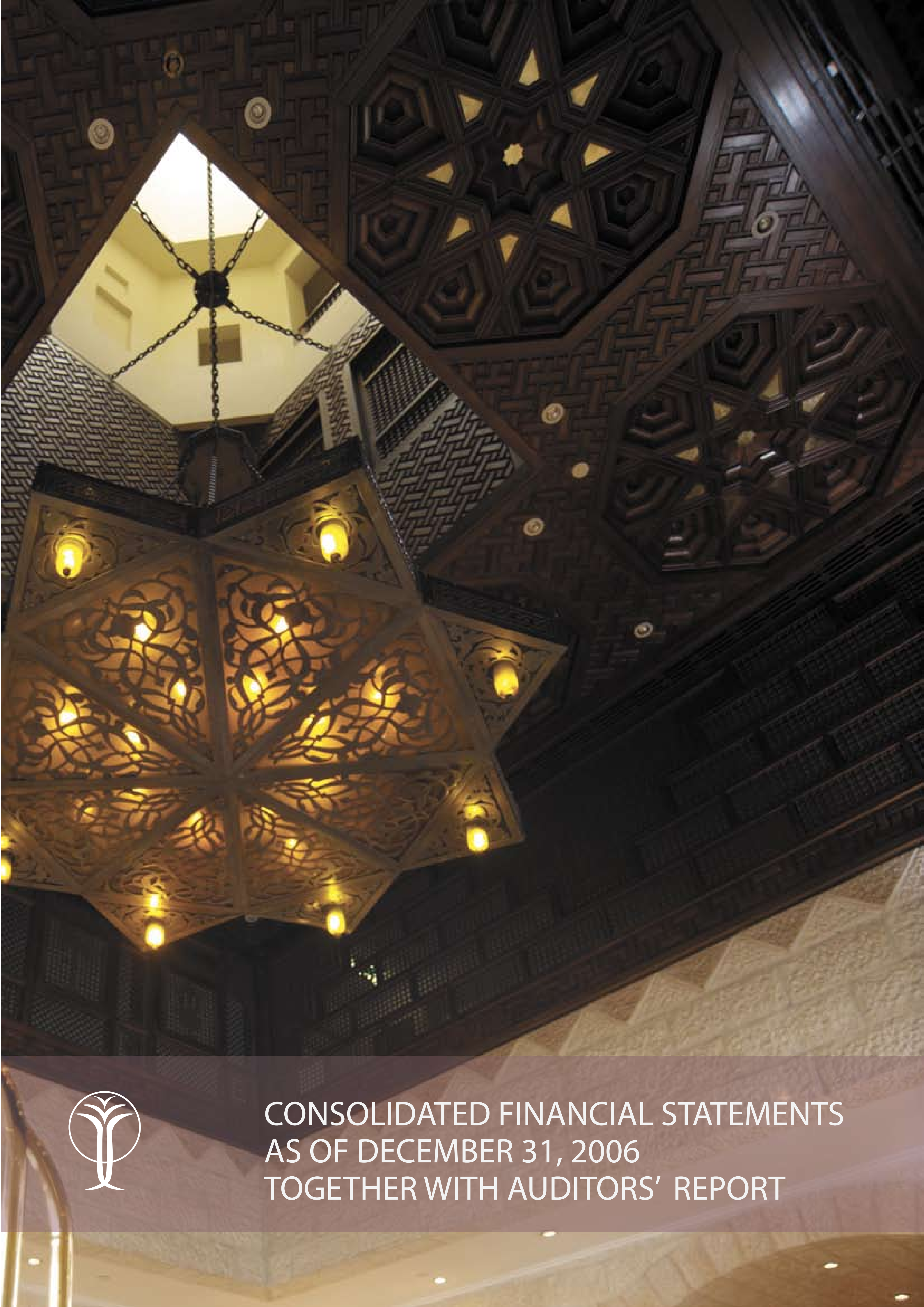

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006 TOGETHER WITH AUDITORS' REPORT

TO THE SHAREHOLDERS OF
ZARA INVESTMENT COMPANY
(HOLDING COMPANY)
AMMAN - JORDAN

We have audited the accompanying financial statements of Zara Investment Company (Holding Company), which comprise the consolidated balance sheet as of 31 December 2006 and the consolidated income statement, consolidated statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2006 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Amman – Jordan
March 19, 2007

Allied Accountants

ZARA INVESTMENT COMPANY (HOLDING COMPANY)
CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2006

(In Jordanian Dinars)

ASSETS	Notes	2006	2005
		JD	JD
Non-Current Assets -			
Property and equipment, net	3	147,540,431	152,543,031
Projects in progress	4	18,112,164	4,337,070
Available for-sale-investments	5	21,852,759	14,028,103
		187,505,354	170,908,204
Current Assets -			
Inventory		1,481,497	1,325,823
Accounts receivable, net	6	4,657,777	3,616,950
Other current assets	7	3,856,324	3,637,923
Trading investments		84,000	156,400
Cash on hand and at banks	8	4,156,672	10,538,610
		14,236,270	19,275,706
Total Assets		201,741,624	190,183,910
EQUITY AND LIABILITIES			
Equity -	9		
Paid in capital		125,000,000	125,000,000
Statutory reserve		549,864	549,864
Voluntary reserve		689,496	689,496
Fair value reserve		9,833,834	4,568,588
Accumulated losses		(26,555,914)	(26,093,465)
Total Equity – Attributable to Shareholders		109,517,280	104,714,483
Minority interests	17	11,293,299	13,220,144
Total Equity		120,810,579	117,934,627
Non-Current Liabilities -			
Long-term loans	10	15,527,000	13,226,486
Long-term bonds	11	31,500,000	45,000,000
Deferred tax liabilities	19	351,159	177,997
		47,378,159	58,404,483
Current Liabilities -			
Current portion of long-term loans	10	7,188,864	4,837,024
Current portion long-term bonds	11	13,500,000	-
Accounts payable		4,010,290	3,070,030
Other current liabilities	12	8,054,955	5,904,781
Due to banks	13	798,777	32,965
		33,552,886	13,844,800
Total Liabilities		80,931,045	72,249,283
Total Equity and Liabilities		201,741,624	190,183,910

The accompanying notes from 1 to 30 are an integral part of these consolidated financial statements.

ZARA INVESTMENT COMPANY (HOLDING COMPANY)
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2006

(In Jordanian Dinars)

	Notes	2006 JD	2005 JD
Operating revenues		44,659,393	48,486,683
Operating expenses		(29,926,943)	(29,846,895)
Net operating income	14	14,732,450	18,639,788
Less: General and administrative expenses	15	2,463,205	2,202,759
Add: Net profit from sale of Ayla apartments		449,423	131,107
Other income		1,809,967	1,412,244
Change in fair value of trading investments		(72,400)	119,700
Gain on sale of available-for-sale investments		-	1,074,397
Gain on sale of investments in subsidiaries	18	665,363	1,178,823
Profit from operations		15,121,598	20,353,300
Net financing expenses	16	(3,775,582)	(3,871,716)
Depreciation		(11,110,066)	(13,599,712)
Other expenses		(79,992)	(128,157)
Profit before income tax		155,958	2,753,715
Income tax	19	(15,010)	(37,729)
Profit for the year		140,948	2,715,986
Attributable to:			
Shareholders		(462,449)	2,010,135
Minority interests	17	603,397	705,851
		140,948	2,715,986
Losses (earnings) per share attributable to shareholders	20	(0.003)	0.016

The accompanying notes from 1 to 30 are an integral part of these consolidated financial statements.

ZARA INVESTMENT COMPANY (HOLDING COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2006

(In Jordanian Dinars)

	Shareholders' Equity							
		Reserves						
	Paid in Capital	Statutory	Voluntary	Fair Value Reserve	Accumulated Losses	Total	Minority Interests	Total Equity
Balance at December 31, 2005	125,000,000	549,864	689,496	4,568,588	(26,093,465)	104,714,483	13,220,144	117,934,627
Change in fair value of investments	-	-	-	5,265,246	-	5,265,246	-	5,265,246
Total revenues and expenses included in owners' equity	-	-	-	5,265,246	-	5,265,246	-	5,265,246
Profit for the year	-	-	-	-	(462,449)	(462,449)	603,397	140,948
Total revenues and expenses for the year	-	-	-	5,265,246	(462,449)	4,802,797	603,397	5,406,194
Changes in minority interests	-	-	-	-	-	-	(2,530,242)	(2,530,242)
Balance at December 31, 2006	125,000,000	549,864	689,496	9,833,834	(26,555,914)	109,517,280	11,293,299	120,810,579
Balance at December 31, 2004	125,000,000	344,748	689,496	279,392	(27,898,484)	98,415,152	12,899,570	111,314,722
Change in fair value of investments	-	-	-	4,289,196	-	4,289,196	-	4,289,196
Total revenues and expenses included in owners' equity	-	-	-	4,289,196	-	4,289,196	-	4,289,196
Profit for the year	-	-	-	-	2,010,135	2,010,135	705,851	2,715,986
Total revenues and expenses for the year	-	-	-	4,289,196	2,010,135	6,299,331	705,851	7,005,182
Changes in minority interests	-	-	-	-	-	-	(385,277)	(385,277)
Transfers	-	205,116	-	-	(205,116)	-	-	-
Balance at December 31, 2005	125,000,000	549,864	689,496	4,568,588	(26,093,465)	104,714,483	13,220,144	117,934,627

The accompanying notes from 1 to 30 are an integral part of these consolidated financial statements.

ZARA INVESTMENT COMPANY (HOLDING COMPANY)
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2006

(In Jordanian Dinars)

	Notes	2006 JD	2005 JD
Cash Flows from Operating Activities			
Profit before income tax and minority interests		155,958	2,753,715
Adjustments for			
Depreciation		11,110,066	13,599,712
Interest expense		3,775,582	3,871,716
Gain on sale of property and equipment		91,894	(831,129)
Gain on sale of available-for-sale investments		-	(1,074,397)
Gain on sale of investments in subsidiaries	18	(665,363)	(1,178,823)
Unrealized loss (gain) from trading investments		72,400	(119,700)
Return from insurance claims		(407,499)	-
Changes in assets and liabilities			
(Increase) in inventory		(155,674)	(25,967)
Increase in trading investments		-	(20,000)
(Increase) in receivables and other current assets		(1,439,031)	(1,649,479)
Increase in payables and other current liabilities		3,409,270	590,886
Income tax paid		(38,377)	(9,020)
Net cash from operating activities		15,909,226	15,907,514
Cash Flows from Investing Activities			
Proceeds from sale of available-for-sale investments		-	1,664,397
Purchases of available-for-sale-investments		(2,559,410)	(2,417,500)
Property and equipment and projects in progress		(23,755,380)	(4,439,439)
Proceeds from sale of investments in subsidiaries	18	1,154,706	2,816,663
Proceeds from insurance claims		1,216,687	-
Sale of property and equipment		122,359	1,576,636
Net cash used in investing activities		(23,821,038)	(799,243)
Cash Flows from Financing Activities			
Repayment of loans and bonds		(5,398,645)	(10,668,556)
Loans		10,051,000	-
Interest paid		(3,888,293)	(4,084,225)
Net cash from (used in) financing activities		764,062	(14,752,781)
Net (decrease) increase in cash on hand and at banks		(7,147,750)	355,490
Cash and cash equivalents, beginning of year	21	10,505,645	10,150,155
Cash and cash equivalents, end of year	21	3,357,895	10,505,645

The accompanying notes from 1 to 30 are an integral part of these consolidated financial statements.

Zara Investment Company (HOLDING COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006

(In Jordanian Dinars)

(1) GENERAL

Zara Investment Company was established on May 10, 1994 as a public shareholding company. Zara's subscribed and paid in share capital consisted of 125,000,000 shares, each having a par value of JD 1.

The principal activities of the Company as a holding company are to manage its subsidiaries which operate in the tourism sector and which have built hotels in various parts of Jordan.

The consolidated financial statements were authorized for issue by the Board of Directors subsequent to their meeting held on March 19, 2007. The consolidated financial statements require shareholders approval.

(2) ACCOUNTING POLICES

Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared under the historical cost convention as modified for the measurement at fair value of trading and available-for-sale investments.

The consolidated financial statements have been presented in Jordanian Dinars "JD", which is the functional currency of the Company.

Changes in Accounting Policies

The accounting policies are consistent with those used in the previous year.

Use of Estimates

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

Main Accounting Policies

The principal accounting policies adopted in preparing these consolidated financial statements are as follows:

Consolidated financial statements

The accompanying consolidated financial statements include the assets, liabilities and results of operations of Zara Investment Company and its subsidiaries. A subsidiary is consolidated if the parent company owns, either directly and indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority interests are shown separately in the consolidated balance sheet and the consolidated income statement, respectively.

Companies acquired during the year are included in the consolidated financial statements from the date of acquisition.

Intra-company balances and transactions, including intra-company profits and losses are eliminated.

Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Inventory

Inventories are valued at the lower of cost or net realizable value. Cost is determined on a weighted average basis.

Trading investments

These are initially recognized at cost and subsequently re-measured at fair value. All related realised and unrealised gains or losses in addition to the fair value related to translation of non-monetary assets in foreign currencies are taken to the consolidated income statement. Dividends received are included in dividend income.

Available-for-sale investments

These are initially recognized at cost, being the fair value of consideration given including directly attributable transaction costs and subsequently re-measured at fair value. Fair value changes are reported as a separate component of equity until the investment is derecognized or the investment is determined to be impaired. On derecognizing or impairment the cumulative gain or loss previously reported as "cumulative change in fair value" within the equity, is included in the consolidated income statement.

In case of an available-for-sale investment can't be measured reliably it is stated at cost less any impairment value.

Investments recognition

Purchases and sales of investments are recognized on the trade date.

Fair value

For investments quoted in an active market, fair value is determined by reference to quoted market prices.

Revenue recognition

Hotels operating revenues are recognized upon rendering services or sales of food and beverages to customers.

Dividends are recognized when the shareholders' right to receive payment is established.

Other revenues are recognized on an accrual basis.

Income Taxes

Income tax is brought to account in accordance with Income Tax Law No. (57) of 1985 and its subsequent amendments and International Accounting Standard No. (12). Under IAS (12), timing differences on provisions and depreciation may give rise to a deferred tax asset, which due to its immateriality, has not been recognized in the consolidated financial statements.

Receivables

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

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Foreign currency

The Company's measurement currency is the Jordanian Dinar. Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinars using the prevailing exchange rates at year end.

Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of the transactions. Foreign exchange gains or losses are reflected in the consolidated income statement.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated income statement.

Depreciation is computed on a straight-line basis over their estimated useful lives. The annual depreciation rates used range between 2%-25%.

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Land

Land lots are stated at cost.

Borrowings

Interest on loans and bonds is recognized as an expense in the period in which it is incurred, which covers the grace period if any. Interest which is directly attributable to financing of projects in progress is capitalized as part of the projects' costs.

Projects in progress

Projects in progress represent properties under construction and are stated at cost. This includes the cost of construction and other direct costs.

Projects in progress are not depreciated until such time as the relevant assets are completed and put into operational use.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable.

Subsequent events

Post year end events that provide additional information about the Company's position at the consolidated balance sheet date (adjusting events), are reflected in the consolidated financial statements. Post year end events that are not adjusting events are disclosed in the notes when material.

(3) PROPERTY AND EQUIPMENT

This item consists of the following:

Cost	Balance beginning of year JD	Additions JD	Retirements JD	Balance end of year JD
Land	28,392,829	4,402,091	121,405	32,673,515
Buildings	123,565,075	728,883	655,588	123,638,370
Electro-mechanical	41,010,639	335,086	255,922	41,089,803
Machinery and equipment	20,486,633	528,437	139,230	20,875,840
Furniture and fixtures	22,473,928	444,947	1,210,597	21,708,278
Computers	2,849,497	230,475	17,937	3,062,035
Vehicles	832,687	123,164	111,492	844,359
Other	2,148,800	58,012	3,306	2,203,506
	241,760,088	6,851,095	2,515,477	246,095,706
Accumulated Depreciation				
Buildings	15,603,849	2,354,860	204,643	17,754,066
Electro-mechanical	34,669,812	4,149,522	169,117	38,650,217
Machinery and equipment	16,231,596	2,240,729	103,241	18,369,084
Furniture and fixtures	18,303,230	2,026,271	1,199,869	19,129,632
Computers	2,417,338	177,348	17,937	2,576,749
Vehicles	587,100	81,044	74,527	593,617
Other	1,404,132	80,292	2,514	1,481,910
	89,217,057	11,110,066	1,771,848	98,555,275
Net Book Value				
December 31, 2006	152,543,031			147,540,431
December 31, 2005	175,213,296			152,543,031

(4) PROJECTS IN PROGRESS

This item consists of the value of executed work and payments to contractors by Zara Investment Company and its subsidiaries relating to projects in progress.

The remaining capital expenditure expected to be completed amounts to approximately JD 28,991,000.

(5) AVAILABLE-FOR-SALE INVESTMENTS

	2006 JD	2005 JD
Jerusalem Tourism Investment Co.	2,386	2,386
Jordan Express Tourist Transport Co.	637,308	1,292,825
Jordan Hotels and Tourism Education Co.	180,000	180,000
Palestine Touristic Investment Co.	158,920	510,400
Jordan Projects Tourism Development Co.	13,743,627	7,070,992
United Saudi Jordanian Hotels and Tourism Co.	4,711,216	3,097,500
Ayla Hotels and Tourism Co.	2,065,302	1,520,000
Dead Sea Conferences and Exhibitions Co.	354,000	354,000
	21,852,759	14,028,103

(6) RECEIVABLES

	2006 JD	2005 JD
Accounts receivable	5,210,959	4,124,409
Less: allowance for doubtful accounts	553,182	507,459
	4,657,777	3,616,950

(7) OTHER CURRENT ASSETS

	2006 JD	2005 JD
Refundable deposits	621,653	582,917
Advance payments	802,074	162,336
Prepaid expenses	859,569	910,102
Advance payments on purchases of land	1,164,882	1,800,282
Others	408,146	182,286
	3,856,324	3,637,923

(8) CASH ON HAND AND AT BANKS

Cash at banks include current and deposit accounts bearing annual interest rates ranging between 1% to 4.75%.

(9) EQUITY

Statutory reserve

As required by the Jordanian Companies Law, 10% of the annual profit for the year before taxation is to be transferred to statutory reserve until it equals the paid in capital. The reserve is not available for distribution to shareholders.

Voluntary reserve

The accumulated amounts in this account represent cumulative appropriations not exceeding 20% of the annual profit before taxation. This reserve is available for distribution to shareholders.

(10) LOANS

This item consists of the following:

		2006		2005	
		Loan Installments		Loan Installments	
		Short term	Long term	Short term	Long term
	Currency	JD	JD	JD	JD
Union Bank for Savings and Investment – Jordan Hotels and Tourism Co.	JD	900,000	918,381	548,159	2,380,000
Arab Bank – Jordan Hotels and Tourism Co.	US$	1,014,284	2,535,706	1,014,285	3,549,996
Arab Bank – Amman Tourism Investment Co.	US$	1,779,913	1,779,913	1,779,913	3,559,823
Arab Bank – Zara Investment Holding Co. (1)	US$	1,494,667	2,242,000	1,494,667	3,736,667
Arab Bank – Zara Investment Holding Co. (2)	JD	–	8,051,000	–	–
Cairo Amman Bank – Zara Investment Holding Co.	JD	2,000,000	–	–	–
		7,188,864	15,527,000	4,837,024	13,226,486

Union Bank for Savings and Investment - Jordan Hotels and Tourism Company

On June 11, 2001 a JD 1,500,000 overdraft facility was granted by the Union Bank for Savings & Investment that is renewable annually. During 2002, an amendment has been made to the agreement whereby the overdraft was converted into a loan with a ceiling of JD 1,400,000, at an annual interest rate of 7.5% due in full on June 30, 2005. On March 29, 2005 the loan was renewed and the ceiling was increased to JD 2,000,000 at an annual interest rate of 8.25% calculated on a monthly basis with no commissions. The loan is repayable in full on demand.

On March 29, 2005 a JD 4,500,000 loan was granted by the same bank. The loan is repayable in equal semi-annual installments of JD 450,000 each, commencing on September 30, 2006 until March 30, 2011, at an annual interest rate of 8.25% calculated on a monthly basis with no commissions. Interest is payable semi-annually starting from September 30, 2005.

Arab Bank - Jordan Hotels and Tourism Company

A loan of US $ 8,571,420 was granted by the Arab Bank during December 2003 to settle the International Finance Corporation loan with a fourth degree mortgage on the land of the Hotel for an amount of JD 4,000,000. The loan is repayable in twelve semi-annual installments of US$ 714,285 commencing on December 15, 2004 until June 15, 2010. Annual interest on the loan is LIBOR plus 1.5%.

Arab Bank - Amman Tourism Investment Company

On January 14, 1998 a loan of JD 12,500,000 was granted by the Arab Bank to finance the project of Grand Hyatt Amman Hotel with a first degree mortgage on the land and building of the Hotel. The loan period is 8 years with a grace period of 5 years. The loan is repayable over 3.5 years in equal semi-annual installments of JD 1,785,714 each, commencing on January 14, 2004. Annual interest rate on the loan is 9.5%. The loan has been rescheduled during 2001 and 2003 such that the first installment is due on January 14, 2005 with an interest rate of 7.25%. During 2004 Amman Tourism Investment Company settled 50% of the loan from its share of the bond proceeds (Note 11), and transferred the remaining balance of the loan in Jordanian Dinar to a loan in U.S. Dollars with an annual interest rate of LIBOR plus 1.5%.

Syndicated Loan-Arab Bank–Zara Investment Holding Company (1)

On March 26, 2003, a two tranche syndicated loan agreement managed by Arab Bank was granted to the company amounting to JD 15,500,000 and US Dollars 9,500,000 to finance the Company's projects at an annual interest rate of 6.583% on the JD tranche and a LIBOR plus 1.5% on the US Dollars tranche. The loan is repayable in nine semi-annual installments commencing after a 24-month grace period. During 2004 the Company settled the Jordanian Dinars tranche of the loan in full through its share of the bond proceeds (Note 11).

Syndicated Loan-Arab Bank–Zara Investment Holding Company (2)

On October 22, 2006 a loan agreement managed by Arab Bank was granted to the company amounting to JD 14,800,000 to finance the company's current projects with a first degree mortgage on the projects land in Aqaba. The loan is repayable in semi-annual installments with an annual interest rate of 8.5% commencing after an 18-month grace period.

Cairo Amman Bank - Zara Investment Holding Company

On October 17, 2006 a loan agreement was granted to the company amounting to JD 2,000,000 to finance the company's current projects with an annual interest rate of 8%. The loan is repayable in a one shot payment on October 17, 2007.

Cairo Amman Bank

The amount of unutilized facilities granted to Zara Co. and its subsidiaries was JD 1,390,000 at an annual interest rate of 8%.

The loans agreements contain conditions in respect of the financial ratios related to the financial statements of the Company and its subsidiaries. The agreements provide for calling the entire loan balance in case the Company does not comply with such conditions.

The aggregate amounts of annual principal maturities of long term loans are as follows:

December 31	JD
2008	7,855,529
2009	4,446,661
2010	3,173,810
2011	51,000

(11) BONDS

Zara Investment Company bonds (JD 45 Million)

During 2004 the Company issued bonds for an amount of JD 45,000,000. The bonds were registered at the Jordan Securities Commission, and are traded on Amman Stock Exchange, after obtaining the necessary approval. The bonds mature during the years 2007, 2008 and 2009. The bonds have a coupon rate of 6% for the first three years, 6.25% for the fourth year and 6.5% for the fifth year, that is payable semi-annually, on June 12, and December 12, respectively. The Company has the right to call the bonds, wholly or partially, at the interest due dates after 2 years of the bonds issue date.

The net proceeds of the bonds were used to refinance part of the outstanding indebtedness of the company and of its subsidiaries (Note 10).

Jordan Hotels and Tourism Company bonds

Jordan Hotels and Tourism Company issued fixed rate bonds during 2000 for an amount of JD 10,000,000 to restructure its loans and facilities. The bonds were registered at the Jordan Securities Commission and are traded on Amman Stock Exchange. The bonds mature during the years 2005, 2006 and 2007, and have a coupon rate of 10% payable semi annually on March 30, and September 30, respectively. A mortgage of fifth degree on the land of the hotel was set as collateral for these bonds. The total balance of the bonds of JD 10,000,000 was settled in full on March 30, 2005.

Terms and conditions of the bonds contain requirements related to the financial ratios of the company and its subsidiaries. Moreover, the terms and conditions of the bonds provide for calling the entire bond balance in case the Company does not comply with such requirements.

The aggregate amounts of annual principal maturities of long-term bonds are as follows:

December 31	JD
2007	13,500,000
2008	13,500,000
2009	18,000,000

(12) OTHER CURRENT LIABILITIES

	2006	2005
	JD	JD
Advances on sold apartments	-	802,943
Advances on increase in a subsidiary's capital	750,000	-
Accrued interest	432,719	423,039
Contractors payable	1,395,984	675,307
Contractors retentions	343,589	76,716
Income tax payable	297,157	320,203
Accrued expenses	2,457,623	1,767,396
Other provisions	988,623	795,214
Deposits	449,622	618,214
Accrued management fees	39,298	37,272
Others	900,340	388,477
	8,054,955	5,904,781

(13) DUE TO BANKS

This item represents the balance of the overdraft facilities granted to Jordan Hotels and Tourism Company from Arab Bank with a ceiling of JD 1,000,000. The annual interest rate on these facilities is 8.5%.

(14) NET OPERATING INCOME

2006	* Hotels Segment	Other Segments	Total
	JD	JD	JD
Operating revenues	43,782,202	877,191	44,659,393
Operating expenses	(29,450,115)	(476,828)	(29,926,943)
Net operating income	14,332,087	400,363	14,732,450
Interest income	73,322	49,069	122,391
Interest expense	(3,660,815)	(237,158)	(3,897,973)
Operating profit	10,744,594	212,274	10,956,868
Other information -			
Segment assets	181,442,659	20,298,965	201,741,624
Segment liabilities	67,187,162	13,743,883	80,931,045
Depreciation	11,063,378	46,688	11,110,066

* Hotels' net operating revenues consisted of the following:

	Hotel Inter-Continental Jordan	Grand Hyatt Amman Hotel	Dead Sea Mövenpick Hotel	Petra Mövenpick Hotel	Aqaba Mövenpick Hotel	Nabatean ** Mövenpick Hotel	Jordan *** Himmeh Mineral Co.	Total
2006	JD	JD	JD	JD	JD	JD	JD	JD
Operating revenues	12,527,150	11,768,994	10,030,341	3,229,393	6,132,808	26,273	67,243	43,782,202
Operating expenses	(8,601,462)	(8,023,800)	(6,562,987)	(2,189,075)	(3,893,723)	(121,420)	(57,648)	(29,450,115)
Net operating income (loss)	3,925,688	3,745,194	3,467,354	1,040,318	2,239,085	(95,147)	9,595	14,332,087

** In 2002, the Company decided to temporarily suspend the operations of the Nabatean Castle Hotel. The net assets of Nabatean Hotel Co. amounted to JD 1,099,235 and JD 1,932,853 as of December 31, 2006 and December 31, 2005 respectively. The Hotel is operated during peak season at Petra.

*** On August 8, 2006 the board decided to hault the resorts operations and demolish all its facilities to start initiating work and development of the project.

2005	* Hotels Segment	Other Segments	Total
	JD	JD	JD
Operating revenues	47,434,406	1,052,277	48,486,683
Operating expenses	(29,298,192)	(548,703)	(29,846,895)
Net operating income	18,136,214	503,574	18,639,788
Interest income	60,853	131,985	192,838
Interest expense	(3,946,957)	(117,597)	(4,064,554)
Operating profit	14,250,110	517,962	14,768,072
Other information -			
Segment assets	172,389,031	17,794,879	190,183,910
Segment liabilities	69,734,823	2,514,460	72,249,283
Depreciation	13,541,049	58,663	13,599,712

* Hotels' net operating revenues consisted of the following:

	Hotel Inter-Continental Jordan	Grand Hyatt Amman Hotel	Dead Sea Mövenpick Hotel	Petra Mövenpick Hotel	Aqaba Mövenpick Hotel	Nabatean ** Mövenpick Hotel	Jordan Himmeh Mineral Co.	Total
2005	JD	JD	JD	JD	JD	JD	JD	JD
Operating revenues	14,549,672	12,575,259	10,261,659	3,834,549	5,837,590	267,556	108,121	47,434,406
Operating expenses	(9,357,155)	(7,800,600)	(6,281,625)	(2,129,857)	(3,468,234)	(207,245)	(53,476)	(29,298,192)
Net operating income	5,192,517	4,774,659	3,980,034	1,704,692	2,369,356	60,311	54,645	18,136,214

(15) GENERAL AND ADMINISTRATIVE EXPENSES

	2006	2005
	JD	JD
Salaries and wages	591,547	435,549
Directors' remuneration	54,600	63,900
Bonuses	2,915	20,397
Donations	55,545	2,855
Governmental expenses	69,078	52,503
Entertainment	5,900	6,729
Insurance	501,518	483,023
Bank charges	55,467	3,288
Legal fees	27,416	19,699
Maintenance expenses	18,956	34,096
Professional fees	33,177	22,888
Property tax	175,706	200,330
Postage and telephone expenses	46,653	21,662
Rent	255,064	256,101
Subscriptions	112,010	26,287
Withholding tax	48,254	30,781
Travel expenses	5,640	7,102
Advertising and marketing expense	33,470	14,207
Others	370,289	501,362
	2,463,205	2,202,759

(16) NET FINANCING EXPENSES

	2006	2005
	JD	JD
Interest expense	(3,897,973)	(4,064,554)
Interest income	122,391	192,838
	(3,775,582)	(3,871,716)

(17) MINORITY INTERESTS

This item represents the equity of subsidiary companies net of Zara's share and its subsidiaries.

(18) SALE OF INVESTMENT IN A SUBSIDIARY

During 2006 the Company sold its investment in Areen Zara Company. The Company's share of the net proceeds and profit amounted to JD 1,154,706 and JD 665,363 respectively.

(19) INCOME TAX

Income tax provision

The movement in income tax provision was as follows:

	2006	2005
	JD	JD
Beginning balance	320,524	291,815
Income tax paid	(38,377)	(9,020)
Income tax due	15,010	37,729
Ending balance (December 31)	297,157	320,524

Deferred tax liabilities

Deferred tax liabilities include an amount of JD 351,159 related to the unrealized gain from available-for-sale investments, which appears in the cumulative change in fair value in equity.

The movement in the deferred tax liabilities was as follows:

	Liabilities
	JD
Beginning balance	177,997
Added during the year	173,162
Ending balance	351,159

The Income Tax Department has not reviewed the Company's records for the years 2004 and 2005 up to the date of the consolidated financial statements.

No income tax provision was calculated for the Company and some of its subsidiaries for 2006 due to the excess of expenses over taxable revenues, and due to losses accumulated in prior years, in accordance with the Income Tax Law No. (57) for the year 1985 and its subsequent amendments.

The income tax provision appearing in the consolidated income statement represents income tax due on the results of operations for some of the Company's subsidiaries.

(20) BASIC (LOSSES) EARNINGS PER SHARE

	2006	2005
	JD	JD
Profit attributable to shareholders	(462,449)	2,010,135
Weighted average number of shares	125,000,000	125,000,000
(Losses) earnings per share	(.003)	0.016

The primary and fully diluted (losses) earnings per share are equal.

(21) CASH AND CASH EQUIVALENTS

Cash and cash equivalents appearing in the consolidated statement of cash flows consists of the following balance sheet items:

	2006	2005
	JD	JD
Cash on hand and at banks	4,156,672	10,538,610
Overdrafts	(798,777)	(32,965)
	3,357,895	10,505,645

(22) CONTINGENCIES AND COMMITMENTS

As of the consolidated financial statements date the Company had outstanding bank guarantees and letters of credit of JD 280,450 and JD 168,054 respectively.

(23) LITIGATION

In the normal course of business the Company and its subsidiaries appear as a defendant in a number of lawsuits amounting to JD 72,144 as of December 31, 2006. The Company's legal advisor believes that the Company's position holds strong against these lawsuits.

(24) TERRORIST ATTACKS ON GRAND HYATT AMMAN HOTEL

As a result of the terrorist attack on Grand Hyatt Amman Hotel on November 9, 2005, the Company has incurred losses representing damages of property and equipment, in addition to other expenses incurred by Amman Tourism Investment Company and the Hotel for evacuating the guests. These costs, including lost profits, were claimed from the insurance company, and the Company reached a settlement with the insurance company in respect of the damaged properties and other expenses. A settlement with the insurance company regarding lost profits was reached during 2006.

(25) RELATED PARTY TRANSACTIONS

The following transactions have been entered into with some Board members:

	2006	2005
	JD	JD
Advances received on sale of Ayla apartments	976,179	280,443

Compensation of key management personnel amounted to JD 122,844 and JD 129,876 for the years ended December 31, 2006 and 2005 respectively.

(26) LIST OF SUBSIDIARIES CONSOLIDATED

Following are the subsidiaries consolidated which are incorporated in Jordan:

	Paid in Capital		Effective Ownership
	JD	Principal Activities	%
Amman Tourism Investment Co. Ltd.	35,000,000	Grand Hyatt Amman Hotel, Hyatt Tower and Zara Center	98.2
Red Sea Hotels Co. Ltd.	17,000,000	Aqaba Movenpick Hotel	100
National Hotels and Tourism Co. Ltd.	15,000,000	Dead Sea Movenpick Hotel	100
Jordan Hotels and Tourism Co.	10,000,000	Hotel Inter-Continental Jordan	51.6
Levant Hotels and Tourism Co. Ltd.	500,000	Petra Movenpick Hotel	100
South Coast Real Estate Development Co. Ltd.	4,250,000	Real Estate Development - Aqaba	82
South Coast Hotels Co. Ltd.	3,500,000	Tourism project - Aqaba	82
Nabatean Hotels Co. Ltd.	1,500,000	Nabatean Castle Hotel	100
Zara South Coast Development Co. Ltd.	1,000,000	Tourism project - Aqaba	100
Rum Hotels and Tourism Co. Ltd.	500,000	Tourism project - Wadi Mousa	75
Jordan Himmeh Mineral Co.	500,000	Himmeh Resort	55.7
Oasis Hotels Co. Ltd.	400,000	Tourism project - Dead Sea	75
Jordan Hotel Supplies Trading Co. Ltd.	300,000	Gift shops	100
Zara Agricultural Co. Ltd.	50,000	Plants	52

As disclosed in Note 18, during 2006, the Company sold its investment in Areen Zara Company.

(27) FINANCIAL INSTRUMENTS

General

The book values of the Company's financial instruments approximate their fair values.

Loans

The fair value of loans is based on the discounted future cash out flows of repayment schedules using the current market interest rates.

Bonds

The fair value of bonds is based on the market value of notes at the date of the consolidated financial statements.

(28) RISK MANAGEMENT

A) Interest Rate Risk

Most of the financial instruments on the consolidated balance sheet are not subject to interest rate risk except for loans and bonds, which are taken at the following interest rates:

	Interest rate %
Cash at banks	1 - 4.75
Overdrafts	6.5 – 8.5

Loans

Arab Bank Loan	Average interest rate in London + 1.5
Bonds	6 - 6.5

B) Credit Risk

The Company maintains its bank accounts and deposits at leading financial institutions.

The Company maintains a conservative credit and provisioning policy.

The Company's procedures are in force to ensure on a continued basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit.

C) Currency Risk

Most of the Company's transactions are in Jordanian Dinars and US Dollars.

The Jordanian Dinar exchange rate is fixed against the US Dollar (US$ 1.41 for JD 1).

D) Investments

Fair value for investments in not listed companies is determined upon their financial position and profitability.

(29) NEWLY ISSUED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The International Accounting Standards Board has issued new International Financial Reporting Standards in addition to amendments to the existing International Accounting Standards and International Financial Reporting Standards interpretations disclosed hereunder and effective from January 1, 2007:

- International Financial Reporting Standard No. 7 (Financial Instruments – Disclosure).
- International Accounting Standard No. 1 (Presentation of Financial Statements).
- International Accounting Standard No. 32 (Financial Instruments – Presentation).

(30) RECLASSIFICATION

Some of 2005 balances were reclassified to correspond with the 2006 presentation with no effect on profit or equity.