023

**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 2023 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-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
31 October 2023

ERNST & YOUNG
Amman - Jordan

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023

	Notes	30 September 2023 JD (Unaudited)	31 December 2022 JD (Audited)
ASSETS			
Non-current assets -			
Property and equipment	3	147,627,011	150,777,574
Investment properties		2,480,258	2,585,348
Right-of-use assets	4	5,665,174	5,973,064
Projects in progress	5	5,122,207	4,371,496
Financial assets at fair value through other comprehensive income		3,499,633	3,313,903
Advance payments for land purchases		111,200	111,200
Deferred tax assets	10	3,765,023	4,145,777
Advance payments to suppliers and contractors		893,587	780,113
Other non-current assets	6	-	1,333,375
		<u>169,164,093</u>	<u>173,391,850</u>
Current assets -			
Inventories		1,862,844	1,894,622
Accounts receivable		4,481,157	3,389,094
Other current assets	6	3,741,678	1,480,688
Cash on hand and at banks	7	35,014,863	25,985,774
		<u>45,100,542</u>	<u>32,750,178</u>
TOTAL ASSETS		<u>214,264,635</u>	<u>206,142,028</u>
EQUITY AND LIABILITIES			
Equity			
Attributable to the equity owners of the Company -			
Paid-in capital	1	145,000,000	150,000,000
Statutory reserve	8	154,304	6,638,512
Voluntary reserve	8	-	689,496
Cumulative change in fair value		(1,079,361)	(1,255,341)
Retained earnings (Accumulated losses)		6,030,847	(12,173,704)
		<u>150,105,790</u>	<u>143,898,963</u>
Non-controlling interests		18,711,298	18,309,667
Total equity		<u>168,817,088</u>	<u>162,208,630</u>
Liabilities -			
Non-current liabilities -			
Long-term loans	9	14,391,642	14,192,644
Long-term lease obligations	4	4,285,503	4,713,129
Deferred tax liabilities	10	256,923	237,056
Other non-current liabilities	11	7,314,344	8,861,420
		<u>26,248,412</u>	<u>28,004,249</u>
Current liabilities -			
Current portion of long-term loans	9	1,804,762	1,095,057
Short-term lease obligations	4	1,277,315	1,295,085
Accounts payable		6,493,752	6,218,153
Other current liabilities	11	9,182,982	6,913,773
Other provisions		229,259	338,428
Provision for income tax	10	211,065	68,653
		<u>19,199,135</u>	<u>15,929,149</u>
Total liabilities		<u>45,447,547</u>	<u>43,933,398</u>
TOTAL EQUITY AND LIABILITIES		<u>214,264,635</u>	<u>206,142,028</u>

The accompanying notes from 1 to 16 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 2023 (UNAUDITED)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2023	2022	2023	2022
		JD	JD	JD	JD
Operating revenues		20,018,126	18,193,681	58,256,338	44,410,762
Operating expenses		(15,225,313)	(13,687,934)	(43,153,261)	(35,763,061)
Net operating revenues	12	4,792,813	4,505,747	15,103,077	8,647,701
Interest income		244,288	64,036	592,446	117,199
Other income		192,976	140,590	676,694	594,174
Finance costs		(234,841)	(220,728)	(712,665)	(729,995)
Depreciation of property and equipment and investment properties		(2,035,121)	(1,985,067)	(6,001,233)	(5,908,148)
Depreciation of right-of-use assets	4	(102,630)	(102,629)	(307,890)	(307,889)
Administrative expenses		(654,116)	(670,943)	(2,095,342)	(2,209,539)
Other provisions		(33,832)	(1,350)	(33,994)	(4,181)
Profit for the period before income tax		2,169,537	1,729,656	7,221,093	199,322
Income tax, net	10	(254,811)	(139,508)	(788,615)	(193,894)
Profit for the period		1,914,726	1,590,148	6,432,478	5,428
Attributable to:					
Equity holders of the Company		1,607,810	1,313,804	5,970,754	60,363
Non-controlling interests		306,916	276,344	461,724	(54,935)
		1,914,726	1,590,148	6,432,478	5,428
		JD / Fils	JD / Fils	JD / Fils	JD / Fils
Basic and diluted profit per share attributable to the equity holders of the Company	13	0/011	0/009	0/040	-

The accompanying notes from 1 to 16 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 2023 (UNAUDITED)

	For the three months ended 30 September		For the nine months ended 30 September	
	2023	2022	2023	2022
	JD	JD	JD	JD
Profit for the period	1,914,726	1,590,148	6,432,478	5,428
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	20,704	(224,605)	175,980	(874,264)
Total comprehensive income for the period	<u>1,935,430</u>	<u>1,365,543</u>	<u>6,608,458</u>	<u>(868,836)</u>
Attributable to:				
Equity holders of the Company	1,628,514	1,089,199	6,146,734	(813,901)
Non-controlling interests	306,916	276,344	461,724	(54,935)
	<u>1,935,430</u>	<u>1,365,543</u>	<u>6,608,458</u>	<u>(868,836)</u>

The accompanying notes from 1 to 16 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 2023 (UNAUDITED)

	Attributable to the equity holders of the Company							
	Reserves				Retained earnings		Non-	Total
	Paid-in capital	Statutory	Voluntary	Cumulative change in fair value	(Accumulated losses)	Total	controlling interests	equity
	JD	JD	JD	JD	JD	JD	JD	JD
30 September 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	-	-	-	175,980	5,970,754	6,146,734	461,724	6,608,458
Extinguishment of all accumulated losses through paid-in capital and reserves	(5,000,000)	(6,484,208)	(689,496)	-	12,173,704	-	-	-
Change in non-controlling interests due to the change in the share capital of a subsidiary	-	-	-	-	62,869	62,869	(62,869)	-
Change in non-controlling interests due to an increase in the share capital of a subsidiary	-	-	-	-	(2,776)	(2,776)	2,776	-
Balance at 30 September	145,000,000	154,304	-	(1,079,361)	6,030,847	150,105,790	18,711,298	168,817,088
30 September 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 an 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

The accompanying notes from 1 to 16 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 2023 (UNAUDITED)

	Notes	For the nine months ended 30 September	
		2023	2022
		JD	JD
<u>OPERATING ACTIVITIES</u>			
Profit for the period before income tax		7,221,093	199,322
Adjustments:			
Interest income		(592,446)	(117,199)
Gain on sale of property and equipment, net	3	(6,554)	(48,297)
Dividends income		(36,418)	-
Finance costs		712,665	729,995
Depreciation of property and equipment and investment properties		6,001,233	5,908,148
Depreciation right-of-use assets		307,890	307,889
Deferred grant income		(150,000)	(150,000)
Other provisions		33,994	4,181
Changes in working capital:			
Inventories		31,778	(401,377)
Accounts receivable		(1,092,063)	(1,293,252)
Other current assets		(927,615)	(475,434)
Accounts payable		275,599	983,859
Other current liabilities		622,764	1,957,685
Other provisions paid		(143,163)	(118,588)
Income tax paid	10	(253,181)	(26,186)
Net cash flows from operating activities		<u>12,005,576</u>	<u>7,460,746</u>
<u>INVESTING ACTIVITIES</u>			
Purchase of property and equipment	3	(2,440,770)	(1,632,257)
Investment properties		(772)	-
Proceeds from sale of property and equipment		7,059	52,763
Projects in progress	5	(1,055,254)	(2,007,980)
Advance payments to suppliers and contractors		(113,474)	(417,563)
Contractors' accruals and retentions		(583,997)	(9,361)
Interest income received		592,446	117,199
Dividends income received		36,418	-
Net cash flows used in investing activities		<u>(3,558,344)</u>	<u>(3,897,199)</u>
<u>FINANCING ACTIVITIES</u>			
Proceeds from loans		1,647,717	5,194,828
Repayment of loans		(441,027)	-
Accounts payable and other current liabilities		519,158	(56,879)
Finance costs paid		(306,409)	(287,036)
Payments of lease obligations	4	(837,582)	(663,638)
Net cash flows from financing activities		<u>581,857</u>	<u>4,187,275</u>
Net increase in cash and cash equivalents		9,029,089	7,750,822
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	<u>35,014,863</u>	<u>17,625,074</u>

The accompanying notes from 1 to 16 form part of these interim condensed consolidated financial statements

ZARA INVESTMENT (HOLDING) COMPANY – PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2023 (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 145,000,000 consisting of 145,000,000 shares of JD 1 par value each.

The extraordinary General Assembly of the Company’s shareholders resolved, in its meeting held on 18 April 2023, to extinguish the full balance of the Company’s accumulated losses in the amount of JD 12,173,704 as of 31 December 2022 by reducing the paid-in capital by JD 5,000,000 and reducing the statutory and voluntary reserves by JD 6,484,208 and JD 689,496, respectively. The procedures of the paid-in capital reduction have been completed on 31 July 2023, resulting in a decrease in the paid-in capital from JD 150,000,000 to JD 145,000,000 consisting of 145,000,000 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 2023

(2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

(2-1) BASIS OF PREPARATION

The interim condensed consolidated financial statements for the nine-month period ended 30 September 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 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 2022. In addition, the results for the nine-month period ended 30 September 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 statement of the Company and its subsidiaries (note 14) as at 30 September 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.

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 amendments on the standards effective as of 1 January 2023 shown below:

IFRS 17 Insurance Contracts

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

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

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 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 Group.

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

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

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

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

These amendments had no material impact on the Group.

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

(3) PROPERTY AND EQUIPMENT

Additions to property and equipment amounted to JD 2,440,770 during the nine months ended 30 September 2023 (30 September 2022: JD 1,632,257). The Group disposed of property and equipment during the nine months ended 30 September 2023 with a net book value of JD 505 (30 September 2022: JD 4,466). The Group recognized gain on disposal in the amount of JD 6,554 during the nine months ended 30 September 2023 (30 September 2022: JD 48,297).

(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 2023:

	Right-of-use assets			Lease obligations**
	Land	Photovoltaic stations	Total	
	JD	JD	JD	JD
At 1 January 2023	824,272	5,148,792	5,973,064	6,008,214
Depreciation	(88,961)	(218,929)	(307,890)	-
Finance costs	-	-	-	392,186
Payments*	-	-	-	(651,971)
Transferred to accounts payable	-	-	-	(185,611)
At 30 September 2023 (Unaudited)	<u>735,311</u>	<u>4,929,863</u>	<u>5,665,174</u>	<u>5,562,818</u>

* During the nine months ended 30 September 2023, an amount of JD 837,582 was paid, an amount of JD 185,611 of which was related to the last quarter of the year 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	(118,614)	(291,903)	(410,517)	-
Finance costs	-	-	-	555,020
Payments	-	-	-	(861,522)
Transferred to accounts payable	-	-	-	(185,604)
At 31 December 2022 (Audited)	<u>824,272</u>	<u>5,148,792</u>	<u>5,973,064</u>	<u>6,008,214</u>

** Lease obligation details as at 30 September 2023 and 31 December 2022 are as follows:

2023 (Unaudited)			2022 (Audited)		
Short-term	Long-term	Total	Short-term	Long-term	Total
JD	JD	JD	JD	JD	JD
<u>1,277,315</u>	<u>4,285,503</u>	<u>5,562,818</u>	<u>1,295,085</u>	<u>4,713,129</u>	<u>6,008,214</u>

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

(5) PROJECTS IN PROGRESS

Additions to projects in progress amounted to JD 1,055,254 during the nine months ended 30 September 2023 (30 September 2022: JD 2,007,980).

Projects which were completed and transferred to property and equipment amounted to JD 304,543 for the nine months ended 30 September 2023 (30 September 2022: JD 459,863).

The estimated cost to complete the projects in progress is JD 13,500,000 as at 30 September 2023. Management expects to complete these projects during the upcoming two years.

(6) OTHER CURRENT ASSETS

	30 September 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Aqaba Special Economic Zone Authority *	1,333,375	1,333,375
Refundable deposits	697,182	691,182
Prepaid expenses	1,015,891	310,285
Others	695,230	479,221
	<u>3,741,678</u>	<u>2,814,063</u>
Non-current portion	-	1,333,375
Current portion	<u>3,741,678</u>	<u>1,480,688</u>
	<u>3,741,678</u>	<u>2,814,063</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 due to the repercussions of COVID-19. During 2020, the two subsidiaries agreed with ASEZA to postpone the last instalment due on 1 June 2022 for two years due to the repercussions of COVID-19. On 20 November 2022, the Group agreed with the ASEZA to postpone the last instalment. Accordingly, the final instalment would be due on 30 June 2024 at the latest.

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

(7) CASH ON HAND AND AT BANKS

	30 September 2023	31 December 2022
	JD (Unaudited)	JD (Audited)
Cash on hand	88,226	83,714
Current accounts at banks	12,834,856	12,820,249
Term deposits *	22,091,781	13,081,811
	<u>35,014,863</u>	<u>25,985,774</u>

* Term deposits are fixed for 1 to 3 months and earn annual interest rate ranging from 1% to 6.5% per annum (2022: 1% 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 nine months ended 30 September	
	2023	2022
	JD	JD
Cash on hand and at banks	35,014,863	18,763,273
Less: Due to a bank	-	(1,138,199)
	<u>35,014,863</u>	<u>17,625,074</u>

(8) LEGAL RESERVES

The Group has made no transfers to the legal reserves in accordance with corporate law as those financial statements are interim financial statements.

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(9) LOANS

This item represents loans granted from the following parties:

	Currency	Unutilized Balance	Interest	Loan instalments			
				30 September 2023 (Unaudited)		31 December 2022 (Audited)	
				Short Term	Long Term	Short Term	Long Term
				JD	JD	JD	JD
Bank al Etihad – Jordan Hotels and Tourism Co.	JD	715,854	3.5%	266,666	884,147	266,666	522,194
Cairo Amman Bank – Jordan Hotels and Tourism Co.	JD	-	3%	138,885	1,861,115	-	2,000,000
Cairo Amman Bank – Jordan Himmeh Mineral Co.	JD	1,041,664	3%	-	2,958,336	230,769	2,422,719
Cairo Amman Bank – Nabatean Hotels Co. (1)	JD	897,550	3.25%	307,694	640,909	307,694	794,756
Cairo Amman Bank – Nabatean Hotels Co. (2)	JD	-	3%	138,885	1,861,115	-	2,000,000
Cairo Amman Bank – Amman Tourism Investment Co. (1)	JD	-	3.5%	307,694	1,538,457	307,694	1,692,306
Cairo Amman Bank – Amman Tourism Investment Co. (2)	JD	-	3%	138,885	1,861,115	-	2,000,000
Cairo Amman Bank – National Hotels and Tourism Co. (1)	JD	1,265,366	3%	142,857	591,777	-	230,151
Cairo Amman Bank – National Hotels and Tourism Co. (2)	JD	-	3%	138,885	1,861,115	-	2,000,000
Cairo Amman Bank – Red Sea Hotels Co. (1)	JD	1,862,992	3.5%	137,008	-	43,008	-
Cairo Amman Bank – Red Sea Hotels Co. (2)	JD	-	3%	118,055	1,581,945	-	1,450,898
Cairo Amman Bank – Zara South Coast Development Co.	JD	-	3%	118,055	1,581,897	-	1,699,952
				1,953,569	17,221,928	1,155,831	16,812,976
Less: Unearned governmental grants				(148,807)	(2,830,286)	(60,774)	(2,620,332)
				1,804,762	14,391,642	1,095,057	14,192,644

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

Period	JD
1 October 2023 – 30 September 2024	1,953,569
1 October 2024 – 30 September 2025	3,512,172
1 October 2025 – 30 September 2026	3,956,616
1 October 2026 – 30 September 2027	3,409,078
1 October 2027 and thereafter	6,344,062
Total	19,175,497

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(10) 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.

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	
	2023	2022
	JD	JD
Income tax for the period	390,069	-
Prior years' income tax	7,675	23,217
Deferred tax liabilities	550,139	591,244
Deferred tax benefits	(159,268)	(420,567)
	<u>788,615</u>	<u>193,894</u>

Provision for income tax –

Movements on the provision for income tax were as follows:

	30 September 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Beginning balance for the period / year	68,653	83,812
Income tax for the period / year	390,069	18,439
Prior years' income tax	7,675	55,292
Reversal of provision	(2,151)	-
Income tax paid during the period / year	<u>(253,181)</u>	<u>(88,890)</u>
Ending balance for the period / year	<u>211,065</u>	<u>68,653</u>

Management believes that the recorded provision for income tax is sufficient to meet the tax obligations as at 30 September 2023.

The Company and its subsidiaries submitted their tax declarations to the Income & Sales Tax Department and Aqaba Special Economic Zone Authority (ASEZA) up to the year 2022.

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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	2020	-
Jordan Hotel Supplies Trading Co. LLC	2019	2019
Red Sea Hotels Co. LLC	-	2019
South Coast Real Estate Development Co. LLC	-	2020
South Coast Hotels Co. LLC	-	2020
Zara South Coast Development Co. LLC	-	2020
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 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Beginning balance for the period / year	4,145,777	5,048,749
Tax effect of accumulated tax losses carried forward	159,268	232,559
Tax effect of accumulated tax losses released	(540,022)	(1,135,531)
Ending balance for the period / year	3,765,023	4,145,777

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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 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 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Beginning balance for the period / year	237,056	308,973
Change in fair value of financial assets	9,750	(15,775)
Depreciation differences related to machinery and equipment and computer hardware and software, net	10,117	(56,142)
Ending balance for the period / year	<u>256,923</u>	<u>237,056</u>

(11) OTHER CURRENT LIABILITIES

	30 September 2023	31 December 2022
	JD	JD
	(Unaudited)	(Audited)
Social Security Corporation deposits *	4,847,802	5,511,915
Unearned governmental grants**	3,839,808	3,601,438
Accrued expenses	3,732,163	2,644,044
Guest deposits	1,652,183	1,382,260
Deferred grant income ***	1,049,984	1,199,984
Cooling units	236,763	201,089
Contractors' accruals and retentions	69,926	653,923
Sales tax deposits	62,502	37,192
Others	1,006,195	543,348
	<u>16,497,326</u>	<u>15,775,193</u>
Non-current portion	7,314,344	8,861,420
Current portion	<u>9,182,982</u>	<u>6,913,773</u>
	<u>16,497,326</u>	<u>15,775,193</u>

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- * 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 860,715 and JD 2,979,093, respectively. These facilities were granted with below-market interest rates. This balance will be amortized over the duration of the granted facilities.
- *** This item represents a grant amounting to USD 2,824,859 (JD 2,000,000) which Amman Tourism Investment Company (a subsidiary) received from Hyatt Hotels Corporation during January 2019 as an incentive to renew the Management Agreement. During the nine months ended 30 September 2023, an amount of JD 150,000 was recognized in other income (2022: JD 150,000).

(12) SEGMENT INFORMATION

This item represents the following:

	Hotels’ segment *	Other segments	Eliminations	Total
	JD	JD	JD	JD
For the nine months ended 30 September 2023 (Unaudited) -				
Operating revenues	57,237,432	1,604,015	(585,109)	58,256,338
Operating expenses	(42,746,138)	(992,232)	585,109	(43,153,261)
Net operating revenues	14,491,294	611,783	-	15,103,077
Other information –				
Interest income	588,051	4,395	-	592,446
Finance costs	712,665	-	-	712,665
Depreciation	6,291,896	17,227	-	6,309,123

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* 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	5,737,506	4,612,775	6,267,879	5,700,980	4,484,403	1,279,925	5,330,523	33,413,991
Food and beverage revenue	5,404,902	3,121,239	4,544,081	2,900,951	1,935,183	568,377	2,291,745	20,766,478
Other departments revenue	635,688	516,413	1,237,752	231,008	119,828	5,675	310,599	3,056,963
	<u>11,778,096</u>	<u>8,250,427</u>	<u>12,049,712</u>	<u>8,832,939</u>	<u>6,539,414</u>	<u>1,853,977</u>	<u>7,932,867</u>	<u>57,237,432</u>
Operating expenses -								
Rooms expenses	1,156,421	900,660	1,190,994	828,095	788,672	239,846	871,809	5,976,497
Food and beverage expenses	3,652,221	2,287,723	2,666,121	1,830,022	1,309,229	461,901	1,583,374	13,790,591
Other departments expenses	428,479	121,915	653,500	67,383	229,286	260	364,271	1,865,094
Administrative and marketing expenses	4,002,926	3,575,784	4,355,398	2,449,365	2,750,824	696,267	3,283,392	21,113,956
Other expenses	-	-	-	-	-	-	-	-
	<u>9,240,047</u>	<u>6,886,082</u>	<u>8,866,013</u>	<u>5,174,865</u>	<u>5,078,011</u>	<u>1,398,274</u>	<u>6,102,846</u>	<u>42,746,138</u>
Net operating revenues	<u>2,538,049</u>	<u>1,364,345</u>	<u>3,183,699</u>	<u>3,658,074</u>	<u>1,461,403</u>	<u>455,703</u>	<u>1,830,021</u>	<u>14,491,294</u>

	Hotels	Other	Eliminations	Total
	Segment *	Segments		
	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	<u>(35,409,847)</u>	<u>(1,099,423)</u>	<u>746,209</u>	<u>(35,763,061)</u>
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

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* 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	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'	Other		
segment	segments	Eliminations	Total
JD	JD	JD	JD

Assets and Liabilities

As at 30 September 2023 (Unaudited)

Segment assets	220,088,840	51,658,551	(57,482,756)	214,264,635
Segment liabilities	77,664,349	25,265,954	(57,482,756)	45,447,547

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

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(13) BASIC AND DILUTED EARNINGS PER SHARE

	For the three months ended 30 September		For the nine months ended 30 September	
	2023	2022	2023	2022
Profit attributable to the equity holders of the Company (JD)	1,607,810	1,313,804	5,970,754	60,363
Weighted average number of shares (Share)	148,882,784	150,000,000	148,882,784	150,000,000
	JD / Fils	JD / Fils	JD / Fils	JD / Fils
Basic earnings per share attributable to the equity holders of the Company	0/011	0/009	0/040	-

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

(14) 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 2023	31 December 2022	Principal Activities	30 September 2023	31 December 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	7,452,202	2,000,000	HimmeH Resort	94	77.8
			Nabatean Castle Hotel and Petra		
Nabatean Hotels LLC	3,300,000	3,300,00	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
			Tala Bay Movenpick Hotel -		
Zara South Coast Development LLC	39,425,503	39,425,503	Aqaba	84.8	84.8
Zara Agricultural Services and Marketing LLC	61,000	61,000	Plant maintenance	100	100
			Solar power electricity		
HimmeH Solar Power LLC	24,000	24,000	generation	93.6	93.6

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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 2023 JD (Unaudited)	31 December 2022 JD (Audited)
Assets-			
Advance payments for land purchases	(Registered to Chairman of Board of Directors)	111,200	111,200
Cash at banks - Arab Bank, Bank al Etihad, and Cairo Amman Bank	(Shareholders)	34,917,180	25,892,336
Accounts receivable - Amounts due from Cairo Amman Bank	(Shareholder)	32,029	16,765
Liabilities -			
Loans - Cairo Amman Bank and Bank al Etihad	(Shareholders)	19,175,497	17,968,708

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	
		2023 JD	2022 JD
Interest income – Cairo Amman Bank	(Shareholder)	592,446	117,119
Rent income – Cairo Amman Bank	(Shareholder)	58,659	76,657
Finance costs – Arab Bank, Bank al Etihad and Cairo Amman Bank	(Shareholders)	306,410	287,036
Rent expense – Astra Investment Company	(Company owned by Chairman of the Group)	111,726	111,726

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

	For the nine months ended 30 September	
	2023	2022
	JD	JD
Salaries, compensations and other benefits of key management personnel of the Group	<u>162,495</u>	<u>146,025</u>

(15) CONTINGENT LIABILITIES

The Group has outstanding bank guarantees in the amount of JD 159,041 as at 30 September 2023 (31 December 2022: JD 149,096).

(16) LITIGATIONS

In the normal course of business, the Group appears as a defendant in a number of lawsuits in the amount of JD 250,467 as at 30 September 2023 (31 December 2022: JD 172,939). 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 693,251 as at 30 September 2023 (31 December 2022: JD 807,835).