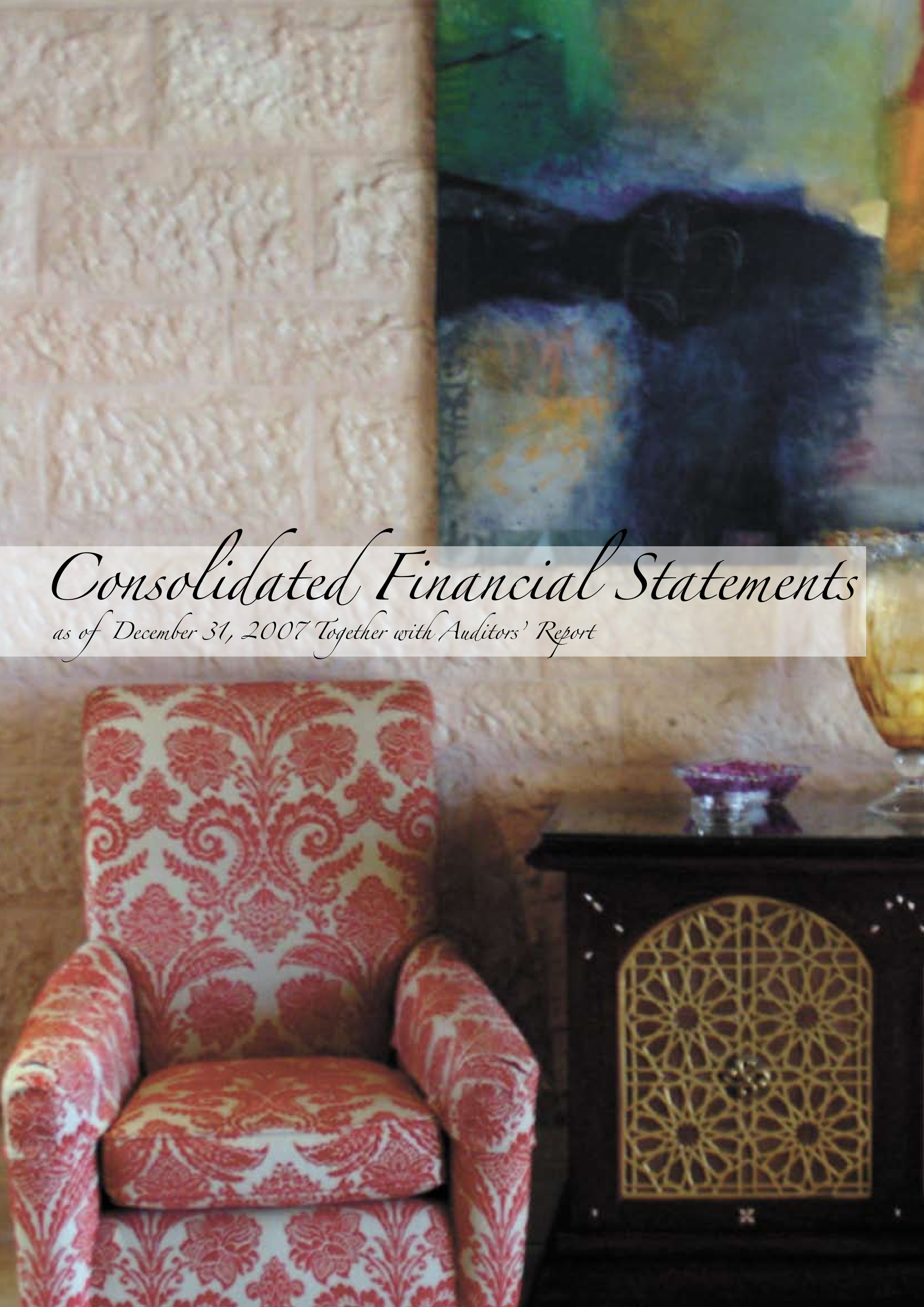
Consolidated Financial Statements

as of December 31, 2007 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 at 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated 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 Zara Investment Company (Holding Copmany) as of 31 December 2007 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Amman – Jordan
April 29, 2008

Ernst & Young

ZARA INVESTMENT COMPANY
(HOLDING COMPANY)
CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2007

(In Jordanian Dinars)

ASSETS	Notes	2007 JD	2006 JD
Non-Current Assets -			
Property and equipment	3	146,501,707	147,540,431
Projects in progress	4	28,104,955	18,112,164
Available for-sale-investments	5	23,785,948	18,876,241
Advance payments on investment		4,076,519	2,976,518
		202,469,129	187,505,354
Current Assets -			
Inventory		1,740,542	1,481,497
Accounts receivable	6	7,171,630	4,657,777
Other current assets	7	5,009,173	3,856,324
Trading investments		72,500	84,000
Cash on hand and at banks	8	4,897,463	4,156,672
		18,891,308	14,236,270
Total Assets		221,360,437	201,741,624
EQUITY AND LIABILITIES			
Equity -			
Paid in capital		125,000,000	125,000,000
Statutory reserve	9	1,026,381	549,864
Voluntary reserve	9	689,496	689,496
Fair value reserve	5	15,313,275	9,833,834
Accumulated losses		(22,362,562)	(26,555,914)
Total Equity – Attributable to Shareholders		119,666,590	109,517,280
Minority interests	17	12,947,562	11,293,299
Total Equity		132,614,152	120,810,579
Non-Current Liabilities -			
Long-term loans	10	32,417,741	15,527,000
Long-term bonds	11	18,000,000	31,500,000
Deferred tax liabilities	19	1,021,678	351,159
		51,439,419	47,378,159
Current Liabilities -			
Current portion of long-term loans	10	6,715,654	7,188,864
Current portion of long-term bonds	11	13,500,000	13,500,000
Accounts payable		5,458,497	4,010,290
Other current liabilities	12	10,915,987	8,054,955
Due to banks	13	716,728	798,777
		37,306,866	33,552,886
Total Liabilities		88,746,285	80,931,045
Total Equity and Liabilities		221,360,437	201,741,624

The accompanying notes from 1 to 31 are an integral part of these consolidated financial statements.

ZARA INVESTMENT COMPANY
(HOLDING COMPANY)
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2007

(In Jordanian Dinars)

	Notes	2007 JD	2006 JD
Operating revenues		58,209,826	44,659,393
Operating expenses		(36,968,097)	(29,926,943)
Gross operating income	14	21,241,729	14,732,450
Less: General and administrative expenses	15	2,758,557	2,463,205
Change in fair value of trading investments		11,500	72,400
Impairment in available - for - sale investments		1,385,167	-
Add: Net profit from sale of Ayla apartments		-	449,423
Other income		1,184,796	1,809,967
Gain on sale of investment in a subsidiary	18	-	665,363
Profit from operations		18,271,301	15,121,598
Less: Net financing expenses	16	4,669,919	3,775,582
Depreciation		7,221,114	11,110,066
Other expenses		242,635	79,992
Profit before income tax		6,137,633	155,958
Income tax	19	(58,310)	(15,010)
Profit for the year		6,079,323	140,948
Attributable to:			
Shareholders		4,669,869	(462,449)
Minority interests	17	1,409,454	603,397
		6,079,323	140,948
(Earnings) Losses per share attributable to shareholders	20	(0.037)	(0.003)

The accompanying notes from 1 to 31 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, 2007

(In Jordanian Dinars)

	Shareholders' Equity							
		Reserves						
	Paid in Capital	Statutory	Voluntary	Fair Value Reserve	Accumu-lated Losses	Total	Minority Interests	Total Equity
	JD	JD	JD	JD	JD	JD	JD	JD
Balance at January 1, 2007	125,000,000	549,864	689,496	9,833,834	(26,555,914)	109,517,280	11,293,299	120,810,579
Change in fair value	-	-	-	5,479,441	-	5,479,441	-	5,479,441
Total revenues and expenses included in owners' equity	-	-	-	5,479,441	-	5,479,441	-	5,479,441
Profit for the year	-	-	-	-	4,669,869	4,669,869	1,409,454	6,079,323
Total revenues and expenses for the year	-	-	-	5,479,441	4,669,869	10,149,310	1,409,454	11,558,764
Transfers	-	476,517	-	-	(476,517)	-	-	-
Changes in minority interests	-	-	-	-	-	-	244,809	244,809
Balance at December 31, 2007	125,000,000	1,026,381	689,496	15,313,275	(22,362,562)	119,666,590	12,947,562	132,614,152
Balance at January 1, 2006	125,000,000	549,864	689,496	4,568,588	(26,093,465)	104,714,483	13,220,140	117,934,627
Change in fair value	-	-	-	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

The accompanying notes from 1 to 31 are an integral part of these consolidated financial statements.

ZARA INVESTMENT COMPANY
(HOLDING COMPANY)
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2007

(In Jordanian Dinars)

	Notes	2007	2006
		JD	JD
Operating Activities			
Profit before income tax and minority interests		6,137,633	155,958
Adjustments for			
Depreciation		7,221,114	11,110,066
Interest expense		4,669,919	3,775,582
(Gain) Loss on sale of property and equipment		(14,964)	91,894
Gain on sale of investment in a subsidiary	18	-	(665,363)
Unrealized loss from trading investments		11,500	72,400
Gain from insurance claims		-	(619,383)
Changes in working capital			
Increase in inventory		(259,045)	(155,674)
Increase in receivables and other current assets		(3,666,702)	(1,259,228)
Increase in payables and other current liabilities		4,294,762	3,090,434
Income tax paid		(231,978)	(38,377)
Net cash from operating activities		18,162,239	15,558,309
Investing Activities			
Available-for-sale investments		-	(10,293)
Advance payments on investments		(1,100,001)	(2,159,019)
Property and equipment and projects in progress		(15,061,031)	(21,264,319)
Proceeds from sale of investment in a subsidiary	18	-	1,154,706
Proceeds from insurance claims		-	1,216,687
Sale of property and equipment		56,098	122,359
Net cash used in investing activities		(16,104,934)	(20,939,879)
Financing Activities			
Repayment of loans and bonds		(21,459,084)	(5,398,645)
Loans		24,376,615	10,051,000
Minority interests		244,809	(2,530,242)
Interest paid		(4,396,805)	(3,888,293)
Net cash used in financing activities		(1,234,365)	(1,766,180)
Net increase (decrease) in cash on hand and at banks		822,840	(7,147,750)
Cash and cash equivalents, beginning of year	21	3,357,895	10,505,645
Cash and cash equivalents, end of year	21	4,180,735	3,357,895

The accompanying notes from 1 to 31 are an integral part of these consolidated financial statements.

Zara Investment Company
(HOLDING COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007

(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 April 29, 2008. The consolidated financial statements require shareholders approval.

(2) ACCOUNTING POLICIES

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 except that during the year, the Company adopted the following:

IAS 1 Presentation of Financial Statements
The amendments to IAS1 require the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital.

IFRS 7 Financial Instruments: Disclosures
The new standard requires additional disclosure of the significance of financial instruments to the Company's financial position and performance and information about exposure to risks arising from financial instruments.

IFRIC 8 Scope of IFRS 2
This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. The interpretation has no impact on the financial position or performance of the Company.

IFRIC 9 Reassessment of Embedded Derivates
IFRIC 9 states that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Company has no embedded derivative required separation from the host contract, the interpretation had no impact on the financial position of performance of the Company.

IFRIC 10 Interim Financial Reporting and Impairment
The Company adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of good will or an investment in either an equity instrument or a financial asset carried at cost. As the Company has no impairment losses previously reversed, the interpretation has no impact on the financial position or performance of the Company.

The adoption of the above standards only resulted in additional disclosures to the financial statements.

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:

2007 Cost	At 1 January 2007	Additions	Retirements	At 31 December 2007
	JD	JD	JD	JD
Land	33,329,465	100	-	33,329,565
Buildings	122,996,364	1,065,096	480	124,060,980
Electro-mechanical	41,071,207	1,200,063	4,050	42,267,220
Machinery and equipment	20,895,674	1,026,132	44,237	21,877,569
Furniture and fixtures	21,521,988	1,861,092	98,471	23,284,609
Computers	3,237,204	575,140	5,272	3,807,072
Vehicles	844,359	251,621	64,217	1,031,763
Other	2,199,445	243,470	-	2,442,915
Total	246,095,706	6,222,714	216,727	252,101,693
Accumulated Depreciation				
Buildings	18,165,714	2,788,770	480	20,954,004
Electro-mechanical	38,511,660	1,658,541	2,499	40,167,702
Machinery and equipment	18,271,587	1,120,913	18,276	19,374,224
Furniture and fixtures	18,951,406	1,225,552	98,470	20,178,488
Computers	2,592,480	270,627	5,272	2,857,835
Vehicles	590,835	97,738	51,406	637,167
Other	1,471,593	58,973	-	1,530,566
Total	98,555,275	7,221,114	176,403	105,599,986
Net Book Value				
At 31 December 2007	147,540,431			146,501,707

This item consists of the following:

2006 Cost	At 1 January 2006	Additions	Retirements	At 31 December 2006
	JD	JD	JD	JD
Land	28,392,829	5,572,845	636,209	33,329,465
Buildings	123,565,075	87,667	656,378	122,996,364
Electro-mechanical	41,010,639	335,086	274,518	41,071,207
Machinery and equipment	20,486,633	517,423	108,382	20,895,674
Furniture and fixtures	22,473,928	257,334	1,209,274	21,521,988
Computers	2,849,497	405,644	17,937	3,237,204
Vehicles	832,687	123,164	111,492	844,359
Other	2,148,800	53,701	3,056	2,199,445
Total	241,760,088	7,352,864	3,017,246	246,095,706
Accumulated Depreciation				
Buildings	15,603,849	2,766,508	204,643	18,165,714
Electro-mechanical	34,669,812	4,010,965	169,117	38,511,660
Machinery and equipment	16,231,596	2,143,232	103,241	18,271,587
Furniture and fixtures	18,303,230	1,848,045	1,199,869	18,951,406
Computers	2,417,338	193,079	17,937	2,592,480
Vehicles	587,100	78,262	74,527	590,835
Other	1,404,132	69,975	2,514	1,471,593
Total	89,217,057	11,110,066	1,771,848	98,555,275
Net Book Value				
At 31 December 2006	152,543,031			147,540,431

(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.

Company Name	Amount
Jordan Hotels and Tourism Co.	5,700,628
Jordan Himmeh Mineral Co.	349,483
Nabatean Hotels Co.	213,025
Levant Hotels and Tourism Co.	15,715
Amman Tourism Investment Co.	4,194,320
Oasis Hotels Co.	525,704
National Hotels and Tourism Co.	6,410,742
Red Sea Hotels Co.	17,056
South Coast Hotels Co.	527,728
Zara South Coast Development Co.	10,061,268
Zara Investment Co.	89,286
	28,104,955

The estimated cost to complete the above projects amounts to approximately JD 26 million.

(5) AVAILABLE FOR SALE INVESTMENTS

	2007	2006
	JD	JD
Quoted shares - Local		
Jordan Express Tourist Transport Co.	815,754	637,308
Jordan Projects Tourism Development Co.	18,608,288	13,743,627
	19,424,042	14,380,935
Unquoted shares - Local		
Jordan Hotels and Tourism Education	180,000	180,000
United Saudi Jordanian Hotels and Tourism Co.	3,000,000	3,000,000
Ayla Hotels and Tourism Co.	800,000	800,000
Dead Sea Conferences and Exhibitions Co.	354,000	354,000
	4,334,000	4,334,000
Unquoted shares - Foreign		
Jerusalem Tourism Investment Co.	2,386	2,386
Palestine Touristic Investment Co.	25,520	158,920
	27,906	161,306
	23,785,948	18,876,241

Investments in unquoted shares are carried at cost as fair values cannot be reliably determined. In management's opinion, the costs of these investments are not materially different from their fair values.

Movement in the cumulative change in fair value is as follows:

	2007	2006
	JD	JD
Balance, beginning of the year	9,833,834	4,568,588
Change in fair value	6,864,608	5,265,246
Impairment losses charged to the Income Statement	(1,385,167)	-
	15,313,275	9,833,834

(6) RECEIVABLES

	2007	2006
	JD	JD
Accounts receivable	7,734,895	5,210,959
Less: allowance for doubtful accounts	563,265	553,182
	7,171,630	4,657,777

As at 31 December 2007, account receivable at nominal value of JD 563,265 (2006: JD 553,182) were impaired.

Movement in the allowance for doubtful accounts is as follows:

	2007	2006
	JD	JD
Balance, beginning of the year	553,182	507,459
Charge for the year	10,083	45,723
Balance, end of the year	563,265	553,182

As at 31 December 2007, the ageing of unimpaired accounts receivables is as follows:

			Past due but not impaired			
	Total	1-30 days	31-90 days	91-120 days	121-365 days	>365 days
	JD	JD	JD	JD	JD	JD
2007	7,171,630	2,722,087	2,190,204	596,627	995,210	667,502
2006	4,657,777	2,197,535	1,249,238	284,255	349,309	577,440

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured.

(7) OTHER CURRENT ASSETS

	2007	2006
	JD	JD
Refundable deposits	620,964	621,653
Advance payments	1,459,464	802,074
Prepaid expenses	1,411,104	859,569
Advance payments on purchases of land	1,164,882	1,164,882
Others	352,759	408,146
	5,009,173	3,856,324

(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 before taxation is to be transferred to statutory reserve. 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:

		2007		2006	
		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.	JOD	1,459,369	896,314	900,000	918,381
Arab Bank– Jordan Hotels and Tourism Co.	USD	1,014,285	1,521,427	1,014,284	2,535,706
Arab Bank– Amman Tourism Investment Co.	JOD	-	15,200,000	1,779,913	1,779,913
Arab Bank – Zara Investment Holding Co. (1)	USD	2,242,000	-	1,494,667	2,242,000
Arab Bank – Zara Investment Holding Co. (2)	JOD	-	14,800,000	-	8,051,000
Cairo Amman Bank– Zara Investment Holding Co.	JOD	2,000,000	-	2,000,000	-
		6,715,654	32,417,741	7,188,864	15,527,000

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

On June 11, 2001 a JD 1,500,000 overdraft facility was granted to be renewable annually. During 2002, 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. During 2007 the annual interest was raised to 8.75%.

On March 29, 2005 a JD 4,500,000 loan was granted. 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. During 2007, the annual interest was raised to 8.75%.

Arab Bank - Jordan Hotels and Tourism Company

A loan of US $ 8,571,420 was granted 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 equal semi-annual installments of US$ 714,285 each 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 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 was 8 years including a 5-year grace period. The loan was 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 was 9.5%. The loan was rescheduled during 2001 and 2003 such that the first installment was due on January 14, 2005 at an annual interest rate of 7.25%. During 2004 Amman Tourism Investment Company settled 50% of the loan using its share of the bond proceeds (Note 11), and transferred the remaining balance of the loan to US Dollars at an annual interest rate of LIBOR plus 1.5%.

On December 11, 2007 the loan currency was transferred from US Dollars to Jordanian Dinars and increased by JD 13,400,000 to a ceiling of JD 15,200,000. The loan period is 11 years including a 2-year grace period with the same collaterals mentioned above. The loan is repayable in 10 equal annual installments of JD 1,520,000 each commencing on January 1, 2010. The floating interest is due every six months according to the Arab Bank lending rate plus 0.25% annual margin.

Arab Bank – Zara Investment Holding Company (1)

On March 26, 2003 a two tranche syndicated loan managed by the Arab Bank amounting to JD 15,500,000 and US Dollars 9,500,000 was granted to finance the Company's projects at an annual interest rate of 6.583% on the JD tranche and at 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 in full the Jordanian Dinar tranche of the loan using the bonds proceeds (Note 11).

Arab Bank – Zara Investment Holding Company (2)

On October 22, 2006 a loan amounting to JD 14,800,000 was granted to finance the Company's current projects with a first degree mortgage on the land of Movenpick Aqaba. The loan was repayable in 4 equal semi-annual installments at an annual interest rate of 8.5% commencing after an 18-month grace period. On November 21, 2007 the loan period was extended to 11 years including a 2-year grace period. The loan is repayable in 10 equal annual installments of JD 1,480,000 each commencing on January 1, 2010. The floating interest is due every six months according to the Arab Bank lending rate plus 0.25% annual margin.

Arab Bank – Zara Investment Holding Company (3)

On December 4, 2007 a syndicated loan managed by the Arab Bank amounting to JD 30,000,000 was granted to repay the second and the third installments of Zara bonds that are due in December 12, 2008 and December 12, 2009 with disbursements amounting to JD 13,500,000 and JD 16,500,000 respectively (Note 11). The loan is repayable in nine annual installments of JD 3,300,000 each except the last installment of JD 3,600,000. Repayment commences 36 months from the date of signing the agreement and ends 132 months therefrom. The floating interest is due every six months according to the lending rate of the participating banks plus 0.25% annual margin.

Cairo Amman Bank - Zara Investment Holding Company
On October 17, 2006 a loan amounting to JD 2,000,000 was granted to finance the Company's current projects at an annual interest rate of 8%. The loan was repayable in one installment on October 17, 2007. On maturity date the loan was rescheduled to October 17, 2008 at an annual interest rate of 8.5%.

Terms and conditions of the loans contain requirements in respect of the financial ratios related to the financial statements of the borrowing companies. The agreements provide for calling the entire loan balance in case the borrowing companies do not comply with such requirements.

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

Year	JD
2008	6,715,654
2009	1,910,605
2010	3,507,136
2011	3,000,000
2012	3,000,000
2013	3,000,000
2014 – 2019	18,000,000

(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. 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. The Company has the right to call the bonds, wholly or partially, at any interest due date 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 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. 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, 2006.

Terms and conditions of Zara bonds contain requirements in respect of the financial ratios related to the Company's consolidated financial statements. The agreement provides for calling the entire bonds balance in case the Company does not comply with such requirements.

The aggregate amounts and maturities of Zara bonds are as follows:

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

(12) OTHER CURRENT LIABILITIES

	2007	2006
	JD	JD
Advances on increase in a subsidiary's capital	1,625,000	750,000
Accrued interest	485,769	432,719
Contractors payable	2,263,323	1,395,984
Contractors retentions	846,138	343,589
Income tax payable	60,520	297,157
Accrued expenses	2,240,651	2,457,623
Other provisions	1,064,721	988,623
Deposits	649,571	449,622
Accrued management fees	723,682	39,298
Others	956,612	900,340
	10,915,987	8,054,955

(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) SEGMENT INFORMATION

2007	* Hotels Segment	Other Segments	Total
	JD	JD	JD
Operating revenues	56,897,412	1,312,414	58,209,826
Operating expenses	(36,210,371)	(757,726)	(36,968,097)
Gross operating income	20,687,041	554,688	21,241,729
Other information			
Segment assets	193,389,409	27,971,028	221,360,437
Segment liabilities	66,191,243	22,555,042	88,746,285
Depreciation	7,186,040	35,074	7,221,114
Interest income	74,770	3,053	77,823
Interest expense	3,439,651	1,308,091	4,747,742

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)
Gross operating income	14,332,087	400,363	14,732,450
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
Interest income	73,322	49,069	122,391
Interest expense	3,660,815	237,158	3,897,973

* Hotels' gross 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
2007	JD	JD	JD	JD	JD	JD	JD	JD
Operating revenues	15,497,624	15,089,149	13,109,948	4,835,143	7,812,350	553,198	-	56,897,412
Operating expenses	(10,300,623)	(9,263,343)	(8,314,222)	(2,818,668)	(5,110,297)	(403,218)	-	(36,210,371)
Gross operating income	5,197,001	5,825,806	4,795,726	2,016,475	2,702,053	149,980	-	20,687,041

* Hotels' gross 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	26,237	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)
Gross operating income	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 and only to operate during peak seasons at Petra. The net assets of Nabatean Hotels Co. amounted to JD 536,054 and JD 1,099,235 as of December 31, 2007 and December 31, 2006 respectively. During the last quarter of 2007 the Company decided to carry on operating all the Hotel's outlets through out the year.

*** On August 8, 2006 the board resolved to hault the resort's operations and demolish all its facilities in order to start initiating work and development of the project.

(15) GENERAL AND ADMINISTRATIVE EXPENSES

	2007 JD	2006 JD
Salaries and wages	597,923	528,542
Directors' remuneration	76,790	62,986
Bonuses	6,380	3,415
Donations	24,196	55,545
Governmental expenses	176,969	20,653
Hospitality	8,877	8,248
Insurance	546,913	567,880
Bank charges	103,401	84,247
Legal fees	42,531	21,687
Maintenance expenses	30,924	34,249
Professional fees	40,132	42,386
Property tax	162,771	176,237
Postage and telephone expenses	31,742	36,306
Rent	277,812	269,789
Subscriptions	28,686	33,189
Withholding tax	18,255	11,186
Travel expenses	13,244	8,016
Advertising and marketing expense	30,260	34,346
Provision for doubtful accounts	10,083	45,723
Others	530,668	418,575
	2,758,557	2,463,205

(16) NET FINANCING EXPENSES

	2007 JD	2006 JD
Interest expense	(4,747,742)	(3,897,973)
Interest income	77,823	122,391
	(4,669,919)	(3,775,582)

(17) MINORITY INTERESTS

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

(18) SALE OF INVESTMENT IN SUBSIDIARIES

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

Deferred tax liabilities

Deferred tax liabilities include an amount of JD 1,021,678 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:

	2007 JD
Beginning balance	351,159
Added during the year	670,519
Ending balance	1,021,678

Income tax provision

No income tax provision was calculated for the Company and some of its subsidiaries for 2007 due to the excess of expenses over taxable revenues, or 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 Department has not reviewed the Company's records for the year 2006 up to the date of the consolidated financial statements.

The company had obtained a final clearance from Income Tax Department for all years up to 31 December 2005.

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 EARNINGS (LOSSES) PER SHARE

	2007	2006
	JD	JD
Profit (loss) attributable to shareholders (JD)	4,669,869	(462,449)
Weighted average number of shares (Share)	125,000,000	125,000,000
Earnings (losses) per share	0.037	(.003)

The basic and fully diluted earnings (losses) 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:

	2007	2006
	JD	JD
Cash on hand and at banks	4,897,463	4,156,672
Overdrafts	(716,728)	(798,777)
	4,180,735	3,357,895

(22) CONTINGENCIES AND COMMITMENTS

As of the date of the consolidated financial statements the Company had outstanding bank guarantees and letters of credit of JD 324,671 and JD 184,324 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 94,851 as of December 31, 2007. The Company and its legal advisor believe that the Company's position holds strong against these lawsuits.

A lawsuit was filed in the United States of America on 7 November 2007 against Zara Holding Company, Amman Tourism Investment Company and nine other parties. The lawsuit alleges negligence with respect to the terrorist attack that took place at the Grand Hyatt Amman Hotel on 9 November 2005.

(24) TERRORIST ATTACKS ON GRAND HYATT AMMAN HOTEL

As a result of the terrorist attack at 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.

(25) RELATED PARTY TRANSACTIONS

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

	2007	2006
	JD	JD
Advances received on sale of Ayla apartments	-	976,179

Compensation of key management personnel amounted to JD 135,591 and JD 129,876 for the years ended December 31, 2007 and 2006 respectively.

(26) LIST OF SUBSIDIARIES CONSOLIDATED

Following are the subsidiaries consolidated which are incorporated in Jordan:

	Paid in Capital		Ownership
	JD	Principal Activities	%
Amman Tourism Investment Co.	16,500,000	Grand Hyatt Amman / Hyatt Tower and Zara Center	100
Red Sea Hotels Co.	17,000,000	Aqaba Mövenpick Hotel	100
National Hotels and Tourism Co.	15,000,000	Dead Sea Mövenpick Hotel	100
Jordan Hotels and Tourism Co.	10,000,000	Hotel Inter-Continental Jordan	51.6
Levant Hotels and Tourism Co.	500,000	Petra Mövenpick Hotel	100
South Coast Real Estate Development Co.	4,250,000	Real Estate Development - Aqaba	82
South Coast Hotels Co.	3,500,000	Tourism Project - Aqaba	82
Nabatean Hotels Co.	1,500,000	Nabatean Castle Hotel	100
Zara South Coast Development Co.	3,000,000	Tourism Project - Aqaba	75
Rum Hotels and Tourism Co.	500,000	Tourism Project - Wadi Mousa	75
Jordan Himmeh Mineral Co.	500,000	Himmeh Resort	55.7
Oasis Hotels Co.	400,000	Tourism Project - Dead Sea	75
Jordan Hotel Supplies Trading Co.	300,000	Gift Shops	100
Zara Agricultural Co.	50,000	Plants	52

(27) RISK MANAGEMENT

Interest rate risk

The Company is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, overdrafts, and loans).

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates as of December 31, 2007, with all other variables held constant.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the Company's profit for one year, based on the financial assets and liabilities held at 31 December 2007 bearing floating interest rate.

2007	Increase in basis points	Effect on Profit for the year
		JD
JD	75	(218,907)
USD	75	(35,833)
	Decrease in basis points	Effect on Profit for the year
		JD
JD	50	145,938
USD	50	23,889

2006	Increase in basis points	Effect on Profit for the year
		JD
JD	75	(90,534)
USD	75	(54,650)
	Decrease in basis points	Effect on Profit for the year
		JD
JD	50	60,356
USD	50	36,333

Equity price risk

The following table demonstrates the sensitivity of the income statement and the cumulative change in fair value to reasonably possible changes in equity prices, with all other variables held constant.

	2007			2006		
	Change in equity price	Effect on profit of the year	Effect on equity	Change in equity price	Effect on profit of the year	Effect on Equity
	%	JD	JD	%	JD	JD
Amman Stock Exchange	10	7,250	1,942,404	10	6,720	1,438,094

The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its bank balances, receivables and certain other assets as reflected in the balance sheet.

The Company seeks to limit its credit risk with respect to banks by dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Company provides services to large number of customers. No single customer accounts for more than 10% of outstanding accounts receivable at 31 December 2007.

Liquidity risk

The Company limits its liquidity risk by ensuring bank facilities are available.
The table below summarises the maturities of the Company's undiscounted financial liabilities based on contractual payment dates.

Year ended 31 December 2007	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Bank overdraft	-	716,728	-	-	716,728
Accounts payables	4,584,593	3,860,910	846,138	-	9,291,641
Term loan	1,157,445	24,153,332	38,246,678	30,283,600	93,841,055
Total	5,742,038	28,730,970	39,092,816	30,283,600	103,849,424

Year ended 31 December 2006	Less than 3 months	3 to 12 months	> 5 years	1 to 5 years	Total
Bank overdraft	-	798,777	-	-	798,777
Accounts payables	1,926,803	1,966,101	343,589	-	4,236,493
Term loan	2,663,061	19,674,688	52,289,754	-	74,627,503
Total	4,589,864	22,439,566	52,633,343	-	79,662,773

Currency risk

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

The Jordanian Dinar exchange rate is fixed against US Dollars (US$ 1.41 for JD 1). Therefore the impact of currency risk is immaterial on the consolidated financial statements.

(28) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivatives.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of bank overdrafts, term loans, and payables. Derivatives consist of foreign exchange contracts.

The fair values of financial instruments, with the exception of certain available-for-sale investments carried at cost, are not materially different from their carrying values.

(29) CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006. Capital comprises share capital, statutory reserve, voluntary reserve and accumulated losses, and is measured at JD 104,353,315 as at 31 December 2007 (2006: JD 99,683,446).

(30) NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

IFRS 8 Operating Segments

IFRS 8 Operating Segments was issued by the IASB in November 2006, becoming effective for periods commencing on or after 1 January 2009. The new standard requires changes to the disclosure of operating segments.

Amendments to IAS 23: Borrowing Costs

IFRIC Interpretation 11: IFRS 2 – Group and Treasury Share Transactions

IFRIC Interpretation 12: Service Concession Arrangements

IFRIC Interpretation 13: Customer Loyalty Programs

Management does not expect these standards and interpretations to have a significant impact on the Company's financial statements when implemented.

(31) COMPARATIVE AMOUNTS

Some of 2006 balances were reclassified to correspond to 2007 presentation with no effect on equity and profit.

Board Declarations

1. The Board of Directors confirms that it knows of no existing substantial matters that may affect the Company's continuity in the next fiscal year.
2. The Board of Directors assumes full responsibility for the preparation of the consolidated financial statement and for ensuring that an effective control system is in place.
3. The Chairman, General Manager, and Financial Controller assume responsibility for the entirety, accuracy, and completeness of the information and data presented in the Report.

Chairman	General Manager	Financial Controller
Sabih Taher Darwish Masri	Saleh Mahmoud Abdul Baqi Rifai	Haitham "Mohamma Nazih" Nureddin Hanbali

Recommendations for the General Assembly

The Board of Directors recommends the following:

1. Recitation of the minutes of the 13th annual General Assembly and its approval.
2. Recitation of the auditors report for the fiscal year ending 31/12/2007.
3. Recitation and discussion of the Board of Directors report for the year ending 31/12/2007 and approval.
4. Discussion of the Company's consolidated financial statement as of 31/12/2007 and approval.
5. Election of the Company's auditors for the year ending 31/12/2007 and determining their fees.
6. Election of a new Board of Directors for the Company.
7. Any other matters the General Assembly may propose for discussion.

Finally, the Board of Directors would like to reiterate its thanks and appreciation for your support of the Company's goals, wishing you, the Company and its employees prosperity and success.

Board of Director